



HERACLES
GROUP OF COMPANIES

A member of  **LAFARGE**

**ANNUAL COMPANY AND GROUP FINANCIAL STATEMENTS
OF HERACLES G.C.C. IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS AT 31st DECEMBER 2007**

HERACLES G.C.C.

Companies' Reg. No. : 13576/06/B/86/096

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**INCOME STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 2007**

Amounts in € thousand

	NOTE	GROUP		COMPANY	
		1/1-31/12/2007	1/1-31/12/2006	1/1-31/12/2007	1/1-31/12/2006
Operating results					
Turnover (sales)	6,7	687.141	693.660	617.232	615.736
Cost of goods sold		(508.866)	(516.713)	(454.895)	(458.653)
Gross profit		178.275	176.947	162.337	157.083
Administrative & distribution expenses		(59.495)	(53.424)	(43.797)	(39.647)
Other operating income/(expense)	8	1.302	(5.651)	(4.189)	(687)
Provision for fire affected areas aid	22	(3.000)	0	(3.000)	0
Cost of voluntary staff retirement program	9	(10.764)	(13.038)	(10.764)	(13.038)
Impairment of investment in subsidiaries	10	(650)	0	(650)	(5.385)
Share of results of associates		3	4	0	0
Operating profit	11	105.671	104.838	99.937	98.326
Finance income/(expense)	12	938	1.432	4.318	2.463
Profit for the period before tax		106.609	106.270	104.255	100.789
Income tax	13	(38.775)	(45.388)	(35.133)	(44.183)
Net profit for the period after tax		67.834	60.882	69.122	56.606
Number of shares		71.082.707	71.082.707	71.082.707	71.082.707
Earnings per share (in €)	14	0,95	0,86	0,97	0,80

The Group and Company Financial Statements on pages 4 to 78 were approved by the Board of Directors in its meeting on Tuesday 18th of March 2008 and are subject to the approval of the General Shareholders Meeting. As ordered by the Board of Directors, Financial Statements are signed by the following persons:

**THE CHAIRMAN OF
THE BOARD OF
DIRECTORS**

**THE MANAGING
DIRECTOR**

**THE CHIEF
FINANCIAL OFFICER**

**CONSOLIDATION AND
FINANCIAL REPORTING
MANAGER**

**MANOLIS CHRIS
KYPRIANIDES**

**SAAD M.
SEBBAR**

**MIHALIS T.
MICHELIS**

**KONSTANTINOS A.
MICHAILIDIS**

**I.D. CARD
No. AZ 007012**

**PASSPORT No.
04FE81791-6**

**EC.CC.REG. No.29960
A' CLASS**

**EC.CC.REG. No.36154
A' CLASS**

Notes from page 8 through to page 78 form an integral part of the Group and Company Financial Statements.

BALANCE SHEET AS AT 31st DECEMBER 2007

Amounts in € thousand

	NOTE	GROUP		COMPANY	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
Fixed assets					
Goodwill	15	19.199	7.013	0	0
Intangible assets	16	796	601	341	44
Tangible assets	17	586.650	604.647	546.172	566.980
Investments in associates and subsidiaries	18	411	409	36.653	37.868
Other investments	19	55	59	55	55
Other non-current receivables	28.2	4.461	7.909	37.573	17.554
Deferred tax asset	23	4.140	11.068	1.141	7.180
Total fixed assets		615.712	631.706	621.935	629.681
Current assets					
Inventories	20	60.804	68.362	55.358	63.290
Trade and other receivables	28.3	162.289	172.216	137.121	144.146
Derivative financial instruments	28.6	39	883	39	883
Non-current assets available for sale	18	0	1.150	0	1.277
Cash and cash equivalents	28.4	149.926	126.241	132.521	106.603
Total current assets		373.058	368.852	325.039	316.199
Total assets		988.770	1.000.558	946.974	945.880
Non-current liabilities					
Provision for staff retirement compensation	21	93.785	101.798	80.629	87.088
Other non-current provisions	22	11.894	7.065	19.585	10.395
Obligations under finance leases	28.7	120	252	0	0
Total non-current liabilities		105.799	109.115	100.214	97.483
Current liabilities					
Provision for staff retirement compensation	21	6.220	9.978	5.777	9.319
Trade and other payables	28.5	92.223	85.179	79.628	73.947
Income tax liabilities	13	2.851	11.410	3.265	10.445
Obligations under finance leases	28.7	126	250	0	0
Other current provisions	22	20.390	14.434	20.328	14.324
Derivative financial instruments	28.6	1.128	152	1.128	152
Bank loans	28.4	2.068	7.400	0	0
Total current liabilities		125.006	128.803	110.126	108.187
Total liabilities		230.805	237.918	210.340	205.670
Equity					
Share capital	25	142.165	142.165	142.165	142.165
Share premium	26	1.279	1.279	1.279	1.279
Reserves	27	204.245	219.601	181.796	197.232
Derivatives valuation reserve	28.6	(633)	489	(633)	489
Retained earnings		410.909	399.106	412.027	399.045
Total equity		757.965	762.640	736.634	740.210
Total liabilities and equity		988.770	1.000.558	946.974	945.880

Notes from page 8 through to page 78 form an integral part of the Group and Company Financial Statements.

**STATEMENT OF RECOGNISED INCOME – EXPENSES
FOR THE YEAR ENDED 31st DECEMBER 2007**

Amounts in € thousand

	NOTE	GROUP		COMPANY	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
Profit/(loss) from derivative financial instruments recognised directly in equity	5, 28.6	(1.122)	1.971	(1.122)	1.971
Actuarial gains/(losses) recognised directly in equity, net of deferred tax	5, 33	(308)	(7.637)	(493)	(6.608)
Net income/(expense) recognised directly in equity		(1.430)	(5.666)	(1.615)	(4.637)
Net profit after tax		67.834	60.882	69.122	56.606
Total income/(expenses) for the year		66.404	55.216	67.507	51.969
<u>Impact of change in accounting policy on retained earnings</u>					
		1/1/2007	1/1/2006	1/1/2007	1/1/2006
(a) Actuarial gains/(losses), net of deferred tax	5, 34	(18.010)	(11.589)	(15.597)	(9.987)
(b) Voluntary staff retirement program cost, net of deferred tax	5, 34	1.655	0	1.655	0
(c) Provision for subsidiaries losses	5, 34	0	0	(1.542)	(1.230)
Total		(16.355)	(11.589)	(15.484)	(11.217)

Notes from page 8 through to page 78 form an integral part of the Group and Company Financial Statements.

**CASH FLOW STATEMENT (indirect method)
FOR THE YEAR ENDED 31st DECEMBER 2007**

Amounts in € thousand

	GROUP		COMPANY	
	<u>1/1-31/12/2007</u>	<u>1/1-31/12/2006</u>	<u>1/1-31/12/2007</u>	<u>1/1-31/12/2006</u>
<u>Operating activities</u>				
Profit before tax	106.609	106.270	104.255	100.789
Plus / less adjustments for:				
Depreciation	46.399	47.251	42.994	43.656
Provisions	5.313	22.989	12.550	17.704
Foreign exchange differences	(11)	(56)	(11)	(56)
Gain / (loss) from derivatives valuation	287	(130)	287	(130)
Results (income, expenses, profit and losses) from investment activities	(6.944)	(4.264)	(7.398)	1.967
Interest expenses and relevant expenses	2.816	1.947	413	505
Plus/ less adjustments for changes in working capital accounts or relevant with operating activities:				
Decrease / (increase) in inventories	3.319	9.704	3.464	9.342
Decrease / (increase) in receivables	13.359	(9.645)	(15.805)	(24.900)
(Decrease) / increase in liabilities (excl. banks)	7.860	(4.510)	11.251	(1.681)
Less :				
Interest expenses and relevant expenses paid	(2.816)	(1.947)	(413)	(505)
Tax paid	(38.006)	(57.732)	(35.455)	(55.681)
Total inflow / (outflow) from operating activities (a)	<u>138.185</u>	<u>109.877</u>	<u>116.132</u>	<u>91.010</u>
<u>Investment activities</u>				
Acquisition of subsidiaries, affiliates, joint-ventures and other investments	(10.045)	(4.633)	0	(28.754)
Purchase of tangible and intangible fixed assets	(35.169)	(31.426)	(29.543)	(26.344)
Cash from disposal of tangible and intangible assets	1.578	8.693	922	7.628
Proceeds (payments) from the sale (purchase) of investments (shares, securities)	3.221	806	3.218	658
Interest received	4.708	2.509	4.282	2.137
Return of capital	0	0	565	0
Dividends received	48	0	1.425	0
Total inflow / (outflow) from investment activities (b)	<u>(35.659)</u>	<u>(24.051)</u>	<u>(19.131)</u>	<u>(44.675)</u>
<u>Financing activities</u>				
Loan proceeds	2.322	0	0	0
Loan repayments	(9.928)	(32.008)	0	0
Payment of obligations under finance leases	(255)	(200)	0	0
Dividends paid	(71.083)	(67.529)	(71.083)	(67.529)
Total inflow / (outflow) from finance activities (c)	<u>(78.944)</u>	<u>(99.737)</u>	<u>(71.083)</u>	<u>(67.529)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (a)+(b)+(c)	<u>23.582</u>	<u>(13.911)</u>	<u>25.918</u>	<u>(21.194)</u>
Cash and cash equivalents at the beginning of the period	<u>126.241</u>	<u>140.096</u>	<u>106.603</u>	<u>127.741</u>
Cash from subsidiaries acquired during the year	103	0	0	0
Effects from changes in exchange rates	0	56	0	56
Cash and cash equivalents at the end of the period	<u>149.926</u>	<u>126.241</u>	<u>132.521</u>	<u>106.603</u>

In the comparative figures of the above table, amount €3,795 thousand has been reclassified from "Purchase of tangible and intangible fixed assets" to "(Decrease) / increase in liabilities (excl. banks)".

Notes from page 8 through to page 78 form an integral part of the Group and Company Financial Statements.

1. GENERAL INFORMATION

HERACLES GENERAL CEMENT COMPANY (the Company) has been incorporated in Greece under the Companies Act 2190/1920, with its registered office located in the Municipality of Lycovrissi, Attica, 49-51 Sophokli Venizelou str. The French company LAFARGE S.A. (parent company of LAFARGE Group of Companies) holds indirectly shares that represent 86.73%, as at 31/12/2007, of the Company's share capital.

The HERACLES G.C.C Group (the Group) mainly operates in the production and trading of cement, concrete and other building materials. The above Financial Statements are presented in thousand Euros, which is the currency of the primary economic environment in which the Group operates.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

During the year, the Group and the Company have adopted the new and amended standards issued by the International Accounting Standards Board "IASB", as well as the relevant Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are relevant with the Company's activities and apply to accounting periods starting 1st January 2007.

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

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

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

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

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

Interpretation 11 does not apply to the Group.

The above mentioned standards and interpretations have no other effect to the Group's financial position than additional disclosures to its Financial Statements.

The following standards and interpretations have not yet been adopted by the Group:

IFRS 8, Operating segments (applicable to annual financial periods beginning on or after January 1st 2009)

IFRS 8 replaces IAS 14, Segment reporting. It requires information provided for operating segments, to be consistent with those components of the entity that management uses internally to assess performance. The Group is in the process of assessing the standard's impact on its financial statements.

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

Interpretation 12 has not yet been adopted by the EU.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENT OF EXISTING STANDARDS – continued

Interpretation 13, Customer loyalty programmes (applicable to annual financial periods beginning on or after July 1st 2008)

Interpretation 13 has not yet been adopted by the EU.

Interpretation 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (applicable to annual financial periods beginning on or after January 1st 2008)

Interpretation 14 has not yet been adopted by the EU.

Amendment to IAS 23, Borrowing costs

The main change from the previous version is the removal of the option of immediately recognising borrowing costs as an expense that relates to assets which take a substantial period of time to get ready for its intended use or sale (applicable to annual financial periods beginning on or after January 1st 2009).

Amendment to IAS 23 has not yet been adopted by the EU.

Amendment to IAS 1, Presentation of financial statements

The main changes from the previous version are to require that an entity must prepare a statement of comprehensive income, aggregate information in financial statements on the basis of shared characteristics and changes the titles of some financial statements. The new titles will be used in accounting standards, but are not mandatory for use in financial statements (applicable to annual financial periods beginning on or after January 1st 2009).

Amendment to IAS 1 has not yet been adopted by the EU.

Amendment to IFRS 2, Share based payment

The amendment will clarify the terms 'vesting conditions' and 'cancellations' along with the accounting treatment of cancellations, whether by the entity or by other parties.

(applicable to annual financial periods beginning on or after January 1st 2009)

Amendment to IFRS 2 has not yet been adopted by the EU.

Amendment to IFRS 3, Business combinations

The main changes are the accounting treatment of the acquisition costs, the accounting of changes in the amount of contingent consideration as a result of a post acquisition event, the option to use the 'full goodwill method', the step acquisition method, the accounting of partial disposal of an investment in a subsidiary while control is retained or lost, the accounting of the acquisition of additional shares in the subsidiary after control was obtained and the application of the standard to combinations of mutual entities and combinations without consideration (dual listed shares)

(applicable to annual financial periods beginning on or after July 1st 2009)

Amendment to IFRS 3 has not yet been adopted by the EU.

2. NEW STANDARDS, INTERPRETATIONS AND AMENDMENT OF EXISTING STANDARDS – continued

Amendment to IAS 27, Consolidated and separate financial statements

The main amendments refer to the accounting treatment of the partial disposal of an investment in a subsidiary while control is retained or lost, along with the treatment of partial disposals of associates and joint ventures and the allocation of the corresponding income as income from investments in non-controlling entities.

(applicable to annual financial periods beginning on or after July 1st 2009)

Amendment to IAS 27 has not yet been adopted by the EU.

3. ACCOUNTING PRINCIPLES

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

The Financial Statements have been prepared on the historical or deemed cost basis.

The main accounting principles used have not changed in relation to the Group and Company annual financial statements of 31st December 2006, except for the change in accounting policy for recognising actuarial gains and losses. According to the new accounting policy adopted as of 1st January 2007, all actuarial gains and losses in the period are recognised outside the income statement, as they occur. Actuarial gains and losses recognised outside the income statement shall appear in the statement of recognised income and expenses. The impact from the implementation of the new accounting policy in the financial statements of the current year as well as of the previous year is presented in notes 33 and 34 respectively.

The principal accounting policies adopted are set out below:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, the subsidiaries' financial statements have been restated in order for their accounting policies to comply with those of the Group.

For consolidation purposes, all material inter-company transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. ACCOUNTING PRINCIPLES – continued

Acquisitions of Subsidiaries

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

Assets, liabilities and contingent liabilities of the purchased company that comply with the recognition requirements of IFRS 3 are measured at their fair value at the acquisition date. The resulting goodwill, is finalised within twelve months from the acquisition date, and is recognised as an asset and initially measured as the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

In the Company's financial statements, participations in subsidiaries and associates are carried at cost, less any later impairment provisions. Annually or whenever events or circumstances suggest that there may be an indication of impairment, the Company examines the carrying value of the above participations against their market value, if available, or their fair value as such derive from widely used valuation models.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition.

3. ACCOUNTING PRINCIPLES – continued

Goodwill - continued

Goodwill is finalised within one year of the acquisition and initially recognised as an asset at cost which is subsequently reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Financial information by segment

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

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

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

3. ACCOUNTING PRINCIPLES – continued

Revenue Recognition

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

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

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

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

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

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

Project construction contracts

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

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

Transactions in foreign currency

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

3. ACCOUNTING PRINCIPLES – continued

Transactions in foreign currency - continued

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

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

Government grants / subsidies

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

Staff retirement compensation

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

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out annually.

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

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

According to the accounting policy that Group and Company pursued until 31 December 2006, actuarial gains and losses which, at the end of the previous period exceeded 10% of the current value of the liability from defined benefits on that date were amortised in income statement over the employees' average remaining working life.

The new accounting policy has been adopted by the Group and Company as of 1st January 2007. According to the new policy, all actuarial gains and losses in the period are recognised outside income statement when they occur. Actuarial gains and losses recognised outside income statement appear in the statement of recognised income and expenses. The impact from the implementation of the new accounting policy in the financial statements of the current year as well as of the previous year is presented in notes 33 and 34 respectively.

With the implementation of the new accounting policy the Group aims to present a fairer view of the provision for staff retirement compensation.

3. ACCOUNTING PRINCIPLES – continued

Income tax

The income tax expense presented in the income statement represents the sum of current tax, previous years' tax differences, large real property tax and deferred tax.

Current and deferred tax is recognised as an income or expense in the income statement, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

3. ACCOUNTING PRINCIPLES – continued

Deferred tax - continued

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

Intangible assets

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

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Exploration for and evaluation of mineral resources expenses

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

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

Tangible assets

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

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

(useful lives in years)	<u>Group</u>	<u>Company</u>
Buildings	5 - 30	25 - 30
Machinery	5 - 30	15 - 30
Vehicles, furniture and other equipment	3 - 10	5 - 10

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

3. ACCOUNTING PRINCIPLES – continued

Tangible assets - continued

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

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

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

Internally generated intangible assets – Research and development expenditure

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

3. ACCOUNTING PRINCIPLES – continued

Inventories

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

Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Operating Leases

Rental payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

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

Emission rights

Emission rights are not recognized as an asset. Profit from surplus of emission rights is recognized only after a sale is realized. If there is a shortage a provision is recognized in the income statement.

Financial instruments

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

Group's financial assets and liabilities are recognized in their fair value and measured at their amortised cost using the effective interest method. Hedging instruments are measured at their fair value as stated in the relevant paragraph below.

Receivables

Receivables are split into current and non-current. Current trade receivables are not interest bearing and are measured at their nominal value net of any provision for doubtful debtors, in order to be presented at their fair value. Non-current trade receivables are measured at present value. Receivables from guarantees given are measured at historic cost and presented under "Other non-current receivables". Loan receivables are initially measured at their capital based on which interest is calculated. Subsequently, are measured at amortised cost based on effective interest method.

In Group and Company's balance sheet, receivables are presented in the account "Other non-current receivables" and "Trade and other receivables" and are measured at amortised cost based on the effective interest method.

3. ACCOUNTING PRINCIPLES – continued

Financial instruments - continued

Cash and cash equivalents

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

Bank loans

Interest-bearing bank loans and overdrafts are initially measured at the proceeds received, net of direct issue costs while subsequently are measured at amortised cost based on effective interest method. Financial expenses, shall be entered in the income statement as accrued, using the effective interest rate method, and added to the unamortised book value of the relevant loan or overdraft, to the extent that they are not settled in the period they arise.

Payables

Payables are split into current and non-current. Current trade payables are not interest carrying and are measured at their nominal value which is also their fair value. Non-current trade payables are measured at present value or in case of borrowing to the amount of the capital borrowed based on which interest is calculated.

Finance leases

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

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

Derivative financial instruments and hedging accounting

The Group's activities are exposed primarily to foreign exchange rates and commodities risks, notably fuel and marine freight.

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

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

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

In the application of the Group's accounting policies, as described in note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods.

