



ANNUAL COMPANY AND GROUP
FINANCIAL STATEMENTS OF HERACLES G.C.C.
ACCORDING TO THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS AT 31 DECEMBER 2006

HERACLES GCC
REG.NO.: 13576/06/B/86/096
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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in € thousand

	NOTE	GROUP		COMPANY	
		1/1/2006- 31/12/2006	1/1/2005- 31/12/2005	1/1/2006- 31/12/2006	1/1/2005- 31/12/2005
Operating results					
Turnover (sales)	5	693,660	609,081	615,736	544,177
Cost of Goods Sold		(518,136)	(470,030)	(459,784)	(416,660)
Gross operating results		175,524	139,051	155,952	127,517
Administrative & distribution expenses		(53,624)	(44,781)	(39,847)	(38,253)
Other operating income / (expenses)	7	(5,652)	(3,977)	(375)	(6,045)
Partial recovery from the Greek State of funds paid	34	0	44,138	0	44,138
Cost of voluntary staff retirement scheme	23	(14,875)	0	(14,875)	0
Loss from impairment of participation in subsidiaries	8, 16	0	0	(5,385)	(5,050)
Share of associates in the results		3	(34)	0	0
Operating profit	9	101,376	134,397	95,470	122,307
Finance income / (expenses)	10	1,433	(310)	2,463	1,080
Year profit before taxes		102,809	134,087	97,933	123,387
Income tax	11	(44,798)	24,606	(43,668)	27,103
Net profit of the year after tax		58,011	158,693	54,265	150,490
Number of shares		71,082,707	71,082,707	71,082,707	71,082,707
Profit per share (in €)	12	0.82	2.23	0.76	2.12
Proposed dividend per share (in €)	28			1.00	0.95

The Group and Company financial statements on pages 3 to 58 were approved by the Board of Directors in its meeting of Friday 23 March 2007, and are subject to the approval of the General Shareholders' Meeting. As ordered by the Board of Directors, Financial Statements are signed by the following persons:

**THE CHAIRMAN OF
THE BOARD**

**THE MANAGING
DIRECTOR**

**THE CHIEF
FINANCIAL
OFFICER**

**THE FINANCIAL
SERVICES MANAGER**

**MANOLIS CHR.
KYPRIANIDES**

SAAD M. SEBBAR

**HARALAMPOS V.
KOKOLOGIANNIS**

**MICHALIS TH.
MICHELIS**

**ID CARD No.
AB 654198**

**PASSPORT No.
04FE81791**

**EC. CC. REG. No.
31731**

**EC. CC. REG. No.
29960**

The notes on pages 7 to 58 form an integral part of the Company and Group Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2006

Amounts in € thousand

	NOTE	GROUP		COMPANY	
		31/12/2006	31/12/2005	31/12/2006	31/12/2005
Fixed assets					
Goodwill	13	7.013	2.666	0	0
Intangible Assets	14	601	840	44	89
Tangible assets	15	604.647	628.403	566.980	590.854
Participations in associates and subsidiaries	16	409	1.590	37.868	15.776
Other interest	17	59	128	55	104
Other non-current receivables	18	7.909	6.742	17.554	6.281
Deferred tax receivables	24	5.247	7.831	2.162	5.609
Total fixed assets		625.885	648.200	624.663	618.713
Current assets					
Inventories	19	68.362	78.025	63.290	73.450
Trade and other current receivables	20	172.216	164.169	144.146	129.433
Derivative financial instruments	27	883	0	883	0
Long-term investments available for sale	16	1.150	0	1.277	0
Cash and cash equivalents	21	126.241	140.096	106.603	127.741
Total current assets		368.852	382.289	316.199	330.624
Total assets		994.737	1.030.489	940.862	949.337
Non-current liabilities					
Provisions for staff retirement compensations	22	77.783	78.132	66.291	66.679
Other non-current provisions	23	7.066	5.826	8.899	6.700
Obligations under finance leases	26	252	140	0	0
Total non-current liabilities		85.101	84.098	75.190	73.379
Current liabilities					
Provisions for staff retirement compensations	22	9.978	9.676	9.319	8.846
Suppliers and other creditors	25	85.179	84.708	73.947	72.092
Income tax liabilities	11	11.410	24.186	10.445	24.777
Obligations under finance leases	26	249	148	0	0
Other current provisions	23	16.272	1.258	16.115	1.017
Derivative financial instruments	27	152	2.177	152	2.177
Bank Borrowings	21	7.401	37.634	0	0
Total current liabilities		130.641	159.787	109.978	108.909
Total liabilities		215.742	243.885	185.168	182.288
Equity					
Share capital	29	142.165	109.467	142.165	109.467
Share premium account	30	1.279	1.279	1.279	1.279
Treasury shares	31	0	431	0	0
Reserves	32	219.601	213.668	197.232	191.309
Derivatives valuation reserve	27	489	(1.482)	489	(1.482)
Accumulated profit		415.461	463.241	414.529	466.476
Total equity		778.995	786.604	755.694	767.049
Total liabilities and equity		994.737	1.030.489	940.862	949.337

The notes on pages 7 to 58 form an integral part of the Company and Group Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in € thousand

GROUP	NOTE	Share Capital	Share premium account	Reserves	Derivatives valuation reserve	Treasury shares	Accumulated profit	Total
Start of year 01/01/2006		109,467	1,279	213,668	(1,482)	431	463,241	786,604
Losses from negotiable goods derivatives carried to the results		0	0	0	1,420	0	0	1,420
Capitalisation under Law 2065/1992	29	32,698	0	(95)	0	0	(32,603)	0
Year profit		0	0	0	0	0	58,011	58,011
Dividends	28	0	0	(9,314)	0	0	(58,215)	(67,529)
Allocation		0	0	15,342	0	0	(15,342)	0
Earnings from sales of negotiable goods derivatives		0	0	0	489	0	0	489
Deferred tax due to changed tax rate of derivatives trading loss		0	0	0	62	0	(62)	0
Profit from sale of treasury shares carried forward		0	0	0	0	(431)	431	0
End of year 31/12/2006		<u>142,165</u>	<u>1,279</u>	<u>219,601</u>	<u>489</u>	<u>0</u>	<u>415,461</u>	<u>778,995</u>
Start of year 1/1/2005		109,467	1,279	151,428	(22)	(115)	395,221	657,258
Losses from negotiable goods derivatives carried to the results		0	0	0	22	0	0	22
Year profit		0	0	0	0	0	158,693	158,693
Dividends		0	0	0	0	0	(28,433)	(28,433)
Allocation		0	0	62,240	0	0	(62,240)	0
Losses from sales of negotiable goods derivatives		0	0	0	(1,482)	0	0	(1,482)
Sale of Treasury Shares		0	0	0	0	546	0	546
End of year 31/12/05		<u>109,467</u>	<u>1,279</u>	<u>213,668</u>	<u>(1,482)</u>	<u>431</u>	<u>463,241</u>	<u>786,604</u>
COMPANY		Share Capital	Share premium account	Reserves	Derivatives valuation reserve	Treasury shares	Accumulated profit	Total
Start of year 01/01/2006		109,467	1,279	191,309	(1,482)	0	466,476	767,049
Losses from negotiable goods derivatives carried to the results		0	0	0	1,420	0	0	1,420
Capitalisation under Law 2065/1992	29	32,698	0	(95)	0	0	(32,603)	0
Year profit		0	0	0	0	0	54,265	54,265
Dividends	28	0	0	(9,314)	0	0	(58,215)	(67,529)
Allocation		0	0	15,332	0	0	(15,332)	0
Earnings from sales of negotiable goods derivatives		0	0	0	489	0	0	489
Deferred tax due to changed tax rate of derivatives trading loss		0	0	0	62	0	(62)	0
End of year 31/12/2006		<u>142,165</u>	<u>1,279</u>	<u>197,232</u>	<u>489</u>	<u>0</u>	<u>414,529</u>	<u>755,694</u>
Start of year 1/1/2005		109,467	1,279	126,985	(22)	0	406,908	644,617
Losses from negotiable goods derivatives carried to the results		0	0	0	22	0	0	22
Year profit		0	0	0	0	0	150,490	150,490
Dividends		0	0	0	0	0	(28,433)	(28,433)
Allocation		0	0	62,070	0	0	(62,070)	0
Integration of merged subsidiary		0	0	2,254	0	0	(419)	1,835
Losses from sales of negotiable goods derivatives		0	0	0	(1,482)	0	0	(1,482)
End of year 31/12/05		<u>109,467</u>	<u>1,279</u>	<u>191,309</u>	<u>(1,482)</u>	<u>0</u>	<u>466,476</u>	<u>767,049</u>

The notes on pages 7 to 58 form an integral part of the Company and Group Financial Statements.

**CASH FLOW STATEMENT (Indirect method)
FOR THE YEAR ENDED 31 DECEMBER 2006**

Amounts in € thousand

	GROUP		COMPANY	
	1/1/2006- 31/12/2006	1/1/2005- 31/12/2005	1/1/2006- 31/12/2006	1/1/2005- 31/12/2005
<u>Operating activities</u>				
Profit before taxes	102.809	134.087	97.933	123.387
Plus / less adjustments for:				
Depreciation expenses	47.250	47.160	43.657	43.191
Provisions	26.450	3.407	20.560	11.329
Foreign exchange differences	(56)	807	(56)	1.056
Loss from derivatives valuation	(130)	89	(130)	89
Results (income, expenses, profit and losses) from investment activities	(4.262)	(1.462)	1.966	(1.488)
Interest expenses and relevant expenses	1.947	1.723	505	552
Plus/less adjustments for changes in working capital accounts or relevant with operating activities:				
Reduction / (increase) in reserves	9.704	(14.139)	9.342	(14.449)
Reduction / (increase) in receivables	(9.645)	(13.222)	(24.900)	(11.395)
(Reduction) / Increase in liabilities (except banks)	(715)	13.956	2.114	14.293
Less :				
Interest expenses and relevant expenses paid	(1.947)	(1.723)	(505)	(552)
Taxes paid	(57.732)	(43.701)	(55.681)	(40.623)
Total inflow / (outflow) from operating activities (a)	113.673	126.982	94.805	125.390
<u>Investment activities</u>				
Acquisition of subsidiaries, affiliates, joint-ventures and other investments	(4.633)	(11.656)	(28.754)	0
Integration of merged subsidiary	0	0	0	3.168
Purchase of tangible and intangible fixed assets	(35.222)	(26.206)	(30.139)	(23.962)
Collections from the sale of tangible and intangible fixed assets	8.693	942	7.628	207
Collections (payments) from the sale (purchase) of investment titles (shares, securities)	806	1.568	658	0
Interest collected	2.509	1.209	2.137	1.084
Dividend collected	0	11	0	600
Total inflow / (outflow) from investment activities (b)	(27.847)	(34.132)	(48.470)	(18.903)
<u>Finance activities</u>				
Collections from loans issued / draw n	0	13.500	0	0
Loan repayments	(32.008)	(313)	0	0
Payment of obligations under finance leases (amortisation)	(200)	(114)	0	0
Dividend payable	(67.529)	(28.462)	(67.529)	(28.462)
Total inflow / (outflow) from finance activities (c)	(99.737)	(15.389)	(67.529)	(28.462)
Net increase / (drop) in cash available and equivalents (a) + (b) + (c)	(13.911)	77.461	(21.194)	78.025
Start of Year Cash and Cash Equivalents	140.096	63.691	127.741	50.772
Effects from changes in exchange parities	56	(1.056)	56	(1.056)
End of Year Cash and Cash Equivalents	126.241	140.096	106.603	127.741

The notes on pages 7 to 58 form an integral part of the Company and Group Financial Statements.

1. GENERAL INFORMATION

HERACLES GENERAL CEMENT COMPANY (the Company) operates in Greece under the Companies Act 2190/1920, with its registered office located in the Municipality of Lycovrissi, Attica, 49-51 Sophocli Venizelou str. By majority, (53.19%) the Company belongs to the Lafarge Group which is incorporated in France. The HERACLES G.C.C Group (the Group) mainly operates in the production and trading of cement, concrete and other structural materials. The above financial statements are presented in thousand Euro, which is the currency of the primary economic environment in which the Group operates.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENT OF EXISTING STANDARDS

During the year, the Group and the Company have adopted the new amended Standards issued by the International Accounting Standards Board "IASB", as well as the relevant Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are relevant with the Company's activities and which apply to accounting periods starting 1 January 2006.

Adoption of the new amended Standards and Interpretations, has led both the Group and the Company to change their accounting principles and consequently has affected the published amounts of the current year as follows:

- Exploration for and evaluation of mineral resources expenses, are now classified as fixed assets.

This change is deemed to have minimal impact on the financial statement of the current year.

Exploration for and Evaluation of Mineral Resources Expenses

Pursuant to IFRS 6 which is effective from January 1st, 2006, the Group and the Company recognise exploration for and evaluation of mineral resources expenses as fixed assets, according to the cost method.

The conditions for recognising such expenses as fixed assets are:

- Group and Company are holders of a legal permit to conduct investigative operations in quarries
- The feasibility study following the investigative work which proves the existence and financial viability of the mineral deposit.

The above mentioned fixed assets are tested for impairment when events and circumstances may indicate that their carrying amount may exceed their recoverable amount.

Moreover, new IFRS and interpretations have been issued, while existing standards have been amended, that are obligatory for years starting 1 January 2007 and afterwards.

The Group and Company Management is currently assessing the impact from the application of the above mentioned new standards and interpretations.

Examination and implementation shall be completed, if necessary, within the time frame stipulated in each new IFRS, interpretation or amendment and standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENT OF EXISTING STANDARDS - Continued

The new IFRS, interpretations and amendments of existing standards, are listed below:

IFRS 7, Financial Instruments: Disclosures and supplementary adaptation to IAS 1, presentation of financial statements, capital disclosures (applicable for annual financial statements starting on or after January 1st 2007).

IFRS 7 requires additional disclosures with respect to exposures to risks from financial instruments, including credit risk, liquidity risk and market risk.

The supplementary adaptation of IAS 1, refers to disclosures regarding the amount and management of capitals.

IFRS 8, Operating segments (applicable to annual financial statements starting on or after January 1st 2007)

IFRS 8 replaces IAS 14, Segment reporting. It requires, that information provided for each financial segment, be consistent with the segments that Management uses internally to determine performance. The Group is in the process of assessing the standard's impact on its financial statements.

Interpretation 7, Applying the restatement approach under IAS 29 – Financial Reporting in Hyperinflationary Economies (applicable to annual financial statements starting on or after March 1st 2006)

Interpretation 7 does not apply to the Group.

Interpretation 8, Scope of IFRS 2 (applicable to annual financial statements starting on or after May 1st 2006)

The Group is in the process of assessing the interpretation's impact on its financial statements.

Interpretation 9, Reassessment of embedded derivatives (applicable to annual financial statements starting on or after June 1st 2006)

Interpretation 9 does not apply to the Group.

Interpretation 10, Interim financial reporting and impairment (applicable to annual financial statements starting on or after November 1st 2006)

Interpretation 10 has not yet been adopted by the EU.

Interpretation 11, IFRS 2 – Group and treasury shares transactions (applicable to annual financial statements starting on or after March 1st 2007)

The Group is in the process of assessing the interpretation's impact on its financial statements.

Interpretation 12, Service concession arrangements (applicable to annual financial statements starting on or after January 1st 2008)

Interpretation 12 has not yet been adopted by the EU.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the relevant Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are relevant with the Group's activities and effective on the date the financial statements were prepared, as adopted by the European Commission.

The financial statements have been prepared on the historical or imputed cost basis. The principal accounting policies adopted are set out below:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company as well as the financial statements of the entities controlled by the Company (its subsidiaries) as at 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in order to obtain financial benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated.

