

**VIOHALCO**

HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A.

**Interim Condensed Financial Statements  
According to the International Accounting Standard 34**

**1<sup>st</sup> Semester 2006**

**VIOHALCO HELLENIC COPPER  
AND ALUMINIUM INDUSTRY S.A.**

**Company Registration Registered Office Number: 6053/06/B/86/105  
2-4 Mesogheion Ave., 115 27 Athens**

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## Balance Sheet

<i>Amounts in Euros</i>	Note	CONSOLIDATED FIGURES		COMPANY FIGURES	
		30/9/2006	31/12/2005	30/9/2006	31/12/2005
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		1,722,385,945	1,741,327,602	186,027	162,311
Intangible assets		6,135,127	7,497,746	-	-
Investment in properties		33,454,903	34,159,151	106,333,177	108,236,436
Investments in companies consolidated based on the net worth method		17,120,692	16,553,444	-	-
Investments in companies consolidated based on the integrated consolidation method	6	-	-	732,793,035	728,801,964
Available-for-sale financial assets		8,569,986	7,969,560	29,489,703	29,927,613
Other investments		-	-	-	-
Deferred tax assets		2,822,950	1,783,864	-	-
Derivative financial instruments	7	1,833,183	540,236	-	-
Other receivables		10,433,701	11,345,520	6,489	6,489
		<b>1,802,756,487</b>	<b>1,821,177,123</b>	<b>868,808,431</b>	<b>867,134,813</b>
<b>Current assets</b>					
Inventories		802,264,250	669,778,732	-	-
Trade and other receivables		852,995,900	633,139,005	2,631,504	3,152,553
Available-for-sale financial assets		12,748,380	12,141,799	10,000,000	10,000,000
Derivative financial instruments	7	9,285,740	21,622,488	-	-
Financial assets at fair value through profit & loss		43,105	1,002,873	-	-
Cash and cash equivalents		97,684,234	83,313,042	12,596,009	14,191,249
		<b>1,775,021,609</b>	<b>1,420,997,939</b>	<b>25,227,513</b>	<b>27,343,802</b>
<b>Total assets</b>		<b>3,577,778,096</b>	<b>3,242,175,062</b>	<b>894,035,944</b>	<b>894,478,615</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to company's equity holders</b>					
Share capital		59,842,227	59,842,227	59,842,227	59,842,227
Share premium account		411,618,152	411,618,152	411,618,152	411,618,152
Treasury stock		-8,005,437	-7,911,289	-	-
Translation reserve		959,994	100,347	-	-
Other reserves		251,580,250	250,974,756	29,763,542	29,663,450
Profits/(losses) carried forward		326,800,509	258,938,792	370,153,467	368,644,328
Total		<b>1,042,795,695</b>	<b>973,562,985</b>	<b>871,377,388</b>	<b>869,768,157</b>
<b>Minority interest</b>		<b>534,579,545</b>	<b>508,473,719</b>	-	-
<b>Total equity</b>		<b>1,577,375,240</b>	<b>1,482,036,704</b>	<b>871,377,388</b>	<b>869,768,157</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	8	853,025,978	720,592,279	-	-
Liabilities from leasing activities	9	616,575	1,918,993	-	-
Derivative financial instruments	7	260,136	2,683,180	-	-

Deferred tax liabilities		205,547,911	202,624,411	18,882,632	19,007,586
Retirement and termination benefit obligations		17,771,819	19,341,347	38,080	38,080
Government grants		28,820,051	31,001,614	-	-
Provisions		12,829,179	9,398,916	-	-
Other non-current liabilities		1,157,411	39,697	-	-
		<b>1,120,029,060</b>	<b>987,600,437</b>	<b>18,920,712</b>	<b>19,045,666</b>
<b>Current liabilities</b>					
Trade and other payables		320,012,419	254,360,957	2,568,418	3,957,522
Income tax liability		27,388,153	16,249,653	1,169,426	1,707,270
Borrowings	8	523,340,191	488,886,241	-	-
Liabilities from leasing activities	9	1,909,642	1,867,522	-	-
Derivative financial instruments	7	4,413,234	9,711,317	-	-
Provisions		3,310,157	1,462,231	-	-
		<b>880,373,796</b>	<b>772,537,921</b>	<b>3,737,844</b>	<b>5,664,792</b>
<b>Total liabilities</b>		<b>2,000,402,856</b>	<b>1,760,138,358</b>	<b>22,658,556</b>	<b>24,710,458</b>
<b>Total equity and liabilities</b>		<b>3,577,778,096</b>	<b>3,242,175,062</b>	<b>894,035,944</b>	<b>894,478,615</b>

The notes on pages 9 to 49 are an integral part of these interim condensed financial statements

## Income Statement

		<b>CONSOLIDATED FIGURES</b>			
<i>Amounts in Euros</i>	<b>Note</b>	<b>9 months until 30/9/2006</b>	<b>3 months from 1/7 to 30/9/2006</b>	<b>9 months until 30/9/2005</b>	<b>3 months from 1/7 to 30/9/2005</b>
<b>Sales</b>	5	<b>2,412,897,002</b>	<b>844,806,583</b>	<b>1,746,976,576</b>	<b>622,548,124</b>
Cost of sales		-2,048,402,149	-716,891,139	-1,521,040,492	-552,423,277
<b>Gross profit</b>		<b>364,494,853</b>	<b>127,915,444</b>	<b>225,936,084</b>	<b>70,124,847</b>
Selling expenses		-114,236,069	-36,470,278	-92,301,875	-29,478,171
Administrative expenses		-59,566,748	-18,068,653	-61,215,629	-20,020,646
Other operating income/(expenses) (net)		15,626,406	79,521	19,472,502	6,743,026
<b>Operating profit</b>		<b>206,318,442</b>	<b>73,456,034</b>	<b>91,891,082</b>	<b>27,369,056</b>
Finance costs - net		-42,554,958	-14,537,917	-38,274,167	-15,829,936
Income from dividends		1,114,959	486,922	-	-
Share of profit/losses of associates		1,459,973	338,560	2,182,310	-118,794
<b>Profits before taxation</b>		<b>166,338,416</b>	<b>59,743,599</b>	<b>55,799,225</b>	<b>11,420,326</b>
Income tax expense		-36,459,443	-13,034,301	-25,181,160	-6,786,670
<b>Net profits of the period from ongoing activities</b>		<b>129,878,973</b>	<b>46,709,298</b>	<b>30,618,065</b>	<b>4,633,656</b>
<b>Attributable to:</b>					
Equity holders of the parent company		81,576,612	28,706,960	21,916,444	3,781,272
Minority interest		48,302,361	18,002,338	8,701,621	852,384
		<b>129,878,973</b>	<b>46,709,298</b>	<b>30,618,065</b>	<b>4,633,656</b>
<b>Earnings per share that are attributable to the equity holders of the parent company for the period</b> (expressed in Euros per share)					
Basic and diluted	17	0.411	0.144	0.110	0.019

		<b>COMPANY FIGURES</b>			
<i>Amounts in Euros</i>	<b>Note</b>	<b>9 months until 30/9/2006</b>	<b>3 months from 1/7 to 30/9/2006</b>	<b>9 months until 30/9/2005</b>	<b>3 months from 1/7 to 30/9/2005</b>
<b>Sales</b>		<b>32,073</b>	<b>11,024</b>	<b>36,643</b>	<b>14,499</b>
Cost of sales		-31,500	-11,500	-31,500	-10,500
<b>Gross profit</b>		<b>573</b>	<b>-476</b>	<b>5,143</b>	<b>3,999</b>
Selling expenses		-	-	-	-
Administrative expenses		-1,490,424	-325,824	-1,594,923	-353,803
Other operating income/(expenses) (net)		595,213	-1,630,830	2,316,933	696,540
<b>Operating profit</b>		<b>-894,638</b>	<b>-1,957,131</b>	<b>727,153</b>	<b>346,736</b>
Finance costs - net		209,693	62,800	159,790	39,614

Income from dividends		17,237,180	1,402,573	12,458,592	
Share of profit/losses of associates		-	-	-	-
<b>Profits before taxation</b>		<b>16,552,235</b>	<b>-491,758</b>	<b>13,345,534</b>	<b>386,351</b>
Income tax expense		-429,540	16,977	-477,368	-189,250
<b>Net profits of the period from ongoing activities</b>		<b>16,122,695</b>	<b>-474,781</b>	<b>12,868,166</b>	<b>197,101</b>
<b>Attributable to:</b>					
Equity holders of the parent company		16,122,695	-474,781	12,868,166	197,101
Minority interest		-	-	-	-
		<b>16,122,695</b>	<b>-474,781</b>	<b>12,868,166</b>	<b>197,101</b>
<b>Earnings per share that are attributable to the equity holders of the parent company for the period</b>					
(expressed in Euros per share)					
Basic and diluted	17	0.081	-0.002	0.065	0.001

The notes on pages 9 to 49 are an integral part of these interim condensed financial statements.

## Statement of Changes in Equity

### Attributable to the equity holders of the parent company

Amounts in Euros

	Share capital	Fair value reserves	Other reserves	Accumulated profits	Translation reserve	Own Shares	Total	Minority Interest	Total Equity
<b>CONSOLIDATED FIGURES</b>									
<b>Balance at 31 December 2004</b>	<b>471,460,379</b>		<b>- 213,285,305</b>	<b>292,783,016</b>	<b>-168,075</b>	<b>-7,911,289</b>	<b>969,449,336</b>	<b>494,744,205</b>	<b>1,464,193,541</b>
Application of IAS 32 & 39		8,953,940	-262,000	2,931,047	-	-	<b>11,622,987</b>	-1,718,461	<b>9,904,526</b>
<b>Balance at 1 January 2005</b>	<b>471,460,379</b>	<b>8,953,940</b>	<b>213,023,305</b>	<b>295,714,063</b>	<b>-168,075</b>	<b>-7,911,289</b>	<b>981,072,323</b>	<b>493,025,744</b>	<b>1,474,098,067</b>
Currency translation differences	-	-	-	-	775,853	-	775,853	418,046	1,193,899
Profit/(loss) recognised directly in equity	-	2,871,370	-	-	-	-	2,871,370	-1,354,379	1,516,991
Net profit for the period	-	-	-	21,916,443	-	-	21,916,443	8,701,621	30,618,064
Total recognised net profit for the period	-	2,871,370	-	21,916,443	775,853	-	25,563,666	7,765,288	33,328,954
Affect of the change in the percentage of holdings	-	-	4,902,001	-20,579,694	-	-	-15,677,693	11,270,824	-4,406,869
Issuance of share capital / (reduction)	-	-	-	-	-	-	-	-	-
(Purchase)/Sale of own shares	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	448,782	-	-	448,782	-448,782	-
Dividend	-	-	-	-14,960,556	-	-	-14,960,556	-7,079,800	-22,040,356
	-	-	4,902,001	-35,091,468	-	-	-30,189,467	3,742,242	-26,447,225
<b>Balance at 30 September 2005</b>	<b>471,460,379</b>	<b>11,825,310</b>	<b>217,925,306</b>	<b>282,539,038</b>	<b>607,778</b>	<b>-7,911,289</b>	<b>976,446,522</b>	<b>504,533,274</b>	<b>1,480,979,796</b>

