



Chipita International AE

Interim Financial Statements

**for the three-month period
from 1 January to 31
March 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 annual Financial Statements are those which have been approved by the Board of Directors of Chipita International AE on 8 May 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 A

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

	Notes	The Group		The Company	
		<u>3 months to</u> <u>March 2006</u>	<u>3 months to</u> <u>March 2005</u>	<u>3 months to</u> <u>March 2006</u>	<u>3 months to</u> <u>March 2005</u>
Sales revenue		77,050	64,350	29,787	24,031
Less: Cost of goods sold		(50,482)	(45,469)	(19,342)	(16,237)
<i>Gross profit</i>		26,568	18,881	10,445	7,794
Other revenues	1	934	2,155	1,522	1,647
		27,502	21,036	11,967	9,441
Marketing and distribution expenses		(15,480)	(12,116)	(7,520)	(6,082)
Administrative expenses		(5,602)	(4,940)	(2,207)	(1,742)
Other operating expenses		(980)	(539)	(374)	(290)
<i>Profit, before finance charges</i>		5,440	3,441	1,866	1,327
Cost of financing	4	(2,567)	(2,028)	(1,008)	(866)
<i>Profit from ordinary activities</i>		2,873	1,413	858	461
Dividend income from subsidiaries		-	-	574	-
Share of the Group in the profits (losses) of associates		(27)	52	-	-
<i>Profit, before taxes</i>		2,846	1,465	1,432	461
Income taxes	5	(71)	(249)	(424)	(148)
<i>Net profit (after taxes)</i>		2,775	1,216	1,008	313
Minority interest		(1,706)	(764)	-	-
<i>Profit (after taxes), attributable to the shareholders of the holding company</i>		1,069	452	1,008	313
<i>Earnings per share (in Euro)</i>	27	0.02	0.01	0.02	0.01

The attached notes form an integral part of the financial statements

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

	Notes	The Group		The Company	
		31 March 2006	31 December 2005	31 March 2006	31 December 2005
Tangible fixed assets	9	281,218	279,364	116,177	119,098
Intangible fixed assets	10	4,588	4,297	1,896	1,989
Goodwill	11	36,013	36,013	-	-
Investments in subsidiaries	7	-	-	92,824	65,404
Investments in associates	8	4,770	4,845	2,552	2,539
Other investments	12	2,088	2,396	563	866
Long-term receivables	13	269	264	56,623	62,878
Deferred tax assets	27	6,212	3,951	-	-
<i>Long-term assets</i>		335,158	331,130	270,635	252,774
Inventories	14	33,865	34,389	10,591	11,092
Receivables	15	68,482	59,188	35,876	26,398
Short-term portion of intercompany loans	13	-	-	23,760	-
Prepaid taxes		1,710	1,281	1,322	921
Restricted bank deposits		187	424	-	-
Cash and cash equivalents	16	22,324	21,496	1,517	6,645
<i>Current assets</i>		126,568	116,778	73,066	45,056
<i>Total assets</i>		461,726	447,908	343,701	297,830
Trade payables	20	(47,461)	(46,474)	(20,664)	(24,272)
Obligations related to the acquisition of shares of subsidiaries		-	(36,984)	-	-
Income taxes payable		(1,919)	(1,667)	(654)	(654)
Short-term interest bearing borrowings	17	(109,565)	(62,097)	(76,086)	(26,784)
<i>Current liabilities</i>		(158,945)	(147,222)	(97,404)	(51,710)
Long-term interest bearing loans	17	(120,386)	(120,877)	(98,154)	(98,129)
Employee benefits	21	(742)	(695)	(626)	(595)
Deferred government grants	22	(8,709)	(8,864)	(5,790)	(5,873)
Deferred income from the sale & leaseback of property	9	(2,731)	(2,801)	(2,731)	(2,801)
Deferred tax liabilities	27	(9,611)	(7,955)	(3,175)	(2,751)
Other long-term obligations	19	(33,606)	(34,605)	(32,800)	(33,894)
<i>Long-term liabilities</i>		(175,785)	(175,797)	(143,276)	(144,043)
<i>Net assets</i>		126,996	124,889	103,021	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	12,519	12,519	10,035	10,035
Gain on revaluation of tangible assets		18,001	18,065	11,088	11,152
Currency translation adjustments		(3,971)	(3,836)	-	-
Retained earnings (subject to taxation)		5,120	5,120	5,120	5,120
Retained earnings (accumulated losses), taxed		(987)	(2,056)	4,648	3,640
<i>Shareholders' equity</i>		102,812	101,942	103,021	102,077
Minority interest		24,184	22,947	-	-
<i>Invested equity funds</i>		126,996	124,889	103,021	102,077