Acquisitions of Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date and equity shares that have been issued by the Group's companies in exchange for the control of the acquiree, including indirect expenses attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

In the Company's Financial Statements, participations in subsidiaries and associates are carried at cost, less any later impairment provisions. Annually, or whenever events or circumstances suggests that there may be an indication of impairment, the Company examines the carrying value of the above participations against their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Losses of subsidiaries exceeding the Company's participation therein are recognised in the income statement of the Company's financial statements, as a provision for losses from participation in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Investments in Associates

An associate is an entity over which the Company (or the Company through the Group) is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Investments in associates are accounted for using the equity method of accounting, except when classified as held for sale, and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and included in the investment's total book value, and tested as to any impairment in the value as part of this investment. If, following a reassessment, there is any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is credited in profit and loss in the period of acquisition.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates or jointly controlled entities at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units expected to benefit from the synergies of the business combination from which the goodwill arises. Cash generating units to which goodwill has been allocated are tested for impairment on an annual basis or more regularly, if there are indications that the controlled, each time, unit's value could be impaired. If the recoverable amount is lower than the unit's respective carrying amount, the resulting loss is allocated first to reduce the carrying amount of the specific unit, and then to the unit's remaining assets, pro rata, based on the carrying amount of each asset's participation in the specific unit. The loss resulting from goodwill impairment shall not be reversed in following periods.

In the sale of a subsidiary, associate or jointly controlled undertaking, the attributable carrying amount of goodwill is taken into account in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates is described in "Investments in Associates".

Goodwill arising on acquisitions before the date of transition to IFRSs, based on the Greek Accounting Standards, has been deducted directly from equity at the date of transition to IFRS, namely 31/12/2003. On the date of transition to the IFRS it has been written off against retained earnings and shall not be included in the calculation of any profit or loss that will result from any future sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Financial Information by Segment

Business segments is a component of an enterprise that provides a single product or service or a group of related products and services and that is subject to risks and returns that are different from those of other business segments. A geographic segment is a component of an enterprise that provides products and services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group's Management has selected business segments as the primary type of presenting segment-specific information. This choice was dictated by the Group's internal organisational and operating structure. The main business segments the Group operates in are production and trading in cement, ready-mix concrete and aggregates.

Income, expenses, assets and liabilities appearing per business segment are the ones directly attributable or reasonably allocable to a segment, if necessary. Each business segment's income constitutes the basis of allocation.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. In particular, the following conditions must be met:

- Significant benefits and risks of owning the goods have been transferred to the purchaser
- The Group no longer manages the goods insofar as ownership usually entails, nor does it exercise effective control over goods sold.
- The income amount can be reliably measured.
- It is very likely that the financial benefits from the transaction will reach the Group
- The cost incurred or to be incurred in relation to the transaction can be reliably measured

Income from service provision is entered in the results upon completion of the service provision, or with reference to the service provision completion stage.

Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment is established.

Project Construction Contracts

In case the result of a construction project can be reliably estimated, contractual income and costs must be recognised in results depending on the project completion percentage at the balance sheet date. The project completion percentage is calculated based on the proportion of contractual cost incurred by the balance sheet date, to the total contractual cost estimated, on the same date, to be required until project completion, except where this would not be representative of the completion percentage. Deviation from the original contract and various additional claims and incentive payments, shall only be recognised if agreed upon with the client.

In case the result of a construction project cannot be reliably estimated, contractual income must be recognised in results, to the extent that it is probable that contractual costs incurred will be recovered. Contractual costs shall be included in the results of the year on which they are incurred. When it is likely that the total contractual cost will exceed the total contractual income, the expected loss will immediately be charged to the results.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessee

Finance Leases

Assets held under finance leases are recognised as assets of the Group. They are initially recognised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the respective IFRSs.

Operating Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Transactions in Foreign Currency

Transactions in currencies other than Euro are recognised at the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary assets measured at historical cost in foreign currency, shall not be re-valued at current exchange rates.

Profit and losses resulting from liquidation or settlements of monetary assets, or from the valuation at current exchange rates as at balance sheet date, shall be included in the year's net profit or loss. Exchange differences concerning valuation of non-monetary assets and liabilities at exchange rates as at the Balance Sheet date, at fair value, shall be entered in the current year's results, except exchange differences concerning non-monetary assets whose profit and losses are recognised directly in equity. For such non-monetary assets, exchange differences shall be recognised directly in equity.

In order to hedge its exposure solely to foreign exchange risks, the Group enters into forward contracts and options.

On consolidation, the assets and liabilities of the Group's operations abroad are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Government Grants / Subsidies

Government grants relating to machinery and equipment are treated as deferred income and released to profit and loss over the expected useful lives of the assets concerned. Government subsidies relating to staff training expenses shall be carried to the results when collected.

Retirement Benefit Costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out annually. Actuarial gains and losses which, at the end of the previous period exceeded 10% of the current value of the liability from defined benefits on that date, shall be amortised in profit and loss during the employees' average remaining working life.

Past service cost is recognised immediately in the income statement, to the extent that the benefits are already vested (and are not dependent upon future employment), otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

Income Tax

The income tax expense represents the sum of tax currently payable, previous years' tax differences, large real property tax and deferred tax.

Tax Currently Payable

The tax currently payable is based on the Company's best assessment of taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates applying at the balance sheet date.

Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is provided in full, using the liability method and is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax liabilities are generally recognised for all temporary taxable differences while, income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In case of subsidiary acquisition, deferred taxation shall be taken into account in determining goodwill or negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Deferred Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

No liability from deferred taxation on tax-free or specially taxed reserves shall be calculated, to the extent that it can reasonably be expected that the management shall be in a position to control the time same will be allocated, whilst allocation and in general any taxation whatsoever thereof in the immediate future is not anticipated.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities and receivables shall be set off when there is a legal right that allows the setting off of current tax receivables to current tax liabilities, and when they concern income tax imposed by the same taxation authority and the Group is willing to arrange current tax receivable and liabilities in full.

Exploration for and Evaluation of Mineral Resources Expenses

Pursuant to IFRS 6, as of January 1st, 2006, exploration for and evaluation of mineral resources expenses are recognised as fixed assets. Fixed assets from the exploration for and evaluation of mineral resources are recognised in the balance sheet according to the cost method.

The above assets shall be tested for impairment when events and circumstances may indicate that the carrying amount of said asset may exceed its recoverable amount.

Intangible Assets

Intangible assets relate to software initially measured at acquisition cost and depreciated according to the fixed method throughout their useful life, which estimated at three years.

Tangible Assets

Tangible assets used in the production or supply of goods or services, or for administrative purposes, were stated in the transition to IFRS balance sheet at their revalued amounts, according to IFRS 1, being either the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, or their respective carrying amount of acquisition appearing in the books thus far according to the Greek Accounting Standards, less any subsequent accumulated depreciation. Since then, tangible assets are recognised at their historic cost, less any subsequent accumulated depreciation and impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Tangible Assets - continued

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

(useful lives in years)	<u>Group</u>	<u>Company</u>
Buildings	5 - 30	25 - 30
Machinery	5 - 30	15 - 30
Means of transport, furniture and other equipment	1 - 10	5 - 10

The useful lives of the assets of several subsidiaries are quite different than that of the Company, due to different operating activities, and consequently, different use of the assets.

Assets held under finance leases are depreciated on a straight line basis over their expected useful lives.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

At the end of each year, Management reviews the estimated useful lives, residual values and depreciation methods. The result of changes to estimations is recognised in the current and in future years.

Internally Generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes).
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment Of Tangible And Intangible Assets Excluding Goodwill

At each balance sheet date, the Group and Company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that such assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to assess the recoverable value of a specific asset, the Group and Company estimate the recoverable value of the cash-generating unit to which the asset belongs. Impairment controls are performed annually and whenever there is an indication that the above assets may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Impairment of Tangible and Intangible Assets Excluding Goodwill - continued

Recoverable amount is the higher of fair value less costs to sell and respective value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and direct costs to be incurred in marketing, selling and distribution.

Financial Risk Management

Financial Risk Factors

The Group is exposed to financial risks, such as market risk (unforeseen exchange rate, interest rate and market price fluctuations) and credit risk. The Group's risk management program aims at minimising the possible negative impact that such risks may have on the Group's financial performance.

Risk management is the responsibility of the Financial Management and Credit Control Division, that operates based on procedures, guidelines and directives set out by the Company's and the Group's Management. The Credit Control Division provides advice to the Group's subsidiaries and coordinates access to domestic and international money markets.

Among others, the above includes identification, assessment and hedging financial risks the Group is exposed to. It is the Group's policy not to perform speculative transactions and in general transaction not related to its commercial, investment or lending activities.

The financial products that the Group mainly uses are bank deposits, overdraft bank accounts, repurchase agreements, receivables and liabilities, loans from third parties and to associates, finance lease contracts and derivatives.

Exchange Rate Risk

The majority of the Group's transactions are carried out in Euro and the rest in US Dollars. Therefore, to some degree, it is exposed to exchange rate fluctuations. The risk is hedged with derivatives, especially exchange futures. The Group's exposure to exchange rate risk is the result of its foreign currency commercial transactions concerning goods and services imports and exports.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Interest Rate Fluctuation Risk

The Group loan obligations are linked with variable interest rates, whose fluctuation does not greatly affect its financial expenses and cash flows. The Group basic policy dictates the conclusion of short-term loans, one to three months, and as a result, fluctuations are very small. This policy, combined with the Group's low loan obligations, limits exposure to interest rate fluctuation risk. The interest rate fluctuation risk is monitored in the budget and reviewed on a reporting basis.

Credit risk

The Group has established and is implementing credit control procedures, aimed at minimising doubtful debts. Receivables from clients come from a broad customer base and therefore, credit risk is spread over a large number of clients. The Group's Financial Management and Credit Control Division constantly monitors and evaluates the clients' financial condition, sets credit limits per customer and implements specific sales and collections terms.

Securing receivables from clients is a firm Group policy. When necessary, more collateral is requested to secure the credit risk. In the financial statements, the Group recognises a provision for doubtful debts, according to the policy of LAFARGE S.A., the parent company, on the basis of client outstanding balances maturity, as well as Management estimates for special credit risk of specific clients.

Liquidity Risk

Liquidity risk is kept low due to high liquidity of the Group's companies.

Derivative Financial Instruments and Hedging Accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodities, notably fuel and marine freight.

The Group uses derivative financial instruments (mostly forward contracts) to hedge these exposures to fluctuating exchange rates and commodities, concerning specific existing commitments or anticipated transactions. The use of financial derivatives is governed by the policies of Lafarge Group that controls Heracles, which are harmonised with the Lafarge Group risk management strategy.

Initially derivatives are measured at their fair value on the date of conclusion of each contract, and are then re-measured at their fair value in the subsequent accounting closing dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - Continued

Financial Instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and Cash Equivalents

These comprise cash held by the Company and short-term bank deposits, promptly convertible into a known sum of money with a very low value change risk.

Bank Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Financial expenses, shall be entered in the results as accrued, using the true interest rate method, and added to the undepreciated book balance of the relevant loan or overdraft, to the extent that they are not settled in the period they arise.

Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade Payables

Trade payables are not interest bearing and are stated at their nominal value.

Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured based on the best possible assessment that the management will make regarding the cost of the expected liability settlement, due at the Balance Sheet date, and are discounted at their present value, provided that the relevant discount impact is significant.

When it is expected that part or the entire outflow to settle the obligation will be recovered from a third party, the amount to be collected shall be recognised as an asset, provided that it is certain that the compensation will be collected and the amount can be reliably measured.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring, and has created a valid expectation among affected parties that it will conclude the restructuring, either by starting implementing the restructuring plan or by communicating its main features to the affected parties

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

4. MAJOR ACCOUNTING JUDGEMENTS & MAIN SOURCES OF UNCERTAINTY FOR ACCOUNTING ASSESSMENTS

In applying the Group's accounting policies as described in note 3, the Management must make judgements, estimates and assumptions regarding the states assets and liabilities values which are not obvious in other sources of information. Estimates and their relevant assumptions are based on past experiences, as well as other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually reviewed. Accounting estimates reviews are recognised in the period in which they occur, if they affect only that period, or in future periods as well.

The accounting judgements that the Management has made in implementing the Group's accounting policies, and which have the greatest impact on Company and Group financial statements are:

On a yearly basis, Management examines whether there is goodwill impairment indication, and if so, assesses the extent pursuant to the Group's accounting policy on goodwill. The recoverable amount of the examined cash generating unit is determined on the basis of value in use and is based on estimates and underlying assumptions.

Moreover, annually, Management examines the following, on the basis of assumptions and estimates:

- useful lives and recoverable values of depreciable fixed assets
- recoverable values of real property
- recoverable values of participations in subsidiaries and associates, in individual financial statements
- the amount of provisions for quarry restoration, for staff retirement compensation, for cases in litigation and for labour law compliance cases.

Income tax is determined on the basis of best assessment of taxable profit for the year. If the tax that results from the tax audit is different than the estimated one, the difference will affect both the income tax itself and the deferred tax in the year the audit was conducted.

Some reclassification of previous year items has occurred for a better presentation of the financial statements.

On the financial statements preparation date, the main sources of uncertainty for the Group and the Company, which may have great impact on the stated assets and liabilities values, concern:

Unaudited years of the Group's companies, insofar as it is possible that future audits will result in additional taxes and charges being imposed that cannot be estimated at the time with reasonable accuracy (note 34).

The assumptions that management made in making a provision for the cost of the voluntary retirement scheme (note 23).

Estimates on the recoverability of deferred taxation receivables (note 24), as well contingent losses from pending court cases (note 34) and doubtful debts (note 20).

The recoverability of the value of the Company's participations in the share capital of subsidiaries and associates (note 16).

The Management made the above mentioned estimates on the basis of the principle of prudence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

5. TURNOVER

A turnover breakdown per category of goods sold (finished and semi-finished products, commodities sale, construction works/ project implementation and services) follows:

Amounts in € thousand

	GROUP		COMPANY	
	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2005</u>	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2005</u>
Income from sales of finished and semi-finished goods	666.471	587.022	605.829	535.425
Income from commodities sale	7.255	4.924	6.309	3.911
Income from construction works and project execution	4.621	2.687	0	0
Income from services	15.313	14.448	3.598	4.841
	<u>693.660</u>	<u>609.081</u>	<u>615.736</u>	<u>544.177</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group has been organised into three business segments: the cement, the concrete and the aggregates divisions. These segments form the basis on which the Group reports its fundamental accounting information per sector.