Amounts in Euros

	Share capital	Fair value reserves	Other reserves	Accumulated profits	Translation reserve	Own Shares	Total	Minority Interest	Total Equity
<b>CONSOLIDATED FIGURES</b>									
<b>Balance at 1 October 2005</b>	<b>471,460,379</b>	<b>11,825,310</b>	<b>217,925,306</b>	<b>282,539,038</b>	<b>607,778</b>	<b>-7,911,289</b>	<b>976,446,522</b>	<b>504,533,274</b>	<b>1,480,979,796</b>
Currency translation differences	-	-	-	-	-507,431	-	-507,431	-337,288	-844,719
Profit/(loss) recognised directly in equity	-	-5,585,267	-	-	-	-	-5,585,267	4,575,026	-1,010,241
Net profit for the period	-	-	-	-1,695,807	-	-	-1,695,807	4,718,478	3,022,671
Total recognised net profit for the period	-	-5,585,267	-	-1,695,807	-507,431	-	-7,788,505	8,956,216	1,167,711
Affect of the change in the percentage of holdings	-	-	-12,084,864	17,438,613	-	-	5,353,749	-5,464,553	-110,804
Issuance of share capital / (reduction)	-	-	-	-	-	-	-	-	-
(Purchase)/Sale of own shares	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	38,894,269	-39,343,051	-	-	-448,782	448,782	-
Dividend	-	-	-	-	-	-	-	-	-
	-	-	26,809,405	-21,904,438	-	-	4,904,967	-5,015,771	-110,804
<b>Balance at 31 December 2005</b>	<b>471,460,379</b>	<b>6,240,043</b>	<b>244,734,711</b>	<b>258,938,793</b>	<b>100,347</b>	<b>-7,911,289</b>	<b>973,562,984</b>	<b>508,473,719</b>	<b>1,482,036,703</b>

Amounts in Euros

	Share capital	Fair value reserves	Other reserves	Accumulated profits	Translation reserve	Own Shares	Total	Minority Interest	Total Equity
<b>CONSOLIDATED FIGURES</b>									
<b>Balance at 1 January 2006</b>	<b>471,460,379</b>	<b>6,240,043</b>	<b>244,734,711</b>	<b>258,938,793</b>	<b>100,347</b>	<b>-7,911,289</b>	<b>973,562,984</b>	<b>508,473,719</b>	<b>1,482,036,703</b>
Currency translation differences	-	-	-	-	859,647	-	859,647	995,638	1,855,285
Profit/(loss) recognised directly in equity	-	-734,863	-	-	-	-	-734,863	-1,730,140	-2,465,003
Net profit for the period	-	-	-	81,576,612	-	-	81,576,612	48,302,361	129,878,973
Total recognised net profit for the period	-	-734,863	-	81,576,612	859,647	-	81,701,396	47,567,859	129,269,255
(Purchase)/Sale of own shares	-	-	-	-	-	-94,148	-94,148	-	-94,148
Affect of the change in the percentage of holdings	-	-1,275,556	-1,902,239	5,763,815	-	-	2,586,020	-12,933,595	-10,347,575
Transfer to reserves	-	4,518,154	-	-4,518,154	-	-	-	-	-
Dividend	-	-	-	-14,960,557	-	-	-14,960,557	-8,528,438	-23,488,995
	-	3,242,598	-1,902,239	-13,714,896	-	-94,148	-12,468,685	-21,462,033	-33,930,718
<b>Balance at 30 September 2006</b>	<b>471,460,379</b>	<b>8,747,778</b>	<b>242,832,472</b>	<b>326,800,509</b>	<b>959,994</b>	<b>-8,005,437</b>	<b>1,042,795,695</b>	<b>534,579,545</b>	<b>1,577,375,240</b>

<i>Amounts in Euros</i>	Attributable to the equity holders of the parent company				Total Equity
	Share capital	Fair value reserves	Other reserves	Accumulated profits	
<b>COMPANY FIGURES</b>					
<b>Balance at 31 December 2004</b>	<b>471,460,380</b>	-	<b>27,966,333</b>	<b>371,147,844</b>	<b>870,574,557</b>
Application of IAS 32 & 39		516,608			516,608
<b>Balance at 1 January 2005</b>	<b>471,460,380</b>	<b>516,608</b>	<b>27,966,333</b>	<b>371,147,844</b>	<b>871,091,165</b>
Profit/(loss) recognised directly in equity	-	-	319,860	-	319,860
Net profit for the period	-	-	-	12,868,166	12,868,166
Total recognised net profit for the period	-	-	319,860	12,868,166	13,188,026
Transfer to reserves (from distribution)	-	-	595,472	-595,472	-
Dividend	-	-	-	-14,960,557	-14,960,557
<b>Balance at 30 September 2005</b>	<b>471,460,380</b>	<b>516,608</b>	<b>28,881,665</b>	<b>368,459,981</b>	<b>869,318,634</b>
<b>Balance at 1 October 2005</b>	<b>471,460,380</b>	<b>516,608</b>	<b>28,881,665</b>	<b>368,459,981</b>	<b>869,318,634</b>
Profit/(loss) recognised directly in equity	-	585,036	-319,860	-	265,176
Net profit for the period	-	-	-	184,349	184,349
Total recognised net profit for the period	-	585,036	-319,860	184,349	449,525
Transfer to reserves (from distribution)	-	-	-	-	-
Dividend	-	-	-	-	-
<b>Balance at 31 December 2005</b>	<b>471,460,380</b>	<b>1,101,644</b>	<b>28,561,805</b>	<b>368,644,329</b>	<b>869,768,159</b>
<b>Balance at 1 January 2006</b>	<b>471,460,380</b>	<b>1,101,644</b>	<b>28,561,805</b>	<b>368,644,329</b>	<b>869,768,158</b>
Profit/(loss) recognised directly in equity	-	447,092	-	-	447,092
Net profit for the period	-	-	-	16,122,695	16,122,695
Total recognised net profit for the period	-	447,092	-	16,122,695	16,569,787
Transfer to reserves	-	-	-347,000	347,000	-
Dividend	-	-	-	-14,960,557	-14,960,557
<b>Balance at 30 September 2006</b>	<b>471,460,380</b>	<b>1,548,736</b>	<b>28,214,805</b>	<b>370,153,467</b>	<b>871,377,389</b>

The notes on pages 9 to 49 are an integral part of these interim condensed financial statements.

## Cash Flow Statement

<i>Amounts in Euros</i>	Note	CONSOLIDATED FIGURES		COMPANY FIGURES	
		1/1- 30/9/2006	1/1 - 30/9/2005	1/1- 30/9/2006	1/1 - 30/9/2005
<b>Cash flows from operating activities</b>					
Cash flows from operating activities		4,298,019	75,494,864	-60,502	-164,647
Interest paid		-37,922,153	-38,577,046	-	
Income tax paid		-14,682,824	-11,434,081	-1,010,941	-197,051
<b>Net cash (used in)/from operating activities</b>		<b>-48,306,958</b>	<b>25,483,737</b>	<b>-1,071,443</b>	<b>-361,698</b>
<b>Cash flows from investing activities</b>					
Net additions to tangible and intangible assets		-74,430,362	-83,060,676	-941,597	-45,462
Changes in holdings in subsidiary companies and other investments		-9,058,583	-2,110,789	-2,478,508	-12,643,077
Reduction in grants		-	-391,223	-	
Dividends received		1,114,959	1,064,445	17,013,629	11,880,473
Interest received		1,817,324	3,304,494	209,693	159,813
Other		-	-	626,678	590,920
<b>Net cash flows (used in)/from investing activities</b>		<b>-80,556,662</b>	<b>-81,193,749</b>	<b>14,429,895</b>	<b>-57,333</b>
<b>Cash flows from financing activities</b>					
(Purchase)/sale of treasury stock		-94,149	-	-	-
Dividends paid		-24,950,389	-22,040,556	-14,953,692	-14,960,557
Increase/(settlement) in borrowing		166,887,649	73,248,442	-	-
Payments of leasing capital		-1,581,298	-	-	-
Other		2,972,999	-	-	-
<b>Net cash (used in)/from financing activities</b>		<b>143,234,812</b>	<b>51,207,886</b>	<b>-14,953,692</b>	<b>-14,960,557</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		<b>14,371,192</b>	<b>-4,502,126</b>	<b>-1,595,240</b>	<b>-15,379,588</b>
Cash and cash equivalents at beginning of period		83,313,042	82,770,000	14,191,249	25,068,574
<b>Cash and cash equivalents at end of period</b>		<b>97,684,234</b>	<b>78,267,874</b>	<b>12,596,009</b>	<b>9,688,986</b>

The notes on pages 9 to 49 are an integral part of these interim condensed financial statements.

Athens, 22 November 2006

THE CHAIRMAN OF THE BOARD OF  
DIRECTORS

Nikolaos M. Stasinopoulos  
Id. Card No. A050486

THE AUTHORISED DIRECTOR

Evangelos D. Moustakas  
Id. Card No. B226935

THE FINANCIAL DIRECTOR

Pantelis St. Mavrakis  
Id. Card No. K259513

## **Additional information on the interim condensed financial statements**

### **1. General information**

The interim condensed financial statements include the Interim corporate financial statements of VIOHALCO S.A. "Hellenic Copper and Aluminium Industry S.A." (the "Company") and the Interim consolidated financial statements of the Company and its subsidiaries (together the "Group").

The Company and its subsidiaries (together the "Group") are active primarily in the process or production and sale of iron, steel, aluminium, copper and zinc products. The Group is active in Greece, Germany, England and Bulgaria, as well as in other countries and its shares are traded on the Athens Securities Exchange.

The Company is domiciled in Greece, in the Prefecture of Attiki, 2-4 Mesogheion Avenue. The Company's electronic address is [www.viohalco.gr](http://www.viohalco.gr).

The interim financial statements have been approved for publication by the company's Board of Directors on 22 November 2006.

### **2. Overview of significant accounting principles**

The main accounting policies that the Group applied during the preparation of these financial statements are described below. These policies have been consistently applied through the years.