The following are the critical judgements that the Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

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

- useful lives and recoverable amounts of depreciable fixed assets
- recoverable amounts of real estates
- recoverable amounts of participations in subsidiaries and associates, in the individual financial statements
- the amount of provisions for quarry restoration, for staff retirement compensation, for legal cases litigation and for labour law compliance cases
- the recoverability of deferred tax asset

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

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

- a) Unaudited tax years of the Group's companies, to the extent that it is possible that future audits will result in additional taxes and charges being imposed that cannot be estimated at the time with reasonable accuracy (note 29).
- b) The assumptions that Management made in the process of making the provision for the cost of the staff voluntary retirement program (note 9).
- c) Estimates on the recoverability of deferred taxation receivables (note 23), as well as contingent losses from pending court cases (note 29) and doubtful debts (note 28.3).
- d) The recoverability of the value of the Company's participations in the share capital of subsidiaries and associates (note 18).

5. STATEMENT OF CHANGES IN EQUITY

Amounts in € thousand

GROUP	Share capital	Share premium	Reserves	Derivatives valuation reserve	Retained earnings	Total
Balance at 01/01/2007 as previously published	142.165	1.279	219.601	489	415.461	778.995
(a) Actuarial gains/(losses), net of deferred tax	0	0	0	0	(18.010)	(18.010)
(b) Voluntary staff retirement program, net of deferred tax	0	0	0	0	1.655	1.655
Balance at 01/01/2007 as restated	142.165	1.279	219.601	489	399.106	762.640
Profit for the period	0	0	0	0	67.834	67.834
Dividends	0	0	(28.434)	0	(42.649)	(71.083)
Distribution	0	0	13.078	0	(13.078)	0
Profit/(loss) from derivative financial instruments recognised directly in equity	0	0	0	(1.122)	0	(1.122)
Actuarial gain/(losses) of staff retirement compensation provision, net of deferred tax	0	0	0	0	(308)	(308)
Other equity movements	0	0	0	0	4	4
Balance at 31/12/2007	142.165	1.279	204.245	(633)	410.909	757.965
Balance at 01/01/2006 as previously published	109.467	1.279	213.668	(1.482)	463.241	786.604
(a) Actuarial gains/(losses), net of deferred tax	0	0	0	0	(11.589)	(11.589)
Balance at 01/01/2006 as restated	109.467	1.279	213.668	(1.482)	451.652	775.015
Profit/(losses) from derivative financial instruments recognised to profit and loss	0	0	0	0	(7.637)	(7.637)
Capitalization under law 2065/1992	32.698	0	(95)	0	(32.603)	0
Profit for the period as restated	0	0	0	0	60.882	60.882
Dividends	0	0	(9.314)	0	(58.215)	(67.529)
Distribution	0	0	15.342	0	(15.342)	0
Profit/(loss) from derivative financial instruments recognised directly in equity	0	0	0	1.909	0	1.909
Sale of own shares	0	0	0	0	431	0
Other equity movements	0	0	0	62	(62)	0
Balance at 31/12/2006	142.165	1.279	219.601	489	399.106	762.640

5. STATEMENT OF CHANGES IN EQUITY - continued

Amounts in € thousand

COMPANY	Share capital	Share premium account	Reserves	Derivatives valuation reserve	Retained earnings	Total
Balance at 01/01/2007 as previously published	142.165	1.279	197.232	489	414.529	755.694
(a) Actuarial losses recognition after deferred taxation	0	0	0	0	(15.597)	(15.597)
(b) Restatement of staff voluntary retirement program, after deferred taxation	0	0	0	0	1.655	1.655
(c) Restatement of provision for losses from participations	0	0	0	0	(1.542)	(1.542)
Balance at 01/01/2007 as restated	142.165	1.279	197.232	489	399.045	740.210
Capitalization under law 2065/1992	0	0	0	0	0	0
Profit for the period	0	0	0	0	69.122	69.122
Dividends	0	0	(28.434)	0	(42.649)	(71.083)
Distribution	0	0	12.998	0	(12.998)	0
Profit/(loss) from derivative financial instruments recognised directly in equity	0	0	0	(1.122)	0	(1.122)
Actuarial gain/(losses) of staff retirement compensation provision, net of deferred tax	0	0	0	0	(493)	(493)
Balance at 31/12/2007	142.165	1.279	181.796	(633)	412.027	736.634
Balance at 01/01/2006 as previously published	109.467	1.279	191.309	(1.482)	466.476	767.049
(a) Actuarial losses recognition after deferred taxation	0	0	0	0	(9.987)	(9.987)
(c) Restatement of provision for losses from participations	0	0	0	0	(1.230)	(1.230)
Balance at 01/01/2006 as restated	109.467	1.279	191.309	(1.482)	455.259	755.832
Profit/(losses) from derivative financial instruments recognised to profit and loss	32.698	0	(95)	0	(32.603)	0
Restatement of period's profit due to reversal of actuarial losses depreciation, after deferred taxation	0	0	0	0	56.606	56.606
Dividends	0	0	(9.314)	0	(58.215)	(67.529)
Distribution	0	0	15.332	0	(15.332)	0
Actuarial gain/(losses) of staff retirement compensation provision, net of deferred tax	0	0	0	0	(6.608)	(6.608)
Profit/(loss) from derivative financial instruments recognised directly in equity	0	0	0	1.909	0	1.909
Other equity movements	0	0	0	62	(62)	0
Balance at 31/12/2006	142.165	1.279	197.232	489	399.045	740.210

6. TURNOVER

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

Amounts in € thousand

	GROUP		COMPANY	
	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>
Income from sale of ready and semi-ready products	668.820	666.471	606.586	605.829
Income from sale of merchandise	7.216	7.255	7.295	6.309
Income from construction and execution of projects	1.621	4.621	0	0
Income from sale of services	9.484	15.313	3.351	3.598
	<u>687.141</u>	<u>693.660</u>	<u>617.232</u>	<u>615.736</u>

7. BUSINESS SEGMENTS

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

Amounts in € thousand	<u>1/1 - 31/12/2007</u>				<u>TOTAL</u>
	<u>Cement</u>	<u>Concrete</u>	<u>Aggregates</u>	<u>Eliminations</u>	
Sales to					
Cement division	0	84	0	(84)	0
Concrete division	32.707	0	3.373	(36.080)	0
Third parties	<u>594.178</u>	<u>80.863</u>	<u>12.100</u>	<u>0</u>	<u>687.141</u>
Total Sales	626.885	80.947	15.473	(36.164)	687.141
Operating profit	103.347	354	1.970	0	105.671
Finance income / (expenses)	2.626	(1.473)	(215)	0	938
Profit before taxes	105.973	(1.119)	1.755	0	106.609
Income tax	(37.649)	(278)	(848)	0	(38.775)
Net profit of the year after tax	68.324	(1.397)	907	0	67.834
Other information					
Fixed asset additions	25.027	4.369	2.300	0	31.696
Depreciation charge	44.570	909	920	0	46.399
Fixed assets impairment	(73)	0	0	0	(73)
Cost of staff voluntary retirement program	10.764	0	0	0	10.764
Income from use of provisions	6.817	35	28	0	6.880
BALANCE SHEET					
Assets per division	995.287	69.470	38.173	(114.571)	988.359
Investment in Associates	<u>411</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>411</u>
Total Assets	995.698	69.470	38.173	(114.571)	988.770
Liabilities per division	992.847	69.470	38.173	(114.571)	985.919
Tax liabilities	<u>2.851</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2.851</u>
Total Liabilities	995.698	69.470	38.173	(114.571)	988.770
Amounts in € thousand	<u>1/1 - 31/12/2006</u>				<u>TOTAL</u>
	<u>Cement</u>	<u>Concrete</u>	<u>Aggregates</u>	<u>Eliminations</u>	
Sales to					
Cement division	0	125	0	(125)	0
Concrete division	36.448	0	18	(36.466)	0
Aggregates division	0	346	0	(346)	0
Third parties	<u>590.770</u>	<u>86.377</u>	<u>16.513</u>	<u>0</u>	<u>693.660</u>
Total Sales	627.218	86.848	16.531	(36.937)	693.660
Operating profit	103.456	(415)	1.797	0	104.838
Finance income / (expenses)	1.491	(702)	643	0	1.432
Profit before taxes	104.947	(1.117)	2.440	0	106.270
Income tax	(45.607)	729	(510)	0	(45.388)
Net profit of the year after tax	59.340	(388)	1.930	0	60.882
Other information					
Fixed asset additions	32.220	1.338	1.663	0	35.221
Depreciation charge	45.384	1.307	560	0	47.251
Fixed assets impairment	3.196	0	0	0	3.196
Impairment from revaluation of recoverable value	8	1.900	1.470	0	3.378
Cost of staff voluntary retirement program	13.038	0	0	0	13.038
Income from use of provisions	913	138	3	0	1.054
BALANCE SHEET					
Assets per division	996.687	61.575	31.710	(90.973)	998.999
Investment in Associates	<u>1.559</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1.559</u>
Total Assets	998.246	61.575	31.710	(90.973)	1.000.558
Liabilities per division	987.088	61.575	31.458	(90.973)	989.148
Tax liabilities	<u>11.158</u>	<u>0</u>	<u>252</u>	<u>0</u>	<u>11.410</u>
Total Liabilities	998.246	61.575	31.710	(90.973)	1.000.558

7. BUSINESS SEGMENTS - continued

The Group and Company operate in the following countries:

Amounts in € thousand

	GROUP		COMPANY	
	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>
Greece	593.366	596.418	531.494	527.032
Switzerland	86.422	86.086	84.253	84.598
Other	7.353	11.156	1.485	4.106
	<u>687.141</u>	<u>693.660</u>	<u>617.232</u>	<u>615.736</u>

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

8. OTHER OPERATING INCOME / (EXPENSES)

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

Amounts in € thousand

	Group		Company	
	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>	<u>1/1 - 31/12/2007</u>	<u>1/1 - 31/12/2006</u>
Profit/(loss) from participation disposals	1.853	0	1.853	0
Profit/(loss) from fixed asset disposals	(171)	405	(253)	359
Impairment of fixed assets	(74)	(3.195)	(74)	(3.131)
Participation in subsidiaries losses	0	0	(4.672)	(1.815)
Provision for associates losses	(1.043)	0	(1.043)	0
Loss from fixed assets revaluation at recoverable value	0	(3.378)	0	0
Collection of written-off debt	0	0	0	3.900
Other	737	517	0	0
	<u>1.302</u>	<u>(5.651)</u>	<u>(4.189)</u>	<u>(687)</u>

In the period under review, other operating income includes net profit of €1,853 thousand from the disposal of shares in the associate METROPOLITAN AUTOMOBILE ENTERPRISES S.A. The transaction took place on 17/01/2007, for a consideration of €3,218 thousand, corresponding to the Company's participation percentage of 45.97%. The sold company's main activity is the commercial operation of car parking.

Real estate impairment losses of €74 thousand were recognised in the Group and Company's 2007 results, versus €3,195 thousand and €3,131 thousand loss respectively in 2006, as detailed in note 17.

8. OTHER OPERATING INCOME / (EXPENSES) - continued

Other operating expenses in 2007 include Company's provision for losses rising to €4,672 thousand, which pertains to the Company's participations in the accumulated losses of its subsidiaries, besides the write-off of the respective participation of the Company therein. The respective provision for losses from participation was €1,815 thousand in 2006.

Other operating expenses of Group and Company in 2007 include a provision for associate losses amounting to €1,043 thousand, which pertains to the Group and Company's participations in the associate's deferred tax liability. In 2006 no provision was recognised. Relative reference is made in note 18.

9. COST OF VOLUNTARY STAFF RETIREMENT PROGRAM

Based on the voluntary staff retirement program which is in progress in the HERACLES GCC Group of Companies, the Company recognised a provision amounting to €13,038 thousand as at 31/12/2006. In 2007 the Management decided the expansion of the above mentioned staff retirement program and therefore the Company recognised an additional provision amounting to €13,356 thousand as at 30/06/2007 out of which €5,759 thousand have been utilised as at 31/12/2007. The Company's Management, reassessing the progress of the program decided its termination on 31/12/2007 and hence derecognised the unused provision amounting to €20,635 thousand. A new voluntary exit program for the HERACLES GCC Group of Companies was launched, based on updated data, by recognising a provision of €18,043 thousand as at 31/12/2007. The completion of the above mentioned program is expected to be realised within 2008.

The cost of the implementation of the new program will entirely burden the parent company HERACLES GCC. The program's aim is the improvement of productivity of the loss-generating activities and the reduction of the operating cost.

10. LOSS FROM IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES

The Company recognised an impairment loss on the goodwill which was recognised from the acquisition of the subsidiary AEGEAN TERMINALS amounting to €650 thousand, in the context of its revised strategy concerning the use of the subsidiary's distribution centre. In 2006 the Company had also performed impairment tests for its participations in subsidiaries. Based on the results of the aforementioned review the Company recognised in its 2006 results an impairment loss from participations amounting to €5,385 thousand.

11. OPERATING PROFIT

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

Amounts in € thousand	GROUP		COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Impairment of receivables	5.631	6.907	5.240	3.749
Use / reversal of receivables impairment	(2.186)	(4.036)	(2.115)	(4.521)
Impairment of fixed assets from revaluation of recoverable amount	0	3.378	0	0
Impairment of fixed assets	73	3.196	74	3.132
Impairment of participation in subsidiaries	650	0	650	5.385
Total impairment	<u>4.168</u>	<u>9.445</u>	<u>3.849</u>	<u>7.745</u>
	0	0	-	-
Amortisation of intangible assets	449	528	107	68
Depreciation of tangible assets	46.056	46.821	42.993	43.686
Amortisation of grant	(106)	(98)	(106)	(98)
Total depreciation & amortisation	<u>46.399</u>	<u>47.251</u>	<u>42.994</u>	<u>43.656</u>
Movement of finished and semi-finished products	(8.156)	641	(7.496)	900
Consumption of primary, auxiliary materials, consumables and spare parts	196.821	197.551	145.504	141.009
Total movement in inventories	<u>188.665</u>	<u>198.192</u>	<u>138.008</u>	<u>141.909</u>
	-	-	-	-
Employer's contribution	21.997	21.762	16.799	16.796
Salaries and other personnel benefits	110.984	111.358	88.020	88.857
Cost of voluntary staff retirement program	9.561	9.868	8.115	8.384
Staff termination indemnity	17.444	2.769	12.838	2.657
Total personnel expenses	<u>159.986</u>	<u>145.757</u>	<u>125.772</u>	<u>116.694</u>

Group and Company employed staff annual average breakdown:

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Number of personnel	2.431	2.549	1.795	1.921

12. FINANCE INCOME / (EXPENSES)

Finance income / (expenses) is analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Income				
Interest received & similar income	4.708	2.509	4.282	2.138
Income from dividends	48	50	1.425	0
Income from securities sale	0	738	0	609
Foreign exchange income	132	18	0	0
Income from derivatives	209	604	209	604
Discounted prepaid rents to present value	303	314	303	314
	<u>5.400</u>	<u>4.233</u>	<u>6.219</u>	<u>3.665</u>
Expenses				
Interest and related expenses	2.816	1.947	413	505
Loss from derivatives	357	326	357	326
Foreign exchange losses	1.289	528	1.131	371
	<u>4.462</u>	<u>2.801</u>	<u>1.901</u>	<u>1.202</u>
Total	<u>938</u>	<u>1.432</u>	<u>4.318</u>	<u>2.463</u>

13. INCOME TAX

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Income tax	26.339	32.654	25.307	31.021
Deferred taxation (Note 23)	8.309	2.025	6.614	3.093
Differences from previous years' tax audits	3.603	10.143	2.735	9.554
Other taxes not included in operating costs	524	566	477	515
Total	<u>38.775</u>	<u>45.388</u>	<u>35.133</u>	<u>44.183</u>

In addition to the deferred tax charged to the results, deferred tax amounting to €510 thousand and €575 thousand was credited to the Group's and Company's equity respectively, compared to €1,679 thousand and €1,334 thousand in 2006.

13. INCOME TAX - continued

The years current income tax has been calculated based on the applicable tax rate for 2007, namely 25% (2006: 29%). Deferred tax has been calculated at a tax rate of 25% which shall be applicable in the following year.

Income tax is analysed as follows:

Amounts in € thousand

	GROUP				COMPANY			
	1/1 - 31/12/2007		1/1 - 31/12/2006		1/1 - 31/12/2007		1/1 - 31/12/2006	
		%		%		%		%
Profit before taxes	106.609	25%	106.270	29%	104.255	25%	100.789	29%
Income tax at the current tax rate (25%) (2006 29%)	26.652	25%	30.818	29%	26.064	25%	29.229	29%
Expenses not deductible in determining taxable profit	3.828	4%	6.120	6%	4.210	4%	5.856	6%
Income not taxable in determining taxable profit	(1.020)	-1%	(2.370)	-2%	(356)	0%	(1.543)	-2%
Tax reduction due to tax free reserve	(2.987)	-3%	(2.900)	-3%	(2.987)	-3%	(2.900)	-3%
Difference in the current year's deferred taxation due to changes in tax rate	0	0%	(2)	0%	0	0%	(104)	0%
Effect of different tax rates of subsidiaries operating under a different tax status.	(145)	0%	(129)	0%	0	0%	0	0%
Tax losses not carried forward	2.906	3%	417	0%	0	0%	0	0%
Use of previous years' tax losses	(292)	0%	(657)	-1%	0	0%	0	0%
Differences from previous years' tax audits	3.603	3%	10.143	10%	2.735	3%	9.554	9%
Valuation allowance	5.706	5%	3.382	3%	4.990	5%	3.576	4%
Other taxes not included in operating costs	524	0%	566	1%	477	0%	515	1%
	<u>38.775</u>	<u>36%</u>	<u>45.388</u>	<u>43%</u>	<u>35.133</u>	<u>34%</u>	<u>44.183</u>	<u>44%</u>

Some of the 2006 amounts in the above analysis have been reclassified for a more fair view of income taxation.

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Receivables				
Income tax receivable	22.793	21.050	22.211	19.979
Other taxes	0	0	0	0
	<u>22.793</u>	<u>21.050</u>	<u>22.211</u>	<u>19.979</u>
Payables				
Income tax payable	(25.643)	(32.459)	(25.476)	(30.424)
Other taxes	(1)	(1)	0	0
	<u>(25.644)</u>	<u>(32.460)</u>	<u>(25.476)</u>	<u>(30.424)</u>
Total	<u>(2.851)</u>	<u>(11.410)</u>	<u>(3.265)</u>	<u>(10.445)</u>

14. EARNINGS PER SHARE

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

Amounts in € thousand	GROUP		COMPANY	
	1/1- 31/12/2007	1/1- 31/12/2006	1/1- 31/12/2007	1/1- 31/12/2006
Net profit for the period after tax	67.834	60.882	69.122	56.606
Weighted average number of common shares for the purpose of calculating basic earnings per share	71.082.707	71.082.707	71.082.707	71.082.707
Earnings per share in €	0,95	0,86	0,97	0,80

If there were no change in accounting policy of recognising actuarial gains and losses, the Group's earnings per share for the year 2007 would be €0.97 (2006: €0.82) while the Company's earning per share would be €0.99 (2006: €0.76).

15. ACQUIRED COMPANY GOODWILL

On 5th of February 2007, the subsidiary LAFARGE BETON S.A. acquired full control of SYNERGATIKI BETON S.A. which is operating in the production and trading of ready-mix concrete.

The calculation of the fair value of identifiable assets, liabilities and contingent liabilities acquired following the acquisition of the above mentioned company and the allocation of the purchase consideration, and consequently the estimation of goodwill, is final following the completion of twelve months from the date of acquisition.