	<u>1/1 - 31/12/2006</u>				
Amounts in € thousand	<u>Cement</u>	<u>Concrete</u>	<u>Aggregates</u>	<u>Elimination</u>	<u>TOTAL</u>
Sales to					
Cement Division	0	125	0	(125)	0
Concrete Division	36,448	0	18	(36,466)	0
Aggregates Division	0	346	0	(346)	0
Third parties	590,770	86,377	16,513	0	693,660
Total sales	627,218	86,848	16,531	(36,937)	693,660
Operating profit	100,017	(438)	1,797		101,376
Finance income / (expenses)	1,492	(702)	643		1,433
Year profit before taxes	101,509	(1,140)	2,440		102,809
Income tax	(45,023)	735	(510)		(44,798)
Net profit of the year after tax	56,486	(405)	1,930		58,011
Other information					
Fixed asset additions	32,221	1,338	1,663		35,222
Year depreciation	45,384	1,306	560		47,250
Impairment of real estate	3,196	0	0		3,196
Impairment from revaluation of recoverable value	8	1,900	1,470		3,378
Cost of voluntary retirement scheme	14,875	0	0		14,875
Income from use of provisions	913	138	3		1,054
BALANCE SHEET					
Assets of sectors	972,725	72,097	22,388	(74,032)	993,178
Investments in associated companies	1,559	0	0	0	1,559
Total Assets	974,284	72,097	22,388	(74,032)	994,737
Liabilities of sectors	963,126	72,097	22,137	(74,032)	983,328
Liabilities from taxes	11,158	0	251		11,409
Total Liabilities	974,284	72,097	22,388	(74,032)	994,737
	<u>1/1 - 31/12/2005</u>				
Amounts in € thousand	<u>Cement</u>	<u>Concrete</u>	<u>Aggregates</u>	<u>Elimination</u>	<u>TOTAL</u>
Sales to					
Cement Division	0	108	0	(108)	0
Concrete Division	30,875	0	0	(30,875)	0
Aggregates Division	0	203	0	(203)	0
Third parties	523,985	74,867	10,229	0	609,081
Sales	554,860	75,178	10,229	(31,186)	609,081
Operating profit	131,841	839	1,717		134,397
Finance income / (expenses)	591	(543)	(358)		(310)
Year profit before taxes	132,432	296	1,359		134,087
Income tax	25,830	(215)	(1,009)		24,606
Net profit of the year after tax	158,262	81	350		158,693
Other information					
Fixed asset additions	24,672	1,082	452		26,206
Year depreciation	44,672	1,468	1,020		47,160
Impairment of real estate	1,719	0	0		1,719
Impairment from revaluation of recoverable value	0	0	0		0
Cost of voluntary retirement scheme	0	0	0		0
Income from use of provisions	2,156	14	34		2,204
BALANCE SHEET					
Assets of sectors	987,364	71,293	20,274	(50,032)	1,028,899
Investments in associated companies	1,590	0	0	0	1,590
Total Assets	988,954	71,293	20,274	(50,032)	1,030,489
Liabilities of sectors	965,087	71,293	19,955	(50,032)	1,006,303
Liabilities from taxes	23,867	0	319		24,186
Total Liabilities	988,954	71,293	20,274	(50,032)	1,030,489

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - Continued

Group and Company operate in the following countries:

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2006	1/1 - 31/12/2005	1/1 - 31/12/2006	1/1 - 31/12/2005
Greece	596.418	499.891	527.032	441.508
Switzerland	86.086	90.178	84.598	89.214
Other countries	11.155	19.012	4.106	13.455
	693.660	609.081	615.736	544.177

Group and Company do not have facilities abroad. Consequently, operations abroad concern sales of goods and provision of services.

7. OTHER OPERATING INCOME/(EXPENSES)

Other operating income/(expenses) are analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2006	1/1 - 31/12/2005	1/1 - 31/12/2006	1/1 - 31/12/2005
Lawers' fees	0	(2.500)	0	(2.500)
Profit/(losses) from fixed asset sales	405	242	359	(196)
Provision for losses from participations	0	0	(1.503)	(1.630)
Impairment of real estate	(3.195)	(1.719)	(3.131)	(1.719)
Collection of written-off debt	0	0	3.900	0
Loss from fixed assets revaluation at recoverable value	(3.378)	0	0	0
Other	516	0	0	0
	(5.652)	(3.977)	(375)	(6.045)

€44,138 thousand concerning partial recovery of funds paid by the Greek State which was recognised in other operating income / (expenses) during the previous year, has been reclassified and presented as a separate line of the income statement for better comparative presentation.

Real estate impairment losses of €3,195 thousand and €3,131 thousand were recognised in the Group and Company 2006 results, respectively, versus €1,719 thousand loss in 2005, as detailed in note 15.

The loss amount of €1,719 thousand from real estate impairment, that had been charged to the cost of goods sold in the Group and Company 2005 results, was reclassified to other operating income/(expenses) for a more appropriate comparative presentation of the income statement.

The impairment loss of €3,378 thousand, mainly due to the recoverable value reassessment for the fixed assets of the subsidiary Lafarge Beton S.A., is detailed in note 15.

Other operating income in 2006 includes a Company provision for losses rising to €1,503 thousand, which pertains to the Company's participations in the accumulated losses of its subsidiaries, besides the write-off of the respective participation of the Company therein. The respective provision for losses from participation was €1,630 thousand in 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

7. OTHER OPERATING INCOME/(EXPENSES) - Continued

The provision amount of €1,630 for losses from participations in subsidiaries, that had been charged to loss from impairment of participation in subsidiaries in the 2005 results, was reclassified to other operating income/ (expenses) for more appropriate comparative presentation of the income statement.

8. LOSS FROM IMPAIRMENT OF PARTICIPATIONS IN SUBSIDIARIES

In 2006 the Company's Management conducted an inspection into the impairment of its participations in subsidiaries. Based on the findings of the aforementioned investigation, the Company recognized a total loss from impairment of participation amounting to €5,385 thousand in the 2006 results (note 16).

In 2005, a similar inspection had been performed into the impairment of the participations into subsidiaries, and the Company had recognized a respective total loss from impairment of participations amounting to €5,050 thousand in the 2005 results.

9. OPERATING PROFIT

Profit from operations has been calculated, after charging / (crediting) the following amounts:

Amounts in € thousand	GROUP		COMPANY	
	1/1 - 31/12/2006	1/1 - 31/12/2005	1/1 - 31/12/2006	1/1 - 31/12/2005
Impairment of fixed assets from revaluation of recoverable value	3.378	0	0	0
Impairment of real estate	3.195	1.719	3.131	1.719
Impairment of participation in associated companies	0	0	5.385	5.050
Total impairments	<u>6.573</u>	<u>1.719</u>	<u>8.516</u>	<u>6.769</u>
Depreciation of intangible assets	528	540	68	118
Depreciation of tangible assets	46.822	46.716	43.686	43.173
Subsidised depreciation	(98)	(100)	(98)	(100)
Total depreciations	<u>47.251</u>	<u>47.156</u>	<u>43.656</u>	<u>43.191</u>
Change in finished and semi-finished goods	641	(887)	900	(859)
Use of raw , auxiliary material, consumables and spare parts	197.551	179.881	141.009	132.276
Total change in reserves	<u>198.192</u>	<u>178.994</u>	<u>141.909</u>	<u>131.417</u>
Employer's contributions	21.762	21.158	16.796	16.400
Staff remunerations and other benefits	111.358	105.918	88.857	85.215
Provision for staff retirement compensations	10.460	8.893	8.905	7.533
Service termination benefits	3.783	1.664	3.466	1.122
Total staff expenses	<u>147.362</u>	<u>137.633</u>	<u>118.024</u>	<u>110.270</u>

Group and Company employed staff average breakdown:

	GROUP		COMPANY	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Number of staff	2.549	2.605	1.921	1.976

The number of staff for 2006 and 2005 is presented on the basis of the annual average staff employed

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

10. FINANCE INCOME/(EXPENSES)

Finance income/(expenses) is analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2006	1/1 - 31/12/2005	1/1 - 31/12/2006	1/1 - 31/12/2005
REVENUE				
Credit interest & similar interest	2.520	1.209	2.138	1.084
Gains from derivatives	604		604	0
Income from dividends	50	11	0	600
Profit from sale of part. & secur.	738	0	609	0
Foreign exchange credit differences	19	564	0	319
Reversed discounting of rent amounts paid in advance at current value	314	382	314	382
	<u>4.245</u>	<u>2.166</u>	<u>3.665</u>	<u>2.385</u>
Expenses				
Interest expenses and relevant expenses	1.957	1.723	505	552
Losses from derivatives	326	753	326	753
Foreign exchange debit differences	529	0	371	0
	<u>2.812</u>	<u>2.476</u>	<u>1.202</u>	<u>1.305</u>
Total	<u>1.433</u>	<u>(310)</u>	<u>2.463</u>	<u>1.080</u>

11. INCOME TAX

Amounts in € thousand

	GROUP		COMPANY	
	1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Income tax	32.654	30.821	31.021	29.241
Deferred taxation (Note 24)	1.435	(72.254)	2.578	(73.041)
Differences from previous years' tax audits	10.143	89	9.554	0
Other taxes not charged to the operating cost (Note 24)	566	16.738	515	16.697
Total	<u>44.798</u>	<u>(24.606)</u>	<u>43.668</u>	<u>(27.103)</u>

In addition to the deferred tax charged to the operating (current) results, deferred tax of €869 thousand has been charged directly to the Group's and Company's equity accounts as at 31 December 2006, whereas deferred tax of €596 thousand as at 31 December 2005 was credited to the Group's and Company's equity accounts (see note 24).

Current tax rate for 2006 was 29%, whereas in the previous year it was 32%. Deferred tax has been calculated at a tax rate of 25% which shall be applicable in the following year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. INCOME TAX - Continued

Income tax is analysed as follows:

Amounts in € thousand

	GROUP				COMPANY			
	1/1-31/12/2006		1/1-31/12/2005		1/1-31/12/2006		1/1-31/12/2005	
		%		%		%		%
Profit before taxes	102.808	29%	134.087	32%	97.933	29%	123.387	32%
Income tax as per the current tax rate (29%) (2005 32%)	29.814	29%	42.908	32%	28.401	29%	39.484	32%
Accounting restatement of non deductible expenses from taxed income	7.114	7%	237	0%	6.749	7%	1.393	1%
Accounting restatement of non taxable income from taxed income	(2.370)	-2%	(14.124)	-11%	(1.543)	-2%	(14.124)	-11%
Tax deductions for tax free reserve formation	(2.900)	-3%	(3.863)	-3%	(2.900)	-3%	(3.863)	-3%
Difference in the current year's deferred taxation due to changed tax rate	(2)	0%	1.185	1%	(104)	0%	1.242	1%
Inversion of liability from deferred taxation due to restatement of basis for taxation of fixed assets.	0	0%	(66.577)	-50%	0	0%	(66.577)	-54%
Reversal of receivables from deferred taxation in the provision for doubtful receivables due to uncertain recoverability.	2.802	3%	0	0%	2.996	3%	0	0%
Impact of different tax rates of subsidiaries operating under a different tax status.	(129)	0%	(191)	0%	0	0%	0	0%
Tax losses carried forward to future years	417	0%	442	0%	0	0%	0	0%
Use of previous years' tax losses	(657)	-1%	(1.450)	-1%	0	0%	(1.355)	-1%
Differences from previous years' tax audits	10.143	10%	89	0%	9.554	10%	0	0%
Other taxes not charged to the operating cost	566	1%	16.738	12%	515	1%	16.698	14%
	<u>44.798</u>	<u>44%</u>	<u>(24.606)</u>	<u>-18%</u>	<u>43.668</u>	<u>45%</u>	<u>(27.103)</u>	<u>-22%</u>

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Trade Receivables				
Income taxation receivables	21.049	20.684	19.978	18.898
Other taxes	0	0	0	0
	<u>21.049</u>	<u>20.684</u>	<u>19.978</u>	<u>18.898</u>
Trade Payables				
Income tax payable	(32.459)	(28.604)	(30.424)	(27.438)
Other taxes	(1)	(16.267)	0	(16.237)
	<u>(32.459)</u>	<u>(44.871)</u>	<u>(30.424)</u>	<u>(43.675)</u>
Total	<u>(11.410)</u>	<u>(24.186)</u>	<u>(10.445)</u>	<u>(24.777)</u>

An amount of €1,390 thousand concerning current receivables from taxes and duties of the subsidiary EVIESK SA, which had been recognised in the other current receivables of the Group's 2005 balance sheet, has been reclassified to the Group's income tax liabilities, for a better comparative presentation of the balance sheet

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following information:

	GROUP		COMPANY	
	<u>1/1-31/12/06</u>	<u>1/1-31/12/05</u>	<u>1/1-31/12/06</u>	<u>1/1-31/12/05</u>
Amounts in € thousand	58.011	158.693	54.265	150.490
Average weighted number of common shares for the purposes of calculating basic profit per share	71.082.707	71.082.707	71.082.707	71.082.707
Profit per share in €	0,82	2,23	0,76	2,12

13. ACQUIRED COMPANY GOODWILL

During 2006, the subsidiary Lafarge Beton SA acquired 100% of BETON PREVEZIS S.A. and TH. ATHANASSIOU S.A. for a total acquisition price of €3,854 thousand, out of which €3,437 thousand was the acquisition price of TH. ATHANASSIOU S.A. and €417 thousand of BETON PREVEZIS S.A. (note 33).

Moreover, additional direct acquisition costs of €67 thousand were also recognized, which increased the total acquisition price of both companies accordingly.

Following the above allocation, the assessed goodwill from the acquisition of the above companies amounted to €3,697 thousand.

The calculation of the fair value of recognizable assets, liabilities and contingent liabilities acquired following the acquisition of TH. ATHANASSIOU S.A. – and therefore the final valuation of the respective goodwill- will be finalised within twelve months from the date of acquisition.

In 2006, HERACLES GCC also acquired 99.78% of the company STATHMOI AIGAIU S.A. at the price of €796 thousand, and the estimated goodwill resulting from this acquisition amounted to €650 thousand.

The above is further detailed in note 33.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2006**

13. ACQUIRED COMPANY GOODWILL - Continued

Group goodwill statement:

	<u>2006</u>		<u>2005</u>	
Goodwill at start of year	2.666		0	
Provisionally assessed goodwill of acquired companies:				
- ATLAS S.A.	0		7.114	
- BETON PREVEZIS S.A.	677		0	
-TH. ATHANASSIOU S.A.	2.952		0	
- STATHMOI AIGAIΟΥ S.A.	<u>650</u>	4.279	<u>0</u>	7.114
Adjustments in fair value of recognisable assets and liabilities:				
- ATLAS S.A.	0		(4.448)	
- BETON PREVEZIS S.A.	12		0	
-TH. ATHANASSIOU S.A.	(11)		0	
- STATHMOI AIGAIΟΥ S.A.	<u>0</u>	1	<u>0</u>	(4.448) *
Acquisition price adjustments:				
- ATLAS S.A.	0		0	
- BETON PREVEZIS S.A.	2		0	
-TH. ATHANASSIOU S.A.	65		0	
- STATHMOI AIGAIΟΥ S.A.	<u>0</u>	67	<u>0</u>	0
Goodwill at year end	<u>7.013</u>		<u>2.666</u>	

* Quarry exploitation right estimated value: 5.932
Respective deferred tax obligations: (1.484)
4.448

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2006**

14. INTANGIBLE ASSETS

Intangible assets exclusively concern software purchases. The following table shows the relevant items for years 1/1-31/12/2006 and 1/1-31-12-2005.

Amounts in € thousand

	GROUP	COMPANY
	Software programmes	Software programmes
	<u> </u>	<u> </u>
COST		
01-Jan-05	9,874	7,349
Additions	322	38
Acquisition of company by subsidiary	7	0
Reductions/Write-offs	(187)	(159)
Transfers	<u>0</u>	<u>0</u>
31-Dec-05	<u>10,016</u>	<u>7,228</u>
Additions	310	22
Acquisition of company by subsidiary	1	0
Reductions/Write-offs	(23)	0
Transfers	<u>0</u>	<u>0</u>
31-Dec-06	<u>10,304</u>	<u>7,250</u>
 ACCUMULATED DEPRECIATION		
01-Jan-05	8,828	7,180
Year depreciation	540	118
Reductions/Write-offs	<u>(192)</u>	<u>(159)</u>
31-Dec-05	<u>9,176</u>	<u>7,139</u>
Year depreciation	528	68
Reductions/Write-offs	<u>(1)</u>	<u>(1)</u>
31-Dec-06	<u>9,703</u>	<u>7,206</u>
 CARRYING AMOUNT		
31-Dec-05	<u>840</u>	<u>89</u>
31-Dec-06	<u>601</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

15. TANGIBLE ASSETS

The following table shows the relevant Group tangible assets movements for the 1/1-31/12/2006 and 1/1-31/12/2005 years.