#### **2.1 New standards, interpretations and amendment of existing International Accounting Standards**

Certain new IFRS, amendments and interpretations have been issued that are mandatory for accounting periods that begin during the present fiscal year or thereafter. The Group's estimation regarding the effect of the application of these new standards and interpretations are presented below.

##### ***IAS 19 (Amendment,) Employee Benefits (In effect as of 1 January 2006)***

This amendment provides companies with the capacity to select an alternative method of recognising actuarial profits and losses. It may impose new recognition conditions for cases in which multi-employer plans have been adopted for which companies do not have sufficient information to apply a method of defined benefits. In addition, it adds new disclosure requirements. The specific amendment does not apply to the group. Whereas, the Group does not intend to change the accounting principle that has been adopted in recognising actuarial profits or losses and does not participate in multi-employer plans, the adoption of this amendment will affect only the presentation and the extent of the disclosures that are presented in the financial statements.

***IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (Hedging cash flows for anticipated inter-company transactions) (In effect as of 1 January 2006)***

The amendment allows the foreign exchange risk that arises from a highly likely anticipated inter-company transaction to be characterised as a *hedged item* in the consolidated financial statements, under the conditions that (a) the transaction is carried out in a currency other than the functional currency of the company that participates in the transaction and (b) the foreign exchange risk will affect the consolidated income statement. This amendment is not relative to the Group, since inter-group transactions are not carried out that meet the conditions in order to be characterised as a *hedged item* in the consolidated financial statements of the periods in which they appear.

***IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (Selection of Fair Value) (In effect as of 1 January 2006)***

This amendment changes the definition of the financial instruments that have been classified at fair value through results and restricts the capacity of characterising these financial instruments as part of this category. The Group believes that this amendment will not affect the financial statements.

***IAS 39 and IFRS 4 (Amendment), Financial Instruments: Recognition and Measurement and Insurance Contracts (Financial Guarantee Contracts) (In effect as of 1 January 2006)***

This amendment requires the Group to recognise financial guarantees that have been issued, with the exception of those that have already been declared by the Group, as insurance contracts, initially at the fair value and subsequently at the greater value between (a) the unamortised balance of the relative fees that have been collected and postponed and (b) the expenditure that is required to settle the assumed obligation on the balance sheet date. This amendment of IAS 39 will not affect the Group.

***IFRS 1 (Amendment), First-time adoption of the International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (application from 1 January 2006)***

These amendments are not relative to the Group's operations.

***IFRS 6 Exploration for and Evaluation of Mineral Resources (In effect as of 1 January 2006)***

IFRS 6 is not relative to the Group's operations.

***IFRS 7 Financial instruments: Disclosures and supplementary adaptation to IAS 1 Presentation of Financial Statements (Capital disclosures) (In effect as of 1 January 2007)***

IFRS 7 introduces additional disclosures with the ulterior purpose of improving the information that is provided with regard to financial instruments. It requires the disclosure of qualitative and

quantitative information regarding the exposure to the risk that arises from financial instruments, including predetermined minimum required disclosures relative to credit risk, liquid risk and market risk (it including a sensitivity analysis with regard to the market risk). IFRS 7 replaces IAS 30 (Disclosures in the Financial Statements of Bank and Similar Financial Institutions) and the disclosure requirements of IAS 32 (Financial Instruments: Disclosure and Presentation). It applies to all companies that prepare financial statements in accordance with the IFRS. Adjustment to IAS 1 introduces disclosures relative to a company's capital and to the manner by which this capital is managed. The Company estimated the effect of IFRS 7 and the adjustment to IAS 1 and concluded that the additional main disclosures that are required from their application is a sensitivity analysis regarding market risk and capital disclosures. The Group will apply IFRS 7 and the amendment of IAS 1 from 1 January 2007.

***IAS 21 (Amendment), The Effects of Changes in Foreign Exchange Rates (In effect as of 1 January 2006)***

This amendment concerns net investments in foreign companies and does not affect the Group's financial statements.

***Interpretation 4, Determining Whether an Arrangement Contains a Lease (In effect as of 1 January 2006)***

According to Interpretation 4, determining whether or not an arrangement contains a lease is based on the arrangement's substance. Specifically, companies are required to examine the extent to which: (a) the arrangement's fulfilment depends on the use of a specific property, plant and equipment and (b) the arrangement gives the lessee the right to use the property, plant and equipment. Management deems that Interpretation 4 is not expected to affect the accounting presentation of existing arrangements.

***Interpretation 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (In effect as of 1 January 2006)***

Interpretation 5 is not relative to the Group's operations.

***Interpretation 6, Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (In effect as of 31 December 2005)***

Interpretation 6 is not relative to the Company's operations.

***Interpretation 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (In effect as of 1 March 2006)***

It does not apply to the Group and will not affect its financial statements.

***Interpretation 8, Scope of IFRS 2 (In effect as of 1 May 2006)***

It will not affect the Group's financial statements.

***Interpretation 9, Reassessment of Embedded Derivatives (In effect as of 1 June 2006)***

It will not affect the Group's financial statements.

**2.2 Framework in which the financial statements have been prepared**

The Group's Interim condensed financial statements of the period from 1 January 2006 to 30 June 2006 have been prepared in accordance with the IAS 34 ("Interim Financial Reporting").

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and financial assets and liabilities at reasonable value through results.

The preparation of financial statements according to the International Financial Reporting Standards requires the use of certain critical accounting estimates and also requires management to exercise judgment in the process of applying accounting policies. In addition, it requires the use of estimates and assumptions that affect asset and liability amounts, the notification of potential receivables and liabilities on the date the financial statements are prepared and revenue and expense figures during the said period. Despite the fact that these estimates are based on management's best possible knowledge of current conditions and actions, actual results may differ from these estimates.

The financial statements were prepared by the management in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and interpretations that have been issued by the International Financial Reporting Interpretations Committee, as these have been adopted by the European Union, and the IFRS that have been issued by the International Accounting Standards Board (IASB).

All IFRS that have been issued by the IASB and are in force during the preparation of these financial statements have been adopted by the European Commission through the procedure of their ratification by the European Union ("EU"), with the exception of International Accounting Standards (IAS) 39 "Financial Instruments: Recognition and Measurement". Further to the recommendation of the Committee for Accounting Standardisation, the Commission adopted Directives 2086/2004 and 1864/2005 that require all listed companies to use IAS 39, with the exception of the specific provisions that concern deposit portfolio hedging, from 1 January 2005.

Whereas the Group is not affected by the provisions concerning deposit portfolio hedging, which are not required by the issuance of IAS 39, as this has been ratified by the EU, the present

financial statements have been prepared in accordance with the IFRS as these have been adopted by the EU and the IFRS that have been issued by the IASB.

### **2.3 Increase in Subsidiary Holdings**

With regard to transactions that concern increases in the Group's holdings in subsidiary companies that lie outside the scope of IFRS 3, the Group recognises, directly in equity, any effect that arises due to differences between the fair value of the consideration that was paid and the book value of third-party rights that are purchased.

### **2.4 Consolidation**

#### **(a) Subsidiary companies**

Subsidiary companies are companies that are controlled by the parent company. The existence of possible voting rights that may be exercised on the date on which financial statements are prepared is taken into consideration in determining whether or not a parent company exercises control over its subsidiaries. Subsidiaries are fully consolidated (total consolidation) from the date control over them is acquired and cease to be consolidated from the date this control is no longer exercised.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The acquisition cost of a subsidiary is the fair value of its assets that were transferred, of its shares that were issued and of its liabilities that were undertaken on the day the transaction was carried out, plus any cost that is directly associated with the acquisition. Identifiable assets, liabilities and contingent liabilities that are acquired through a business combination are estimated at the time of the acquisition at their fair values regardless of the percentage holding. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets that were acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the Group's share of the identifiable net assets that were acquired, the difference is recognised in the income statement.

The affect of changes in holding on accumulated profits and minority interest are considered as transactions between the Group's shareholders and, therefore, are recognised directly in shareholders' equity (see note 2.3 above).

Inter-company transactions, balances and non-realised profits from transactions between Group companies are eliminated. The same applies to non-realised losses, but are taken into consideration as an indication that the value of the asset transferred has been impaired. The

accounting policies that are applied by the Group's subsidiary companies have been amended so that they may be consistent with those that have been adopted by the Group.

In its individual financial statements, the Company records its investments in subsidiaries at their acquisition cost less impairment.

**(b) Associate companies**

Associate companies are companies over which the Group exercises significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associate companies are accounted for by the equity method and are initially recognised at their acquisition cost. The amount in which investments in associate companies are recorded includes the goodwill that arises on acquisition (net of any impairment losses).

The Group's share in the post-acquisition profits or losses of its associate companies is recorded in the income statement, while its share of post-acquisition movements in reserves is recorded in reserves. Cumulative changes affect the book value of the Group's investments in associate companies. If the Group's share in the losses in an associate company is greater than the value of its investment therein, these additional losses are not recognised, unless payments have been made or obligations have been incurred on behalf of the associate company.

Unrealised profits that arise from transactions between the Group and its associate companies are eliminated to the extent of the Group's interest therein. The same applies to unrealised losses, but are taken into consideration as an indication that the value of the asset that was transferred has been impaired. The accounting principles that are applied by the Group's associate companies have been changed so that they may be consistent with those that have been adopted by the Group.

**(c) Joint Ventures**

The Group's investments in joint ventures are accounted for based on the method of proportionate consolidation (with the exception of those that were inactive on the day the IFRS were adopted for the first time, which are consolidated based on the net worth method as described below). The Group merges its share from the revenues, expenses, assets, liabilities and cash flows of each joint venture.

The Group recognises the share from the profits or losses that arise from the sales that it makes to joint ventures that corresponds to the joint venture's partners. The Group does not recognise its share from the profits or losses of the joint ventures that arose from the purchases that it made from the joint ventures up to the items that were purchased in order to be sold to third parties. Losses from such a transaction are recognised immediately if a reduction of the liquid value of

current assets or impairment is established. The accounting principles of the joint ventures have been amended so that they may be consistent with those that have been adopted.

## **2.5 Segment reporting**

A business segment is defined as a group of assets and operations that produce products and provide services that are subject to risks and returns different to those that other business segments are subject to. A geographical segment is defined as a geographic region in which products are provided and services are provided and which is subject to risks and returns different to those that other regions are subject to.

## **2.6 Foreign currency translations**

### **(a) Functional currency and presentation currency (the currency in which financial statements are expressed)**

The figures recorded in the financial statements of the Group's companies are measured in the currency of the primary economic environment in which each company operates ("functional currency"). The consolidated financial statements are expressed in Euros, which constitutes both the parent company's functional currency and its presentation currency.

