



Chipita International AE

Interim Financial Statements

**for the period
from 1 January to 30
June 2006**

**compiled in accordance with the
International Financial
Reporting Standards
that have been adopted by
the European Union**

This is to certify that the attached Interim Financial Statements are those which have been approved by the Board of Directors of Chipita International AE on 24 August 2006 and have been published by filing them with the Registrar of Companies and by posting them on the internet, at the address www.chipita.com. The attention of the reader is drawn to the fact that the extracts published in the press aim at providing the public with certain elements of financial information but they do not present a comprehensive view of the financial position and the results of operations of the Company and the Group, in accordance with International Financial Reporting Standards. Attention is also drawn to the fact that, for simplification purposes, certain financial data published in the press may have been reclassified or amalgamated.

Spyros I. Theodoropoulos
Chairman of the Board of Directors
Chipita International AE

2006 B



REVIEW REPORT

To the Shareholders of *Chipita International AE*

We have reviewed the accompanying interim financial statements and interim consolidated financial statements of **Chipita International AE**, which comprise a balance sheet, as of 30 June 2006, and the related statements of operations, changes in shareholders' equity and cash flows for the six-month period then ended, as well as a summary of the accounting principles followed and of certain explanatory notes. These interim financial statements are the responsibility of the Company's management. Our responsibility is confined to the issuance of this review report, based on the review conducted, in relation to the entire six-month period and does not cover the amounts reported in relation to the individual quarters comprising the six-month period.

Except as noted in the following paragraph, we conducted our review in accordance with the International Standard on Review Engagements 2400, as prescribed by Greek Auditing Standards. The critical assessment of the financial data and other information set out in the interim financial statements and the securing of adequate explanations in respect of the matters raised with the financial and accounting services of the Group comprise the principal elements of our work. The scope of this work is substantially less than that undertaken in the context of a full-scope audit, aiming at forming and expressing an opinion on financial statements. Accordingly, we do not express an audit opinion.

It is noted that it may have been appropriate to recognise an impairment in the value at which the investments of the holding company in its subsidiaries *Anthemia AE* and *Franca AE* are reported. These investments are reflected, as at 30 June 2006, 31 December 2005 and 30 June 2005, at their aggregate cost of approximately € 11 million, while the reported equity of these two entities, as at the above dates, amounted to € 1.5 million. Given that from an operational perspective, these two entities are dependent on their holding company, the quantification of the fair value of the investments was a particularly difficult task and, as a consequence, we were unable to assess the issue of whether there is a real need for recognising a permanent impairment in the reported value of these investments.

Based on our review and subject to the uncertainty referred to in the immediately preceding paragraph (which, however, has no impact on the interim consolidated financial statements of the Group), nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not comply with the International Financial Reporting Standards (International Accounting Standards) that have been adopted by the European Union.

Without further qualifying our review report, we draw attention to the reference made in Note 5 to the financial statements to the pending tax returns of the Company and of certain of its subsidiaries. These returns have not been examined by the tax authorities as yet and, as a consequence, the possibility exists of additional taxes and penalties being assessed or of the right to seek and secure the refund of prepaid taxes being challenged, at the time when the returns will be examined and will be accepted as final. The outcome of these tax inspections cannot be predicted at present and, therefore, no provision has been made in these financial statements in this respect. We also draw attention to the fact that, as more fully explained in Note 27, up to 30 June 2006, the Group has recognised deferred tax relief and, by extension, a deferred tax asset of a total amount of €7.6 million (31 December and 30 June 2005: € 3.9 million and € 3.6 million, respectively), in relation to the losses that have been accumulated by certain subsidiaries of the Group. The liquidation of this asset is dependent on the generation, in the future, of sufficient profits to cover the accumulated losses.

Maroussi, 25 August 2006

Christos P. Panayiotides
Certified & Registered Auditor
Registration #11631
BDO Hellenic Auditing Company AE
Registration #106
11 Rallis Street, Maroussi, 151 24

Chipita International AE
STATEMENTS OF EARNINGS
(The amounts are stated in Euro thousand)

	Notes	The Group				The Company			
		Quarter 2 2006	Quarter 2 2005	Half 1 2006	Half 1 2005	Quarter 2 2006	Quarter 2 2005	Half 1 2006	Half 1 2005
Sales revenue		84,870	70,619	161,920	134,969	32,178	28,832	61,965	52,863
Less: Cost of goods sold		(54,636)	(45,728)	(105,118)	(91,197)	(20,594)	(18,704)	(39,936)	(34,941)
<i>Gross profit</i>		30,234	24,891	56,802	43,772	11,584	10,128	22,029	17,922
Other revenues	1	265	3,981	1,199	6,136	1,417	2,836	2,939	4,483
		30,499	28,872	58,001	49,908	13,001	12,964	24,968	22,405
Marketing and distribution expenses		(15,388)	(15,077)	(30,868)	(27,193)	(7,848)	(7,490)	(15,368)	(13,572)
Administrative expenses		(6,408)	(5,725)	(12,010)	(10,665)	(2,894)	(3,398)	(5,101)	(5,140)
Other operating expenses		(1,894)	(1,332)	(2,874)	(1,871)	(350)	(210)	(724)	(500)
<i>Profit, before finance charges</i>		6,809	6,738	12,249	10,179	1,909	1,866	3,775	3,193
Cost of financing	4	(2,727)	(2,017)	(5,294)	(4,045)	(1,340)	(941)	(2,348)	(1,807)
<i>Profit from ordinary activities</i>		4,082	4,721	6,955	6,134	569	925	1,427	1,386
Profit (Loss) from the disposal of subsidiaries	7	-	-	-	-	(9)	-	565	-
Increase (decrease) of the value of investments in associates		(163)	11	(190)	63	-	-	-	-
<i>Profit, before taxes</i>		3,919	4,732	6,765	6,197	560	925	1,992	1,386
Income taxes	5	(292)	(585)	(363)	(834)	(171)	(318)	(595)	(466)
<i>Net profit (after taxes)</i>		3,627	4,147	6,402	5,363	389	607	1,397	920
Minority interest		(1,524)	(1,701)	(3,230)	(2,465)	-	-	-	-
<i>Profit (after taxes) attributable to the shareholders of the holding company</i>		2,103	2,446	3,172	2,898	389	607	1,397	920
<i>Earnings per share (in Euro)</i>	26	0.04	0.05	0.07	0.06	0.01	0.01	0.03	0.02

The attached notes form an integral part of these interim financial statements

Chipita International AE
BALANCE SHEETS
(The amounts are stated in Euro thousand)

