



**MICHANIKI S.A.**

**FISCAL YEAR 2007 ANNUAL REPORT**

**(according to the Hellenic Capital Market Commission Board of Directors**

**Decision 7/372/15.02.2006)**

**June 2008**

## **ANNUAL REPORT TABLE OF CONTENTS**

1. YEARLY FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARDS	3
2. CONCISE YEARLY DATA AND INFORMATION OF THE COMPANY AND THE GROUP SET BY THE JOINT DECISION OF THE ECONOMY AND FINANCE MINISTER AND THE MINISTER OF DEVELOPMENT PROVIDED IN ARTICLE 135 PAR. 4 OF THE C.L. 2190/1920 IN EFFECT	81
3. BOARD OF DIRECTORS REPORT UPON THE YEARLY FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP PROVIDED IN ARTICLE 136 OF C.L. 2190/1920 AND EXPLANATORY REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL ASSEMBLY OF ITS SHAREHOLDERS INCLUDING INFORMATION ACCORDING TO THE ORDINANCES OF PARAGRAPH 1 OF ARTICLE 11A OF L. 3371/2005	82
4. AUDITORS REPORT FOR THE COMPANY AND THE GROUP	88
5. TRANSACTION REPORT OF THE COMPANY WITH AFFILIATED COMPANIES PROVIDED IN ARTICLE 2 PAR. 4 OF L. 3016/2002, IN EFFECT	90
6. INFORMATION OF ARTICLE 10 OF L. 3401/2005 FOR FISCAL YEAR 2007	96
7. AVAILABILITY OF FINANCIAL STATEMENTS, AUDITOR REPORTS AND BOARD OF DIRECTOR REPORTS OF THE COMPANIES THAT ARE INCORPORATED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY	99
8. ADDITIONAL INFORMATIONAL DATA OF ARTICLE 8 CASE 3 OF DECISION 7/372/15.02.2006 OF THE HELLENIC CAPITAL MARKET COMMISSION BOARD OF DIRECTORS	100
9. INVITATION TO THE ORDINARY GENERAL ASSEMBLY OF THE SHAREHOLDERS FOR FISCAL YEAR-END 2007	103



## **1. YEARLY FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARDS**

### **MICHANIKI S.A. GROUP OF COMPANIES**

#### **Year-End Financial Statements for the period from January 1<sup>st</sup> up to and December 31<sup>st</sup> 2007**

It is certified that the attached Year-End Financial Statements, are those approved by the Board of Directors of "MICHANIKI S.A." at 26/3/2008 and have been published with their disclosure through the internet, at the website address [www.michaniki.gr](http://www.michaniki.gr). It is noted that the published in the Press concise financial data and information, aim at providing to the reader certain general financial information but they do not provide the comprehensive view of the Company's and Group's financial position and results, in accordance with the International Accounting Standards. It is also noted that, for simplification purposes, the concise financial data published in the press have had certain item abridgements and reclassifications.

Prodromos Emfietzoglou  
Chairman  
MICHANIKI S.A.

**TABLE OF CONTENTS**

1	Financial Statements.....	6
1.1	Balance Sheet.....	6
1.2	Profit & Loss Account.....	8
1.3	Statement of Changes in Equity.....	9
1.4	Cash flow statement (Indirect method).....	11
2	INDEPENDENT AUDITORS REPORT.....	12
3	Reclassification of published financial statements.....	14
4	Company Information.....	15
4.1	General Information.....	15
4.2	Nature of Activities.....	18
5	Financial statements form framework.....	19
6	Basic Accounting Principles.....	19
6.1	New accounting standards, interpretations and amendment of existing standards.....	19
6.2	Significant accounting judgments, estimates and assumptions.....	22
6.3	Segment reporting.....	23
6.4	Consolidation.....	23
6.5	Group Structure.....	27
6.6	Foreign currency conversion.....	29
6.7	Tangible Assets.....	30
6.8	Non current items occupied for sale.....	31
6.9	Property Investments.....	32
6.10	Intangible Assets.....	33
6.11	Impairment of Assets.....	33
6.12	Financial Instruments.....	34
6.13	Inventories.....	36
6.14	Trade receivables.....	36
6.15	Cash and cash equivalents.....	36
6.16	Non-current assets classified as held for sale.....	36
6.17	Share capital.....	37
6.18	Income tax & deferred tax.....	37
6.19	Employee benefits.....	38
6.20	Grants.....	40
6.21	Provisions.....	40
6.22	Recognition of income and expenses.....	40
6.23	Leases.....	41
6.24	Construction contracts.....	42
6.25	Dividend distribution.....	43
6.26	Risk management.....	43
7	Financial Information by Segment.....	46
8	Financial Statement Notes.....	49
8.1	Tangible Assets.....	49

8.2	Property Investments .....	51
8.3	Intangible assets-Expenditures for the exploration and evaluation of mineral resources.....	52
8.4	Investments .....	53
8.5	Other long-term receivables.....	54
8.6	Inventories .....	54
8.7	Construction contracts.....	55
8.8	Trade and Other commercial receivables .....	56
8.9	Joint Ventures/Consortiums .....	56
8.10	Other Short-term receivables and Prepayments .....	57
8.11	Fair value Financial Items though results .....	57
8.12	Receivables from affiliated and other participation/investment interest Companies.....	58
8.13	Cash and cash equivalents.....	58
8.14	Equity .....	58
8.15	Deferred tax receivable and liability and tax agreement.....	61
8.16	Employee Benefit Liabilities and Other provisions .....	63
8.17	Loan liabilities-Leases.....	65
8.18	Commercial Liabilities and prepayments .....	68
8.19	Tax liabilities.....	69
8.20	Other long-term liabilities .....	70
8.21	Other short-term liabilities .....	70
8.22	Turnover .....	71
8.23	Cost of sales .....	71
8.24	Administrative expenses .....	71
8.25	Selling expenses .....	72
8.26	Depreciation .....	72
8.27	Other operating revenues/ expenses .....	73
8.28	Financial revenues/expenses – Other financial results.....	74
8.29	Transactions with associated parties .....	75
8.30	Profits per share .....	78
8.31	Potential receivables-liabilities.....	78
8.32	Engagements.....	79
8.33	Dividends .....	79
8.34	Number and grants of Employed personnel .....	79
8.35	Management grants .....	80
8.36	Change in accounting estimations .....	80
8.37	Events after the date of the balance sheet.....	80

## 1 Financial Statements

### 1.1 Balance Sheet

	Note:	Amounts in € thousand			
		THE GROUP		THE COMPANY	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Non Current Assets</b>					
Tangible Assets	8.1	71.362	68.695	50.481	42.670
Property Investment	8.2	118.769	42.833	18.952	0
Other Intangible Assets	8.3	64	88	29	46
Expenditures for exploration and evaluation of mineral resources	8.3	472	529	0	0
Investments in Subsidiaries	6.5	-	-	162.053	131.171
Investments in Joint Ventures/Consortiums	8.9	16.252	14.977	14.321	14.321
Financial assets valued at their fair value with changes in results	8.4	9	9	3	3
Less: Provisions for devaluations	8.4	(3)	(3)	(16.770)	(24.558)
Other Long-term Receivables	8.5	2.458	3.059	2.298	2.881
Deferred tax receivables	8.15	43	548	0	0
		<b>209.425</b>	<b>130.734</b>	<b>231.370</b>	<b>166.534</b>
<b>Current assets</b>					
Inventories	8.6	106.651	92.677	39.717	37.462
Commercial receivables	8.7/8	104.188	88.111	67.185	46.989
Receivables from Affiliated and other investment interest Companies	8.12	36.919	39.963	40.492	39.730
Other Receivables	8.8	8.648	1.775	1.698	3.812
Financial assets valued at their fair value with changes in results	8.11	6	56	0	51
Other Current item Assets	8.10	4.488	2.343	2.212	1.646
Prepayments	8.10	37.329	29.716	5.292	3.868
Cash and cash equivalent	8.13	22.921	34.692	3.949	9.725
		<b>321.149</b>	<b>289.334</b>	<b>160.545</b>	<b>143.283</b>
<b>Total Assets</b>		<b>530.575</b>	<b>420.068</b>	<b>391.915</b>	<b>309.816</b>

*Possible differences in totals are due to number rounding*

<b>Shareholders Equity &amp; Liabilities</b>					
<b>Equity Capital</b>					
Share Capital	8.14	137.502	137.502	137.502	137.502
Share Premium	8.14	129.629	129.629	129.629	129.629
Own Shares	8.14	(3.397)	(1.088)	(3.397)	(1.088)
Financial means fair value differences	8.14	0	(0)	19.334	12.653
Foreign Exchange Differences	8.14	(5.459)	(1.022)	0	0
Statutory Legal Reserve	8.14	7.557	4.022	6.579	3.368
Other Reserves	8.14	51.201	29.317	9.506	15.177
Retained Earnings	8.14	(68.581)	(80.790)	(70.398)	(90.491)
<b>Equity Attributable to Parent Company</b>					
<b>Shareholders</b>		<b>248.451</b>	<b>217.569</b>	<b>228.755</b>	<b>206.748</b>
<b>Minority Rights</b>		33.977	19.609	-	-
<b>Total Equity</b>		<b>282.428</b>	<b>237.178</b>	<b>228.755</b>	<b>206.748</b>
<b>LIABILITIES</b>					
<b>Long-term Liabilities</b>					
Other financial liabilities	8.17	7.142	7.584	7.142	0
Bank Loans	8.17	20.470	14.115	0	0
Provisions for employee retirement benefits	8.16	1.541	1.865	788	803
Deferred tax liabilities	8.15	24.577	12.473	9.494	6.114
Other Long-term Liabilities	8.20	3.848	3.497	2.597	2.664
Other Provisions	8.16	3.174	1.813	1.851	1.213
<b>Total Long-term Liabilities</b>		<b>60.753</b>	<b>41.347</b>	<b>21.872</b>	<b>10.794</b>
<b>Short-term Liabilities</b>					
Bank Loans	8.17	67.559	38.034	42.002	29.003
Short-term part of other short-term liabilities		478	566	478	0
Comercial Liabilities (trade creditors etc)	8.18	57.800	52.270	42.194	25.869
Taxes		2.196	655	1.715	0
Other liabilities	8.21	16.526	11.396	13.900	6.137
Advances	8.18	19.355	16.494	16.829	10.820
Liabilities to affiliated and other investment interest companies	8.9	23.477	22.128	24.169	20.445
<b>Total Short-term Liabilities</b>		<b>187.393</b>	<b>141.543</b>	<b>141.288</b>	<b>92.273</b>
<b>Total Liabilities</b>		<b>248.145</b>	<b>182.889</b>	<b>163.161</b>	<b>103.067</b>
<b>Total Shareholders Equity and Liabilities</b>		<b>530.575</b>	<b>420.068</b>	<b>391.915</b>	<b>309.816</b>

*Possible differences in totals are due to number rounding*

## 1.2 Profit & Loss Account

Amounts in € thousand except from profits per share					
		THE GROUP		THE COMPANY	
	Note:	1/1- 31/12/2007	1/1- 31/12/2006	1/1- 31/12/2007	1/1- 31/12/2006
<b>Sales Turnover</b>	7	226.142	166.710	145.620	66.072
Cost of Sales	8.23	(187.016)	(132.823)	(117.416)	(52.429)
<b>Gross Profit</b>		<b>39.127</b>	<b>33.887</b>	<b>28.204</b>	<b>13.644</b>
Property Investment valuations result	8.2	46.853	8.519	0	0
Other Operating Income	8.27	2.595	3.988	674	806
Selling Expenses	8.25	(1.763)	(4.068)	(94)	(44)
Administrative Expenses	8.24	(11.500)	(8.389)	(8.359)	(5.830)
Other Operating Expenses	8.27	(3.022)	(2.135)	(343)	(540)
<b>Profit before Interest, Financial and Investment Results</b>		<b>72.290</b>	<b>31.802</b>	<b>20.081</b>	<b>8.036</b>
Depreciation	8.26	6.515	6.432	4.205	3.229
<b>Profit before Interest, Financial and Investment Results and depreciation</b>		<b>78.806</b>	<b>38.235</b>	<b>24.287</b>	<b>11.265</b>
Financial Income	8.28	5.688	6.864	13.961	7.027
Financial Expenses	8.28	(10.553)	(5.610)	(7.254)	(3.792)
Share of profit/valuation from associate companies	8.9	4.190	787	4.241	523
<b>Financial Result</b>		<b>(674)</b>	<b>2.041</b>	<b>10.948</b>	<b>3.758</b>
Depreciation		(6.515)	(6.432)	(4.205)	(3.229)
<b>Profit before Tax</b>		<b>71.616</b>	<b>33.843</b>	<b>31.029</b>	<b>11.793</b>
Income Tax	8.15	(18.105)	(7.896)	(6.262)	(3.244)
<b>Profit after tax</b>		<b>53.512</b>	<b>25.947</b>	<b>24.767</b>	<b>8.549</b>
<i>Equity shareholders of the parent company</i>		<i>47.119</i>	<i>25.287</i>	<i>24.767</i>	<i>8.549</i>
<i>Minority Rights</i>		<i>6.393</i>	<i>660</i>	<i>-</i>	<i>-</i>
<b>Profit after tax per share - basic (in €)</b>	8.30	<b>0,51</b>	<b>0,27</b>	<b>0,27</b>	<b>0,09</b>

*Possible differences in totals are due to number rounding*

The attached notes constitute an integral part of these financial statements.

