

# CHAPTER 1

## INFORMATION REGARDING THE COMPILATION OF THE ANNUAL REPORT

### 1.1 General Information

This Annual Report contains all the general and financial information necessary for the correct evaluation by investors and their advisors of the assets, the financial position and performance as well as the prospects of Notos Com Holdings S.A. (hereinafter Notos Com or Company).

Investors wishing to obtain further information may contact Company headquarters located in Kifissia, 6 Menexedon Str., Athens, Greece, (Ms A. Ventura tel. +302108007300).

The compilation and distribution of this Annual Report are in accordance to stipulations of relevant legislation.

Responsible for the compilation and the accuracy of the information contained herein are:

Mr George Papazoglou, Managing Director

Mr Constantinos Paschos, CFO

Dr George Katsaros, Treasurer and Investor Relations Director

All three can be contacted at Company Headquarters.

Notos Com Board of Directors declares that all its Members have read and are in agreement with the contents of this Annual Report and (together with the those who compiled it) declare after due consideration that

- All information contained herein is complete and accurate
- There are no other elements or events the concealment and/or omission of which could render all or part of the information misleading

### 1.2 Auditors

The Financial Statements for the year 2006 were audited by the certified charter accountant Mr Telemachos Georgopoulos of Deloitte – Hatzipavlou, Sofianos & Kabanis, address 250–254 Kifisias Avenue, 152 31, Halandri .

The Audit Report is available on the Company website [www.notoscom.gr](http://www.notoscom.gr) / Financial Data

### 1.3 Tax Audit

The Company has been tax audited up to and including FY 2004, and according to the tax audit report, all information was judged accurate, honest and final. During the tax audit which took place in 2006 for FYs 2003 and 2004, the following accounting differences were noted for which additional taxes of €1,989 thousand were paid.

The total amount was paid on 05.06.2007.

Furthermore, the unaudited FYs of companies included in the consolidated statements at 31.12.2006 are as follows:

COMPANY	UNAUDITED FINANCIAL YEARS
NOTOS OFFICE SUPPLIES S.A.	2003-2006
PALLIS OFFICE SUPPLIES S.A.	2006
NOTOS CYPRUS Ltd	1998-2006
NOTOS INTERNATIONAL Ltd	1998-2006
DARNEKS S.A.	2005-2006
NOTOS BULGARIA Ltd	2000-2006
NOTOS POLSKA Sp zoo	2000-2006
NOTOS COM CZ sro	2002-2006
NOTOS SLOVAKIA sro	2000-2006
NOTOS ROMANIA srl	2003-2006
NOTOS HUNGARY Kft	2002-2006
NOTOS TEXTILHANDEL GmbH	2003-2006
NOTOS SKOPJE doo	2005-2006
NOTOS COM doo (Croatia)	2003-2006
NOTOS COM doo (Slovenia)	2003-2006
NOTOS MALTA Ltd	-
BELA E.Π.E.	2005-2006
COTY PRESTIGE HELLAS A.E.	2001-2006
YSL BEAUTE A.E.B.E.	2005-2006
APIVITA A.E.	2004-2006

For companies not registered in Greece, Tax Audits are not subject to the procedures stipulated by Greek legislature.

### 1.4 Pending Litigations

There are no pending litigations that could cause essential adverse effects on the Company financial position.

## 1.5 Public Offerings

During the last and current FYs, two public offers were made for the acquisition of the total common shares of the company. The 1<sup>st</sup>, with an acceptance period from 13/11/2006 to 11/12/2006, was submitted by the company Tramoundana Holdings SA, at a price of € 3.54 per share. On 14/06/2007, the acquiring company had 31,002,034 shares of Notos Com, i.e. 43.61%.

The 2<sup>nd</sup> public offer, with an acceptance period from 14/05/2007 to 11/06/2007, was submitted by the company Tramoundana II Holdings SA, at a price of € 3.80 per share. On 14/06/2007, the acquiring company had 3,229,479 shares of Notos Com, i.e. 4.54%, which will reach 3,536,454 when the number of shares resulting from acceptance of the public offer are transferred.

Both acquiring companies' shares are held by Notos Com major shareholders, i.e. George Papazoglou, Christos Papaellinas, Michael Papaellinas, Barbara Vernikos and Alexis Stratos. Together with the two acquiring companies and the Lambropoulos Foundation (donation by Themistoklis Lambropoulos), the mentioned shareholders act in co-ordination with the stated intention to de-list the shares of Notos Com Holdings SA from the Athens Stock Exchange.

## CHAPTER 2

### INFORMATION ABOUT NOTOS COM HOLDINGS SA

#### 2.1 General Information

Notos Com was established in July 1984, originally under the name YSELINA SA and commenced operations in the wholesale area, through the representation and distribution of cosmetics in Greece.

In 1993, the Company was renamed Papaellinas Group of Companies SA and in 2000 to Notos Com Holdings SA.

On March 28, 2001, the Board of Directors decided the merger by absorption of the companies Papaellinas Cosmetics SA, Sportsman SA, Endisi SA, Lambropoulos Bros SA, Papaellinas Consumer Goods SA, Papaellinas Holdings SA, Atalanti SA and Atalanta SA, in accordance to articles 69–77 of Law 2190/1920 and articles 1–5 of Law 2166/1993. The merger was finalized in November 2001.

The Company official residence is in the prefecture of Kifissia, 6 Menexedon Str., Athens, Greece, tel no +302108007300 and is registered in the Registry of Societe Anonymes under serial number 5219/06/B/86/21.

Its duration according to the Articles of Association is 80 years, its share capital is 35,541,867 euro, divided into 71,083,734 registered shares whose nominal value is 50 eurocents each.

A detailed description of the Company's purpose is available in website [www.notoscom.gr](http://www.notoscom.gr).

#### 2.2 Important events in 2006

On 29.12.2005, the Board of Directors of the Athens Stock Exchange approved the floating of the additional 2,300,000 shares registered as a result of an increase in share capital. On 20.01.2006 the shares started trading. In February the Company undertook the exclusive representation of Versace cosmetics, while on 02.03.06 the contract for the long term lease of the building known as the Hirs Arcade in Thessaloniki was signed. On 17.02.06, an agreement was signed with the company: Public World for a sub-lease of 3,000 sq.m of the same building. In the sub-leased space, said company will operate a shop belonging to the retail chain known as PUBLIC that trades books, hi-tech equipment and cds. In that same month, Notos Com participated in the IPO of GANT AB shares on the Stockholm Stock Exchange, registering 330.000 shares which represent 2.06% of GANT AB share capital, against a price of approximately 4.94 mln. In October, 49.99% of the shares of Pallis Stores SA were acquired

rendering the company a 100% subsidiary. All stores of the acquired company were gradually shut down and by the first quarter of 2007 its trading activities were discontinued. In addition, the 33.73% share in APIVITA SA was sold. In December, a new Notos Galleries Department Store opened in Larissa, while another one opened in Kalamata at the beginning of 2007. On 29.12.06, the Board of Directors of Notos Com and Tramoundana Holdings SA approved the merger by absorption of the former by the latter. Finally, an additional 20 new retail outlets (boutiques) opened outside Greece.

Further analytical details of the history of Notos Com is available in the website [www.notoscom.gr/Investor Relations/Brief Presentation /Group Milestones](http://www.notoscom.gr/Investor Relations/Brief Presentation /Group Milestones)

## 2.3 Description of Company and Group Operations

Notos Com Holdings is one of the largest Greek trading companies, with activities in the following 4 basic sectors: Department stores, Cosmetics / Personal Care and Hygiene, Wholesale and Retail of Apparel and Footwear. The main objective of operations is to obtain the exclusive representation of consumer goods with the following primary characteristics:

- Strong International Brand Names
- High Profit Margins
- Large Market Penetration

and their distribution through multiple channels, i.e. through wholesale and retail networks both in Greece and abroad and through Company-owned and operated department stores.

There follows a description of the various activities and operations. All representation contracts can be found in the Notos Com website under Investor Relations/Other Information.

### 2.3.1 Cosmetics, Personal Care and Hygiene Products

#### ***Brand Portfolio of Selective Distribution***

Notos Com exclusively represents and selectively distributes the following cosmetics brands

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CLARINS	SISLEY	REVLON	CHANEL
GIVENCHY	JEAN GATINEAU	AZZARO	ELIZABETH TAYLOR
GUERLAIN	J.P.GAULTIER	ALES. DEL' AQUA	MAX FACTOR
BVLGARI	THIERRY MUGLER	VERSACE	PARFUMS DE PARIS
VAN CLEEF & ARPELS	CHANTAL TOMASS	MOSCHINO	KENZO
RENE LEZARD	HYPER	REPORTER	TED LAPIDUS
ELIZABETH ARDEN	ISSEY MIYAKE	GRES	MAURER&WIRTZ
L' OCCITANE	LOEWE	CHEVIGNON	SCHIAPARELLI
HERMES	NARCISO RODRIGUEZ	JOLEN	
BRITNEY SPEARS	GANT	HENRY COTTONS	
FACONNABLE	JACQUES BOGART		

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In addition, the Company participates with a 49% share in two Joint Ventures with the GUCCI Group SA and COTY BV, (management is exercised by NOTOS COM) for the representation distribution of the following selectively distributed brands:

<b>Joint Ventures</b>	
<b>YSL BEAUTE HELLAS A.E.B.E.</b>	<b>COTY PRESTIGE HELLAS A.E.</b>
YVES SAINT LAURENT	LANCASTER
STENDHAL	CHOPARD
BOUCHERON	DAVIDOFF
OSCAR DE LA RENTA	JIL SANDER
ROGER & GALLET	JOOP !
ERMENEGILDO ZEGNA	NIKOS
ALEXANDER Mc QUEEN	JENNIFER LOPEZ
STELLA Mc CARTNEY	MARC JACOBS
BALECIAGA	VERA WANG
JEANNE PIAUBERT	CERRUTI
	CALVIN KLEIN
	LAGERFELD

The largest part of turnover for the selective distribution of Cosmetics (around 63%) is generated in the greater Athens area, and the remainder throughout the country. Selective distribution cosmetics are sold out of 400 carefully selected cosmetics stores and department stores throughout Greece.

#### ***Portfolio of Mass Distribution Cosmetics***

In the personal care and hygiene sector, the company represents the following brands: KOLYNOS (toothpaste, creams and shaving creams), HAWAIIAN TROPIC (sun tan lotions), JORDAN (household gloves), CHARLIE (perfumes), FLEX (shampoos and hair creams), BEST FRIENDS (child shampoos and bubble baths) and FABER CASTLE (writing material).

The products are sold through various channels: supermarkets, pharmacies, bookstores, gift shops, tourist shops, kiosks, travel shops and cosmetics shops.

### **2.3.2 Wholesale of Apparel and Footwear**

Notos Com exclusively represents and wholesales some of the strongest international brand names in apparel:

LACOSTE	NEWMAN	GANT	GERARD DAREL
POLO JEANS	POLO RALPH LAUREN	MAX MARA Weekend	MURPHY & NYE
THE BOSTONIANS	TRUSSARDI JEANS	TRU- TRUSSARDI	HENRY COTTON'S
KOOKAI	CERRUTI 1881	MARINA YACHTING	SPERRY
KEDS	FCUK	PERSONA	

The Company has established an extensive network, which includes around 948 approved shop-owners, 202 corners, 42 monobrand stores and 4 stock shops.

### 2.3.3 Retail of Apparel and Footwear

The brands represented are sold through Company-operated exclusive monobrand and multibrand stores. All of the brands are sold through the Company's department stores.

Notos Com operates 59 such stores (boutiques), 47 of which are located in the Athens area, 6 in Thessaloniki, 3 in Patras, 2 on the island of Mykonos and 1 in Larissa. The number of stores per brand is as follows:

Brand	Number of Stores
LACOSTE	13
SPRINGFIELD	7
GANT (men-women, boys)	8
MULTIBRAND	5
MAX MARA	4
MARINA RINALDI	4
KEDS-SWATCH	3
POLO RALPH LAUREN	3
THE BOSTONIANS	3
L' OCCITANE	4
TRUSSARDI	1
KOOKAI	1
ALAIN MANOUKIAN	1
NEWMAN	1
HENRY COTTONS	1
POLO JEANS	1
<b>Total</b>	<b>59</b>

Detailed information regarding the retail store network (address, date of opening) can be found in the website.

### 2.3.4 Department Stores

Notos Com owns and operates 3 traditional type department stores under the name Notos Galleries Lambropoulos located in Athens, Piraeus (the port of Athens) and Thessaloniki, all three covering a total area of 20.7 thd sq.m. The products sold out of these stores fall under the following broad categories:

- Womenswear, menswear and childrenswear
- Athletic wear
- Travel gear
- Office equipment
- Men's and Women's underwear
- Cosmetics
- Men's and Women's Accessories
- Watches
- Casual youth wear
- Toys
- Seasonal items

The Company first introduced the “shop-in-shop” concept in Greece in 1992 and is today considered the leader since it provides an extensive range of some of the best known international and domestic brands through its stores.

The department store for home products operates since December 2003 under the name Notos Galleries Home. It is located in the centre of Athens, on the Town Hall Square. It also operates under the “shop-in-shop” concept, housing over 100 suppliers with around 250 branded home products.

### 2.3.5 International Activities

Notos Com has been active outside Greece since 1973, through subsidiaries in the apparel and cosmetics (only in Bulgaria) sectors. In all countries it holds the exclusive representation of international brands whose representation it also has in Greece. Today, the foreign network includes 70 stores, of which 4 are cosmetics stores in Bulgaria and the rest are exclusive monobrand apparel and footwear stores.

Apart from the retail activity, wholesale is also effected in some of these.