The attached notes form an integral part of the 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	Untaxed reserves	Currency translation adjustments	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
Adjustment on revaluation of property	-	-	-	(64)	-	-	-	-	-	(64)
Profit for the 3 months to March 2006, after tax	-	-	-	-	-	-	1,706	-	1,069	2,775
Currency translation adjustments	-	-	-	-	-	(135)	(469)	-	-	(604)
Balances, as at 31 March 2006	16,384	55,746	87	18,001	12,432	(3,971)	24,184	5,120	(987)	126,996

	The Company									
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation gains	Untaxed reserves	Currency translation adjustments	Minority interest	Retained earnings (untaxed)	Retained earnings (losses), taxed	Total
Balances, as at 1 January 2006	16,384	55,746	0	11,152	10,035	0	0	5,120	3,640	102,077
Adjustment on revaluation of property	-	-	-	(64)	-	-	-	-	-	(64)
Profit for the 3 months to March 2006, after tax	-	-	-	-	-	-	-	-	1,008	1,008
Balances, as at 31 March 2006	16,384	55,746	0	11,088	10,035	0	0	5,120	4,648	103,021

The attached notes form an integral part of the financial statements

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

	The Group		The Company	
	<u>3 months to March 2006</u>	<u>3 months to March 2005</u>	<u>3 months to March</u>	<u>3 months to March</u>
Cash Flows related to Operating Activities				
Profit, before taxes	2,846	1,465	1,432	461
<i>Adjustments in respect of non-cash transactions:</i>				
Depreciation, amortisation and effect of currency translation adjustments on fixed assets	5,732	5,384	2,335	2,504
Gain on disposal of property, plant and equipment	(35)	-	(39)	-
Gain on the disposal of shares in subsidiaries	-	-	(574)	-
Investment income	(40)	-	(68)	-
Government grants recognised as income	(155)	(348)	(83)	(274)
Income from sale & leaseback of property	(70)	-	(70)	-
Interest expense	2,567	2,028	1,008	866
Employee retirement benefits	47	26	31	20
	10,892	8,555	3,972	3,577
Decrease (increase) of inventories	524	1,463	501	(257)
Decrease (increase) of receivables	(9,294)	(15,206)	(9,478)	(16,341)
Decrease (increase) in restricted bank deposits	237	(4,663)	-	-
Increase (decrease) of payables	254	(2,928)	(4,445)	(3,237)
	2,613	(12,779)	(9,450)	(16,258)
Interest paid	(1,536)	(1,356)	(127)	(194)
Income taxes paid	(853)	(257)	(401)	-
	224	(14,392)	(9,978)	(16,452)
<i>Net operating cash inflows (outflows)</i>				
Cash flows related to Investing Activities				
Acquisition of tangible fixed assets	(10,733)	(7,617)	(940)	(2,804)
Proceeds from the disposal of fixed assets	2,168	4,676	1,282	4,064
Acquisition of shares in subsidiaries	(36,984)	(222)	(30,130)	(222)
Proceeds from the disposal of shares in subsidiaries	-	-	3,275	-
Acquisition of shares in associates	(13)	-	(13)	-
Proceeds from the disposal of other investments	376	-	371	-
	(45,186)	(3,163)	(26,155)	1,038
<i>Net investment cash inflows (outflows)</i>				
Cash Flows related to Financing Activities				
Contracting of loans	46,977	18,124	49,327	14,195
Proceeds of sale & leaseback transaction	(817)	(166)	(817)	(166)
Financing of subsidiaries	-	-	(17,505)	-
Purchase of own shares	-	(125)	-	(125)
Payment of dividends to minority shareholders of subsidiaries	(199)	(9)	-	(9)
	45,961	17,824	31,005	13,895
<i>Net financing cash inflows (outflows)</i>				
<i>Increase (decrease) of cash balances</i>				
Cash balances, at the beginning of the period	21,496	9,110	6,645	2,062
Effect of changes in exchange rates on cash balances	(171)	95	-	-
	22,324	9,474	1,517	543
Cash balances, at the end of the period				

The attached notes form an integral part of the financial statements

Chipita International AE

Notes to the Financial Statements

for the period ended 31 March 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 Metamorphossi, Attica and is primarily engaged in the production and trading of pre-packed dough-based products (snacks).