	Notes	The Group		The Company	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
Tangible fixed assets	9	277,253	279,364	113,564	119,098
Intangible fixed assets	10	5,066	4,297	2,496	1,989
Goodwill	11	40,188	36,013	-	-
Investments in subsidiaries	7	-	-	93,514	65,404
Investments in associates	8	4,304	4,845	2,573	2,539
Other investments	12	1,994	2,396	475	866
Long-term receivables	13	274	264	68,127	62,878
Deferred tax assets	27	6,304	3,951	-	-
<i>Long-term assets</i>		335,383	331,130	280,749	252,774
Inventories	14	35,966	34,389	10,981	11,092
Receivables	15	67,313	59,188	30,408	26,398
Short-term intragroup loans	13	-	-	23,760	-
Prepaid taxes		1,875	1,281	1,085	921
Restricted bank deposits		623	424	-	-
Cash and cash equivalents	16	17,142	21,496	1,287	6,645
<i>Current assets</i>		122,919	116,778	67,521	45,056
<i>Total assets</i>		458,302	447,908	348,270	297,830
Trade payables	20	(46,700)	(46,474)	(21,327)	(24,272)
Obligations related to the acquisition of shares of subsidiaries		-	(36,984)	-	-
Income taxes payable		(1,638)	(1,667)	(436)	(654)
Short-term interest bearing borrowings	17	(211,047)	(62,097)	(181,536)	(26,784)
<i>Current liabilities</i>		(259,385)	(147,222)	(203,299)	(51,710)
Long-term interest bearing loans	17	(20,693)	(120,877)	-	(98,129)
Employee benefits	21	(787)	(695)	(683)	(595)
Deferred government grants	22	(8,414)	(8,864)	(5,562)	(5,873)
Deferred income from the sale & leaseback of property	9	(2,679)	(2,801)	(2,679)	(2,801)
Deferred tax liabilities	27	(9,309)	(7,955)	(3,183)	(2,751)
Other long-term obligations	19	(33,192)	(34,605)	(32,345)	(33,894)
<i>Long-term liabilities</i>		(75,074)	(175,797)	(44,452)	(144,043)
<i>Net assets</i>		123,843	124,889	100,519	102,077
Share capital	23	16,384	16,384	16,384	16,384
Share premium	23	55,746	55,746	55,746	55,746
Reserves	24	12,674	12,519	10,035	10,035
Gain on revaluation of tangible assets		18,001	18,065	11,088	11,152
Currency translation adjustments		(4,602)	(3,836)	-	-
Retained earnings (subject to taxation)		5,120	5,120	5,120	5,120
Retained earnings (accumulated losses), taxed		(2,130)	(2,056)	2,146	3,640
<i>Shareholders' equity</i>		101,193	101,942	100,519	102,077
Minority interest		22,650	22,947	-	-
<i>Invested equity funds</i>		123,843	124,889	100,519	102,077

The attached notes form an integral part of these interim financial statements

Chipita International AE

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(The amounts are stated in Euro thousand)

	The Group									
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation gains	Tax related reserves	Currency translation adjustment	Minority interest	Retained earnings untaxed	Retained earnings (losses), taxed	Total
Balances, as at 1 January 2006	16,384	55,746	87	18,065	12,432	(3,836)	22,947	5,120	(2,056)	124,889
Gain on revaluation of property (after tax) adjustment	-	-	-	(64)	-	-	-	-	-	(64)
Effect of changes in the level of participation of the Group in certain subsidiaries	-	-	-	-	-	-	(94)	-	(200)	(294)
Transfer of profits of a subsidiary to reserves	-	-	155	-	-	-	-	-	(155)	0
Dividend distribution	-	-	-	-	-	-	-	-	(2,891)	(2,891)
Profit, after taxes, realised in 6 months to June 2006	-	-	-	-	-	-	3,230	-	3,172	6,402
Dividends distributed by subsidiaries to minority shareholders	-	-	-	-	-	-	(2,282)	-	-	(2,282)
Currency translation adjustments	-	-	-	-	-	(766)	(1,151)	-	-	(1,917)
Balances, as at 30 June 2006	16,384	55,746	242	18,001	12,432	(4,602)	22,650	5,120	(2,130)	123,843

	The Company									
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation gains	Tax related reserves	Currency translation adjustment	Minority interest	Retained earnings untaxed	Retained earnings (losses), taxed	Total
Balances, as at 1 January 2006	16,384	55,746	0	11,152	10,035	0	0	5,120	3,640	102,077
Gain on revaluation of property (after tax) adjustment	-	-	-	(64)	-	-	-	-	-	(64)
Dividend distribution	-	-	-	-	-	-	-	-	(2,891)	(2,891)
Profit, after taxes, realised in 6 months to June 2006	-	-	-	-	-	-	-	-	1,397	1,397
Balances, as at 30 June 2006	16,384	55,746	0	11,088	10,035	0	0	5,120	2,146	100,519

The attached notes form an integral part of these interim financial statements

Chipita International AE
CASH FLOW STATEMENTS
(The amounts are stated in Euro thousand)

	The Group		The Company	
	6 months to 30th June 2006	6 months to 30th June 2005	6 months to 30th June 2006	6 months to 30th June 2005
Cash Flows related to Operating Activities				
Profit, before taxes	6,765	6,197	1,992	1,386
Adjustments in respect of non-cash transactions:				
Depreciation and amortisation	11,302	10,879	4,694	5,069
Government grant income recognised	(599)	(1,202)	(460)	(1,054)
Income from sale & leaseback of property	(135)	(103)	(121)	(102)
Investment income	123	-	(632)	-
Interest expense	5,294	4,045	2,348	1,807
Employee retirement benefits	92	61	88	7
Gain on disposal of property, plant and equipment	(7)	(1,975)	(32)	(1,535)
	22,835	17,902	7,877	5,578
Decrease (increase) of inventories	(1,103)	376	111	(222)
Decrease (increase) of receivables	(7,184)	(20,800)	(4,254)	(18,568)
Decrease (increase) in restricted bank deposits	(199)	(1,868)	-	-
Increase (decrease) of payables	(3,725)	2,998	(5,863)	3,001
	10,624	(1,392)	(2,129)	(10,211)
Interest paid	(6,004)	(4,045)	(2,386)	(1,697)
Income taxes paid	(1,834)	(305)	(311)	(97)
<i>Net operating cash inflows (outflows)</i>	2,786	(5,742)	(4,826)	(12,005)
Cash Flows related to Investing Activities				
Acquisition of tangible fixed assets	(9,603)	(25,217)	(1,357)	(4,593)
Proceeds from the disposal of fixed assets	186	9,692	1,380	8,096
Acquisition of shares in subsidiaries & associates	(43,912)	(533)	(30,854)	(2,090)
Proceeds from the disposal of shares in subsidiaries	-	-	3,275	-
Inflows from government grants	149	-	149	-
Inflows (outflows) related to other investments	459	(229)	459	(3)
<i>Net investment cash inflows (outflows)</i>	(52,721)	(16,287)	(26,948)	1,410
Cash Flows related to Financing Activities				
Contracting of loans	47,717	28,421	56,623	21,887
Financing of subsidiaries	-	-	(29,000)	(7,846)
Finance lease payments	(1,266)	(335)	(1,207)	(335)
Purchase of own shares	-	(89)	-	(89)
Dividend payments	(712)	(238)	-	(51)
<i>Net financing cash inflows</i>	45,739	27,759	26,416	13,566
<i>Increase (decrease) of cash</i>	(4,196)	5,730	(5,358)	2,971
Cash balances, at the beginning of the period	21,496	9,110	6,645	2,062
Cash balances of newly consolidated subsidiaries, at the beginning of the period	437	-	-	-
Effect of changes in exchange rates	(595)	39	-	-
Cash balances, at the end of the period	17,142	14,879	1,287	5,033

The attached notes form an integral part of these interim financial statements

Chipita International AE

Notes to the Financial Statements

for the period from 1 January to 30 June 2006

(The amounts are stated in Euro thousand)

Basis of Presentation of the Financial Statements

Chipita International AE (the “Company”) is an anonymos eteria (corporation) registered in Greece, was established in 1973, has its registered office at Metamorphosis, Attica and is primarily engaged in the production and trading of pre-packed dough-based products (snacks). The Company is at the final stage of a process entailing its merger with Delta Holdings AE and certain other subsidiaries of the Delta Group. This process is at its final stage and it is anticipated that it will be completed in the near future. It follows that these interim financial statements are the last “stand-alone” statements that are compiled and published by the Chipita Group.

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

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

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

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

These financial statements have been approved for publication by the Board of Directors on 24 August 2006.