The number of stores per country is as follows in the table. (details of the foreign operations are included in the Notos Com website)

Country	Number of Stores
CYPRUS	13
CZECH REPUBLIC	10
TURKEY	10
CROATIA	9
POLAND	7
BULGARIA	6
AUSTRIA	6
ROMANIA	4
HUNGARY	2
SLOVAKIA	2
FYROM	1
<b>TOTAL</b>	<b>70</b>

### 2.3.6 Stationery

Notos Com is also involved in the stationery business through the exclusive representation of the products of Faber Castell. Moreover, the company is involved in business-to-business stationery operation through its subsidiary Pallis Office Supplies SA. Details of the stationery business can be found in the Notos Com website.

## BREAKDOWN OF CONTRIBUTION TO TURNOVER BY SECTOR

The following table depicts the contribution each sector has to consolidated turnover.

	<b>2005</b>	<b>2006</b>
<b>DEPARTMENT STORES</b>	109,70	120,92
<b>COSMETICS</b>	68,13	65,41
<b>WHOLESALE APPAREL</b>	80,53	93,80
<b>RETAIL APPAREL</b>	28,96	32,90
<b>INTERNATIONAL ACTIVITIES</b>	14,59	21,46
<b>STATIONERY</b>	6,15	6,44
<b>INTER-COMPANY SALES</b>	-31,17	-45,93
<b>Total</b>	<b>276,89</b>	<b>295,00</b>

## 2.4 Personnel

On December 31 2006 the company employed 1.814 people, while the Group 2.198 people.

The distribution of personnel by sector of employment (data as of 31 December 2006), is

Sales Men	45.7%
Beauticians	32.3%
Administration & Management	14.6%
Warehouse and other	7.4%

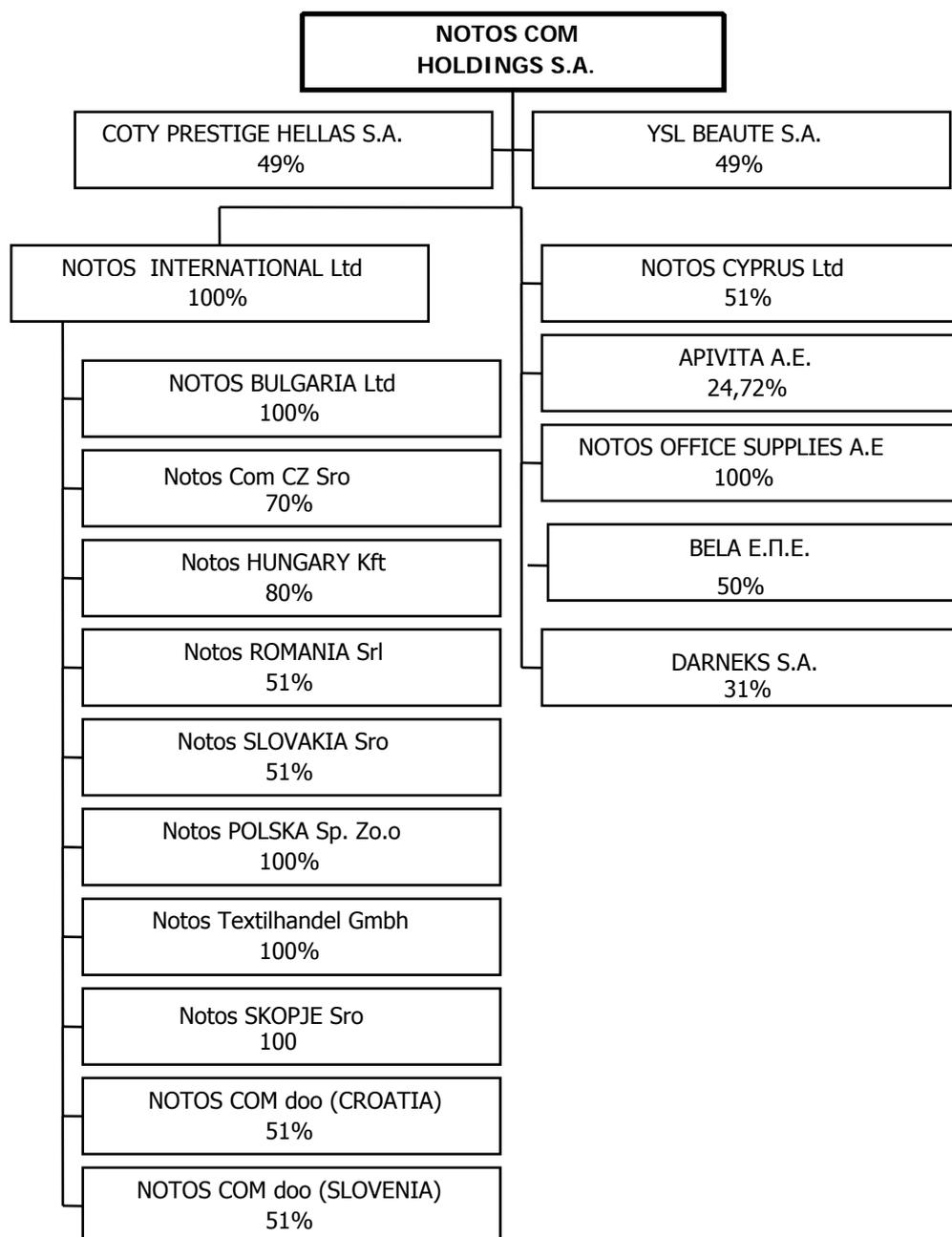
## 2.5 Management

The Board of Directors of NOTOS COM, as at the Annual general Meeting of shareholders on May 26, 2004 was elected as follows

Chairman	Christos Papaellinas
Vice President	Alexandros Stratos
Chief Executive Officer	George Papazoglou
Vice CEO	Michael Papaellinas
Member	Aristidis Gounaras
Member	Barbara Vernikou
Non Executive Member	Nicholaos Kaloyannis
Non Executive Member	Demetrios Frangetis
Non Executive Member	Gerasimos Vasilatos

## 2.6 Subsidiaries and Affiliates

The following chart shows the participation of Notos Com in subsidiaries and affiliates



Extensive information on the share structure, the location, the operations and financial data on all these companies as well as inter-company sales, can be found on the Notos Com website.

## CHAPTER 3

### INFORMATION ABOUT SHAREHOLDER STRUCTURE AND COMPANY SHARES

#### 3.1 Share Capital

The following table depicts the evolution of the Company's share capital from its establishment:

General Meeting Date	Government Gazette No	Amount of share capital increase	Price	With Cash	With capitalization of retained earnings	With share contribution	Share Capital after the increase	Total Shares	Share Nominal Value
ΙΔΡΥΣΗ	2509/1984	30,000,000	10,000 Drx	30,000,000 Drx	-	-	30,000,000 Drx	3,000	10,000 Drx
21.10.1986	447/1990	60,000,000	10,000 Drx	60,000,000 Drx	-	-	90,000,000 Drx	9,000	10,000 Drx
29.11.1994	7077/1994	1,510,000,000	10,000 Drx	8,437,810 Drx	-	1.501.562.190 Drx	1,600,000,000 Drx	160,000	10,000 Drx
17.05.1996	2443/1996	442,000,000	400 Drx	442,000,000 Drx	-	-	2,042,000,000 Drx	5,105,000	400 Drx
20.05.1998	2898/1998	204,200,000	-	-	204,200,000 Drx	-	2,246,200,000 Drx	5,615,500	400 Drx
19.02.1999	1267/1999	224,620,000	2,200 Drx	224,620,000 Drx	-	-	2,470,820,000 Drx	12,354,100	200 Drx
21.07.1999	6360/1999	2,470,820,000	1,520 Drx	2,470,820,000 Drx	-	-	4,941,640,000 Drx	39,533,120	125 Drx
28.08.2001	10589/2001	4,902,344,091	-	-	147,994,791 Drx	4.754.349.300 Drx	9,843,984,091 Drx	68,783,734	143.115 Drx
15.5.2003	5048/2003				Change pf Share Capital in €		28,889,168.28 €	68,783,734	0.42 €
20.09.2005	11410/2005	6,652,698.72	-	-	862,600.98 €	5.790.097,74 €	35,541,867.00 €	71,083,734	0.50€
<b>Total</b>		<b>35,541,867.00 €</b>		<b>9,496,339.87 €</b>	<b>1,896,188.04 €</b>	<b>24,149,339.09 €</b>	<b>35,541,867.00 €</b>		

#### 3.2 Owner's Equity

The Owner's Equity of the Notos Com share as at 31/12/2006 was as follows:

	In thousand €
Number of Shares	<b>71.083.734</b>
Nominal value	0,50
Share capital	35,542
Reserves from issue of shares above par	1,001
Differences from re-valuation of Fixed assets	66,248
Reserves	22,576
Own Shares	(5.214)
Retained Earnings	17,497
Minority Rights	2.265
<b>Total Owner's Equity</b>	<b>139,915</b>
Accounting value of share	1.88

### 3.3 Shareholders

NOTOS COM is a multi shareholder company, with 9,630 shareholders (as at 25.05.2007).  
The Shareholders Structure of NOTOS COM as at 14.06.2007 was:

Name of Shareholder	Shares	%
TPAMOUNTANA HOLDINGS S.A.	31,002,034	43.613
PAPAZOGLU GEORGE	12,535,119	17.634
PAPAELLINAS CHRISTOS	7,000,423	9.848
PAPAELLINAS MICHALIS	6,767,544	9.521
LAMPROPOULIO FOUNDATION Donation of Themistoklis Lampropoulos	2.204.228	3.101
VERNIKOY BARBARA	1,376,276	1.936
STRATOS ALEXANDROS	1,308,176	1.840
TPAMOUNTANA II HOLDINGS S.A.	3,229,479	4.544
OWN SHARES	1,510,905	2.126
OTHERS	4,149,550	5.837
<b>Total</b>	<b>71,083,734</b>	<b>100</b>

### 3.4 Corporate Governance

The Company satisfies the criteria set by the Stock Exchange Authorities for corporate governance, provides full disclosure of company information and developments to investors through the company website, existence and efficient operation of an investor relations department and a free float significantly above the min 25% requirement.

Detailed information can be found in the company website under the section Investor Relations / Corporate Governance

### 3.5 Shareholders rights

Shareholder's Rights are listed in the company website, [www.notoscom/](http://www.notoscom/) Investor relations/ Corporate Governance

## CHAPTER 4

### INCOME STATEMENT

	Note	Group		Company	
		1/1- 31/12/2006	1/1- 31/12/2005	1/1- 31/12/2006	1/1- 31/12/2005
<b>Continuing Operations</b>					
Revenue	4	295,003	276,894	271,904	254,564
Less: Cost of goods sold		(159,664)	(147,734)	(153,806)	(140,029)
<b>Gross Profits</b>		<b>135,339</b>	129,160	<b>118,098</b>	114,535
Other operating income	6	5,962	5,931	5,416	5,489
Income from investments	7	3,794	252	4,393	509
Administrative expenses		(16,121)	(15,645)	(14,055)	(13,319)
Selling expenses		(93,286)	(82,948)	(80,356)	(71,851)
Other operating expenses		(3,381)	(2,104)	(1,864)	(1,767)
Finance costs (net)	8	(5,013)	(3,885)	(4,726)	(3,435)
Profits from affiliate companies		401	489	-	-
<b>Profits before Taxes</b>		<b>27,695</b>	31,250	<b>26,906</b>	30,161
<i>Less: Taxes</i>	9	(8,440)	(10,667)	(8,295)	(10,123)
<b>Net Profits from continuing operations</b>		<b>19,255</b>	20,583	<b>18,611</b>	20,038
<b>Discontinued Operations</b>					
Net Profits from discontinued operations	19	271	90	-	-
<b>Profits for the period</b>		<b>19,526</b>	20,673	<b>18,611</b>	20,038
<i>Allocated to</i>					
Company Shareholders		19,089	20,666	-	-
Minority Shareholders		437	7	-	-
		<b>19,526</b>	20,673	<b>18,611</b>	20,038
Net profit per share - basic (in €)	14	0.27	0.30	0.26	0.29
<b>Net profit per share –from continuing operations</b>		<b>0.27</b>	0.30		

## BALANCE SHEET

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2006	2005	2006	2005
<b>ASSETS</b>					
Property, plant and equipment	16	141,210	139,391	134,032	132,681
Intangible assets	17	17,614	14,143	16,289	13,007
Investment in associates	18	-	-	6,581	6,221
Interest in associates	18	1,128	2,908	259	1,810
Deferred tax	9	791	212	-	-
Investments available for sale	20	252	714	-	-
Other long term receivables	21	3,775	2,832	2,654	2,510
<i>Total non-current assets</i>		<b>164,770</b>	160,200	<b>159,815</b>	156,229
Inventories	22	82,241	69,645	75,314	64,244
Trade receivables	23	56,703	54,595	57,846	54,604
Investments held for trading	24	7,994	-	7,994	-
Other receivables	23	5,688	6,031	4,818	5,228
Cash and cash equivalents	25	13,413	11,445	8,458	6,869
<i>Total current assets</i>		<b>166,039</b>	141,716	<b>154,430</b>	130,945
Non current assets held for sale	19	1,548	-	1,136	-
<b>TOTAL ASSETS</b>		<b>332,357</b>	301,916	<b>315,381</b>	287,174
Long term bank loans	26	62,459	44,750	62,000	44,750
<i>Retirement benefit obligation</i>	32	2,252	2,096	2,059	1,915
Deferred tax liability	9	2,779	285	2,870	246
<i>Other long term liabilities</i>		914	40	875	21
<i>Long term liabilities</i>		<b>68,404</b>	47,171	<b>67,804</b>	46,932
Short term bank loans	26	27,042	29,589	23,000	25,809
Trade payables	27	73,608	70,783	69,490	67,200
Current tax liabilities and stamp duties	27	5,878	6,274	4,928	5,442
Other liabilities	27	16,660	12,897	15,410	11,799
Dividends payable		850	961	850	961
<i>Short term liabilities</i>		<b>124,038</b>	120,504	<b>113,678</b>	111,211
<b>Total Liabilities</b>		<b>192,442</b>	167,675	<b>181,482</b>	158,143
Share capital	12	35,542	35,542	35,542	35,542
Share premium		1,001	1,001	1,001	1,001
Own Shares	13	(5,214)	-	(5,214)	-
Reserves	15	22,576	18,255	22,381	17,859
Surplus from the adjustment of the value of fixed assets		66,248	66,890	64,574	64,574
Retained earnings		17,497	10,527	15,615	10,055
		<b>137,650</b>	132,215	<b>133,899</b>	129,031
Minority rights		2,265	2,026	-	-
<b>Total Equity</b>		<b>139,915</b>	134,241	<b>133,899</b>	129,031
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>332,357</b>	301,916	<b>315,381</b>	287,174