The consolidated financial statements of the Company include the Company and its subsidiaries (“**The Chipita Group**”). Subsidiary companies are all the entities that are managed and controlled, directly or indirectly, by *Chipita International 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 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 8 May 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
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for the period ended 31 March 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 ▲	Metamorphossi, Attica, Greece	Holding entity
Franca AE	Ano Liossia, Attica	100%
Smaky AE	Metamorphossis, 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 ▲	Sindos, Thessaloniki	95,70%
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 *▲	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	95,70% ^
Cream Line (Cyprus) Ltd ****	Nicosia, Cyprus	95,70% ^
Cream Line Romania (Cyprus) Ltd ****	Nicosia, Cyprus	95,70% ^

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(The amounts are stated in Euro thousand)

Opirus Trading Ltd ****	Nicosia, Cyprus	95,70% ^
Carmelina Ltd **** ▲	Sofia, Bulgaria	95,70% ^
Cream Line Niss doo ****	Belgrade, Serbia	95,70% ^
Cream Line Romania SA **** ▲	Bucharest, Romania	95,70% ^

(****)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*.

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 1st Quarter 2006 and, as at 31 March 2006 or December 2005, it had no assets or liabilities that were not eliminated in the consolidated financial statements.

The associates of the Group are *Latin American Snackfoods Ltd* (35%) as well as its wholly-owned subsidiary *Chipiga 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

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

Chipita International AE

Notes to the Financial Statements

for the period ended 31 March 2006

(The amounts are stated in Euro thousand)

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.

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

Chipita International AE

Notes to the Financial Statements

for the period ended 31 March 2006

(The amounts are stated in Euro thousand)

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 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.

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(The amounts are stated in Euro thousand)

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-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.

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for the period ended 31 March 2006
(The amounts are stated in Euro thousand)

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

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 3 months to March 2006 and 2005, are analysed as follows:

	The Group		The Company	
	3 months to March 2006	3 month to March 2005	3 months to March 2006	3 month to March 2005
Commission and subleasing income	75	687	35	29
Royalties derived from associated companies	29	30	29	30
Intragroup royalties and management fees	-	-	1,021	661
Profit on disposal of fixed assets	35	605	39	566
Recognised revenues related to government grants	304	348	232	274
Recognised revenues related to the sale and leaseback of assets	85	73	70	51
Other revenues	406	412	96	36
	934	2,155	1,522	1,647

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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 31 March 2006 and 2005, and the aggregate cost of their employment for the 3 months to March 2006 and 2005, were as follows:

	The Group		The Company	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
<u>Number of Persons Employed</u>				
Salaried employees	1,602	1,587	499	518
Workers	3,667	2,918	541	633
	5,269	4,505	1,040	1,151
	3 months to March 2006	3 months to March 2005	3 months to March 2006	3 months to March 2005
Cost	13,062	12,414	6,934	7,103
Cost per employee (in Euro)	2,479	2,756	6,667	6,171

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

The allocation of the depreciation charged for the 3 months to March 2006 and 2005, for the Group and the Company, is analysed as follows:

	The Group		The Company	
	3 months to March 2006	3 months to March 2005	3 months to March 2006	3 months to March 2005
Cost of production	4,682	4,233	1,639	1,761
Marketing, distribution and administrative expenses	1,050	1,151	696	743
	5,732	5,384	2,335	2,504

4 Cost of Financing

The net financing cost of the Group and the Company for the 3 months to March 2006 and 2005 comprises:

	The Group		The Company	
	3 months to March 2006	3 months to March 2005	3 months to March 2006	3 months to March 2005
Interest income	20	-	852	358
Interest charges	(2,543)	(1,885)	(1,816)	(1,081)
Leasing charges	(44)	(143)	(44)	(143)
	(2,567)	(2,028)	(1,008)	(866)

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5 Income Taxes

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

	3 months to March 2006	3 months to March 2005	3 months to March 2006	3 months to March 2005
Profit, before taxes, per the statement of earnings	2,846	1,465	1,432	461
<i>Tax rate</i>	17.7%	8.6%	29%	32%
Income taxes, at the nominal tax rate	504	126	415	148
Additional taxes of prior years	-	-	-	-
Tax relief relating to prior years	-	-	-	-
Tax relief associated with profits that are not taxable or are taxable at reduced rates	(816)	(76)	-	-
Tax relief on losses that are not deemed likely to be recovered	64	103	-	-
Taxes on expenses that are not deductible for tax purposes	219	96	9	-
Valuation adjustments of deferred tax assets & liabilities	100	-	-	-
<i>Total tax charge</i>	71	249	424	148
Current tax charge	676	543	-	-
Deferred tax charge (relief)	(605)	(294)	424	148
<i>Total tax charge</i>	71	249	424	148

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

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

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

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

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
Franca AE	2005
Viomar AE	2003 to 2005 inclusive
Smaky AE	1999 to 2005 inclusive
Anthemia AE	1999 to 2005 inclusive

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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.

