

BOARD OF DIRECTORS MANAGEMENT REPORT

At December 31st, 2006, MICHANIKI completed 32 years of continuing business activity and development. From a small construction company in Salonika it gradually evolved into a Group of Companies with activities in the sectors of:

- construction
- real estate development and utilization
- energy
- industry

The company and consolidated financial results of the Group for 2006 are summarized below:

<i>Consolidated Results in € million</i>	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>% Δ</i>
Sales Turnover	166.710	116.395	42,56
Profits before Taxes, Interest, Depreciation (EBITDA)	38.234	38.225	0,02
Profits before Taxes (EBT)	33.842	26.668	26,90
Profits after Taxes (EAT)	25.946	19.481	33,18
Profits after Tax and Minority Rights	25.287	19.631	28,81
Profits per share	0,2747	0,2171 €	26,53

<i>Company Results in € million</i>	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>% Δ</i>
Sales Turnover	66.072	84.299	-21.62
Profits before Taxes, Interest, Depreciation (EBITDA)	11.265	26.949	-58.19
Profits before Taxes (EBT)	11.793	20.801	-43.30
Profits after Taxes (EAT)	8.549	15.043	-43.16
Profits per share	0,0929	0,1664 €	-44.17

During year-end 2006, MICHANIKI S.A. further expanded its market share securing better development conditions and benefits for its Shareholders.

On a Group level, the consolidated sales (turnover) for 2006 amounted to € 166,71 million, against € 116,40 million in 2005 which is a yearly raise of 42,56%.

The consolidated profits before tax, interest and depreciation (EBITDA) amounted to € 38,23 million, against € 38,22 million in 2005, presenting a marginal raise of 0,02%.

The consolidated net profits, after tax and after the deduction of minority rights, presented an increase of 28,81% and amounted to € 25,28 million, against € 19,63 million in 2005.

On a parent company level, MICHANIKI S.A., the company's sales (turnover) for 2006 amounted to € 66,07 million, against € 84,29 million in 2005, thus reduced by 21,62%.

Profits before tax, interest and depreciation (EBITDA) have decreased by 43,30% and amounted to € 11,79 million in 2006, against € 20,80 million for the respective previous year-end.

The net (after tax, Board of Director fees, tax audit and minority rights) profits of MICHANIKI S.A. amounted to € 8,54 million, against € 15,04 million in 2005, reduced by 43,16%.

MICHANIKI and its subsidiary THOLOS within the year-end of 2006 have undertaken projects which worth € 294,6 million. The reduced figures of the parent company are mainly due to the

fact that most of the construction projects undertaken are in their initial stage with low execution rates. As their construction progresses the company will gradually increase the execution rate of the construction projects and thus increase its sales and profits.

PROSPECTS FOR 2007

The positive facts and the prospects for further development, expansion and enlargement of our activities will characterize the new year as well.

More over, in 2007 we expect significant development in all the sectors in which we operate.

Construction sector:

The continuation of the strengthening of our position through the undertaking of significant public and selective private projects that classify MICHANIKI within the top construction companies in a broad range of infrastructure projects and set off the qualitative characteristics and the Company's consistency in the Greek market. Characteristically, since the open market rules regarding the public project bids were put into effect, the Company has undertaken several infrastructure projects. At 31.12.2006 the un-executed income from contracts amounted to € 450,0 million. Recently MICHANIKI S.A. made an underbid for one more project worth € 211,0 million. Today the un-executed income from contracts exceeds the amount of € 600 million.

Real Estate Development and Utilization sector:

With the objective to continue our development and the promotion of the Greek entrepreneurship abroad, MICHANIKI has opened significant paths in substantial and very promising foreign markets, such as Ukraine, Russia and Bulgaria. The real estate development and utilization is the sector where the MICHANIKI Group gives greater emphasis, due to the general orientation of these projects worldwide with the "construction – financing – utilization" aspect from private companies and syndicate schemes.