## STATEMENT OF CHANGES IN EQUITY

	<i>Group</i>							Total
	Share Capital	Difference above par	Own shares	Reserves after adjustments	Other Reserves	Retained Earnings	Minority Rights	
Balance, as at 31/12/2004, according to IFRS	28,889	-	(754)	63,748	17,762	552	10,178	<b>120,375</b>
Issue of new shares from the absorption of subsidiary company	966	7,926	-	-	-	-	-	<b>8,892</b>
Capitalisation of difference in excess of par	4,824	(4,824)	-	-	-	-	-	-
Capitalisation of extraordinary reserves	863	-	-	-	(863)	-	-	-
Newly consolidated subsidiaries	-	-	-	-	-	-	715	<b>715</b>
Participation of minority shareholders in share capital increase of subsidiary company	-	-	-	-	-	-	53	<b>53</b>
Acquisition of minority rights	-	-	-	-	-	-	(8,892)	<b>(8,892)</b>
Reserves of absorbed company	-	910	-	3,141	121	(4,172)	-	-
Write off goodwill of absorbed company	-	(3,011)	-	-	-	3,011	-	-
Sale of own shares	-	-	754	-	-	-	-	<b>754</b>
Profits of 2005, after taxes	-	-	-	-	-	20,666	7	<b>20,673</b>
Transfer of profits to reserve account	-	-	-	-	1,112	(1,112)	-	-
Dividends and BoD remuneration	-	-	-	-	-	(8,254)	(11)	<b>(8,265)</b>
Exchange rate differences	-	-	-	1	123	(164)	(24)	<b>(64)</b>
Balance, as at 31/12/2005, according to IFRS	35,542	1,001	-	66,890	18,255	10,527	2,026	<b>134,241</b>
Balance, as at 31/12/2006, according to IFRS	35,542	1,001	-	66,890	18,255	10,527	2,026	<b>134,241</b>
Profits for the period	-	-	-	-	-	19,089	437	<b>19,526</b>
Dividends	-	-	-	-	-	(8,529)	(139)	<b>(8,668)</b>
Distribution	-	-	-	-	4,522	(4,522)	-	-
Acquisition of own shares	-	-	(5,214)	-	-	-	-	<b>(5,214)</b>
Transfer of reserves to retained earnings	-	-	-	(642)	(201)	843	-	-
Exchange rate differences	-	-	-	-	-	89	(59)	<b>(30)</b>
Balance, as at 31/12/2006, according to IFRS	35,542	1,001	(5,214)	66,248	22,576	17,497	2,265	<b>139,915</b>

	<i>Company</i>							Total
	Share Capital	Difference above par	Own shares	Reserves after adjustments	Other Reserves	Retained Earnings	Minority Rights	
Balance, as at 31/12/2004, according to IFRS	28,889	-	(754)	58,163	17,378	6,936	-	110,612
Issue of new shares from the absorption of subsidiary company	966	7,926	-	-	-	-	-	8,892
Capitalisation of difference in excess of par	4,824	(4,824)	-	-	-	-	-	-
Capitalisation of extraordinary reserves	863	-	-	-	(863)	-	-	-
Reserves of absorbed company	-	910	-	6,411	249	(7,570)	-	-
Write off goodwill of absorbed company	-	(3,011)	-	-	-	-	-	(3,011)
Sale of own shares	-	-	754	-	-	-	-	754
Profits of 2005, after taxes	-	-	-	-	-	20,038	-	20,038
Transfer of profits to reserve account	-	-	-	-	1,095	(1,095)	-	-
Dividends and BoD remuneration	-	-	-	-	-	(8,254)	-	(8,254)
Balance, as at 31/12/2005, according to IFRS	35,542	1,001	-	64,574	17,859	10,055	-	129,031
Balance, as at 31/12/2006, according to IFRS	35,542	1,001	-	64,574	17,859	10,055	-	129,031
Profits for the period	-	-	-	-	-	18,611	-	18,611
Dividends	-	-	-	-	-	(8,529)	-	(8,529)
Distribution	-	-	-	-	4,522	(4,522)	-	-
Acquisition of own shares	-	-	(5,214)	-	-	-	-	(5,214)
Balance, as at 31/12/2006, according to IFRS	35,542	1,001	(5,214)	64,574	22,381	15,615	-	<b>133,899</b>

## CASH FLOW STATEMENT

	Group		Company	
	1/1-31/12/06	1/1-31/12/05	1/1-31/12/06	1/1-31/12/05
<b>Cash Flow from Operating Activities</b>				
Profits before taxes	28,012	31,539	26,906	30,161
Adjustments to reconcile profit to cash flows from the following operating activities				
Depreciation	10,531	9,736	8,959	8,407
Losses / (Profits ) from liquidation of fixed assets	(192)	(1,329)	(50)	(1,329)
Results (Income) from investment activities	(1,392)	(394)	(1,271)	(508)
Losses / (Profits) from evaluation of commercial portfolio Estimated in fair value	(3,056)	-	(3,056)	-
Interest and related expenses	5,013	3,884	4,725	3,435
Provisions	1,986	386	1,214	380
Operating Profit before changes in working capital	40,902	43,822	37,427	40,546
Increase in inventories	(13,096)	(8,847)	(11,570)	(7,532)
Decrease /(increase) in trade and other receivables	(1,820)	(3,925)	(2,757)	(1,397)
Increase /(decrease) in current liabilities (except banks)	7,531	2,241	7,065	(5,190)
Proceeds from main operations	33,517	33,291	30,165	26,427
Interest paid	(5,013)	(4,281)	(4,725)	(3,832)
Tax paid	(7,147)	(10,304)	(6,606)	(8,109)
Net cash from operating activities	21,357	18,706	18,834	14,486
<b>Cash Flow used in Investment Activities</b>				
Additions to property, plant and equipment	(13,204)	(12,635)	(10,428)	(10,238)
Additions to intangible assets	(4,168)	(1,380)	(4,108)	(1,380)
Proceeds on sale of tangible and intangible assets	2,066	3,176	994	3,174
Proceeds from sale of affiliate company	190	-	190	-
Payments from acquisition of subsidiary company	(360)	(9,351)	(360)	(10,851)
Proceeds from dividends	223	-	695	363
Proceeds from sale of securities	601	-	-	-
Interest income	263	177	155	71
Purchase of trading portfolio	(4,937)	-	(4,937)	-
Decrease /(increase) of other LT receivables	(1,343)	(242)	(144)	(128)
Net cash used in investment activities	(20,669)	(20,255)	(17,943)	(18,989)
<b>Net Cash used in Financing Activities</b>				
Dividend payment	(8,668)	(8,265)	(8,529)	(8,254)
Proceeds from share capital increase	-	9,660	-	8,892
Payments for acquisition of own shares	(5,214)	-	(5,214)	-
Proceeds from transferring of own shares	-	829	-	829
New bank loan raised	40,709	18,965	40,250	21,779
Repayments of bank loans	(25,547)	(14,275)	(25,809)	(14,275)
Net cash used in financing activities	1,280	6,914	698	8,971
Increase in cash	1,968	5,365	1,589	4,468
Cash and cash equivalents at the beginning of the period	11,445	5,896	6,869	2,232
Cash of acquired company	-	184	-	169
Cash and cash equivalents at the end of the period	13,413	11,445	8,458	6,869

## Notes to the Financial Statements for the year Ended 31 December 2006

### 1. General Information

NOTOS COM HOLDINGS S.A. (the “Company”) is based in Kifissia, Athens. The company’s website is [www.notoscom.gr](http://www.notoscom.gr)

The NOTOS COM Group has six business segments, which are:

- a) Wholesale of apparel and footwear
- b) Wholesale of cosmetics and personal care products
- c) Retail of apparel and footwear through specialized stores
- d) Department Stores (multi storey stores selling apparel, footwear, cosmetics and household products)
- e) Other (mainly wholesale and retail of stationery and office supplies) and
- f) Wholesale and retail of apparel, footwear and cosmetics through specialized stores in foreign countries

The Board of Director’s Meeting of December 29<sup>th</sup> 2006, approved the merger through absorption of NOTOS COM HOLDINGS SA by the company TRAMOUNTANA SA.

### 2. Significant Accounting Policies

#### **New and revised standards and interpretations**

Certain new standards, interpretations and revisions to existing standards have been published that are mandatory for financial years beginning on or after May 1, 2006. Management’s estimation of the impact and adoption of these are as follows:

#### ***IFRS 7, “Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements”– Capital Disclosures***

*(effective for financial years beginning on or after 1 January 2007)*

IFRS 7 provides for further disclosures in relation to financial instruments in order to improve the information about the disclosure of qualitative and quantitative information for exposure to risks arising from financial instruments such as credit risk, liquidity risk and market risk (sensitivity analysis to market risk). The amendment to IAS 1 introduces disclosures about the level and the way an entity’s manages its capital. The Group will apply IFRS 7 and the amendment to IAS 1 for the year commencing 1.1.2007 and will present the additional disclosures.

#### ***IFRS 8, “Operating Segments”***

*(effective for financial years beginning on or after 1 January 2009).*

IFRS 8 replaces IAS 14 “Segment Reporting” and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments of a group. This Standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this new standard and will apply it when necessary as well as the Group estimates that there will be no material changes from the corresponding current information.

***IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies***

*(effective for financial years beginning on or after 1 March 2006)*

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyperinflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency, as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Group's operations.

***IFRIC 8, Scope of IFRS 2 "Share-based payments"***

*(effective for financial years beginning on or after 1 May 2006).*

IFRIC 8 clarifies that IFRS 2 will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instruments) are incurred by an entity, when the identifiable consideration appears to be less than the fair value of the instruments given. IFRIC 8 is not relevant to the Group's operations as there are no share based payments.

***IFRIC 9, Reassessment of Embedded Derivatives***

*(effective for financial years beginning on or after 1 June 2006)*

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Group's operations.

***IFRIC 10, Interim Financial Reporting and Impairment***

*(effective for financial years beginning on or after 1 November 2006).*

IFRIC 10 prohibits the reversal of impairment losses recognised in the interim financial statements in relation to equity investments available for sale, unquoted equity instruments carried at cost and goodwill. This Interpretation has not yet been endorsed by the EU however the Group will apply IFRIC 10 from 1.1.2007 and it is not expected to have any financial impact on the financial statements.

***IFRIC 11, IFRS 2-Group and Treasury Share Transactions***

*(effective for financial years beginning on or after 1 March 2007)*

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent company. This Interpretation has not yet been endorsed by the EU and is not relevant to the Group's operations.

***IFRIC 12, Service Concession Arrangements***

*(effective for financial years beginning on or after 1 January 2008)*

IFRIC 12 provides for an approach to account for contractual arrangements arising from entities providing public services. IFRIC 12 has not yet been endorsed by the EU and is not relevant to the Group's operations as the Group is not involved in the provision of public services.

### **3. Summary of Key Accounting Principles**

The accounting principles used in this financial statements are the same as the ones implied in the previous periods and are sited below:

#### **3.1 Basis of Preparation of the Financial Statements**

The statements have been compiled according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Council, which have been adopted by the European Union.

The Group is not affected by the IFRS 39 standard, concerning the leverage of risks for the deposits portfolio, that have not been endorsed by the EU.

The consolidated financial statements have been prepared on the basis of the fair value principal and are stated in thousand Euro.

#### **3.2 Consolidation Base**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) at the end of each respective period. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in which it participates so as to obtain benefits from its activities.

During the acquisition, company property and liabilities and potential liabilities of each affiliated company, are valued according to the fair value principle on the date of acquisition. Any additional amount paid for the acquisition above the net worth acquired, is recognized as goodwill. If the acquisition price is lower than the fair value of the net worth acquired, the difference is credited to the results of the financial year in which the acquisition was effected.

The accounting principles followed by the Group's subsidiaries are the same as the ones the parent Company applies.

During the consolidation, all the important intercompany transactions, the balances, the profits and losses between the company and its subsidiaries are written off.

#### **3.3 Main Sources of Uncertainty in Accounting Estimations**

The preparation of the financial statements presumes that various estimations and assumptions are made by the Group's management which possibly affect the carrying values of assets and liabilities and the required disclosures for contingent assets and liabilities as well as the amounts of income and expenses recognized. The use of adequate information and the subjective judgment used are basic for the estimates made for the valuation of assets, liabilities derived from employees benefit plans, impairment of receivables, unaudited tax

years and pending legal cases. The estimations are important but not restrictive. The actual future events may differ than the above estimations.