### **(b) Transactions and balances**

Transactions that are carried out in a foreign currency are converted to the functional currency based on the exchange rate that is applicable on the date the transaction is carried out. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **(c) The Group's Companies**

Amounts recorded in the financial statements of the Group's companies (none of which operate in a hyperinflation economy) that are expressed in a different functional currency from the Group's presentation currency, are converted as follows:

- (1) Assets and liabilities are translated at the closing rate at the balance sheet date,
- (2) Income and expenses are translated at average exchange rates (unless the average exchange rate is not a reasonable estimation of the cumulative effect of the exchange rates prevailing on the days the transactions were carried out, in which case income and expenses

are translated using the actual exchange rates that were applicable on the days the transactions were carried out), and

- (3) All resulting foreign exchange differences that may arise are recorded in a separate equity reserve account and transferred to the income statement when these companies are sold.

Foreign exchange differences that may arise from the translation of the Group's net investment in a foreign company and of borrowings that have been designated as hedges of such investment are recorded in owner's equity. Upon the sale of the foreign company, any accumulated foreign exchange difference is transferred to the income statement as part of the gain or loss on sale.

Goodwill and adjustments to fair values that arise from the acquisition of foreign companies are regarded as assets and liabilities of the foreign company and are translated at the closing exchange rate.

## **2.7 Property, plant and equipment**

Property, plant and equipment are recorded at their acquisition cost less accumulated depreciation and Impairment. The acquisition cost includes all expenses that are directly associated with the asset's acquisition.

Expenses that are incurred after the purchase of an asset are recorded as an increase in the asset's carrying amount book value or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repair and maintenance costs are recorded in the income statement when these are incurred.

Land is not depreciated. Other assets are depreciated on the straight line method with equal burdens during their expected useful lives, so that their cost may be deleted at their residual value, as follows:

Buildings	10-33 years
Factories	20 years
Mechanical equipment	5-20 years
Motor vehicles	5-7 years
Other equipment	3-8 years

The residual value and useful life of these assets are reviewed and adjusted if appropriate, at each balance sheet date.

When the carrying amount of the asset exceeds its recoverable amount, the difference (impairment) is immediately recorded in the income statement as an expense.

On the sale of an asset, any difference that may arise between the price that is received and the carrying amount thereof is recorded in the results as a profit or loss.

Borrowing costs incurred for the construction of an asset are capitalised during the period of the asset's construction. All other borrowing costs are recognised in the income statement.

## **2.8 Leases**

Leases of fixed assets, in which the Group essentially maintains all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalised at the lease's inception at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding obligations that arise from the leases, net of finance charges, are recorded as liabilities. The interest element of the finance cost that concerns the finance lease is charged to the income statement over the period of the lease.

Leases, in which the lessor essentially retains all the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## **2.9 Intangible assets**

### **(a) Software programs**

Software licenses are recorded at their acquisition cost, less amortisation. These assets are amortised on the straight line method over their estimated useful lives, which ranges between 3 to 5 years.

Expenses that are associated with the software's maintenance are recognised as expenses in the year in which they are incurred.

### **(b) Research and Development**

Research expenses are recognised as expenses in the year in which they are incurred. Expenses that are incurred on development programs (relating to the design and testing of new or improved products) are recognised as intangible assets if these are expected to provide the Group with future economic benefits. Other development expenditures are recognised as an expense when these are incurred. Development expenses that had been recorded in previous financial years as expenses are not recognised as intangible assets in a subsequent period. Development expenses that have been capitalised are amortised from the date the product's commercial production

commences on the straight line basis over the period the product is expected to generate benefits. The amortisation period adopted by the Group does not exceed 5 years.

## **2.10 Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher amount between an asset's fair value, less the costs to sell, and the value in use. In order to assess impairment losses assets, are grouped into smaller cash-generating units. Losses due to an asset's impairment are recorded in the income statement as an expense in the year in which they are incurred.

## **2.11 Financial assets**

### **Accounting Principles from 1 January 2005**

Due to the application of IAS 32 and 39, the Group has classified Other Investments in Financial Assets at fair value through profit and loss.

The Group's financial assets are classified into the categories noted below based on the purpose for which they were acquired. The Group's management decides on the investment's classification at the time the investment was initially recognised and re-examines its designation at every publication date.

#### *(a) Financial assets recorded at fair value through profit and loss*

This category includes financial assets that were acquired in order to be resold in the short-term. It also includes derivative financial instruments unless they are defined as risk hedging tools. Financial assets in this category are recorded as current assets if they are held for commercial purposes or if they are expected to be sold within 12 months of the balance sheet date.

#### *(b) Loans and Receivables*

This category includes non-derivates with fixed or designated payments that are neither traded in active markets nor intended to be sold. These financial assets are recorded in current assets, with the exception of those financial assets that have a term greater than 12 months after the balance sheet date. These latter assets are recorded in a non-current asset account.

#### *(c) Held-to-maturity investments*

This category includes non-derivatives with fixed or designated payments and with fixed maturities, and which the Group intends and has the capacity to hold onto until they mature.

*(d) Available-for-sale financial assets*

This category includes non-derivatives that are either designated in this category or cannot be classified in any of the abovementioned categories. These assets are recorded as non-current assets provided management does not intend to dispose of them within 12 months of the balance sheet date.

The purchase and sale of an investment is recognised on the trade-date, which is also the date on which the Group commits to purchase or sell the asset. Available-for-sale investments are initially recorded at their fair value plus transaction costs. Financial assets at fair value through profit and loss are initially recognised at fair value and transaction expenses are recorded as an expense in the results of the year. Investments are derecognised when the right to collect the cash flows arising therefrom expires or have been transferred and the Group has substantially transferred all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value and unrealised gains or losses are recognised in shareholders' equity until they are sold or impaired. When these assets are sold or impaired, the profit or loss is transferred to the income statement. Impairment losses that have been recognised in the income statement may not be reversed through the income statement.

Realised and unrealised gains or losses that arise from changes in the fair value of financial assets through profit or loss are recognised in the income statement in the period in which they arise.

The fair values of financial assets that are traded on stock markets are based on determined by current bid prices. The fair values of financial assets that are not traded on stock markets are determined by using valuation techniques, such as recent arms length transactions, comparable assets that are traded and discounted cash flow analysis.

At each balance sheet date, the Group assess whether there is any objective evidence that leads to the conclusion that the values of its financial assets have decreased. With regard to shares that have been classified as "available-for-sale financial assets", such an indication would be a significant or prolonged decrease in their fair value in relation to their acquisition cost. If the asset's value has indeed decreased, the loss that has accumulated in the owner's equity account, which constitutes the difference between the acquisition cost and the fair value, is transferred to the

results. Devaluation losses regarding shares that are recorded in the results may not be reversed through the results.

## **2.12 Derivatives**

### **Accounting principles from 1 January 2005**

Derivatives are initially and subsequently recognised at their fair value. The method by which profits and losses are recognised depends on whether derivatives are designated as a hedging instrument or are held for commercial purposes. Derivatives are designated by the Group, on the day the relative transaction is concluded, as a hedge to the fair value of a receivable, liability or commitment (fair value hedge) or as a hedge of highly probable forecasted transactions (cash flow hedge).

During the conclusion of a transaction the Group records the relation between hedging instruments and hedged items, as well as the strategic management of the relative risk. During a contract's conclusion and on a continuous basis thereafter the Group records the probability regarding the high effectiveness of the hedge for both fair value hedges and cash flow hedges.

#### **(a) Fair value hedge**

Changes in the fair value of derivatives that are designated as hedges to changes in hedged items are recorded in the income statement as are changes in the fair value of hedged items that are attributed to the risk that is being hedged.

#### **(b) Cash flow hedge**

The effective proportion of the change in the fair value of derivatives that are designated as means for hedging changes in cash flows is recorded in an equity reserve account. The gain or loss of the non-effective proportion is recorded in the income statement. Amounts that are recorded as a reserve in equity are transferred to the results of the periods in which hedged items affect profits or loss. In the situations where forecasted future transactions that result to the recognition of a non-monetary asset (e.g. inventory) or liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedging relation does not currently fulfil the criteria of hedge accounting, the profits or losses accumulated in equity remain as a reserve and are transferred to the results when the offset asset affects profits or losses. In the case in which a forecasted future transaction, which is no longer expected to be realised, the profits or losses accumulated in equity are transferred to the income statement

(c) Net investment hedge

A hedge of a net investment in a foreign company is managed in the same manner as cash flow hedges.

Profits or losses of hedging instruments that are associated with the effective part of the hedge are recognised in an equity reserve account. Profits or losses that are associated with the non-effective part of the hedge are recognised in the income statement.

Profits or losses that have accumulated in owner's equity are transferred to the income statement when the foreign company is sold.

(d) Derivatives that are not considered as hedging instruments

Changes in the fair value of these derivatives are recorded in the income statement.

### **2.13 Inventories**

Inventories are stated at the lower cost and net realisable value. The acquisition cost is determined based on the average monthly weighted cost method. The cost of finished products and semi-finished stocks includes the cost of materials, the direct labour cost and a proportion of the general production overhead. Borrowing costs are not included in the acquisition cost. The net realisable value is estimated based on the inventory's current sales price, in the ordinary course of business activities, less any possible selling expenses, whenever such a case occurs.

Impairments are recognised in the results of the financial year in which they arise.

### **2.14 Trade and other short-term receivables**

Receivables from clients are initially recorded at their fair value and are subsequently estimated at using the effective interest method, less any impairment loss. Impairment losses are recognised when there is an objective indication that the Group is not in a position to collect all the amounts that are due pursuant to the relative contractual terms. The amount of the allowance is equal to the difference between the book value of the receivables and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recorded as an expense in the income statement.

### **2.15 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, sight deposits, short-term (up to 3 months) highly-liquid and low-risk investments and overdraft bank accounts.

## **2.16 Share capital**

Ordinary shares are included in owner's equity.

Direct expenses that are associated with the issue of shares are recorded, after the relative income tax has been deducted, as a reduction to the proceeds. Direct expenses relating to shares that have been issued for the acquisition of a company are included in the acquisition cost thereof.

The acquisition cost of treasury shares is recorded as a reduction to equity attributable to the Company's equity until these shares are sold, cancelled or re-issued. Any profit or loss that arises from the sale of treasury, net of other direct expenses that are associated with the transaction and taxes, is recorded as a reserve in equity attributable to the Company's equity holders.

## **2.17 Borrowings**

Loans are initially recorded at their fair value, net of any direct expenses that are required in order to complete the transaction. They are subsequently stated at their unamortised cost based on the effective interest rate method. Any difference between the amount that has been collected (net of relative expenses) and the settlement value is recorded in the income statement during the term of the loan based on the effective interest rate method.

Loans are classified as current liabilities unless the Group has the right to defer the settlement thereof for at least 12 months from the balance sheet date. In this case, loans are classified as non-current liabilities.