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

Chipita International AE
Notes to the Financial Statements
for the period from 1 January to 30 June 2006
(The amounts are stated in Euro thousand)

Group Structure

The **Chipita** Group comprises the following entities:

<u>Entity</u>	<u>Registered Office</u>	<u>Participation</u>
Chipita International AE ▲	Metamorphosis, Attica, Greece	Holding entity
Franca AE	Ano Liossia, Attica	100%
Smaky AE (under liquidation)	Metamorphosis, Attica	100%
Chipita Italia SpA	Bologna, Italy	100%
Anthemia AE	Sindos, Thessaloniki	99,54%
Viomar AE ▲	Makrichori, Larissa	86,06%
Chipita Germany GmbH	Lunen, Germany	51%
Cream Line AE ▲	Metamorphosis, Attica	100%
Chipima Sosiadade de Produtos Alimentares SA ▲	Lisbon, Portugal	□ 40%
Chipita Participations Ltd	Nicosia, Cyprus	100%
Chipita Ukraine (Cyprus) Ltd *	Nicosia, Cyprus	100%
Chipita ZAO (dormant) *	Moscow, Russia	100%
Teo Plus (dormant) *	Kiev, Ukraine	100%
Chipita Nigeria (Cyprus) Ltd *	Nicosia, Cyprus	100%
EDITA SAE *▲ / DIGMA SAE *	Cairo, Egypt	□ 25%
Chipita East Europe (Cyprus) Ltd *	Nicosia, Cyprus	92,75%
<i>(*) Subsidiaries of Chipita Participations Ltd</i>		
Chipita Bulgaria (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Poland (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Romania (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Yugoslavia (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Hungary (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Russia (Cyprus) Ltd **	Nicosia, Cyprus	54,33% ^
Chipita Russia Trading (Cyprus) Ltd **	Nicosia, Cyprus	54,33% ^
Chipita Czech (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Ukraine Trading (Cyprus) Ltd **	Nicosia, Cyprus	54,33% ^
Chipita Foods Bulgaria (Cyprus) Ltd **	Nicosia, Cyprus	92,75% ^
Chipita Bulgaria Transportation Ltd **	Nicosia, Cyprus	55,65% ^
<i>(**) Subsidiaries of Chipita East Europe Ltd</i>		
Chipita Bulgaria SA *** ▲	Sofia, Bulgaria	92,75% ^
Chipita Foods Bulgaria EAD *** ▲	Sofia, Bulgaria	92,75% ^
Chipita Poland sp zoo *** ▲	Warsaw, Poland	92,75% ^
Chipita Romania SRL *** ▲	Bucharest, Romania	92,75% ^
Vima International Ltd ***	Bucharest, Romania	92,75% ^
Chipita Belgrade SA ***	Belgrade, Serbia	92,75% ^
Chipita Hungary Kft ***	Krasnoje, Hungary	92,75% ^
Chipita St Petersburg ZAO *** ▲ / Eldi OOO ***	St. Petersburg, Russia	54,33% ^
Chipita Russia Trading OOO ***	Moscow, Russia	54,33% ^
Chipita Czech Ltd ***	Brno, The Czech Republic	92,75% ^
Chipita Slovakia Ltd ***	Bratislava, Slovakia	92,75% ^
Chipita Ukraine Trading ZBUT ***	Kiev, Ukraine	54,33% ^
Dias Transportation Ltd ***	Sofia, Bulgaria	55,65% ^
<i>(***) Subsidiaries of the corresponding Cyprus companies</i>		
Cream Line Bulgaria (Cyprus) Ltd ****	Nicosia, Cyprus	100% ^
Cream Line (Cyprus) Ltd ****	Nicosia, Cyprus	100% ^
Cream Line Romania (Cyprus) Ltd ****	Nicosia, Cyprus	100% ^

Chipita International AE
Notes to the Financial Statements
for the period from 1 January to 30 June 2006
(The amounts are stated in Euro thousand)

Opirus Trading Ltd ****	Nicosia, Cyprus	100% ^
Carmelina Ltd **** ▲	Sofia, Bulgaria	100% ^
Cream Line Niss doo ****	Belgrade, Serbia	100% ^
Cream Line Romania SA **** ▲	Bucharest, Romania	100% ^

(****)Subsidiaries and sub-subsidiaries of Cream Line AE

▲ Entities with industrial production.

(^) Equivalent participation of the Group.

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

In February 2006, the shares of *EDITA SAE* were transferred by *Chipita International AE* to *Chipita Participations Ltd*. This transaction has no impact on the consolidated financial statements of the Group.

As referred to in Note 7, in June 2006, *EDITA SAE* acquired 100% of the shares of *DIGMA SAE*, an Egyptian company, which continues to serve as the exclusive distributor of the products produced by *EDITA SAE*.

On 30 June 2005, it was resolved to place *Smaky AE*, a wholly-owned subsidiary of the Group, under voluntary liquidation. The said subsidiary had no activities of substance in 2005 or in first half of 2006 and, as at 30 June 2006, it had no assets or liabilities that were not eliminated in the consolidated financial statements.

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

Accounting Policies

I. Fixed assets

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

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

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

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

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

Chipita International AE

Notes to the Financial Statements

for the period from 1 January to 30 June 2006

(The amounts are stated in Euro thousand)

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

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

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

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

Trademarks	10	years
Computer software	3 - 5	years

II. Inventories

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

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

III. Trade and other receivables

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

IV. Cash and cash equivalents

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

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V. Transactions in foreign currencies

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

VI. Acquisition of own shares

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

VII. Dividends

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

VIII. Employee benefits

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

IX. Provisions

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

X. Financial instruments

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

XI. Revenues

Sale of goods and services

The revenue derived from the sale of goods is recognised (reported in the statement of earnings) at the stage when the basic risks and benefits associated with the ownership of the goods, are transferred to the buyer. The revenue derived from the rendering of services is recognised (reported in the statements of

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earnings) on the basis of the stage of completion of the project, at the date of the balance sheet. Revenue is not recognised, if there is substantial uncertainty as to the likelihood of collecting the consideration agreed upon or the possible return of the goods.

Government grants

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

Dividend income

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

XII. Expenses

Operating leases

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

Finance leases

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

Cost of financing

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

XIII. Income taxes

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

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

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distribution of profits.

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

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

XIV. Segmental analysis

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

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

XV. Discontinued operations

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

Notes to the Financial Statements

1 Other Revenues

The other revenues of the Group and those of the Company, for the first half of 2006 and 2005, are analysed as follows:

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	The Group		The Company	
	6 months to June 2006	6 months to June 2005	6 months to June 2006	6 months to June 2005
Commission and subleasing income	75	1.456	51	30
Royalties derived from associated companies	70	54	70	54
Intragroup royalties and management fees	-	-	2.063	1.662
Profit on disposal of fixed assets	7	2.042	31	1.490
Recognised revenues related to government grants	599	1.202	460	1.055
Recognised revenues related to the sale and leaseback of assets	135	153	121	102
Other revenues	313	1.229	143	90
	1.199	6.136	2.939	4.483

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

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

The number of the employees of the Group and the Company, as at 30 June 2006 and 2005, and the aggregate cost of their employment for the first six months of 2006 and 2005, were as follows:

	The Group		The Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
<u>Number of Persons Employed</u>				
Salaried employees	2.049	1.984	511	495
Workers	3.813	2.968	545	608
	5.862	4.952	1.056	1.103
	6 months to June 2006	6 months to June 2005	6 months to June 2006	6 months to June 2005
Cost	27.283	25.911	13.997	14.046
Cost per employee (in Euro)	4.654	5.232	13.255	12.734

The substantial increase in the number of persons employed by the Group mainly stems from the acquisition of *Digma SAE*, while the significant decrease of the cost per employee mainly stems from the fact that the previously mentioned acquisition was effected in June 2006.