3 months to March 2006						
	<i>Greece</i>	<i>Other European Union states</i>	<i>Other European states</i>	<i>Other countries</i>	<i>Elimination of intersegment transactions</i>	Group
Third-party sales	23,758	16,744	24,235	12,313	-	77,050
Intersegment sales	6,692	36	4,427	-	(11,155)	0
<i>Total sales</i>	30,450	16,780	28,662	12,313	(11,155)	77,050
Cost of sales to third parties	(13,365)	(13,148)	(15,956)	(8,013)	-	(50,482)
Cost of intersegment sales	(6,692)	(36)	(4,427)	-	11,155	0
<i>Total cost of sales</i>	(20,057)	(13,184)	(20,383)	(8,013)	11,155	(50,482)
<i>Gross profit</i>	10,393	3,596	8,279	4,300	0	26,568
Other third-party revenues	496	59	175	204	-	934
Other intersegment revenues	1,618	1,083	-	-	(2,701)	0
<i>Other revenues</i>	2,114	1,142	175	204	(2,701)	934
Total revenues	12,507	4,738	8,454	4,504	(2,701)	27,502
Third-party marketing and distribution expenses	(8,014)	(1,949)	(5,093)	(424)	-	(15,480)
Intersegment marketing and distribution expenses	-	(67)	(565)	(55)	687	0
Third-party administrative expenses	(2,574)	(1,739)	(1,142)	(147)	-	(5,602)
Intersegment administrative expenses	-	(182)	(1,268)	-	1,450	0
Other operating expenses	(389)	(756)	(82)	247	-	(980)
<i>Profit, before finance charges</i>	1,530	45	304	4,125	(564)	5,440
Cost of financing						(2,567)
<i>Profit from ordinary activities</i>						2,873
Share of the Group in the profits of associates						(27)
<i>Profit, before taxes</i>						2,846
Income taxes						(71)
<i>Net profit, after taxes</i>						2,775
Minority interest						(1,706)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						1,069

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3 months to March 2005

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment transactions	Group
Third-party sales	21,554	13,987	20,911	7,898	-	64,350
Intersegment sales	5,181	-	1,172	-	(6,353)	0
<i>Total sales</i>	26,735	13,987	22,083	7,898	(6,353)	64,350
Cost of sales to third parties	(13,587)	(11,002)	(14,894)	(5,986)	-	(45,469)
Cost of intersegment sales	(5,181)	-	(1,172)	-	6,353	0
<i>Total cost of sales</i>	(18,768)	(11,002)	(16,066)	(5,986)	6,353	(45,469)
<i>Gross profit</i>	7,967	2,985	6,017	1,912	0	18,881
Other third-party revenues	1,040	888	200	27	-	2,155
Other intersegment revenues	698	714	-	-	(1,412)	0
<i>Other revenues</i>	1,738	1,602	200	27	(1,412)	2,155
	9,705	4,587	6,217	1,939	(1,412)	21,036
Third-party marketing and distribution expenses	(6,628)	(1,027)	(4,333)	(128)	-	(12,116)
Intersegment marketing and distribution expenses	-	(727)	-	(42)	769	0
Third-party administrative expenses	(1,572)	(1,091)	(1,999)	(278)	-	(4,940)
Intersegment administrative expenses	(564)	(79)	-	-	643	0
Other operating expenses	(292)	(182)	(159)	94	-	(539)
<i>Profit, before finance charges</i>	649	1,481	(274)	1,585	0	3,441
Cost of financing						(2,028)
<i>Profit from ordinary activities</i>						1,413
Share of the Group in the losses of associates						52
<i>Profit, before taxes</i>						1,465
Income taxes						(249)
<i>Net profit, after taxes</i>						1,216
Minority interest						(764)
<i>Profit, after taxes, attributable to the shareholders of the holding company</i>						452

31 March 2006

	Greece	Other European Union states	Other European states	Other countries	Elimination of intersegment balances	Group
Investments in associates	1,724	3,046	-	-	-	4,770
Total other assets	185,660	93,388	143,294	34,614	-	456,956
Intersegment investments	68,457	48,345	-	-	(116,802)	0
Intersegment receivables / payables	94,297	(44,614)	(49,632)	(51)	-	0
Total liabilities to third parties	(259,766)	(26,766)	(39,858)	(8,340)	-	(334,730)
<i>Net assets</i>	90,372	73,399	53,804	26,223	(116,802)	126,996

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	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)
<i>Net assets</i>	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 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.