## **2.18 Deferred income tax**

Deferred income tax is determined using the liability method on temporary differences that arise between the tax base and the book value of assets and liabilities. Deferred income tax is not accounted for if it arises from an asset's or liability's initial recognition in a transaction, with the exception of a business combination, which, when the transaction was effected, did not affect the accounting or tax profit or loss.

Deferred tax assets are recognised to the extent that it is probable that a future taxable profit will arise from the use of the temporary difference that created the deferred tax asset.

Deferred income tax is recognised for the temporary differences that arise from investments in subsidiary and affiliated companies, with the exception of the case in which reversals of temporary differences are controlled by the Group and it is possible that the temporary differences will not reverse in the foreseeable future.

Deferred income tax is determined based on the tax rates that are applicable at the balance sheet date.

## **2.19 Taxation**

Income tax is estimated based on the tax legislation and tax rates that are in force in the countries where the Group is active and is recorded as an expense in the period in which income is earned.

## **2.20 Employee benefits**

### **(a) Short-term benefits**

Short-term benefits to employees in cash or in kind are recorded as an expense when these accrue.

### **(b) Benefits following withdrawal from the Service**

Benefits following withdrawal from the service include both defined contribution programs and defined benefit programs.

The accrued cost of defined contribution programs is recorded as an expense in the period that it concerns.

The liability that is recorded in the balance sheet for defined benefit programs is the present value of the commitment for the fixed benefit less the fair value of the program's assets, the changes that arise from the unrecognised actuarial gains and losses and the cost of past service. The commitment of the defined benefit is calculated by an independent actuary using the projected unit credit method.

Actuarial gains and losses that arise from adjustments on the basis of experience adjustments and fluctuate above or below the margin of 10% of the accumulated liability are recorded in the results spread over the employees' expected average remaining working lives. The cost of past service is recorded directly in the income statement, with the exception of the case in which changes to the program depend on the remaining term of the employees remaining in service for a specific period of time (the vesting period). In this case, the cost of past service is recorded in the income statement based on the straight-line basis over the vesting period.

### **(c) Employment termination benefits**

Employment termination benefits are paid when employees decide to retire prior to their normal date of retirement. The Group records these benefits when it is bound, or when it terminates the employment of existing employees based on a detailed schedule for which there is no possibility of

withdrawal or when it offers these benefits as an incentive for voluntary retirement. Employment termination benefits that are due in 12 months after the balance sheet date are discounted to present value.

In the case of employment termination in which the Group is not able to determine the number of employees who will take advantage of this incentive, these benefits are not accounted for but are recorded as a contingent liability.

## **2.21 Grants**

Government grants are recognised at their fair value when it is certain that the subsidy will be received and that the Group will comply with all stipulated terms.

Government grants that relate to expenses are recorded in transit accounts and are recognised in the results so that these will match the expenses that they will cover.

Government grants that have been granted for the purchase of property, [plant and equipment are recorded as non-current liabilities as government grants of subsequent financial years and are transferred as income to the income statement on the straight-line method over the expected service life of these assets.

## **2.22 Provisions**

Provisions are recognised when:

- There is a present legal or inferred commitment as a result of past events.
- Outflow of funds may be demanded for the commitment's settlement.
- The amount in question may be reasonably estimated.

Wherever there are various similar liabilities, the possibility that an outflow shall be required for the settlement thereof is determined by examining the liability category overall. A provision is recognised even when the possibility of an outflow regarding any asset included in the same liability category may be small.

## **2.23 Revenue recognition**

### **(a) Sale of goods**

Sales of goods are recognised when the Group delivers the goods to its customers, when the goods are received by the latter and when collection of the claim is reasonably guaranteed. In the case in which cash refunds regarding sales of goods is guaranteed, refunds are accounted for on each balance sheet date with a reduction in income, based on statistical data.

**(b) Provision of services**

Income from the provision of services is accounted for in the period in which the services are rendered, based on their stage of completion in relation to all the services that shall be rendered.

**(c) Income from interest**

Income from interest is recognised on the time proportion basis using the effective interest rate method. When receivables are impaired, the book value thereof is reduced to their recoverable amount, which is the present value of the expected future cash flows discounted with the original effective interest rate. Subsequently, interest is accounted for based on the same interest rate that is applied on the impaired (new book) value.

**(d) Dividends**

Dividends are accounted for as income when a right to collect has been established.

**2.24 Distribution of dividends**

The distribution of dividends is recognised when the distribution thereof is approved by the General Meeting of the shareholders.

**2.25 Rounding**

Differences between the figures of the financial statements and the corresponding figures recorded in the notes are due to rounding.

**3. Management of financial risks**

**3.1 Financial risk factors**

The Group is exposed to financial risks, such as market risks (changes to foreign exchange rates, interest rates, market prices), credit risks and liquidity risks. The Group's general risk management program focuses on the fact that financial-credit markets cannot be forecasted and seeks to minimise the potential negative affect thereof on the Group's financial performance.

Risk management is carried out by the Group's central finance department, which operates with specific rules that have been approved by the Board of Directors. The Board of Directors provides instructions and guidelines on the general management of risks, as well as special instructions on the management of specific risks, such as foreign exchange risks, interest rate risks and credit risks.

**(a) Foreign exchange rate risk**

The Group is active in Europe, and consequently the greater part of the Group's transactions are carried out in Euros. However, part of the Group's merchandise purchases is denominated in US Dollars. Immediate payment of these suppliers significantly reduces the foreign exchange risk.

**(b) Credit risk**

The Group has adopted and applies credit control procedures with the purpose of minimising doubtful claims and immediately covering claims with commercial paper. No client exceeds 10% of sales and, consequently, commercial risk is spread over a large number of clients. Goods and services are provided on a wholesale basis primarily to clients with a creditable credit history. The credit control department sets the credit limits of each client and applies specific sales and collections terms. According to the Group's policy, receivables from clients are secured.

**(c) Liquidity risk**

Liquidity risk is kept at a low level by having sufficient cash on hand, liquid securities and sufficient open credit limits.

**(d) Interest rate fluctuation risk**

The Group's loan obligations are associated with floating interest rates that, depending on market conditions, may either remain floated or may become fixed. The Group uses derivatives in order to offset interest rate risks (SWAPS).

**(e) Raw material price fluctuating risk**

The Group's activities are affected by the stock market prices of metals. In order to cover part of this risk the Group uses derivative financial instruments to hedge the risk of changes in the prices of metals.

**3.2 Determining fair values**

The fair values of financial assets that are traded in active markets (stock markets) (e.g. derivatives, shares, bonds, mutual funds) are set according to the published prices that are valid on the balance sheet date. The fair value of financial assets is determined by their offer price, while the fair value of financial liabilities is determined by their demand price.

The fair values of financial assets that are not traded in active markets are set through the use of valuation techniques and standards that are based on market data on the balance sheet date.

The nominal value commercial claims less allowances for doubtful commercial claims is deemed to approximate their actual value. The actual values of financial liabilities, for the purpose of being recorded in financial statements, are estimated based on the present value of the future cash flows that arise from specific contracts using the current interest rate that is available for the use of similar financial-credit means.

#### **4. Accounting estimates and judgements of the management**

The management's estimates and judgements are re-examined on a continuous basis and are based on historical figures and expectations of future events, which are deemed reasonable pursuant to the provisions that are in force.

##### **4.1 Critical accounting estimates and judgements of the management**

The Group makes estimates and assumptions regarding the development of future events. Estimates and assumptions that most likely will cause substantial adjustments to the carrying amounts of assets and liabilities in the following 12 months are:

- a) The group's judgement is required in order to raise an income tax provision. The provision is an area that management believes involves a significant risk that there will be substantial differentiations in the future due to the tax legislation that is in force in Greece, where the company's tax liabilities are deemed final only after the competent tax authorities conduct a tax audit. In order to determine the income tax provision the Group's judgment is necessary whereas there are many transactions and calculations due to which the ultimate tax determination is uncertain. If the final tax that shall be determined differs from the initially recognised tax, the difference shall affect the income tax and the provision for deferred taxation for the period.
- b) The Group raises a provision for disputed cases based on evidence provided by the Group's legal department.
- c) The Group raises provisions for contractual obligations to its clients, which are estimated based on historical and statistical data that arose from the outcome of corresponding past cases.
- d) The Group raises provisions for impairment of holdings by taking into consideration the future benefits that shall arise therefrom.
- e) During the nine-month period that ended on 30 September 2006 the Management re-estimated the calculations and the cases relative to the recoverable value of property, plant and equipment and intangible assets.

## 4.2 Crucial judgements of the Management regarding the application of accounting principles

There are no cases that significantly affect the financial statements for which a need arose that required the use of the Management's estimates with regard to the application of accounting principles.

## 5. Information per segment

### Primary type of information – business segments

The Group is divided into the following business segments:

- Steel products
- Pipework products
- Copper products
- Cables
- Aluminium products
- Services

### Results for each segment for the 9 months until 30 September 2005

9 months until 30/9/2005 (Amounts in Euros)	Steel Products	Pipework Products	Copper Products	Cable Products	Aluminium Products	Services	Other	Non-Allocated	Total
<b>Total gross sales per segment</b>	<b>573,079,644</b>	<b>175,738,965</b>	<b>324,051,020</b>	<b>128,465,186</b>	<b>517,870,799</b>	-	<b>155,730,423</b>	<b>712,761</b>	<b>1,875,648,798</b>
Inter-company sales	-47,799,724	-2,081,628	-26,819,362	-651,605	-35,103,794	-	-16,216,770	-	<b>-128,672,883</b>
<b>Net sales</b>	<b>525,279,920</b>	<b>173,657,337</b>	<b>297,231,658</b>	<b>127,813,581</b>	<b>482,767,005</b>	-	<b>139,513,653</b>	<b>712,761</b>	<b>1,746,975,915</b>
Operating profits	34,262,654	1,765,003	17,606,848	3,639,676	25,425,467	-	9,494,122	-	<b>92,193,770</b>

### Results for each segment for the 9 months until 30 September 2006

9 months until 30/9/2006 (Amounts in Euros)	Steel Products	Pipework Products	Copper Products	Cables	Aluminium Products	Services	Other	Non-Allocated	Total
<b>Total gross sales per segment</b>	<b>658,998,351</b>	<b>246,034,410</b>	<b>600,951,933</b>	<b>219,202,530</b>	<b>649,179,025</b>	<b>89,225,156</b>	<b>184,266,881</b>	<b>32,073</b>	<b>2,647,890,359</b>
Inter-company sales	-12,226,187	-4,564,598	-88,005,125	-3,589,880	-38,707,477	-729,475	-87,143,757	-26,858	<b>-234,993,357</b>
<b>Net sales</b>	<b>646,772,164</b>	<b>241,469,812</b>	<b>512,946,808</b>	<b>215,612,650</b>	<b>610,471,548</b>	<b>88,495,681</b>	<b>97,123,124</b>	<b>5,215</b>	<b>2,412,897,002</b>
Operating profits	98,816,551	22,720,322	39,061,330	13,219,129	26,274,345	3,221,049	3,127,275	-121,559	<b>206,318,442</b>

Expenses per branch have been determined based on the operating actives thereof.