Amounts in € thousand

SYNERGATIKI BETON S.A.	Book value	Final fair value adjustments	Final assessed fair value
Equity obtained:			
Intangible & tangible assets	22	0	22
Investments in associated companies	3	0	3
Other non-current receivables	1	0	1
Trade and other current receivables	21	0	21
Cash and cash equivalents	68	0	68
Trade and other creditors	(19)	0	(19)
	<u>96</u>	<u>0</u>	<u>96</u>
Final Goodwill			<u>298</u>
Total cash consideration			<u>394</u>
Net cash outflow from acquisition:			
Cash consideration paid			(394)
Cash and bank deposits of acquired subsidiary			<u>68</u>
			<u>(326)</u>

15. ACQUIRED COMPANY GOODWILL - continued

The profit of the acquired company in the post-acquisition period (06/02 – 31/12/2007), which is included in the Group's consolidation, amounts to €33 thousand.

Had the acquisition of the acquired company been completed on the first day of the period, Group profit would amount to €37 thousand.

On 25th of May 2007, the subsidiary LAFARGE BETON S.A. acquired 90% of the share capital of KAMBIS QUARRIES S.A., operating in the extraction and processing of aggregate production, while on 25th of September 2007 acquired the remaining 10% increasing the total consideration by €254 thousand.

The consideration, temporary estimation of goodwill and temporary allocation of the purchase consideration, is as follows:

Amounts in € thousand

KAMBIS QUARRIES S.A.	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & tangible assets	112	0	112
Deferred tax	0	27	27
Inventories	110	0	110
Trade and other current receivables	542	0	542
Cash and cash equivalents	4	0	4
Provisions for staff compensation	(18)	7	(11)
Provision for site restoration	0	(30)	(30)
Trade and other creditors	(328)	0	(328)
Bank loan	(454)	0	(454)
	<u>(32)</u>	<u>4</u>	<u>(28)</u>
Goodwill			<u>2.627</u>
Total cash consideration			<u>2.599</u>
Net cash outflow from acquisition:			
Cash consideration paid			(2.599)
Cash and bank deposits of acquired subsidiary			<u>4</u>
			<u>(2.595)</u>

The revenue of the acquired company in the post-acquisition period (26/05 – 31/12/2007) amounts to €668 thousand and the loss, which is included in the Group's consolidation, amounts to €38 thousand.

Had the acquisition of the acquired company been completed on the first day of the period, Group revenues for the period would amount to €1,062 thousand, and Group loss would amount to €343 thousand.

The determination of fair value of identifiable assets, liabilities and contingent liabilities acquired following the acquisition of the above mentioned company, the final allocation of the purchase consideration, and consequently, the final determination of goodwill will be finalised within twelve months of the acquisition.

The subsidiary LAFARGE BETON S.A. is currently in the process of estimating the fair values of assets and liabilities acquired, in order to assess the final goodwill.

15. ACQUIRED COMPANY GOODWILL - continued

On 2nd of July 2007, the subsidiary LAFARGE BETON S.A. acquired 100% of the share capital of SUPER BETON I. MARKOULAKI S.A., operating in the production and trading of ready-mix.

The consideration, temporary estimation of goodwill and temporary allocation of the purchase consideration, is as follows:

Amounts in € thousand

SUPER BETON S.A. I. MARKOULAKI	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & tangible assets	254	0	254
Deferred tax	0	122	122
Investments in associated companies	5	0	5
Other non-current receivables	288	0	288
Inventories	51	0	51
Trade and other current receivables	1.284	0	1.284
Cash and cash equivalents	10	0	10
Provisions for staff compensation	(156)	(31)	(187)
Other provisions	(200)	0	(200)
Other non-current payables	(225)	0	(225)
Trade and other creditors	(3.220)	0	(3.220)
Bank loan	(1.594)	0	(1.594)
	<u>(3.503)</u>	<u>91</u>	<u>(3.412)</u>
Goodwill			<u>6.054</u>
Total cash consideration			<u>2.642</u>
Net cash outflow from acquisition:			
Cash consideration paid			(2.642)
Cash and bank deposits of acquired subsidiary			<u>10</u>
			<u>(2.632)</u>

The revenue of the acquired company in the post-acquisition period (03/07 – 31/12/2007) amounts to €2,157 thousand and the loss, which is included in the Group's consolidation, amounts to €52 thousand.

Had the acquisition of the acquired company been completed on the first day of the period, Group revenues for the period would have been increased by €4,268 thousand, and Group loss would have been amounted to €1,607 thousand.

The determination of fair value of identifiable assets, liabilities and contingent liabilities acquired following the acquisition of the above mentioned company, the final allocation of the purchase consideration paid and, consequently, the final determination of goodwill will be finalised within twelve months of the acquisition.

The subsidiary LAFARGE BETON S.A. is currently in the process of estimating the fair values of assets and liabilities acquired, in order to assess the final goodwill.

15. ACQUIRED COMPANY GOODWILL - continued

On 5th of November 2007, the subsidiary LAFARGE BETON S.A. acquired 100% of the share capital of SAMARAS QUARRIES S.A., operating in the extraction and trading of aggregate.

The consideration, temporary estimation of goodwill and temporary allocation of the purchase consideration, is as follows:

Amounts in € thousand

SAMARAS QUARRIES S.A.	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & tangible assets	329	(139)	190
Deferred tax	0	135	135
Non-current receivables	7	0	7
Inventories	88	0	88
Trade and other current receivables	204	0	204
Cash and cash equivalents	21	0	21
Provisions for staff compensation	(40)	0	(40)
Provision for site restoration	0	(30)	(30)
Non-current payables	(365)	0	(365)
Trade and other creditors	(411)	0	(411)
	<u>(167)</u>	<u>(34)</u>	<u>(201)</u>
Goodwill			<u>2.374</u>
Total cash consideration			<u>2.173</u>
Net cash outflow from acquisition:			
Cash consideration paid			(2.173)
Cash and bank deposits of acquired subsidiary			<u>21</u>
			<u>(2.152)</u>

The revenue of the acquired company in the post-acquisition period (05/11 – 31/12/2007) amounts to €113 thousand and the profit, which is included in the Group's consolidation, amounts to €84 thousand.

Had the acquisition of the acquired company been completed on the first day of the period, Group revenues for the period would have amounted to €560 thousand, and Group loss would have amounted to €864 thousand.

The determination of fair value of identifiable assets, liabilities and contingent liabilities acquired following the acquisition of the above mentioned company, the final allocation of the purchase consideration paid and, consequently, the final determination of goodwill will be finalised within twelve months of the acquisition.

The subsidiary LAFARGE BETON S.A. is currently in the process of estimating the fair values of assets and liabilities acquired, in order to assess the final goodwill.

On 1st of December 2007, the subsidiary LAFARGE BETON S.A. acquired the fixed assets of SKYRODEMA S.A., with its registered office located in Chios island. The fixed assets acquired consist virtually a business activity, as with their acquisition LAFARGE BETON S.A. is in the position to fully operate in the production and trading of ready-mix in Chios. The goodwill resulting from the above mentioned acquisition, is analysed as follows:

15. ACQUIRED COMPANY GOODWILL - continued

Amounts in € thousand

	<u>Book value</u>	<u>Provisional fair value adjustments</u>	<u>Provisionally assessed fair value</u>
Equity obtained:			
Intangible & tangible assets	3.600	(2.340)	1.260
Deferred tax	<u>0</u>	<u>585</u>	<u>585</u>
	<u>3.600</u>	<u>(1.755)</u>	<u>1.845</u>
Goodwill			<u>1.755</u>
Total cash consideration			<u>3.600</u>

The total Group goodwill movement is as follows:

Amounts in € thousand

	<u>2007</u>		<u>2006</u>	
Goodwill as at 01/01		7.013		2.666
Temporary estimated goodwill of acquired companies:				
-BETON PREVEZIS S.A.	0		677	
-TH. ATHANASSIOU S.A.	0		2.952	
-AEGEAN TERMINALS S.A.	0		650	
-SKYRODEMA S.A. acquired fixed assets	1.755		0	
-SYNERGATIKI BETON S.A.	288		0	
-KAMBIS QUARRIES S.A.	2.554		0	
-SUPER BETON S.A. I. MARKOULAKIS	5.899		0	
-SAMRAS QUARRIES S.A.	<u>2.335</u>	12.831	<u>0</u>	4.279
Provisional fair value adjustments				
-BETON PREVEZIS S.A.	0		12	
-TH. ATHANASSIOU S.A.	(270)		(11)	
-KAMBIS QUARRIES S.A.	4		0	
-SUPER BETON S.A. I. MARKOULAKIS	91		0	
-SAMRAS QUARRIES S.A.	<u>(34)</u>	(209)	<u>0</u>	1
Consideration adjustments:				
-BETON PREVEZIS S.A.	0		2	
-TH. ATHANASSIOU S.A.	0		65	
-SYNERGATIKI BETON S.A.	10		0	
-KAMBIS QUARRIES S.A.	67		0	
-SUPER BETON S.A. I. MARKOULAKIS	64		0	
-SAMRAS QUARRIES S.A.	<u>73</u>	<u>214</u>	<u>0</u>	<u>67</u>
Goodwill impairment:				
-AEGEAN TERMINALS S.A.	<u>(650)</u>	<u>(650)</u>	<u>0</u>	<u>0</u>
Goodwill as at 31/12		<u>19.199</u>		<u>7.013</u>

15. ACQUIRED COMPANY GOODWILL - continued

In 2007, the goodwill derived from the acquisition of BETON PREVEZIS S.A. and TH. ATHANASSIOU S.A. by LAFARGE BETON S.A. was finalised. As final goodwill from BETON PREVEZIS S.A. amount of €691 thousand was recognised, while from TH. ATHANASSIOU S.A. from the initially recognised goodwill of €3,006 thousand an amount of €270 thousand was allocated to company's quarry resulting in a final goodwill of €2,736 thousand.

In addition, during 2007 the Company recognised an impairment loss on the goodwill which was recognised from the acquisition of the subsidiary AEGEAN TERMINALS amounting to €650 thousand.

16. INTANGIBLE ASSETS

Intangible assets exclusively concern software purchases. The following table shows the relevant items for the years 1/1-31/12/2007 and 1/1-31/12/2006.

Amounts in € thousand	GROUP	COMPANY
	Software programs	Software programs
COST		
1 January 2006	10.085	7.228
Additions	310	22
Disposals / Writte-offs	(23)	0
31 December 2006	10.372	7.250
Additions	628	404
Acquisition of company by subsidiary	61	0
Disposals/Writte-offs	(128)	0
31 December 2007	10.933	7.654
ACCUMULATED DEPRECIATION		
1 January 2006	9.244	7.139
Depreciation charge	528	68
Disposals/Write-offs	(1)	(1)
31 December 2006	9.771	7.206
Depreciation charge	449	107
Acquisition of company by subsidiary	49	0
Disposals/Write-offs	(132)	0
31 December 2007	10.137	7.313
CARRYING AMOUNT		
31 December 2006	601	44
31 December 2007	796	341

17. TANGIBLE ASSETS

The following table shows the relevant Group tangible assets movements for the years 1/1-31/12/2007 and 1/1-31/12/2006.

Amounts in € thousand

GROUP	Vehicles, Furniture and other equipment					Assets under construction	Total
	Land and quarries	Buildings	Machinery				
COST							
1 January 2006	80.023	251.767	368.813	23.844	13.529	737.976	
Impairment of fixed assets	(3.196)	0	0	0	0	(3.196)	
Impairment due to revaluation of fixed assets	(606)	(2.139)	(633)	0	0	(3.378)	
Additions	64	392	4.649	1.023	28.784	34.911	
Acquisition of subsidiary	70	559	1.206	670	0	2.505	
Disposals/Writte-offs	(7.195)	(304)	(621)	(414)	(1)	(8.535)	
Transfers	0	4.184	17.132	590	(21.905)	0	
31 December 2006	69.161	254.459	390.546	25.713	20.406	760.284	
Impairment of fixed assets	(56)	0	(17)	0	0	(73)	
Additions	630	1.092	3.560	3.031	22.754	31.068	
Acquisition of subsidiary	29	921	1.934	672	92	3.648	
Disposals/Writte-offs	(786)	(486)	(7.040)	(2.315)	(21)	(10.648)	
Goodwill allocation	270	0	0	0	0	270	
Transfers	976	4.558	17.638	956	(24.128)	0	
31 December 2007	70.224	260.544	406.621	28.057	19.104	784.549	
ACCUMULATED DEPRECIATION							
1 January 2006	859	34.823	63.031	10.860	0	109.573	
Depreciation Charge	512	16.206	27.640	2.365	0	46.723	
Disposals/Writte-offs	0	(56)	(249)	(354)	0	(659)	
31 December 2006	1.371	50.973	90.422	12.871	0	155.637	
Depreciation charge	523	15.985	26.863	2.579	0	45.950	
Acquisition of subsidiary	0	654	1.882	546	0	3.083	
Disposals/Writte-offs	0	(23)	(5.825)	(922)	0	(6.770)	
Transfers	320	(97)	(336)	113	0	0	
31 December 2007	2.214	67.492	113.006	15.187	0	197.900	
CARRYING AMOUNT							
31 December 2006	67.790	203.486	300.123	12.842	20.406	604.647	
31 December 2007	68.010	193.052	293.615	12.869	19.104	586.650	

The above assets include the carrying amount of the plot, quarry, machinery, as well as buildings/improvements of the subsidiary LAFARGE BETON S.A. at the Araxos location in Achaia Prefecture, amounting to €3,902 thousand. According to Notary Public deed no. 10114/2003, transfer of ownership of the above plot to LAFARGE BETON S.A. is still outstanding, however the transfer of the demesne has been completed. The Management presumes ownership of property for granted and book value recoverable, although the above impediment has not been remedied yet.

17. TANGIBLE ASSETS - continued

The following table shows the relevant Company tangible assets movements for the years 1/1-31/12/2007 and 1/1-31/12/2006.

Amounts in € thousand

COMPANY	Land and quarries	Buildings	Machinery	Vehicles, Furniture and other equipment	Assets under construction	Total
COST						
1 January 2006	65.177	235.657	347.221	15.365	12.261	675.681
Impairment of fixed assets	(3.132)	0	0	0	0	(3.132)
Additions	0	77	2.977	184	26.879	30.117
Disposals/Writte-offs	(6.930)	(281)	(133)	(19)	0	(7.363)
Transfers	0	4.125	17.084	329	(21.538)	0
31 December 2006	55.115	239.578	367.149	15.859	17.602	695.303
Impairment of fixed assets	(74)	0	0	0	0	(74)
Additions	31	0	1.440	194	21.660	23.325
Disposals/Writte-offs	(675)	(8)	(573)	(456)	0	(1.712)
Transfers	0	4.182	16.629	821	(21.632)	0
31 December 2007	54.397	243.752	384.645	16.418	17.630	716.842
ACCUMULATED DEPRECIATION						
1 January 2006	251	30.476	50.286	3.814	0	84.827
Depreciation charge	98	15.367	26.391	1.732	0	43.588
Disposals/Writte-offs	0	(53)	(57)	18	0	(92)
31 December 2006	349	45.790	76.620	5.564	0	128.323
Depreciation charge	97	15.428	25.581	1.780	0	42.887
Disposals/Writte-offs	0	(3)	(181)	(356)	0	(540)
Transfers	0	16	(113)	97	0	0
31 December 2007	446	61.231	101.907	7.085	0	170.670
CARRYING AMOUNT						
31 December 2006	54.766	193.788	290.529	10.295	17.602	566.980
31 December 2007	53.951	182.521	282.738	9.333	17.630	546.172

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

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

18. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES

The following table is a list of the Group's companies included in the consolidated financial Statements, with their respective addresses and the Group's interest therein.

Companies consolidated by full consolidation:

Name of Subsidiary	Registered Office	Direct participation	Indirect participation	Total	Main scope of activity
HERACLES GCC	Greece, Lycovrissi, Attica			Parent	Cement manufacture and trade
LAFARGE BETON S.A.	Greece, Metamorfossi, Attica	96,79%	3,21%	100,00%	Concrete and aggregates production & trade
ATLAS S.A.	Greece, Kallithea, Thessaloniki		100,00%	100,00%	Aggregates production & trade
EVIESK S.A.	Greece, Lycovrissi, Attica	95,76%	4,24%	100,00%	Metal constructions and mechanical maintenance
HERACLES MARITIME CO.	Greece, Lycovrissi, Attica	99,99%	0,01%	100,00%	Sea transports and ship management
LAVA S.A.	Greece, Lycovrissi, Attica	44,16%	55,84%	100,00%	Building materials and aggregates production & trade
AMBER S.A.	Greece, Lycovrissi, Attica	100,00%		100,00%	Industrial automation and IT
EKET LTD.	Greece, Lycovrissi, Attica	90,00%	10,00%	100,00%	Cement production technology
AEGEAN TERMINALS S.A.	Greece, Chalandri, Attica	99,78%		99,78%	Distribution terminal
PORT SAID SILO INVESTMENT COMPANY S.A.	Greece, Lycovrissi, Attica	99,97%	0,03%	100,00%	Distribution terminal
G. HATZIKYRIAKOS SOC. NAV.	Greece, Lycovrissi, Attica		100,00%	100,00%	Marine company
A. HATZIKYRIAKOS SOC. NAV.	Greece, Lycovrissi, Attica		100,00%	100,00%	(Dormant)
DYSTOS SOC. NAV.	Greece, Lycovrissi, Attica		100,00%	100,00%	(Dormant)
NAFSIKA SOC. NAV.	Greece, Lycovrissi, Attica		100,00%	100,00%	(Dormant)
HERACLES GLORY SOC. NAV.	Greece, Lycovrissi, Attica		100,00%	100,00%	(Dormant)
SYNERGATIKI BETON S.A.	Greece, Lamia		100,00%	100,00%	Concrete production & trade
KAMBIS QUARRIES S.A.	Greece, Arta		100,00%	100,00%	Extraction and processing of aggregates production
SUPER BETON S.A. I MARKOULAKIS	Greece, Heraclion, Crete		100,00%	100,00%	Concrete production & trade
SAMARAS QUARRIES S.A.	Greece, Athens, Attica		100,00%	100,00%	Extraction and processing of aggregates production
MARATHOS QUARRIES S.A.	Greece, Heraclion, Crete		77,00%	77,00%	Extraction and processing of aggregates production
FINDA TRANSPORTS S.A.	Greece, Lycovrissi, Attica	100,00%		100,00%	Under liquidation
ALEXANDRIA SILO INVESTMENT COMPANY S.A.	Panama	100,00%		100,00%	Under liquidation
PORT SAID SILO INVESTMENT COMPANY S.A.	Panama		100,00%	100,00%	(Dormant)
INTERNATIONAL MEDITERRANEAN SHIPPING S.A.	Luxemburg		100,00%	100,00%	Under liquidation
INTERNATIONAL FLAG	Egypt		95,50%	95,50%	(Dormant)

Companies consolidated using the equity method

Name of Associate	Registered Office	Direct participation	Indirect participation	Total	Main scope of activity
MIHALIS KATSIMBRIS SA	Greece, Heraclion, Crete		26,50%	26,50%	Building material and quarrying
MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A.	Greece, Lycovrissi, Attica	1,00%	49,00%	50,00%	(Dormant)

18. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES

In the period under review, the Group's participation percentage of 45.97% in the associate METROPOLITAN AUTOMOBILE ENTERPRISES S.A. was sold resulting in net profit of €1,853 thousand (note 8).