Also 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.

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

In February 2006, the shares of *EDITA SAE* were transferred by *Chipita International AE* to *Chipita Participations Ltd* in consideration of € 3.3 million. The profit attributable to *Chipita International AE*, amounting € 574 thousand, was eliminated in the consolidated accounts.

8 Acquisitions and Disposals of Shares in Associates

In the first quarter of 2006, *Chipita International AE* paid an amount of € 13 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:

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The Group							
	<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>	Total
<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	(36)	(98)	(364)	(23)	(12)	(15)	(548)
Additions 3 months to March 2006	-	-	1,320	317	168	8,342	10,147
Transferred from "assets under construction"	-	-	5,709	-	-	(5,709)	0
Disposals 3 months to March 2006	-	-	(2,651)	(305)	(25)	-	(2,981)
Adjustment for sale & leaseback	(61)	(276)	-	-	-	-	(337)
<i>As at 31 March 2006</i>	17,002	127,847	193,323	9,475	14,098	26,759	388,504
<u>Accumulated depreciation</u>							
<i>As at 31 December 2005</i>	-	(31,208)	(58,225)	(4,820)	(8,606)	-	(102,859)
Currency translation adjustments	-	24	98	10	7	-	139
Depreciation charges 2006	-	(694)	(3,887)	(306)	(550)	-	(5,437)
Disposals 3 months to March 2006	-	-	637	214	20	-	871
<i>As at 31 March 2006</i>	0	(31,878)	(61,377)	(4,902)	(9,129)	0	(107,286)
<u>Net book value</u>							
<i>As at 31 March 2006</i>	17,002	95,969	131,946	4,573	4,969	26,759	281,218
<i>As at 31 December 2005</i>	17,099	97,013	131,084	4,666	5,361	24,141	279,364

The Company							
	<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>	Total
<u>At cost of valuation</u>							
<i>As at 31 December 2005</i>	7,820	79,377	69,811	3,085	7,592	9,440	177,125
Additions 3 months to March 2006	-	-	188	2	35	664	889
Transferred from "assets under construction"	-	-	5,065	-	10	(5,075)	0
Disposals 3 months to March 2006	-	-	(1,326)	(261)	-	-	(1,587)
Adjustment for sale & leaseback	(61)	(276)	-	-	-	-	(337)
<i>As at 31 March 2006</i>	7,759	79,101	73,738	2,826	7,637	5,029	176,090
<u>Accumulated depreciation</u>							
<i>As at 31 December 2005</i>	-	(22,990)	(28,230)	(2,108)	(4,699)	0	(58,027)
Depreciation charges 2006	-	(373)	(1,372)	(83)	(363)	-	(2,191)
Disposals 3 months to March 2006	-	-	112	193	-	-	305
<i>As at 31 March 2006</i>	0	(23,363)	(29,490)	(1,998)	(5,062)	0	(59,913)
<u>Net book value</u>							
<i>As at 31 March 2006</i>	7,759	55,738	44,248	828	2,575	5,029	116,177
<i>As at 31 December 2005</i>	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

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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		
	<i>Value, as would have been reported</i>	<i>Assigned fair value</i>	<i>Revaluation gain</i>	<i>Value, as would have been reported</i>	<i>Assigned fair value</i>	<i>Revaluation gain</i>
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
	<u>74.933</u>	<u>101.703</u>	<u>26.770</u>	<u>33.870</u>	<u>48.399</u>	<u>14.529</u>
Recognised deferred tax liability			(6.154)			(3.705)
<i>Net revaluation gain (after taxes)</i>			<u>20.616</u>			<u>10.824</u>

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

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

	The Group	The Company
Depreciation of buildings in the 4th quarter of 2005, on the basis of the depreciation rates applied as from 1 October 2005	-808	-350
Depreciation of buildings in the 4th quarter of 2005, on the basis of the previously applicable depreciation rates	<u>-1.584</u>	<u>-850</u>
<i>Reduction in depreciation</i>	<u>776</u>	<u>500</u>

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 Metamorphossis in Attica, Greece. The term of the lease is fifteen years and provides the lessee with an option to repurchase the property, at the end of the lease, at a nominal consideration. The leasehold monthly instalments (capital and interest) amount to € 103 thousand and are adjusted by reference to EURIBOR. At the inception of the lease, the effective annual interest rate chargeable under the lease was 3.79%.