3 Allocation of Depreciation Charges for the 6 months to June 2006 and 2005

The allocation of depreciation charges in the first half of 2006 and 2005, for the Group and the Company, is analysed as follows:

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	The Group		The Company	
	6 months to June 2006	6 months to June 2005	6 months to June 2006	6 months to June 2005
Cost of production	9.145	8.548	3.261	3.599
Marketing, distribution and administrative expenses	2.157	2.331	1.433	1.470
Currency translation differences	-	82	-	-
	11.302	10.961	4.694	5.069

4 Cost of Financing

The net financing cost of the Group and the Company for the first half of 2006 and 2005 comprises:

	The Group		The Company	
	6 months to June 2006	6 months to June 2005	6 months to June 2006	6 months to June 2005
Interest income	39	-	1.850	767
Interest charges	(5.245)	(3.748)	(4.110)	(2.277)
Leasing charges	(88)	(297)	(88)	(297)
	(5.294)	(4.045)	(2.348)	(1.807)

5 Income Taxes

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

	The Group				The Company			
	Quarter 2 2006	Quarter 2 2005	Half 1 2006	Half 1 2005	Quarter 2 2006	Quarter 2 2005	Half 1 2006	Half 1 2005
Profit, before taxes, per the statement of earnings	3.919	4.732	6.765	6.197	560	925	1.992	1.386
Tax rate	15,3%	15,3%	16,3%	13,1%	29%	32%	29%	32%
Income taxes, at the nominal tax rate	599	724	1.103	814	163	296	578	444
Additional taxes of prior years	-	1	-	1	-	-	-	-
Taxes that correspond to non-taxable profits or to profits taxed at a reduced rate	(507)	(481)	(1.323)	(864)	-	-	-	-
Tax relief on losses that are not deemed likely to be recovered	5	208	69	438	-	-	-	-
Taxes on expenses that are not deductible for tax purposes	195	129	414	425	8	22	17	22
Valuation adjustments of deferred tax assets and liabilities	-	4	100	20	-	-	-	-
Total tax charge	292	585	363	834	171	318	595	466
Current tax charge	686	596	1.362	1.139	163	-	163	16
Deferred tax charge (relief)	(394)	(11)	(999)	(305)	8	318	432	450
Total tax charge	292	585	363	834	171	318	595	466

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

The nominal tax rate applicable to the Group varies from period to period, reflecting changes, over time, in the nominal tax rates in-force in the various countries in which the Group operates, but also because of material differences in national nominal tax rates, which render the Group weighted average tax rate a function of the geographic dispersion of taxable profits within the Group.

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

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

<i>Entity</i>	<i>Tax returns not examined as yet by the tax authorities</i>
Chipita International AE	2001 to 2005 inclusive
Cream Line AE	2003 to 2005 inclusive
Franca AE	2005
Viomar AE	2003 to 2005 inclusive
Smaky AE	1999 to 2005 inclusive
Anthemia AE	1999 to 2005 inclusive

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

6 Segmental Analysis

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

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Quarter 2 2006

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	25 998	19 936	28 249	10 687	-	84 870
Intersegment sales	7 060	7	5 529	-	(12 596)	0
<i>Total sales</i>	33 058	19 943	33 778	10 687	(12 596)	84 870
Cost of sales to third parties	(14 363)	(14 837)	(18 026)	(7 410)	-	(54 636)
Cost of intersegment sales	(7 060)	(7)	(5 529)	-	12 596	0
<i>Total cost of sales</i>	(21 423)	(14 844)	(23 555)	(7 410)	12 596	(54 636)
<i>Gross profit</i>	11 635	5 099	10 223	3 277	0	30 234
Other third-party revenues	197	116	150	(198)	-	265
Other intersegment revenues	1 197	1 880	1	-	(3 078)	0
<i>Other revenues</i>	1 394	1 996	151	(198)	(3 078)	265
	13 029	7 095	10 374	3 079	(3 078)	30 499
Third-party marketing and distribution expenses	(7 898)	(2 155)	(4 789)	(546)	-	(15 388)
Intersegment marketing and distribution expenses	-	(96)	(628)	(39)	763	0
Third-party administrative expenses	(3 348)	(2 011)	(840)	(209)	-	(6 408)
Intersegment administrative expenses	-	(547)	(1 556)	-	2 103	0
Other operating expenses	(552)	(924)	(497)	79	-	(1 894)
<i>Profit, before finance charges</i>	1 231	1 362	2 064	2 364	(212)	6 809
Cost of financing						(2 727)
<i>Profit from ordinary activities</i>						4 082
Increase (decrease) in the reported value of associates						(163)
<i>Profit, before taxes</i>						3 919
Income taxes						(292)
<i>Net profit, after taxes</i>						3 627
Minority interest						(1 524)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						2 103

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Quarter 2 2005

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	24 907	15 418	23 015	7 279	-	70 619
Intersegment sales	6 626	217	4 917	-	(11 760)	0
<i>Total sales</i>	31 533	15 635	27 932	7 279	(11 760)	70 619
Cost of sales to third parties	(14 688)	(12 296)	(14 438)	(4 306)	-	(45 728)
Cost of intersegment sales	(6 626)	(217)	(4 917)	-	11 760	0
<i>Total cost of sales</i>	(21 314)	(12 513)	(19 355)	(4 306)	11 760	(45 728)
<i>Gross profit</i>	10 219	3 122	8 577	2 973	0	24 891
Other third-party revenues	1 962	1 279	775	(35)	-	3 981
Other intersegment revenues	950	1 218	-	-	(2 168)	0
<i>Other revenues</i>	2 912	2 497	775	(35)	(2 168)	3 981
	13 131	5 619	9 352	2 938	(2 168)	28 872
Third-party marketing and distribution expenses	(7 264)	(1 626)	(5 813)	(374)	-	(15 077)
Intersegment marketing and distribution expenses	-	(149)	-	(35)	184	0
Third-party administrative expenses	(2 757)	(832)	(2 083)	(53)	-	(5 725)
Intersegment administrative expenses	(1 019)	(965)	-	-	1 984	0
Other operating expenses	(211)	(25)	(1 025)	(71)	-	(1 332)
<i>Profit, before finance charges</i>	1 880	2 022	431	2 405	0	6 738
Cost of financing						(2 017)
<i>Profit from ordinary activities</i>						4 721
Increase (decrease) in the reported value of associates						11
<i>Profit, before taxes</i>						4 732
Income taxes						(585)
<i>Net profit, after taxes</i>						4 147
Minority interest						(1 701)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						2 446

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Half 1 2006

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	49 756	36 680	52 484	23 000	-	161 920
Intersegment sales	13 752	43	9 956	-	(23 751)	0
<i>Total sales</i>	63 508	36 723	62 440	23 000	(23 751)	161 920
Cost of sales to third parties	(27 728)	(27 985)	(33 982)	(15 423)	-	(105 118)
Cost of intersegment sales	(13 752)	(43)	(9 956)	-	23 751	0
<i>Total cost of sales</i>	(41 480)	(28 028)	(43 938)	(15 423)	23 751	(105 118)
<i>Gross profit</i>	22 028	8 695	18 502	7 577	0	56 802
Other third-party revenues	693	175	325	6	-	1 199
Other intersegment revenues	2 815	2 963	1	-	(5 779)	0
<i>Other revenues</i>	3 508	3 138	326	6	(5 779)	1 199
	25 536	11 833	18 828	7 583	(5 779)	58 001
Third-party marketing and distribution expenses	(15 912)	(4 104)	(9 882)	(970)	-	(30 868)
Intersegment marketing and distribution expenses	-	(163)	(1 193)	(94)	1 450	0
Third-party administrative expenses	(5 922)	(3 750)	(1 982)	(356)	-	(12 010)
Intersegment administrative expenses	-	(729)	(2 824)	-	3 553	0
Other operating expenses	(941)	(1 680)	(579)	326	-	(2 874)
<i>Profit, before finance charges</i>	2 761	1 407	2 368	6 489	(776)	12 249
Cost of financing						(5 294)
<i>Profit from ordinary activities</i>						6 955
Increase (decrease) in the reported value of associates						(190)
<i>Profit, before taxes</i>						6 765
Income taxes						(363)
<i>Net profit, after taxes</i>						6 402
Minority interest						(3 230)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						3 172