On 15th of March 2007, by virtue of decision no. K2-3833 of the Ministry of Development, the legal merger process through absorption of BETON PREVEZIS S.A. and TH. ATHANASSIOU S.A. by LAFARGE BETON S.A. was completed, following approval by the competent authorities.

Following the acquisition on 02/07/2007 of SUPER BETON S.A. I. MARKOULAKI from the subsidiary LAFARGE BETON S.A., the participation of the Group to the, until then, equity consolidated company MARATHOS QUARRIES S.A. increased to 77%. Therefore, from the day of acquisition the above mentioned company is fully consolidated. Minority interest has not been recognised in the Group's consolidated net equity given that the corresponding to the minority accumulated losses of MARATHOS QUARRIES S.A. exceed its participation cost. Accordingly, minority loss has not been recognised to the Group's consolidated income statement as the amount is insignificant.

On 30/09/07 the equity consolidated company HELACEM S.A. deregistered from the participations of the Company following the completion of liquidation. The liquidation has no impact to the Group results.

The Management reassessed the Company's obligations to third parties resulting from its participation to MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A., which as at 30/09/2007 was accounted for at cost value and from 31/12/2007 is equity consolidated. As a result of the above mentioned reassessment, the Group and the Company have provided for the corresponding deferred tax liability of the associated company, amounting to €1,043 thousand. The participation amounting to €293 thousand, of the Group companies in MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A., has been, as at 31/12/2006, and remains fully impaired as at 31/12/2007. The corresponding total receivables amounting to €3,242 thousand are fully impaired.

Following the decision of Athens Prefecture no. EM-28116/07.12.2007 the subsidiary PORT SAID SILO INVESTMENT COMPANY S.A. merged on 21/11/2007 with the subsidiary CHALKIS CEMENT INTERNATIONAL S.A. by absorption of the later company. Subsequent to the merger, Group's participation in subsidiary PORT SAID SILO INVESTMENT COMPANY S.A. increased to 100%.

On 21/12/2007 the Company's Board of Directors decided the merger by absorption of the subsidiary AMBER S.A. by HERACLES GCC. The merger is for the benefit of the shareholders of the Company and shall result in the achievement of reduced operation costs and the improvement of financial results. The merger is suggested to be executed according to the provisions of article 78 of L. 2190/20 and articles 1-5 of L. 2166/93.

18. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES - continued

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

Amounts in € thousand

	COMPANY					
	31/12/2007			31/12/2006		
	Acquisition Cost	Impairment provision	Net value	Acquisition Cost	Impairment provision	Net value
LAFARGE BETON S.A.	58.027	(28.520)	29.507	58.027	(28.520)	29.507
EVIESK S.A.	1.428	(1.428)	0	1.428	(1.428)	0
LAVA S.A.	1.240	0	1.240	1.805	0	1.805
AMBER S.A.	192	(192)	0	192	(192)	0
EKET LTD.	216	0	216	216	0	216
HERACLES MARITIME CO.	5.544	0	5.544	5.544	0	5.544
ALEXANDRIA SILO INVESTMENT COMPANY S.A.	458	(458)	0	458	(458)	0
PORT SAID SILO INVESTMENT COMPANY S.A.	4.880	(4.880)	0	4.495	(4.495)	0
FINDA TRANSPORTS S.A.	756	(756)	0	756	(756)	0
HALKIS CEMENT INTERNATIONAL S.A.	0	0	0	385	(385)	0
AEGEAN TERMINALS S.A.	796	(650)	146	796	0	796
HELACEM S.A.	0	0	0	260	(260)	0
METROPILITAN AUTOMOBILE ENTERPRISES S.A.	0	0	0	1.277	0	1.277
MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A.	6	(6)	0	6	(6)	0
Total	73.543	(36.890)	36.653	75.645	(36.500)	39.145
Available for sale investments						
METROPILITAN AUTOMOBILE ENTERPRISES S.A.	0	0	0	1.277	0	1.277
Total	73.543	(36.890)	36.653	74.368	(36.500)	37.868

During 2007, subsidiary LAVA S.A. decreased its share capital by direct payment to the shareholders. Consequently, the Company received an amount of €565 thousand reducing equivalently the value of its participation.

The Group's share in associates following its provision for impairment:

Amounts in € thousand

	GROUP	
	31/12/2007	31/12/2006
HELACEM S.A.	0	0
METROPILITAN AUTOMOBILE ENTERPRISES S.A.	0	1.150
MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A.	0	0
MIHALIS KATSIMBRIS SA	411	409
Total	411	1.559
Available for sale investments		
METROPILITAN AUTOMOBILE ENTERPRISES S.A.	0	1.150
Total	411	409

18. PARTICIPATIONS IN ASSOCIATES AND SUBSIDIARIES - continued

Total Assets and Liabilities of companies consolidated using the equity method, are stated below:

Amounts in € thousand

	<u>31/12/2007</u>	<u>31/12/2006</u>
Total Assets	3.200	6.557
Total Liabilities	5.691	2.482
Total Equity	<u>(2.491)</u>	<u>4.075</u>
	<u>411</u>	<u>1.559</u>

Less:

Available for sale investments

METROPOLITAN AUTOMOBILE

ENTERPRISES S.A.

	0	1.150
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Group Share

	<u>411</u>	<u>409</u>
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	<u>31/12/2007</u>	<u>31/12/2006</u>
Turnover	2.227	2.927
Profit / (loss)	188	124
Participation in the profit of associated companies	50	18

19. OTHER INTERESTS

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

Amounts in € thousand

	Share- holding	GROUP		COMPANY	
		<u>31/12/2007</u>	<u>31/12/2006</u>	<u>31/12/2007</u>	<u>31/12/2006</u>
ARMSTOCK CORP. S.A. (under liquidation)	40%	192	192	0	0
Other interest		55	59	55	61
Provision for impairment		(192)	(192)	0	(6)
Total		<u>55</u>	<u>59</u>	<u>55</u>	<u>55</u>

20. INVENTORIES

Group and Company inventories are analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Merchandise	409	563	226	398
Finished and semi-finished goods	26.205	18.049	22.682	15.186
Less: Obsolescence provision	<u>(1.591)</u>	<u>(1.436)</u>	<u>(1.418)</u>	<u>(1.300)</u>
	24.614	16.613	21.264	13.886
Raw & aux. materials	5.431	11.756	4.095	10.327
Less: Obsolescence provision	<u>(239)</u>	<u>(255)</u>	<u>(36)</u>	<u>(46)</u>
	5.192	11.501	4.059	10.281
Spare parts	36.613	33.791	35.959	33.289
Less: Obsolescence provision	<u>(11.620)</u>	<u>(7.270)</u>	<u>(11.532)</u>	<u>(7.172)</u>
	24.993	26.521	24.427	26.117
Consumables	5.596	13.164	5.382	12.608
Total	<u>60.804</u>	<u>68.362</u>	<u>55.358</u>	<u>63.290</u>

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

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Balance at the start of year	8.961	8.061	8.518	7.700
Additional provision in the year for finished and semifinished products obsolescence	155	288	118	287
Additional provision in the year for slow moving raw materials	0	48	0	0
Reversal of provision for slow moving raw materials	(16)	(165)	(10)	(164)
Use of provision due to spare part damage	(1.178)	(600)	(1.168)	(559)
Additional provision in the year for spare parts obsolescence	843	241	843	241
Additional provision in the year for slow moving spare parts	4.685	1.088	4.685	1.013
Total	<u>13.450</u>	<u>8.961</u>	<u>12.986</u>	<u>8.518</u>

The Company following the LAFARGE Group policies reassessed, at the end of 2007, the amount of provision for slow moving spare parts, thus providing additionally for the spare parts that are not consumed within two years, excluding only critical spare parts and its minimum basic stock.

21. PROVISION FOR STAFF RETIREMENT COMPENSATION

The Group Companies are compensating retiring staff with the equivalent of 100% of the compensation in case of dismissal as stated by the Labor Law. There are no other post-retirement benefits. To calculate the Group's above mentioned constructive obligation towards its staff regarding future payment of staff retirement benefits depending on the previous service duration, independent actuaries perform an actuarial valuation. The staff retirement compensation is not a savings program, therefore is not funded from special reserves. The non financed obligation will lead to future Group and Company payments on the date the employee will retire.

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

The most recent actuarial valuation of Group staff compensation due to retirement was conducted by independent actuaries, based on 31 December 2007 data. The current value of the defined benefits obligation and relevant costs of current and offered services, were calculated using the projected unit credit method, as stipulated in IAS 19.

Actuarial gains and losses (differences between expected and actual defined benefit obligations at the end of 2007) arose during the year for each of the Group's companies.

The Group's and the Company's estimated actuarial losses as at 31/12/2007 amount to €409 thousand and €657 thousand after deferred taxation of €102 thousand and €164 thousand respectively, which is attributed to experiential adjustments and a change in actuarial assumptions in relation to the previous year.

The recognition of the above mentioned actuarial loss increased the liability for staff retirement compensation and was made directly in the statement of recognised income – expense.

The actuarial losses derive on one hand from profit of €3,520 thousand and €2,982 thousand for Group and Company respectively, due to change in actuarial assumptions in relation to the ones used in the previous year and especially the change in the discount factor from 4.25% to 4.75% and on the other hand from actuarial losses from experiential adjustments totaling €3,929 thousand and € 3,639 thousand for the Group and the Company respectively, which are attributed to the following factors:

- In 2007, the actual average rise in basic pay and allowances increased to 6.6% and 11.2% respectively, against a long-term actuarial assumption of 4.5% for both cases: loss of €2,350 thousand and €2,150 thousand for Group and Company respectively. The Management estimates that in the long term the average rise will be at 4.5%
- The loss of €1,579 thousand and €1,489 thousand for Group and Company respectively, is attributed to population mobility during the year, like retirements, new hiring and mortality.

21. PROVISION FOR STAFF RETIREMENT COMPENSATION - continued

The staff retirement compensation provision is analysed as follows:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Present value of obligation	100.229	112.089	86.619	96.709
Unrecognised past service cost	(224)	(313)	(213)	(302)
Net liability / (asset) in BS	100.005	111.776	86.406	96.407
Amounts recognised in P&L				
Service cost	4.946	4.547	4.146	3.816
Interest cost	4.556	4.151	3.912	3.558
Amortisation of past service cost	59	1.170	57	1.010
Regular P&L charge	9.561	9.868	8.115	8.384
Settlement / curtailment / termination loss / (gain)	17.444	2.769	12.838	2.657
Other expense / (income)	0	(18)	0	0
Total P&L charge	27.005	12.619	20.953	11.041
Changes in present value of DBO				
Defined benefit obligation at start of period	112.089	103.665	96.708	89.232
Service cost	4.946	4.547	4.146	3.816
Interest cost	4.556	4.151	3.912	3.559
Benefits paid directly by the Company	(39.385)	(14.420)	(31.612)	(12.287)
Extra payments or expenses / (income)	17.614	2.852	12.808	2.631
Past service cost arising over last period	0	1.107	0	947
Actuarial loss / (gain)	409	10.187	657	8.811
Defined benefit obligation at end of period	100.229	112.089	86.619	96.709
Amounts of current and previous period				
DBO	(100.229)	(112.089)	(86.619)	(96.709)
Experience adjustments on plan liabilities	(409)	(10.187)	(657)	(8.811)
(Gain) / loss on plan liabilities due to change in assumptions	3.520	(4.744)	2.982	(4.000)
(Gain) / loss on plan liabilities due to experience	(3.929)	(5.443)	(3.639)	(4.811)
Movement in net liability / (asset) in BS				
Net liability / (asset) in BS at the beginning of the period	111.775	103.262	96.407	88.842
Benefits paid directly	(39.385)	(14.420)	(31.612)	(12.287)
Total expense recognised in the income statement	27.004	12.620	20.954	11.041
Net liability / (asset) in BS before adjustment	99.395	101.461	85.749	87.596
Amount recognised in the statement of recognised (income) / expense	409	10.187	657	8.811
Acquisition of new entities	201	128	0	0
Net liability / (asset) in BS	100.005	111.776	86.406	96.407
Included in current liabilities	6.220	9.978	5.777	9.319
Included in non-current liabilities	93.785	101.798	80.629	87.088
Total	100.005	111.776	86.406	96.407

21. PROVISION FOR STAFF RETIREMENT COMPENSATION - continued

Main assumptions used by actuaries:

	GROUP		COMPANY		
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	
Discount rate	4,75%	4,25%	4,75%	4,25%	annual
Pay increase	4,50%	4,50%	4,50%	4,50%	annual
Benefits increase	4,50%	4,50%	4,50%	4,50%	annual
Inflation rate	2,50%	2,50%	2,50%	2,50%	annual
Average future service	9,29	8,90	8,82	8,49	

Mortality assumption based on Swiss table EVK00

Disability assumption based on Swiss EVK00 disability table adjusted by 50%

The results of the actuarial valuation are discounted to present value with the use of a discount rate, thus the amount of staff retirement compensation is sensitive to changes in the discount factor, namely:

- a) if the discount rate used was 0.25 units higher (5.00%) then the DBO for the Group, would be lower by 1.69% (€1,694 thousand) and for the Company by 1.65% (€1,429 thousand).
- b) On the other hand, if the discount rate used were 0.25 units lower (4.50%) then the DBO for the Group, would be higher by 1.74% (€1,744 thousand) and for the Company by 1.70% (€1,473 thousand).

22. OTHER NON-CURRENT AND CURRENT PROVISIONS

Amounts in € thousand

GROUP	Provision for site restoration	Provision for legal litigations	Provision for labour law compliance	Provision for associate liability	Provision for voluntary staff retirement program	Provision for fire affected areas	Other provisions	Total
1 January 2006	5.088	700	503	0	0	0	793	7.084
Additional provision for the period	85	131	713	0	13.038	0	1.563	15.530
Provision utilised	(620)	(122)	0	0	0	0	(312)	(1.054)
31 December 2006	4.553	709	1.216	0	13.038	0	1.983	21.499
Included in current liabilities	1.379	17	0	0	13.038	0	0	14.434
Included in non-current liabilities	3.174	692	1.216	0	0	0	1.983	7.065
31 December 2006	4.553	709	1.216	0	13.038	0	1.983	21.499
Additional provision for the period	55	1.616	878	1.043	0	3.000	16	6.608
Provision for expansion of voluntary staff retirement program	0	0	0	0	13.356	0	0	13.356
Derecognition of voluntary staff retirement program provision	0	0	0	0	(20.635)	0	0	(20.635)
Provision utilised	(703)	(75)	0	0	(5.759)	(323)	(20)	(6.880)
Provision for new voluntary staff retirement program	0	0	0	0	18.043	0	0	18.043
31 December 2007	3.935	2.250	2.094	1.043	18.043	2.677	2.242	32.284
Included in current liabilities	1.343	0	0	0	18.043	987	17	20.390
Included in non-current liabilities	2.592	2.250	2.094	1.043	0	1.690	2.225	11.894
31 December 2007	3.935	2.250	2.094	1.043	18.043	2.677	2.242	32.284

22. OTHER NON-CURRENT AND CURRENT PROVISIONS - continued

Amounts in € thousand

COMPANY	Provision for site restoration	Provision for legal litigations	Provision for labour law compliance	Provision for subsidiaries losses	Provision for associate liability	Provision for voluntary staff retirement program	Provision for fire affected areas	Other provisions	Total
1 January 2006	3.878	352	503	4.074	0	0	0	140	8.947
Additional provision for the period	0	81	713	1.815	0	13.038	0	715	16.362
Provision utilised	(590)	0	0	0	0	0	0	0	(590)
31 December 2006	3.288	433	1.216	5.889	0	13.038	0	855	24.719
Included in current liabilities	1.286	0	0	0	0	13.038	0	0	14.324
Included in non-current liabilities	2.002	433	1.216	5.889	0	0	0	855	10.395
31 December 2006	3.288	433	1.216	5.889	0	13.038	0	855	24.719
Additional provision for the period	46	1.464	878	4.672	1.043	0	3.000	15	11.118
Provision for expansion of voluntary staff retirement program	0	0	0	0	0	13.356	0	0	13.356
Derecognition of voluntary staff retirement program provision	0	0	0	0	0	(20.635)	0	0	(20.635)
Provision utilised	(606)	0	0	0	0	(5.759)	(323)	0	(6.688)
Provision for new voluntary staff retirement program	0	0	0	0	0	18.043	0	0	18.043
31 December 2007	2.728	1.897	2.094	10.561	1.043	18.043	2.677	870	39.913
Included in current liabilities	1.298	0	0	0	0	18.043	987	0	20.328
Included in non-current liabilities	1.430	1.897	2.094	10.561	1.043	0	1.690	870	19.585
31 December 2007	2.728	1.897	2.094	10.561	1.043	18.043	2.677	870	39.913

22. OTHER NON-CURRENT AND CURRENT PROVISIONS - continued

Reference is made in note 9 concerning the staff voluntary exit program.

The provision for undertaking the liability of associated company concerns constructive obligation, according to Group's participation percentage, for deferred tax of the associated company MIDDLE EAST CEMENT SHIPPING & HANDLING COMPANY S.A, reference is made in note 18.

The provision for pending court cases concerns actions filed against the Group to a total amount of 8.614 thousand Euros, for which the estimated eventual loss rises to 2.250 thousand Euro, while the provision for pending court cases concerning the Company amount to 6.935 thousand Euros, for which the estimated eventual loss rises to 1.897 thousand Euros.

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

The provision for labour law compliance expenses concerns the current assessment of the labour disputes resolution cost.

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

After the catastrophic fires in August 2007, the LAFARGE Group and HERACLES GCC, announced the donation of 1.000 thousand Euros to the National Solidarity Fund and immediately implemented a support program for the fire-stricken population and the local societies. This program includes the rendering of construction materials and contribution in infrastructure works, the re-activation of small rural and cattle-breeding units of residents of the fire-stricken areas as well as the development of activities for the protection of the environment and for fire precaution. The total amount of the aid for the fire-stricken population will amount to 3.000 thousand Euros.