In accordance with the relevant provisions of the International Financial Reporting Standards, finance leases are reported in the financial statements as a form of borrowing and, as a consequence, the leased land is reported at a value of € 2,764 thousand and the leased building is reported at a value of € 12,593 thousand, i.e. at the value at which these leasing arrangements were entered into (€ 15,000 thousand) plus the related costs, amounting to € 357 thousand. The profit generated as a result of this transaction, amounting to € 3,050 thousand, is recognised over the term of the lease, while the value of the building continues to be amortised over its useful life. The aggregate amount of the outstanding lease instalments is reported under current liabilities (€ 671 thousand and € 706 thousand, at 31 March 2006 and 31 December 2005, respectively) and under long-term liabilities (€ 12,782 thousand and € 13,231 thousand, at 31 March 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

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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 (€ 1,340 thousand and € 1,328 thousand, at 31 March 2006 and 31 December 2005, respectively) and under long-term liabilities (€ 20,017 thousand and € 20,663 thousand, at 31 March 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.

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

10 Intangible Fixed Assets

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

	<i>The Group</i>		
	<i>Computer software</i>	<i>Trademarks</i>	<i>Total</i>
<u>At cost or valuation</u>			
<i>As at 31 December 2005</i>	3,655	3,438	7,093
<i>Additions 3 months to March 2006</i>	574	12	586
<i>As at 31 March 2006</i>	4,229	3,450	7,679
<u>Accumulated amortisation</u>			
<i>As at 31 December 2005</i>	(1,567)	(1,229)	(2,796)
<i>Amortisation charges 3 months to March 2006</i>	(200)	(95)	(295)
<i>As at 31 March 2006</i>	(1,767)	(1,324)	(3,091)
<u>Net book value</u>			
<i>As at 31 March 2006</i>	2,462	2,126	4,588
<i>As at 31 December 2005</i>	2,088	2,209	4,297

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	<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
Additions 3 months to March 2006	51	-	51
<i>As at 31 March 2006</i>	2,784	440	3,224
<u>Accumulated amortisation</u>			
<i>As at 31 December 2005</i>	(1,053)	(131)	(1,184)
Amortisation charges 3 months to March 2006	(122)	(22)	(144)
<i>As at 31 March 2006</i>	(1,175)	(153)	(1,328)
<u>Net book value</u>			
<i>As at 31 March 2006</i>	1,609	287	1,896
<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 *EDITA SAE*.

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

The following table presents the movement of goodwill for the 3 months to March 2006:

	<i>31 December 2005</i>	<i>Additions 3 months to March 2006</i>	<i>31 March 2006</i>
Cream Line AE	8,671	-	8,671
Chipita Romania (Cyprus) Ltd	7,376	-	7,376
Chipita Bulgaria (Cyprus) Ltd	5,862	-	5,862
Chipita Foods Bulgaria (Cyprus) Ltd	12,663	-	12,663
Chipita Poland (Cyprus) Ltd	1,280	-	1,280
EDITA SAE	161	-	161
	36,013	0	36,013

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

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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.

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 31 March 2006, was € 63,210 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 € 39,450 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, at 31 March 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.

Beyond the intragroup balances, referred to in the preceding paragraph (which are eliminated in the consolidated financial statements of the Group) and certain guarantee deposits given, no other long-term receivables of the Group or of the Company existed, as at 31 March 2006.

14 Inventories

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

	The Group		The Company	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Finished goods	9,036	8,768	3,790	3,628
Raw and packaging materials	21,246	22,188	4,806	5,595
Spare parts	3,055	3,172	1,827	1,776
Advances to suppliers (inventory related)	528	261	168	93
	33,865	34,389	10,591	11,092

15 Receivables

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

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	The Group		The Company	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Trade receivables and advances to suppliers	53,743	45,700	18,983	11,463
State receivables	6,908	7,809	1,919	2,473
Prepaid expenses	1,747	1,214	519	584
Intragroup receivables	-	-	11,678	10,520
Receivables from associates	-	139	-	139
Other receivables	6,084	4,326	2,777	1,219
	68,482	59,188	35,876	26,398