GROUP	Means of transport, furniture and other equipment					
	Plots and quarries	Buildings	Machinery	Means of transport, furniture and other equipment	Real assets in progress	Total
Amounts in € thousand						
COST/IMPUTED COST						
01-Jan-05	75,146	248,133	351,056	24,857	8,024	707,216
Impairment of real estate	(1,719)	0	0	0	0	(1,719)
Additions	94	264	2,304	562	22,660	25,884
Acquisition of Subsidiary	5,963	852	1,285	98	654	8,852
Reductions/Write-offs	0	(258)	(301)	(1,673)	(19)	(2,251)
Transfers	539	2,776	14,469	0	(17,790)	(6)
31-Dec-05	80,023	251,767	368,813	23,844	13,529	737,976
Impairment of real estate	(3,196)	0	0	0	0	(3,196)
Additions	64	392	4,649	1,023	28,784	34,912
Acquisition of Subsidiary	70	559	1,206	670	0	2,505
Reductions/Write-offs	(7,194)	(304)	(621)	(410)	(1)	(8,530)
Transfers	0	4,184	17,132	586	(21,905)	(4)
Impairment from revaluation of recoverable value	(606)	(2,139)	(633)	0	0	(3,378)
31-Dec-06	69,161	254,459	390,545	25,713	20,406	760,284
ACCUMULATED DEPRECIATION						
01-Jan-05	343	18,817	36,394	8,951	0	64,505
Year depreciation	494	16,053	26,864	3,209	0	46,620
Reductions/Write-offs	0	(25)	(227)	(1,300)	0	(1,552)
Transfers	22	(22)	0	0	0	0
31-Dec-05	859	34,823	63,031	10,860	0	109,573
Year depreciation	512	16,206	27,640	2,365	0	46,722
Reductions/Write-offs	0	(56)	(248)	(354)	0	(658)
31-Dec-06	1,371	50,973	90,423	12,871	0	155,637
CARRYING AMOUNT						
31-Dec-05	79,164	216,944	305,782	12,984	13,529	628,403
31-Dec-06	67,790	203,486	300,122	12,843	20,406	604,647

The above assets include the carrying amount of the plot, quarry, as well as buildings/improvements of the subsidiary Lafarge Beton SA at the Araxos location in Achaia Prefecture, amounting to €3,886 thousand. According to Notary Public deed no. 10114/2003, transfer of ownership of the above plot to Lafarge Beton SA is still outstanding, however the transfer of the possession has been completed. The Management presumes ownership of property for granted and book value recoverable, although the above impediment has not been remedied yet. Note 36 include facts about the operating license of the quarry.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

15. TANGIBLE ASSETS - Continued

The following table shows the relevant Company tangible assets movements for the 1/1-31/12/2006 and 1/1-31/12/2005 years.

COMPANY	Plots and quarries	Buildings	Machinery	Means of transport, Furniture and other equipment	Real assets in progress	Total
Amounts in € thousand						
COST						
01-Jan-05	66,849	232,939	331,252	15,457	7,582	654,079
Impairment of real estate	(1,719)	0	0	0	0	(1,719)
Additions	47	2	1,676	202	21,997	23,924
Acquisition of Subsidiary	0	11	0	1	0	12
Reductions/Write-offs	0	(251)	(69)	(295)	0	(615)
Transfers	0	2,956	14,362	0	(17,318)	0
31-Dec-05	65,177	235,657	347,221	15,365	12,261	675,681
Impairment of real estate	(3,132)	0	0	0	0	(3,132)
Additions	0	77	2,977	184	26,879	30,117
Reductions/Write-offs	(6,930)	(281)	(133)	(18)	0	(7,362)
Transfers	0	4,125	17,084	328	(21,538)	(1)
31-Dec-06	55,115	239,578	367,149	15,859	17,602	695,303
ACCUMULATED DEPRECIATION						
01-Jan-05	132	15,170	24,677	1,987	0	41,966
Year depreciation	119	15,315	25,665	1,974	0	43,073
Reductions/Write-offs	0	(9)	(56)	(147)	0	(212)
Transfers	0	0	0	0	0	0
31-Dec-05	251	30,476	50,286	3,814	0	84,827
Year depreciation	98	15,367	26,391	1,732	0	43,588
Reductions/Write-offs	0	(53)	(57)	18	0	(92)
31-Dec-06	349	45,790	76,620	5,564	0	128,323
CARRYING AMOUNT						
31-Dec-05	64,926	205,181	296,935	11,551	12,261	590,854
31-Dec-06	54,766	193,788	290,529	10,295	17,602	566,980

Impairment of the Company's real estate is the result of Management assessments regarding the impact of factors mostly related to Company property being designated as forests, coasts, archaeological sites, etc. as well as various claims made by the Greek State and other third parties which are addressed through legal channels.

An amount of €1,621 thousand concerning property impairment loss that had been recognised in other non-current provisions in the 2005 Group and Company balance sheets has been reclassified to tangible assets, for a better comparative presentation of the balance sheet.

In 2006, Group Management performed an impairment test for the tangible assets of subsidiary Lafarge Beton SA. As a result of this test, conducted by a certified independent auditor, both the Group and subsidiary Lafarge Beton SA recognised an impairment loss of €3,370 thousand, in 2006 results.

The Company owns a collection of artworks, whose current value has been estimated at €4,881 thousand, by a certified art appraisal house. The Company's Management has elected not to recognise the asset in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

16. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES

The following table presents the Group's companies included in the consolidated financial statements, with their respective addresses and the Group's interest therein.

Companies consolidated using the full consolidation method

Name of Subsidiary	Registered Office	Direct participati	Indirect participati	Main scope of activity
HERACLES GCC	Greece, Lykovrissi, Attica			Cement manufacture and trade
LAFARGE BETON S.A.	Greece, Metamorfossi, Attica	96,79%	3,21%	Concrete and aggregates production & trade
ATLAS S.A.	Greece, Kallithea, Thessaloniki		100,00%	Aggregates production & trade
EVIESK S.A.	Greece, Lykovrissi, Attica	95,76%	4,24%	Metal constructions and mechanical maintenance
HERACLES MARITIME CO.	Greece, Lykovrissi, Attica	99,99%	0,01%	Sea transports and ship management
LAVA S.A.	Greece, Lykovrissi, Attica	44,16%	55,84%	Building materials and aggregates production & trade
AMBER S.A.	Greece, Lykovrissi, Attica	100,00%		Industrial automation and IT
EKET LTD.	Greece, Lykovrissi, Attica	90,00%	10,00%	Cement production technology
STATHMOI AIGAIUO S.A.	Greece, Chalandri, Attica	99,78%		Distribution terminal
PORT SAID SILO INVESTMENT COMPANY S.A.	Greece, Lykovrissi, Attica	99,88%	0,12%	Distribution terminal
G. HATZIKYRIAKOS SOC. NAV.	Greece, Lykovrissi, Attica		100,00%	Marine company
A. HATZIKYRIAKOS SOC. NAV.	Greece, Lykovrissi, Attica		100,00%	(inactive)
DYSTOS SOC. NAV.	Greece, Lykovrissi, Attica		100,00%	(inactive)
NAFSIKA SOC. NAV.	Greece, Lykovrissi, Attica		100,00%	(inactive)
HERACLES GLORY SOC. NAV.	Greece, Lykovrissi, Attica		100,00%	(inactive)
HALKIS CEMENT INTERNATIONAL S.A.	Greece, Lykovrissi, Attica	100,00%		Under liquidation
FINDA TRANSPORTS S.A.	Greece, Lykovrissi, Attica	100,00%		Under liquidation
ALEXANDRIA SILO INVESTMENT COMPANY S.A.	Panama	100,00%		Under liquidation
PORT SAID SILO INVESTMENT COMPANY S.A.	Panama		100,00%	(inactive)
INTERNATIONAL MEDITERRANEAN SHIPPING S.A.	Luxemburg		100,00%	Under liquidation
INTERNATIONAL FLAG	Egypt		95,50%	(inactive)

Further to General Shareholders Meeting decision dated 20/9/2005 of the subsidiary PORT SAID SILO INVESTMENT COMPANY SA related to a share capital increase, on 08 February 2006 the major shareholder HERACLES GCC paid the sum of €3,958 thousand. Consequently, the share capital of subsidiary PORT SAID SILO INVESTMENT COMPANY SA now amounts to €4,500 thousand, divided into 45,000 common shares with a face value of €100 per share. The amount for the share capital increase will be used to cover the subsidiary's debt to HERACLES GCC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

16. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES - Continued

On 14 April 2006, the three-year liquidation period of HERMES COMPANIA NAVIERA S.A., MARITIME COMPANY ESPERIDES S.A. and DEPOT AND COORDINATION CO S.A., was concluded, as set out in Panama Law.

On 11 May 2006, the Company contributed 100% to the share capital increase of subsidiary LAFARGE BETON SA, of a total amount of € 24,000 thousand.

By virtue of Ministry of Mercantile Marine decision no. 3151.1/1532/02, the liquidation procedure of IOCASTI SHIPPING S.A. was completed, and the company was removed from the Register of Shipping Companies.

In December 2006, merger procedures were initiated pursuant to the provisions of Law 2166/199, in conjunction with the provisions of Law 2190/1920, of the company under liquidation HALKIS CEMENT INTERNATIONAL SA with PORT SAID SILO INVESTMENT COMPANY SA, by absorption of the former by the latter, and with transformation balance sheet date 31 December 2006.

The Company's consolidated using the equity method

Name of Associate	Registered Office	Direct participation	Indirect participation	Main scope of activity
HELACEM S.A.	Switzerland	50,00%		Under liquidation
METROPOLITAN AUTOMOBILE ENTERPRISES S.A.	Greece, Athens	45,97%		Car park (note 36)
MIHALIS KATSIMBRIS SA	Greece, Heraclion, Crete		26,50%	Building material and quarrying
MARATHOS QUARRIES S.A.	Greece, Heraclion, Crete		40,00%	Quarrying operations

Company share in subsidiaries and associates, appearing in the company's individual financial statements:

Amounts in € thousand

	COMPANY					
	31/12/2006			31/12/2005		
	Acquisition Cost	Depreciation provision	Current value	Acquisition Cost	Depreciation provision	Current value
LAFARGE BETON S.A.	58.027	(28.520)	29.507	34.027	(27.078)	6.949
EVIESK S.A.	1.428	(1.428)	0	1.428	(1.428)	0
LAVA S.A.	1.805	0	1.805	1.805	0	1.805
AMBER S.A.	192	(192)	0	192	(192)	0
EKET LTD.	216	0	216	216	0	216
HERACLES MARITIME CO.	5.544	0	5.544	5.544	0	5.544
ALEXANDRIA SILO INVESTMENT COMPANY S.A.	458	(458)	0	458	(458)	0
PORT SAID SILO INVESTMENT COMPANY S.A.	4.495	(4.495)	0	536	(536)	0
FINDA TRANSPORTS S.A.	756	(756)	0	756	(756)	0
HALKIS CEMENT INTERNATIONAL S.A.	385	(385)	0	385	(385)	0
STATHMOI AIGAIUO S.A.	796	0	796	0	0	0
HELACEM S.A.	260	(260)	0	260	(260)	0
METROPOLITAN AUTOMOBILE ENTERPRISES S.A. (note 36)	1.277	0	1.277	1.277	(15)	1.262
Total	75.639	(36.494)	39.145	46.884	(31.108)	15.776
Long-term investments available for sale						
METROPOLITAN AUTOMOBILE ENTERPRISES S.A.	1.277	0	1.277	0	0	0
Total	74.362	(36.494)	37.868	46.884	(31.108)	15.776

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

16. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES - Continued

The Group's share in subsidiaries and associates:

Amounts in € thousand	GROUP	
	31/12/2006	31/12/2005
HELACEM S.A.	0	0
METROPOLITAN AUTOMOBILE ENTERPRISES S.A. (note 36)	1.150	1.184
MIHALIS KATSIMBRIS SA	409	406
MARATHOS QUARRIES S.A.	0	0
Total	1.559	1.590
Long-term investments available for sale		
METROPOLITAN AUTOMOBILE ENTERPRISES S.A.	1.150	0
Total	409	1.590

Total Assets and Liabilities of companies consolidated using the equity method, according to their most recent available unaudited Balance Sheets as at 31/12/2005:

Amounts in € thousand	31/12/2005	31/12/2004
Total Assets	6.557	6.270
Total Liabilities	2.482	2.152
Total Equity	4.075	4.118
Group Share	1.559	1.590
Long-term investments available for sale		
METROPOLITAN AUTOMOBILE ENTERPRISES S.A.	1.150	0
Total	409	1.590
Turnover	2.927	2.742
Profit (loss)	124	85
Participation in the profit of associated companies	18	15

The Company's Management has expressed its intention, as at 31/12/2006, to sell its shares in the associate METROPOLITAN AUTOMOBILE ENTERPRISES S.A. in the course of the following year. METROPOLITAN AUTOMOBILE ENTERPRISES S.A. manages a car park, and such an activity deviates from the Company's policy to focus on its core business. The Company has concluded a commitment to sell contract with the other shareholders dated 20/07/2006, and on 05/10/2006 and 14/10/2006, the Company published a call for expression of investment interest in the press. In reclassifying the participation in METROPOLITAN AUTOMOBILE ENTERPRISES S.A. as a long-term investment available for sale, no impairment loss was recognised (note 36).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

17. OTHER INTEREST

Other interests include companies which are not consolidated, either because they are immaterial, or because they are under liquidation.

Amounts in € thousand

	Participatio n percentage	GROUP		COMPANY	
		31/12/2006	31/12/2005	31/12/2006	31/12/2005
		ARMSTOCK CORP. S.A. (under liquidation)	40%	192	192
EQUITABLE MARINE TRANSPORT S.A.	18%	0	42	0	0
MIDDLE EAST CEMENT HANDLING SOC. NAV. S.A.	50%	293	293	6	6
Other interest		59	128	55	104
Provision for other investment impairment		(485)	(527)	(6)	(6)
Total		59	128	55	104

On 15 February 2006, the Company and its subsidiary HERACLES SHIPPING S.A. sold 20,778 NBG shares, for a total consideration of €806 thousand, and at a net profit of €731 thousand.

On 27 October 2006 the Panama companies' register certified the liquidation and dissolution of EQUITABLE MARINE TRANSPORT S.A., under reg. no. 381/16.01.1989.

18. OTHER LONG-TERM RECEIVABLES

Other long-term receivables break down as follows:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Current value of intra-company receivable notes of long-term maturity	0	0	3.562	3.731
Current value of pre-paid rents	3.562	3.731	0	0
PPC, rent guarantees	4.232	1.711	3.992	1.519
Long-term expiry cheques collected	0	1.031	0	1.031
Other non-current receivables	201	269	0	0
Other non-current intra-company receivables	0	0	10.000	0
Provision for guarantees non received and other doubtful non-current receivables	(86)	0	0	0
Total	7.909	6.742	17.554	6.281

The Lafarge Beton SA subsidiary signed a loan agreement with the parent company HERACLES GCC amounting to € 10,000 thousand, which was disbursed on 27/11/2006. This loan will be gradually repaid over a three-year period, while the interest rate (the interest rate of 3-month Greek Treasury Bills applicable each time) was 3.21% as at 31/12/2006 (current rate 3.42%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

19. INVENTORIES

Group and Company inventory is analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Merchandise	563	464	398	309
Finished and unfinished goods	18.049	19.527	15.186	16.642
Less: Obsolescence provision	<u>(1.436)</u>	<u>(1.027)</u>	<u>(1.300)</u>	<u>(1.013)</u>
Raw & aux. materials	11.756	9.221	10.327	7.368
Less: Obsolescence provision	<u>(255)</u>	<u>(549)</u>	<u>(46)</u>	<u>(209)</u>
Spare parts	33.791	36.859	33.289	36.834
Less: Obsolescence provision	<u>(7.270)</u>	<u>(6.486)</u>	<u>(7.172)</u>	<u>(6.478)</u>
Consumables	13.164	20.016	12.608	19.997
Total	<u>68.362</u>	<u>78.025</u>	<u>63.290</u>	<u>73.450</u>

The following table includes a more detailed breakdown of the provisions for both Group and Company:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Balance at the start of year	8,061	8,268	7,700	7,575
Additional provision in the year for finished and semi-finished products wear and devaluation.	288	365	287	365
Additional provision in the year for slow moving raw materials	48	0	0	0
Reverse provision for devaluation of slow moving raw materials	(165)	(398)	(164)	(240)
Use of provision due to spare part damage	(600)	(203)	(559)	0
Additional provision in the year for spare parts wear and devaluation.	241	0	241	0
Additional provision in the year for slow moving spare parts	1,088	30	1,013	0
Total	<u>8,961</u>	<u>8,062</u>	<u>8,518</u>	<u>7,700</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

20. TRADE AND OTHER CURRENT RECEIVABLES

Group and Company trade and other current receivables, is analysed as follows:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Trade debtors less intra-company balances	204,664	198,227	163,615	144,682
Heracles Group Companies	0	0	11,194	18,659
	204,664	198,227	174,809	163,341
Provision for doubtful receivables.	(43,365)	(40,874)	(36,230)	(38,712)
	161,299	157,353	138,579	124,629
Current receivables from associated companies	0	0	483	892
Receivable from the Business Restructuring Organisation	8,555	7,774	6,163	6,163
Current receivables from taxes-duties	2,079	1,276	1,118	1,118
Other debtors less intra-company balances	10,666	7,528	5,155	2,119
Prepaid expenses	1,880	2,015	1,771	1,924
Receivables from the Greek state	7,477	7,582	7,475	7,475
Provision for doubtful debtors.	(19,740)	(19,359)	(16,597)	(14,887)
	10,917	6,816	5,567	4,804
Total trade and other current receivables	172,216	164,169	144,146	129,433

An amount of €1,390 thousand concerning current receivables from taxes and duties of the subsidiary EVIESK SA, which had been recognised in the other current receivables of the Group's 2005 balance sheet, has been reclassified to the Group's income tax liabilities, for a better comparative presentation of the balance sheet.