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Half 1 2005

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	46 461	29 405	43 926	15 177	-	134 969
Intersegment sales	11 807	217	6 089	-	(18 113)	0
<i>Total sales</i>	58 268	29 622	50 015	15 177	(18 113)	134 969
Cost of sales to third parties	(28 275)	(23 298)	(29 332)	(10 292)	-	(91 197)
Cost of intersegment sales	(11 807)	(217)	(6 089)	-	18 113	0
<i>Total cost of sales</i>	(40 082)	(23 515)	(35 421)	(10 292)	18 113	(91 197)
<i>Gross profit</i>	18 186	6 107	14 594	4 885	0	43 772
Other third-party revenues	3 002	2 167	975	(8)	-	6 136
Other intersegment revenues	1 648	1 932	-	-	(3 580)	0
<i>Other revenues</i>	4 650	4 099	975	(8)	(3 580)	6 136
	22 836	10 206	15 569	4 877	(3 580)	49 908
Third-party marketing and distribution expenses	(13 892)	(2 653)	(10 146)	(502)	-	(27 193)
Intersegment marketing and distribution expenses	-	(876)	-	(77)	953	0
Third-party administrative expenses	(4 329)	(1 923)	(4 082)	(331)	-	(10 665)
Intersegment administrative expenses	(1 583)	(1 044)	-	-	2 627	0
Other operating expenses	(503)	(207)	(1 184)	23	-	(1 871)
<i>Profit, before finance charges</i>	2 529	3 503	157	3 990	0	10 179
Cost of financing						(4 045)
<i>Profit from ordinary activities</i>						6 134
Increase (decrease) in the reported value of associates						63
<i>Profit, before taxes</i>						6 197
Income taxes						(834)
<i>Net profit, after taxes</i>						5 363
Minority interest						(2 465)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						2 898

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30 June 2006

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment balances	Group
Investments in associates	1 653	2 651	-	-	-	4 304
Total other assets	178 541	93 400	147 122	34 935	-	453 998
Intersegment investments	68 457	53 345	-	-	(121 802)	0
Intersegment receivables / payables	105 686	(53 889)	(51 755)	(42)	-	0
Total liabilities to third parties	(267 467)	(22 382)	(35 270)	(9 340)	-	(334 459)
Net assets	86 870	73 125	60 097	25 553	(121 802)	123 843

31 December 2005

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

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

7 Acquisitions and Disposals of Shares in Subsidiaries

In February 2006, the transfer of the shares of *EDITA SAE*, a subsidiary entity, from *Chipita International AE* to *Chipita Participations Ltd*, for a consideration of € 3.3 million, was completed. The resulting gain on this transaction, amounting to € 565 thousand, has been eliminated from the consolidated financial statements of the Group.

In the first quarter of 2006, *Chipita International AE* subscribed for the share capital increase of its wholly-owned subsidiary, *Chipita Participation Ltd*, amounting to € 30 million.

In April 2006, *Chipita International AE* acquired, from a related party who participates in the management of the Company, 22,506 shares of *Cream Line AE*, a subsidiary entity, at a price of € 29.56 per share, thus raising its equity stake in this subsidiary to 100%.

In June 2006, *EDITA SAE* acquired from the Egyptian *Bergi Group* that has a 75% equity interest in *EDITA SAE*, all the shares of *DIGMA SAE* for a consideration of € 6.2 million. *DIGMA SAE* continues to serve as the exclusive distributor of the *EDITA SAE* products. At the time of the acquisition the fair value of the individual assets and liabilities of *DIGMA SAE* was assessed to be equal to their corresponding accounting value and the resultant goodwill, amounting to € 3.8 million, is reflected in the consolidated balance sheet of 30 June 2006.

As stated in the *Chipita International AE* annual financial statements of 2005 and in the interim financial statements of 2006, in March 2001, the Company, through its wholly-owned subsidiary, *Chipita Participations Ltd*, undertook a contractual commitment towards the 48.67% minority shareholders of *Chipita East Europe (Cyprus) Ltd*, to purchase their entire holding of shares for a consideration that would have been quantified by reference to the reported net assets of the investee, provided that the option would not have been exercised by the minority shareholders prior to 31 December 2004. The said option was, in

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fact, exercised in 2005, in respect of 806,499 shares of *Chipita East Europe (Cyprus) Ltd*, representing 41.42% of the issued and outstanding share capital of the company, and the transfer of the shares was effected on 4 July 2005, in consideration of € 37 million payable to the sellers. The total consideration agreed upon was paid within the first half of 2006. A corresponding right (put option) persists in relation to the remaining minority holding in *Chipita East Europe (Cyprus) Ltd* of 7.25%.

In the first quarter of 2006, *Chipita International AE* subscribed for the share capital increase of its wholly-owned subsidiary, *Chipita Italia SpA*, amounting to € 130 thousand.

In the second half of 2006, *Chipita Russia (Cyprus) Ltd* subscribed for the share capital increase of its wholly-owned subsidiary, *Chipita St. Petersburg ZAO*, amounting to € 5 million.

8 Acquisitions and Disposals of Shares in Associates

In the first quarter of 2006, *Chipita International AE* paid an amount of € 34 thousand to *Tsimis AE*, an associate company, in order to participate in a share capital increase, always maintaining the equity interest of the Group in the investee at 30%.

9 Tangible Fixed Assets

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

	The Group						Total
	<i>Land</i>	<i>Buildings & building installations</i>	<i>Plant & machinery</i>	<i>Vehicles</i>	<i>Furniture and other equipment</i>	<i>Assets under construction or installation</i>	
<u>At cost or valuation</u>							
<i>As at 31 December 2005</i>	17 099	128 221	189 309	9 486	13 967	24 141	382 223
Currency translation adjustments	(93)	(277)	(954)	(67)	(31)	(159)	(1 581)
Newly-acquired companies	-	1 420	13	2 623	396	-	4 452
Additions 6 months to June 2006	-	27	441	724	664	9 034	10 890
Transferred from "assets under construction"	-	219	11 817	-	-	(12 036)	0
Reclassification to other assets	-	(340)	1 056	-	(716)	-	0
Disposals 6 months to June 2006	-	-	(4 486)	(1 109)	(40)	-	(5 635)
Adjustment of sale & leaseback	(61)	(276)	-	-	-	-	(337)
<i>As at 30 June 2006</i>	16 945	128 994	197 196	11 657	14 240	20 980	390 012
<u>Accumulated depreciation</u>							
<i>As at 31 December 2005</i>	-	(31 208)	(58 225)	(4 820)	(8 606)	-	(102 859)
Currency translation adjustments	-	64	271	26	16	-	377
Newly-acquired companies	-	(224)	(5)	(985)	(293)	-	(1 507)
Depreciation charges 2006	-	(1 391)	(7 513)	(661)	(1 139)	-	(10 704)
Reclassification to other assets	-	116	(712)	-	596	-	0
Disposals 6 months to June 2006	-	-	1 226	676	32	-	1 934
<i>As at 30 June 2006</i>	0	(32 643)	(64 958)	(5 764)	(9 394)	0	(112 759)
<u>Net book value</u>							
<i>As at 30 June 2006</i>	16 945	96 351	132 238	5 893	4 846	20 980	277 253
<i>As at 31 December 2005</i>	17 099	97 013	131 084	4 666	5 361	24 141	279 364

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	Land	Buildings & building installations	Plant & machinery	Vehicles	Furniture and other equipment	Assets under construction or installation	Total
At cost or valuation							
As at 31 December 2005	7 820	79 377	69 811	3 085	7 592	9 440	177 125
Additions 6 months to June 2006	-	27	441	21	59	(14)	534
Transferred from "assets under construction"	-	170	6 689	-	381	(7 240)	0
Reclassification to other assets	-	(340)	-	-	340	-	0
Disposals 6 months to June 2006	-	-	(1 342)	(447)	-	-	(1 789)
Adjustment of sale & leaseback	(61)	(276)	-	-	-	-	(337)
As at 30 June 2006	7 759	78 958	75 599	2 659	8 372	2 186	175 533
Accumulated depreciation							
As at 31 December 2005	-	(22 990)	(28 230)	(2 108)	(4 699)	-	(58 027)
Depreciation charges 2006	-	(749)	(2 724)	(157)	(753)	-	(4 383)
Reclassification to other assets	-	116	-	-	(116)	-	0
Disposals 6 months to June 2006	-	-	115	326	-	-	441
As at 30 June 2006	0	(23 623)	(30 839)	(1 939)	(5 568)	0	(61 969)
Net book value							
As at 30 June 2006	7 759	55 335	44 760	720	2 804	2 186	113 564
As at 31 December 2005	7 820	56 387	41 581	977	2 893	9 440	119 098

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

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

	The Group			The Company		
	Value, as would have been reported	Assigned fair value	Revaluation gain	Value, as would have been reported	Assigned fair value	Revaluation gain
Land	6.199	13.890	7.691	3.343	4.916	1.573
Industrial buildings	68.734	87.813	19.079	30.527	43.483	12.956
	74.933	101.703	26.770	33.870	48.399	14.529
Recognised deferred tax liability			(6.154)			(3.705)
Net revaluation gain (after taxes)			20.616			10.824

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

As from 1 October 2005, the estimated useful life of buildings was adjusted to 50 years. Up to 30

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September 2005, the estimated useful life of buildings was deemed to be 20 years for industrial buildings and 33 years for the remaining buildings.