Specifically:

- In the area of Ekali in Athens the Company is completing the construction of a luxury apartment complex called "Dryads" consisting of 55 apartments.
- In Odessa of Ukraine, since autumn of 2004 the "Athena" Commercial Centre is operative with a total surface area of 30.000 sq.m.
- In Kiev, the capital of Ukraine, the Company has begun the construction of the "Artemis" complex consisting of stores, offices and apartments, upon a total surface area of 50.000 sq.m. The construction of the frame of the first 11 store building has almost been completed whereas from the total 198 apartments of the project 31 have already been pre-sold.
- The company proceeds upon schedule with the final studies of the exemplary settlement project "Odessa Dream" found in the Odessa coast. The complex covers a total area of 200.000 sq.m. and the total structural surface is 202.180 sq.m. The construction license is expected before the end of the 1st six month semester of 2007.
- The final studies of the building complex "Alexandros" in the capital of Russia, Moscow, are being formulated. The construction works regarding the "Business and Hotel Complex" of 157.000 sq.m., is expected to commence within the first six month period of 2007. Additionally, within the current year-end, construction works are expected to commence regarding two new settlement projects:
 - 1) The apartment building "IRA" in the Lobanovo area of Himki, with a total surface area of 12.500 sq.m., and

2) the apartment building "APHRODITE" in the Ivakino area of Himki, with a total surface area of 22.000 sq.m.

Further more the company acquired three more land parcels in the area of Himki, with a total surface area of 4.000 sq.m., 26700 sq.m. and 2.900 sq.m. respectively, for which studies will be submitted for settlement and commercial development.

- After the finalized fortification of the 6.300 sq.m. land parcel in the area "Taganka" which is in the historical center of Moscow, Michaniki Russia executes the required pre-studies for the architectural finalization of an office and apartment complex with a total area of 48.000 sq.m. The anticipated construction works commencement falls in the 1st six month semester of 2008.

Energy sector:

Exploiting the Company's infrastructure and know-how in the construction of significant projects, MICHANIKI's objective is to become an electric energy producer through Hydroelectric Stations. It has already initiated the operation of a small Hydroelectric Station Theodorianon, 4 MW and holds a license for the construction of a second one, the Hydroelectric Station of Agios Nikolaos, 93 MW, with a budget of € 150,0 million. Furthermore the company has submitted a petition to the Regulatory Authority of Energy in order to receive an electricity power production license for the following projects: the Hydroelectric Station Karpenitsioti, 5,4 MW and the Hydroelectric Station Temenous, 15 MW.

Industry sector:

Despite the adverse conditions regarding the operation of industrial units in the Greek market in a deindustrialization Greek economy, MICHANIKI integrates significant spending cut programs and sets off the most profitable and efficient departments of its industrial units.

- Hellenic Piping S.A. during 2006 showed a rapid increase in its figures, surpassing the initial management estimates regarding the doubling of sales and profits. Sales (turnover) showed an increase of 128% and amounted to € 27,2 million, against € 11,9 million in 2005, whereas net profits increased by 78,57% and amounted to € 2,5 million, against € 1,4 million, in the respective previous year-end. The company's long-standing presence and experience allows it to further support its competitive position and increase its market share abroad such as in the Arabian countries in conjunction to its activities in the particularly demanding U.S. market where sales for 2006 amounted to 70% of its turnover. It is estimated that for 2007 the company's financial figures will continue to increase.
- Balkan Export S.A. proceeded with the limitation of its industrial activity and swift of its activities in the Utilization and Exploitation of Real Estate, after the broadening of its scope from the General Assembly of its shareholders. Already Balkan participates with a 25% stake in Michaniki Russia, whereas in the beginning of the current year "Balkan Bulgaria" was established based in Sofia.
- **Marmara Kavalas S.A. expects an increase in sales and improvement of profitability.**

CORPORATE GOVERNANCE

MICHANIKI has adopted the Principles of Corporate Governance, as designated by the Greek legislation in effect and the international practices. The Corporate Governance, as a set of rules, principles and control mechanisms, according to which the Company is organized and managed,

has the objective of disclosure towards the public, equal treatment in information, as well as the objective to ensure the interests of its Shareholders and all of whom are related to its operation.

The internal audit constitutes one of the basic and necessary conditions relative to the Corporate Governance operation. The responsibilities of the Company's Internal Audit Administration, include the evaluation and improvement of the risk management and internal audit systems, as well as the ascertainment of compliance relative to the institutional policies and procedures as delimited in the Internal Regulation of Operations of the Company, the in effect legislation and the regulatory ordinances, but also to the Quality Assurance Services System EN ISO 9001:2000.

DIVIDEND POLICY

The Company's Management, intends to suggest to its shareholders for 2006, the distribution of a dividend with an amount that will not be less in relation to the respective dividend of the previous year-end, that is € 0,14 per share.

Prodromos S. Emfietzoglou

Chairman of the Board of the Directors
MICHANIKI S.A.