Transfers and transactions between segments are affected pursuant to commercial terms and conditions, pursuant to those that apply to transactions with third parties.

## 6. Investments in Subsidiary companies

### COMPANY FIGURES

Amounts in Euros

#### Beginning of fiscal year

Currency translation differences

Additions

Sales

Impairments

Other changes

Year-end balance

	30/9/2006	31/12/2005
	<b>728,801,964</b>	<b>718,916,765</b>
	-	-
	4,964,489	9,885,199
	-973,418	-
	-	-
	-	-
	<b>732,793,035</b>	<b>728,801,964</b>

#### Investments in companies that are consolidated based on the Total Integration method

Name of Company	Country of incorporation	Direct & Indirect Holding Percentage	Primary Activity
SIDENOR S.A.	GREECE	76.33%	STEEL
HALCOR S.A.	GREECE	68.32%	COPPER
ELVAL S.A.	GREECE	64.08%	ALUMINIUM
ANAMET S.A.	GREECE	86.48%	SCRAP METAL
SANITAS AGENCIES S.A.	GREECE	100.00%	INERT
ATTIKI S.A.	GREECE	50.00%	INSURANCE AGENCY
NOVAL S.A.	GREECE	100.00%	REAL ESTATE ADMINISTRATIVE SERVICES-REAL ESTATE
TEPRO METAL S.A.	BULGARIA	100.00%	ESTATE
VITRUVIT S.A.	GREECE	100.00%	SANITARY WARE
TEKA SYSTEMS S.A.	GREECE	50.01%	SOFTWARE-COMPUTER SERVICES
ALCOMET S.A.	GREECE	88.73%	HOLDINGS
DIATOUR S.A.	GREECE	97.19%	HOLDINGS
ANTIMET S.A.	GREECE	100.00%	AGENCY
KERAMEIA AKSIOU S.A.	GREECE	100.00%	CERAMICS – TILES
TEPRO METAL AG	GERMANY	65.54%	AGENCY
ATTIKA METALWORKS S.A.	GREECE	38.17%	RADIATORS
DIAPEM S.A.	GREECE	69.57%	INERT
ELKEME S.A.	GREECE	64.85%	METAL RESEARCH LABORATORY

On 1 June 2006 SIDENOR S.A. proceeded in the purchase of 6,650,000 shares of Corinth Pipeworks S.A. through Elmonte Holdings Ltd. (100% holding). With this purchase Elmonte

Holdings Ltd. increased its holding percentage in CORINTH PIPEWORKS S.A. from 76.58% to 82.21%.

During the period, DOJRAN STEEL, seated in FYROM and a subsidiary company (100%) of SIDENOR S.A., was established. DOJRAN STEEL has leased its real estate and mechanical equipment, exclusively and with the capacity for future buy-out, to VELDER Import-Export Ltd. During the quarter SIDENOR S.A. sold 25% of its holding in DOJRAN STEEL to VELDER Import-Export Ltd.

During the period, PROSAL TUBES was established as a subsidiary of PROSAL S.A. PROSAL TUBES is seated in Bulgaria and is mainly active in the production of tubes.

**7. Derivative financial assets**

	<b>CONSOLIDATED FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>
<b>Derivatives</b>		
<i>Amounts in Euros</i>		
<b>Non-current assets</b>		
Interest rate swaps	963,493	-
Foreign exchange swaps	-	-
Forwards for hedging cash flows	-	-
Fx future contracts	156,315	25,657
Future contracts	713,375	514,579
<b>Total</b>	<b>1,833,183</b>	<b>540,236</b>
<b>Current assets</b>		
Interest rate swaps	-	-
Foreign exchange swaps	41,870	41,961
Forwards for hedging cash flows	160,389	160,812
Fx future contracts	752,208	876,718
Future contracts	8,331,273	20,542,997
<b>Total</b>	<b>9,285,740</b>	<b>21,622,488</b>
<b>Non-current liabilities</b>		
Interest rate swaps	183,313	1,668,104
Foreign exchange swaps	-	361,797
Fx future contracts	29,144	
Future contracts	47,679	653,279
<b>Total</b>	<b>260,136</b>	<b>2,683,180</b>
<b>Current liabilities</b>		
Interest rate swaps	141,633	751,787
Foreign exchange swaps	-	-
Forwards for hedging cash flows	1,574,743	2,555,509
Fx future contracts	408,370	818,781
Future contracts	2,288,488	5,585,240
<b>Total</b>	<b>4,413,234</b>	<b>9,711,317</b>
Amounts that were recorded in the results as income or (expense)	<b>-1,509,419</b>	<b>-9,797,460</b>
<b>Details regarding swaps</b>		
Nominal value of swaps	249,677,273	417,886,381
Nominal value of forward contracts	160,962,758	40,476,914
Nominal value of Aluminium derivatives	77,065,698	-
Nominal value of Foreign exchange derivatives	109,959,832	-

The abovementioned derivative financial instruments cover risks from Market currency translations (US Dollar) and Changes in loan interest rates.

The term of the above derivative financial instruments and the nominal value thereof corresponds to those of underlined assets/liabilities.

On 30 September 2006, fixed interest rates that apply to non-current loans, which are covered with interest rate swaps, fluctuate between 2.3% and 5.3%. The basic floating interest rates are based on the EURIBOR.

Profits and losses recognised in Equity (fair value reserve) from forwards, as at 30 September 2006, shall be transferred to the Income Statement on various dates between one to four months from the balance sheet date.

## 8. Borrowings

	<b>CONSOLIDATED FIGURES</b>	
<i>Amounts in Euros</i>	<b>30/9/2006</b>	<b>31/12/2005</b>
<b>Non-current borrowings</b>		
Bank loans	207,192,644	228,592,279
Liabilities from leasing activities	616,575	1,918,993
Debenture loans	645,833,334	492,000,000
<b>Total non-current borrowings</b>	<b>853,642,553</b>	<b>722,511,272</b>
<b>Current borrowings</b>		
Open bank accounts	1,253,318	12,713,583
Bank loans	522,086,873	476,172,658
Liabilities from leasing activities	1,909,642	1,867,522
<b>Total current loans</b>	<b>525,249,833</b>	<b>490,753,763</b>
<b>Total loans</b>	<b>1,378,892,386</b>	<b>1,213,265,035</b>

The maturity dates of non-current loans are as follows:

<i>Amounts in Euros</i>		
Between 1 and 2 years	291,877,390	172,852,126
Between 2 and 5 years	548,103,342	513,950,362
Over 5 years	13,661,821	35,708,784
	<b>853,642,553</b>	<b>722,511,272</b>

The actual weighted average interest rates as of the balance sheet date are as follows:

	<b>CONSOLIDATED FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>
Banks loans (non-current)	4.52%	5.30%
Banks loans (current)	4.44%	3.70%
Bonded loans	3.97%	3.40%
Liabilities from leasing activities	3.23%	3.30%

On 13 June 2006, the ordinary General Meeting of SIDENOR S.A. decided to additionally issue a joint bonded loan in the amount of 130 million Euros that would be covered, in its entirety, by banks and which would be used, in part, to replace a current loan with a non-current loan and, in part, to fund the company's investment programmes and to participate in the share capital increases of subsidiary companies. Until the date of publication of the current financial statements SIDENOR S.A. had received approximately 50 million Euros.

On 15 June 2006, the ordinary General Meeting of HALCOR S.A. approved the issuance of bonded loans of a total amount of 125 million Euros.

During the third quarter, bonded loans in the amount of 65 million Euros were concluded further to the decision of the Ordinary General Meeting of the shareholders of subsidiary company ELVAL S.A. of 14 June 2006.

The Ordinary General Meeting of the shareholders of ETEM S.A. (a subsidiary company of ELVAL S.A.) of 14 June 2006 approved the conclusion of a bonded loan in the amount of up to 20 million Euros that was used to replace the company's non-current loan obligations and the financing of investment schemes. Pursuant to this decision, on 28 July 2006, the company disbursed an amount of 5 million Euros, which corresponds to four equal annual instalments, beginning from the second year from which the loan was received, which bears an interest rate equal to the Euribor plus a margin.

**9. Leasing**

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>
<b>Liabilities from leasing activities – minimum rents</b>		
Up to 1 year	2,038,794	2,097,739
From 1 to 5 years	622,438	3,932,082
Over 5 years	12,408	-
<b>Total</b>	<b>2,673,640</b>	<b>6,029,821</b>
Less: Future leasing financial charges	-147,423	-2,243,306
<b>Current value of liabilities from leasing activities</b>	<b>2,526,217</b>	<b>3,786,515</b>

The current value of liabilities from leasing activities is analysed as follows:

Up to 1 year	1,909,641	1,867,522
From 1 to 5 years	602,403	1,918,993
Over 5 years	14,173	-
<b>Current value of liabilities from leasing activities</b>	<b>2,526,217</b>	<b>3,786,515</b>

Leasing concerns machinery and transportation means of subsidiary companies.

## 10. Inventories

Within the first semester of 2006, ELVAL S.A. raised a provision regarding the devaluation of spare parts and auxiliary materials in the amount of 580 thousand Euros, which burdened the cost of sales.