23. DEFERRED TAX RECEIVABLES AND LIABILITIES

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

Amounts in € thousand

GROUP

Deferred taxation from:	Acquisition of				Acquisition of				
	1/1/2006	Equity	Subsidiary	Year results	31/12/2006	Equity	Subsidiary	Year results	31/12/2007
Impact from valuation of tangible assets to their fair value and adjustment of depreciation due to use of respective estimated useful life assessment	(31.903)	0	(222)	(1.656)	(33.781)	0	585	(3.402)	(36.598)
Prior years' tax losses carried forward	0	0	0	0	0	0	0	474	474
Provision for doubtful receivables	8.037	0	0	(2.100)	5.937	0	0	(217)	5.720
Write-off of unused exports expenses reserve	(484)	0	0	18	(466)	0	0	0	(466)
Provisions for staff retirement compensation	25.994	2.548	31	(607)	27.966	99	12	(3.078)	24.999
Provisions for a bad debt from the Bank of Greece regarding the recovery of penal clauses on foreign exchange regulations	1.457	0	0	0	1.457	0	0	(1.457)	0
Provision for receivable from the Business Restructuring Organisation	2.136	0	0	0	2.136	0	0	(1.943)	193
Recognition of financial derivatives	632	(869)	0	(42)	(279)	412	0	73	206
Cost of voluntary staff retirement program	0	0	0	1.627	1.627	0	0	1.541	3.168
Impairment of inventory	1.763	0	0	204	1.967	0	0	1.117	3.084
Other	4.062	0	(89)	531	4.504	(1)	273	(1.417)	3.360
Total	11.694	1.679	(280)	(2.025)	11.068	510	870	(8.309)	4.140

23. DEFERRED TAX RECEIVABLES AND LIABILITIES - continued

Amounts in € thousand

COMPANY

Deferred taxation from:

	1/1/2006	Equity	Year results	31/12/2006	Equity	Year results	31/12/2007
Impact from valuation of tangible assets to their fair value and adjustment of depreciation due to use of respective estimated useful life assessment	(28.977)	0	(2.091)	(31.068)	0	(3.264)	(34.332)
Provision for doubtful receivables	7.146	0	(2.582)	4.564	0	(263)	4.301
Write-off of unused exports expenses reserve	(430)	0	18	(412)	0	0	(412)
Provisions for staff retirement compensation	22.211	2.203	(311)	24.103	164	(2.665)	21.602
Provisions for a bad debt from the Bank of Greece regarding the recovery of penal clauses on foreign exchange regulations	1.457	0	0	1.457	0	(1.457)	0
Provision for receivable from the Business Restructuring Organisation	1.541	0	0	1.541	0	(1.541)	0
Recognition of financial derivatives	698	(869)	(42)	(213)	412	73	272
Cost of voluntary staff retirement program	0	0	1.627	1.627	0	1.541	3.168
Impairment of inventory	1.762	0	204	1.966	0	1.117	3.083
Other	3.531	0	84	3.615	(1)	(155)	3.459
Total	8.939	1.334	(3.093)	7.180	575	(6.614)	1.141

23. DEFERRED TAX RECEIVABLES AND LIABILITIES - continued

In addition to the deferred tax that is debited to the current profit and loss, deferred tax of €99 thousand and €164 thousand that concerns actuarial losses recognized during the year have been credited straight to equity of the Group and the Company respectively as of 31 December 2007, while the respective numbers as of 31 December 2006 was €2.548 thousand and €2.203 thousand for the Group and the Company respectively. An amount of €412 thousand is credited straight to equity of the Group and the Company and concerns the recognition of Company's derivatives. Respectively, in 2006 deferred tax of €869 thousand has been debited straight to equity of the Group and the Company.

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

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Deferred tax assets	41.204	45.594	35.885	38.939
Deferred tax liabilities	(37.064)	(34.526)	(34.744)	(31.759)
Total	4.140	11.068	1.141	7.180

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

Amounts in € thousand	GROUP		COMPANY	
	2007	2006	2007	2006
Provision for voluntary staff retirement program	1.343	1.633	1.343	1.633
Prior years tax losses	2.906	417	0	0
Unrecognized deferred tax assets	4.249	2.050	1.343	1.633

Comparative figures of 2006 have been restated due to change in the accounting policy for the recognition of the actuarial gains and losses.

On 31 December 2007, Group companies had unused carried forward tax losses of €21.249 thousand (2006: €4.019 thousand). Against the above tax losses the Group has created an accumulated provision for deferred tax assets of €474 thousand (2006: €0 thousand), since Management estimates that only this amount can be recovered in the future.

On 31 December 2007, Group companies had created provisions for participations impairment amounted to €37.502 thousand (2006: €37.112 thousand) and the Company, respectively, €36.890 thousand (2006: €36.500 thousand). For these amounts no deferred tax asset was created, since Management does not expect that the liquidation of the related companies will take place in the near future, so as to have a tax benefit from the loss of capital.

24. DIVIDENDS

According to Greek corporate legislation in force, each year entities are obliged to allocate dividends corresponding to at least 35% of profit after tax, less legal reserve while according to the Article of Association, the Company is obliged to allocate dividend at least 8% of the share capital. The Company may not allocate dividend if all shareholders so agree.

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

The dividends paid during the current year from the previous year's profit 1/1 - 31/12/2006 and from extraordinary reserves available, after approval of the General Shareholders Meeting of 15/6/2007, amounted to €71,083 thousand (€1,00 per share).

The proposed dividend for the year 1/1-31/12/2007 amounts to €71,083 thousand (€1,00 per share) of which, €60,420 thousand from current year profit, and €10,663 thousand from reserves and is subject to approval of the General Shareholders Meeting. Dividends payable are recognised as a liability at the time of approval by the General Assembly of Shareholders.

25. SHARE CAPITAL

Amounts in € thousand	<u>31/12/2007</u>	<u>31/12/2006</u>
Approved, issued and fully paid:		
Number of common shares	71.082.707	71.082.707
Nominal share price	2,00	2,00
Share Capital	142.165	142.165

There is a single class of common shares which carry no right to fixed income.

26. SHARE PREMIUM

Amounts in € thousand	<u>31/12/2007</u>	<u>31/12/2006</u>
Share premium	<u>1.279</u>	<u>1.279</u>

27. RESERVES

Movements in Group reserves are presented in the tables below:

Amounts in € thousand

	GROUP				
	<u>1/1/2006</u>	<u>Προσθήκες/ (Μειώσεις)</u>	<u>31/12/2006</u>	<u>Προσθήκες/ (Μειώσεις)</u>	<u>31/12/2007</u>
Statutory Reserve	24.160	3.260	27.420	3.054	30.474
Special Reserves	6.356	0	6.356	1.894	8.250
Extraordinary Reserves	88.987	(9.314)	79.673	(28.433)	51.240
Tax-free Reserves	94.165	11.987	106.152	8.129	114.281
	<u>213.668</u>	<u>5.933</u>	<u>219.601</u>	<u>(15.356)</u>	<u>204.245</u>

Amounts in € thousand

	COMPANY				
	<u>1/1/2006</u>	<u>Προσθήκες/ (Μειώσεις)</u>	<u>31/12/2006</u>	<u>Προσθήκες/ (Μειώσεις)</u>	<u>31/12/2007</u>
Statutory Reserve	20.956	3.260	24.216	2.974	27.190
Special Reserves	6.030	0	6.030	1.894	7.924
Extraordinary Reserves	76.878	(9.314)	67.564	(28.433)	39.131
Tax-free Reserves	87.445	11.977	99.422	8.129	107.551
	<u>191.309</u>	<u>5.923</u>	<u>197.232</u>	<u>(15.436)</u>	<u>181.796</u>

Statutory reserve

According to Greek corporate legislation, every profitable company each year must transfer 5% of their profit after taxes to the statutory reserve, until the reserve equals 1/3 of the share capital. This reserve is not distributed, but it can be used against losses. In 2007, after the approval of the General Assemblies of the Group companies, regarding the distribution of profit of the fiscal year 2006, statutory reserves formatted for the Group amounting to €3,054 thousand, out of which €2,794 thousand concerns the Company.

Special reserves

These are various special reserves, such as taxed accounting differences, differences from conversion of capital from Drachma to Euro, each with different conditions attached. The bulk thereof relates to Special Reserve under article 23A of Law 2892/92 created in 1996 and 1997, to be distributed ten years after it was created without any tax burden. In 2007 in special reserves has been transferred the amount of €1,894 thousand which was initially concerning tax free reserves but it was rejected by the audit of the tax authorities.

Extraordinary reserves

Extraordinary reserves comprise previous years' taxed profit carried forward and can be distributed to the Company's shareholders without further taxation, after the General Assembly Meeting decision.

27. RESERVES - continued

Tax free reserves

Movements in tax free reserves are presented in the tables below:

	GROUP		
	31/12/2006	Movement	31/12/2007
Tax incentive law 2601/98	36.594	(249)	36.345
Tax incentive law 1892/90	27.842	0	27.842
Tax incentive law 1828/89	19.207	0	19.207
Tax incentive law 1262/82	3.172	0	3.172
Article 9, Law 2190/20 Committee	1.614	0	1.614
Tax incentive law 1078/71	1.613	0	1.613
Law 2238/94, article 34 para. 5	974	0	974
Tax incentive law 289/76	928	0	928
Tax incentive law 607/68	729	0	729
Tax incentive law 4002/59	210	0	210
Tax incentive law 147/67	178	0	178
Other tax-free reserves	12.082	8.378	20.460
Total	1.009	0	1.009
	106.152	8.129	114.281

	COMPANY		
	31/12/2006	Movement	31/12/2007
Tax incentive law 2601/98	36.594	(249)	36.345
Tax incentive law 1892/90	25.980	0	25.980
Tax incentive law 1828/89	17.649	0	17.649
Tax incentive law 1262/82	2.436	0	2.436
Article 9, Law 2190/20 Committee	1.614	0	1.614
Tax incentive law 1078/71	1.345	0	1.345
Tax incentive law 607/68	729	0	729
Tax incentive law 4002/59	210	0	210
Tax incentive law 147/67	161	0	161
Other tax-free reserves	12.072	8.378	20.450
	632	0	632
Total	99.422	8.129	107.551

These are tax-free reserves created from expenses for productive investments. All tax-free reserves stipulated in tax incentive laws, excluding that of Law 1828/89, can be capitalised with 5% taxation for the Parent Company and 10% for Group subsidiaries, or distributed at the tax rate in force at the time of distribution. There is no time restriction for their distribution. The tax-free reserve of Law 1828/89 shall be carried, within three years of its creation, to increase the Company's capital, without any income tax.

In 2007, after the approval of the General Assembly of the Company, regarding the distribution of profit of the fiscal year 2006, tax free reserve of Law 3299/2004 amounting to €10,023 thousand was formatted. On the other hand, the tax free reserves were decreased by a transfer to special reserves of €1,894 thousand due to rejection from the tax authorities' audit. The other Group subsidiaries did not form any tax free reserves from their 2007 profits.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT

In this note are analyzed the financial assets and liabilities and their respective financial risks.

28.1 FINANCIAL RISK FACTORS

The Group is exposed to financial risks, such as market risk (unforeseen exchange rate, interest rate and market price fluctuations) and credit risk. These risks are consistent and none of them is new. So far they are managed successfully. The Group's risk management program aims at minimising the possible negative impact that such risks may have on the Group's financial performance.

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

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

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

Credit risk

The financial assets and liabilities of the Group that contain credit risk are mainly the following:

- a) Trade and other receivables. The relative maximum exposure to credit risk is analyzed in note 28.3 together with the policies and methods of the Group for the credit risk management.
- b) Granted guarantees. The relative maximum risk exposure is analyzed below in note 29 in and specifically paragraph "Granted guarantees".
- c) Other non-current receivables. The relative maximum exposure to credit risk is analyzed in note 28.3 below.

Liquidity risk

Liquidity risk of the Group is nil due to the high liquidity of the Group companies in relation with the current short-term liabilities. Specifically the total of short-term liabilities of the Group on 31/12/2007 amount to €125,823 thousand and are fully covered by Cash and cash equivalent of the Group on 31/12/2007 which amount to €149,926 thousand.

Exchange rate risk

The majority of the Group's transactions are carried out in Euro and the rest in US Dollars. Therefore, to some degree, the Group is exposed to the risk of exchange rate fluctuations. The risk is hedged with derivatives, especially exchange futures.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.1 FINANCIAL RISK FACTORS - continued

The exposure of the Group in exchange rate risks is due to its transactions in foreign currency concerning imports and export of goods and services. The financial assets and liabilities that contain exchange rate risk are the following:

- a) Trade and other current receivables.
- b) Cash and cash equivalents
- c) Trade and other payables

The effect of the exchange rate fluctuation is opposite to the above line "Trade and other Payables" compared to the effect in the other two lines. In the tables below are presented the US Dollars balances amounting to the net US Dollar position and the respective value in Euro.

FINANCIAL ASSETS AND LIABILITIES IN US DOLLARS

Amounts in \$ thousand

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Cash and cash equivalents	589	2.265	585	2.261
Receivables	6.500	6.579	6.432	5.353
Payables	<u>(6.426)</u>	<u>(863)</u>	<u>(5.990)</u>	<u>(813)</u>
Net receivables / (payables)	<u>663</u>	<u>7.980</u>	<u>1.027</u>	<u>6.801</u>
Euro/ USD	1,4721	1,3170	1,4721	1,3170

FINANCIAL ASSETS AND LIABILITIES IN EURO

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Cash and cash equivalents	400	1.720	397	1.717
Receivables	4.415	4.995	4.369	4.065
Payables	<u>(4.365)</u>	<u>(656)</u>	<u>(4.069)</u>	<u>(617)</u>
Net receivables / (payables)	<u>450</u>	<u>6.059</u>	<u>698</u>	<u>5.164</u>

Furthermore, there are receivables of the Group subsidiary LAVA SA on 31/12/2007 in UK Pounds amounting to £192 thousand (€ 261 thousand) while on 31/12/2006 the respective amount was £98 thousand (€146 thousand). The Group does not have other balances in foreign currency with material value.

Regarding the hedging of exchange rate risk the Company has concluded forward contract of US Dollar purchase. Below is presented an analysis of the contracts and the respective period of the US Dollar purchase. The Company is following the Group LAFARGE policy to hedge at least the 90% of the total foreign exchange risk.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.1 FINANCIAL RISK FACTORS - continued

Amounts in thousand

Contract period	Average forward rate	Dollars purchase	Value in Euro
μέχρι 31/3/2008	1,4112	10.000	7.087
1/4 - 30/6/2008	1,4035	10.000	7.126
1/7 - 30/9/2008	1,4309	8.000	5.592
1/10 - 31/12/2008	1,4373	5.000	3.479

Interest rate risk

Bank loans of the Group are related to floating rates, but their fluctuations do not affect materially the interest expenses or the cash flows. Group policy concerning bank loans is to conclude loan agreements in terms of one to three months so there is low risk of change in interest rate. Taking also in mind the low balance of Group bank loans the exposure to interest rate risk is nil. Nevertheless whichever exposure of the Group to interest rate risk is budgeted and then followed up.

On 31/12/2007 Group loans were immaterial; furthermore the balance of current liabilities is lower than the Group's Cash deposits, consequently there is no actual interest rate risk.

Specifically, Group loans on 31/12/2007 are up to €2,068 thousand. This amount multiplied by the average yearly interest rate for loans of 5.85% is equal to an expense of €121 thousand. Any reasonable fluctuation of this amount can not affect materially the Group results.

Risk of fuel, freight and electric power prices increase

The Group suffers significant cost by consuming fuel and electric power for the production and distribution. Hence it is exposed to the risk of increased fuel prices. In order to hedge the risk the Group is using derivatives financial instruments, usually forward contracts that refer to international fuel prices (relative note 28.6 below).

The group is also extensively using freight services for its sales and purchases. Hence it is also exposed to the risk of increased freight prices. In order to hedge the risk the Group is using derivatives financial instruments, usually forward contracts that refer to international freight prices (relative note 28.6 below).

The above hedging is directed centrally by LAFARGE SA (Parent Company of the HERACLES GROUP), hence it is not feasible to calculate the percentage of coverage of the risk.

In the below table is presented a sensitivity analysis of the Company's profit to the fluctuation of prices of fuel, freight and electric power, supposing that the sale prices of the Company will not change.

Amounts in € thousand

Variations %	(30%)	(20%)	(10%)	(5%)	0%	5%	10%	20%	30%
Coal	5.018	3.345	1.673	836	0	(836)	(1.673)	(3.345)	(5.018)
Petcoc	10.312	6.875	3.437	1.719	0	(1.719)	(3.437)	(6.875)	(10.312)
Freight	2.087	1.391	696	348	0	(348)	(696)	(1.391)	(2.087)
Electric power	13.864	9.242	4.621	2.311	0	(2.311)	(4.621)	(9.242)	(13.864)
Σύνολο	31.281	20.853	10.427	5.214		(5.214)	(10.427)	(20.853)	(31.281)

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.2 NON-CURRENT RECEIVABLES

Non-current receivables are analyzed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Intercompany notes receivable	0	0	3.358	3.562
Present value of prepaid rents	3.358	3.562	0	0
Guarantee deposits (DEI, rents etc)	4.382	4.232	4.073	3.992
Other non-current receivables	165	201	0	0
Other non-current intercompany receivables	0	0	33.500	10.000
Provision for non-current receivables	(3.444)	(86)	(3.358)	0
Total	4.461	7.909	37.573	17.554

Non-current intercompany receivables concern loan agreements between the parent Company AGET HERACLES and its subsidiaries LAFARGE BETON SA and EVIESK SA. The amount of these intercompany loans are €20,000 thousand (2006: €10,000 thousand) for LAFARGE BETON SA and €13,500 thousand (2006: €0 thousand) for EVIESK SA. As intercompany balances, these receivables are considered as of low credit risk and their book value approximates their fair value.

The undiscounted value of intercompany notes receivable which is also related to the present value of prepaid rents by a subsidiary to third party is up to €5,583 thousand (2006: €6,066 thousand) and the relative discount which is calculated with 7.5% rate is €1,718 thousand (2006: €2.021 thousand). The amortized cost of €3,865 thousand (2006: 3,562 thousand) is presented split in non-current receivables by €3,358 thousands (2006: €3,562 thousands) and in current receivables by €507 thousand (2006: €483 thousand).

The relative provisions for the above amounts according to Management's judgment adjust the balance of non-current receivables to their fair value.

The guarantee deposits and the intercompany receivables are considered as of low credit risk, because their recovery is under the control of the Group, so the maximum exposure in credit risk of the Group and Company "non current assets" is immaterial.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.3 TRADE AND OTHER CURRENT RECEIVABLES

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

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Trade receivables net of intercompany	192.955	204.664	159.251	163.615
Intercompany receivables	0	0	10.034	11.194
	192.955	204.664	169.285	174.809
Bad debt provision for trade receivables	(44.649)	(43.365)	(37.216)	(36.230)
	148.306	161.299	132.069	138.579
Other short term intercompany receivable	0	0	507	483
Claim from IRO	9.323	8.555	6.163	6.163
Short term tax receivable	2.382	2.079	1.279	1.117
Othe debtors net of intercompany	8.902	10.666	1.342	5.155
Prepaid expenses	4.706	1.880	3.925	1.771
Receivables from the Greek State	7.332	7.477	7.214	7.475
Bad debt provision for other receivables	(18.662)	(19.740)	(15.378)	(16.597)
	13.983	10.917	5.052	5.567
Total trade and other receivables	162.289	172.216	137.121	144.146

An analysis of bad debt provision is presented in the following table:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Doubtful customers				
Opening balance	43.365	40.874	36.230	38.712
Additional provision from acquired subsidiary	118	0	0	0
Additional provision in 2007	1.477	4.933	1.288	1.918
Reversal of unused provision	(7)	(4)	0	0
Use of provision	(305)	(2.438)	(302)	(4.400)
Closing balance	44.649	43.365	37.216	36.230
Doubtful debtors				
Opening balance	19.740	19.359	16.597	14.887
Additional provision in 2007	796	1.974	594	1.831
Reversal of unused provision	0	0	0	0
Use of provision	(1.874)	(1.594)	(1.813)	(121)
Closing balance	18.662	19.740	15.378	16.597
Total bad debt provision	63.311	63.105	52.594	52.827

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.3 TRADE AND OTHER CURRENT RECEIVABLES - continued

In 2007, the average credit period offered to Group customers for sales of goods was 67 days (73 days in 2006). Respectively for the Company in 2007, the average credit period offered to its customers for sales of goods was 67 days (71 days in 2006).

The management considers that the net carrying amount of trade and other receivables approximates their fair value.