In June 2004, *Chipita International AE* entered into a contract with a leasing company for the sale and leaseback of the land and the building housing the head-office of the Group, which is located at Metamorphosis in Attica, Greece. The term of the lease is fifteen years and provides the lessee with an option to repurchase the property, at the end of the lease, at a nominal consideration. The leasehold monthly instalments (capital and interest) amount to € 100 thousand and are adjusted by reference to EURIBOR. At the inception of the lease, the effective annual interest rate chargeable under the lease was 3.79%.

In accordance with the relevant provisions of the International Financial Reporting Standards, finance leases are reported in the financial statements as a form of borrowing and, as a consequence, the leased land is reported at a value of € 2,700 thousand and the leased building is reported at a value of € 12,300 thousand, i.e. at the value at which these leasing arrangements were entered into (€ 15,000 thousand). The profit generated as a result of this transaction, amounting to € 3,050 thousand, is recognised over the term of the lease, while the value of the building continues to be amortised over its useful life. The aggregate amount of the outstanding lease instalments is reported under current liabilities (€ 673 thousand and € 706 thousand, at 30 June 2006 and 31 December 2005, respectively) and under long-term liabilities (€ 12,636 thousand and € 13,231 thousand, at 30 June 2006 and 31 December 2005, respectively), without taking into consideration the interest charges embodied in the leasehold instalments, which will be charged to operations as they accrue, by reference to the outstanding balance of the "capital" borrowed.

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

This finance lease is also reflected in the financial statements as a form of borrowing, resulting in the leased land being reported at € 2,922 thousand and the leased buildings being reported at € 21,252 thousand, i.e. at the value at which these leasing arrangements were entered into (€ 24,174 thousand). The profit generated as a result of this transaction, amounting to € 58 thousand, is recognised uniformly over the 12-year term of the lease, while the value of the buildings continues to be amortised over their useful life. The aggregate amount of the outstanding lease instalments is reported under current liabilities (€ 1,335 thousand and € 1,328 thousand, at 30 June 2006 and 31 December 2005, respectively) and under long-term liabilities (€ 19,709 thousand and € 20,663 thousand, at 30 June 2006 and 31 December 2005, respectively), without taking into consideration the interest charges embodied in the leasehold instalments, which will be charged to operations as they accrue, by reference to the outstanding balance of the "capital" borrowed.

The equipment (stands) provided to customers, as a form of an interest-free "loan", for the purposes of facilitating the marketing of the products supplied is reported under furniture and other equipment.

It is noted that the use of certain production equipment owned by *Chipita International AE* has been suspended as the equipment is intended to be utilised for production purposes outside of Greece. The unamortised value of this production equipment, as at 30 June 2006, was € 1.2 million (31 December 2005: € 1.2 million) is believed to be at least equal to its net realisable value.

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

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10 Intangible Fixed Assets

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

	The Group		
	<i>Computer software</i>	<i>Trademarks</i>	Total
<u>At cost or valuation</u>			
<i>As at 31 December 2005</i>	3 655	3 438	7 093
<i>Additions 6 months to June 2006</i>	1 029	338	1 367
<i>As at 30 June 2006</i>	4 684	3 776	8 460
<u>Accumulated amortisation</u>			
<i>As at 31 December 2005</i>	(1 567)	(1 229)	(2 796)
<i>Amortisation charge 6 months to June 2006</i>	(395)	(203)	(598)
<i>As at 30 June 2006</i>	(1 962)	(1 432)	(3 394)
<u>Net book value</u>			
<i>As at 30 June 2006</i>	2 722	2 344	5 066
<i>As at 31 December 2005</i>	2 088	2 209	4 297

	The Company		
	<i>Computer software</i>	<i>Trademarks</i>	Total
<u>At cost or valuation</u>			
<i>As at 31 December 2005</i>	2 733	440	3 173
<i>Additions 6 months to June 2006</i>	484	334	818
<i>As at 30 June 2006</i>	3 217	774	3 991
<u>Accumulated amortisation</u>			
<i>As at 31 December 2005</i>	(1 053)	(131)	(1 184)
<i>Amortisation charge 6 months to June 2006</i>	(275)	(36)	(311)
<i>As at 30 June 2006</i>	(1 328)	(167)	(1 495)
<u>Net book value</u>			
<i>As at 30 June 2006</i>	1 889	607	2 496
<i>As at 31 December 2005</i>	1 680	309	1 989

11 Goodwill

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

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

The following table presents the movement of goodwill for the 6 months to June 2006:

	31 December 2005	Additions 6 months to June 2006	30 June 2006
Cream Line AE	8 671	402	9 073
Chipita Romania (Cyprus) Ltd	7 376	-	7 376
Chipita Bulgaria (Cyprus) Ltd	5 862	-	5 862
Chipita Foods Bulgaria (Cyprus) Ltd	12 663	-	12 663
Chipita Poland (Cyprus) Ltd	1 280	-	1 280
EDITA SAE	161	-	161
DIGMA SAE	-	3 773	3 773
	<u>36 013</u>	<u>4 175</u>	<u>40 188</u>

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

12 Other investments

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

13 Long-term Receivables

Through a series of loan agreements, *Chipita International AE* has provided interest-bearing loans, attracting interest at an annual rate of EURIBOR+2%, to its subsidiary company *Chipita East Europe (Cyprus) Ltd*. The total amount of these loans, as at 30 June 2006, was € 73,210 thousand. Of the aforementioned receivable, an amount of € 23,760 is repayable on or before 31 March 2007 and it is reported by the holding Company under short-term receivables, while an amount of € 49,450 is repayable on or before 31 December 2008 and it is reported by the holding Company under long-term receivables. Furthermore, the long-term receivables reported by the holding Company are inclusive of an intercompany loan to its subsidiary, *Chipita Participations Ltd*. The amount of this loan, as at 30 June 2006, was € 16,950 thousand of which an amount of € 6,650 thousand is repayable on or before 31 December 2007, while an amount of 10,300 thousand is repayable on or before 31 December 2008. The total amount of this loan is reported by the holding Company under long-term receivables. Moreover, the long-term receivables reported by the holding Company are inclusive of an intercompany loan to its subsidiary, *Cream Line (Cyprus) Ltd*. The amount of this loan, at 30 June 2006, was € 1,500 thousand.

Beyond the intragroup balances, referred to in the preceding paragraph (which are eliminated in the consolidated financial statements of the Group), long-term receivables also include certain guarantee deposits given.