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

16 Cash and Cash Equivalents

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

17 Loans

The loans contracted by the Group and the Company have been advanced by Greek and foreign banks and are primarily denominated in Euros. The amounts that are repayable within one year of the balance sheet date are reported as short-term obligations while the amounts that are repayable at a subsequent stage, are reported as long-term obligations. The loans of the Group and the Company as at 31 March 2006 are analysed, by principal lender, as follows:

	The Group		The Company		<i>Scheduled repayment of</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	(9,800)	(50,154)	(9,800)	(50,154)	Jan. 2009	Euribor+1,25%
National Bank of Greece AE	(15,273)	(8,000)	(4,496)	(8,000)	Jan. 2009	Euribor+1,35%
EFG Eurobank Ergasias AE	(12,978)	(25,000)	(8,790)	(25,000)	Dec. 2008	Euribor+1,45%
Alpha Bank AE	(21,005)	(2,501)	(15,500)	-	Sept. 2007	Euribor+1,25%
ING Bank	(2,267)	-	-	-		
Emporiki Bank AE	-	(15,000)	-	(15,000)	Jan. 2008	Euribor+1,25%
Piraeus Bank AE	(10,195)	(7,006)	(9,000)	-	Dec. 2007	Euribor+1,45%
HSBC	-	-	(10,000)	-		
ABN Amro Bank	(6,875)	(12,725)	(3,500)	-	June 2010	3.61%
Egnatia Bank AE	(10,000)	-	(10,000)	-		
Bayerische Hypo- und Vereinsbank	(5,000)	-	(5,000)	-		
Other banks	(16,172)	-	-	-		
	(109,565)	(120,386)	(76,086)	(98,154)		

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	103.5	120.4	2007-2010	Euribor+1,40% (average)
United States dollar	0.7	-	-	Libor+1,25%
Polish zloty	8.5	-	-	Wibor+1,2%
Czech Korona	26.9	-	-	Pribor+1,1%
Egyptian pound	17.5	-	-	13%

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Romanian Lei	0.2	-	-	Euribor+2.4%
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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 31 March 2006 (31 December 2005: € 3.2 million), have been secured.

The maximum exposure of the Group to credit risk, assuming that all customers will fail to honour their obligations, is the amount reported, as at 31 March 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 31 March 2006 and 31 December 2005, are as follows:

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	The Group		The Company	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Finance lease obligations payable in:				
Not later than 1 year	(2,130)	(2,145)	(2,011)	(2,034)
1 to 5 years	(9,237)	(9,102)	(8,877)	(8,905)
Over 5 years	(24,864)	(25,644)	(24,864)	(25,644)
<i>Total finance lease obligations</i>	(36,231)	(36,891)	(35,752)	(36,583)
Finance lease charges not yet accrued	941	655	941	655
	(35,290)	(36,236)	(34,811)	(35,928)
Short-term obligations under finance leases	2,130	2,145	2,011	2,034
	(33,160)	(34,091)	(32,800)	(33,894)
Other long-term obligations	(446)	(514)	-	-
<i>Total long-term obligations</i>	(33,606)	(34,605)	(32,800)	(33,894)

The minimum lease charges payable under the leasing contracts in force, as at 31 March 2006, were as follows:

	The Group	The Company
<i>Payable in --</i>		
Not later than 1 year	3,524	3,384
1 to 2 years	3,784	3,384
2 to 3 years	3,384	3,384
3 to 4 years	3,384	3,384
4 to 5 years	3,384	3,384
Over 5 years	29,357	29,357
	46,817	46,277
<i>Future lease charges</i>	(10,586)	(10,525)
<i>Present value of obligations under leasing contracts</i>	36,231	35,752

20 Trade Payables

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

	The Group		The Company	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Payables to suppliers and customer advances	(32,073)	(35,491)	(10,186)	(14,391)
Taxes (other than income tax) and contributions payable	(2,616)	(2,892)	(758)	(1,461)
Accrued expenses	(4,826)	(1,052)	(3,965)	(417)
Payable to subsidiaries	-	-	(2,595)	(3,582)
Payable to associated companies	(461)	(1,786)	(461)	(1,786)
Dividends payable	(45)	(65)	(45)	(47)
Other payables	(7,440)	(5,188)	(2,654)	(2,588)
	(47,461)	(46,474)	(20,664)	(24,272)

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

21 Employee Benefits

The obligation of the Company and the Group towards its employees to provide them with certain future benefits depending on their length of service is quantified and reported on the basis of the accrued

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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 3 months to March 2006 and 2005, was as follows:

	The Group		The Company	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
Provision as at 31 December 2005	695	652	595	587
Charge for the 3 months to March 2006	47	74	31	20
<i>Provision as at 31 March 2006</i>	742	726	626	607

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.