Credit Risk from trade and other current receivables

The Group has established and is implementing credit control procedures, aimed at minimising doubtful debts. Receivables from clients come from a broad customer base and therefore, credit risk is spread over a large number of clients. Group receipts consist of cash and post dated checks from clients or from the clients of our clients, after evaluating the solvency of the issuer.

In cooperation with Sales Division and after evaluating the client's financial condition, Group's Credit Control Division sets credit limits per customer and implements specific sales and collections terms.

Clients' financial condition is monitored and evaluated continuously from Group's Credit Control Division, through a system of daily and monthly reports, analysis and indices, per client and per group of clients. In addition, a full record of client's past payments and collaboration is maintained, supported by data provided from Financial Information Agencies. On a monthly basis the Company's Credit Committee evaluates the results of credit ratings and doubtful debts and approves any cases of excesses from the fixed credit policy.

Securing receivables from clients is a firm Group policy. When necessary, more collateral is requested to secure the credit risk.

In the financial statements, the Group recognizes a provision for doubtful debts, according to the policy of LAFARGE S.A., the parent company, on the basis of client outstanding balances maturity, as well as Management estimates for special credit risk of specific clients, based on previous years doubtful debts experience and the current estimation of industry's market conditions.

The Group evaluates receivables collectibility based on historic data concerning transactions with client, the Company's credit policy for the specific customer and credibility analysis obtained from Financial Information Agencies.

Monitoring of doubtful debts is realized through monthly reports containing all Company's clients and through Legal Department's reports concerning disputed cases.

The final write-off of doubtful debts is realized based on proposals and approvals from Group's Legal Department, following the existing tax regulations, after exhausting without result, all legal means and procedures for their reduction (collection, assignment of property etc).

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.3 TRADE AND OTHER CURRENT RECEIVABLES - continued

Credit Risk from trade and other current receivables - continued

In the tables is presented the maximum exposure in credit risk:

Amounts in € thousand

	GROUP	
	<u>31/12/2007</u>	<u>31/12/2006</u>
Total receivables	225.600	235.321
Minus:		
Bad Debt provisions	63.311	63.105
Third parties cheques	28.152	39.513
Collaterals	840	840
Bank Warranties	4.880	4.271
Prenotices for mortgage	702	702
Related party receivables	8.851	7.779
Maximum exposure to credit risk	<u>123.744</u>	<u>123.382</u>

Amounts in € thousand

	COMPANY	
	<u>31/12/2007</u>	<u>31/12/2006</u>
Total receivables	189.715	196.973
Minus:		
Bad Debt provisions	52.594	52.827
Third parties cheques	22.541	23.134
Collaterals	840	840
Bank Warranties	4.161	4.074
Prenotices for mortgage	702	702
Intercompany receivables	10.034	11.194
Related party receivables	8.260	6.750
Maximum exposure to credit risk	<u>90.583</u>	<u>101.526</u>

In addition there is insurance coverage for receivables allocated to the Company's customers, which is further mitigating the exposure to credit risk.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.3 TRADE AND OTHER CURRENT RECEIVABLES - continued

Credit Risk from trade and other current receivables - continued

In the tables below is presented the receivables ageing analysis and the relative bad debt provision:

Amounts in € thousand

	GROUP						
	31/12/2007			31/12/2006			
	Total receivables	Bad debt provision	Net receivables	Total receivables	Bad debt provision	Net receivables	
Not overdue							
Other receivables	32.645	18.662	13.983	0	30.657	19.740	10.917
Trade receivables	134.440	0	134.440	0	144.340	0	144.340
Overdue analysis	0	0	0	0	0	0	0
01--30	8.247	2.336	5.911	0	10.730	2.611	8.119
31--60	2.828	0	2.828	0	3.586	0	3.586
61--90	1.218	4	1.214	0	1.491	183	1.308
91--120	904	0	904	0	1.213	623	590
121--180	950	779	171	0	1.824	1.820	4
181--360	2.039	2.026	13	0	4.467	4.437	30
361+	42.329	39.504	2.825	0	37.013	33.691	3.322
Total	225.600	63.311	162.289	0	235.321	63.105	172.216

Amounts in € thousand

	COMPANY						
	31/12/2007			31/12/2006			
	Total receivables	Bad debt provision	Net receivables	Total receivables	Bad debt provision	Net receivables	
Not overdue							
Other receivables	19.923	14.871	5.052	0	21.681	16.597	5.084
Intercompany other receivables	507	507	0	0	483	0	483
Trade receivables	119.267	0	119.267	0	125.902	0	125.902
Intercompany trade payables	10.034	1.164	8.870	0	11.194	1.159	10.035
Overdue analysis	0	0	0	0	0	0	0
01--30	4.767	2.336	2.431	0	3.521	2.611	910
31--60	933	0	933	0	829	0	829
61--90	510	0	510	0	314	0	314
91--120	58	0	58	0	589	0	589
121--180	199	199	0	0	1.258	1.258	0
181--360	957	957	0	0	1.600	1.600	0
361+	32.560	32.560	0	0	29.602	29.602	0
Total	189.715	52.594	137.121	0	196.973	52.827	144.146

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.4 CASH, CASH EQUIVALENTS AND BANK LOANS

Cash and cash equivalents

Cash and cash equivalents comprise Group and Company cash on hand, short-term deposits with initial term of one month or less and Company term deposits with average 2007 interest rate of 3.72% (2006: 2.12%).

The management considers that the carrying amount of cash in hand approximates their fair value.

Bank loans

The Group has concluded bank loans and overdrafts with an average 2007 interest rate of: 5.85% (2006: 4.79%). All bank loans are denominated in Euro.

Total short-term loans amount to €2,068 thousand, of which €2,058 thousand related to the subsidiary AMBER SA and €10 thousand relates to SUPER BETON SA.

During the year, a loan agreement is concluded between the parent company AGET HERACLES and its subsidiary EVIESK SA in order the latter to pay off its bank loans obligations. The total amount of this intercompany loan is up to € 13,500 thousand with interest rate of 4.14% which is equal to the interest of the three-month period Greek State bond. A similar loan agreement stands also with the subsidiary LAFARGE BETON SA amounting on 31 December 2007 €20,000 thousand (2006: €10,000 thousand). These amounts are included in the Balance Sheet line "Other non-current receivables" of the Company which is analysed in the note 28.2.

28.5 SUPPLIERS AND OTHER CREDITORS

Suppliers and other creditors break down as follows:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Suppliers excluding intra-company balances	63.365	64.623	48.981	50.584
Heracles Group Companies	0	0	10.646	11.300
	63.365	64.623	59.627	61.884
Payables to personnel	4.297	4.055	4.222	4.055
Social security payables	5.720	5.762	4.299	4.448
Income tax payable	6.311	5.385	4.157	3.310
Other creditors excluding intra-company balances	12.530	5.354	7.323	250
Total suppliers and other creditors	92.223	85.179	79.628	73.947

Suppliers and other creditors mostly relate with purchases of raw materials, fuel and consumables, as well as various operating costs. In 2007, the average credit period for the Group's operating purchases was 39 days (39 days in 2006) and respectively the Company's operating purchases in 2007 was 41 days (42 days in 2006).

The normal course of business of the Group companies does not depend on the business of its suppliers except for the Public Power Company (DEI), which is the only supplier of electricity power in Greece.

Group and Company management considers the carrying amount of trade payables approximates to their fair value.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.6 DERIVATIVES FINANCIAL INSTRUMENTS

Amounts in € thousand

	31/12/2007		31/12/2006	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward exchange contracts	0	(1.128)	0	0
Commodities forward contracts	39	0	883	(152)
	<u>39</u>	<u>(1.128)</u>	<u>883</u>	<u>(152)</u>
Split to:				
Long term	0	0	0	0
Short term	39	(1.128)	883	(152)
	<u>39</u>	<u>(1.128)</u>	<u>883</u>	<u>(152)</u>

Foreign currency forward exchange contracts

The Group uses foreign currency forward exchange contracts, through the Lafarge Group, to hedge against risks regarding specific commitments or anticipated transactions.

On 31 December 2007 the fair value of the foreign currency forward exchange contracts amounts to a payable of €1,128 thousand. On 31 December 2006 there were no pending foreign currency forward exchange contracts.

Changes in the fair value of foreign currency forward exchange contracts that are designated and effective as hedges of risks are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. For the fiscal year 2007 amount of €412 thousand was recognized in the income statement (2006: €0 thousand).

Commodities forward contracts

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

On 31 December 2007 the fair value of commodity forward contracts amounts to a receivable of €39 thousand. On 31 December 2006 the fair value of commodity forward contracts amounted to a receivable of €883 thousand from freight forward contract, and a liability of €152 thousand from fuel forward contracts. Amounts are based on the market prices of the respective derivatives on the balance sheet date.

Changes in the fair value of commodity derivative contracts that are designated and effective as hedges of risks are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. For the fiscal year 2007 and the prior year 2006 the ineffective portion was immaterial.

28. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT - continued

28.6 DERIVATIVES FINANCIAL INSTRUMENTS - continued

In the below table is presented the movement of the net of deferred tax hedging reserve of the Group and Company, since only the company is holding derivatives.

Amounts in € thousand	<u>31/12/2007</u>	<u>31/12/2006</u>
Hedging reserve opening balance	489	(1.482)
Gain/(loss) recognised on cash flow hedges:		
Foreign currency forward exchange contracts	(883)	0
Commodities forward contracts	(651)	2.778
Deferred tax related to gains/losses recognised in equity	412	(869)
Transferred to retained earnings:		
Foreign currency forward exchange contracts		
Commodities forward contracts	0	90
Deferred tax related to gains/losses recognised in equity	0	(28)
Hedging reserve closing balance	<u>(633)</u>	<u>489</u>

28.7 OBLIGATIONS UNDER FINANCE LEASES

As at 31/12/2007, the subsidiary Lafarge Beton SA, leases: four (4) mixers, one (1) pump, one (1) tractor and one (1) truck, pursuant to six (6) finance leasing contracts.

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

The subsidiary EVIESK leases a bus. The term of this lease is sixty (60) months. The interest is defined by the rate of the three-month Greek State bonds and is up to 4.14%.

The contract includes three parties: the lessor EFG LEASING which is the holder of the leased asset, the lessee EVIESK and AVIS which has undertake to provide all the services concerning the leased asset (insurance, service, etc) for the whole term of the lease.

The part of the contract that concerns the obligations of EVIESK to EFG LEASING is a financial leasing.

Amounts in € thousand	Minimum payments	Minimum payments	Present value of minimum	Present value of
	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>payments</u> <u>31/12/2007</u>	<u>minimum payments</u> <u>31/12/2006</u>
Amounts payable:				
Within one year	138	273	126	250
Within two to five years	124	262	120	252
	<u>262</u>	<u>535</u>	<u>246</u>	<u>502</u>
Less: Unearned interest expense	(16)	(33)		
Present value of finance lease liabilities	<u>246</u>	<u>502</u>	246	502
Less: Amounts payable within the year (showing in current obligations)			(126)	(250)
finance leases			<u>120</u>	<u>252</u>

Every obligation arising from financial leasing contracts is in Euro.

The management estimates that the fair value of the financial leasing obligations does not differ from the book value.

29. CONTINGENT RECEIVABLES AND LIABILITIES

Company disputes under litigation or arbitration

On 31/12/2007, there were pending lawsuits against the Group amounting to € 36,665 thousand (31/12/2006: €36,123 thousand), out of which the pending lawsuits against the Company amount to €34,144 thousand (31/12/2006: €33,035 thousand), which are being tried. The outcome of such trials is uncertain. According to estimates, the maximum risk for the Group from the final decisions on the above cases amounts to €20,855 thousand, out of which the maximum risk from the final decisions on the cases of the Company amounts to €19,419 thousand. No provision has been made in this financial report for said pending cases, as it is unlikely that such risk will eventually occur.

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

- a. Lawsuit for slander of approx. €2,114 thousand, with estimated maximum risk of €423 thousand.
- b. Lawsuit for loss of vessel and loss of profit to the amount of €16,665 thousand, with estimated maximum risk of €8,332 thousand.
- c. Lawsuit for counterclaim from environmental cost of €3,910 thousand, with estimated maximum risk of €3,128 thousand.

Various plots of land have been declared as forests, sea shores, archaeological sites etc and/or their ownership are disputed by the Greek State and/or various third parties. The maximum risk, from these disputes, for the Group and the Company is estimated at €2,525 thousand and €1,885 thousand respectively. No provision has been made in the financial statements for these cases, as it is unlikely that such risk will eventually occur.

29. CONTINGENT RECEIVABLES AND LIABILITIES - continued

Unaudited years

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

Company	Registered Office	Unaudited years
HERACLES GCC	Greece, Lycovrissi, Attica	2007
LAFARGE BETON S.A.	Greece, Metamorfossi, Attica	2001-2007
ATLAS S.A.	Greece, Kallithea, Thessaloniki	2004-2007
EVIESK S.A.	Greece, Lycovrissi, Attica	2005-2007
HERACLES MARITIME CO.	Greece, Lycovrissi, Attica	2002-2007
LAVA S.A.	Greece, Lycovrissi, Attica	2006-2007
AMBER S.A.	Greece, Lycovrissi, Attica	2004-2007
EKET LTD.	Greece, Lycovrissi, Attica	2005-2007
AEGEAN TERMINALS S.A.	Greece, Chalandri, Attica	2003-2007
INVESTMENT SILO PORT SAID SILO INVESTMENT COMPANY S.A.	Greece, Lycovrissi, Attica	1995-2007
G. HATZIKYRIAKOS SOC. NAV.	Greece, Lycovrissi, Attica	1998-2007
A. HATZIKYRIAKOS SOC. NAV. (inactive)	Greece, Lycovrissi, Attica	1998-2007
DYSTOS SOC. NAV. (inactive)	Greece, Lycovrissi, Attica	1996-2007
HERACLES GLORY SOC. NAV. (inactive)	Greece, Lycovrissi, Attica	1998-2007
SYNERGATIKI BETON S.A.	Greece, Lamia	2006-2007
KAMPIS QUARRIES S.A.	Greece, Arta	2006-2007
SUPER BETON S.A. I MARKOULAKIS	Greece, Heraclion, Crete	2007
SAMARAS QUARRIES	Greece, Athens Attica	2007
MICHALIS KATSIBRIS	Greece, Heraclion, Crete	2002-2007
MIDDLE EAST S.A.	Greece, Lycovrissi, Attica	2003-2007
HALKIS CEMENT INTERNATIONAL S.A. (absorbed by INVESTMENT SILO PORT SAID SILO INVESTMENT COMPANY S.A.)	Greece, Lycovrissi, Attica	1997-2007
FINDA TRANSPORTS S.A. (under liquidation)	Greece, Lycovrissi, Attica	1993-2007
MARATHOS QUARRIES S.A.	Greece, Heraclion, Crete	2003-2007
ALEXANDRIA SILO INVESTMENT COMPANY S.A. (under liquidation)	Panama	*
PORT SAID SILO INVESTMENT COMPANY S.A. (inactive)	Panama	*
INTERNATIONAL MEDITERRANEAN SHIPPING S.A. (under liquidation)	Luxemburg	*
INTERNATIONAL FLAG S.A. (inactive)	Egypt	*

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

29. CONTINGENT RECEIVABLES AND LIABILITIES - continued

The Company has undergone tax audits until year 2006, including the until recently pending items concerning the franchise rights royalties by the Company to the parent company LAFARGE S.A. for the year 2005, and the goodwill tax on the Company's real property that resulted following application of the provisions of par. 1, article 15, Law 3229/2004.

Additionally, tax audit of LAFARGE BETON S.A. for the years 2001-2005 is in progress. The tax audit of HELLAMAT SA for years 2000 - 31/07/2002 has been completed, and the tax audit of HERACLES SHIPPING for years 2002-2004. Additionally, tax audit of the subsidiary LAVA S.A. has been completed for the years 2001-2005.

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

For the financial years 1999-2002, of AGET HERACLES, tax audits have been performed but they are not finalized.

The tax obligations of the Group companies shall be finalized when the respective tax audits will be conducted and/or the relative pending legal litigation will be cleared. From these tax audits, additional tax obligation might arise, but it is not possible to estimate the outcome at this stage. Consequently no additional provisions have been made.

Emissions rights

For 2007, CO2 emissions are below the corresponding limit resulting from the National Allocation Plan.

Granted guarantees

The following letters of guarantee have been provided to secure liabilities of the Group and the Company, and were in force on 31/12/2007 and on 31/12/2006:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Granted guarantees	5.084	4.531	4.227	3.553
Intercompany granted guarantees	0	0	0	6.000

The comparative figure of the Group for 2006 is restated compared to the published, due to correct presentation. The correction concerns the elimination of the intercompany granted guarantee that was included in the granted guaranties as third party instead of being eliminated.

29. CONTINGENT RECEIVABLES AND LIABILITIES - continued

Commitments for purchases and capital expenditure

Purchase and capital expenses contracts, in force on 31/12/2007 and on 31/12/2006, are analyzed below:

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Purchase contracts	70.907	93.259	117.363	91.809
Capital expenditure contracts	10.250	16.416	10.412	15.573

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

Amounts in € thousand	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Within one year	11.832	6.312	65	110
Within two and up to five years	25.489	7.215	2.069	2.228
Over five years	909	515	384	453
	<u>38.230</u>	<u>14.042</u>	<u>2.518</u>	<u>2.791</u>

30. OPERATING LEASES

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

The Group / Company as Lessee

amounts in € thousands	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Lease payments for land and quarries	3.629	3.789	620	686
Lease payments for buildings	754	947	288	458
Lease payments for residences	358	372	358	372
Lease payments for port facilities	47	44	47	44
Lease payments for ships	16.592	15.576	0	0
Lease payments for machinery & equipment	199	229	14	2
Lease payments for means of transportation	1.198	1.221	767	761
Other	200	307	43	96
Operating lease payments recognised as an expense in the income statement	<u>22.978</u>	<u>22.484</u>	<u>2.137</u>	<u>2.419</u>

31. EVENTS AFTER THE BALANCE SHEET DATE

The following case concerns subsidiary company “LAFARGE BETON S.A.” Apart from this case no other post balance sheet events exist that may have significant financial impact on the Group.

Operating license of Syros quarry

By virtue of decision no. 1281/08.11.2006 of the Cyclades Prefect, the operating license of the aggregates quarry of Lafarge Beton in “Voulia” Ano Syros, Cyclades Prefecture, was withdraw according to the decision of State Council, department E’, no. 4441/2005 the Prefect’s decision (no. 340/05.04.2002) for the extension of the operation license for the period 2002 to 28/02/2007 was cancelled.

Lafarge Beton has filed a motion for reversal before the Minister of Development.

Based on document no. Δ10/Φ29.13/24297/5942/07.12.2006 of the Ministry of Development, before the review of the motion for reversal, the execution of Cyclades Prefecture decision was suspended, consequently the above aggregates quarry resumed operation until 18/01/2007.

By virtue of decision no. 435/29.06.2007 of the Cyclades Prefect, the request of the Company for the extension of the operating license of the above aggregates quarry for the period 2002 to 2012, was rejected. Lafarge Beton has filed a motion for reversal before the Minister of Development which was accepted by virtue of decision no. Δ10/Φ29.13/18379/4188 10.01.2008, of the Minister of Development.

On 15/02/2008 a Prefecture Council realised, during that meeting all Cyclades Prefectural Advisors took a positive decision for the extension of the aggregates quarry operating license.

Consequently, the quarry is expected to resume operation.