### 1.3 Statement of Changes in Equity Group

Amounts in € thousand

	Share Capital	Share Premium	Fair Value Reserves	Foreign Exchange Differences Conversion Reserve	Other Reserves	Retained Earnings	Total before minority rights	Minority Rights	Total
<b>Balance at January 1st 2007</b>	<b>137.502</b>	<b>129.629</b>	<b>10.325</b>	<b>(1.022)</b>	<b>21.925</b>	<b>(80.790)</b>	<b>217.569</b>	<b>19.609</b>	<b>237.178</b>
Change of Equity Capital for the period 1/1-31/12/2007	-	-	-	-	(2.309)	-	(2.309)	-	(2.309)
(Purchases) / sales of Own Shares	-	-	-	-	74	1.424	1.498	-	1.498
Profits / (losses) of Own Shares sales	-	-	-	(4.438)	-	(17)	(4.454)	(283)	(4.737)
Reserve Change of Foreign Exchange differences Conversion	-	-	2.035	-	-	-	2.035	1.840	3.876
Property Investments valuation differences	-	-	-	-	-	-	-	-	-
<b>Net profit / loss recorded directly to the net equity</b>	<b>-</b>	<b>-</b>	<b>2.035</b>	<b>(4.438)</b>	<b>(2.236)</b>	<b>1.407</b>	<b>(3.230)</b>	<b>1.557</b>	<b>(1.673)</b>
Effect from change of investment percentage in subsidiary company	-	-	-	-	-	-	-	6.418	6.418
Property investments sales	-	-	(4.571)	-	-	4.571	-	-	-
Dividends payable	-	-	-	-	456	(13.463)	(13.007)	-	(13.007)
Net Period Results 1/1-31/12/2007	-	-	27.426	-	-	19.694	47.119	6.393	53.512
<b>Period Equity Total Change</b>	<b>-</b>	<b>-</b>	<b>24.890</b>	<b>(4.438)</b>	<b>(1.780)</b>	<b>12.209</b>	<b>30.882</b>	<b>14.368</b>	<b>45.250</b>
<b>Equity balance at 31/12/2007</b>	<b>137.502</b>	<b>129.629</b>	<b>35.215</b>	<b>(5.460)</b>	<b>20.145</b>	<b>(68.581)</b>	<b>248.451</b>	<b>33.977</b>	<b>282.428</b>
<b>Balance at January 1st 2006</b>	137.502	129.629	10.427	(882)	23.497	(98.607)	201.566	20.964	222.529
Change of Equity Capital for the period 1/1-31/12/2006	-	-	-	-	2.656	-	2.656	-	2.656
Purchases / (Sales) of Own Shares	-	-	-	-	-	-	-	-	-
Net income recorded directly to the net equity	-	-	-	(140)	-	2.287	(140)	(17)	(157)
Reserve Change of Foreign Exchange differences Conversion	-	-	-	-	-	-	-	-	-
Own shares sale result	-	-	-	-	-	2.287	2.287	-	2.287
<b>Net profit / loss recorded directly to the net equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.656</b>	<b>2.287</b>	<b>4.803</b>	<b>(17)</b>	<b>4.786</b>
Dividends payable	-	-	-	-	(4.457)	(8.550)	(13.007)	-	(13.007)
Effect from change of investment percentage in subsidiary company	-	-	-	-	-	(1.080)	(1.080)	(1.997)	(3.077)
Net Period Results 1/1-31/12/2006	-	-	(102)	-	229	25.160	25.287	660	25.946
<b>Period Equity Total Change</b>	<b>-</b>	<b>-</b>	<b>(102)</b>	<b>(140)</b>	<b>(1.572)</b>	<b>17.817</b>	<b>16.004</b>	<b>(1.355)</b>	<b>14.649</b>
<b>Equity balance at 31/12/2006</b>	<b>137.502</b>	<b>129.629</b>	<b>10.325</b>	<b>(1.022)</b>	<b>21.925</b>	<b>(80.790)</b>	<b>217.569</b>	<b>19.609</b>	<b>237.178</b>

*Possible differences in totals are due to number rounding*

**Company**

	Amounts in € thousand					
	Share Capital	Share Premium	Fair value financial item reserves	Other Reserves	Retained Earnings	Total
<b>Balance at January 1st 2007</b>	<b>137.502</b>	<b>129.629</b>	<b>12.653</b>	<b>17.456</b>	<b>(90.491)</b>	<b>206.749</b>
<i>Change of Equity Capital for the period 1/1-31/12/2007</i>						
Profits / (losses) of Own Shares sales	-	-	-	74	1.424	<b>1.498</b>
(Purchases) / sales of Own Shares	-	-	-	(2.309)	-	<b>(2.309)</b>
Cash and cash equivalent valuation of financial items for sale	-	-	7.775	-	-	<b>7.775</b>
Profits / (losses) of Cash and cash equivalent valuation of financial items for sale	-	-	(1.095)	-	-	<b>(1.095)</b>
<b>Net profit / loss recorded directly to the net equity</b>	-	-	<b>6.679</b>	<b>(2.236)</b>	<b>1.424</b>	<b>5.868</b>
Distributed Dividends	-	-	-	(2.531)	(10.476)	<b>(13.007)</b>
Effect from subsidiary merge	-	-	-	-	4.378	<b>4.378</b>
Net Period Results 1/1-31/12/2007	-	-	-	-	24.767	<b>24.767</b>
<b>Period Equity Total Change</b>	-	-	<b>6.679</b>	<b>(4.767)</b>	<b>20.093</b>	<b>22.006</b>
<b>Equity balance at December 31st 2007</b>	<b>137.502</b>	<b>129.629</b>	<b>19.333</b>	<b>12.689</b>	<b>(70.398)</b>	<b>228.755</b>
<b>Balance at January 1st 2006</b>	<b>137.502</b>	<b>129.629</b>	-	<b>19.866</b>	<b>(92.777)</b>	<b>194.219</b>
<i>Change of Equity Capital for the period 1/1-31/12/2006</i>						
Cash and cash equivalent valuation of financial items for sale	-	-	12.653	-	-	12.653
Own shares sale result	-	-	-	-	2.287	2.287
(Purchases) / sales of Own Shares	-	-	-	2.048	-	2.048
<b>Net profit / loss recorded directly to the net equity</b>	-	-	<b>12.653</b>	<b>2.048</b>	<b>2.287</b>	<b>16.988</b>
Dividends payable	-	-	-	(4.457)	(8.550)	<b>(13.007)</b>
Net Period Results 1/1-31/12/2006	-	-	-	-	8.549	8.549
<b>Period Equity Total Change</b>	-	-	<b>12.653</b>	<b>(2.409)</b>	<b>2.286</b>	<b>12.529</b>
<b>Equity balance at December 31st 2006</b>	<b>137.502</b>	<b>129.629</b>	<b>12.653</b>	<b>17.457</b>	<b>(90.491)</b>	<b>206.748</b>

*Possible differences in totals are due to number rounding*

The attached notes constitute an integral part of these financial statements.

## 1.4 Cash flow statement (Indirect method)

The cash flow statement on a group basis and analyzed by continuing and terminated activities is depicted below:

	Amounts in € thousand			
	THE GROUP		THE COMPANY	
	1/1- 31/12/2007	1/1- 31/12/2006	1/1- 31/12/2007	1/1- 31/12/2006
<b>Operating activities</b>				
Profit before tax	71.617	33.842	31.029	11.793
Plus / less adjustments for:				
Depreciation	6.515	6.432	4.205	3.229
Depreciation of grants	(71)	(116)	(71)	(66)
Losses / (Profits) from asset sales	(836)	(2.112)	17	72
Provisions / (Revenues from unused provisions of previous year-ends)	936	252	922	219
Losses / (Profits) of fair value property investments	(48.538)	(7.352)	0	0
Foreign exchange differences	(4.737)	(302)	0	0
Results (income, expenses, profits and losses) from investment activity	(621)	(3.290)	(13.885)	(3.290)
Credit interest and similar income	(630)	(678)	(76)	(148)
Debit interest and similar charges	10.746	5.504	7.254	3.188
<i>Plus/ less adjustments for changes of working capital accounts or accounts related with operating activities:</i>				
Decrease / (increase) of inventories	(13.974)	(10.303)	(2.255)	(2.061)
Decrease / (increase) of receivables	(26.868)	(50.882)	(17.448)	(11.871)
(Decrease) / increase of liabilities (except banks)	19.967	36.226	34.230	5.757
Less:				
Paid up Debit interest and similar charges	(10.746)	(5.498)	(7.254)	(3.188)
Paid up taxes	(8.636)	(3.807)	(6.322)	(3.043)
<b>Total inflows / (outflows) from operating activities (a)</b>	<b>(5.878)</b>	<b>(2.083)</b>	<b>30.346</b>	<b>593</b>
<b>Investment activities</b>				
Disposal/(Acquirement) of subsidiaries, associates, joint ventures and other investments	(888)	(10)	(33.373)	(2.037)
Purchases of tangible and intangible assets	(16.108)	(10.676)	(14.342)	(9.235)
Disposal/(Acquirement) of investment properties	(18.974)	11.000	0	0
Collections from sales of tangible and intangible assets	2.285	2.309	22	2.223
Loans provided to affiliated parties	0	(4.688)	0	(4.602)
Reduction of subsidiary share capital				1.787
Dividends collected	0	0	3.141	883
Interest received	630	351	76	58
State grant collections	369	62	0	0
Settlement of Derivative Financial Items	4.760	2.761	4.760	2.761
<b>Total inflows / (outflows) from investment activities (b)</b>	<b>(27.926)</b>	<b>1.109</b>	<b>(39.715)</b>	<b>(8.162)</b>
<b>Financial Activities</b>				
Collections from issued / undertaken loans	70.500	47.408	40.149	29.303
Sales / (Purchases) of own shares	(410)	4.334	(410)	4.334
Loan settlements	(34.620)	(39.671)	(27.151)	(22.300)
Liability settlements from financial leases (amortization)	(530)	(1.471)	(74)	(692)
Dividends paid to parent company shareholders	(12.908)	(13.126)	(12.908)	(13.126)
<b>Total inflows / (outflows) from financial activities (c)</b>	<b>22.033</b>	<b>(2.526)</b>	<b>(393)</b>	<b>(2.480)</b>
<b>Net increase / (decrease) in cash and cash equivalents (a) + (b) + ( c )</b>	<b>(11.771)</b>	<b>(3.500)</b>	<b>(9.762)</b>	<b>(10.049)</b>
Cash and cash equivalents at the beginning of the year-end	34.692	38.192	9.725	19.774
Plus cash and cash equivalents of absorbed company		0	3.985	0
Cash and cash equivalents at the end of the year-end	<b>22.921</b>	<b>34.692</b>	<b>3.949</b>	<b>9.725</b>

The negative operating flows of the group, amounting to € 5.878.000 are caused mainly due to the cash outflow from an international subsidiary company against advances from the acquisition of assets.

*Possible differences in totals are due to number rounding*

The attached notes constitute an integral part of these financial statements.

## **2 INDEPENDENT AUDITORS REPORT**

To the Shareholders of Societe Anonyme "MICHANIKI S.A"

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Societe Anonyme "MICHANIKI S.A" (the "Company") in addition to the Consolidated Financial Statements of the company (the "Group"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity 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 adopted by the European Union (EU). 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; 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 based on 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2007 and of its financial performance and its



cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

Without stipulating reservation subject to the conclusion of our audit, we call upon your attention that no provisions have been made for potential tax liabilities regarding the un-audited, tax wise, fiscal year ends of the Joint Ventures/Consortiums, as relevantly mentioned in note 8.19 which is cited in the Financial Statements Addendum, regarding the current tax position of the Company and the Group. The outcome of the Joint Venture/Consortiums tax audits can not be forecasted at this current stage and therefore no provision whatsoever has been made upon the Financial Statements relevant to this matter.

### **Report on Other Legal and Regulatory Requirements**

The Board of Directors Report includes the information provided by articles 43a paragraph 3, 107 paragraph 3 and 16 paragraph 9 of the C.L. 2190/20 in addition to article 11a of L.3371/2005 and its content is consistent with the aforementioned financial statements

**Amarousio, March 26<sup>th</sup> 2008**

**THE CERTIFIED AUDITOR PUBLIC ACCOUNTANT**

**GEORGIOS ATH. SKABAVIRIAS  
REG. NO. (ICPA (GR)) 14661  
S.O.L. S.A.**



### 3 Reclassification of published financial statements

The group during the current period presents offsetting deferred tax receivables with the respective liabilities with the condition that the criteria set from the relevant standard are met (I.A.S. No 12 par. 71). For this reason the group proceeded with reclassifying the respective items presented in the Balance Sheet of the comparative period of December 31<sup>st</sup> 2006.