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14 Inventories

The inventories of the Group and the Company, as at 30 June 2006 and 31 December 2005, are analysed as follows:

	The Group		The Company	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Finished goods	11 549	8 768	3 867	3 628
Raw and packaging materials	20 870	22 188	5 121	5 595
Spare parts	3 104	3 172	1 826	1 776
Advances to suppliers (inventory related)	443	261	167	93
	35 966	34 389	10 981	11 092

15 Receivables

The receivables of the Group and those of the Company, as at 30 June 2006 and 31 December 2005, are analysed as follows:

	The Group		The Company	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Trade receivables and advances to suppliers	48 659	45 700	14 051	11 463
State receivables	8 372	7 809	2 046	2 473
Intragroup receivables	-	-	10 010	10 520
Receivables from associates	-	139	-	139
Other receivables and prepaid expenses	10 282	5 540	4 301	1 803
	67 313	59 188	30 408	26 398

Included, under "other receivables and prepaid expenses", are, deferred advertising expenses, advances to associates and employees as well as an amount of € 1,674 thousand, due from a minority shareholder of certain Group subsidiaries, which was collected on 15 July 2006. It is noted that in the first half of 2006, substantial amounts were paid to support the establishment of the "7 Days" brand internationally and the introduction of new products (7 Days Rusks and 7 Days Pita Bakes) into the market place. As in the preceding accounting period, the prevailing conditions in this area were deemed to be exceptional, requiring, for the purposes of fair presentation, the allocation of these costs evenly throughout the year.

16 Cash and Cash Equivalents

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

17 Loans

The loans contracted by the Group and the Company have been advanced by Greek and foreign banks and are primarily denominated in Euros. The amounts that are repayable within one year of the balance sheet date are reported as short-term obligations while the amounts that are repayable at a subsequent stage, are reported as long-term obligations. In June 2006, the holding Company notified the lenders of its intension to exercise its option to prematurely repay, by September 2006, all its long-term loans, amounting to € 94.4 million. This action was taken with the consent of Delta Holdings AE, which will provide the necessary funds for the settlement of these liabilities. Given the decision to repay the aforesaid loans and given the right to do so, the amounts due, as at 30 June 2006, are reported under short-term obligations.

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The loans of the Group and the Company as at 30 June 2006 are analysed, by principal lender, as follows:

	The Group		The Company		<i>Scheduled repayment of long-term liabilities</i>	<i>Applicable interest rate to long-term liabilities</i>
	<i>Short-term liabilities</i>	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>	<i>Long-term liabilities</i>		
Syndicated debenture loan	(55 079)	-	(55 079)	-		
National Bank of Greece AE	(26 301)	-	(16 032)	-		
EFG Eurobank Ergasias AE	(39 860)	-	(34 925)	-		
Alpha Bank AE	(3 495)	(360)	-	-	Sept. 2007	Euribor+1,25%
Emporiki Bank AE	(15 000)	-	(15 000)	-		
Piraeus Bank AE	(8 125)	(6 850)	(7 000)	-	Dec. 2007	Euribor+1,45%
HSBC	(11 216)	-	(10 000)	-		
ABN Amro Bank	(6 875)	(11 037)	(3 500)	-	June 2010	3.61%
Egnatia Bank AE	(10 000)	-	(10 000)	-		
Nova Bank	(25 000)	-	(25 000)	-		
Bayerische Hypo- und Vereinsbank	(5 776)	-	(5 000)	-		
Other banks	(4 320)	(2 446)	-	-		
	(211 047)	(20 693)	(181 536)	0		

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

<i>Currency</i>	<i>Short-term</i>	<i>Long-term</i>	<i>Scheduled repayment</i>	<i>Applicable interest rate</i>
Euro	200.8	20.0	2007-2010	Euribor+1,40% (average)
United States dollar	0.8	-	-	Libor+1,25%
Polish zloty	3.1	-	-	Wibor+1,2%
Czech Korona	28.9	-	-	Pribor+1,1%
Egyptian pound	15.3	4.8	-	13%
Romanian Lei	0.2	-	-	Euribor+2.4%

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

18 Financial Instruments

Exchange risks

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

Credit risks

The Group has a clearly defined policy, which is followed consistently. The exposure to credit risks is monitored and assessed on a regular basis, thus ensuring that the credit given does not exceed the authorised credit limits of each customer. In relation to receivables, which entail increased credit risks, bank guarantees of € 3.4 million, as at 30 June 2006 (31 December 2005: € 3.2 million), have been

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secured.

The maximum exposure of the Group to credit risk, assuming that all customers will fail to honour their obligations, is the amount reported, as at 30 June 2006, under receivables, less the aforementioned amount of the bank guarantees secured.

Interest rate risks

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

19 Other Long-term Obligations

The present value of the obligations emanating from finance leases and the other long-term obligations of the Group and the Company, as at 30 June 2006 and 31 December 2005, are as follows:

	The Group		The Company	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Finance lease obligations payable in:				
Not later than 1 year	(2 181)	(2 145)	(2 007)	(2 034)
1 to 5 years	(11 585)	(9 102)	(11 371)	(8 905)
Over 5 years	(21 897)	(25 644)	(21 897)	(25 644)
<i>Total finance lease obligations</i>	(35 663)	(36 891)	(35 275)	(36 583)
Finance lease charges not yet accrued	923	655	923	655
	(34 740)	(36 236)	(34 352)	(35 928)
Short-term obligations under finance leases	2 181	2 145	2 007	2 034
	(32 559)	(34 091)	(32 345)	(33 894)
Other long-term obligations	(633)	(514)	-	-
<i>Total long-term obligations</i>	(33 192)	(34 605)	(32 345)	(33 894)

The minimum lease charges payable under the leasing contracts in force, as at 30 June 2006, were as follows:

	The Group	The Company
<i>Payable in –</i>		
Not later than 1 year	(3 704)	(3 429)
1 to 2 years	(3 670)	(3 429)
2 to 3 years	(3 429)	(3 429)
3 to 4 years	(3 429)	(3 429)
4 to 5 years	(3 429)	(3 429)
Over 5 years	(28 835)	(28 835)
	(46 496)	(45 980)
<i>Future lease charges</i>	10 833	10 705
<i>Present value of obligations under leasing contracts</i>	(35 663)	(35 275)

20 Payables

The payables of the Group and the Company, as at 30 June 2006 and 31 December 2005, were as follows:

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	The Group		The Company	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Payables to suppliers and customer advances	(31 133)	(35 491)	(9 879)	(14 391)
Taxes (other than income tax) and contributions payable	(2 654)	(2 892)	(935)	(1 461)
Accrued expenses	(3 964)	(1 052)	(2 771)	(417)
Payables to subsidiaries	-	-	(2 338)	(3 582)
Payables to associated companies	(164)	(1 786)	(164)	(1 786)
Dividends payable	(4 561)	(65)	(2 936)	(47)
Other payables	(4 224)	(5 188)	(2 304)	(2 588)
	(46 700)	(46 474)	(21 327)	(24 272)

Reported under "other payables" are liabilities relating to finance leases and accrued interest expenses, amounting to € 3.1 million for the Group and € 2.1 million for the Company, respectively.

21 Employee Benefits

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

The movement of the account of employee benefits, in the 6 months to June 2006 and 2005, was as follows:

	The Group	The Company
Provision as at 31 December 2005	695	595
Charge for the 6 months to June 2006	103	98
Amounts actually paid	(11)	(10)
<i>Provision as at 30 June 2006</i>	787	683

22 Government Grants

Government grants primarily relate to *Chipita International AE* and to investments effected in the period from 1992 to 1999 that were subsidised to the extent of between 35% and 50%. The new grant received during 1st Quarter 2006 relates to investment for machinery, under the provisions of Law 3299/2004. The other Group entities, which have been in receipt of such grants, are *Viomar AE*, *Cream Line AE*, *Chipita Bulgaria SA* and *Chipita Romania SRL*. These grants are recognised as income of the recipient entity at the rate at which the corresponding assets –mainly production equipment– are depreciated. Depending on the provisions of the law, under which the grants were advanced, certain restrictions apply as to the transfer of the ownership of the subsidised assets and the legal status of the entity to which the grants were advanced. The inspections carried out by the supervisory authorities, at various points in time, have not disclosed cases of non-compliance with these restrictions. More specifically, in relation to grants secured by *Cream Line AE* in the past, in the context of the acquisition of fixed assets, the issue of refunding part of these grants will arise, as a result of selling the subsidised assets to co-subsidiary companies operating outside of Greece. The obligations likely to arise in this connection have been assessed by management and have been deemed not to be material.