The major sources of uncertainty in accounting estimations by the Group's management, concern mainly the legal cases and the financial periods not audited by the tax authorities, as described in detail in note 22. Other sources of uncertainty relate to the assumptions made by the management regarding the employees benefit plans such as payroll increase, remaining years to retiring, inflation rates etc and other sources of uncertainty is the estimation for the fixed assets useful life, the provisions for the obsolescence of slowly moving goods as well as the estimations for the retriability of any kind of commercial rights.

The above estimations and assumptions are based on the experience of management and are re-evaluated so as to be updated to the current market conditions.

### **3.4 Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **3.5 Participations in Subsidiaries and Affiliate Companies**

Subsidiary companies are all the entities that are managed and controlled, directly or indirectly, by NOTOS COM Holdings SA, through holding of the majority of shares of the company in which the investment was made. 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 until such control ceases to exist.

Associated companies are those entities on which the Group exercises significant influence but not control or joint control, through participation in administrative and operating decisions of the company.

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.

Group Companies included in the consolidation with their locations and participation percentages are:

<u>Company</u>	<u>Location</u>	<u>% participation</u>
<i>Full Consolidation Method</i>		
NOTOS COM HOLDINGS S.A.	Kifissia, Athens	Parent
PALLIS STORES S.A.	Athens	100%
PALLIS OFFICE SUPPLIES S.A.	Kifissia, Athens	94,73%
NOTOS INTERNATIONAL Ltd	Nicosia - Cyprus	100%
NOTOS CYPRUS Ltd	Nicosia - Cyprus	51%
NOTOS SLOVAKIA sro	Bratislava - Slovakia	51%
DARNEKS S.A.	Istanbul-Turkey	31%
NOTOS SKOPJE d.o.o.	Scopje	51%
NOTOS COM d.o.o.	Matouli -Croatia	51%
NOTOS COM d.o.o.	Ilirska Bistika- Slovenia	51%
NOTOS BULGARIA Ltd	Sophia - Bulgaria	100%
NOTOS POLSKA Sp. zo.o.	Warsaw - Poland	100%
NOTOS ROMANIA srl	Bucharest - Romania	51%
NOTOS COM CZ sro	Prague - Czech Republic	70%
NOTOS TEXTILHANDEL GmbH	Vienna- Austria	100%
NOTOS HUNGARY Kft	Budapest - Hungary	80%
NOTOS MALTA Ltd	Malta	100%
<i>Proportional Consolidation method</i>		
COTY PRESTIGE HELLAS S.A.	Athens	49%
BELA S.A.	Kifissia, Athens	50%
<i>Net Worth method</i>		
APIVITA S.A.	Metamorfofi	24,76%
Y.S.L. BEAUTE S.A.	Athens	49%

The participations in BELA SA (50%) and Coty Prestige Hellas SA (49%) are consolidated proportionally.

Affiliated companies YSL Beaute SA (49%), APVITA SA (24.76%) are consolidated by the net worth method.

Notos Com sold a 9% share in the company APIVITA SA, in December 2006 (see note 19 below).

The company REMEK Pharmaceuticals SA, (100% subsidiary of APIVITA SA) was sold in September 2006 since it was judged advantageous to sell the company and use the proceeds for development of operations both domestically and abroad.

DARNEKS SA is consolidated in full given that the Group has the right to appoint the majority of the members of the Board of Directors and also has the option to buy a further 20% of the share capital.

### **3.6 Revenue Recognition**

#### **Sale of Goods and Services**

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

#### **Income from Dividends**

Dividends are recognised as income on their approval date by the General Meeting of Shareholders.

### **3.7 Foreign Currencies**

The Group operates and transacts in a EURO environment.

Transactions denominated in foreign currencies are stated in Euros on the basis of the exchange rates 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 that date.

FX differences which transpire during clearing of FX elements are included in the results of the period.

### **3.8 Cost of Financing**

The net cost of financing burdens the profit and loss statement of the period it is incurred.

### **3.9 Government Grants**

Government grants are reflected in the financial statements when it is reasonable certain 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 in 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 recorded in the income statement during the course of the useful life of the subsidised asset.

### 3.10 Cost of Retirement Schemes to Personnel

According to Greek Labour legislation, Group companies are obliged to pay compensation to employees upon retirement, the amount of which depends on the length of service and the salary. The Group obligation consists of the present value of the committed benefits on the Balance Sheet date, increased or decreased by the amount of certified actuarial profits or losses. At regular intervals not exceeding two years, the commitment of benefits are calculated by an independent specialized company on the basis of the projected unit credit method. The present value of the commitment of benefits is calculated from the estimated future cash outflows, discounted by using the interest on Greek Government bonds.

Profits of losses accrued from re-adjustments and changes in actuarial assumptions are recorded in the P&L with reference to the expected remaining average employment period.

The Group has no obligations or commitments for the payment of benefits to employees in case of voluntary resignation before the retirement date.

### 3.11 Income Taxes

The income tax charge for the period is comprised of 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 income statement, except for the tax, which relates to transactions charged directly to equity. In the latter case, the tax is also charged 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.

Deferred taxes are 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 be reversed 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.

## 3.12 Fixed Assets

### Tangible Fixed Assets, Installations and Equipment

Fixed assets are reported in the financial statements at their acquisition cost, apart from the fixed assets (land–buildings) that are stated at fair value estimated by expert valuers for the purposes of the IFRS. The value of fixed assets is reported after the deduction of (a) accumulated depreciation and (b) any permanent impairment.

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 assets involved. All other costs and expenses that are incurred for the maintenance, repair etc. of fixed assets, are charged to P&L as an expense at the time they are incurred. Depreciation is charged to P&L 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 - Stores	15-50 years
Warehouses - Offices	5-50 years
Other Establishments and Equipment	6-20 years
Furniture and other Equipment	3-3.5 years
Vehicles	5-6.7 years

Calculation of the fair value of Land and Buildings is made by independent valuers, and is reduced by depreciation accumulated ex post and any permanent impairment losses. Fixed Assets values are re–adjusted regularly so that un–depreciated values do not differ from fair values at the date of the financial statements.

Increases in the accounting value of productive fixed assets due to re–adjustments in fair value, are recorded in reserves, unless they refer to the devaluation of a certain asset which has been charged to expenses. In this case, an equal amount is recorded as income.

Reductions in accounting values due to re–adjustment, are recorded as expenses, after any revaluation reserve for the specific asset is written off.

In cases of sales of tangible assets, the difference between the proceed and the accounting value is recorded as profit or loss in the P&L. For productive assets valued at fair value, any revaluation reserve in own funds during the sale, is transferred to retained earnings.

Accounting values of tangible fixed assets are examined for possible reductions when there are indications that these values are not recoverable. When accounting values are above recoverable values, a reductions allowance is recognized and values are reduced to recoverable values. Recoverable values are the highest between fair value, reduced by necessary sale costs, and the value of their use. For estimation of their use value, forecasted future cash flows are discounted at their present value, using a pre–tax interest rate which reflects current market estimates of the time value of money and risks associated with assets.

### 3.13 Intangible Assets

Intangible assets are reported at their acquisition value and are presented at historical value deducted by accumulated depreciation and damages incurred by being out of date. Depreciation are calculated on the basis of the net value during the estimated valuable life.

(a) Goodwill

The value of purchased goodwill related to investments in subsidiaries effected prior to 1 January 2004 (the date of transition to the International Financial Reporting Standards) has been totally amortised by charging it directly to equity. The value of purchased goodwill related to affiliated companies, is reported as part of the value of the investment.

The value of purchased goodwill, which is related to investments effected after 1 January 2004, is reported in the balance sheet at its acquisition cost and is reduced, if applicable, by charging P&L in the period in which such impairment occurs.

(b) Lease Rights

Lease rights for the Company and the Group are recorded at acquisition cost and are depreciated, according to the straight line method, over the full period of the lease agreement between 9 to 12 years. Depreciation is recorded in the P&L statement.

(c) Distribution Rights

Distribution rights paid to third parties are initially recorded at acquisition cost (including immediate expenses associated with the acquisition). These rights are not depreciated to the extent that their residual value at the end of the period is expected to be equal or higher than their accounting value. On every Balance Sheet date, the possible reduction in the fair value of the intangible is set against expected future financial gains from its use and/or future sale. Profits or losses from the withdrawal or sale of distribution rights as well as losses from the diminution of fair value are recorded as profits or losses on the P&L.

(d) Software

Use permits and accounting software are reported at acquisition values, reduced by accumulated depreciation and where applicable by the amount of diminution of value. Depreciation is charged against results by the straight depreciation method, over their economic life of 3.3 years.

### 3.14 Impairment of Tangible and Intangible Assets excluding Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

If, on a future date, an impairment loss is reversed, the accounting value of the asset (the cash flow generating unit) is increased up to the revised recovery value, so that the increased accounting value does not exceed that which would have been determined if no impairment loss for the asset (the cash flow generating unit) had been recognised in previous years. Reversal of the impairment loss is transferred at revised value, so that in this case the reversal of the impairment loss is treated as a re-adjustment increase.

### **3.15 Investments in Fixed Assets**

Investment in fixed assets are registered in accounting values on the date IFRS were applied for the first time. The Group does not depreciate on investments in fixed assets when their realisable value is equal to or higher than the accounting value.

### **3.16 Inventories**

Inventories are reported at the lower price between their purchase cost and their corresponding liquidation value. Net realisable value is the estimated sale value of the inventories, reduced by the cost of disposal. The cost of inventories is quantified on the basis of the weighted annual average method and is inclusive of the costs associated to their acquisition and the costs incurred for their transportation.

### **3.17 Provisions**

Provisions are created when the Group has a legal or contractual obligation, in relation to a past event, and it is deemed likely that the settlement of the obligation will result to outflow of payment in order to settle this obligation. Provisions are considered at the best possible estimate by management with respect to the cost of settling the obligation due on the date of the Balance Sheet and are discounted at their present value if the relative effect of discounting is important.

Provisions for reconstitution costs, when such a circumstance transpires, are accounted for only when the Group has studied a detailed reconstitution plan which it has made known to all parties involved.

### **3.18 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, the Group's 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, the Group's management believes that the interest rates paid in relation to the contracted loans are equivalent to the current fair market rates thus, there are no grounds for adjusting the value at which these obligations are reported. The NOTOS COM Group does not normally use financial derivatives.

### **3.19 Financial Derivatives**

The Group of Notos Com does not utilise financial derivatives.

### **3.20 Receivables and Liabilities from Commercial Activities**

Trade and other receivables are recognised initially at fair value and subsequently at current value, reduced by the provision for doubtful debt. The loss from the reduction in value of receivables is registered as an expense in the P&L.

Liabilities from trade activities are interest free and are registered at face value, reduced by possible claims against discounts and other benefits.

### **3.21 Cash and Cash Equivalents**

The account includes cash equivalents, such as current account balances and short-term deposits.

### **3.22 Financial Leases**

Financial leases are treated as loan agreements, when the terms of the lease transfer all risks and benefits of the leased asset to the company. All other leases are registered as operating leases.

The Group has only operating leases.

Rents payable for financial leases are included in the income statement using the basis of for the whole duration of its lease life. Income resulting from operating leases is recognized on the basis of constant principal during the whole lease period.

### **3.23 Loans**

Interest bearing bank loans and overdraft facilities are registered with the respective amounts drawn, reduced by the immediate issuance costs. Financial expenses, including premium payable on repayment or repurchase and the immediate issuance costs are registered on an accrual basis by using the real interest method and are added to the accounting balance of the related loan or overdraft to the extent they are not paid in the period in which they occur.

#### 4. Turnover

The Group and Company income have occurred exclusively from retail sales to consumers, wholesale to small sized traders in various locations domestically and abroad.