## 11. Cash generated from operations

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>		<b>COMPANY FIGURES</b>	
	<b>1/1- 30/9/2006</b>	<b>1/1 - 30/9/2005</b>	<b>1/1- 30/9/2006</b>	<b>1/1 - 30/9/2005</b>
Period profits	129,878,973	30,618,065	16,122,695	12,868,166
<b>Adjustments for:</b>				
Tax	36,459,443	25,181,160	429,540	477,368
Depreciation & impairment of property, plant equipment & intangible assets	91,763,712	86,986,708	379,311	419,302
(Profits)/losses from the sale of tangible assets, etc.	3,996,173	-	2,461	
(Profits)/losses from the sale of investments in real estate	-	-	2,439,368	-
(Profits)/losses from the sale of participations	-	-	-475,582	-
Profits from sale of available-for-sale financial assets – income from securities	-643,498		-152,226	
(Income) from interest	-5,710,879	-3,304,494	-209,693	-159,813
Interest expenses	48,062,760	38,577,046	-	
(Income) from dividends	-1,114,959	-1,064,445	-17,237,180	-12,458,589
(Amortisation) of government grants	-2,181,563	-1,984,600	-	-
(Profits)/losses from associate companies	-1,459,973	-1,679,136	-	-
Other	-	-	-626,679	-590,921
	<b>299,050,189</b>	<b>173,330,304</b>	<b>672,015</b>	<b>555,513</b>
<b>Changes in working capital</b>				
(Increase)/decrease in inventories	-131,396,078	-53,738,476	-	-
(Increase)/decrease in trade and other receivables	-223,801,812	-51,544,074	744,599	-454,488
Increase/(decrease) in trade and other payables	60,723,915	14,226,735	-1,477,116	-265,672
Increase/(decrease) in provisions	3,430,263	-1,147,297	-	-
Increase/(decrease) in retirement	-1,569,528	-6,826,227	-	-



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benefit obligations				
Decrease in derivative financial assets	-2,138,930	-	-	-
Currency translations	-	1,193,899	-	-
	<u>-294,752,170</u>	<u>-97,835,440</u>	<u>-732,517</u>	<u>-720,160</u>
<b>Net cash generated from operations</b>	<u>4,298,019</u>	<u>75,494,864</u>	<u>-60,502</u>	<u>-164,647</u>

## 12. Commitments

### 1. Contractual commitments

The Group has concluded contracts with suppliers of fixed assets regarding investments that concern subsidiary companies.

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>
Tangible fixed assets	27,096,496	20,962,221
Other	1,198,199	1,360,764
	<b>28,294,695</b>	<b>22,322,985</b>

### 2. Liabilities from operating leases

The group leases buildings, forklift trucks, pallet trucks and passenger vehicles based on operating leases. The future total payable rents according to the operating leases are as follows:

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>
Up to 1 year	2,252,203	2,162,470
Between 1 to 1-5 years	6,036,509	5,619,272
More than 5 years	750,064	982,552
	<b>9,038,776</b>	<b>8,764,294</b>
<b>Burden on results</b>	<b>1,079,671</b>	<b>1,884,983</b>

### Capital liabilities

There were no assumed obligations for capital expenditures that had been undertaken but not executed as of the balance sheet date.

### 13. Contingent Liabilities – Receivables

The group has the following contingent liabilities in relation to banks, other guarantees and other matters that arise within the framework of its ordinary business activities:

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES 30/9/2006</b>
<b>Liabilities</b>	
Guarantees for securing liabilities to suppliers	73,577,959
Guarantees for securing the good performance of contracts with customers	81,159,065
Other liabilities	121,760,181
<b>Total</b>	<b><u>276,497,205</u></b>

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES 30/9/2006</b>
Lawsuits filed by employees due to a work-related accident in Corinth	1,649,873
Other lawsuits	3,282,367
Contractual liabilities	2,427,910
Letters of guarantee issued by Banks	8,159,692
Tax liabilities	5,930,902
<b>Total</b>	<b><u>21,450,744</u></b>

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES 30/9/2006</b>
<b>Receivables</b>	
Guarantees for securing receivables from customers	5,412,776
Other receivables	447,226
<b>Total</b>	<b><u>5,860,002</u></b>

- SIDENOR S.A and International Finance Corporation signed a contract according to which SIDENOR S.A. will act as the guarantor of its subsidiary company STOMANA Industry S.A., seated in Bulgaria, so that the latter may receive a non-current loan of 55 million Euros.

- In the event that pending lawsuits are not decided in the favour of Corinth Pipeworks S.A., the company raised a provision until and including fiscal year 2005 amounting to 921,855 Euros. During the period that ended on 30 September 2006, an amount of 140,000 Euros was paid to plaintiffs, an amount of 320,279 Euros was transferred to results and an additional provision

amounting to 120,000 Euros was raised. Moreover, the subsidiary company of SIDENOR S.A., until and including fiscal year 2005, raised a provision for losses that may arise as result of its contractual liabilities against its customers amounting to 3,393,112 Euros. During the period that ended on 30 September 2006 the company used an amount of 553,387 Euros to cover liabilities and raised an additional provision amounting to 1,635.256 Euros.

- The European Commission, as a countersigning party of the Kyoto Protocol, has committed itself to limiting the emission of gasses that contribute to the greenhouse effect. Within this framework, the European Commission issued a Community Directive that stipulates the commercialisation of carbon dioxide (CO<sub>2</sub>) emission permits. This directive, which was adopted, pursuant to a law, by Greece, affects among other industries, the steel industry. The Group has been informed from 1 January 2005 of the allocation that corresponds thereto according to the National Allocation Plan, as this has been approved by the European Commission. If the corresponding CO<sub>2</sub> emission limit is less than the true emission, the Group shall be burdened with an additional cost either due to the purchase of gas emission allowances or to additional investments that shall be required in order to reduce the levels of CO<sub>2</sub> that are emitted, in order to avoid the imposition of a fine. The Group, based on the allocation that corresponds thereto, believes that it will not be burdened with additional costs when the gas emission permits shall be available. Any profit that may arise in the event of a surplus of allowances will be recognised when these allowances are sold.

- In 2005, the competent tax authorities issued final audit certificates to ETIL S.A. (a subsidiary company of SIDENOR S.A.) concerning fiscal years 1999 & 2000. According to these certificates additional taxes in the total amount of 2.728 thousand Euros arose, 938 thousand Euros of which constitutes the principle income tax while the remaining 1,790 thousand Euros constitute surcharges. Whereas the company did not accept this liability, it filed an appeal before the Administrative Courts on 15 February 2006. It concurrently filed a request before the committee of article 70 of Law 2238/94 with the purpose of requesting that the service sector be excluded from non-accounting computation. The company's management bases its opinion in the fact that the final decisions will significantly reduce the company's liability. The subsidiary company of SIDENOR S.A. raised a provision burdening its results by approximately 250 thousand Euros.

- In addition, lawsuits have been filed against Stomana Industry S.A. in the amount of 649 thousand Euros by former discharged employees. The Company, in its turn, has appealed to the local courts and deems that a relative decision will be issued that will order the significant reduction of this liability.

- SIDENOR S.A., pursuant to article 2 of Law 3220/2004, and with regard to fiscal years 2003 and 2004, has formed untaxed reserves in the amount of 7,489 thousand Euros. The European Commission issued announcement 2006/C20/05 according to which it deems that untaxed

reserves constitute a form of State aid and has requested from the Hellenic Government to officially state its position thereon. The burden that will arise for the company is estimated to amount to 2,500 thousand Euros. Due to the unfavourable outcome of the said matter, SIDENOR S.A. raised a provision of an equal amount burdening its results.

- During the period a decision was issued against SIDENOR S.A. by the Ministry of Economy according to which a fine was imposed thereon in the amount of 702 thousand Euros, concerning fiscal year 2002, following a combination of article 31 of Law 2238/94 and paragraph 2 of article 18 of Presidential Decree 186/92. The company has not accepted this decision and has filed an appeal before the Tax Courts and deems that a decision will be issued in its favour.

- In a research study that the Competition Director General of the European Commission conducted regarding the European copper pipe manufacturers, it established that certain companies violated the rules of competition in the copper water pipes market and imposed fines on seven companies, one of which was HALCOR S.A. HALCOR's fine amounted to 9,16 million Euros, for which it issued a letter of guarantee of a corresponding value. The company deems that the abovementioned fine is unjustified and unfair and that the amount of the fine imposed was exorbitantly high. It has filed an appeal before the Tribunal of the European Communities against the Commission's decision. The Company's management, based on the opinion of its legal department as to the validity of its appeal, deems that the final amount of the abovementioned fine (if the validity of the fine is judicially justified and confirmed) will not exceed 5 million Euros, an amount that has burdened the 2004 operating results.

- Mortgages in the amount of 20 million Euros have been filed against the property of ICME ECAB S.A., a subsidiary of HELLENIC CABLES S.A. (subsidiary of HALCOR S.A.), in Romania.

- METAL AGENCIES LTD, which is seated in the United Kingdom and which is controlled, by a percentage of 93.28%, by HALCOR S.A., has filed a claim against the English State requesting a tax return of 62,6 thousand Euros.

- SOFIA MED AD, which is seated in Bulgaria and controlled, by a percentage of 100%, by HALCOR S.A., has filed a claim before the courts against the Bulgarian State requesting a V.A.T. return of 299,5 thousand Euros. According to the reports of the company's legal department, the company's management deems that it is very possible (by 50%) that a decision will be issued in its favour.

- In July 2006, subsidiary company HALCOR S.A. proceeded in the buy-out of all of the shares of CHABAKIS LTD AGENCY.

- Pursuant to Directive 2003/87/EC (which has already been incorporated into Greek Legislation pursuant to Joint Ministerial Decision Η.Π. 54409/2632/27-12-2004) of the European Parliament

and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community, a National Allocation Plan for the three-year period 2005-2007 has been submitted. This Plan, the finalisation of which is pending, establishes the total amount of allowance, the allocation among liable installations, and the basic rules that govern allowance allocation and the operation of the relative system. ELVAL S.A., based on the initial allocation that corresponds thereto from 1 January 2005 according to the National CO<sub>2</sub> Emission Allocation Plan, has estimated possible deficiencies that have burdened the company's results.

- In September 2006, the competent tax authorities issued final audit certificates to ETEM S.A., a subsidiary company of SIDENOR S.A., concerning the tax audit of fiscal years 2000 to 2004. According to these certificates payable taxes in the total amount of 400,954 Euros arose. The company raised a relative provision in the amount of 640,600 Euros. The difference of 239,646 Euros has positively affected the results of fiscal year 2006.

- From 2001 to 31 December 2005, subsidiary company ELVAL S.A. has made investments in the amount of approximately 100 million Euros subject to incentive laws 2601/1998 and 3299/2004. Pursuant to these laws ELVAL S.A. has the right to form an untaxed reserve from accounting profits and adequate tax profits of future years equal to a maximum amount of approximately 63 million Euros. This right will gradually expire until fiscal year 2011. The subsidiary company has formed a future taxable profit of an amount of approximately 1,3 million Euros, assessing that it will achieve the required tax profits within a short period of time (usually one year).

#### **14. Existing collateralised liens**

Mortgages and statutory notices of mortgage in the amount of 73,203 thousand Euros and 46,678 thousand Euros have been filed against the property of Corinth Pipeworks S.A. (a subsidiary company of SIDENOR S.A.) and STOMANA AD, respectively, in favour of banks. In addition, mortgages in the total amount of 20,000 thousand Euros have been filed against the property of ICME ECAB S.A., a subsidiary of HELLENIC CABLES S.A. (subsidiary of HALCOR S.A.), in Romania.

## 15. Transactions with related parties

The following transactions concern transactions with related parties.