Increase of indirect participation of LAFARGE S.A. to HERACLES GCC

As at 18/03/07 the date of the Financial Statements approval, the participation of LAFARGE Group to HERACLES GCC amounting to 88.01%, increased by 1.28% compared to 86.73% as at 31/12/2007.

32. RELATED PARTY TRANSACTIONS

Transactions between associates

For the Group, associates are the parent company LAFARGE S.A. and all other LAFARGE Group companies. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note:

Amounts in € thousand

GROUP	SALES		PURCHASES		RECEIVABLES		LIABILITIES	
	1/1-	1/1-	1/1-	1/1-	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	31/12/2007	31/12/2006	31/12/2007	31/12/2006				
Group HERACLES associates	619	448	66	16	122	213	0	0
Parent company LAFARGE S.A.	841	2.585	681	1.102	0	0	4.363	2.086
Group LAFARGE associates	83.122	89.990	3.187	6.626	8.729	7.566	291	2.157
Franchise rights to LAFARGE S.A.	0	0	8.540	6.578	0	0	0	0
Total	84.582	93.023	12.474	14.322	8.851	7.779	4.654	4.243

32. RELATED PARTY TRANSACTIONS - continued

Transactions between associates - continued

Transactions between the company and its subsidiaries, on the one hand, which are related parties, prior to being eliminated on consolidation and with the parent company LAFARGE S.A. along with other Group LAFARGE companies, on the other, are disclosed below:

Amounts in € thousand

COMPANY	SALES		PURCHASES		RECEIVABLES		LIABILITIES	
	1/1-	1/1-	1/1-	1/1-	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	31/12/2007	31/12/2006	31/12/2007	31/12/2006				
HERACLES Group Companies	35.065	35.131	49.404	60.126	44.116	21.277	10.646	11.300
Parent company LAFARGE S.A.	838	2.584	677	1.059	0	0	4.360	2.000
Group LAFARGE associates	80.142	84.739	2.693	6.544	8.260	6.750	0	1.983
Franchise rights to LAFARGE S.A.	0	0	8.540	6.578	0	0	0	0
Total	116.045	122.454	61.314	74.307	52.376	28.027	15.006	15.283

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

The 2006 comparatives have been restated and include the residuals of the consolidated via net equity method associated companies, for better presentation purposes. The restated amounts concern HERACLES Group companies' receivables, purchases and sales of €83 thousand, €16 thousand and €324 thousand Euro respectively.

Remuneration to Management and Members of the BoD

Remunerations and amounts due to/from executive management, as well as attendance fees to Group and Company BoD members, is analysed as follows:

Amounts in € thousand

	GROUP		COMPANY	
	1/1 - 31/12/2006	1/1 - 31/12/2005	1/1 - 31/12/2006	1/1 - 31/12/2005
Current Benefits	3.210	2.939	1.902	1.878
Post employment benefits and paid compensations	2.109	480	1.383	179
BoD members attendance fees	260	262	242	242
	5.579	3.681	3.527	2.299

	GROUP		COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Advances to management and BoD members against refundable expenses	0	8	0	8
Pending refunding of expenses	0	1	0	1
Net receivables/payables to management and BoD members	0	7	0	7

The comparative figures concerning prior year 2006 of the line "Post employment benefits and paid compensations" have been modified compared to those published, due to the accounting policy change concerning the recognition of actuarial gains and losses and presented in note 34.

33. IMPACT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2007 DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION

Pursuant to the requirements of IAS 8 on disclosures for retrospective restatements of items of comparable financial statements due to changes in accounting principles, detailed tables are provided with all changes made to the items of already published Group and Company financial statements.

Impact to the Income Statement for the period 1/1 – 31/12/2007.

Amounts in € thousand

	<u>New accounting policy</u>	<u>Impact of new accounting policy</u>	<u>Previous accounting policy</u>
GROUP			
Amortisation of unrecognised actuarial losses	0	1.493	(1.493)
Special termination benefits	(17.444)	2.966	(20.410)
Cost of voluntary staff retirement program	(18.043)	1.690	(19.733)
Reversal and utilisation of provision as at 31/12/2007 of voluntary staff retirement program	13.038	(1.837)	14.875
Profit for the period before the impact of the new accounting policy	<u>129.058</u>	<u>0</u>	<u>129.058</u>
Profit for the period before tax	<u>106.609</u>	<u>4.312</u>	<u>102.297</u>
Income tax	(38.775)	(1.267)	(37.508)
Profit for the period after tax	<u><u>67.834</u></u>	<u><u>3.045</u></u>	<u><u>64.789</u></u>
No. of common shares	71.082.707	71.082.707	71.082.707
Earnings per share in €	0,95	0,04	0,91
COMPANY			
Amortisation of unrecognised actuarial losses	0	1.310	(1.310)
Special termination benefits	(12.838)	2.464	(15.302)
Share of loss of subsidiaries	(4.672)	(330)	(4.342)
Cost of voluntary staff retirement program	(18.043)	1.690	(19.733)
Reversal and utilisation of provision as at 31/12/2007 of voluntary staff retirement program	13.038	(1.837)	14.875
Cost of voluntary staff retirement program of subsidiary	(3.604)	579	(4.183)
Profit for the period before the impact of the new accounting policy	<u>130.374</u>	<u>0</u>	<u>130.374</u>
Profit for the period before tax	<u>104.255</u>	<u>3.876</u>	<u>100.379</u>
Income tax	(35.133)	(1.096)	(34.037)
Profit for the period after tax	<u><u>69.122</u></u>	<u><u>2.780</u></u>	<u><u>66.342</u></u>
No. of common shares	71.082.707	71.082.707	71.082.707
Earnings per share in €	0,97	0,04	0,93

33. IMPACT TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007 DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - continued

Impact to the Balance Sheet for the period 1/1 – 31/12/2007.

Amounts in € thousand

	GROUP			COMPANY		
	New accounting policy	Impact of new accounting policy	Previous accounting policy	New accounting policy	Impact of new accounting policy	Previous accounting policy
Fixed assets	615.712	4.657	611.055	621.935	4.085	617.850
of which:						
Deferred tax asset	4.140	4.657	(517)	1.141	4.085	(2.944)
Current assets	373.058	0	373.058	325.039	0	325.039
Total assets	988.770	4.657	984.113	946.974	4.085	942.889
Non-current liabilities	105.799	18.275	87.524	100.214	17.861	82.353
of which:						
Provision for staff retirement compensation	93.785	19.965	73.820	80.629	17.679	62.950
Other non-current provisions	11.894	(1.690)	13.584	19.585	182	19.403
Current liabilities	125.006	0	125.006	110.126	(579)	110.705
of which:						
Trade and other creditors	92.223	0	92.223	79.628	(579)	80.207
Other current provisions	20.390	0	20.390	20.328	0	20.328
Total liabilities	230.805	18.275	212.530	210.340	17.282	193.058
Equity	757.965	(13.618)	771.583	736.634	(13.197)	749.831
of which:						
Retained earnings	410.909	(13.618)	424.527	412.027	(13.197)	425.224
Total liabilities and equity	988.770	4.657	984.113	946.974	4.085	942.889

Impact to the Statement of Changes in Equity for the period 1/1 – 31/12/2007.

Amounts in € thousand

	GROUP			COMPANY		
	New accounting policy	Impact of new accounting policy	Previous accounting policy	New accounting policy	Impact of new accounting policy	Previous accounting policy
Balance at 01/01/2007 as previously published	778.995	0	778.995	755.694	0	755.694
(a) Actuarial gains/(losses), net of deferred tax	(18.010)	(18.010)	0	(15.597)	(15.597)	0
(b) Voluntary staff retirement program, net of deferred tax	1.655	1.655	0	1.655	1.655	0
(c) Provision for losses of subsidiaries	0	0	0	(1.542)	(1.542)	0
Balance at 01/01/2007 as restated	762.640	(16.355)	778.995	740.210	(15.484)	755.694
Profit for the period	67.834	3.045	64.789	69.122	2.780	66.342
Dividends	(71.083)	0	(71.083)	(71.083)	0	(71.083)
Profit/(loss) from derivative financial instruments recognised directly in equity	(1.122)	0	(1.122)	(1.122)	0	(1.122)
Actuarial gains/(losses) recognised directly in equity, net of deferred tax	(308)	(308)	0	(493)	(493)	0
Other equity movements	4	0	4	0	0	0
Balance at 31/12/2007	757.965	(13.618)	771.583	736.634	(13.197)	749.831

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION

Group and Company Management decided to change the method of recognising actuarial gains and losses, applicable as of 1st January 2007.

Specifically, according to the accounting policy that Group and Company pursued until 31st December 2006, actuarial gains and losses which, at the end of the previous period exceeded 10% of the current value of the liability from defined benefits on that date were amortised in income statement over the employees' average remaining working life.

According to the new accounting policy, all actuarial gains and losses in the period are recognised when they occur except in income statement. Actuarial gains and losses which are recognized, except in income statement, are presented in the statement of recognised income and expenses.

On 01/01/2006, recognition of the Group's accumulated actuarial losses after deferred taxation in equity (carried forward), amounted to €11,589 thousand, of which accumulated actuarial losses amounted to €15,452 thousand, and the respective deferred tax to €3,863 thousand.

On 01/01/2006, recognition of the Company's accumulated actuarial losses after deferred taxation in equity (carried forward), amounted to €9,987 thousand, of which accumulated actuarial losses amounted to €13,317 thousand, and the respective deferred tax to €3,330 thousand.

The above change has caused a restatement of the Company's provision for losses from participation on 01/01/2006 to the amount of €1,230 thousand.

Pursuant to the requirements of IAS 8 on disclosures for retrospective restatements of items of comparable financial statements due to changes in accounting policy, detailed tables are provided with all changes made to the items of already published Group and Company financial statements.

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - Continued

Restatement of items appearing in Group and Company Income Statements as at 31st December 2006

Amounts in € thousand

GROUP INCOME 1/1-31/12/2006			
NOTE	Published items	Restated items	Restatement difference
Turnover (sales)	693.660	693.660	0
Cost of Goods Sold	a. (518.136)	(516.712)	1.424
Gross operating results	175.524	176.948	1.424
Administrative & distribution expenses	a. (53.624)	(53.424)	200
Other operating income / (expenses)	(5.652)	(5.652)	0
Cost of voluntary staff retirement program	b. (14.875)	(13.038)	1.837
Share of results of associates	3	3	0
Operating profit	101.376	104.837	3.461
Finance income / (expenses)	1.433	1.433	(0)
Profit for the period before taxes	102.809	106.270	3.461
Income tax	c. (44.798)	(45.388)	(590)
Net profit of the period after tax	58.011	60.882	2.871
Number of shares	71.082.707	71.082.707	71.082.707
Earnings per share (in €)	0,82	0,86	0,04

- a. Reversal of actuarial losses depreciation.
- b. Cost difference of the voluntary exit program.
- c. Deferred tax from reversal of actuarial losses depreciation. and cost difference of the voluntary exit program.

Amounts in € thousand

COMPANY INCOME 1/1-31/12/2006			
NOTE	Published items	Restated items	Restatement difference
Turnover (sales)	615.736	615.736	0
Cost of Goods Sold	a. (459.784)	(458.653)	1.131
Gross operating results	155.952	157.083	1.131
Administrative & distribution expenses	a. (39.847)	(39.647)	200
Other operating income / (expenses)	b. (375)	(687)	(312)
Cost of voluntary staff retirement program	c. (14.875)	(13.038)	1.837
Loss from impairment of participation in subsidiaries	(5.385)	(5.385)	0
Share of results of associates	0	0	0
Operating profit	95.470	98.326	2.856
Finance income / (expenses)	2.463	2.463	0
Profit for the period before taxes	97.933	100.789	2.856
Income tax	d. (43.668)	(44.183)	(515)
Net profit of the period after tax	54.265	56.606	2.341
Number of shares	71.082.707	71.082.707	71.082.707
Earnings per share (in €)	0,76	0,80	0,03

- a. Reversal of actuarial losses depreciation.
- b. Difference in the provision for losses from participations.
- c. Cost difference of the voluntary exit program.
- d. Deferred tax from reversal of actuarial losses depreciation. and cost difference of the voluntary exit program.

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - Continued

Restatement of items appearing in the Group's Balance Sheet as at 31st December 2006

Amounts in € thousand

GROUP BALANCE SHEET 31/12/2006				
	NOTE	Published items	Restated items	Restatement difference
Fixed assets				
Goodwill		7.013	7.013	0
Intangible Assets		601	601	0
Tangible assets		604.647	604.647	0
Investments in associates and subsidiaries		409	409	0
Other investments		59	59	0
Other non-current receivables		7.909	7.909	0
Deferred tax asset	a.	5.247	11.068	5.822
Total fixed assets		625.885	631.706	5.822
Current assets				
Inventories		68.362	68.362	0
Trade and other current receivables		172.216	172.216	0
Derivative financial instruments		883	883	0
Non-current asset available for sale		1.150	1.150	0
Cash and cash equivalents		126.241	126.241	0
Total current assets		368.852	368.852	0
Total assets		994.737	1.000.558	5.822
Non-current liabilities				
Provisions for staff retirement compensations	b.	77.783	101.798	24.014
Other non-current provisions		7.065	7.065	0
Obligations under finance leases		252	252	0
Total non-current liabilities		85.101	109.115	24.014
Current liabilities				
Provisions for staff retirement compensations		9.978	9.978	0
Trade and other creditors		85.179	85.179	0
Income tax liabilities		11.409	11.409	0
Obligations under finance leases		249	249	0
Other current provisions	c.	16.272	14.435	(1.837)
Derivative financial instruments		152	152	0
Bank loans		7.401	7.401	0
Total current liabilities		130.641	128.803	(1.837)
Total liabilities		215.742	237.918	22.177
Equity				
Share capital		142.165	142.165	0
Share premium		1.279	1.279	0
Reserves		219.601	219.601	0
Derivatives valuation reserve		489	489	0
Retained earnings	d.	415.461	399.106	(16.355)
Total equity		778.995	762.640	(16.355)
Total liabilities and equity		994.737	1.000.558	5.822

- a. Deferred taxation on actuarial losses recognition and the recoverable part of the difference of the voluntary staff retirement program cost.
- b. Recognition of accumulated actuarial losses on 31/12/2006.
- c. Restatement of the voluntary staff retirement program cost.
- d. Impact on equity (carried forward) of a, b and c.

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - Continued

Restatement of items appearing in the Company's Balance Sheet as at 31st December 2006

Amounts in € thousand

COMPANY BALANCE SHEET 31/12/2006			
NOTE	Published items	Restated items	Restatement difference
Fixed assets			
	44	44	0
	566.980	566.980	0
	37.868	37.868	0
	55	55	0
	17.554	17.554	0
a.	2.162	7.180	5.018
Total fixed assets	624.663	629.681	5.018
Current assets			
	63.290	63.290	0
	144.146	144.146	0
	883	883	0
	1.277	1.277	0
	106.603	106.603	0
Total current assets	316.199	316.199	0
Total assets	940.862	945.880	5.018
Non-current liabilities			
b.	66.291	87.088	20.797
c.	8.853	10.395	1.542
Total non-current liabilities	75.144	97.483	22.339
Current liabilities			
	9.319	9.319	0
	73.947	73.947	0
	10.445	10.445	0
d.	16.161	14.324	(1.837)
	152	152	0
Total current liabilities	110.024	108.187	(1.837)
Total liabilities	185.168	205.670	20.502
Equity			
	142.165	142.165	0
	1.279	1.279	0
	197.232	197.232	0
	489	489	0
e.	414.529	399.045	(15.484)
Total equity	755.694	740.210	(15.484)
Total liabilities and equity	940.862	945.880	5.018

a. Deferred taxation on actuarial losses recognition

and the recoverable part of the difference of the voluntary staff retirement program cost.

b. Recognition of accumulated actuarial losses on 31/12/2006.

c. Restatement of provision for losses from participations.

d. Restatement of the voluntary staff retirement program cost.

e. Impact on equity (carried forward) of a and b, c and d.

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - Continued

Restatement of items appearing in the Group's Cash Flows as at 31st December 2006

Amounts in € thousand

	GROUP CASH FLOWS 31/12/2006		
NOTE	<u>Published items</u>	<u>Restated items</u>	<u>Restatement difference</u>
<u>Operating activities</u>			
Profit before tax	a. 102.809	106.270	3.461
Plus / less adjustments for:			
Depreciation	47.250	47.250	0
Provisions	a. 26.450	22.989	(3.461)
Foreign exchange differences	(56)	(56)	0
Loss from derivatives valuation	(130)	(130)	0
Results (income, expenses, profit and losses) from investment activities	(4.262)	(4.262)	0
Interest expenses and relevant expenses	1.947	1.947	0
Plus/less adjustments for changes in working capital accounts or relevant with operating activities:			
Decrease / (increase) in inventories	9.704	9.704	0
Decrease / (increase) in receivables	(9.645)	(9.645)	0
(Decrease) / increase in payables (excl. banks)	(715)	(715)	0
Less :			
Interest expenses and relevant expenses paid	(1.947)	(1.947)	0
Tax paid	(57.732)	(57.732)	0
Total inflow / (outflow) from operating activities (a)	113.673	113.673	0
<u>Investment activities</u>			
Acquisition of subsidiaries, affiliates, joint-ventures and other investments	(4.633)	(4.633)	0
Purchase of tangible and intangible fixed assets	(35.222)	(35.222)	0
Cash from disposal of tangible and intangible assets	8.693	8.693	0
Proceeds from the sale of investments	806	806	0
Interest received	2.509	2.509	0
Total inflow / (outflow) from investment activities (b)	(27.847)	(27.847)	0
<u>Financing activities</u>			
Loan proceeds	(32.008)	(32.008)	0
Loan repayments	(200)	(200)	0
Payment of obligations under finance leases	(67.529)	(67.529)	0
Total inflow / (outflow) from finance activities (c)	(99.737)	(99.737)	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(13.911)	(13.911)	0
Cash and cash equivalents at the beginning of the period	140.096	140.096	0
Effects from changes in exchange rates	56	56	0
Cash and cash equivalents at the end of the period	126.241	126.241	0

a. Reversal of actuarial losses depreciation in provisions for staff compensation.

34. RESTATEMENTS IN RELATION TO PUBLISHED ANNUAL FINANCIAL STATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY FOR THE PROVISION OF STAFF RETIREMENT COMPENSATION - Continued

Restatement of items appearing in the Company's Cash Flows as at 31st December 2006

Amounts in € thousand

COMPANY CASH FLOWS 31/12/2006			
NOTE	<u>Published items</u>	<u>Restated items</u>	<u>Restatement difference</u>
<u>Operating activities</u>			
Profit before tax	97.933	100.789	2.856
Plus / less adjustments for:			
Depreciation	43.657	43.657	0
Provisions	20.560	17.704	(2.856)
Foreign exchange differences	(56)	(56)	0
Loss from derivatives valuation	(130)	(130)	0
Results (income, expenses, profit and losses) from investment activities	1.966	1.966	0
Interest expenses and relevant expenses	505	505	0
Plus/less adjustments for changes in working capital accounts or relevant with operating activities:			
Decrease / (increase) in inventories	9.342	9.342	0
Decrease / (increase) in receivables	(24.900)	(24.900)	0
(Decrease) / increase in payables (excl. banks)	2.114	2.114	0
Less :			
Interest expenses and relevant expenses paid	(505)	(505)	0
Tax paid	(55.681)	(55.681)	0
Total inflow / (outflow) from operating activities (a)	<u>94.805</u>	<u>94.805</u>	<u>0</u>
<u>Investment activities</u>			
Acquisition of subsidiaries, affiliates, joint-ventures and other investments	(28.754)	(28.754)	0
Purchase of tangible and intangible fixed assets	(30.139)	(30.139)	0
Cash from disposal of tangible and intangible assets	7.628	7.628	0
Proceeds from the sale of investments	658	658	0
Interest received	2.137	2.137	0
Total inflow / (outflow) from investment activities (b)	<u>(48.470)</u>	<u>(48.470)</u>	<u>0</u>
<u>Financing activities</u>			
Dividends paid	(67.529)	(67.529)	0
Total inflow / (outflow) from finance activities (c)	<u>(67.529)</u>	<u>(67.529)</u>	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(21.194)</u>	<u>(21.194)</u>	<u>0</u>
Cash and cash equivalents at the beginning of the period	<u>127.741</u>	<u>127.741</u>	<u>0</u>
Effects from changes in exchange parities	56	56	0
Cash and cash equivalents at the end of the period	<u>106.603</u>	<u>106.603</u>	<u>0</u>

a. Reversal of actuarial losses depreciation in provisions for staff compensation.