The reclassifications that took place are presented in the table below:

	THE GROUP			THE COMPANY		
	Previous Presentation	Reclassification	Adjusted balance	Previous Presentation	Reclassification	Adjusted balance
Deferred tax receivables	10.340	(9.792)	548	7.853	(7.853)	0
Total non current assets	140.526	(9.792)	130.734	174.386	(7.853)	166.534
Total Assets	429.860	(9.792)	420.068	317.669	(7.853)	309.817
Deferred tax liabilities	22.265	9.792	12.473	13.967	7.853	6.114
Total long-term liabilities	51.261	9.792	41.470	18.771	7.853	10.917
Total liabilities	192.681	9.792	182.889	110.921	7.853	103.068

The amount of € 123.000 that had been recorded to the account "Other Provisions" and referred to the valuation of financial derivatives was transferred to the account "Other liabilities" of the short-term liabilities.

The amount of € -787.000 (€ -523.000 the Company) regarding the Cash Flow Statement of the comparative period was transferred from the item "Valuation of joint ventures with the net equity method" to the item "Decrease (Increase) of receivables". From the reclassification the cash flows from operating activities were not changed.

The amount of € 1.293.000 regarding liabilities to joint ventures from commercial acts was transferred from the account "Commercial Liabilities" to the account "Liabilities to affiliate and other participation investment interest companies".

From these reclassifications no change resulted in the groups and the company's equity and results.

## **4 Company Information**

### **4.1 General Information**

MICHANIKI S.A. was established in 1974 (Official Legal Notice Issue 2160/31.12.1974), its registered office since January 1<sup>st</sup>, 1997 is in the Municipality of Marousi and its S.A. Registration No. is 8440/06/B86/16 (Ministry of Development, General Secretariat of Commerce). The Company's T.I.N. is 094047453. The Company's duration was set to 50 years (that is up to 2024) and its initial share capital amounted to Grd 20.000.000, paid-up in full and divided in 20.000 shares of Grd 1.000 face value each.

According to article 3 of the Company's statute, as amended by the Company's B' Repetitive Extraordinary General Assembly decision dated June 9<sup>th</sup>, 2000, the Company's scope is:

- The resumption and construction of technical works, public or private, through any method, including the assumption of technical projects through the "Study-Construction-Self Financed-Utilization" system.
- The elaboration of studies regarding the construction of technical projects, public or private.
- Investments for the development of civil and non civil real estate (indicatively: buildings, apartments, offices, commercial malls, hotels) and the construction of large residence units.
- The organization, utilization and management of commercial, industrial, tourist or agricultural establishments.
- The reclamation, management and utilization of civil and non civil buildings that belong to the Company or to third parties.
- The resumption of construction works, the building and utilization of real estate complexes and establishments upon privately owned plots or upon plots owned by third parties through the turnkey consideration system and with the scope to resale them with profit.
- The rendering of technical services and advice for the reclamation of real estate and the control of investment costs, through the elaboration of any kind of studies and technical reports.
- The rendering of technical support for bids regarding the assignment of technical projects.
- The utilization of hotel units and in general tourist complexes and establishments, in addition to the performance of all kinds of tourist businesses (indicatively: hotel accommodations, hostels, establishments of specific tourist infrastructure, including the lease, purchase, sale, erection of the equipment and the utilization of hotel units and tourist establishments of any kind and form and the tourist reclamation of stretches or buildings either owned by the Company or belonging to third parties, in addition to their utilization).
- The participation in any way either through contribution or through the acquirement of company securities, in other companies, that exist or will be established, domestic or foreign, in addition to the participation through a share capital increase of the above companies. The above companies include companies of the general financial sector, indicatively such as, banks, portfolio investment companies, financial services companies, abiding to the occasional legal framework in effect.



- Investments for the study, construction, development and utilization of energy works and mainly thermoelectric, hydroelectric and works arising from renewable sources of energy.
- The establishment and utilization of quarrying units and quarry production products and building materials in general.
- The industrial production, disposal and marketing of building and in general construction materials.
- The study, construction and assembly of any kind of industrial equipment and industrial installation.
- The construction of any kind of equipment and in general metallic, wood and all kinds of structures.
- The construction, complete or partial, and marketing of cars, tractors, agricultural machinery and in general vehicles of every type and use, in addition to their components and spare parts.
- The industrial processing of wood, up to the production, disposal and marketing of wood structures.
- The industrial production, disposal and marketing of metallurgy products of any kind, including iron pipes, and in general piping and plating products.
- The resumption of works related to factory equipment and buildings structures.
- The domestic representation of domestic or foreign houses and in general of corporations that pursue the same or similar activities with the ones previously mentioned.
- The participation in companies, which have the same or similar scope, up to real estate investment companies.

In order to achieve its scope the Company can:

- Participate in any company with a same or similar scope, of any legal entity type.
- Participate either through contributions or through the acquisition of company shares upon establishment and establish companies and consortiums/joint ventures, acquire companies of any legal entity type and in any way, in addition to cooperate with any physical or legal entity in any way domestically or abroad.
- Incur loan contracts with affiliated companies, banks and financial institutions.
- Participate in Mutual Funds with the scope to incur profits in addition to invest its cash in stocks of other companies listed or non listed in the Athens Exchange.
- Establish anywhere branches, agencies or offices according to article 2, render guarantees in favor of companies and general businesses or consortiums/joint ventures, in which the Company participates or with which it cooperates in any way, rendering all kinds of securities, personal and collateral.
- Proceed in order to merge with other companies of any legal entity type or to assimilate other companies, up to levying one or more sectors to existing or constituted companies.
- Realize through appropriate investments all of the scopes and activities mentioned.

The Company operates in the construction sector and according to the analysis of the N.S.S. of Greece (STAKOD/03), it is accessed in the following categories:

<b>Information based upon decision 58/28.12.2000 of the A.E. Board of Directors (Official Legal Notice Issue 129/B'/08.02.2001), case b): STAKOD/03-Codes</b>	
28.11	Metallic frameworks and parts of metallic frameworks construction
40.11	Electricity production
45.21	Building and technical construction works civil engineering
45.23	Road, street, airport and sport facilities construction
45.24	Hydraulic works construction
45.39	Other building installations
51.53	Wholesale of timber products, construction material and sanitary products
70.11	Real estate development and sale
70.20	Real estate lease
70.32	Real estate management against fees or based upon a contract agreement
71.21	Lease of other ground transportation means
71.32	Lease of machinery/equipment for construction & civil engineer works
74.12	Accounting, auditing and tax consulting services
74.50	Personnel scouting and provision
74.14	Business consulting and management services

The Company was founded in 1974 by Prodromos Emfietzoglou engaging in public and private construction projects. During its multi-year presence, the Company not only managed to establish itself as one of the most significant and contemporary construction companies in the sector, but also play a primary role to the whole spectrum of the country's construction projects infrastructure. Already since 1990 the Company's shares are listed in the Athens Exchange.

The Company has been distinguished for a series of sophisticated and complex construction projects such as airports, hydroelectric stations, road construction projects, tunnels etc. Today the Company's aim, apart from its participation in public and private construction projects, is to develop its operations through the utilization of its real estate equity, the development of civil buildings, the investment in companies that create vertical integrations and synergies and the development of operations abroad.

During the year-end of 2001 and according to the new statutory framework of L. 2940/2001 (Official Legal Notice Issue A 180/06.08.2001) the new grading regarding the classification of construction companies was sanctioned with seven degrees, instead of the existing eight degrees based upon the initial statutory framework, whilst the grading judgment criteria were also differentiated to a big extent compared to the prior procedure, by adapting the principles and criteria of the Classification Model in order to ensure the fair evaluation of the companies based upon their fundamental figures.



Michaniki Group of companies during the fiscal year-end of 2001 submitted a petition to the Ministry for the Environment, Planning and Public Works for the degree of the new supreme 7<sup>th</sup> contractor class in addition to the degree of the 6<sup>th</sup> class.

The petition regarding the 7<sup>th</sup> class ranking involved the formation that was created with the merge of the parent Company MICHANIKI S.A. (H' class degree) and its 100% subsidiaries KERN S.A. (F' class degree), K.G. ASKOUNIS S.A. (F' class degree), BIOMILKA S.A. (F' class degree), KAPETANIDIS BRO. S.A. (G' class degree) and P.PEHLIVANIDIS S.A. (G' class degree). The above formation includes the non construction company BIEX METALLIC CONSTRUCTIONS S.A., a 100% subsidiary company of MICHANIKI S.A.

More over the assertion of the 6<sup>th</sup> class degree refers to the formation that was created from the merge of MICHANIKI S.A. 100% subsidiary companies, THOLOS S.A. (G' class degree), N. PAPADAKIS S.A. (F' class degree), AKRITAS S.A. (E' class degree) and CHRONOMICHANIKI S.A. (E' class degree).

During the fiscal year-end of 2002, MICHANIKI S.A. Group of companies obtained the above two degrees with the approval that it received from the qualified committee of the Ministry for the Environment, Planning and Public Works.

With the conclusion of the approval procedure, MICHANIKI S.A. Group of companies is represented through the degrees of the two supreme construction classifications which combined give the Company the potential to undertake public works budgeted from € 8,8 million and with no upper limit.

During the thirty years of its operations, MICHANIKI S.A. has participated in more than 120 major construction projects contributing to the country's infrastructure upgrading, economy invigoration but also to the strengthening of the role and importance of the domestic construction sector.

The strategy of MICHANIKI Group of companies lies upon the expansion of activities in lucrative sectors that are complementary to the construction subject, widen sources of income and yield substantial cost saving resources and economies of scale.

Particularly, MICHANIKI is focusing its interest in Constructions, Real Estate Development/Utilization and Energy.

Abroad the Company has turned its attention to the fast developing peripheral markets that present substantial opportunities in real estate development which will be further benefited from the rapid improvement of the general economic climate and the gradual approach with the European Union. Such markets are Bulgaria, Ukraine and Russia in which MICHANIKI already has a presence.

## **4.2 Nature of Activities**

MICHANIKI Group of companies is one of the first that materialized a multiple and immediate complementary to its activities developmental strategy in the Greek market with the objective to expand beyond public works to new lucrative sectors with enriched sources of income and maximization of synergies.

The four basic categories in which MICHANIKI Group of companies is operating are the following:

I. Constructions,

II. Real Estate Development-Utilization,

III. Energy, and

IV. Industries

- The construction sector in which the parent company MICHANIKI S.A. and THOLOS S.A. operate in regard constructions of Public and Private Projects and mainly Building, Road, Bridge, Landscaping, Energy, Airport, Port, Tunnel and Environmental projects.

## **5 Financial statements form framework**

The financial statements have been compiled according to the International Financial Reporting Standards (IFRS), including the International Accounting Standards (I.A.S.) and interpretations that have been published by the International Financial Reporting Interpretations Committee (I.F.R.I.C.), as adopted by the European Union up to December 31<sup>st</sup> 2007.

The current financial statements have been compiled according to the principle of the historical cost, as amended with the valuation of certain investments in shares, property investments and derivatives (foreign exchange term contracts) at fair value through the results.

The compilation of the financial statements according to the IFRS requires the use of accounting estimates. Additionally the Managements judgement is required for the implementation of the accounting principles. The sectors that require a higher judgment rate or which are extremely complicated or sectors where assumptions and estimates are essential for the financial statements, are mentioned in the significant accounting estimates and judgments in note 6.2.

## **6 Basic Accounting Principles**

The accounting principles upon which the financial statements were formulated, are consistent to the ones used for the formulation of the financial statements of year-end 2007 and have been applied with consistency for all presented year-ends.

In the case deemed necessary, the comparative data of previous year-ends were reformed in order to be similar to the current year-end data.

### **6.1 New accounting standards, interpretations and amendment of existing standards**

- ***The new standards, interpretations and amendments within the existing standards that have been issued but are not yet in effect are depicted below:***

**(a) IAS 23 Borrowing cost - Amended.** An amended publication of IAS 23 Borrowing cost has been issued in March 2007 and is effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2009. The standard's amendment requires the capitalization of the borrowing cost, when such costs refer to an asset. The amendment of the standard has not yet been adopted by the European Union.

**(b) IFRS 3 Business combinations and IAS 27 Consolidated and Separate Financial Statements.**

The amendment of IFRS 3 and IAS 27 was issued in January 2008 and is effective for yearly accounting periods commencing at or after July 1<sup>st</sup> 2009. IFRS 3 will apply to business combinations that result in these periods and whose implementation range has been amended in order to include business combinations that are under joint control and combinations without a premium deposit (parallel entry of shares). Further more IFRS 3 and IAS 27 require an increased use of the fair value through the profit and loss statement and the strengthening of the financial statement of the referred entity. Additionally, these standards introduce the following requirements:

1. to recalculate the participation investment percentage when control is regained or lost
2. to recognize directly to equity the effect of all the transactions between the controlled and non controlled parties, when control has not been lost,
3. to focus on what premium has been given to the seller rather than the expenditure amount incurred for the acquisition. More specifically, data such as cost directly related to the acquisition, changes in value of the potential premium, services dependant from the share value and contract settlements that pre-existed will be accounted separately from the business combinations and will often affect the profit and loss account. The amendment in these standards has not yet been adopted by the European Union.