The breakdown of turnover between sales of products and sales of services is given below:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Sales of Products	<b>290,980</b>	272,962	<b>267,339</b>	250,157
Provision of Services	<b>4,023</b>	3,932	4,565	4,407
<b>Total</b>	<b>295,003</b>	<b>276,894</b>	<b>271,904</b>	254,564

#### 5. Business Units

The NOTOS COM Group has six business segments, which are:

- a) Wholesale of apparel and footwear
- b) Wholesale of cosmetics and personal care products
- c) Retail of apparel and footwear through specialized stores
- d) Department Stores (multi storey stores selling apparel, footwear, cosmetics and household products)
- e) Other (mainly wholesale and retail of stationery and office supplies) and
- f) Wholesale and retail of apparel, footwear and cosmetics through specialized stores in foreign countries

Financial Results by business unit are analysed below:

**Group 2006**

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<i>Foreign operations</i>	<i>Write off of Transactions between Units</i>	<b>Total Group</b>
Total revenue	93,797	32,899	65,408	120,918	6,440	21,463	(45,922)	<b>295,003</b>
Gross profit	32,317	17,453	39,598	33,979	1,942	11,169	(1,120)	<b>135,339</b>
Other operating income-expenses	888	103	1,676	709	231	(439)	(587)	<b>2,582</b>
	33,205	17,556	41,274	34,688	2,173	10,730	(1,707)	<b>137,919</b>
Administrative expenses	(1,141)	(537)	(2,009)	(2,227)	(685)	(940)	144	<b>(7,395)</b>
Distribution expenses	(8,719)	(13,609)	(25,792)	(28,201)	(1,639)	(7,381)	1,197	<b>(84,144)</b>
Depreciation/amortisation	(182)	(2,566)	(1,625)	(3,883)	(138)	(1,147)	-	<b>(9,541)</b>
	(10,042)	(16,713)	(29,427)	(34,311)	(2,462)	(9,468)	1,341	<b>(101,080)</b>
Operating profit (loss) by business segment	23,164	843	11,847	377	(289)	1,263	(365)	<b>36,839</b>
Unallocated expenses								<b>(7,418)</b>
Unallocated depreciation/amortisation								<b>(908)</b>
Interest and other financial costs								<b>(5,013)</b>
Interest income and other financial income								<b>3,794</b>
Share of profits of associates								<b>401</b>
Taxes								<b>(8,440)</b>
Net profits from continuing operations								<b>19,255</b>
Discontinued operations								<b>271</b>
<b>Net Profit after taxes</b>								<b>19,526</b>

*Group 2005*

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<i>Foreign operations</i>	<i>Write off of Transactions between Units</i>	<b>Total Group</b>
Total revenue	80,526	28,957	68,134	109,698	6,152	14,591	(31,165)	<b>276,894</b>
Gross profit	30,477	15,106	41,486	33,307	2,016	7,289	(520)	<b>129,160</b>
Other operating income-expenses	(22)	(85)	1,836	1,253	893	174	(222)	<b>3,827</b>
	30,455	15,021	43,322	34,560	2,909	7,463	(742)	<b>132,987</b>
Administrative expenses	(936)	(483)	(2,143)	(2,397)	(708)	(807)	118	<b>(7,356)</b>
Distribution expenses	(7,623)	(11,788)	(24,413)	(25,097)	(1,596)	(4,769)	858	<b>(74,429)</b>
Depreciation/amortisation	(201)	(2,265)	(1,598)	(4,073)	(179)	(502)	-	<b>(8,817)</b>
	(8,760)	(14,536)	(28,153)	(31,567)	(2,483)	(6,078)	975	<b>(90,602)</b>
Operating profit (loss) by business segment	21,696	484	15,169	2,992	426	1,385	233	<b>42,385</b>
Unallocated expenses								<b>(7,072)</b>
Unallocated depreciation/amortisation								<b>(919)</b>
Interest and other financial costs								<b>(3,885)</b>
Interest income and other financial income								<b>252</b>
Share of profits of associates								<b>489</b>
Taxes								<b>(10,667)</b>
Net profits from continuing operations								<b>20,583</b>
Discontinued operations								<b>90</b>
<b>Net Profit after taxes</b>								<b>20,673</b>

**Company 2006**

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<i>Write off of Transactions between Units</i>	<b>Total Company</b>
Total revenue	93,797	32,899	59,633	119,733	28	(34,186)	<b>271,904</b>
Gross profit	32,317	17,453	34,675	33,626	28	-	<b>118,098</b>
Other operating income-expenses	888	103	1,715	709	137	-	<b>3,552</b>
	33,205	17,556	36,390	34,335	165	-	<b>121,650</b>
Administrative expenses	(1,141)	(537)	(1,623)	(2,218)	-	-	<b>(5,519)</b>
Distribution expenses	(8,719)	(13,609)	(21,990)	(28,197)	-	-	<b>(72,515)</b>
Depreciation/amortisation	(182)	(2,566)	(1,436)	(3,866)	-	-	<b>(8,051)</b>
	(10,042)	(16,713)	(25,050)	(34,281)	-	-	<b>(86,085)</b>
Operating profit (loss) by business segment	23,164	843	11,339	54	165	-	<b>35,565</b>
							<b>(7,418)</b>
Unallocated expenses							<b>(908)</b>
Unallocated depreciation/amortisation							<b>(4,726)</b>
Interest and other financial costs							<b>3,698</b>
Dividends from affiliate companies							<b>695</b>
Net profits from ordinary operations							<b>26,906</b>
Taxes							<b>(8,295)</b>
<b>Net Profit after taxes</b>							<b>18,611</b>

**Company 2005**

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<i>Write off of Transactions between Units</i>	<b>Total Company</b>
Total revenue	80,526	28,957	62,857	105,311	69	(23,156)	<b>254,564</b>
Gross profit	30,477	15,106	36,929	31,953	69	-	<b>114,534</b>
Other operating income-expenses	(22)	(85)	1,960	1,186	683	-	<b>3,722</b>
	30,455	15,021	38,889	33,139	752	-	<b>118,256</b>
Administrative expenses	(936)	(483)	(1,606)	(2,171)	-	-	<b>(5,196)</b>
Distribution expenses	(7,623)	(11,788)	(21,223)	(23,861)	-	-	<b>(64,495)</b>
Depreciation/amortisation	(201)	(2,265)	(1,441)	(3,581)	-	-	<b>(7,488)</b>
	(8,760)	(14,536)	(24,270)	(29,613)	-	-	<b>(77,179)</b>
Operating profit (loss) by business segment	21,695	485	14,619	3,526	752	-	<b>41,077</b>
							<b>(7,072)</b>
Unallocated expenses							<b>(919)</b>
Unallocated depreciation/amortisation							<b>(3,435)</b>
Interest and other financial costs							<b>146</b>
Dividends from affiliate companies							<b>363</b>
Net profits from ordinary operations							<b>30,161</b>
Taxes							<b>(10,123)</b>
<b>Net Profit after taxes</b>							<b>20,038</b>

**Group 2006**

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<b>Total Greece</b>	<i>Foreign operations</i>	<i>Write off of Transactions between Units</i>	<b>Total</b>
Total Assets	45,267	32,551	46,395	137,482	65,512	<b>327,207</b>	22,981	(17,831)	<b>332,357</b>
Total Liabilities towards third parties	6,154	1,083	12,522	61,817	106,246	<b>187,822</b>	11,175	(8,849)	<b>190,149</b>

**Group 2005**

	<i>Wholesale Apparel</i>	<i>Retail Stores</i>	<i>Wholesale of Personal Care</i>	<i>Department Stores</i>	<i>Other</i>	<b>Total Greece</b>	<i>Foreign operations</i>	<i>Write off of Transactions between Units</i>	<b>Total</b>
Total Assets	38,676	29,896	45,071	129,629	54,811	<b>298,083</b>	18,467	(14,634)	<b>301,916</b>
Total Liabilities towards third parties	6,178	2,064	13,185	57,813	84,746	<b>163,986</b>	7,137	(5,544)	<b>165,579</b>

## 6. Other Operating Income

Other operating income for the Group and Company during the periods 2006 and 2005, are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Income from services	<b>2,142</b>	2,659	<b>2,142</b>	2,468
Income from leases	<b>389</b>	357	<b>389</b>	354
Discounts from foreign suppliers	<b>886</b>	584	<b>886</b>	584
Income from provision of services domestically	-	148	-	148
Profits from the sale of fixed assets	<b>192</b>	1,225	<b>50</b>	1,225
Income from subsidiaries	<b>902</b>	123	<b>902</b>	123
Exchange differences	<b>254</b>	171	-	-
Other Income	<b>1,197</b>	664	<b>1,047</b>	587
	<b>5,962</b>	5,931	<b>5,416</b>	5,489

## 7. Income from Investments

Income from investments are:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Interest from bank deposits	<b>263</b>	178	<b>156</b>	71
Dividend income	-	-	<b>695</b>	364
Profits from sale of investments	<b>475</b>	74	<b>486</b>	74
Profits from evaluation of investments	<b>3,056</b>	-	<b>3,056</b>	-
<b>Total income from investments</b>	<b>3,794</b>	252	<b>4,393</b>	509

## 8. Financial Expenses

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Total interest and expenses on bank loans	<b>5,013</b>	3,885	<b>4,726</b>	3,435
<b>Total</b>	<b>5,013</b>	3,885	<b>4,726</b>	3,435

## 9. Income Tax

The tax rate applied to profits for the period is 29% (compared to 32% for the same period in 2005).

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Taxes attributed to taxable income	<b>4,272</b>	5,703	<b>3,510</b>	4,537
Additional tax	<b>50</b>	54	<b>50</b>	54
Differences from tax audits	<b>1,993</b>	340	<b>1,989</b>	340
Tax on non-taxed reserves	<b>256</b>	-	<b>122</b>	-
Deferred tax:				
Current period	<b>1,915</b>	4,769	<b>2,624</b>	5,192
<b>Total tax</b>	<b>8,486</b>	10,866	<b>8,295</b>	10,123
Attributed to				
Continuing operations	<b>8,440</b>	10,667		
Discontinued operations (note 19)	<b>46</b>	199		
<b>Total</b>	<b>8,486</b>	10,866		

Taxes for the period burdened the results as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Profits before taxes from continuing operations	<b>27,695</b>	31,250	26,906	30,161
Profits before taxes from discontinued operations	<b>317</b>	289	-	-
<b>Profits before taxes</b>	<b>28,012</b>	31,539	<b>26,906</b>	30,161
Tax rate	<i>29%</i>	<i>32%</i>	<i>29%</i>	<i>32%</i>
Income tax, based on tax rate for the period	<b>8,123</b>	10,092	<b>7,803</b>	9,652
Tax based on non-taxed or specially taxed profits	<b>(1,023)</b>	(138)	<b>(1,201)</b>	(138)
Tax on non-deductible expenses	<b>243</b>	390	<b>20</b>	189
Additional taxes	<b>50</b>	54	<b>50</b>	54
Differences in tax audits	<b>1,993</b>	340	<b>1,989</b>	340
Tax on used non-taxed reserves	<b>256</b>	-	<b>122</b>	-
Taxes from different tax rates from subsidiaries	<b>(377)</b>	(92)	-	-
Taxes from different tax rates in temporary differences	<b>(433)</b>	(74)	<b>(488)</b>	(74)
Tax resulting from the recognition of deferred tax receivables on previous period losses	<b>(371)</b>	-	-	-
Non-deductible tax retained in other countries	<b>25</b>	-	-	-
Other taxes	-	294	-	100
<b>Total</b>	<b>8,486</b>	10,866	<b>8,295</b>	10,123

Below are the most important receivables and liabilities from deferred tax that were accounted for during the periods of 2005 and 2006:

Deferred tax from:	<i>Group</i>				
	1/1/2005	Period results expense/(income)	31/12/2005	Period results expense/(income)	31/12/2006
Tax depreciation of fixed assets	-	737	737	680	1,417
Tax depreciation on intangible fixed assets	-	828	828	1,782	2,610
Expenses of long term tax amortisation	(739)	427	(312)	243	(69)
Provisions for doubtful receivables	(464)	267	(197)	(91)	(288)
Provisions for personnel compensations	(392)	(87)	(479)	(36)	(515)
Losses transferred to be written-off	(2,688)	2,476	(212)	(579)	(791)
Other differences between taxation and accounting results	(413)	121	(292)	(84)	(376)
<b>Total</b>	<b>(4,696)</b>	<b>4,769</b>	<b>73</b>	<b>1,915</b>	<b>1,988</b>

Deferred tax from:	<i>Company</i>				
	1/1/2005	Period results expense/(income)	31/12/2005	Period results expense/(income)	31/12/2006
Tax depreciation of fixed assets	-	737	737	680	1,417
Tax depreciation on intangible fixed assets	-	828	828	1,782	2,610
Expenses of long term tax amortisation	(303)	(9)	(312)	243	(69)
Provisions for doubtful receivables	(464)	267	(197)	(91)	(288)
Provisions for personnel compensations	(392)	(87)	(479)	(36)	(515)
Other differences between taxation and accounting results	(413)	82	(331)	46	(285)
	(1,572)	1,818	246	2,624	2,870
Plus: Deferred tax receivables resulting from company absorbed on 31/3/2005	(3,374)	3,374	-	-	-
<b>Total</b>	<b>(4,946)</b>	<b>5,192</b>	<b>246</b>	<b>2,624</b>	<b>2,870</b>

	<i>Group</i>		<i>Company</i>	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Liabilities from deferred taxation	2,779	285	2,870	246
Receivables from deferred taxation	(791)	(212)	-	-
<b>Total</b>	<b>1,988</b>	<b>73</b>	<b>2,870</b>	<b>246</b>

Regarding the possible tax burden of the Group with respect to taxation of non-taxable reserves, refer to note 15.

Deferred Tax as at December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2005 that appear in the attached Financial Statements are analysed below:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
<b>Liabilities</b>				
Tax depreciation on fixed assets	<b>1,417</b>	737	1,417	737
Tax depreciation on intangible fixed assets	<b>2,610</b>	828	2,610	828
Expenses of long term tax amortisation	<b>(69)</b>	(312)	(69)	(312)
Provisions for doubtful receivables	<b>(288)</b>	(197)	(288)	(197)
Provisions for personnel compensations	<b>(515)</b>	(479)	(515)	(479)
Other differences between taxation and accounting results	<b>(376)</b>	(292)	(285)	(331)
	<b>2,779</b>	285	2,870	246
<b>Receivables</b>				
Losses from subsidiaries transferred to be written-off against future profits	<b>791</b>	212	-	-
	<b>791</b>	212	-	-

During the current financial year, the company underwent a regular tax audit for Fys 2003 and 2004 and a total amount of € 1,989 was paid. In what follows, the FYs for which domestic companies have not been audited by the tax Authorities is given. The result is that there exists a possibility of additional taxes being levied in the year when this takes place and is finalized. The result of the tax audits is impossible to foresee at this stage and therefore no respective provision has been made.

<i>Company</i>	<i>Un-audited tax years</i>
NOTOS COM HOLDINGS S.A.	2005-2006
PALLIS STORES S.A.	2003-2006
PALLIS OFFICE SUPPLIES S.A.	2006
COTY PRESTIGE HELLAS S.A.	2001-2006
BELA S.A.	2005-2006
APIVITA S.A.	2004-2006
Y.S.L. BEAUTE S.A.	2005-2006

A similar possibility exist for the Group companies established abroad.

The income tax for the respective period has been calculated at a rate of 29% for 2006. The tax base has been increased by non-deductible expenses. Deferred tax for temporary differences between the tax base and the accounting base was calculated with a rate of 25% for 2006, as was the case in 2005.