The movement of government grants, in the first half of June 2006 and 2005, which will be recognised as income in future accounting periods, was as follows:

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	The Group		The Company	
	Half 1 2006	Half 1 2005	Half 1 2006	Half 1 2005
Government grants, as at 31 December	8 864	10 659	5 873	7 372
Received government grants	212	-	212	-
Refunded government grants	(63)	-	(63)	-
Income recognised in the first half	(599)	(1 202)	(460)	(1 054)
<i>Deferred government grants, as at 30 June</i>	8 414	9 457	5 562	6 318

23 Share Capital and Share Premium

As at 30 June 2006, the share capital of the Company amounted to € 16,384 thousand and was divided into 48,187,537 common registered shares of a nominal value of € 0.34 each. The shares of *Chipita International AE* are listed on the Athens Stock Exchange. However, the listing of these shares will cease in the near future as they will be substituted by the shares of *Vivartia AE*. The exchange ratio has been determined, agreed upon and approved on the basis of 1:0.33. These developments are expected to materialise on 1 September 2006.

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

<i>Competrol Establishment, Liechtenstein (subsidiary of the Olayan Group)</i>	18.04%	(18.04%)
<i>Eurohellenic Investment Company AE, Athens (an entity controlled by S. Theodoropoulos)</i>	17.56%	(17.56%)
<i>Spyros Theodoropoulos</i>	2.44%	(2.44%)
<i>Constantinos Apostolides</i>	3.91%	(3.91%)

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

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

24 Reserves

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

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

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

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

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respectively. The tax liability that will precipitate on the distribution of these reserves, estimated, as at 30 June 2006, at € 1.5 million, will be recognised as and when a decision to distribute is taken.

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

25 First Time Adoption of the International Financial Reporting Standards

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

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

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

26 Earnings per Share and Proposed Dividends

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

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	<i>The Group</i>		<i>The Company</i>	
	<i>6 months to June 2006</i>	<i>6 months to June 2005</i>	<i>6 months to June 2006</i>	<i>6 months to June 2005</i>
Net profit attributable to the shareholders (in Euro thousand)	3.172	2.898	1.397	920
Weighted average number of issued and outstanding shares (in thousand pieces)	48.187	47.874	48.187	47.874
<i>Earnings per share (in €)</i>	0,07	<i>0,06</i>	0,03	<i>0,02</i>

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

At the general meeting of the shareholders of the Company, which was convened on 1 June 2006, it was proposed and resolved to distribute a dividend to the shareholders of the parent company, amounting to € 0.06 per share, i.e. a total dividend of € 2,891 thousand. The dividends thus approved are reported on 30 June 2006, as a liability of the Company and the Group.

27 Deferred Tax Assets and Liabilities

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

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	The Group		The Company	
	30 June	2006	30 June	2006
		<i>31 December</i>		<i>31 December</i>
		<i>2005</i>		<i>2005</i>
Claiming tax relief for the depreciation of fixed assets, prior to the time of charging the depreciation to operations	(4.462)	(2.171)	45	185
Write-off of capitalised expenses, which, for tax purposes, are being amortised over a period of five years	916	1.232	857	1.081
Recognising the tax burden that will arise on the disposal of the land and the industrial buildings that have been revalued, and other related adjustments	(8.542)	(8.497)	(6.083)	(6.048)
Recognition of the impairment in the value of investments, which, for tax purposes, is recognised at the time of the disposal of the investment	843	843	843	843
Government grants recognised as revenue in different accounting periods than the periods in which they are subject to taxation	761	760	804	803
Recognition of employee benefits, which, for tax purposes, are recognised at the time of payment	183	158	171	146
Recognition of the tax relief that will be obtained as a result of off-setting accumulated tax losses against future profits	7.610	3.900	411	366
Miscellaneous timing differences between accounting profits and taxable income	(314)	(229)	(231)	(127)
<i>Income taxes, which will burden (provide relief in) future accounting periods</i>	(3.005)	(4.004)	(3.183)	(2.751)

28 Related Party Transactions and Balances

The transactions of the Group, for the 6 months to June 2006, and the receivables from and payables to related parties, as at 30 June 2006, are analysed as follows:

	<i>Sales to associates</i>	<i>Purchases from associates</i>	<i>Receivable from associates</i>	<i>Payable to associates</i>
Tsimis AE	3.085	7.308	-	164
Chipiga SA	-	-	10	-
S. Mouzakis & Sons - Olympic AE	10	88	20	13
Digma SAE (Berzi Group) – to 15 of June 2006	18.375	-	-	-

The Chipita Group holds 30% of the shares of *Tsimis AE* while *S. Mouzakis & Sons – Olympic AE* is a company that is indirectly controlled by S. Theodoropoulos. The Egyptian *Berzi Group* participates in the share capital of *EDITA SAE* to the extent of 75%. The sales of this subsidiary are exclusively directed to the *Berzi Group* company, *DIGMA SAE*. This company was acquired by *EDITA SAE* on 15 June 2006, thus, becoming a subsidiary company of the *Chipita* Group.

The compensation of the members of the Board of Directors of *Chipita International AE*, for the 6 months to June 2006, including the related social security contributions, is as follows (in Euro thousand):

Spyros I. Theodoropoulos, Chairman of the Board of Directors, Constantinos P. Apostolides, Vice chairman of the Board, Nikolaos S. Stellakis, Vice chairman of the Board and Themistoklis A. Makris, Managing Director (aggregate compensation)	284
Non-executive members of the Board (aggregate compensation)	15

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29 Commitments and Contingent Liabilities

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

As at 30 June 2006, the Group was committed to purchase production equipment of an aggregate value of € 6 million.

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

The Group is contractually committed under operating leases for the leasing of motor vehicles. The anticipated lease payments, under these contracts, within one year and within 2-5 years, amount to € 565 thousand and € 546 thousand, respectively. The corresponding amounts relating to the Company are € 450 thousand and € 403 thousand.

Included in receivables is an amount of € 295 thousand, which represents a claim against the Greek State for the refunding of consumption taxes on materials used in the production process. The Company has appealed against the assessments that were raised by the Elefsis customs authorities and a favourable court judgement has already been secured in respect of all these assessments. According to legal counsel advising the Group, the refund claim is fully supportable and, therefore, there are no grounds for setting up a provision in this respect.

The Company has provided corporate guarantees to banks, in relation to obligations of subsidiary companies, amounting, as at 30 June 2006, to € 69 million (31 December 2005: € 66 million).

30 Post Balance Sheet Events

There are no reportable, under the International Financial Reporting Standards (IFRS) post balance sheet events, beyond those already referred to in those notes.

31 Other Significant Information

The Board of Directors of *Chipita International AE*, at the meeting held on 16 December 2005, resolved to adopt the proposal made by *Delta Holdings AE* to merge the two entities (through the absorption of the latter by the former). The merger proposal of the Board was approved by the shareholders of the Company on 1 June 2006.

The absorption of *Chipita International AE* is effected in parallel with the absorption, by *Delta Holdings AE*, of *Delta Prottypos Viomichania Galaktos AE*, *Goody's AE* and *Uncle Stathis Geniki Trofimon AE* and the sale, by the absorbing company of all the shares held in *Delta Viomichania Pagotou AE*.

The prospects of the development and international expansion of *Chipita International AE*, within the framework of the merged entity, are, thus, strengthened and significant added value is being generated for the benefit of its shareholders.

On the basis of the already approved share exchange ratio, the shareholders of *Chipita International AE* will acquire a participation interest in the merged entity of the order of 24%.

The completion of this merger process is anticipated to materialise on 1 September 2006.