**(c) IAS 1, Capital Disclosures - Amended.** A publication of the amended IAS 1 Capital Disclosures has been issued in September and is effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2009. The standard's amendment requires that the statement of changes in equity should include only transactions with shareholders. An entry of a new total income statement takes place and dividends to shareholders will appear only in the statement of changes in equity or within the financial statement notes. The amendment of this standard has not yet been adopted by the European Union.

**(d) IFRS 8, Operating segments** (effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2009). This standard requires the notification of the information for the operational sectors of the Group and replaces the requirements for the stipulation of the basic and secondary relative sectors of the Group. The Group is undergoing an evaluation procedure regarding the effect from implementing the standard amendment to its financial statements. The standard has not yet been adopted by the European Union.

**(e) IFRIC 11, IFRS 2, Group and treasury share transactions** (effective for yearly accounting periods commencing at or after March 1<sup>st</sup> 2007). The standard requires that transactions which grant the employee with participation title rights of a financial entity, are considered for accounting purposes as ordinary shares. The interpretation has not yet been adopted by the European Union.

**(f) IFRIC 12, Service concession arrangements** (effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2008). The interpretation is not relevant to the group's operations. The interpretation has not yet been adopted by the European Union.

**(g) IFRIC 13, Customer loyalty programs** (effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2008). The interpretation is not relevant to the group's operations. The interpretation has not yet been adopted by the European Union.

**(h) IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interactions** (effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2008). The interpretation is not relevant to the group's operations. The interpretation has not yet been adopted by the European Union.

**(i) Amendment of IFRS 2, Grants dependent upon the share value "exercise and recall terms"** (effective for yearly accounting periods commencing at or after January 1<sup>st</sup> 2009). The amendment of this standard has not yet been adopted by the European Union.

➤ ***Standards and Interpretations that are effective for the year ended December 31<sup>st</sup> 2007.***

The following Standards and Interpretations have been effective during the year that ended December 31<sup>st</sup> 2007. None of these Standards and Interpretations have an effect on the consolidated financial statements, except from IFRS 7 and IAS 1 (amended), which have no effect upon the Group's financial position, but create additional notifications.

- (a) IFRS 7 Financial Instruments: Disclosures
- (b) IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- (c) IFRIC 8, Scope of IFRS 2
- (d) IFRIC 9, Reassessment of Embedded Derivatives
- (e) IFRIC 10, Interim Financial Reporting and Impairment
- (f) IAS 1, Presentation of Financial Statements - Amendment

## **6.2 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in accordance with the IFRS requires the management to formulate judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those being estimated. Estimates and judgments are continuously re-evaluated and are based so much on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the particular circumstances. The estimates and assumptions that implicate an essential risk to provoke significant changes to the receivable and liability amounts within the next year-end are depicted below.

- **Construction contract budgets**

The handling of the earnings and the expenses of a construction contract, depends upon whether the final result from the execution of the contractual project can be estimated with credibility (and is expected to produce profit to the contractor or the result from the execution is loss-making). When the result of a contractual project can be estimated with credibility, then the earnings and the expenses of the contract are recognised through the duration of the project, correspondingly as an earning and expense. The Group uses the method of the percentage of completion in order to determine the appropriate amount of income and expense which will be recognised in a specific period. The completion stage is measured, according to the contractual expense that has been realised until the date of the financial statement in relation to the total expected contractual cost of every project.

Therefore it is required by the management to make significant estimates relative to the gross result with which each construction contract will be executed (estimated cost of completion).

- **Income taxes**

The Group and the Company are subject to income taxes in numerous tax jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the exact tax determination is uncertain during the ordinary course of business of the company. The Group and the Company recognize liabilities for anticipated tax audit issues based upon estimates on whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and the deferred tax provisions for the period in which these amounts have been set.

- **Provisions**

**Doubtful accounts** are being presented with the amounts that are likely to be recovered. As soon as it is known that a particular account is subject to a risk greater than the normal credit risk (e.g., low creditworthiness of customer, dispute as to the existence or the amount of the claim, etc.), then the account is analyzed and recorded if circumstances indicate that the receivable is uncollectible.

- **Contingencies**

The Group is involved in litigations and claims at its normal course of operations. The management deems that any resulting settlements would not significantly affect the financial position of the Group and the Company as at December 31<sup>st</sup>, 2006. However, the determination of contingent liabilities relating to litigations and claims is a complex process that includes judgments relative to the possible consequences and interpretations of laws and regulations.

Changes in judgments or interpretations might be possible to lead in an increase or decrease of the Group's contingent liabilities in the future.

### **6.3 Segment reporting**

A business segment is defined as a group of assets and operations engaged in providing products and services, that are subject to different risks and returns from those of other business segments. A geographical sector is defined as a geographical area, within which products and services are provided and which is subject to different risks and returns from other segments.

The Group operates in the following segments:

1. Hydroelectric Energy
2. Utilization of Parking Stations
3. Utilization of a Cemetery
4. Metallic Structures (Termination of operations in fiscal year-end 2005)
5. Technical Works
6. Wood Industry
7. Pipelines
8. Marble Quarrying & Marketing
9. Real Estate Utilization

The above segregation was set in order to ensure the in depth analysis of the company's aggregate operations in segments with particular technical and economic characteristics.

### **6.4 Consolidation**

**Subsidiaries:** Are all of the companies that are managed or controlled, directly or indirectly, by another company (parent) either through the holding of majority of shares in the undertaking by the invested company or through its dependence on the know-how provided from the Group. Meaning, that subsidiaries are companies in which control is exercised by the parent. **MICHANIKI** gains and exercises control through voting rights. The existence of potential voting rights that are exercisable at the time the financial statements are compiled is taken into account in order to determine whether the parent exercises control over the subsidiaries. Subsidiaries are fully consolidated (full consolidation) with the acquisition method from the date that control over them is acquired and are de-consolidated from the date on which control ceases.

The acquisition of a subsidiary by the Group is accounted for using the acquisition method. The acquisition cost of a subsidiary is the fair value of the assets given, the shares issued and the liabilities undertaken on the date of the exchange plus any possible costs directly associated with the transaction. The individualized assets, liabilities and contingent liabilities that are acquired during a business combination are valued during the acquisition at their fair values regardless of the participation percentage. The acquisition cost over and above the fair value of the individual assets acquired is recorded as goodwill. If the total cost of the acquisition is less than the fair value of the individual assets acquired, the difference is recorded directly in the income statement.

Specifically for the business combinations that had taken place prior to the Group's transition date to the IFRS (January 1st, 2004) the exemption provided under IFRS 1 was used and the acquisition method was not applied retrospectively. Within the framework of the above exemption, the Company did not recalculate the acquisition cost of the subsidiaries that had been acquired prior to the date of transition to the IFRS, nor the fair value of the acquired assets and liabilities at the date of acquisition.

Inter-company transactions, balances and unrealized profits from transactions between the companies of the Group are crossed out. Unrealized losses are also crossed out except if the transaction provides indication of impairment of the transferred asset. The accounting principles of the subsidiaries have been amended so as to be uniform to the ones adopted by the Group.

**Transactions with minority:** For the accounting handling of transactions with the minority, the Group applies the accounting principal with which it handles these transactions as transactions with third parties outside the Group. Sales to minority create profits and losses for the Group which are recorded in the income statement. Purchases from minority create a surplus value, which is the difference between the counter value paid and the percentage of the book value of the net equity of the subsidiary acquired.

**Consortiums/joint ventures:** These refer to contractual settlements, according to which two or more parties undertake a financial activity subject to a joint control.

Joint control is the contractual distributable allocation of control upon an enterprise that is the capability to direct the financial and business policy of an enterprise, in order to jointly receive benefits from its operations.

The Company's participations in joint ventures are consolidated with the Net Equity method. The Net Equity Method is an accounting method through which an investment in the joint venture is initially recognized at its acquisition cost and thereafter is adjusted (recognizing the modifications in the joint venture's equity) for the after the acquirement modification of the share of the joint venture participant to the net equity of the

joint venture. The profit (or the loss) of the joint venture participant includes its share in the year-end income statement of the joint venture. The company in any case directly recognizes in its income statement any liability or binding which burdens the Joint Ventures and for which, the latter are not in a position to correspond.

The contractual settlement requires the joint control upon the joint venture and therefore, none of the joint venture participants can control solely the joint venture's operations. This fact constitutes the essence of the joint venture. The contractual settlement designates if the making of certain decisions for the attainment of the joint venture's goals requires the consent of all participants or of a particular majority.

Within the contractual settlement it may be stated who will be the administrator of the joint venture. The administrator does not control the joint venture, but acts within the framework of the financial and business policy that has been agreed by the joint venture participants.

**Associates:** Associates are companies upon which the Group can exert significant influence but which do not fulfil the conditions in order to be classified either as subsidiaries or participation in joint ventures. The assumptions used by the Group constitute that the possessed percentage between 20% and 50% of a company's voting rights suggests significant influence upon that company. The company's participation in BALKAN EXPORT S.A. with a percentage that is less than 50%, (in previous periods), was regarded as a subsidiary company due to the fact that the parent company MICHANIKI S.A. exercises management and consolidates the subsidiary with the full consolidation method. Investments in associates are initially recognized at cost and are subsequently valued using the equity method. At the end of each fiscal year-end, the cost increases by the proportion of the investing company in the changes in net worth of the company it invests in and decreases by the dividends received from the associate.

Regarding the surplus acquisition, this reduces the value of the participation with charge of the income statement, when its value is reduced.

The Group's share in the profits or losses of its associated companies after the acquisition is recognized in the income statement, whereas the share of the reserve changes, after the acquisition is recognized, in the reserves. The cumulated changes affect the book value of the investments in associated companies. When the Group's share in the losses of an associate is equal or greater than its participation in the associate, including any other doubtful debts, the Group does not recognize further losses, unless it has covered liabilities or has made payments on behalf of the associate company and in general those that emerge from ownership.

Unrealized profits from transactions between the Group and its associates are crossed out based upon the percentage that the Group holds in these associate companies. Unrealized losses are crossed out, except if



**MICHANIKI S.A.**

the transaction provides indications of impairment of the transferred asset. The accounting principles of the associates have been amended so as to be uniform to the ones adopted by the Group.

## 6.5 Group Structure

Apart for the parent Company the consolidated financial statements include through the full consolidation method the following subsidiary companies:

Company Name	Headquarters	Participation Percentage	Relation that dictated the consolidation
BALKAN EXPORT S.A.	AGHIALOS SALONIKA	52,52%	The participation percentage
THOLOS S.A.	AMAROUSIO ATTICA	100%	The participation percentage
HELLENIC PIPE WORKS S.A.	CHALKIDA	100%	The participation percentage
MARMARA KAVALAS S.A.	KAVALA	77,07%	The participation percentage
HELLENIC WOOD INDUSTRY S.A.	SAPES KOMOTINI	98,62%	The participation percentage
MICHANIKI UKRAINE S.A.	UKRAINE	100%	The participation percentage
MICHANIKI BULGARIA S.A.	BULGARIA	100%	The participation percentage
MICHANIKI RUSSIA S.A.	RUSSIA	66,27% direct 13,64% indirect	The participation percentage
MICHANIKI EGYPT	EGYPT	70,00% direct 18,13% indirect	The participation percentage
MICHANIKI BELARUS	BELARUS	75,00% direct 13,13% indirect	The participation percentage

Also the joint ventures/consortiums that the parent company participates in are included with the net equity method and which proceed in the joint execution of projects. These are the following:

Company Name	Headquarters	Participation Percentage	Un-audited Tax Year-Ends	Consolidation Method
JOINT VENTURE:"MICHANIKI S.A.-EDISTRA EDILIZIA STRADALE SPA"	GREECE	99,00%	2003-2007	NET EQUITY
JOINT VENTURE:"MICHANIKI S.A.-ELLISDON CONSTRUCTION INC."	GREECE	50,00%	2003-2007	NET EQUITY
JOINT VENTURE:"MICHANIKI S.A.-EMPEDOS S.A.-EYCLIDES-ELLINIKI DYNAMIKI"	GREECE	93,00%	2003-2007	NET EQUITY
JOINT VENTURE:"MICHANIKI S.A.-ATHINA S.A."	GREECE	50,00%	2005-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-TERNA S.A."	GREECE	2,00%	2002-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-ATTI-KAT S.A."	GREECE	99,80%	2003-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-ATHINAIKI CONSTRUCTION S.A.-PARNON S.A."	GREECE	62,50%	2003-2007	NET EQUITY
JOINT VENTURE:"AKTOR-PANTEHNIKI- MICHANIKI"	GREECE	20,00%	2003-2007	NET EQUITY
JOINT VENTURE:"AKTOR- MICHANIKI-MOHLOS-ALTE"	GREECE	4,38%	2003-2007	NET EQUITY
JOINT VENTURE:"AKTOR- MICHANIKI-MOHLOS-ALTE( EGNATIA AVE. – VEROIA)"	GREECE	20,00%	2003-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI – MOHLOS S.A."*	GREECE	50,00%	2001-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-THEMELI S.A.-PARNON S.A."	GREECE	90,00%	2003-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-PANTEHNIKI S.A."	GREECE	50,00%	2003-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-CHR. KONSTANTINIDIS S.A."	GREECE	50,00%	2000-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-PARNON S.A."	GREECE	92,50%	1993-2007	NET EQUITY
JOINT VENTURE:" MICHANIKI S.A.-PANTEHNIKI S.A. (ALEXANDROUPOLI)"	GREECE	50,00%	2003-2007	NET EQUITY
JOINT VENTURE:"THESSALIKI-ELTER- MICHANIKI-TE CHR. KON/DIS"	GREECE	28,33%	2002-2007	NET EQUITY
JOINT VENTURE:"THESSALIKI- MICHANIKI-ELTER"	GREECE	25,00%	2002-2007	NET EQUITY
JOINT VENTURE:"ATHINA- MICHANIKI"	GREECE	50,00%	2006-2007	NET EQUITY
JOINT VENTURE:"TERNA- MICHANIKI"	GREECE	35,00%	2005-2007	NET EQUITY
JOINT VENTURE:"THEMELIODOMI- MICHANIKI-MOHLOS"	GREECE	40,00%	2003-2007	NET EQUITY

\* The joint venture was incorporated for the first time at 31/12/2006.