## 10. Earnings before taxes

Period earnings before taxes include the following transactions :

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Depreciation of tangible assets for the period	9,201	8,006	7,800	7,151
Amortisation of intangible assets for the period	1,330	1,730	1,159	1,256
<b>Total depreciation/ amortisation and obsolescence of fixed assets for the period</b>	<b>10,531</b>	<b>9,736</b>	<b>8,959</b>	<b>8,407</b>
Exchange Rate Differences: Losses / (Profits) from commercial operations				
Losses / (Profits) from sale of fixed assets	192	1,329	50	1,329
Cost of stocks sold	159,664	147,734	153,806	140,029
Reduction of value of stocks	500	200	500	200
Salaries and other employee compensations	42,702	38,129	37,739	34,149
Provision for retirement of personnel	688	647	649	519

## 11. Dividends

Dividends payable and Board of Director remuneration are shown as a liability in the year they are approved by the General Meeting of Shareholders.

Upon a proposal by the Board of Directors of Notos Com, the General Meeting of Shareholders of June 21<sup>st</sup> 2006 decided on a dividend of 0.12 euro per share totalling 8.53 mln euro. The dividend was distributed on July 12<sup>th</sup>, 2006 through the National Bank of Greece.

It is noted that according to Greek Tax Legislation, taxable income is taxed at the source (the mother company) thus covering all related tax liability in full. Dividends distributed to shareholders are net of taxes.

The company is in the process of transformation through acquisition by absorption by a company owned by its major shareholders and the total number of its shares will be cancelled. In case the transformation is not effected until the day the General Meeting of Shareholders convenes, the dividend which is compulsory by law will be distributed.

## 12. Share Capital

On December 31<sup>st</sup> 2006, the Company's share capital was € 35,541,867.00, divided in 71,083,734 common registered shares with par value of € 0.50 each. The shares of NOTOS COM are registered in the Athens Stock Exchange.

## 13. Own Shares

During 2006 the Company acquired 1,510,905 own shares at average price of € 3.54 per share and total acquisition cost amounted to € 5,214.

## 14. Earnings per Share

The Company's Shares are listed on the Athens Stock Exchange with the symbol NOT. The code used by Bloomberg is NOTOS GA, while Reuters used the abbreviation of NOTr.AT. Each share is entitled to one vote.

Earnings per share are calculated by dividing the profit attributable to the Group and Company shareholders by the weighted average number of issued and outstanding shares during the accounting period.

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Net Profits attributable to shareholders	<b>19,089</b>	20,666	<b>18,611</b>	20,038
<b>Less</b> net profits from discontinued operations	<b>271</b>	90	-	-
	<b>18,818</b>	20,576	<b>18,611</b>	20,038
Weighted average of shares outstanding (in thousand pieces)	<b>70,647</b>	69,167	<b>70,647</b>	69,167
<i>Profits per share from continuing operations</i>	<b>0.27</b>	0.30	<b>0.26</b>	0.29
<i>Profits per share from discontinued operations</i>	<b>0.00</b>	0.00		

## 15. Reserves

Group reserve account movements for the period were as follows:

<b>Description of reserves</b>	<b>1/1/2005</b>	<b>Additions (reductions)</b>		<b>Additions (reductions)</b>	
		<b>2005</b>	<b>31/12/2005</b>	<b>2006</b>	<b>31/12/2006</b>
Regular reserves	7,105	1,041	8,146	931	9,077
Extraordinary reserves	2,597	(732)	1,865	(201)	1,664
Non-taxed reserves	7,181	309	7,490	3,591	11,081
Own shares reserves	754	-	754	-	754
Fixed assets revaluation reserves	63,748	3,142	66,890	(642)	66,248
<b>Total</b>	<b>81,385</b>	<b>3,760</b>	<b>85,145</b>	<b>(3,679)</b>	<b>88,824</b>

Company reserve account movements for the period were as follows:

<b>Description of reserves</b>	<b>1/1/2005</b>	<b>Additions (reductions)</b>		<b>Additions (reductions)</b>	
		<b>2005</b>	<b>31/12/2005</b>	<b>2006</b>	<b>31/12/2006</b>
Regular reserves	6,972	1,034	8,006	931	8,937
Extraordinary reserves	2,597	(863)	1,734	-	1,734
Non-taxed reserves	7,056	309	7,365	3,591	10,956
Own shares reserves	754	-	754	-	754
Fixed assets revaluation reserves	58,163	6,411	64,574	-	64,574
<b>Total</b>	<b>75,542</b>	<b>6,891</b>	<b>82,433</b>	<b>4,522</b>	<b>86,955</b>

Of the above, only the extraordinary reserves that concern profits of previous periods carried forward as well as own shares reserves can be distributed, after GM approval. Non taxed reserves can also be distributed, once they are taxed using the prevailing tax rate. Should non taxed reserves be fully distributed, after applying the current tax rate, the tax burden will amount to € 3,177.

## 16. Tangible Fixed assets

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

	<i>Group</i>						
	<i>Land &amp; Property</i>	<i>Buildings &amp; building installations</i>	<i>Machinery &amp; plant installations</i>	<i>Vehicles</i>	<i>Furniture &amp; other equipment</i>	<i>Assets under construction or installation</i>	<i>Total</i>
<u>Acquisition or valuation cost</u>							
As at 31 December 2005	58,570	76,238	361	419	32,207	911	<b>168,706</b>
Exchange rate differences	(3)	49	-	(6)	26	(13)	<b>53</b>
Additions 2006	936	1,834	-	24	2,926	7,485	<b>13,205</b>
Completed (under construction)							
Transfers	-	2,632	4	12	259	(3,243)	<b>(336)</b>
Disposals 2006	(43)	(828)	(11)	(21)	(448)	(883)	<b>(2,234)</b>
As at 31 December 2006	59,460	79,925	354	428	34,970	4,257	<b>179,394</b>
<u>Accumulated depreciation</u>							
As at 31 December 2005	-	8,879	360	304	19,772	-	<b>29,315</b>
Exchange rate differences	-	4	-	-	32	-	<b>36</b>
Depreciation charges 2006	-	4,541	2	37	4,620	-	<b>9,200</b>
Disposals 2006	-	(142)	(11)	(20)	(187)	-	<b>(360)</b>
Transfers	-	135	-	13	(155)	-	<b>(7)</b>
As at 31 December 2006	-	13,417	351	334	24,082	-	<b>38,184</b>
<u>Un-depreciated value</u>							
As at 31 December 2006	59,460	66,508	3	94	10,888	4,257	<b>141,210</b>
As at 31 December 2005	58,570	67,359	1	115	12,435	911	<b>139,391</b>

	<i>Company</i>						
	<i>Land &amp; Property</i>	<i>Buildings &amp; building installations</i>	<i>Machinery &amp; plant installations</i>	<i>Vehicles</i>	<i>Furniture &amp; other equipment</i>	<i>Assets under construction or installation</i>	<i>Total</i>
<u>Acquisition or valuation cost</u>							
As at 31 December 2005	57,322	72,970	343	344	26,611	908	<b>158,498</b>
Additions 2006	936	295	-	24	1,718	7,455	<b>10,428</b>
Completed (under construction)							
Disposals 2006	(44)	-	-	(22)	(35)	(882)	<b>(983)</b>
Transfers	-	1,418	-	-	1,474	(3,225)	<b>(333)</b>
As at 31 December 2006	58,214	74,683	343	346	29,768	4,256	<b>167,610</b>

<u>Accumulated depreciation</u>							
As at 31 December 2005	-	7,880	338	263	17,336	-	<b>25,817</b>
Depreciation charges 2006	-	4,090	1	26	3,683	-	<b>7,800</b>
Disposals 2006	-	-	-	(20)	(19)	-	<b>(39)</b>
Transfers	-	-	-	-	-	-	
As at 31 December 2006	-	11,970	339	269	21,000	-	<b>33,578</b>
<u>Un-depreciated value</u>							
As at 31 December 2006	58,214	62,713	4	77	8,768	4,256	<b>134,032</b>
As at 31 December 2005	57,322	65,090	5	81	9,275	909	<b>132,681</b>

The value of Land & Buildings was readjusted based on reports drawn up by independent evaluators. Comparative market information was used to determine the current fair value of fixed assets.

Surplus value calculated was transferred directly to capital under fixed assets revaluation reserve and will remain there unchanged until the asset is sold, despite the fact that surplus value burdens the results in the form of depreciation of the value of buildings.

There are generally no liens on the Group or Company assets, with the exception of an amount of € 645 written as security for the terms of a lease contract.

During 2006 an amount of € 1,175 was transferred to fixed assets under construction, being rents paid for the new department store under construction in Thessaloniki.

## 17. Intangible Fixed Assets

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

	<i>Group</i>					
	<i>Trade-</i> <i>marks</i>	<i>Goodwill</i>	<i>Leasing</i>	<i>Distribution</i> <i>rights</i>	<i>Software</i>	<i>Total</i>
<u>Acquisition or valuation cost</u>						
As at 31 December 2005	230	474	12,769	4,339	2,230	<b>20,042</b>
Exchange rate differences	-	-	(8)	-	-	<b>(8)</b>
Additions 2006	-	360	2,814	1,050	304	<b>4,528</b>
Disposals 2006	-	-	(194)	-	(6)	<b>(200)</b>
Transfers	-	-	180	-	156	<b>336</b>
As at 31 December 2006	230	834	15,561	5,389	2,684	<b>24,698</b>
<u>Accumulated amortisation</u>						
As at 31 December 2005	230	-	3,851	-	1,818	<b>5,899</b>
Exchange rate differences	-	-	(3)	-	-	<b>(3)</b>
Amortisation 2006	-	-	-	-	-	
Additions 2006	-	-	1,062	-	269	<b>1,331</b>
Disposals 2006	-	-	(144)	-	(6)	<b>(150)</b>
Transfers	-	-	4	-	3	<b>7</b>
As at 31 December 2006	230	-	4,770	-	2,084	<b>7,084</b>
<u>Un-depreciated value</u>						
As at 31 December 2006	<b>230</b>	<b>834</b>	<b>10,791</b>	<b>5,389</b>	<b>600</b>	<b>17,614</b>
As at 31 December 2005	-	-	<b>8,918</b>	<b>4,339</b>	<b>412</b>	<b>14,143</b>

	<i>Company</i>					
	<i>Trade-marks</i>	<i>Goodwill</i>	<i>Leasing</i>	<i>Distribution rights</i>	<i>Software</i>	<i>Total</i>
<u>Acquisition or valuation cost</u>						
As at 31 December 2005	-	-	11,258	4,339	1,927	<b>17,524</b>
Additions 2006	-	-	2,757	1,050	301	<b>4,108</b>
Transfers	-	-	177	-	156	<b>333</b>
As at 31 December 2006	-	-	14,192	5,389	2,384	<b>21,965</b>
<u>Accumulated amortisation</u>						
As at 31 December 2005	-	-	2,943	-	1,574	<b>4,517</b>
Amortisation 2006	-	-	896	-	263	<b>1,159</b>
Transfers	-	-	12	-	(12)	-
As at 31 December 2006	-	-	3,851	-	1,825	<b>5,676</b>
<u>Un-depreciated value</u>						
As at 31 December 2006	-	-	<b>10,341</b>	<b>5,389</b>	<b>559</b>	<b>16,289</b>
As at 31 December 2005	-	-	<b>8,315</b>	<b>4,339</b>	<b>353</b>	<b>13,007</b>

## 18. Subsidiaries and Affiliate Companies

The Notos Com Group consists of the following companies:

<u>Company</u>	<u>Location</u>	<u>% participation</u>
<u>Full Consolidation Method</u>		
NOTOS COM HOLDINGS S.A.	Kifissia, Athens	Parent
PALLIS STORES S.A.	Athens	100%
PALLIS OFFICE SUPPLIES S.A.	Kifissia, Athens	94,73%
NOTOS INTERNATIONAL Ltd	Nicosia - Cyprus	100%
NOTOS CYPRUS Ltd	Nicosia - Cyprus	51%
NOTOS SLOVAKIA sro	Bratislava - Slovakia	51%
DARNEKS S.A.	Istanbul-Turkey	31%
NOTOS SKOPJE d.o.o.	Scopje	51%
NOTOS COM d.o.o.	Matouli -Croatia	51%
NOTOS COM d.o.o.	Ilirska Bistika- Slovenia	51%
NOTOS BULGARIA Ltd	Sophia - Bulgaria	100%
NOTOS POLSKA Sp. zo.o.	Warsaw - Poland	100%
NOTOS ROMANIA srl	Bucharest - Romania	51%
NOTOS COM CZ sro	Prague - Czech Republic	70%
NOTOS TEXTILHANDEL GmbH	Vienna- Austria	100%
NOTOS HUNGARY Kft	Budapest - Hungary	80%
NOTOS MALTA Ltd	Malta	100%
<u>Proportional Consolidation method</u>		
COTY PRESTIGE HELLAS S.A.	Athens	49%
BELA S.A.	Kifissia, Athens	50%
<u>Net Worth method</u>		
APIVITA S.A.	Metamorfofi	24,76%
Y.S.L. BEAUTE S.A.	Athens	49%

Condensed financial figures for the affiliate company Y.S.L. Beaute SA:

	<i>2006</i>	<i>2005</i>
Total assets	<b>4,871</b>	4,820
Total Liabilities	<b>3,162</b>	3,151
Equity	<b>1,709</b>	1,669
Group share in company Net Worth	<b>1,128</b>	1,056
Turnover	<b>7,249</b>	7,125
Profits for the period	<b>579</b>	622
Group share in company Net Worth	<b>282</b>	305

In October 2006, the company acquired the remaining 49.99% of its subsidiary PALLIS STORES S.A.