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>		<b>COMPANY FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>	<b>30/9/2006</b>	<b>31/12/2005</b>
<b>Sale of goods</b>				
Subsidiary companies	-	-	26,858	2,395,973
Other associate entities	11,378,869	9,889,662	-	-
	<b>11,378,869</b>	<b>9,889,662</b>	<b>26,858</b>	<b>2,395,973</b>
<b>Sale of services</b>				
Subsidiary companies	-	-	1,232,764	-
Other associate entities	175,336	-	525,839	-
	<b>175,336</b>	<b>-</b>	<b>1,758,603</b>	<b>-</b>
<b>Sale of property, plant and equipment</b>				
Subsidiary companies	-	-	-	-
Other associate entities	2,177	6,245,663	4,000	-
	<b>2,177</b>	<b>6,245,663</b>	<b>4,000</b>	<b>-</b>
<b>Purchase of goods</b>				
Subsidiary companies	-	-	39,867	40,752
Other associate entities	3,641,723	8,607,917	5,244	-
	<b>3,641,723</b>	<b>8,607,917</b>	<b>45,111</b>	<b>40,752</b>
<b>Purchase of services</b>				
Subsidiary companies	-	-	-	-
Other associate entities	2,219,434	-	-	-
	<b>2,219,434</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Purchase of property, plant and equipment</b>				
Subsidiary companies	-	-	-	-
Other associate entities	75,866	-	-	-
	<b>75,866</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Benefits to Management

**CONSOLIDATED FIGURES**

**COMPANY FIGURES**

<i>Amounts in Euros</i>	<b>30/9/2006</b>	<b>31/12/2005</b>	<b>30/9/2006</b>	<b>31/12/2005</b>
Fees-remuneration to Directors and Executives	9,651,945	6,071,020	77,500	398,630
	<b>9,651,945</b>	<b>6,071,020</b>	<b>77,500</b>	<b>398,630</b>

**Year-end balances that arise from the sale-purchase of goods, services, property, plant and equipment, etc.**

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>		<b>COMPANY FIGURES</b>	
	<b>30/9/2006</b>	<b>31/12/2005</b>	<b>30/9/2006</b>	<b>31/12/2005</b>
Receivables from associate entities:				
Subsidiary companies	-	-	462,164	1,327,251
Other associate entities	19,332,145	14,604,966	476,423	208,796
	<b>19,332,145</b>	<b>14,604,966</b>	<b>938,587</b>	<b>1,536,047</b>
Liabilities to associate companies:				
Subsidiary companies	-	-	274,684	781,532
Other associate entities	-	3,147,943	4,503	7
	-	<b>3,147,943</b>	<b>279,187</b>	<b>781,539</b>

Services to and from associate entities, as well as the purchase and sale of goods are carried out based on the pricelists that apply to non-associate entities.

## 16. Unaudited fiscal years

The Company has been audited by the tax authorities until and including fiscal year 2001.

Certain of the Group's subsidiary companies have not been audited by the tax authorities for various fiscal years from 1992 until and including 2005.

<b>Company</b>	<b>From</b>	<b>To</b>
VIOHALCO S.A.	2002	2005
DIAPEM COMMERCIAL S.A.	2003	2005
ANTIMET S.A.	2001	2005
SANITAS AGENCIES S.A.	2005	2005
ANAMET S.A.	2000	2005
TEPRO METAL S.A.	1998	2005
BITROYBIT S.A.	2001	2005
ATTIKI S.A.	2003	2005
TEKA SYSTEMS S.A.	2003	2005
ALCOMET S.A.	2003	2005
DIATOUR S.A.	2003	2005
ATTIKI METALWORKS S.A.	2002	2005
ELKEME S.A.	2003	2005
KERAMEIA AXIOU S.A.	-	-
NOVAL S.A.	2003	2005
TEPRO METAL AG	1992	2005
SIDENOR S.A.	2005	2005
ELVAL S.A.	2003	2005
HALCOR S.A.	2002	2005

## 17. Earnings per share

### Basic and diluted

<i>Amounts in Euros</i>	<b>CONSOLIDATED FIGURES</b>		<b>COMPANY FIGURES</b>	
	<b>30/9/2006</b>	<b>30/9/2005</b>	<b>30/9/2006</b>	<b>30/9/2005</b>
Profits that correspond to the shareholders of the parent company	81,576,612	21,916,444	16,122,695	12,868,166
Weighted average number of shares	198,679,701	198,689,701	199,474,091	199,474,091
<b>Basic earnings per share (Euros per</b>	<b>0.411</b>	<b>0.110</b>	<b>0.081</b>	<b>0.065</b>

share)

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Basic and diluted earnings per share are estimated by dividing the earnings that correspond to the parent company's shareholders by the weighted average number of common shares during the period, not including own common shares that were purchased by the company (own shares).

**18. Events that took place after the balance sheet date**

In November 2006, ETEM S.A., a subsidiary of ELVAL S.A., together with Libyan businessmen formed a Societe Anonyme with the corporate name "A LAMAR SA – Production & Stock Joint Company". The company's initial share capital will be set at 5,000,000 Libyan Dinars or approximately 3 million Eros, while ETEM's holding therein will equal 55% or approximately 1,6 million Euros, which it will finance with own funds. A LAMAR S.A. will be seated in Tripoli, Libya, where its manufacturing facilities will be constructed. The company has already received the relative licence from the Libyan Foreign Investment Board. The budget of this investment will amount to approximately 10 million Euros and will include an aluminium smelting facility, aluminium profile production and electrostatic painting facilities, as well as storage areas. It is estimated that the work will be completed within 24 months.

In November 2006, VIOHACLO S.A. and certain subsidiaries thereof sold 19,000,000 shares of subsidiary SIDENOR S.A. via private placement, more than 90% of which was secured by high-quality international investors while the remaining amount was secured by Greek institutional investors. As a result, the marketability of the subsidiary's shares and the holding percentage of international investors therein increased. VIOHACLO S.A. continues to own the majority of the share capital of SIDENOR S.A., holding 56.97% of the share capital and voting rights thereof.

## **19. Personnel**

The number of persons employed by the Group and Company at the end of the current period amounted to 8,458 and 2 persons respectively.

## **20. Significant events**

On 13 June 2006, the ordinary General Meeting of SIDENOR S.A. approved the annual financial statements of fiscal year 2005 with the relative report of the Board of Directors and the Auditor's report, the exemption of the members of the Board of Directors and Auditors from any liability for 2005, as well as the allocation and distribution of the profits of fiscal year 2005. In addition, the General Meeting approved, pursuant to article 23a of Codified Law, the purchase of 315,211 shares of SOVEL S.A. by VIOHALCO S.A.

The Board of Directors of "Corinth Steel Works S.A.", a subsidiary of SIDENOR S.A., reached a decision on 3 April. 2006 according to which it will seek to exploit the mechanical equipment of the Corinth Factory. The total value of this equipment amounts to 3,719,503 Euros and is included in the value of tangible assets. The mechanical equipment has been estimated at the lower value between the cost and the net liquid value thereof

In September 2006, a final audit certificate was issued against SOVEL S.A., a subsidiary of SIDENOR S.A., concerning the tax audit of fiscal years 2001 to 2005. According to this certificate an additional tax in the amount of 558,953 Euros arose. SOVEL S.A. burdened its results by an equal amount by raising a provision.

On 26 September 2006, CORINTH PIPE WORKS S.A., a subsidiary of SIDENOR S.A., announced that it has formed a joint venture with the Russian company TMK, the share capital of which it will hold 49%. The new company will be seated in Russia and will be active in the production of high quality copper pipes and Hollow sections for both the transportation of energy sources and the construction sector. Production is expected to begin in the second quarter of 2007.

In April 2006, final audit certificates were issued against SIDENOR S.A. concerning fiscal years 2002 to 2004. According to these certificates an additional tax in the amount of 1,172 thousand Euros arose, 450 thousand Euros of which constitutes a reserve tax pursuant to Law 3220/2004 in the amount of 1,285 thousand Euros. The company has recognised the said amount in its results and liabilities.

The Boards of Directors of FITCO S.A. (a subsidiary company of HALCOR S.A.) and HALCOR S.A., during their meetings of 30 January 2006, decided to merge the two companies through the former's absorption by the latter with a balance sheet date of transformation the 31<sup>st</sup> of January

and pursuant to the provisions of Law 2166/1993 and Codified Law 2190/1920. The merger was approved by the companies' General Meetings of 15 June 2006 and was completed pursuant to decision No. K2-9666 of the Minister of Development of 30 June 2006 (Hellenic Government Gazette 6611/4.7.2006).

With the financial statements of the first semester of 2006, KERAMEIOU AXIOU S.A., which was established on 30 September 2005, was consolidated for the first time. The company had not been consolidated in the financial statements of 2005 due to the fact it did not begin operating until 1 January 2006.

Within the first semester of 2006, BRIDGNORTH ALUMINIUM LTD, a subsidiary company of ELVAL S.A., within the framework of its restructuring activities, decided to interrupt the production of specific products. Within the context of this decision, the subsidiary company reduced its personnel at a cost of approximately 850 thousand Euros that burdened the consolidated results of the first semester. In addition, BRIDGNORTH ALUMINIUM LTD suspended the operation of mechanical equipment of an undepreciated value of 6 million Euros. The ELVAL S.A. Group is presently examining various alternative scenarios that will help it better exploit this equipment, and due to the fact that over the past three years significant investments have been made with regard to its modernisation, no reason concurs for the impairment thereof. In addition, within the first semester of 2006, the aforementioned subsidiary company of ELVAL S.A. sustained a loss due to a fire and, as a result thereof, its production process was interrupted for three weeks. Insurance indemnifications in the amount of 2,3 million Euros have been collected for loss of income, which have been recorded in the consolidated results of this period.

The absorption of VECTOR S.A. by ELVAL COLOUR S.A., a subsidiary of EVAL S.A., was completed.

## **21. Reclassification of figures**

Figures of the previous period were reclassified – transferred for the Company:

- An amount equal to 590,721 Euros of account net financial expenses-income was transferred to account net operating income / (expenses). As a result of this transfer profits before taxes financing results and depreciation appear equally increased, and
- Profits before taxes financing and investing results were reduced by an amount of additional depreciation equal to 247,685 Euros that had been included in this account.

Following reclassifications that were effected by a subsidiary company, the following transfers took place in the consolidated income statement:

- An amount equal to 449,040 Euros was transferred to account other operating income – expenses from account financial income – expenses.
- An amount equal to 146,161 Euros of accounts other operating income – expenses was transferred to account financial income – expenses and profits – losses from associate companies.

As a result of these reclassifications the Group's profits before taxes financing results and depreciation appear reduced by an amount equal to 302,879 Euros as well as profits before taxes financing and investment results and, correspondingly, financial expenses appear equally reduced by this amount.