During 2007 the participation percentage of the company in "BALKAN S.A." was altered from 50,02% (31/12/2006) to 52,52%.

The acquisition cost (through the A.S.E.) amounted to € 3.890.000. From the acquisitions a loss emerged (positive surplus) for the group amounting to € 1.836.000 recognised to the results. From the sales of shares of BALKAN within the year-end a profit resulted for the parent company amounting to € 2.976.000. The result of sales on a group level amounted to a profit of € 1.378.000 which was recognized to the results.

During the fiscal year-end of 2007 "MICHANIKI S.A." acquired the minority stake of its subsidiary "MICHANIKI BULGARIA". Thus its participation percentage increased from 95,70% (31/12/2006) to 100%. The acquisition cost amounted to € 10.000. From the acquisition a profit resulted (negative surplus) for the group amounting to € 510.000 which was recognized to the results.

During the current year-end the subsidiary company "MICHANIKI RUSSIA" materialized sequential share capital increase amounting to a total of €70.000.000. The share capital increases took place based upon the decisions of the Board of Directors of the companies of the Group that had been taken in the previous but also in the current year-end. The total capital was directed towards the acquisition of land parcels in addition to the initiation of works for the development of the property investments. "MICHANIKI S.A." participated in the above share capital increases with the amount of € 43.000.000. Additionally during the current year-end "MICHANIKI" acquired the 5% owned by its subsidiary company "MARMARA KAVALAS S.A." for the amount of € 2.200.000 and also acquired 3.33% owned by its subsidiary company "HELLENIC PIPEWORKS S.A." for the amount of € 2.200.000. After the above internal restructure "MICHANIKI S.A." directly participates in its subsidiary "MICHANIKI RUSSIA" with a percentage of 66,27% and indirectly with a percentage of 13,64% that is a total percentage participation of 79,91%.

The Management of Michaniki Group of companies, during the current period, decided upon the establishment of a subsidiary company in Egypt with the company name MICHANIKI EGYPT. The company's scope will be the construction, development and exploitation of settlement units, hotels, commercial and amusement centers, office buildings as well as other private and state works. The decided initial share capital of the company will amount to € 7.000.000. From the above share capital the participating companies will be the following: "MICHANIKI S.A." with the amount of € 4.900.000 (70%), "BALKAN EXPORT" with the amount of € 1.750.000 (25%) and "HELLENIC PIPE WORKS" with the amount of € 350.000 (5%). Up to the balance sheet date a partial capital deposit has taken place. Analytically "MICHANIKI S.A." has deposited the amount of € 1.225.000 and "BALKAN EXPORT" with the amount of € 525.000.

The Management of Michaniki Group of companies, during the current period, decided upon the establishment of a subsidiary company in Belarus with the company name "MICHANIKI BELARUS". The company's scope will be the construction, development and exploitation of settlement units, hotels, commercial and amusement centers, office buildings as well as other private and state works. The decided



initial share capital of the company will amount to \$ 1.000.000. From the above share capital the participating companies will be the following: "MICHANIKI S.A." with the amount of \$ 750.000 (75%) and "BALKAN EXPORT" with the amount of \$ 250.000 (25%). At the balance sheet date "BALKAN EXPORT" had deposited its participation in partial with the amount of € 86,685.00 and "MICHANIKI S.A." with the amount of €260.145. Up to the balance sheet date the company had not commenced its operations.

The Management of the subsidiary company BALKAN EXPORT S.A. at July 31<sup>st</sup> 2007 decided upon the termination of its timber manufacturing activity. The company's commercial activity will continue until its current inventory is sold. Upon completion of the above procedure the relevant activity will be classified as terminated according to the ordinances of I.F.R.S. No. 5.

During the current year-end "MICHANIKI S.A." absorbed its 100% subsidiary company "MICHANIKI REAL ESTATE S.A." The absorption took place with an absorption balance sheet of the subsidiary company dated 31.10.2007. The absorption was based upon the decision K2-18653/31.12.2007 of the Athens Prefecture. From the absorption there was no effect in the net equity and the results of the Group. Additionally there was no effect to the minority rights since the absorbed company was a subsidiary company by 100%. From 01.11.2007 the results are included in "MICHANIKI S.A." and for the two-month period amounted to a loss of € 749.000. The most part of these losses are due to the conveyance tax that amounted to €614.000.

## **6.6 Foreign currency conversion**

The asset currency items and the currency liabilities that are expressed in foreign currency are converted to the operational currency of the company with the exchange rate of the operational and foreign currency of the Balance Sheet date. The emerging exchange differences are recognized to the period results. The non currency asset and liability items that are expressed in a foreign currency are converted to the operational currency with the exchange rate of the initial recognition. Exception from this adjustment constitute the non asset currency items that are measured at the fair value or another value except from the acquisition cost value and are converted to the operational currency based upon the exchange rates of the date in which this measurement was assessed. In this case the emerging exchange differences follow the accounting handling of the recognition of the difference between the prior accounting value of these items and the measurement at their fair value, or the other value except from the acquisition cost value.

When the financial statements of a company are presented in one currency which is different from the company's operational currency, the conversion of the items of these financial statements from the operational currency to the presented currency is done in the following way:

- a) the asset and liability items are converted with the exchange rates of the date of the balance sheet.

b) the equity items are converted with the conversion exchange rates of the date they resulted.

c) the results of each period are converted with the exchange rates of the dates that the relevant income, profits, expenses and losses occurred. The weighted average period exchange rate may be used, if the outcome that resulted in this way approaches the one that would have resulted from the use of the real exchange rates that were in effect when the relevant transactions took place.

d) The exchange differences that result from the above conversion are recognized in the equity reserve.

## **6.7 Tangible Assets**

Fixed assets are depicted in the financial statements at their acquisition cost or deemed cost, as defined based upon fair values at the transition dates, less, first of all the accumulated depreciations and secondly, any asset impairment.

The acquisition cost includes all the directly attributable expenses for the acquisition of the assets.

Subsequent expenditures are registered to the incremental book value of the tangible fixed assets or as a separate fixed asset only to the extent that these expenditures increase the future economic benefits that are expected to inflow from the use of the asset and their cost can be accurately measured. The repair and maintenance cost is recorded in the results when realized.

Depreciation of the other subjects of the tangible fixed assets (other than plots which are not depreciated) is calculated using the straight line method over their useful lives, as follows:

- Buildings	20-50 years
- Mechanical equipment	4-20 years
- Transportation means	6-12 years
- Other equipment	4-7 years

The residual values and useful economic lives of tangible fixed assets are subject to reassessment at each balance sheet date. When the book value of tangible fixed assets exceeds their recoverable amount, the difference (impairment) is immediately recorded as an expense in the income statement.

Upon sale of tangible fixed assets, the difference between the proceeds and the book value is recorded as profit or loss to the income statement. Repairs and maintenance is recorded as an expense in the period it relates to.

Self-constructed tangible fixed assets constitute an addition to the acquisition cost of tangible assets at values that include the direct cost of employee's salaries that participate in the construction (including the relevant employer's contributions), the cost of materials used and other general costs.

#### **6.8 Non current items occupied for sale**

The non current asset items that are occupied for sale are measured in the lowest between the accounting and fair value price, after the subtraction from the fair value of the cost required for the sale to be realized. If these items are depreciable, with their characterization as occupied for sale, their depreciation ceases, even if they continue to be used. From the measurement of this ordinance the following data, which is related with the occupied for sale items and which are measured according to the relevant ordinances of this law, is excluded:

- a) the asset deferred taxes.
- b) the asset items that cover provisions for employee benefits.
- c) the financial asset items.
- d) property investments measured at fair value.
- e) the asset items that are measured at their fair value decreased by the estimated costs at the point of sale.
- f) the contractual rights that emerge from insurance contracts.

For a sum of non current items that are occupied in order to be sold as a group, and to which sum potential items may be included that are excluded from the measurement of the above ordinance in addition to liabilities that are directly related with the items of that group, the measurement is done in the following way:

- a) Prior to the initial classification of the group items characterized as occupied for sale, the accounting values of all the group items are measured according to the relevant ordinances of that law.
- b) At the initial classification of the group as occupied for sale and subsequently, the measurement is done for the group as a uniform sum at the lowest value between the accounting value of the group and its fair value, after the subtraction from the fair value of the cost required for the realization of the group sale. The accounting value of the group is calculated based upon the accounting value of its apportioned items, according to the anticipated article.
- c) When the fair value of the group is less than its accounting value, the difference is recognized as an impairment of the value of a probable existing surplus and the remaining value is allocated in the other intangible and self-used tangible assets of the group, depending on their accounting values prior to the impairment.

Non current asset items or groups of such items that have been characterized as occupied for sale I they cease to be considered as such, they are measured at their lowest value between their accounting value

before these items are characterized as occupied for sale, after this value is adjusted for depreciation or rearrangements that would have taken place if these items had not been characterized as occupied for sale and their recovery value at the date of their declassification.

The Group has not classified non current items occupied for sale.

## **6.9 Property Investments**

Property investments are investments that concern all of that property (which include land, the buildings or parts of the buildings or both) held by the owner (or by the lessee under a finance lease), either for the purpose of earning rentals from the lease, or for their increase in value (capital strengthening) or for both. A company estimates according to the recognition criteria all the expenses incurred for a property investment at the time realized. These expenses include expenses that initially were realized for the property acquisition and expenses that were realized subsequently for the accretion or partial replacement of the property. According to the recognition criteria, a company does not include the repair costs in the accounting value of an investment in properties, which are expenses recognized directly to the Year-end Profit and Loss Account.

Property investments are initially recognised at their acquisition cost, which is surcharged with all expenses related to the transaction for their acquisition (e.g. notary fees, broker's fees, transfer taxes). The cost of investment of a property is equivalent, in cash, price. In the case where the payment for the acquisition of a property for investment is postponed further from the usual credit limits, then the difference between the sum of payments and the equivalent, cash, amount will be recognized and depicted in the year-end results, as an interest (expenses) during the whole duration of the credit.

The cost of an investment that is self-constructed from the company, includes all the expenses that were required in order to be build, with the condition that the total cost does not exceed the repossessed amount.

The valuation of an investment after the initial registration, can be done either with the policy of the acquisition cost or the fair value policy. The accounting policy chosen, must be applied for all property investments.

**Acquisition Cost Policy:** After the initial recognition, the company can valueate its property, at its acquisition cost less the accumulated depreciation and the accumulated losses incurred from their value reduction (application of all those appointed in I.A.S. 16).

**Fair Value Policy:** The fair value of an investment in properties is the value at which the property can be exchanged between informed and prompt parties in a regular commercial transaction. The fair value excludes an estimated value augmented or decreased due to specific terms or instances, such as unusual financing, sale with a leaseback agreement, special considerations or concessions that are being done from anyone related to the sale.

Every profit (or loss) resulting from the modification of the fair value of the investment, constitutes a result and it is recognized in the year-end results in which it is realized.

A determinant factor of the fair value is the current value in an active market for similar properties, in the same location and in the same condition. If no current prices exist for similar properties in an active market in the same location, then the following can be used:

- Current prices of an active market for different properties, with relevant adjustments in order to reflect the differences.
- Recent prices in less active markets with adjustments that will reflect the differences in the economic conditions in relation to the date that the transactions were realized.
- Discounted cash flows from current lease contracts for similar properties, in the same location and in the same condition.

The group applies the fair value policy. The valuation of property investments has been conducted by an independent professional evaluator.

### **6.10 Intangible Assets**

Intangible assets include software licenses.

**Software:** The authorisations of software are valued at their acquisition cost less the accumulated depreciation. The accumulated depreciation is held with the constant method at the duration of the asset's beneficial life which vacillates from 1 up to 3 years.

**Expenditures for the exploration of mineral resources:** The company, based upon the ordinances of IFRS 6 proceeded in the consolidation of expenditures regarding the exploration and evaluation of mineral resources, which are depreciated in a period of 1 to 5 years.