Provisions for doubtful receivables appear in the following table:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Balance at the start of year	40.874	37.880	38.712	36.056
Additional provision for doubtful debt in the year	4.933	3.088	1.918	2.656
Reversal of non-utilised provision	(4)	(34)	0	0
Utilised provision	(2.438)	(60)	(4.400)	0
	43.365	40.874	36.230	38.712

Provisions for doubtful debtors appear in the following table:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Balance at the start of year	19.359	18.131	14.887	13.906
Additional provision for doubtful debt in the year	1.974	1.235	1.831	981
Reversal of non-utilised provision	0	(7)	0	0
Utilised provision	(1.594)	0	(121)	0
	19.740	19.359	16.597	14.887

In 2006, the average credit period offered to Parent Company customers for sales of goods was 71 days (72 days in 2005).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

20. TRADE AND OTHER CURRENT RECEIVABLES-Continued

In the course of 2006, Company Management redefined its credit policy. In this framework, a new credit control procedure was implemented, credit limits for all customers were reviewed, and a common credit policy was applied for bagged and bulk cement sales.

The provision created reflects the Management's best possible assessment for its ability to collect the above receivables, based on past losses experience, current market condition estimates and in accordance with the Lafarge Group policy.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group's principal financial assets subject to credit risk are trade and other current receivables. The amounts presented in the balance sheet are net of provisions for estimated irrecoverable amounts.

On balance sheet date the maximum credit risk that Group and Company are exposed to is covered by the doubtful debt provision, as recognised in the financial statements.

There is no significant credit risk accumulation, due to the very broad customer base. There are no receivables and liabilities offsetting agreements with customers, in order to reduce credit risk. Moreover, no credit risk hedging contracts have been concluded.

21. CASH, CASH EQUIVALENTS AND BANK BORROWINGS

Cash and Cash Equivalents

Cash and cash equivalents comprise Group and Company cash on hand, short-term deposits with initial term of 1 month or less and Company term deposits with average 2006 interest rate of 2.12% (2005: 2,33%).

The directors consider that the carrying amount of cash in hand approximates their fair value.

Bank Borrowings

The Group has concluded bank loans and overdrafts with an average 2006 interest rate of: 4,79% (2005: 3,55%). All bank loans are denominated in Euro.

Total short-term loans amount to €7,401 thousand, of which €5,000 thousand related to the subsidiary EVIESK SA, €1,003 thousand relates Lafarge Beton SA, and €1,398 thousand relate to AMBER SA.

In the course of the year, the Group repaid loans totalling €30,233 thousand (€29,997 thousand for Lafarge Beton SA and €236 thousand for AMBER SA), plus an additional €1,775 thousand for loans of the acquired companies BETON PREVEZIS SA, and TH. ATHANASSIOU S.A. (note 33).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

22. PROVISIONS FOR STAFF RETIREMENT COMPENSATION

According to Law 2112/20, Group Companies are obliged to compensate retiring staff. There are no other post-retirement benefits.

To calculate the Group's above mentioned obligation towards its staff regarding future payment of staff retirement benefits depending on the previous service duration, independent actuaries perform an actuarial valuation.

The actuarial valuation measures such obligation which is then represented at the date of the financial statements, based on the anticipated accrued right to be paid for each employee. The amount of accrued right appears discounted at its current value in relation to the anticipated payment date.

The most recent actuarial valuation of Group staff compensation due to retirement was conducted by independent actuaries, based on 31 December 2006 data. The current value of the defined benefits obligation and relevant costs of current and offered services, were calculated using the projected unit credit method, as stipulated in IAS 19.

This year, all Group companies have shown actuarial losses (the difference between the anticipated and actual obligation of certain benefits at the end of 2006).

At a Group level, the total actuarial loss for 2006 amounted to €10,188 thousand and is attributed to experiential adjustments and a change in actuarial assumptions in relation to the previous year.

The actuarial loss from empirical adjustments amounts to €5,443 thousand, and is attributed to the following factors:

- In 2006, the actual average rise in basic pay and allowances increased to 7.3% and 20.8% respectively, against a long-term actuarial assumption of 4% and 2%, respectively: loss of €4,410 thousand.
- The loss of €1,033 thousand is attributed to population mobility during the year, like retirements, new hiring and mortality.

Main assumptions used by actuaries:

	GROUP		COMPANY		
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	
Discount rate	4,25%	4,20%	4,25%	4,20%	annual
Increase in basic staff pay	4,50%	4,00%	4,50%	4,00%	annual
Increase in staff benefits	4,50%	2,00%	4,50%	2,00%	annual
Inflation	2,50%	2,50%	2,50%	2,50%	annual
Average anticipated future service	8,90	8,75	8,49	8,43	

Mortality possibility according to Swiss table EVK00

Incapacity possibility according to 50% of the Swiss mortality table EVK00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

22. PROVISIONS FOR STAFF RETIREMENT COMPENSATION-Continued

The staff retirement compensation provision is analysed as follows:

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Amounts in € thousand				
Current value of non financed liabilities	112,089	103,543	96,709	89,105
Effect of acquisition of company by subsidiary	0	120	0	0
Effect of integration of merged subsidiary	0	0	0	127
Non recognised actuarial profit / (losses)	(24,015)	(15,452)	(20,797)	(13,317)
Non recognised previous service cost	(313)	(403)	(302)	(390)
Net liability recognised in the balance sheet	87,761	87,808	75,610	75,525
Breakdown of charge in the income statement				
Current employment cost	4,547	4,229	3,816	3,551
Interest on liability	4,153	4,578	3,559	3,919
Partial recognition of transitional liability	0	0	0	0
Partial recognition of actuarial loss / (profit)	593	1	521	0
Partial recognition of previous service cost	1,170	64	1,010	63
Regular expense in the income statement	10,463	8,872	8,906	7,533
Other added expense / (income)	3,783	1,662	3,466	1,122
Direct recognition of cost from staff transfers between Group companies and due to sale of activities	0	0	0	0
(Profit from Cuts due to Staff Transfers)	0	0	0	0
Total expense in the income statement	14,246	10,534	12,372	8,655
Changes in net liability recognised in the balance sheet				
Start of year net liability	87,808	85,353	75,525	73,090
Effect of acquisition of company by subsidiary	127	120	0	0
Effect of integration of merged subsidiary	0	0	0	37
Employer contributions	0	0	0	0
Benefits paid directly by employer	(14,420)	(8,199)	(12,287)	(6,257)
Total expenditure recognised in income statement	14,246	10,534	12,372	8,655
Net liability at year end	87,761	87,808	75,610	75,525
Breakdown of change in the current value of liability				
Start of period current value of liability	103,663	93,263	89,232	79,939
Effect of acquisition of company by subsidiary	127	120	0	0
Effect of integration of merged subsidiary	0	0	0	107
Current employment cost	4,547	4,229	3,816	3,551
Cost of interest	4,153	4,578	3,559	3,919
Employee contributions	0	0	0	0
Benefits paid by employer	(14,420)	(8,199)	(12,287)	(6,257)
Expenses	0	0	0	0
Additional payments or expenses / (income)	2,725	1,499	2,631	1,029
Direct recognition of cost from staff transfers between Group companies and due to sale of activities	0	0	0	0
(Profit from Cuts due to Staff Transfers)	0	0	0	0
Previous service cost for the period	1,106	0	947	0
Actuarial loss / (profit)	10,188	8,173	8,811	6,944
Current end of year net liability value	112,089	103,663	96,709	89,232
Included in current liabilities	9,978	9,676	9,319	8,846
Included in non-current liabilities	77,783	78,132	66,291	66,679
Total	87,761	87,808	75,610	75,525

The staff retirement compensation programme is not a savings programme and therefore not financed by special funds. The non-financed obligation will lead to future Group and Company payments on the date each employee will retire.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

23. OTHER NON-CURRENT AND CURRENT PROVISIONS

GROUP	Provision for quarry restoration expenses	Provision for pending court cases	Provision for labour law compliance expenses	Provision for voluntary retirement scheme	Other provisions	Total
Amounts in € thousand						
01-Jan-05	5,757	696	886	0	1,779	9,118
Integration of merged subsidiary	0	34	0	0	0	34
Additional provision in the year	61	348	203	0	187	799
Provision used	(730)	(378)	(586)	0	(510)	(2,204)
Brought forward as asset reduction	0	0	0	0	(663)	(663)
31st December 2005	5,088	700	503	0	793	7,084
Included in current liabilities	1,128	130	0	0	0	1,258
Included in non-current liabilities	3,960	570	503	0	793	5,826
31st December 2005	5,088	700	503	0	793	7,084
Additional provision in the year	85	132	713	14,875	1,564	17,369
Provision used	(620)	(122)	0	0	(312)	(1,054)
Less intra-company:	0	0	0	0	0	0
Brought forward as asset reduction					(61)	(61)
31st December 2006	4,553	710	1,216	14,875	1,984	23,338
Included in current liabilities	1,379	18	0	14,875	0	16,272
Included in non-current liabilities	3,174	692	1,216	0	1,984	7,066
31st December 2006	4,553	710	1,216	14,875	1,984	23,338

At the end of 2006, a voluntary staff retirement scheme was initiated and is still in progress, in the HERACLES GCC Group of Companies. In this context, thirty (30) people already retired in 2006. The company has recognised a provision of €14,875 thousand for this scheme, while the expense corresponding to the provision, will be incurred throughout 2007. The parent company HERACLES GCC will incur the entire scheme implementation cost. The scheme aims at the improvement of productivity in loss generating sectors, and at the reduction of operating costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

23. OTHER NON-CURRENT AND CURRENT PROVISIONS-Continued

The provision for quarry restoration expenses, is based on the international experience of Lafarge Group, the Heracles GCC Group being part thereof, and covers the restoration expenses estimate until the date the provision was formed, plus the a cost assessment for the disassembly and removal of any fixed assets in the area.

The provision for pending court cases concerns actions filed against the Group to a total amount of €3,677 thousand, for which the estimated eventual loss rises to €710 thousand.

The provision for labour low compliance expenses is intended to conform with labour legislation and concerns the current assessment of the labour disputes resolution cost.

COMPANY	Provision for quarry restoration expenses	Provision for pending court cases	Provision for labour law compliance expenses	Provision for losses of subsidiaries	Provision for voluntary retirement scheme	Other provisions	Total
Amounts in € thousand							
01-Jan-05	4,569	696	886	0	0	435	6,586
Integration of merged subsidiary	0	0	0	1,214	0	0	1,214
Additional provision in the year	0	0	203	1,630	0	140	1,973
Provision used	(691)	(344)	(586)	0	0	(435)	(2,056)
31st December 2005	3,878	352	503	2,844	0	140	7,717
Included in current liabilities	1,017	0	0	0	0	0	1,017
Included in non-current liabilities	2,861	352	503	2,844	0	140	6,700
31st December 2005	3,878	352	503	2,844	0	140	7,717
Additional provision in the year	0	81	713	1,503	14,875	715	17,887
Provision used	(590)	0	0	0	0	0	(590)
31st December 2006	3,288	433	1,216	4,347	14,875	855	25,014
Included in current liabilities	1,240	0	0	0	14,875	0	16,115
Included in non-current liabilities	2,048	433	1,216	4,347	0	855	8,899
31st December 2006	3,288	433	1,216	4,347	14,875	855	25,014

The provision for quarry restoration expenses, is based on the international experience of Lafarge Group, the Heracles GCC Group being part thereof, and covers the restoration expenses estimate until the date the provision was formed, plus the a cost assessment for the disassembly and removal of any fixed assets in the area.

The provision for pending court cases concerns actions filed against the Group to a total amount of €2,319 thousand, for which the estimated eventual loss rises to €433 thousand.

The provision for labour low compliance expenses is intended to conform with labour legislation and concerns the current assessment of the labour disputes resolution cost.

The provision for subsidiaries' losses concerns recognition by the Company of subsidiaries' accumulated losses over and above the provision for loss of capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

24. DEFERRED TAX RECEIVABLES AND LIABILITIES

The following are the major deferred tax receivables and liabilities recognised by the Group and movements thereon during the current and prior reporting period:

Amounts in € thousand

GROUP

Deferred taxation from:	Acquisition of				31/12/2005	Acquisition	Equity	Year results	31/12/2006
	01/01/2005	Equity	Subsidiary	Year results					
Impact from valuation of tangible assets to their fair value and review of depreciation due to use of respective useful life assessment.	(101,860)	0	(1,783)	71,740	(31,903)	(222)	0	(1,656)	(33,781)
Book value adjustment of remaining inventories due to use of useful life in calculating depreciation.	(200)	0	0	(12)	(212)		0	298	86
Write-offs of Intangible assets with no future useful life, in accordance with IFRS 38	210	0	(2)	(103)	105	6	0	3	114
Adjustment of provisions for staff compensation for non taken paid leave	598	0	0	29	627		0	48	675
Adjustment of nominal value of rent amounts paid in advance to their current value	679	0	0	(95)	584		0	(78)	506
Adjustment of provisions for quarry restoration expenses	1,368	0	0	(131)	1,237		0	(147)	1,090
Transfers of previous years' tax losses	1,634	0	0	(1,634)	0		0	0	0
Provision for doubtful receivables.	6,228	0	22	1,787	8,037		0	(2,100)	5,937
Write-off of unused exports expenses reserve	(511)	0	0	27	(484)		0	18	(466)
Review of assumptions for the calculation of provisions for staff retirement compensation	21,338	0	30	584	21,952	31	0	(17)	21,966
Provisions for a bad debt from the Bank of Greece regarding the recovery of penal clauses on foreign exchange rates	1,457	0	0	0	1,457		0	0	1,457
Provision for receivables by the Business Restructuring Organisation	2,437	0	0	(301)	2,136		0	0	2,136
Recognition of financial derivatives	10	596	0	26	632		(869)	(42)	(279)
Other	3,220	0	106	337	3,663	(95)	0	2,238	5,806
Total	(63,392)	596	(1,627)	72,254	7,831	(280)	(869)	(1,435)	5,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

24. DEFERRED TAX RECEIVABLES AND LIABILITIES-Continued

Amounts in € thousand

COMPANY

Deferred taxation from:	01/01/2005	Equity	Merger of Subsidiary	Year results	31/12/2005	Equity	Year results	31/12/2006
Impact from valuation of tangible assets to their fair value and review of depreciation due to use of respective useful life assessment.	(100,892)	0	0	71,915	(28,977)	0	(2,091)	(31,068)
Book value adjustment of remaining inventories due to use of useful life in calculating depreciation.	(200)	0	0	(12)	(212)	0	298	86
Write-offs of Intangible assets with no future useful life, in accordance with IFRS 38	149	0	0	(77)	72	0	(55)	17
Adjustment of provisions for staff compensation for non taken paid leave	418	0	3	32	453	0	31	484
Adjustment of nominal value of rent amounts paid in advance to their current value	679	0	0	(96)	583	0	(78)	505
Adjustment of provisions for quarry restoration expenses	1,100	0	0	(130)	970	0	(149)	821
Transfers of previous years' tax losses	0	0	1,421	(1,421)	0	0	0	0
Provision for doubtful receivables.	5,350	0	0	1,796	7,146	0	(2,582)	4,564
Write-off of unused exports expenses reserve	(456)	0	0	26	(430)	0	18	(412)
Review of assumptions for the calculation of provisions for staff retirement compensation	18,273	0	10	598	18,881	0	22	18,903
Provisions for a bad debt from the Bank of Greece regarding the recovery of penal clauses on foreign exchange rates	1,457	0	0	0	1,457	0	0	1,457
Provision for receivables by the Business Restructuring Organisation	1,460	0	81	0	1,541	0	0	1,541
Recognition of financial derivatives	10	596	0	26	632	(869)	(42)	(279)
Other	3,109	0	0	384	3,493	0	2,050	5,543
Total	(69,543)	596	1,515	73,041	5,609	(869)	(2,578)	2,162

24. DEFERRED TAX RECEIVABLES AND LIABILITIES-Continued

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances following offset for financial reporting purposes:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Deferred taxation receivables	39.773	40.430	33.921	35.228
Deferred taxation liabilities	(34.526)	(32.599)	(31.759)	(29.619)
Total	5.247	7.831	2.162	5.609

Non-recognised figures of deferred tax receivables for Group and Company, is analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	2006	2005	2006	2005
Provision for voluntary retirement scheme	1.910	0	1.910	0
Previous years' tax losses	755	793	0	0
Non-recognised tax claims	2.665	793	1.910	0

On 31 December 2006, Group companies had unused carried forward tax losses of €3,020 thousand. The Group has not created any provision for deferred taxation receivables against the above tax losses brought forward, since Management feel that they cannot be used in the future.