The movement of government grants, in the 3 months to March 2006 and 2005, which will be recognised as income in future accounting periods, was as follows:

	The Group		The Company	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
Government grants, as at 31 December 2005	8,864	10,659	5,873	7,372
Received government grants	212	-	212	-
Returned government grants	(63)	-	(63)	-
Income recognised in 3 months to March 2006	(304)	(348)	(232)	(274)
<i>Deferred government grants, as at 31 March 2006</i>	8,709	10,311	5,790	7,098

23 Share Capital and Share Premium

As at 31 March 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.

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):

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

Certain other members of Group management hold shares in *Chipita International 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*”, respectively. The tax liability that will precipitate on the distribution of these reserves, estimated, as at 31 March 2006, at € 1.5 million and € 3.5 million, respectively, 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 (of *EDITA SAE* and, previously, *Hostess SAE*, which in the course of 2005 was absorbed by *EDITA SAE*), are reflected directly in shareholders’ equity and are reported under the caption “currency translation adjustments”.

25 First Time Adoption of the International Financial Reporting Standards

According to the provisions of the law, the application of the International Financial Reporting Standards by the companies that are listed on the Athens Stock Exchange became compulsory as from 1 January 2005. The Board of Directors of *Chipita International 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

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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.

	<i>The Group</i>		<i>The Company</i>	
	<i>3 months to March 2006</i>	<i>3 months to March 2005</i>	<i>3 months to March 2006</i>	<i>3 months to March 2005</i>
Net profit attributable to the shareholders (in Euro thousand)	1,069	452	1,008	313
Weighted average number of issued and outstanding shares (in thousand pieces)	48,187	48,049	48,187	48,049
<i>Earnings per share (in €)</i>	<u>0.02</u>	<u>0.01</u>	<u>0.02</u>	<u>0.01</u>

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

The Board of Directors of *Chipita International AE* has resolved to propose the distribution of a dividend of € 0.06 per share, or a total of € 2,891 thousand, to the shareholders of the Company for the fiscal year ended at 31 December 2005. The distribution of the dividend is subject to the approval of the shareholders, at their forthcoming annual general meeting. The dividend will be recognised as a liability of the Company at the time of the approval of the proposed distribution.

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	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Claiming tax relief for the depreciation of fixed assets, prior to the time of charging the depreciation to operations	(3,782)	(2,171)	114	185
Write-off of capitalised expenses, which, for tax purposes, are being amortised over a period of five years	1,132	1,232	1,012	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	(8,527)	(8,497)	(6,068)	(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	752	760	803	803
Recognition of employee benefits, which, for tax purposes, are recognised at the time of payment	167	158	155	146
Recognition of the tax relief that will be obtained as a result of off-setting accumulated tax losses against future profits	6,022	3,900	177	366
Miscellaneous timing differences between accounting profits and taxable income	(6)	(229)	(211)	(127)
<i>Income taxes, which will burden (provide relief in) future accounting periods</i>	(3,399)	(4,004)	(3,175)	(2,751)

28 Related Party Transactions and Balances

The transactions of the Group, for the 3 months to March 2006, and the receivables from and payables to related parties, as at 31 March 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	1,322	3,222	-	449
Chipiga SA	29	-	-	12
S. Mouzakis & Sons - Olympic AE	8	81	-	8
Digma SAE (Berzi Group)	10,805	-	516	-

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*.

The compensation of the members of the Board of Directors of *Chipita International AE*, for the 3 months to March 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)

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Non-executive members of the Board (aggregate compensation)

7.5

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.

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 € 679 thousand and € 359 thousand, respectively. The corresponding amounts relating to the Company are € 581 thousand and € 356 thousand.

Included in receivables is an amount of € 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 31 March 2006, to € 66 million (31 December 2005: € 66 million).

30 Post Balance Sheet Events

In April 2006, *Chipita International AE* acquired, from a related party that participate in the management of the Company, 22,506 shares of *Cream Line AE*, for a price of € 29,56 per share, thus raising its holding in *Cream Line AE* to 100%. This acquisition is subject to the approval of the shareholders of the Company, in General Meeting.

31 Other significant information

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

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

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

According to the proposed share exchange ratios, *Chipita International AE* shareholders will acquire an

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equity interest in the merged entity of the order of 24%.

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