### **6.11 Impairment of Assets**

Assets with an indefinite useful life are not depreciated and are subject to an annual impairment review and when some events indicate that the book value may not be recoverable. Assets that are depreciated are subject to an impairment review when there is evidence that their value will not be recoverable. The recoverable value is the greater amount between the net sales value and the value in use. An impairment loss is recognized by the company when the book value of these assets (or Cash Flow Generating Unit) is greater than its recoverable amount.

Net sales value is the amount from the sale of an asset within the framework of a reciprocal transaction in which participating parties have full knowledge and adhere voluntarily, after deducting any additional direct cost for the sale of the asset, while, value in use is the present value of the estimated future cash flows

that are expected to flow into the company from the use of the asset and from its disposal at the end of its estimated useful life.

## **6.12 Financial Instruments**

A financial instrument is any contract that creates a financial asset in an enterprise and a financial liability or equity instrument in another.

The financial instruments of the Group are classified in the following categories according to the substance of the contract and the purpose for which they were purchased.

### **i) Financial instruments valued at fair value through the income statement**

These comprise of assets that satisfy any of the following conditions:

- Financial assets that are held for trading purposes (including derivatives, except those that are designated and effective hedging instruments, those that are acquired or incurred for the purpose of sale or repurchase and, finally, those that are part of a portfolio of designated financial instruments).
- Upon initial recognition it is designated by the company as an instrument valued at fair value, with any changes recognized through the Income Statement.

### **ii) Loans and receivables**

They include non-derivative financial assets with fixed or predefined payments which are not traded in active markets. This category (loans and receivables) does not include:

- a) receivables from advances for the purchase of goods or services,
- b) receivables relating to tax transactions, which have been legislatively imposed by the state,
- c) any receivable not covered by a contract in order to give the company the right to receive cash or other financial fixed assets.

Loans and receivables are included within the current assets, apart from those with a maturity greater than 12 months from the balance sheet date. The latter are included in the non current assets.

### **iii) Investments held to maturity**

These include non derivative financial assets with fixed or defined payments and specific maturity and which the Group intends and has the ability to hold until their maturity.

The Group did not hold investments of this category.

**iv) Financial assets available for sale and Termination Activities.**

These include non derivative financial assets that are either designated in this category or cannot be included in any of the previous ones.

Following, the financial assets available for sale are valued at fair value and the relevant profit or loss is recorded in an equity reserve until such assets are sold or characterized as impaired.

During the sale, or when they are characterized as impaired, the profit or loss is transferred to the income statement. Impairment losses that have been recorded to the income statement are not reversed through the income statement.

The purchases and sales of investments are recognized at the transaction date, which is also the date the Group commits to purchase or sell the item. Investments are initially recognized at their fair value plus the directly related to the transaction costs, with the exception regarding the directly attributed to the transaction expenditures, for these items that are values at their fair value with changes in the income statement. Investments are crossed out when the right on cash flows from investments mature or is transferred and the Group has essentially transferred all the risks and rewards implied by the ownership.

Loans and receivables are recognized in the net book value based on the real interest rate method.

Realized and unrealized profits or losses that arise from changes in the fair value of financial assets valued at their fair value with changes in the income statements, are recognized in the income statement at the period in which they result.

The fair values of financial assets that are traded in active markets, are defined by the current ask prices. For non-traded assets, fair values are defined with the use of valuation techniques such as analysis of recent transactions, comparative items that are traded and discounted cash flows. The securities that are not traded in an active market that have been classified in the Cash category financial assets available for sale, and whose fair value cannot be determined with credibility, are valued at their acquisition cost.

At each balance sheet date the Group assesses whether there are objective indications that lead to the conclusion that financial assets have been impaired. For company shares that have been classified as financial assets available for sale, such an indication consists of a significant or extended decline in the fair value compared to the acquisition cost. If impairment is composed, the accumulated loss in equity, which is the difference between acquisition cost and fair value, is transferred to the income statement.

For the purposes of an improved and complete information and the recourse of the presented comparative data and facts in an ordinary and, thus, real comparative base, the Group's terminated activities, either through the disposal of sectors or through the disposal of shares of subsidiary companies, or in another way, are defined and the participation of the terminated activity in the financial position and the results of the Group in the past is quantized and presented within the financial statements.

### **6.13 Inventories**

At the balance sheet date, inventories are valued at the lower cost or net realizable value. The net realizable value is the estimated sales price during the normal course of the company's business less any relevant sales expenses. The cost of inventories does not include financial expenses.

### **6.14 Trade receivables**

Receivables from customers are initially recorded at their value of sale. In the case where the cost of a financial instrument exceeds the fair value, then this instrument is valued at its recovery amount and the relevant loss is carried directly to the year-end income statement. The impairment losses, that is when there is objective evidence that the Group is unable to collect all the amounts owed based on the contractual terms, are recognized in the income statement.

### **6.15 Cash and cash equivalents**

Cash and cash equivalents include cash in the bank and in hand as well as short term highly liquid investments such as money market products and bank deposits. Money market products are financial assets which are valued at fair value through the profit and loss account.

### **6.16 Non-current assets classified as held for sale**

The assets held for sale include the other assets (including goodwill) and the tangible assets that the Group intends to sell within one year starting from the date on which they were classified as "held for sale".

The assets, which are classified as "held for sale", are valued at the lowest price between their book value right before their classification as held for sale and their fair value less the cost of sale. The assets classified as "held for sale" are not subject to depreciation. The profit or the loss resulting from the sale and revaluation of the "held for sale" assets is included in the "Other income" and "Other expenses" items, respectively, of the income statement.

### **6.17 Share capital**

Expenses incurred for the issuance of shares, are shown after deducting the relevant income tax, reducing the proceeds from the issue. Expenses related to the issuance of shares for the purchase of companies are included in the acquisition cost of the company acquired.

At the acquisition of own shares, the consideration paid, including the relevant expenses, is depicted as deducted from shareholders equity.

### **6.18 Income tax & deferred tax**

The period charge for income tax is comprised from the current tax and deferred tax, which refers to tax charges or tax credits that are associated with economic benefits accruing in the period but which have been already or will be assessed by the tax authorities in different periods. Income tax is recognized in the income statement of the period, except for the tax relating to transactions that have been recorded directly to equity, in which case it is, accordingly, recorded directly to equity.

Current income taxes include the short-term liabilities to the fiscal authorities that are related to taxes payable on the taxable income of the period and any additional income taxes from previous periods.

Current taxes are measured according to the tax rates and tax laws in effect during the financial years to which they relate, based on the taxable profit for the year. All changes to the short-term tax assets or liabilities are recognized as part of the tax expense in the income statement.

Deferred income tax is determined according to the liability method which results from the temporary differences between the book value and the tax base of the assets and liabilities. Deferred tax is not accounted if it results from the initial recognition of an asset or liability in a transaction, except a business combination, which when the transaction occurred did not affect neither the accounting nor the tax profit or loss.

Deferred tax assets and liabilities are calculated and recognized for all the temporary differences between the book value and the tax base of the assets and liability items. The calculation is done with the income tax rates that are expected to be in effect during the period in which the asset items will be recovered and liability items will be settled, and must reflect the way with which the recovery or settlement will be expected to take place. In the event where it is impossible to identify the timing of the reversal of the temporary differences, the tax rate in effect is applied on the day after the balance sheet date.

Deferred tax assets are recognized to the extent that there will be a future tax profit for the use of the temporary difference that creates the deferred tax assets.

Deferred income tax is recognized for the temporary differences that result from investments in subsidiaries and associates, with the exception of the case where the reversal of the temporary differences is controlled by the Group and it is possible that the temporary differences will not be reversed in the foreseeable future.

Most changes in the deferred tax assets or liabilities are recognized as part of the tax expense in the income statement. Only the changes in assets or liabilities that affect the temporary differences are recognized directly in the equity of the Group, such as the revaluation of property value, result in the relevant change in deferred tax assets or liabilities being charged against the relevant equity account.

### **6.19 Employee benefits**

**Short-term benefits:** Short-term benefits to employees (except for indemnities for termination of the employment relation) in money or in kind are recognised as an expense when they are accrued. Any outstanding amounts are classified as a liability, while in case the amount already paid exceeds the amount of the benefits, the company recognises the excessive amount as an asset (prepaid expense) only to the extent that the prepayment will lead to a reduction of future or in return payments.

**Benefits on retirement:** The benefits on retirement include a lump sum pension indemnity or other benefits (social security or medical coverage) that the company provides upon retirement to its employees in exchange for their service. Therefore, they include both defined contribution plans and defined benefit plans. The accrued cost of the defined contribution plans is recorded as an expense in the period to which it refers.

- **Defined contribution plan**

According to the defined contribution plan, the company's obligation (legal or inferred) is limited to the amount agreed to be contributed to the entity (e.g. social security entity), which manages the contributions and grants the benefits. Therefore, the amount of benefits received by the employee is defined by the amount contributed by the company (or the employee as well) and the paid investments of these contributions.

The contribution paid by the company in a defined contribution plan is recognized either as a liability after deducting the contribution paid or as an expense.

- **Defined benefit plan**

The liability recorded in the balance sheet for the defined benefit plans constitutes the present value of the liability for the defined benefit less the fair value of the assets of the plan (if any) and the changes that result from any other actuarial profit or loss and the cost of the work experience. The commitment of the defined benefit is calculated on a yearly basis from an independent actuary with the projected unit credit method. For the discounting, the exchange rate of the long-term Greek Government bonds is used.

The actuarial profits and losses are items of the company's rendering obligation and the cost which will be recognized in the Income Statement. Those arising from adjustments based on historical data that are higher or lower than the 10% margin of the accumulated obligation are recorded in the Income Statement within the anticipated average insurance time of the participants to the plan. The cost of previous service is recognized directly in the Income Statement, except for the case where the changes in the plan are dependent upon the remaining time of service of the employees. In this case, the cost of previous service is recorded in the Income Statement using the straight-line method within the maturity period.

**Employee termination benefits:** Benefits due to termination of the employment relationship are paid when employees leave before their normal retirement date. The Group records such benefits when it is committed, either when it actually terminates the employment of current employees based upon a detailed formal plan for which there is no possibility of withdrawal, or when it provides these benefits as an incentive for voluntary (early) redundancy. When these benefits are due for payment in periods exceeding twelve months from the Balance Sheet date, then they should be discounted according to the returns of high quality company bonds or government bonds.

In case of an offer made to encourage voluntary redundancy, the valuation of employment termination benefits should be based upon the number of employees expected to accept the offer.

In case of an employment termination where the number of employees that will be using those benefits cannot be determined, no recording takes place but a notification as a contingent liability instead.

## **6.20 Grants**

The Group recognizes the government grants that cumulatively satisfy the following criteria: a) There is reasonable certainty that the company has complied or will comply with the conditions of the grant and b) it is probable that the amount of the grant will be received. They are recorded at their fair value and are systematically recognized as revenue according to the principle of grants correlation with the corresponding costs that they are subsidizing.

Grants that relate to assets are included in the long-term liabilities as deferred income and are recognized systematically and rationally in the revenue over the useful life of the fixed asset.

## **6.21 Provisions**

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, their settlement through an outflow of resources is probable and the estimation of the exact amount of the obligation can be accomplished with credibility. Provisions are reviewed during the date when each balance sheet is compiled and are adjusted so that they may reflect the present value of the outflow that is expected to be required for the settlement of the obligation. Contingent liabilities are not recognized in the financial statements but are acknowledged, unless the probability that there will be an outflow of resources that embody economic benefits is minimal. Contingent claims are not recognized in the financial statements but are acknowledged provided that the inflow of economic benefits is probable.

## **6.22 Recognition of income and expenses**

**Income:** Income includes the fair value of executed projects, goods and services sold, net of Value Added Tax, discounts and returns. Inter-company revenues within the Group are completely crossed out. The recognition of revenue is done as follows:

- **Construction Contracts:** The income from the execution of construction contracts is accounted for in the period the project is constructed, based on its completion stage.
- **Sale of goods:** Sales of goods are recognized when the Group transfers goods to customers, the goods are accepted by them and the collection of the resulting claim is reasonably assured.
- **Rendering of services:** Income from rendering of services is accounted for in the period during which the services are rendered, based on the stage of completion of the service rendered in relation to the total services to be rendered.
- **Income Interest:** Interest income is recognized on a time proportion basis and with the use of the real interest rate. When there is impairment of assets, their book value is reduced to their recoverable amount which is the present value of the expected future cash flows discounted with the initial real interest rate. Interest is then recorded using the same interest rate calculated on the impaired (new book) value.

- **Dividends:** Dividends are accounted for as revenue when the right to receive payment is substantiated.
- **Income from participation in Joint Ventures/Consortiums:** Profits or losses from construction project joint ventures are recognized in the parent company's each quarter balance sheet. This accounting practise is followed since according to the joint venture operational practise in effect in Greece, the members of the joint venture can assume profits during the duration of the year-end. The management believes that this specific accounting practise serves the essence principal.