In the course of the current year, the Company wrote off in the results, deferred taxation of €3,162 thousand. €2,582 thousand relates to doubtful receivables that the Company deemed would have uncertain tax deductibility if written off. Furthermore, €580 thousand relate to real property impairment due to the fact that the relevant loss is not tax deductible, according to article 15, para. 6, Law 3229/2004.

€1,597 thousand of deferred tax obligations, recognised as such in the Group's 2005 balance sheet, has been re-classified to the Group's deferred tax receivables, given the offsetting possibility offered by IAS 12.

During the previous year, the Company adjusted the value its real assets and presented same at fair value on 31/12/2005 for tax purposes, based on the provisions of article 15, Law 3229/2004. Total resulting fair value gains was €266,308 thousand and the relevant fair value gain tax was €16,238 thousand. Said real property value adjustment in the accounting books, resulted in a reversal of deferred tax liability of €66,577 thousand, due to the above change in the tax basis of said real property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

25. SUPPLIERS AND OTHER CREDITORS

Suppliers and other creditors break down as follows:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Suppliers less intra-company balances	64.623	62.989	50.584	49.244
Heracles Group Companies	0	0	11.300	7.082
	64.623	62.989	61.884	56.326
Liabilities to staff	4.055	3.492	4.055	3.492
Liabilities to Insurance Organisations	5.762	5.528	4.448	4.283
Liabilities from taxes-duties	5.385	4.636	3.310	3.059
Other creditors less intra-company balances	5.354	8.064	250	4.932
Total suppliers and other creditors	85.179	84.708	73.947	72.092

Suppliers and other creditors mostly relate with purchases of raw materials, fuel and consumables, as well as various operating costs. In 2006, the average credit period for the Company's operating purchases was 42 days (42 days in 2005).

Group and Company directors consider the carrying amount of trade payables approximates to their fair value.

26. OBLIGATIONS UNDER FINANCE LEASES

As at 31/12/2006, subsidiary Lafarge Beton SA, through the acquired and later merged company TH. ATHANASSIOU SA, leases: four (4) mixers, one (1) pump, one (1) tractor and one (1) truck, pursuant to six (6) finance leasing contracts.

The term of the above leases is sixty (60) months, four of which will expire in 2009 and the remaining 2 in 2010. The interest rates that were fixed on the contract dates, range from 4.85% to 5.11%.

As at 31/12/2006, subsidiary ATLAS SA leases one (1) heavy duty truck, through finance leasing. The lease term is thirty-six (36) months and will expire in 2007. The interest rate was fixed on the contract date at 4.7%.

Subsidiary EVIESK S.A. leases a bus, through finance leasing. The lease term is sixty (60) months. The interest rate was fixed on the contract date at 8.0%.

The above contract is trilateral, since: EFG Leasing (lessor) has full ownership and possession over the leased item that it leases out to the Company, while at the same time, AVIS will offer to the company certain services in relation to the leased item (maintenance, insurance, etc.) throughout the finance lease term.

The part of the contract concerning the Company's obligations to the Lessor (Bank) constitutes the finance lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

26. OBLIGATIONS UNDER FINANCE LEASES - Continued

Amounts in € thousand	Minimum payments		Current value of minimum payments	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Amounts payable:				
Within one year	272	158	251	148
Within two to five years	261	144	250	140
	<u>533</u>	<u>302</u>	<u>501</u>	<u>288</u>
Less: Future interest expenses	(34)	(14)		
Current value of finance lease liabilities	<u>499</u>	<u>288</u>	501	288
Less: Amounts payable within the year (showing in current obligations)			(249)	(148)
Non-current obligations under finance leases			<u>252</u>	<u>140</u>

All lease obligations are denominated in Euro. The directors consider that the fair value of the Group's lease obligations approximate their carrying amount.

The Group's obligations under finance leases are secured through title retention by the lessor, for each item.

27. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

Amounts in € thousand	31/12/2006		31/12/2005	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	0	0	0	0
Commodity forward contracts	883	(152)	0	(2.177)
	<u>883</u>	<u>(152)</u>	<u>0</u>	<u>(2.177)</u>
Broken down into:				
Non-current	0	0	0	0
Current	883	(152)	0	(2.177)
	<u>883</u>	<u>(152)</u>	<u>0</u>	<u>(2.177)</u>

Forward Foreign Exchange Contracts

The Group utilises forward foreign exchange contracts, through the Lafarge Group, to hedge exchange rates fluctuation risks regarding specific commitments or anticipated transactions.

On 31 December 2006 there were no open forward foreign exchange contracts (31/12/2005: no open forward foreign exchange contracts).

Commodity Forward Contracts

The Group uses commodity forward contracts, mostly fuel and marine freight, through the Lafarge Group, to hedge against risks regarding specific commitments or anticipated transactions.

On 31 December 2006 the fair value of commodity forward contracts amounts to a receivable of €883 thousand from freight forward contract, and a liability of €152 thousand from fuel forward contracts (31/12/2005: liability of €2,177 thousand). Amounts are based on the market prices of the respective derivatives on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

27. DERIVATIVE FINANCIAL INSTRUMENTS - Continued

Commodity Forward Contracts - continued

Changes in the fair value of commodity derivative contracts that are designated and effective as hedges of risks are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

28. DIVIDENDS

According to Greek corporate legislation in force, each year entities are obliged to allocate dividends, corresponding to at least 35% of profit after taxes, less legal reserves, or a minimum of 6% of the paid-in capital, whichever is higher. The Company may not allocate any dividend if all shareholders so agree.

At the end of each year, Management proposes the dividend amount, which is then subject to approval from the General Shareholders Meeting.

The dividend paid during the current year from the previous year's profit (1/1 – 31/12/2005), and from extraordinary reserves available, after approval of the General Shareholders Meeting of 30/06/2006, amounted to €67,529 thousand (€0.95 per share).

The proposed dividend for year 1/1-31/12/2006 amounts to €71,082, 707 (€1.00 per share), and is subject to the approval of the General Shareholders' Meeting that will convene on 15 June 2007. The amount of the proposed dividend allocation will be drawn from the profit for year 1/1-31/12/2006 (€42,649,624.20) and from available extraordinary reserves (€28,433,082.80).

The dividend payable is recognised as liability at the time of approval by the General Shareholders Meeting.

29. SHARE CAPITAL

Amounts in € thousand

	<u>31/12/2006</u>	<u>31/12/2005</u>
Number of issued shares	71.082.707	71.082.707
Share par value (in €)	2,00	1,54
Approved, issued and fully paid-in:	<u>142.165</u>	<u>109.467</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Pursuant to a decision of the General Shareholders Meeting of 30 June 2006, the Company's share capital was increased by €32,698 thousand, through capitalisation:

- a) of a part of the "Accumulated Profit" account in the Company's financial statements prepared according to the IFRS, that corresponds to the sum of the reserve created following the value adjustment of the fixed assets pursuant to Law 2065/1992, appearing in the Company's tax books, to the amount of €32,603 thousand.
- b) a part of the reserve of Law 1828/1989, to the amount of €95 thousand, by increasing the face value of the company's share from €1,54 to €2,00, namely €0.46 each.

After the increase, the Company's share capital amounts to €142,162 thousand, divided into 71,082,707 registered shares, with a face value of € 2 each.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

30. SHARE PREMIUM ACCOUNT

Amounts in € thousand

	<u>31/12/2006</u>	<u>31/12/2005</u>
Share premium account reserve	<u>1.279</u>	<u>1.279</u>

31. TREASURY SHARES

Total treasury shares relate to shares in the parent company HERACLES GCC held by other Group companies totalling €115 thousand. The total of the treasury shares was sold in the first half of 2005 and the resulting profit of €431 thousand was directly recognised in the Group's equity, pursuant to IAS 32. On 30/09/2006 profit from the sale of treasury shares was re-classified in accumulated profit.

32. RESERVES

Movements in Group reserves appear in the tables below:

GROUP

Amounts in € thousand

	<u>1/1/2005</u>	<u>Additions/ (Reductions)</u>	<u>31/12/2005</u>	<u>Additions/ (Reductions)</u>	<u>31/12/2006</u>
Statutory Reserve	20,816	3,344	24,160	3,261	27,421
Special Reserves	6,356	0	6,356	0	6,356
Extraordinary Reserves	38,107	50,880	88,987	(9,314)	79,673
Tax-free Reserves	86,149	8,016	94,165	11,987	106,152
	<u>151,428</u>	<u>62,240</u>	<u>213,668</u>	<u>5,934</u>	<u>219,602</u>

COMPANY

Amounts in € thousand

	<u>1/1/2005</u>	<u>Additions/ (Reductions)</u>	<u>31/12/2005</u>	<u>Additions/ (Reductions)</u>	<u>31/12/2006</u>
Statutory Reserve	17,374	3,582	20,956	3,260	24,216
Special Reserves	6,019	11	6,030	0	6,030
Extraordinary Reserves	26,058	50,820	76,878	(9,314)	67,564
Tax-free Reserves	77,534	9,911	87,445	11,977	99,422
	<u>126,985</u>	<u>64,324</u>	<u>191,309</u>	<u>5,923</u>	<u>197,232</u>

The above table does not include the proposed allocation from year 2006 profit, rising to €2,974 thousand to the statutory reserve, and €10,000 thousand to the tax-free reserve of Law 3299/04, as the funds of said allocation will be recognised upon approval by the ordinary General Shareholders Meeting.

Statutory Reserve

According to Greek corporate legislation, each year undertakings must transfer 5% of their profit after taxes to the statutory reserve, until the reserve equals 33 1/3% of the share capital. The reserve may not be allocated, but can be used against losses.

Special Reserves

These are various special reserves, such as taxed accounting differences, differences from conversion of capital from Drachma to Euro, each with different conditions attached. The bulk thereof relates to Special Reserve under article 23A of Law 2892/92 created in 1996 and 1997, to be distributed ten years after it was created without any tax burden.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

32. RESERVES - Continued

Extraordinary Reserves

Extraordinary reserves comprise previous years' taxed profit carried forward and can be allocated to the Company's shareholders without further taxation, by way of a General Meeting decision.

Tax-free Reserves

Movements of tax free reserves appear below:

Amounts in € thousand

	GROUP		
	<u>31/12/2005</u>	<u>Allocation</u>	<u>31/12/2006</u>
Tax incentive law 2601/98	36,594	0	36,594
Tax incentive law 1892/90	27,842	0	27,842
Tax incentive law 1828/89	19,207	0	19,207
Tax incentive law 1262/82	3,172	0	3,172
Article 9, Law 2190/20 Committee	1,614	0	1,614
Tax incentive law 1078/71	1,613	0	1,613
Law 2238/94, article 34 para. 5	974	0	974
Tax incentive law 289/76	928	0	928
Tax incentive law 607/68	729	0	729
Tax incentive law 4002/59	210	0	210
Tax incentive law 147/67	178	0	178
Reserves under Law 3299/2004	0	12,082	12,082
Other tax-free reserves	1,104	(95)	1,009
Total	<u>94,165</u>	<u>11,987</u>	<u>106,152</u>

Amounts in € thousand

	COMPANY		
	<u>31/12/2005</u>	<u>Allocation</u>	<u>31/12/2006</u>
Tax incentive law 2601/98	36,594	0	36,594
Tax incentive law 1892/90	25,980	0	25,980
Tax incentive law 1828/89	17,649	0	17,649
Tax incentive law 1262/82	2,436	0	2,436
Article 9, Law 2190/20 Committee	1,614	0	1,614
Tax incentive law 1078/71	1,345	0	1,345
Tax incentive law 607/68	729	0	729
Tax incentive law 4002/59	210	0	210
Tax incentive law 147/67	161	0	161
Reserves under Law 3299/2004	0	12,072	12,072
Other tax-free reserves	727	(95)	632
Total	<u>87,445</u>	<u>11,977</u>	<u>99,422</u>

These are tax-free reserves created from expenses for productive investments. All tax-free reserves stipulated in tax incentive laws, excluding that of Law 1828/89, can be capitalised with a 5% taxation for the Parent Company and 10% for Group subsidiaries, or distributed at the tax rate in force at the time of distribution. There is no time restriction for distribution.

The tax-free reserve of Law 1828/89 shall be carried, within three years of its creation, to increase the Company's capital, and is not subject to income tax.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

33. COMPANY ACQUISITIONS

On 1 March 2006, subsidiary Lafarge Beton SA acquired full control of BETON PREVEZIS SA operating in the production and trading of ready-mix concrete.

On 23 March 2006, the parent company HERACLES GCC acquired a 99,78% stake in STAHMOI AIGAIU SA operating in the production and trading of construction materials.

On 31 March 2006, consolidated subsidiary Lafarge Beton SA acquired full control of TH. ATHANASSIOU SA operating in the ready-mix concrete and asphalt-mix sectors.

On 30 May 2006, the Board of Directors of subsidiary Lafarge Beton SA decided on the merger by absorption of acquired companies TH. ATHANASSIOU SA and BETON PREVEZIS SA, with transformation balance sheet date on 31 May 2006.

On 15 March 2007, by virtue of decision no. K2-3833 of the Ministry of Development, the merger was completed following approval by the competent authorities of the absorption of BETON PREVEZIS SA and TH. ATHANASSIOU SA by Lafarge Beton SA.