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

Dear Shareholders,

According to article 136 of C.L.2190/1920, as such was presented by article 13 of L.3229/2004, attached herewith we submit to your General Meeting, Company and Group financial statements for the year ended 31/12/2007. More analytical information for the companies which participate in the consolidated financial statements, apart from HERACLES GCC, have been included in the corresponding Boards of Directors or Managers' Reports to the General Meetings of the Societes Anonymes or the Limited Liability Companies.

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

- In 2007, the Company's turnover increased by 0.24%, amounting to 617,232 thousand Euros compared to 615,736 thousand Euros in 2006, whilst the Group's turnover was reduced by 0.94%, amounting to 687,141 thousand Euros as opposed to 693,660 thousand Euros in 2006.
- The Company's profit before taxes, interest and depreciation (EBITDA) increased marginally in 2007 by 0.67%, amounting to 142,931 thousand Euros as compared to 141.982 thousand Euros in 2006, whilst for the Group it remained constant, amounting to 152,070 thousand Euros in 2007 as compared to 152,089 thousand Euros in 2006. Earnings before taxes, interest and depreciation (EBITDA) for the Company and the Group in 2006 are presented as retrospectively restated after the change in the recognition method of actuarial gains and losses.
- In 2007, the Company's net profit after taxes increased by 22.11%, amounting to 69,122 thousand Euros as opposed to 56,606 thousand Euros in 2006, whilst the Group realised an increase of 11.42% in 2007, amounting to 67,834 thousand Euros as compared to 60,882 thousand Euros in 2006. For the year 2006, net profit after taxes for the period for the Company and the Group are presented as retrospectively restated after the change in the recognition method of the actuarial gains and losses.

The main events that affected the course of sales in 2007 were, in the domestic market, the favorable weather conditions in the first quarter of the year, which were succeeded by unfavorable weather conditions during the months of June and July and the smooth slowdown of the market during the rest of the year as well as reduced exports, which were realised during the months of April and May, mainly due to the temporary suspension of operations of the Chalkis plant during the aforementioned months.

The gross profit margin for the Company was formed at 26.30% in 2007 as opposed to 25.51% in 2006, whilst the respective margin for the Group was formed at 25.94% in 2007 as opposed to 25.51% in 2006.

The marginal improvement in earnings before taxes, interest and depreciation (EBITDA) and profit after taxes as compared to the corresponding period of 2006 was achieved despite the significant increase in the prices of solid fuels and electric energy and is mainly attributed to the reduction of fixed costs and SG&A.

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

In the context of the improvement of the Group's competitiveness, a voluntary exit program for the staff of the HERACLES GCC Group was launched at the end of 2006 and was partially completed in 2007. The Company's Management, reassessing the progress of the program decided its termination on 31/12/2007 and the simultaneous launching of a new voluntary exit program for the HERACLES GCC Group of Companies, based on the new fact data, by recognising a provision of 18,043 thousand Euros as at 31/12/2007. The relevant expense in the context of the said program will be realised within 2008. (Reference is made in note 9 of the Group and Company financial statements concerning the staff voluntary exit program).

The cost of the implementation of the new program will entirely burden the parent company HERACLES GCC. The program's aim is the improvement of productivity of the loss-generating activities and the reduction of the operating cost.

After the catastrophic fires in August, the LAFARGE Group and HERACLES GCC announced the donation of 1 millions Euros to the National Solidarity Fund and immediately implemented a support program amounting to 2 million Euros for the fire-stricken population and the local societies. The total amount of the aid for the fire-stricken population will amount to 3 million Euros, which the Company recognised as provision in its financial statements.

The main sources of uncertainty for the accounting estimates are described in note 4 and the significant events after the date of the balances sheet are described in note 31 of the annual financial statements of the Group and the Company.

The financial risk factors of the Group and Company are described in note 28.1 and the use of financial instruments for hedging is described in note 28.3.

Activities and review of the year

Cement market

In 2007 the cement market had a recessing course following the overall tendency of building activities. In the 11-month period of January-November 2007 the private construction activity shows a reduction of 3.7% all over the country and 8.2% in the greater Attica area, which represents the largest part of the total building activities.

This reduction was expected and was attributed to the large construction development of the previous years, which was incited on the one hand by low interest rates, which comprised the cause for the contracting of massive housing loans and on the other hand by tax reformations such as the imposition of VAT on constructions which started out in January 2006.

As regards to the purchase of houses in 2007, the key characteristics were the stabilization of prices at high levels and the reduction of demand which led to excess offer in many areas, to the creation of a large reserve of houses and to the general «freezing» of the real estate market. According to real estate reports of counsellors, the percentage of newly-built unsold houses in Greece is over 10% and is expected to increase further.

Contrary to private construction activities, a significant increase in private investments and infrastructure works were marked in 2007, which restrained the market from reaching at even lower levels.

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

HERACLES GCC

In 2007, HERACLES GCC continued the supply of high quality products and services in the domestic market.

During this year we made a significant step towards detecting opportunities in the cement. HERACLES GCC, with the emphasis given in 2007 in issues which concern customer servicing, has demonstrated its will to firmly move on to that direction.

The Company continues its effort to improve its competitiveness in order to maintain its leading role in the local market with products and services that cover the current needs of construction professionals. Parallel to that, HERACLES' main target in 2007 is to accelerate its growth and move on to a dynamic action plan which creates added value to the employees, the customers, the shareholders and the stakeholders.

Nevertheless, the year 2007 was also obscured by extended fires which broke out almost all over the country. Specifically the fires in Evia and in the local communities surrounding the cement and ready-mix concrete production installations at Milaki also harmed HERACLES GCC employees and their families, fortunately with no victims. HERACLES GCC, in collaboration with the local authorities, took immediate action for the support of the fire-stricken, by mobilising all the Milaki staff and by disposing its company facilities and equipment in order to confront the emergency situation (water-carrier vehicles for the creation of fire belts, the port and plant facilities for the removal of trapped inhabitants, the financial support of the Municipality, the granting and coverage of housing expenses for the fire-stricken and the rendering of machinery, equipment and cattle fodder).

Parallel to that, the Company announced a special program for the support of the communities stricken by the fires, for the restoration of the areas and the support of the local activities. With the HERACLES Solidarity and Support Program (PRAKSI) as it is called, the Company committed to offer 1 million Euros to the Solidarity Fund established by the State for the support of the areas and to further grant 2 million Euros for actions aiming at the restoration of the infrastructure and productive activities at a local level, with emphasis in areas and communities in which the Company activates. The program includes the rendering of materials and the assistance in infrastructure works, the re-activation of small rural and cattle-breeding units of residents of the fire-stricken areas as well as the development of activities for the protection of the environment and for fire precaution.

At an operating level we sort out the following:

- **Safety:** During the first semester of 2007 all the HERACLES GCC staff all over the Group was briefed and committed to apply the new Health and Safety policy of the Lafarge Group. At the same time, the gradual implementation of the Group's safety rules was initiated with the first rules being a) the reporting and investigation of accidents b) the protection of Work at Height and c) the use of Personal Protection Means. For the improvement of safety behaviours of the staff force approximately 600 people took part in the «Perno Thessi» program and its implementation was launched at the end of the year.
- **Environment:** At a point of time when the «environment» awakes and activates the world community, the Company elevates the environmental issue as the dominant lever of social responsibility in order to ensure sustainable development. Following and implementing the European legal framework to the letter (IPPC) it moved on to: a) the renewal of the Environmental Terms for the operation of the three plants and b) the implementation of significant environmental works and the installation of contemporary equipment in its facilities.

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

More specifically, new Studies for Environmental Repercussions for the Volos, Milaki and Halkis plants were drawn up in 2007. In the context of environmental investments during 2007, the following projects were completed:

- Closed clinker warehouse at Milaki plant
- Installation of hybrid filter at the Rotating Kiln at Milaki plant
- Installation of analyzer for the continuous measurement of gas emissions at the Milaki Rotating Kiln
- Installation of analyzer for the measurement of NO_x and SO₂ emissions at Rotating Kilns 2 and 4 at Volos

Additionally, in 2007 initiation of constructions for the project of handling rain water and the processing of wastes at Halkis.

As member of the Greek Register for Gas Emissions of the Greenhouse Effect, Heracles applies the system of monitoring, calculating and verifying the annual CO₂ gas emissions, meeting the terms and requirements of the Greek Legislation and the Lafarge control systems. The end of the first period of implementation of the 2005-2007 system is sealed with the totally successful and safe administration of the system in the three plants as well as the achievement of levels of emission rights for the second period 2008-2012 through which the unobstructed implementation of the Company's strategic targets is ensured.

- Alternative fuels: In 2007, the Company focused its efforts on the introduction of new alternative fuels in the plants aiming at the reduction on the one hand of the dependence on traditional combustibles and on the other hand on carbon dioxide emissions.

Volos installation is in its last stage of construction and the use of biomass is expected to start in late March 2008. The project of RDF use at Milaki is in the stage of obtaining a permit and all necessary accompanying environmental installations for the reduction and control of emissions in the environment have been completed.

- Production return: In 2007, the efforts of the Company to restrain the continuously increasing cost of energy, which we all felt strongly, continued with success. Thus, in the energy cost field very significant steps were taken with success for the substitution of coal with pet-coke and at the same time we substituted part of our raw materials with cheaper materials, thus contributing to cost reduction and reinforcing environmental protection.
- In addition to the development support through PRAKSIS, HERACLES GCC supported the city of Volos where it activates in the – successful – claiming of the organization of the 2013 Mediterranean Games. As Great Sponsor of the Committee for the Claiming of the Mediterranean Games of 2013, HERACLES GCC supported the vision of Volos for the organization, as a great opportunity for the growth of the city and the greater area, from the point of view of infrastructures, tourist exploitation, and promotion of the local economy and the creation of preconditions for long-term, dynamic growth.

Apart from those two programs, in 2007 HERACLES GCC supported with consistency various organizations and public welfare initiatives through subsidy programs, donations or grants, which were developed at a local level by the Company's plants and distribution terminals.

Finally, the year 2007 was one more year with emphasis in the improvement of the human force and in the commitment of HERACLES GCC to contribute to the growth of all necessary skills and technical capabilities, which would materialize the Company's vision for continuous improvement of its human resources.

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

Investments

The Company's investments in tangible and intangible assets for the fiscal year 2007 amounted to a total of 23,729 thousand Euros as opposed to 30,139 thousand Euros in 2006. Concerning the Group, investments amounted to a total of 31,696 thousand Euros in 2007 compared to 35,221 thousand Euros in 2006.

In 2007, alike 2006, the Company's investment activities aimed at the increase of productivity and the improvement of the facilities of all Company plants in issues concerning the Environment and Health and Safety.

Dividend policy

The Board of Directors decided to propose to the General Meeting of the shareholders the payment of dividend amounting to €1,00 per share for the year ended 31st December 2007 (2006: €1,00 per share). The amount of the proposed dividend will be paid partially from the profit of the period 1/1-31/12/2007 by 60.420 thousand Euros and from available extraordinary reserves by 10.663 thousand Euros.

EXPLANATORY REPORT OF AGET HERACLES

The present Report of the Board of Directors of the company under the trade name "HERACLES General Cement Company" (hereinafter as "the Company"), which is addressed to the Ordinary General Assembly of the Shareholders, includes information, known today 18.3.2008 to the Company, according to the provisions of article 11a of Law 3371/2005, as it is in force combined with article 33 of Law 3556/2007.

1. Structure of Share Capital

The Share Capital of the Company amounts to one hundred forty two millions one hundred sixty five thousand four hundred and fourteen (142.165.414,00) euros, divided into seventy one million eighty two thousand seven hundred and seven (71.082.707) shares, with a nominal value of two (2,00) euros each. All shares are traded in the Athens Stock Exchange. The shares of the Company are ordinary nominal shares with voting rights.

2. Restrictions on the transfer of securities

The transfer of the Company's shares is executed according to the provisions of the Law and there are no restrictions, known today to the company, regarding their transfer.

3. Significant indirect participations within the context of the provisions of Presidential Degree 51/1992, as it was in force, and herein Law 3556/2007.

The French company LAFARGE S.A. (parent company of LAFARGE Group of Companies) holds indirectly shares that represent 88.01 % of the share capital. No other natural person or legal entity represents shares more than 5% of the company's share capital.

4. Holders of any securities with special control rights

There are no company shares with special control rights.

5. Restrictions on voting rights

There is no provision in the Company's Articles of Association regarding restriction on voting rights.

6. Agreements between shareholders of the Company

Company has no knowledge of the existence of agreements between its Shareholders, which may result in restrictions on the transfer of securities or voting rights.

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

7. Rules governing the appointment and replacement of Board of Directors members and the amendment of the Articles of Association

The rules set by the Articles of Association for the appointment and replacement of the board members and the amendment of the Articles of Association, have no deviation from the provisions of Law 2190/1920.

8. The power of Board of Directors and its members to issue or buy back shares

According to the provisions of article 16 of Law 2190/1920, the companies whose shares are being traded in the Athens Stock Exchange, by virtue of a resolution of its General Assembly of the Shareholders of the Company, may buy back shares through the Athens Stock market up to the percentage of 10% of the total of the shares, in accordance to the specific provisions of the mentioned article. There is no deviation from the provisions of Law in the Company's Articles of Association.

9. Significant agreement the effect or the content of which is influenced upon a change of the Company's control

There is no significant agreement to which the Company is a party and which is in force, will be amended or terminated upon a change of the Company's control following a takeover bid and the effects thereof.

10. Company's agreements with the members of the Board of Directors or the employees

There are no agreements between the Company and its Board of Directors members or employees with a provision for their compensation in case they resign or they are made redundant without valid reason or if their term of office or employment ceases because of a takeover bid.

Analysis of the Group's branches

HERACLES GCC

Plants

1. VOLOS, Agria, Volos
2. MILAKI, Milaki of Aliveri, Evia
3. HALKIS, Mikro vathi of Avlida, Halkis

Distribution Terminals

1. Drapetsona, 1 Kontopoulou str., Drapetsona, Piraeus
2. Thessaloniki, Dendropotamos' bridge (coast)
3. Rio of Patrae, 15 Eleftherias str., Akteon coast
4. Kavala, 7 Nileos street
5. Igoumenitsa, Ladohori, Thesprotia
6. Heraklion, Linoperamata of Rodia, Crete
7. Rhodes (3rd Port of Akandia)
8. Kalohori of Thessaloniki
9. Metamorphossi of Attica, 12 Amaliados street

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

Quarries

1. Platanos of Almiros-Magnissia

Various

1. Chania, 20 Margouniou str.(office)
2. Stilida of Fthiotida (camping)

Lafarge Beton

Concrete units

1. Koropi of Attica, 28th klm Varis- Koropiou ave.
2. Pallini of Attica, Anthoussas ave.
3. Metamrphossi of Attica, 12 Amaliados str.
4. Lossia of Attica, location Pirgas
5. Agios I.Rentis of Attica,, 19, 28th October str.
6. Voulia of Siros
7. Marathi of Paros
8. Ageria of Paros
9. Larsos of Lesvos
10. Antimahia of Kos
11. 10th klm of National road of Neohorouda- Thessaloniki
12. Strofi of Lakia, Thessaloniki
13. 10th klm of Volos-Larissa road, Sesklo of Magnissia
14. Lamia of Fthiotida, 2nd klm of Lami-Domokos road
15. VIPE of Preveza
16. Platantias of Fthiotida
17. Tragana of Fthiotida
18. Malessina of Fthiotida
19. Orhomenos of Viotia
20. Tholos of Chios
21. Lefka of Ahaia
22. Aliveri of Evia

Quarries

1. Araxos of Ahaia
2. Tragana of Fthiotida
3. Voulia of Siros
4. Aliveri of Evia

REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF THE COMPANY'S SHAREHOLDERS – continued

Aggregates' warehouses

1. Lazareta of Siros

Limestone

1. Milaki of Evia

Offices

1. 3, El.Venizelos str – Volos
2. P.Vostani and Mitri.Iakovou 1, Mitilini
3. Laos square 2 – Lamia
4. Ag.Apostolon 2 and Handakos – Chios

LAVA Quarrying and Mining S.A.

Quarries

1. Pumice stone: Yali of Nissiros, the Dodecanese
2. Gypsum: Altsi, Sitia, Crete
3. Pozzolane and Silicon : Adamantas, Milos

EVIESK S.A.

Plants – Sites

1. A.VI.PE of Volos, Volos, Magnissia Prefecture
2. Agria of Volos, Magnissia Prefecture
3. Milaki location, Evia Prefecture (leased by HERACLES GCC)
4. Milaki location, Evia Prefecture
5. Mikro Vathi of Avlida, Evia Prefecture

AMBER S.A.

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

Dear Shareholders,

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

Lycovrissi, 18.03.2008

By order of the Board of Directors

SAAD M. SEBBAR
Managing Director

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of HERACLES GENERAL CEMENT COMPANY

Report on the Financial Statements

We have audited the accompanying stand alone and consolidated financial statements of HERACLES GENERAL CEMENT COMPANY ("the Company") and its subsidiaries (on a consolidated basis "the Group"), which comprise the stand alone and consolidated balance sheet as at December 31, 2007, and the stand alone and consolidated income statement, statement of recognised income and expenses and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these were adopted by the European Union. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are harmonised with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Without qualifying our opinion, we draw your attention to note 29 to the financial statements that provides detailed information with respect to the financial years for which the corresponding income tax returns filed by the Company and each of its consolidated subsidiaries have not been examined and agreed with the tax authorities. Therefore, there is a possibility that additional taxes and penalties may be assessed upon the corresponding future tax inspections and final settlement. In addition, there are disputes with the tax authorities currently pending before the competent administrative courts. The final outcome from the above future tax examinations and/or pending litigation cannot be presently determined and, therefore, no provision has been established in this respect in the accompanying financial statements.

Report on Other Legal and Regulatory Requirements

The Directors Report includes the information stipulated by articles 43a paragraph 3 and/or 107 paragraph 3 and 16 paragraph 9 of law 2190/1920 as well as article 11a of law 3371/2005 and the content is consistent with the above financial statements.

Athens, March 19, 2008

The Certified Public Accountants

Nicos K. Sofianos
RN SOEL 12231

Michalis E. Karavas
RN SOEL 13371

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