Moreover, the company transferred 9.014% of its affiliate company APIVITA S.A. and signed a pre-agreement for the sale of the remaining 24.716%.

As from January 1, 2006 until the ratification of these financial statements, there were no differentiations in the remaining participations of the Groups in affiliate companies.

## 19. Non current assets held for sale

In December 2006, Notos Com signed a pre-agreement for the sale of the remaining 24.716% of its participation in the company APIVITA S.A. after management judged that the agreed sale price was satisfactory. It was agreed that the sale will be completed by 31 December 2009. The total price was set at € 2,470 mil, from which Notos Com has already received € 510. This participation is registered in the accounting value since it is less than the fair value. Profits from discontinued operations are presented after taxes.

## 20. Portfolio held for sale

The group owns shares in mutual funds that have been valued at their fair value.

## 21. Long term Receivables

The long term receivables for the Group and Company as at 31 December 2006 and 31 December 2005, are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Rent guarantees	<b>2,605</b>	2,832	<b>2,048</b>	2,510
Trade Receivables	<b>516</b>	-	<b>516</b>	-
Loans extended	<b>564</b>	-	-	-
Cheques from clients	<b>90</b>	-	<b>90</b>	-
	<b>3,775</b>	2,832	<b>2,654</b>	2,510

## 22. Inventories

The inventories for the Group and Company as at 31 December 2006 and 31 December 2005 are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Inventory of goods	<b>77,150</b>	65,397	<b>70,245</b>	60,141
Acquisitions of goods to be delivered and deposits for acquisition of inventories	<b>5,091</b>	4,248	<b>5,069</b>	4,103
	<b>82,241</b>	69,645	<b>75,314</b>	64,244

It is noted that the inventories are registered in the financial statements at the lowest value between their acquisition and net liquidation value.

The inventory value on 31 December 2006 includes a provision made for the obsolescence of slow moving goods of € 700 mil, of which the amount of € 500 burdened this year's results.

## 23. Trade Receivables and Other Short term Receivables

Receivables from clients and other short-term receivables of the Group and Company on December 31, 2006 and December 31, 2005 are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Clients	<b>36,491</b>	32,522	<b>39,635</b>	33,763
Provision for doubtful clients	<b>(1,874)</b>	(1,421)	<b>(1,784)</b>	(1,362)
Cheques and bills receivables	<b>22,086</b>	23,494	<b>19,995</b>	22,203
Income receivable for the period	<b>339</b>	1,343	<b>680</b>	1,343
Prepaid expenses	<b>830</b>	993	<b>727</b>	840
Receivables from the Greek State	<b>928</b>	1,840	<b>928</b>	1,498
Other obligors	<b>3,591</b>	1,855	<b>2,483</b>	1,547
Total	<b>62,391</b>	60,626	<b>62,664</b>	59,832

The management feels that the accounting value of clients and other short-term receivables represent fair values. The average credit period given on sale of goods for the parent company is 75 days. After the end of this period interest is charged on the outstanding amount due.

The Group's management took additional provisions for the period of 2006 for doubtful receivables amounting to € 570 and for the Company and € 1.100 for the Group in order to cover possible losses from doubtful debts.

## 24. Securities held for Commercial Purposes

Securities held for commercial purposes concern shares of GANT A.B. their acquisition value reached € 4,938 and the profit from their evaluation, at fair value, on 31 December 2006 reached € 3,056.

## 25. Cash and cash equivalents

For the purposes of compiling the company's cash flow, the cash and cash equivalents include cash in the Group's and Company's cash registers and bank deposits available on demand, and are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Cash and sight deposits	<b>13,413</b>	11,445	<b>8,458</b>	6,869

## 26. Bank Loans

The loans contracted by the Group and the Company have been advanced by Greek and foreign banks and are primarily denominated in Euros. Amounts repayable within one year of the balance sheet date are reported as short-term, while the amounts that are repayable after one year, are reported as long-term.

Group and Company Loan balances on December 31<sup>st</sup>, 2006 were as follows:

	<i>Group</i>		<i>Company</i>		<i>Final Repayment Date</i>	<i>Interest Rate</i>
	<i>Short Term Bank Loans and Short term portion of long term Loans</i>	<i>Long Term Bank Loans</i>	<i>Short Term Bank Loans and Short term portion of long term Loans</i>	<i>Long Term Bank Loans</i>		
ALPHA BANK	3,090	-	-	-		Euribor + 1% + contribution
EFG EUROBANK ERGASIAS	5,000	-	5,000	-		Euribor + 0,7% + contribution
NATIONAL BANK OF GREECE	132	-	-	-		Euribor + 1% + contribution
PROTON BANK	300	-	-	-		Euribor + 1% + contribution
BANKS ABROAD	520	459	-	-		
ALPHA BANK	5,000	-	5,000	-	29-Mar-07	Euribor + 1,1%
COMMERCIAL BANK OF GREECE	8,000	7,000	8,000	7,000	10-Oct-08	Euribor +0,8%
NATIONAL BANK OF GREECE	-	20,000	-	20,000	15-Sep-11	Euribor + 0,8%
PROTON BANK	-	15,000	-	15,000	15-Dec-09	Euribor + 0,8%
EFG EUROBANK ERGASIAS	-	20,000	-	20,000	16-oct-09	Euribor + 0,9%
EFG EUROBANK ERGASIAS	5,000	-	5,000	-	29-Mar-07	Euribor + 1,15%
	<b>27,042</b>	<b>62,459</b>	<b>23,000</b>	<b>62,000</b>		

A new bond loan was signed with EFG Eurobank Ergasias with better terms and will be extended on 29.03.2007. The proceeds will be used to pay off:

- Bond loan by Alpha Bank, initially for € 8 mln, signed on 14.07.2004, with today's balance at € 5 mln
- Bond loan by EFG Eurobank Ergasias initially for € 8 mln, signed on 29.09.2005, with today's balance at € 5 mln

The bond loan contracted with Emporiki Bank, was in two tranches, one in October 2005 (€ 11 mln) and the second in November 2005 (€ 4 mln). The 2<sup>nd</sup> tranche concerned the replacement of an older bond loan contracted by absorbed subsidiary AIAKOS SA. On 12.02.2007, an amount of € 8 mln was prepaid so that the balance today is € 7 mln, payable at the end of the term.

All other bond loans with the National Bank of Greece (€ 20 mln on 15.09.2006), with EFG Eurobank Ergasias (€ 20 mln on 16.10.2006) and Proton bank (€ 10 mln on 15.12.2006 and € 5 mln on 28.12.2006), are payable at the end of the term.

## 27. Suppliers and Other Short-term Liabilities

Suppliers and other short-term liabilities refer mainly to acquisitions and operating expenses. The credit period for operational acquisitions is about 90 days.

Management considers that the accounting value of operational liabilities registered in the financial statements is representative of their fair value, and is analysed in the following table (except for bank loans):

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Suppliers	<b>70,672</b>	66,839	<b>67,840</b>	64,335
Cheques payable	<b>2,936</b>	3,944	<b>1,650</b>	2,865
Client down-payments	<b>7,350</b>	5,737	<b>7,184</b>	5,635
Tax – duties	<b>5,878</b>	6,274	<b>4,928</b>	5,442
Social Security	<b>2,230</b>	2,038	<b>2,031</b>	1,860
Accrued expenses	<b>2,366</b>	2,234	<b>2,192</b>	1,980
Personnel salaries payables	-	282	<b>236</b>	273
Other creditors	<b>4,714</b>	2,606	<b>3,767</b>	2,051
	<b>96,146</b>	89,954	<b>89,828</b>	84,441

## 28. Commitments and Contingent Liabilities

The Company has undertaken to construct a multi-storey building on land owned by third parties, which the Company will operate for 28 years. To this end, Good Performance Letters of Guarantee amounting to € 30 mln, have been issued in favour of the owner of the property.

No other Group company has been committed to the acquisition of fixed assets for which special mention should be made in the financial statements.

After the acquisition of 51% of the shares of Croatian company EMAR doo, which has already been re-named Notos Com doo Croatia, Notos International Ltd has extended an option to the sellers of these shares to request the acquisition of their remaining shares in years 2009, 2012 and 2015, against a pre-agreed price being a multiple of EBITDA.

In the contract between Notos Com Holdings SA and the shareholders of Turkish company Darneks Tekstil Sanayi Ticaret Anonim Sirketi, with which the former acquired 31% of the latter, Notos Com Holdings SA has extended an option to the sellers of these shares to request the acquisition of their remaining shares either on 31/12/2007 at a consideration of 1,200,000 euro above book value, or after 31/12/2007 at a multiple of Profits before Taxes. According to the same contract, the Company has an option to acquire 20% of shares for an amount of 677,500 euro on the second anniversary of the contract date.

The below mentioned income tax declarations of the Group's Greek companies have not been audited by the tax Authorities as a result of which it is possible that additional taxes may become payable in the year when such an audit will take place. The results of the tax audits cannot be estimated at this stage and, therefore, no provisions have been made in the financial statements.

<i>Company</i>	<i>Un-audited tax years</i>
NOTOS COM HOLDINGS S.A.	2005-2006
PALLIS STORES S.A.	2003-2006
PALLIS OFFICE SUPPLIES S.A.	2006
COTY PRESTIGE HELLAS S.A.	2001-2006
BELA S.A.	2005-2006
APIVITA S.A.	2004-2006
Y.S.L. BEAUTE S.A.	2005-2006

The same is true for the subsidiary companies abroad. There are no cases in court and under arbitration that may significantly affect the financial results of the company.

## 29. Operating Leasing Contracts

The financial obligations resulting from the lease of buildings and cars, as at December 31, 2006 are analysed below:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
During the first year	<b>8,930</b>	8,557	<b>8,823</b>	8,019
From second to fifth year	<b>28,477</b>	31,882	<b>28,477</b>	30,425
After the fifth year	<b>27,159</b>	15,089	<b>27,159</b>	15,089
	<b>64,566</b>	55,528	<b>64,459</b>	53,533

### 30. Post Balance Sheet Events

Further to the aforementioned events, there are no other events, related to either the Group or the Company, that have occurred after 31 December 2006, which may influence financial structure and business course of the Company nor Group and thus reference is not compulsory under the International Financial Reporting Standards.

### 31. Transactions between Associated Parties

Transactions between the Company and its subsidiaries, which are associated parties, on consolidation level have been written -off and are not included in this note. More details for the transactions between the Group and its associated parties are sited below:

	<i>Sales of goods and services</i>	<i>Acquisitions of goods and services</i>	<i>Receivables</i>	<i>Liabilities</i>
<i>Group</i>	821	1,125	195	247
<i>Company</i>	10,919	5,523	7,807	1,888

Sales of products to affiliates were made at regular Group prices. Amounts due are not secured and will be settled in cash. No provision has been taken for doubtful debt by affiliates.

#### Compensation of key management personnel

The remuneration of members of the Board of Directors are proposed and approved by the Annual General Assembly Meeting of the shareholders. The results of the period were charged with compensation to Board of Directors at the amount of € 1.200, ie € 200 for each of the 6 executive members who also act as General Manager of the business sectors of the Group (BoD compensation for 2005: € 1,200)

Moreover, the general meeting of shareholders on June 21<sup>st</sup> 2006, approved the compensation of the members of the Board of Directors of NOTOS COM, amounting to € 567 from the profits of 2005, of which € 540 were attributed to the executive members and the remaining to the non-executive members of the BoD (for 2005: € 567).

There are no other expenses, apart from the above mentioned, that concern managerial personnel of the Group.

#### Transactions between Company Managers

There are no other transactions, receivables and /or liabilities between the companies of the Group and the key managers of the Group.

## 32. Retirement Scheme Obligations

### Defined Income Plans

As envisaged in relevant legislation, personnel are covered by the Social Security Institute (IKA) for purposes of social insurance and retirement, other State controlled social security organizations and, for subsidiaries outside Greece, by respective social security organizations. Employers' contributions burden the results of the period they incur.

### Defined Benefit Plans

The Group's obligations to its employees in relation to the future payment of benefits in proportion to their time of service are based on an actuarial study from an independent estimator.

This liability is computed and presented in the Balance Sheet date based on the expected vested benefit of every employee. The vested benefit is presented at its present value based on expected date of payment.

The Company, in accordance to law 2112/12, is obligated to pay retirement compensation to its employees based on the above-mentioned rights and retirement age limits. No other post-retirement benefits are provided.

The most recent actuarial valuations of the present value of the obligation for retirement compensation to personnel were carried out on 30 November 2006 by the company "PRUDENTIAL Co Ltd". The present value of the defined benefit obligations, and the related current service cost, were measured using the "projected unit credit" method.

The obligation, as calculated on 30 November 2006, was adjusted with the compensations given out in December 2006.