The following tables contain break-downs of purchase prices, estimated goodwill (temporary for TH. ATHANASSIOU SA) as well as purchase price allocations (temporary for TH. ATHANASSIOU SA) of the above companies (note 13):

Amounts in € thousand

STATHMOI AIGAIU S.A.	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Trade and other current receivables	143	0	143
Cash in hand	4	0	4
Suppliers and other creditors	(1)	0	(1)
	<u>146</u>	<u>0</u>	<u>146</u>
Goodwill			<u>650</u>
Total cash price			<u>796</u>
 Net cash outflow from acquisition:			
Cash			(796)
Cash and deposits of acquired subsidiary			<u>4</u>
			<u>(792)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

33. COMPANY ACQUISITIONS - Continued

Amounts in € thousand

TH. ATHANASSIOU S.A.	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & Tangible Assets	1.022	1.050	2.072
Inventories	923	0	923
Trade and other current receivables	1.877	0	1.877
Cash in hand	6	0	6
Provisions for staff retirement compensations	0	(82)	(82)
Suppliers and other creditors	(1.986)	0	(1.986)
Obligations under finance leases	0	(413)	(413)
Income tax liabilities	(81)	0	(81)
Bank Borrowings	(1.625)	0	(1.625)
Deferred tax	0	(260)	(260)
	<u>136</u>	<u>295</u>	<u>431</u>
Goodwill			<u>3.006</u>
Total cash price			<u>3.437</u>
Net cash outflow from acquisition:			
Cash			(3.437)
Cash and deposits of acquired subsidiary			<u>6</u>
			<u>(3.431)</u>

Amounts in € thousand

BETON PREVEZIS S.A.	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & Tangible Assets	526	(95)	431
Inventories	18	0	18
Trade and other current receivables	193	0	193
Cash in hand	7	0	7
Provisions for staff retirement compensations	0	(45)	(45)
Suppliers and other creditors	(708)	0	(708)
Bank Borrowings	(150)	0	(150)
Deferred tax	0	(20)	(20)
	<u>(114)</u>	<u>(160)</u>	<u>(274)</u>
Goodwill			<u>691</u>
Total cash price			<u>417</u>
Net cash outflow from acquisition:			
Cash			(417)
Cash and deposits of acquired subsidiary			<u>7</u>
			<u>(410)</u>

The profit of acquired companies realised in the period subsequent to acquisition that is included in the Group's consolidation, namely amounts to €439 thousand, before taxes (€410 thousand after taxes).

Had these companies been acquired on the first day of the period, the Group's additional profit for the period would have amounted to € 800 thousand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

34. CONTINGENT RECEIVABLES AND LIABILITIES

Liens and Encumbrances

A prenotation of mortgage has been registered since 25/2/2004, to the amount of €240 thousand in favour of Emporiki Bank, over two plots owned by the acquired company BETON PREVEZIS SA, with total surface areas of 3,505 sq.m. and 3,932 sq.m. respectively. Said plots are situated within the Municipality of Preveza, within the town plan and outside the Preveza Industrial Area (VIPE).

Company disputes under litigation or arbitration

In May 2005, the Company collected the amount of €44,138 thousand from the Greek State relating to the case of the alleged excess state grant the company had received in 1986. Following a decision of the competent Community body, the Greek State charged, and the Company paid approximately €74,500 thousand in 1999-2000, in relation to the above case. The company took recourse to the competent courts and claimed the reimbursement of the above amount paid, and was partially redeemed at first and last instance. The recovery of the amount of €44,138 is based on a relevant favourable Court of Appeals decision, against which the Greek State had taken recourse at the State Council, and the Company is also claiming recovery of the remaining amount out of the €74,500 thousand it had originally paid. The Company's Management and Legal Counsel consider that at least the above recovery of €44,138 that the Company has collected from the Greek State, is practically final, and that it is quite unlikely that the Greek State's recourse against the Court of Appeals' will be affirmed. Consequently, the Company has recognised the amount collected in the previous year's income statement.

On 31/12/2006, there were pending lawsuits against the Group amounting to €36,123 thousand which are being tried. The outcome of such trials is uncertain. According to estimates, the maximum risk from the final decisions on the above cases amounts to €21,025 thousand. No provision has been made in these financial statements for said pending cases, as it is unlikely that such risk will eventually occur.

The Greek State or the Department of Forests have pending claims over certain plots owned by the subsidiary Lafarge Beton SA, with a book value of €423 thousand, and by extension over buildings with a carrying amount of €194 thousand. These cases are addressed through legal channels.

In certain cases of Company real property, there are pending cases of designation of such property as forest areas, coastal areas, archaeological sites, etc., and various claims from the Greek State and other third parties. The maximum risk from such claims is estimated at €1,807 thousand. No provision has been made in these financial statements for said claims, nor has there been any real property impairment in these financial statements, as it is unlikely that such risk will eventually occur.

On 31/12/2006, there were pending lawsuits against the Company amounting to €33,035 thousand which are being tried. The outcome of such trials is uncertain. According to estimates, the maximum risk from the final decisions on the above cases amounts to €19,119 thousand. No provision has been made in these financial statements for said pending cases, as it is unlikely that such risk will eventually occur.

The above lawsuits against the Company mostly concern the following cases:

- a) Claim for loss of income due to poor performance of a contract of approx. €2,143 thousand, with estimated maximum risk of €1,500 thousand.
- b) Lawsuit for loss of vessel and loss of profit, to the amount of €15,138 thousand, with estimated maximum risk of €7,569 thousand.
- c) Lawsuit for counterclaim for environmental cost of €3,307 thousand, with estimated maximum risk of €2,646 thousand.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2006**

34. CONTINGENT RECEIVABLES AND LIABILITIES - Continued

Unaudited Years

Tax obligations of the Group's companies in Greece will be finalised after completion of the relevant regular tax audits by the competent tax authorities, and/or after finalisation of all pending court cases on existing previous years' differences with tax authorities. It is possible that the above tax audits will result in additional taxes and charges being imposed that cannot be accurately estimated at the time. Therefore no provisions have been made.

Company	Registered Office	Unaudited years
HERACLES GCC	Greece, Lykovrissi, Attica	2006*
LAFARGE BETON S.A.	Greece, Metamorfossi, Attica	2001-2006
ATLAS S.A.	Greece, Kallithea, Thessaloniki	2003-2006
EVIESK S.A.	Greece, Lykovrissi, Attica	2006
HERACLES MARITIME CO.	Greece, Lykovrissi, Attica	2002-2006
LAVA S.A.	Greece, Lykovrissi, Attica	2001-2006
AMBER S.A.	Greece, Lykovrissi, Attica	2004-2006
EKET LTD.	Greece, Lykovrissi, Attica	2006
STATHMOI AIGAIUO S.A.	Greece, Chalandri, Attica	2003-2006
PORT SAID SILO INVESTMENT COMPANY S.A.	Greece, Lykovrissi, Attica	1995-2006
G. HATZIKYRIAKOS SOC. NAV.	Greece, Lykovrissi, Attica	1998-2006
A. HATZIKYRIAKOS SOC. NAV. (inactive)	Greece, Lykovrissi, Attica	1998-2006
DYSTOS SOC. NAV. (inactive)	Greece, Lykovrissi, Attica	1998-2006
NAFSIKA SOC. NAV. (inactive)	Greece, Lykovrissi, Attica	1998-2006
HERACLES GLORY SOC. NAV. (inactive)	Greece, Lykovrissi, Attica	1998-2006
HALKIS CEMENT INTERNATIONAL S.A. (under liquidation)	Greece, Lykovrissi, Attica	1997-2006
FINDA TRANSPORTS S.A. (under liquidation)	Greece, Lykovrissi, Attica	1993-2006
ALEXANDRIA SILO INVESTMENT COMPANY S.A. (under liquidation)	Panama	**
PORT SAID SILO INVESTMENT COMPANY S.A. (inactive)	Panama	**
INTERNATIONAL MEDITERRANEAN SHIPPING S.A. (under liquidation)	Luxemburg	**
INTERNATIONAL FLAG S.A. (inactive)	Egypt	**

* The Company has undergone tax audits until year 2005, excluding franchise rights royalties by the company to the parent company LAFARGE SA concerning year 2005, and the goodwill tax on the Company's real property that resulted following application of the provisions of para. 1 article 15 of Law 3229/2004. Moreover, the tax audit of EMMY BUILDING SA for years 2000-2005 was concluded; on 30/10/2005 the company was merged with HERACLES GCC by absorption. The tax audit of HERACLES TRANSPORT SA for the 1/1/2003-31/7/2003 period was also concluded; on 31/12/2003, this company too was merged with HERACLES GCC by absorption. Furthermore, the tax audit of EVIESK SA for years 2002 – 2004 was concluded. The tax audit of HELLAMAT SA for years 2000 - 31/07/2002, prior to the merger, on 01/08/2002, with Lafarge Beton, is still continuing, as is the audit of the associate MIDDLE EAST CEMENT HANDLING SOC. NAV. S.A. for years 2003-2005.

As regards the audits of the financial years 1983 to 1991, when the Company belonged to the Business Restructuring Organisation, the tax audit reports have been legally disputed and have not been finalized yet. At any rate, Company Management deems that any tax amount due by virtue of the judicial rulings will be payable by the aforementioned Organisation –substituted by the Greek Government –as set out in the provisions of article 49 of Law 1892/1990.

** Relates to a company established abroad, subject to a special tax status in the country of establishment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

34. CONTINGENT RECEIVABLES AND LIABILITIES - Continued

Unaudited Years-Continued

Any tax liabilities that may ensue from unaudited tax years 1998-2005 for marine company IOKASTI which was liquidated during this year (see note 16) shall be covered by Group company HERACLES SHIPPING SA.

Any tax liabilities that may ensue from unaudited tax years of BETON PREVEZIS SA and TH. ATHANASSIOU SA (2001-2006 and 2003-2006 respectively) that were merged during this year, shall be covered by the Lafarge Beton SA (see note 16).

Emissions Rights

As of 1 January 2005, the Company has been advised of its allowance according to the National CO2 Emissions Allocation Plan.

If CO2 emissions exceed the corresponding limit resulting from the National Allocation Plan, then the Company shall incur extra cost to pay the stipulated fine or purchase additional emissions rights. Alternatively, the Company may conduct investments aimed at reducing emissions and avoiding fines.

For 2006, CO2 emissions are below the corresponding limit resulting from the National Allocation Plan.

Company Management has decided to sell CO2 emissions rights corresponding to 106 thousand tons from its surplus, to the parent company LAFARGE SA which operates an emissions rights "consortium" for all its subsidiaries, for a consideration of €1,832 thousand.

The Company has recognised the income from the sale of those rights to reduce the cost of goods sold.

Granted Guarantees

The following letters of guarantee have been provided to secure liabilities of the Group and the Company, and were in force on 31/12/2006 and on 31/12/2005:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Granted Guarantees	10.531	9.492	3.553	8.546
Intr-company Granted Guarantees	0	0	6.000	18.500

Commitments for Purchases and Capital Expenditure

Purchase and capital expenses contracts, in force on 31/12/2006 and on 31/12/2005, follow:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Purchase contracts	93.259	100.632	91.809	91.574
Capital expenditure contracts	16.416	6.538	15.573	6.124

Purchase contracts that were active on 31/12/2005 have been amended in order to include Group (€31,713 thousand) and Company (€26,913 thousand) contingent liabilities stemming from the franchise contract signed with the parent company LAFARGE SA, and which had inadvertently been included in intra-company granted guarantees of the published financial statements of 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

34. CONTINGENT RECEIVABLES AND LIABILITIES - Continued

At the balance sheet date, the Group / Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Within one year	6,312	10,436	110	1,292
Within 2 up to 5 years	7,215	4,617	2,228	877
Over 5 years	515	867	453	0
	<u>14,042</u>	<u>15,920</u>	<u>2,791</u>	<u>2,169</u>

Contingent intra-company receivables from operating leases on 31/12/2006 and 31/12/2005 stood at:

Amounts in € thousand	31/12/2006	31/12/2005
Operating leases	<u>128</u>	<u>0</u>

35. OPERATING LEASES

The Group's and the Company's operating leases mostly concern machinery and means of transport.

The Group / Company as Lessee

Amounts in € thousand	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Lease payments for land and quarries	3,789	3,210	686	420
Lease payments for buildings	947	1,115	458	555
Lease payments for residences	372	345	372	345
Lease payments for port facilities	44	43	44	43
Lease payments for ships	15,576	12,888	0	0
Lease payments for machinery & equipment	229	345	2	3
Lease payments for means of transportation	1,221	1,012	761	680
Other	307	157	96	47
Operating lease payments recognised as an expense in the income statement	<u>22,484</u>	<u>19,114</u>	<u>2,419</u>	<u>2,093</u>

36. EVENTS AFTER THE BALANCE SHEET DATE

Operating License for a Subsidiary's Quarry

By virtue of decision no. 110707/4520/12.11.2004 the Deputy Minister for the Environment, Physical Planning and Public Works (MEPPPW), rejected the Environmental Impact Assessment Report (EIAR) concerning the operation of the aggregates quarry of Lafarge Beton in Araxos (Achaia Prefecture) as, according to the Ministry, operation of the above quarry is in violation of the law on the protection of the natural and cultural environment. Lafarge Beton has filed a motion for reversal before the State Council which will be heard on 18/04/2007.

On 07/12/2005, Lafarge Beton produced a new EIAR. This report has not yet been reviewed, mainly because of a delay of the Central Archaeological Board, whose opinion is required.

By virtue of decision no ΔΦΒ 25/688/9.3.2005 of the Achaia Prefect, operation of the quarry of subsidiary Lafarge Beton SA in Mavra Vouna location, Araxos, Achaia prefecture, was forbidden as of 18/1/2006 . Later, validity of the above decision was suspended until 31/12/2006 by virtue of decision no. 29-23/2/2006 of the Achaia prefect, pending the completion of the review of the new EIAR that have been submitted to the MEPPPW.

Consequently, the above aggregates quarry resumed operation until 10/01/2007, under the terms specified in the above prefectural decision dated 23/2/2006, namely observance of environmental conditions set forth in previous EIAR, and the performance of regular controls by the Environmental Control Centre and the Southern Greece Environment Inspectors.

On 31/12/2006, the book value of the above quarry amounted to €3,886 thousand (note 15) that included the value of the land, improvements, aggregate stocks, buildings and facilities, as well the exposure cost.

In the meantime, the aforementioned decision for approval of the new EIAR is still anticipated, while the hearing and/or adjudication on a number of remedies that the company has sought before the competent courts is still pending. In any event, the final decision of the MEPPPW in the matter can be reasonably expected within 4 to 5 months. According to the Company's Management, the possibility of a negative outcome of the case is quite remote.

Disposal of Shares in an Associate

On 17 January 2007, the Company sold the shares it held in METROPOLITAN AUTOMOBILE ENTERPRISES SA (note 16) for a consideration of €3,218 thousand, corresponding to the participation percentage of 45.97%.

The main scope of the sold company's activity is the commercial operation of automobile stations. Net profit from the sale amounted to €1,981 thousand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

37. RELATED PARTY TRANSACTIONS

Transactions With Related Parties

The Group considers the parent company LAFARGE SA, other LAFARGE Group companies, as well as the National Bank of Greece, being the minority shareholder, as related parties. Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note:

Amounts in € thousand

GROUP	SALES		PURCHASES		RECEIVABLES		LIABILITIES	
	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Parent company Lafarge S.A.	2,585	121	1,102	243	0	0	2,086	4,017
Group Lafarge Associates	89,990	89,966	6,626	5,996	7,566	5,856	2,157	136
Franchise rights to Lafarge S.A.	0	0	6,578	4,287	0	0	0	0
Total	92,575	90,087	14,306	10,526	7,566	5,856	4,243	4,153

Transactions between the Company and its subsidiaries prior to being eliminated on consolidation and with the parent Company LAFARGE SA, which are considering related party transactions, are disclosed below:

Amounts in € thousand

COMPANY	SALES		PURCHASES		RECEIVABLES		LIABILITIES	
	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-	1/1/2006-	1/1/2005-
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Heracles Group Companies	34,683	31,789	60,110	51,771	21,194	18,659	11,300	7,037
Parent company Lafarge S.A.	2,584	120	1,059	243	0	0	2,000	4,013
Group Lafarge Associates	84,739	89,899	6,544	5,914	6,750	5,649	1,983	114
Franchise rights to Lafarge S.A.	0	0	6,578	4,287	0	0	0	0
Total	122,006	121,808	74,291	62,215	27,944	24,308	15,283	11,164

All transactions between related parties are conducted on market prices and terms, also applicable in third party transactions.