**Expenses:** expenses are recognized in the income statement on an accrued basis. The payments made for operating leases are transferred to the results as an expense, during the time the lease equipment is used. Interest expenses are recognized on an accrued basis.

### **6.23 Leases**

**Group Company as Lessee:** Leases of fixed assets with which all the risks and benefits related with ownership of an asset are transferred to the Group, regardless of whether the title of ownership of the asset is eventually transferred or not, are financial leases. These leases are capitalized at the inception of the lease at the lower value between the fair value of the asset or the present value of the minimum lease payments. Each lease payment is apportioned between the liability and the finance charges so that a fixed interest rate on the remaining financial liability is achieved. The relevant liabilities from lease payments, net of finance charges, are depicted as liabilities. The part of the finance charge that relates to financial leases is recognized in the income statement during the term of the lease. Fixed assets acquired through financial leasing are depreciated over the duration of their useful lives.

Lease agreements where the lessor transfers the right of use of an asset for an agreed period of time, without transferring, however, the risks and rewards of ownership of the fixed asset are classified as operating leases. Payments made with respect to operating leases (net of any incentives offered by the lessor) are recognised in the income statement proportionately throughout the term of the lease.

**Group Company as lessor:** When fixed assets are leased through a financial lease, the present value of the rentals is registered as a receivable. The difference between the gross amount of the receivable and the present value of the receivable is registered as a deferred financial income. The income from the lease is recognized in the year-end results for the duration of the lease by using the net investment method, which represents a stable periodic return. Assets that are being leased though an operating leasing are included in the tangible assets of the balance sheet. They are depreciated during the duration of their expected useful life on a base that is consistent with similar owned tangible assets. The rental income (net

from possible motives given to the lessee's) is recognized with the stable method during the duration of the lease.

#### **6.24 Construction contracts**

Construction contracts refer to the construction of assets or a group of affiliated assets specifically for customers according to the terms provided for in the relevant contracts and whose execution usually lasts for a period of over one fiscal year.

The expenses that refer to the contract are recognized when realized.

In the case where the result of one construction contract may not be reliably valued, and especially in the case where the project is at a premature stage, then:

- the income must be recognized only to the extent that the contractual cost may be recovered, and
- the contractual cost must be recognized in the expenses of the period in which it was undertaken.

Thus, for such contracts income is recognized in order for the profit from the specific project to equal zero.

When the result of a construction contract can be valued reliably, the contract's income and expenses are recognized throughout the contract's duration, respectively as income and expense.

The Group uses the percentage completion method in order to define the appropriate income and expense amount that will be recognized in a specific period.

The completion stage is measured based on the contractual cost that has been realized up to the balance sheet date relevant to the total estimated construction cost of each project.

When it is likely for the total contract cost to exceed the total income, then the expected loss is directly recognized in the period's income statement as an expense.

For the calculation of the cost realized until the end of the year-end period, any expenses related to future activities regarding the contract are excluded and appear as a project under construction. The total cost that was realized and the profit/loss that was recognized for each contract is compared with the progressive invoicing until the end of the year-end period.

When the realized expenses plus the net profit (less the losses) that have been recognized, exceed the progressive invoicing, the difference appears as a receivable from construction contract customers in the account "Customers and other receivables". When the progressive invoicing exceed the realized expenses plus the net profit (less the losses) that have been recognized, the balance appears as a liability towards construction contract customers in the account "Suppliers and other liabilities".

## 6.25 Dividend distribution

The distribution of dividends to the shareholders of the parent company is recognized as a liability in the consolidated financial statements at the date on which the distribution is approved by the General Assembly of the Shareholders.

## 6.26 Risk management

The Group manages its equity in order to safeguard that the companies of the group will continue to be sustainable maximizing their returns to their shareholders through the optimization of the debt to equity ratio. The equity structure of the Group consists of the loans, the cash and cash equivalents and the shareholders equity of the parent company. The Group's management monitors the equity structure on a systematic basis and acts accordingly on a case by case basis.

The group's management strategic objective is the balance of the equity structure through a conservative management scheme and risk exposure.

### *Net Debt to Equity ratio*

A basic control ratio for the company's management is the net debt to equity ratio. This ratio is depicted below:

	Amounts in € thousand			
	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Bank Loans	88.029	52.149	42.002	29.003
Cash and cash equivalent	22.921	34.692	3.949	9.725
Net Debt	-65.108	-17.456	-38.053	-19.278
Total Equity	282.585	237.178	228.947	206.748
Equity to Net Debt Ratio	4,34	13,59	6,01	10,72

## Financial risk factors

The Group is exposed to a limited range of financial risks. The usual risks upon which it is theoretically subject to are market risks (interest rate, market process), credit risks, liquidity risks and cash flow risks. The Group, through the financial risk management aims to encounter the factors that negatively affect its financial results and emanate from the variation of the cost and income variables.

## Foreign exchange risk

The Group operates on an international level and therefore it is exposed to foreign exchange risk. This risk arises mainly from commercial transactions in a foreign currency in addition to investments in international companies.

The company uses loans based upon the domestic currency, in relation to its needs and thus does not run any foreign exchange risks.

The policy of financial risk management is applied by the General and Financial Administration. The policy applied includes the following steps:

- (a) Valuation of the risks that are relevant to the Group's business activity.
- (b) Methodology planning and selection of the appropriate financial products in order to minimize the financial risk exposure.
- (c) Execution and application of the approved, by the management, financial risk management strategy.

Prior to the effect of the relevant transactions, an approval is received from the executives that have the right to commit the company towards the counter-party.

### **Credit risk**

The Group's turnover consists mainly from transactions with the State in addition to large reliable companies, with which a long term cooperation exists. Upon this basis and in conjunction with the existing experience it is estimated that credit risk is minor.

### **Interest rate change risk**

The loans undertaken by the Group are based upon a variable interest rate mainly short-term for working capital needs through open account contracts.

Total Loans (Short-term and Long-term Loans):

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>31/12/2007</b>	<b>31/12/2006</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
<b>Long-term Loans</b>				
Long-term bank loans	20.470	14.115	-	-
Short-term bank loans	67.559	38.034	42.001	29.003
<b>Total Loans</b>	<b>88.029</b>	<b>52.149</b>	<b>42.001</b>	<b>29.003</b>

If interest rates were to increase by 1% the effect in the results and equity would be:

	Year-end results		Total Equity	
	2007	2006	2007	2006
Group	-893	-611	-893	-611
Company	-427	-294	-427	-294

The calculation of the effect, resulting from the interest rate increase, to the company's results and equity was done by increasing the real weighted average borrowing interest rates upon the outstanding amount at the balance sheet date by one percent.

**Liquidity risk**

The Group manages the above risk by preserving sufficient cash equivalents, directly cashable securities and sufficient credit lines from banks and suppliers, always in relation with its operational and investment financial needs.

**Cash flow risks and fair value risk due to changes in interest rates**

The Group's operational expenses and cash flows are dependant from interest rate changes since the Group has Bank Loans.



## 7 Financial Information by Segment

### Primary sector information – Business sectors

The Group operates in eight main business sectors (note 6.5). During the year-end of 2005 the ninth business sector relating to the Metallic constructions was terminated. The Group's results per sector are analyzed below:

		1/1-31/12/2007									
		HYDROELECTRIC ENERGY	PARKING	CEMETARY	WORKS	WOOD INDUSTRY	PIPING	REAL ESTATE UTILIZATION	MARBLES	OTHER	TOTAL
Total gross sales turnover per sector		1.048	1.291	760	176.534	4.597	17.510	25.877	2.864	8	230.489
Domestic sales turnover		-	-	-	(915)	-	(3.362)	-	(70)	-	(4.346)
<b>Net Sales Turnover</b>		<b>1.048</b>	<b>1.291</b>	<b>760</b>	<b>175.619</b>	<b>4.597</b>	<b>14.148</b>	<b>25.877</b>	<b>2.795</b>	<b>8</b>	<b>226.142</b>
Cost of Sales		454	765	562	147.851	4.923	13.556	19.952	2.191	849	191.104
Domestic sales turnover Cost of Sales		-	-	-	(915)	-	(3.103)	-	(70)	-	(4.088)
<b>Gross Result</b>		<b>594</b>	<b>526</b>	<b>198</b>	<b>28.684</b>	<b>(327)</b>	<b>3.695</b>	<b>5.925</b>	<b>673</b>	<b>(841)</b>	<b>39.126</b>
Property investment valuation result								46.853			46.853
Administrative Expenses		41	57	36	8.089	1.364	517	1.152	188	55	11.500
Selling Expenses		2	1	-	28	383	877	161	248	63	1.763
Other income		66	0	-	243	765	427	710	146	237	2.595
Other expenses		-	24	-	486	1.130	773	196	281	131	3.022
<b>Operating result</b>		<b>617</b>	<b>444</b>	<b>162</b>	<b>20.324</b>	<b>(2.439)</b>	<b>1.954</b>	<b>51.979</b>	<b>101</b>	<b>(853)</b>	<b>72.290</b>
Financial results		(0)	(2)	-	1.634	115	(650)	(1.303)	(242)	(224)	(673)
Affiliate companies result proportion		-	-	-	-	-	-	-	-	-	-
<b>Profit before income tax</b>		<b>617</b>	<b>442</b>	<b>162</b>	<b>21.958</b>	<b>(2.324)</b>	<b>1.303</b>	<b>50.676</b>	<b>(141)</b>	<b>(1.077)</b>	<b>71.617</b>
Income tax		-	-	-	-	-	(414)	(10.917)	(3)	(6.772)	(18.105)
<b>Net profit</b>		<b>617</b>	<b>442</b>	<b>162</b>	<b>21.958</b>	<b>(2.324)</b>	<b>890</b>	<b>39.759</b>	<b>(143)</b>	<b>(7.849)</b>	<b>53.512</b>
		1/1-31/12/2006									
		HYDROELECTRIC ENERGY	PARKING	CEMETARY	WORKS	WOOD INDUSTRY	PIPING	REAL ESTATE UTILIZATION	MARBLES	OTHER	TOTAL
Total gross sales turnover per sector		1.206	1.319	877	100.150	16.812	27.175	19.640	2.684	486	170.349
Domestic sales turnover		-	-	-	(993)	(13)	(2.540)	-	(92)	-	(3.639)
<b>Net Sales Turnover</b>		<b>1.206</b>	<b>1.319</b>	<b>877</b>	<b>99.156</b>	<b>16.799</b>	<b>24.635</b>	<b>19.640</b>	<b>2.591</b>	<b>486</b>	<b>166.710</b>
Cost of Sales		448	733	611	80.910	16.710	20.261	14.378	2.137	514	136.701
Domestic sales turnover Cost of Sales		-	-	-	(800)	-	(2.978)	(8)	(92)	-	(3.878)
<b>Gross Result</b>		<b>758</b>	<b>586</b>	<b>267</b>	<b>19.046</b>	<b>89</b>	<b>7.352</b>	<b>5.270</b>	<b>546</b>	<b>(28)</b>	<b>33.887</b>
Property investment valuation result								8.519			8.519
Administrative Expenses		116	130	86	6.015	695	457	693	195	2	8.389
Selling Expenses		0	1	1	42	798	2.846	76	305	0	4.068
Other income		66	0	-	506	883	700	1.334	228	271	3.987
Other expenses		-	27	-	373	146	392	893	88	215	2.135
<b>Operating result</b>		<b>708</b>	<b>429</b>	<b>180</b>	<b>13.123</b>	<b>(667)</b>	<b>4.356</b>	<b>13.461</b>	<b>186</b>	<b>26</b>	<b>31.802</b>
Financial results		(6)	(2)	-	(659)	229	(679)	(615)	(239)	4.011	2.041
Affiliate companies result proportion		-	-	-	-	-	-	-	-	-	-
<b>Profit before income tax</b>		<b>702</b>	<b>426</b>	<b>180</b>	<b>12.464</b>	<b>(437)</b>	<b>3.677</b>	<b>12.846</b>	<b>(53)</b>	<b>4.037</b>	<b>33.842</b>
Income tax		-	-	-	(1.571)	(23)	(775)	(2.326)	43	(3.244)	(7.896)
<b>Net profit</b>		<b>702</b>	<b>426</b>	<b>180</b>	<b>10.893</b>	<b>(460)</b>	<b>2.902</b>	<b>10.520</b>	<b>(10)</b>	<b>793</b>	<b>25.946</b>



1/1-31/12/2007

*Sector Assets*  
Non distributable Asset items  
*Consolidated Assets*

	HYDROELECTRIC ENERGY	PARKING	CEMETARY	WORKS	WOOD INDUSTRY	PIPING	REAL ESTATE UTILIZATION	MARBLES	OTHER	TOTAL
	7.848	2.576	17.771	196.624	8.276	33.531	217.602	15.127		499.354
									31.221	31.221
	<b>7.848</b>	<b>2.576</b>	<b>17.771</b>	<b>196.624</b>	<b>8.276</b>	<b>33.531</b>	<b>217.602</b>	<b>15.127</b>	<b>31.221</b>	<b>530.575</b>

*Sector Liabilities*  
Non distributable Liability items  
*Consolidated Liabilities*