Key assumptions used:

	Valuation at:	
	31/12/06	31/12/05
Discount Interest Rate	4.2%	3.48%
Expected percentage rate increase in salaries	3.5%	3.5%

The amount recognised in the balance sheet in respect of the defined benefit retirement benefit plans are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Present value of defined benefit plan	<b>3,226</b>	3,574	<b>2,988</b>	3,327
Actuarial profits/ (losses) not accounted for	<b>(974)</b>	(1,478)	<b>(929)</b>	(1,412)
Liability recognised in the BS	<b>2,252</b>	2,096	<b>2,059</b>	1,915

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Cost of current services	<b>263</b>	125	<b>244</b>	19
Financial cost	<b>125</b>	110	<b>116</b>	112
Liabilities from absorbed company	-	98	-	98
Actuarial losses / (profits)	<b>299</b>	314	<b>289</b>	290
Net expense that burdened the period results	<b>688</b>	647	<b>649</b>	519

Movements in the present value of the defined benefit obligations in the current period are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Beginning of liability on defined benefit plan	<b>3,574</b>	3,209	<b>3,327</b>	3,002
Cost of current employment	<b>263</b>	125	<b>244</b>	19
Interest costs	<b>125</b>	110	<b>116</b>	112
Effects from cut downs or settlement				
Less: Paid compensations	<b>(532)</b>	(505)	<b>(505)</b>	(458)
Actuarial profits / (losses) not accounted for	<b>(204)</b>	635	<b>(194)</b>	553
Balance of liability on defined benefit plan	<b>3,226</b>	3,574	<b>2,988</b>	3,327

All subsidiaries outside Greece, except NOTOS Bulgaria, do not run retirement schemes or compensation policies for personnel leaving the company. No account has been taken for retirement schemes in NOTOS Bulgaria, since the amount involved is inconsequential.

### 33. Management of Financial Risks

#### *Capital risks*

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, share premium, reserves and retained earnings as disclosed in notes 12, 13 and 15 respectively. The Group's management follows the capital structure on a frequent basis. A part of this review includes evaluation of the cost of capital and the risks associated with each class of capital. The Group's intention is to balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

### ***Financial risks***

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### ***Exchange rate risks***

Given the geographic dispersion of the Group's activities, the exposure to exchange risks is inevitable. However, the dominant market position of the Group's products in those countries that have relatively weaker currencies, gives the opportunity to the Group to mitigate the adverse consequences of devaluations by a corresponding increase in sale prices. Management's goal is to balance the receivables and payables of the Group by currency, bearing in mind the higher cost of financing in weak currencies. The gradual stabilisation of Eastern European countries' economies, together with the admission of certain of those countries to 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 credit policy, which is followed up consistently. The exposure to credit risks is monitored and assessed on a regular basis, thus ensuring that the credit given does not exceed the authorized credit limits of each customer.

The maximum exposure of the Group to credit risks, assuming that all customers fail to honour their obligations as at 31 December 2006, add up to the amount recorded under receivables in the Balance Sheet.

### ***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.

### ***Liquidity risks***

Liquidity risk is managed through the proper combination of cash and cash equivalents and the bank loan facilities granted. In order to address such risks the Group's management monitors the balance of cash and secures available bank loans facilities.

## **34. Retrospective Adjustments on Previous Financial Years Figures**

The following adjustments were effected:

1) Company and Group Equity on December 31st 2005 were reduced from the published figures, and short term liabilities increased respectively by an amount of € 567, representing a not recorded provision for Board of Directors compensation. Similarly, Company and Group profits for 2005 were reduced by € 283, being half of the above BoD members compensation.

2) Group Equity was reduced and minority rights respectively increased by the amount of € 1,125 and € 1,209 on June 30<sup>th</sup> and December 31st 2005. This transfer concerns minority shareholders portion against subsidiaries negative equity, which must be attributed to the Group. Similarly, profits due to Company shareholders for the 1<sup>st</sup> half of 2005 are reduced by € 93 as are losses allocated to minority shareholders

respectively. Moreover, retrospective adjustments were made to comparative figures in the financial statements in order to make current period figures comparable to the ones of the respective period last year.

### Adjustments on the Profit and Loss statement for the period

	<i>Group</i>			<i>Company</i>		
	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>
<b>Continuing operations</b>						
Income from investments	-	252	252	-	509	509
Administrative expenses	(13,861)	(1,784)	(15,645)	(11,701)	(1,618)	(13,319)
Operating expenses	(74,429)	(8,519)	(82,948)	(64,495)	(7,356)	(71,851)
Depreciation	(9,736)	9,736	-	(8,407)	8,407	-
Financial expenses	(3,633)	(252)	(3,885)	(3,289)	(146)	(3,435)
Dividends from subsidiary companies	-	-	-	363	(363)	-
Profits from affiliate companies	778	(289)	489			
Profits before taxes	32,106	(856)	31,250	30,728	(567)	30,161
Taxes	(10,866)	199	(10,667)			
<i>Net Profits from continuing operations</i>	-	20,583	20,583	20,605	(567)	20,038
<b>Discontinued operations</b>						
<i>Net Profits from discontinued operations</i>	-	90	90			
<i>Net profits for the period</i>	21,240	(567)	20,673	20,605	(567)	20,038
<i>Attributable to</i>						
Company Shareholders	21,459	(793)	20,666			
Minority shareholders	(219)	226	7			
Profits after taxes for the Group	21,240	(567)	20,673			
<i>Earnings per share (in Euro)</i>						
Net profit per share – basic (in euro)	<b>0.31</b>	<b>(0.01)</b>	<b>0.30</b>			
Net profit per share from continuing operations (in euro)	<b>0.31</b>	<b>(0.01)</b>	<b>0.30</b>			

## Adjustments on the Balance Sheet statement for the period

	<i>Group</i>			<i>Company</i>		
	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>
Deferred tax asset (long term receivables)	-	212	212	-	-	-
Investments held for sale	-	714	714	-	-	-
Deferred tax asset (Short term receivables)	212	(212)	-	-	-	-
Other Short Term receivables	9,651	(3,620)	6,031	8,134	(2,906)	5,228
<b>Total Assets</b>	<b>304,822</b>	<b>(2,906)</b>	<b>301,916</b>	<b>290,080</b>	<b>(2,906)</b>	<b>287,174</b>
Deferred tax liability (long term payables)	-	285	285	-	246	246
Deferred tax liability (Short term payables)	285	(285)	-	246	(246)	-
Taxes-stamp duties	9,180	(2,906)	6,274	8,348	(2,906)	5,442
Other short-term Liabilities	12,330	567	12,897	11,232	567	11,799
<b>Total Liabilities</b>	<b>170,014</b>	<b>(2,339)</b>	<b>167,675</b>	<b>160,482</b>	<b>(2,339)</b>	<b>158,143</b>
Other reserves	18,008	247	18,255	17,859	-	17,859
Retained earnings	12,291	(1,764)	10,527	10,622	(567)	10,055
Exchange rate differences	259	(259)	-	-	-	-
Minority rights	817	1,209	2,026	-	-	-
<b>Total Equity</b>	<b>134,808</b>	<b>(567)</b>	<b>134,241</b>	<b>129,598</b>	<b>(567)</b>	<b>129,031</b>

## Adjustments on the Cash Flow Statements for the period

	<i>Group</i>			<i>Company</i>		
	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>	<i>Balance on 31/12/05</i>	<i>Adjustments</i>	<i>Adjusted balance on 31/12/05</i>
<b>Cash Flow from Operating activities</b>						
Profits before taxes	32,106	(567)	(1,539)	30,728	(567)	30,161
Adjustments to reconcile profit to cash flows from the following operating activities						
Depreciation	9,736	-	9,736	8,407	-	8,407
Operating Profit before changes in working capital	44,389	(567)	43,822	41,113	(567)	40,546
Decrease /(increase) in trade and other receivables	-	-	-	(4,302)	2,905	(1,397)
Increase /(decrease) in current liabilities (except banks)	-	-	-	(581)	(4,609)	(5,190)
Proceeds from main operations	33,858	(567)	33,291	28,698	(2,271)	26,427
Interest paid	177	(177)	-	71	(71)	-
Tax paid	-	-	-	(9,813)	1,704	(8,109)
Net cash from operating activities	19,450	(744)	18,706	15,124	(638)	14,486
<b>Cash Flow used in Investment Activities</b>						
Additions to property, plant and equipment	(14,015)	1,380	(12,635)	(11,618)	1,380	(10,238)
Additions to intangible assets	-	(1,380)	(1,380)	-	(1,380)	(1,380)
Interest income	-	177	177	-	71	71
Net cash used in investment activities	(20,432)	177	(20,255)	(19,060)	71	(18,989)
<b>Net Cash used in Financing Activities</b>						
Dividend payment	(8,832)	567	(8,265)	(8,821)	567	(8,254)
Net cash used in financing activities	6,347	567	6,914	8,404	567	8,971
Increase in cash	5,365	-	5,365	4,468	-	4,468
Cash of acquired company	184	-	184	169	-	169
Cash and cash equivalents at the beginning of the period	5,896	-	5,896	2,232	-	2,232
<b>Cash and cash equivalents at the end of the period</b>	<b>11,445</b>	<b>-</b>	<b>11,445</b>	<b>6,869</b>	<b>-</b>	<b>6,869</b>

## CHAPTER 5

### DOCUMENTS AT THE DISPOSAL OF THE PUBLIC

The Financial Statements of 2006 of Notos Com Holdings SA, based on European Union and Capital Markets Commission Regulations, are available at the Company's Head Office (6 Menexedon Str, 14564 Kifissia), and in the Company's website: [www.notoscom/ Investor Relations/ Basic Financial Data](http://www.notoscom/InvestorRelations/BasicFinancialData)

The published financial Statements of the first quarter, semi-annual and third quarter are available at the Company's Head Office (6 Menexedon Str, 14564 Kifissia) and in the Company's website [www.notoscom/ Investor Relations/ Basic Financial Data](http://www.notoscom/InvestorRelations/BasicFinancialData)

### INFORMATION OF ARTICLE 10

of Law 3401/2005 according to the article 8, paragraph 6, of the 7/372/15.02.2006 Decision of the Market Committee.

29/12/2006	Announcement of beginning of merger procedure through absorption of the company from TRAMOUNTANA SA
20/12/2006	Announcement of the sale of the shares of APIVITA S.A.
15/12/2006	Transactions in shares percentage of shareholder of a listed company
11/12/2006	Transactions in shares percentage of shareholder of a listed company
29/11/2006	Company Financial Statements for the 9 months 2006 based on IFRS
29/11/2006	Press release on the financial statements for the 9 months 2006
28/11/2006	Transactions in shares percentage of shareholder
23/11/2006	Announcement of the BoD opinion re the compulsory public offer by Tramoundana Holdings SA
20/11/2006	Date of announcement of financial results for the 9 months 2006
16/11/2006	Transactions in shares percentage of shareholder
16/11/2006	Transactions in shares percentage of shareholder
16/11/2006	Transactions in shares percentage of shareholder
1/11/2006	End of approved buy back period for own shares
19/10/2006	Announcement of the acquisition of the subsidiary PALLIS STORES SA
12/10/2006	End of buy back procedure of own shares
12/10/2006	Transactions in shares percentage of shareholder
14/9/2006	Transactions in shares percentage of shareholder
13/9/2006	Transactions in shares percentage of shareholder
11/9/2006	Clarification on press release in the website of euro2day
25/8/2006	Decision for the buy back of own shares
25/8/2006	Press release on the financial statements for the 6 months 2006
23/8/2006	Financial Statements for the 6 months 2006 based on IFRS
18/8/2006	Date of announcement of financial results for the 6 months 2006
9/8/2006	Clarification on press release in the website capital.gr
28/6/2006	Changes in cosmetics brand portfolio
23/6/2006	Information to shareholders that did not apply for the transformation of their hard copy shares into electronic
22/6/2006	Beginning date of 2005 dividend payments

21/6/2006	Resolutions of the Annual General Meeting on 21/6/2006
2/6/2006	Completion of tax audit for the years 2003-2004
26/5/2006	Press release on the financial statements for the 3 months 2006
26/5/2006	Company Financial Statements for the 3 months 2006 based on IFRS
24/5/2006	Date of announcement of financial results for the 3 months 2006
24/5/2006	End of approved buy back period for own shares
22/5/2006	Clarifications on a press release in the website <a href="http://www.capital.gr">www.capital.gr</a>
19/5/2006	Own shares buy back – subject in the Annual General Meeting of Shareholders
19/5/2006	Pre-announcement of Annual General Meeting
17/5/2006	Reply to letter by Market Committee about the company's investment in HIRS
18/4/2006	Important agreement between NOTOS COM and PUBLIC WORLD
14/4/2006	Change of date of Annual General Meeting
4/4/2006	Company Presentation in SMEXA – Press Release
3/4/2006	Participation of NOTOS COM in the share capital of GANT COMPANY AB
29/3/2006	Financial Statements for the fiscal year 2005 (company and consolidated)
13/3/2006	Clarification on the subject of emphasis in the review report with the approval of the Auditor in published Financial Statements for fiscal year 2005.
2/3/2006	Press release on the financial statements for 2005
2/3/2006	Signing of agreement between NOTOS and Israeli Community about HIRS
28/2/2006	Schedule of intended company actions for 2006
3/2/2006	Clarifications on press releases
30/1/2006	Resolutions of A' Extraordinary General Meeting on 30/1/2006
20/1/2006	Transactions in shares percentage of shareholder
20/1/2006	Transactions in shares percentage of shareholder
18/1/2006	New shares after the merger by absorption of the company AIAKOS SA
12/1/2006	Announcement of A' Extraordinary General Meeting
11/1/2006	Resolutions of the Annual General Meeting

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Notos Com Holding S.A.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Notos Com Holding S.A. ("The Company") and the consolidated financial statements of the Company and its subsidiaries ("The Group"), which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these were adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are harmonised with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and that of the Group as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our report, we draw your attention to notes 28 and 34 to the financial statements. Reported in note 28 are the financial years relating to the Company and the Group for which a tax audit has not been carried out and, therefore, additional taxes and penalties thereon may be imposed upon the future tax audit. The outcome of the future tax audits cannot be reliably estimated at present and, consequently, no provision has been made in the financial statements in that respect. Note 34 presents the retrospective adjustments made for previous years relating to both the Company and the Group.

## Report on Other Legal and Regulatory Requirements

The content of Directors Report consists of 5 pages and is consistent with the accompanying financial statements.

Athens, March 29, 2007

The Certified Public Accountant

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