Company transactions with associates on 31/12/2005 have been modified compared to the published financial statements of 31 December 2005, for a better comparative presentation.

The Group and the Company keep accounts and loans with the National Bank of Greece, as follows:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Sight deposits	25.322	13.895	22.484	7.938
Term deposits	28.002	22.428	19.797	22.428
Loans	0	236	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

37. RELATED PARTY TRANSACTIONS - Continued

Remuneration of Key Management Staff and Members of the BoD

Remunerations of key management executives and members of the BoD, relate to members of the Heracles GCC Executive Committee and the appearance fees of Group and Company Boards of Directors, and are analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2005</u>	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2005</u>
Current Benefits	3,541	2,278	1,878	1,761
Provision for retirement compensation and paid compensations	818	228	355	193
BoD members attendance fees	262	208	242	201
	<u>4,621</u>	<u>2,714</u>	<u>2,475</u>	<u>2,155</u>
Receivables from management executives and Board members	8	13	8	13
Liabilities to management executives and Board members	1	1	1	1
Net receivables from/(liabilities to) management executives and Board members	<u>7</u>	<u>12</u>	<u>7</u>	<u>12</u>

**MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
TO THE ANNUAL GENERAL MEETING
OF THE COMPANY'S SHAREHOLDERS**

Dear Shareholders,

In accordance with article 136 of Law 2190/1920, as presented by article 13 of Law 3229/2004, we hereby submit to your General Meeting, Company and Group financial statements for the year ended 31.12.2006. More detailed information on the undertakings participating in the consolidated financial statements, apart from HERACLES GCC, have been included in the respective Board of Directors' or Managers' Reports to the General Meetings of said Societes Anonymes or Limited Liability Companies.

Company and Group financial figures are presented in detail in the Financial Statements and notes thereto, offering all the necessary information for the analysis thereof. According to the Financial Statements:

- in 2006, the Company's turnover increased by 13.1%, rising to €615,736 thousand, compared to €544,177 thousand in 2005; as for the Group, the turnover grew by 13.9% to €693,660 thousand, compared to €609,081 thousand in 2005.
- in 2006, the Company's profit before tax and depreciation (EBITDA) dropped by 15.9%, to €139,127 thousand, compared to €165,498 thousand in 2005, while Group profit dropped to €148,626 thousand, down 18.1%, compared to €181,557 thousand in 2005.
- in 2006, the Company's net profit dropped by 63.9%, to €54,265 thousand, compared to €150,490 thousand in 2005, while Group profit dropped to €58,011 thousand, down 63.4%, compared to €158,693 thousand in 2005.

The increased turnover is mostly the result of higher sales volumes in cement and ready-mix concrete in the domestic market, as well as attainment of higher prices in cement markets abroad. In 2006, the Company's gross profit margin rose to 25.3%, compared to 23.4% in 2005, while the respective Group margin rose to 25.3% compared to 22.8% in 2005. The positive impact from increased sales volume and higher prices, especially abroad, was partly offset by:

- an increased variable cost, mainly due to higher fuel, electrical power and raw materials prices.
- Increased fixed cost, mainly due to increased personnel fees and maintenance costs.

At the end of 2006, a voluntary staff retirement scheme was initiated and is still in progress, in the HERACLES GCC Group of Companies. In this context, thirty (30) people already retired in 2006. The company has recognised a provision of €14,875 thousand, while the expense corresponding to the provision, will be incurred throughout this scheme in 2007. The parent company HERACLES GCC will incur the entire scheme implementation cost. The scheme aims at improving productivity in loss generating sectors, and at reducing operating cost.

On a comparative basis, taking into account, on one hand the positive influence from the extraordinary income that the Company had in 2005 as a result of the return of €44,138 thousand from the Greek State, and on the other hand the negative impact, in 2006, of the provision for compensations in the context of the staff voluntary retirement scheme to the amount of €14,875 thousand, profit before tax, interest and depreciation (EBITDA) increased by 26.9% for the Company and 19.0% for the Group.

On the same comparative basis, and having additionally taken into account on one hand, the positive impact on the 2005 result from the reduction of the deferred tax obligation (net of goodwill tax) of €50,339 thousand, from adjustment of the tax basis for the Company's real property, pursuant to article 15 of law 3229/2004, and on the other hand the negative impact of tax differences from previous years of €10,143 thousand for the Group and €9,554 thousand for the Company, that ensued following tax audits, in 2006 the Company's profit after tax appears increased by 40.5% compared to 2005, while respectively, the profit increase for the Group is 29.3%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

The main sources of accounting assessment uncertainty, are described in note 4, and the most important events following the balance sheet date are described in note 36 to the Group and Company annual financial statements.

Year activities and overview

Cement Market

2006 was a year of unexpectedly high building activity, contrary to all estimates for stabilisation after the drop in the post-Olympic games years. This trend was almost exclusively attributed to private construction activities.

The following are the most important reasons that contributed to private activity growth:

- changes in real estate taxation, with the VAT levy on new buildings and increased property objective values, that entered into effect on 1 January 2006, led to a huge increase in the number of building licenses issued at the end of 2005.
- favourable housing loan terms, preserving high lending rates for residential purposes.
- a trend showing that house buyers either move away from urban centres or invest in a second holiday home, in regions under development thanks to new infrastructure projects.
- higher tourism inflows on the islands, and especially Crete, has boosted tourist infrastructure investments, also backed by the new development incentives law for 5-star hotels. Moreover, we are also witnessing the phenomenon of foreign investors purchasing land on Greek islands to build holiday homes.

In 2007, we are expecting a smooth slowdown in private activity, but the increase in public investments and infrastructure projects is expected to keep the market high.

The anticipated increase in public activity is due to the following reasons:

- Total funding that Greece will receive from the 4th CSF 2007-2013 amounts to €20.1 bn, a large part of which will concern infrastructure projects.
- The new law on PPPs creates new prospects. According to estimates, it will boost construction activity and entrepreneurship, by providing supplementary project implementation and service provision methods.

HERACLES GCC

In 2006, our Company continued to play a leading role in a more and more competitive environment, both in the domestic and in the international market. In the domestic market, the position it enjoys in the consumers' conscience is based on a long tradition of products and services quality and reliability, but this is not enough. To further improve our performance, we dedicated 2006 to Customer Orientation, with specific projects and actions.

Some of the actions that we took in 2006 in the framework of our Customer Orientation project were:

- Implementation of a system for monitoring and recording quality of deliveries to customers, assessing the Company's performance on three major components: delivery time, correct product quality and quantity and correct invoicing of deliveries.
- Upgrading of the customer complaint recording and management system, so that more people within the Company will participate in solving problems that led to customer complaints.
- Prompt and reliable cooperation of our Technical Support with the customers on measuring and quality control matters, with a view to producing a quality and profitable product, by optimising the production process and reducing production cost.

On the operating level, the following points stand out:

- Safety: The successful "SAFETY DAYS" action that started in 2005, continued throughout 2006 as well. The program included presentation of the Safety policy objectives, the performance progress in each plant on Safety issues, plant inspections and discussion on main Safety issues. The meeting results were used to develop programs and projects that have been completed, to a great extent, generating benefits on Safety information – vigilance – commitment of more and more Company staff.
- Environment: In 2006, the Company, in full compliance with the European legislative framework laying down very strict terms for controlling the environmental impact of production, implemented major environmental projects and installed new equipment in its plants, such as new high performance (hybrid) filters in Halkida. At the same time, as a member of the Hellenic Emissions Register, it was successful in implementing a system for monitoring and calculating monthly CO₂ emissions, thus complying with the terms and requirements of Greek legislation.
- Alternative fuels: In 2006, maximising on the technical training by the parent company, extensive studies were conducted on the use of alternative fuels, such as biomass and other non-recyclable materials. At the same time, the necessary technical preparations were initiated in the units, to gradually introduce such fuels in the production process.
- Production performance: As part of the Company's continuing efforts to curtail the constantly rising energy costs, in 2006, we extended the use of pet coke even more, and replaced coal that has a higher calorific cost. As far as raw materials cost is concerned, we continue to substitute cheaper alternative materials for traditional materials to cover part of our needs, thus reducing overall cost and also protecting the environment.
- The Company continuously receiving information, processing them, takes action and commits itself, regarding matters of common interest and acceptance, especially of the local communities where it operates. In 2006, the company implemented an extensive sponsorship program, educational programs, painting exhibitions and other actions, and thus managed to achieve many of its objectives, always targeted at Sustainable Development.

Finally, at organisation level, it is very important that HERACLES GCC has hired a number of specialised personnel, in order to renew and strengthen its manpower, thus seeking to reinforce its position in the market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Investments

In 2006, Company investments in tangible and intangible assets for 2006 amounted to a total of €30,139 thousand, compared to €23,962 thousand in 2005. Concerning the Group, in 2006 investments amounted €25,222 thousand, compared to €26,206 thousand in 2005.

In 2006, alike 2005, the Company's investment activities focused on increasing productivity and improving the facilities of all Company plants in terms of environmental protection, health and safety conditions.

Dividend policy

The Board of Directors has decided to propose to the General Meeting the payment of a dividend of €1.00 per share, for the year ended 31 December 2006 (2005: €0.95 per share). The amount of the proposed dividend will be paid partially from the profit of the period 1/1-31/12/2006 (€42,649,624.20) and from available extraordinary reserves (€28,433,082.80).

Breakdown of Group Branches

HERACLES GCC

Plants

1. VOLOS, Agria, Volos
2. MILAKI, Milaki, Aliveri, Evia
3. HALKIDA, Mikro Vathi Avlida, Halkida

Distribution Terminals

4. Drapetsona, 1, Kontopoulou str., Drapetsona, Piraeus
5. Thessaloniki, Dendropotamos (coast)
6. Rio, Patras, 14, Eleftherias Str. Akteon coast
7. Kavala, 7, Nireos str.
8. Igoumenitsa, Ladochori, Thesprotia
9. Iraklio, Linoperamata, Rodia, Crete
10. Rhodes (3rd Port, Akandia)
11. Kalochori, Thessaloniki
12. Metamorphosi, 12, Amaliados str., Attica

Quarries

13. Platanos, Almyros Magnisia

Miscellaneous

14. Hania, 20, Margoniou str. (office)
15. Stylida, Fthiotida (camp)

Lafarge Beton

Concrete units

1. Koropi, Attica, 28th km Varis – Koropiou ave.
2. Pallini, Attica, Anthousas ave
3. Metamorphosi, 12, Amaliados str., Attica
4. Liossia, Attica, Pyrgas location
5. Agios Ioannis Rentis, 19, 28th October str.
6. Voulia, Syros
7. Marathi, Paros
8. Ageria, Paros
9. Larsos, Lesvos
10. Antimachea, Kos
11. 10th km Nerochouda-Thessaloniki National Road
12. Lakias Turn, Thessaloniki
13. 10th km Volos Larissa Rd, Sesklo, Magnissia
14. Lamia, Fthiotida, 2nd km Lamia-Domokos Rd
15. Makrakomi, Fthiotida
16. Platanias, Fthiotida
17. Tragana, Fthiotida
18. Malessina, Fthiotida
19. Orchomenos, Viotia
20. Lappa, Achaia
21. Lefka, Achaia

Quarries

22. Araxos, Achaia
23. Tragana, Fthiotida
24. Voulia, Syros

Aggregates trading storage

25. Lazareta, Syros

Pumice stone

26. Milaki, Evia

Offices

27. 3, El. Venizelou str. - Volos
28. P. Vostani & 1, Mitropolitou Iakovou str., Mytilini
29. 2 Laou square - Lamia

LAVA Mining & Quarrying SA

Mines

1. Pumice stone: Yali Nissiros, the Dodecanese
2. Gypsum: Altsi, Sitia, Crete
3. Pozzolane & Kieselguhr: Adamandas, Milos

EVIESK S.A.

Plants - Sites

1. 1st Volos Industrial Area, Volos, Magnisia Prefecture
2. Agria Volos, Magnisia Prefecture
3. Milaki, Evia Prefecture (leased by HERACLES GCC)
4. Milaki, Evia Prefecture
5. Mikro Vathi Avlidas, Evia Prefecture

AMBER S.A.

1. 1 Hanion str., Lycovrissi
2. 1A Hanion str., Lycovrissi
3. 1A Hanion str., Lycovrissi

Dear Shareholders,

Based on the above and the Certified Auditors' – Accountants' Report, you have all required information at your disposal in order to proceed to the approval of the Financial Statements and our lawful release of any liability, as stipulated in the Articles of Association.

Lycovrissi, 23.03.2007
By order of the Board of Directors

SAAD SEBBAR
Managing Director

INDEPENDENT CERTIFIED AUDITORS' ACCOUNTANTS' REPORT

To the Shareholders of "HERACLES GENERAL CEMENT COMPANY SA"

Report on the Financial Statements

We have audited the attached financial statements of HERACLES GENERAL CEMENT COMPANY SA (the "Company"), as well as the consolidated financial statements of the company and its subsidiaries (the "Group"), made up of the company and consolidated balance sheet of 31 December 2006, as well as the income statements, changes in equity capital statements and cash flow statements, for the year ended on that date, as well as a summary of the most important accounting principles and other explanatory notes.

Management Responsibility for the Financial Statements

Company Management is responsible for preparing and reasonably presenting the financial statements according to the International Financial Reporting Standards, as adopted by the European Union. Said responsibility includes the elaboration, implementation and maintenance of an internal audit system regarding the preparation and reasonable presentation of financial statements free of material inaccuracies, due to either fraud or error. Said responsibility also includes the selection and application of the appropriate accounting policies and the formulation of accounting assessments that are reasonable considering the circumstances.

Auditor's Responsibility

We are responsible for expressing an opinion on said financial statements, based on the audit performed. We performed our audit according to the Greek Auditing Standards that have been harmonised with the International Accounting Standards. The standards require that we abide by the rules of ethics and that audits are planned and conducted in a manner ensuring a reasonable certainty that the financial statements are free of material inaccuracies.

The audit includes following a procedure to collect auditing proof regarding the sums and information included in the financial statements. Procedures shall be selected at the auditor's discretion and shall include assessment of the risk of material inaccuracies in the financial statements due to either fraud or error. In order to assess such risk, auditors need to consider the internal audit system pertaining to the preparation and accurate and fair presentation of the Company's financial statements, so as to elaborate the appropriate auditing procedures, considering the circumstances, but not with a view to expressing an opinion on the effectiveness of the Company's internal audit system. The audit shall also include assessment of the suitability of accounting principles applied, and whether Management estimates were reasonable, as well as an evaluation of the financial statements' overall presentation.

We believe that the auditing proof we have gathered are sufficient and appropriate to back our audit opinion.

Opinion

In our opinion, the attached individual and consolidated financial statements give a precise and fair all-round view of the financial position of the Company and the Group, as at 31 December 2006, as well as their financial performance and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Point of Emphasis

Without expressing any reservation as to the conclusions of our audit, your attention is drawn to note 34 to the financial statements, where reference is made to the years for which the tax returns of the Company and its consolidated subsidiaries have not been audited by the tax authorities, and therefore it is possible that additional taxes and charges may be imposed in the future as a result of the audit and finalisation of such tax returns. There are also pending court cases with the tax authorities. It is currently not possible to foresee the outcome of said tax audits or court cases, and therefore the financial statements do not include any relevant provisions.

Report on Other Legal and Regulatory Matters

The content of the Management Report, on pages 68 to 73, is consistent to the aforementioned financial statements.

Athens, 29 March 2007

The Certified Auditors Accountants

Mihalis E. Karavas
Reg. No. SOEL 13371

Nikolaos A. Papadimitriou
Reg. No. SOEL 14271

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