	2.628	53	1.326	85.689	2.395	17.135	44.546	6.605	-	160.377
	-	-	-	-	-	-	-	-	87.770	87.770
	<b>2.628</b>	<b>53</b>	<b>1.326</b>	<b>85.689</b>	<b>2.395</b>	<b>17.135</b>	<b>44.546</b>	<b>6.605</b>	<b>87.770</b>	<b>248.146</b>

Total Depreciation  
*Tangible & Intangible Asset Additions*

	196	136	-	4.078	447	696	58	637	267	6.515
				13.666	14	61	103	35	159	14.038

1/1-31/12/2006

*Sector Assets*  
Non distributable Asset items  
*Consolidated Assets*

	HYDROELECTRIC ENERGY	PARKING	CEMETARY	WORKS	WOOD INDUSTRY	PIPING	REAL ESTATE UTILIZATION	MARBLES	OTHER	TOTAL
	7.972	2.809	20.798	183.245	41.764	37.054	107.307	15.598	-	416.546
	-	-	-	-	-	-	-	-	3.522	3.522
	<b>7.972</b>	<b>2.809</b>	<b>20.798</b>	<b>183.245</b>	<b>41.764</b>	<b>37.054</b>	<b>107.307</b>	<b>15.598</b>	<b>3.522</b>	<b>420.068</b>

*Sector Liabilities*  
Non distributable Liability items  
*Consolidated Liabilities*

	2.855	99	4	74.130	5.961	18.922	29.427	6.910	-	138.308
	-	-	-	-	-	-	-	-	44.580	44.580
	<b>2.855</b>	<b>99</b>	<b>4</b>	<b>74.130</b>	<b>5.961</b>	<b>18.922</b>	<b>29.427</b>	<b>6.910</b>	<b>44.580</b>	<b>182.889</b>

Total Depreciation  
*Tangible & Intangible Asset Additions*

	196	136	-	3.807	625	685	29	651	301	6.432
				9.883	37	718	193	17	726	11.574

\*In fiscal year-end 2006 and specifically in the asset category, a reclassification amounting to € 4,5 million has taken place from the "Wood Industry" to the "Real Estate Utilization".

**Secondary sector information – Geographical sectors**

The Group's registered base and country of operation is Greece. The company's operative areas are Greece, countries of the Euro-zone and third countries.

The Group's sales per geographic sector are analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Greece	221.869	129.438	145.620	65.590
Euro Countries	-	-	-	-
Other Countries	8.619	40.911	-	482
<b>Total Group Sales</b>	<b>230.488</b>	<b>170.349</b>	<b>145.620</b>	<b>66.072</b>
Less Intragroup Sales	(4.346)	(3.639)	-	-
<b>Total Sales</b>	<b>226.142</b>	<b>166.710</b>	<b>145.620</b>	<b>66.072</b>

## 8 Financial Statement Notes

### 8.1 Tangible Assets

	THE GROUP				
	Plots, Quarries & Buildings	Transportation means & mechanical equipment	Furniture and Other Equipment	Tangible assets under construction	Total
<b>Book Value January 1st 2006</b>	<b>35.155</b>	<b>26.336</b>	<b>438</b>	<b>0</b>	<b>61.929</b>
Gross Book Value	55.972	74.597	5.508	988	137.064
Accumulated Depreciation and impairment value	(23.326)	(43.503)	(4.776)	-	(71.604)
<b>Book Value January 1st 2007</b>	<b>32.646</b>	<b>31.094</b>	<b>732</b>	<b>988</b>	<b>65.460</b>
Gross Book Value	52.647	82.909	5.535	2.315	143.406
Accumulated Depreciation and impairment value	(24.220)	(44.864)	(4.749)	0	(73.833)
<b>Book Value December 31st 2007</b>	<b>28.427</b>	<b>38.045</b>	<b>785</b>	<b>2.315</b>	<b>69.572</b>

#### ASSETS WITH FINANCIAL LEASING

<b>Book Value January 1st 2006</b>	-	<b>4.147</b>	-	-	<b>4.147</b>
Gross Book Value	-	7.200	-	-	7.200
Accumulated Depreciation and impairment value	-	(3.965)	-	-	(3.965)
<b>Book Value January 1st 2007</b>	-	<b>3.235</b>	-	-	<b>3.235</b>
Gross Book Value	-	5.584	-	-	5.584
Accumulated Depreciation and impairment value	-	(3.794)	-	-	(3.794)
<b>Book Value December 31st 2007</b>	-	<b>1.790</b>	-	-	<b>1.790</b>

	Plots, Quarries & Buildings	Transportation means & mechanical equipment	Furniture and Other Equipment	Tangible assets under construction	Total
<b>Book Value January 1st 2006</b>	<b>35.155</b>	<b>26.336</b>	<b>438</b>	-	<b>61.929</b>
Additions	392	9.589	513	988	11.482
Sales - Reductions	(2.071)	(1.189)	(71)	-	(3.331)
Total depreciation in Results	(980)	(4.316)	(241)	-	(5.538)
Depreciation of Sold Assets	(215)	(675)	(92)	-	(983)
Depreciation in Acc. Statement	(765)	(3.641)	(149)	-	(4.555)
Transfers	(92)	-	-	-	(92)
Net Foreign Exchange Differences	27	(1)	1	-	27
<b>Book Value December 31st 2006</b>	<b>32.646</b>	<b>31.094</b>	<b>732</b>	<b>988</b>	<b>65.460</b>
<b>Book Value January 1st 2007</b>	<b>32.646</b>	<b>31.094</b>	<b>732</b>	<b>988</b>	<b>65.460</b>
Additions	-	12.059	434	1.545	14.038
Sales - Reductions	(3.256)	(5.358)	(387)	(218)	(9.220)
Total depreciation in Results	(905)	(4.616)	(298)	-	(5.820)
Depreciation of Sold Assets	-	(4.056)	(307)	-	(4.363)
Depreciation in Acc. Statement	(905)	(560)	9	-	(1.457)
Transfers	(58)	815	-	-	757
Net Foreign Exchange Differences	-	(2)	(3)	-	(5)
<b>Book Value December 31st 2007</b>	<b>28.427</b>	<b>38.045</b>	<b>785</b>	<b>2.315</b>	<b>69.572</b>

#### ASSETS WITH FINANCIAL LEASING

<b>Book Value January 1st 2006</b>	-	<b>4.147</b>	-	-	<b>4.147</b>
Sales - Reductions	-	(207)	-	-	(207)
Total depreciation in Results	-	(824)	-	-	(824)
Depreciation of Sold Assets	-	(124)	-	-	(124)
Depreciation in Acc. Statement	-	(705)	-	-	(705)
<b>Book Value December 31st 2006</b>	-	<b>3.235</b>	-	-	<b>3.235</b>
<b>Book Value January 1st 2007</b>	-	<b>3.235</b>	-	-	<b>3.235</b>
Sales - Reductions	-	-	-	-	-
Total depreciation in Results	-	(632)	-	-	(632)
Depreciation of Sold Assets	-	-	-	-	-
Transfers	-	(814)	-	-	(814)
Depreciation in Acc. Statement	-	(632)	-	-	(632)
<b>Book Value December 31st 2007</b>	-	<b>1.790</b>	-	-	<b>1.790</b>

	THE COMPANY				Total
	Plots, Quarries & Buildings	Transportation means & mechanical equipment	Furniture and Other Equipment	Tangible assets under construction	
<b>Book Value January 1st 2006</b>	<b>19.174</b>	<b>15.467</b>	<b>338</b>	-	<b>34.979</b>
Gross Book Value	20.703	33.178	3.026	988	57.895
Accumulated Depreciation and impairment value	(3.471)	(11.567)	(2.606)	-	(17.644)
<b>Book Value January 1st 2007</b>	<b>17.232</b>	<b>21.611</b>	<b>419</b>	<b>988</b>	<b>40.251</b>
Gross Book Value	20.703	43.468	3.364	2.315	69.851
Accumulated Depreciation and impairment value	(3.915)	(14.435)	(2.808)	-	(21.158)
<b>Book Value December 31st 2007</b>	<b>16.788</b>	<b>29.034</b>	<b>556</b>	<b>2.315</b>	<b>48.693</b>

#### ASSETS WITH FINANCIAL LEASING

<b>Book Value January 1st 2006</b>	-	<b>3.153</b>	-	-	<b>3.153</b>
Gross Book Value	-	5.584	-	-	5.584
Accumulated Depreciation and impairment value	-	(3.162)	-	-	(3.162)
<b>Book Value January 1st 2007</b>	-	<b>2.422</b>	-	-	<b>2.422</b>
Gross Book Value	-	5.584	-	-	5.584
Accumulated Depreciation and impairment value	-	(3.794)	-	-	(3.794)
<b>Book Value December 31st 2007</b>	-	<b>1.790</b>	-	-	<b>1.790</b>

	Plots, Quarries & Buildings	Transportation means & mechanical equipment	Furniture and Other Equipment	Tangible assets under construction	Total
<b>Book Value January 1st 2006</b>	<b>19.174</b>	<b>15.467</b>	<b>338</b>	-	<b>34.979</b>
Additions	358	8.479	277	988	10.102
Sales - Reductions	(2.071)	(579)	(71)	-	(2.721)
Total depreciation in Results	(444)	(1.965)	(167)	-	(2.577)
Depreciation of Sold Assets	(215)	(207)	(43)	-	(467)
Depreciation in Acc. Statement	(229)	(1.756)	(124)	-	(2.109)
Transfers	-	-	-	-	-
Net Foreign Exchange Differences	-	-	-	-	-
<b>Book Value December 31st 2006</b>	<b>17.232</b>	<b>21.609</b>	<b>419</b>	<b>988</b>	<b>40.251</b>
<b>Book Value January 1st 2007</b>	<b>17.232</b>	<b>21.609</b>	<b>419</b>	<b>988</b>	<b>40.251</b>
Additions	-	10.368	346	1.545	12.259
Sales - Reductions	-	(78)	(7)	(218)	(304)
Total depreciation in Results	(444)	(2.907)	(207)	-	(3.558)
Depreciation of Sold Assets	-	(41)	(5)	-	(46)
Depreciation in Acc. Statement	(444)	(2.865)	(202)	-	(3.511)
Transfers	-	-	-	-	-
Net Foreign Exchange Differences	-	-	-	-	-
<b>Book Value December 31st 2007</b>	<b>16.788</b>	<b>29.034</b>	<b>556</b>	<b>2.315</b>	<b>48.693</b>

#### ASSETS WITH FINANCIAL LEASING

<b>Book Value January 1st 2006</b>	-	<b>3.153</b>	-	-	<b>3.153</b>
Sales - Reductions	-	(207)	-	-	(207)
Total depreciation in Results	-	(646)	-	-	(646)
Depreciation of Sold Assets	-	(122)	-	-	(122)
Depreciation in Acc. Statement	-	(524)	-	-	(524)
<b>Book Value December 31st 2006</b>	-	<b>2.422</b>	-	-	<b>2.422</b>
<b>Book Value January 1st 2007</b>	-	<b>2.422</b>	-	-	<b>2.422</b>
Sales - Reductions	-	-	-	-	-
Total depreciation in Results	-	(632)	-	-	(632)
Depreciation of Sold Assets	-	-	-	-	-
Depreciation in Acc. Statement	-	(632)	-	-	(632)
<b>Book Value December 31st 2007</b>	-	<b>1.790</b>	-	-	<b>1.790</b>

The Tangible items of the Assets in total, are depicted in the financial statements at their acquisition cost less, the accumulated depreciation and secondly possible asset impairments.

The acquisition cost includes all the directly attributed expenditures for the acquisition of the items.

The group's assets are free of mortgages and charging orders in favor of third parties, with the exception of a building of the company THOLOS S.A., upon which a mortgage amounting to € 0,15 million exists for liability guarantees.

## 8.2 Property Investments

The analysis of the Group's and the company's property investments is depicted below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>At the beginning of the period</b>	<b>42.833</b>	<b>43.255</b>	-	-
Transfers-Cost	3.256	-	-	-
Transfers-Fair value difference	5.168	-	-	-
Additions	35.854	-	-	-
Sales/Write off	(15.195)	(8.941)	-	-
Profits / (losses) from fair value	46.853	8.519	-	-
Property investment buildings from subsidiary absorptio	-	-	18.952	-
<b>At the end of the period</b>	<b>118.768</b>	<b>42.833</b>	<b>18.952</b>	-

During the current year-end the group readjusted the value of its property investments for those cases where the value differed significantly from the value presented in the yearly financial statements of December 31<sup>st</sup> 2006. The estimations regarding the value of the buildings are based upon valuations performed by independent assessors. The total resulted surplus value of the year-end amounted to € 47.642.000. The relevant amount, after the deduction of the correspondent taxes, has been recognised within the profit and loss statement.

Further more during the current year-end land parcels were transferred from the asset category to the property investment category. The transfer took place since the usage of the respective area after the limitation of the industrial operation meets the criteria set by the I.A.S. No 40 for their classification as property investments. The acquisition cost at the transfer date amounted to €3.256.000. The fair value was appraised at the amount of € 8.424.000. The net difference amounting to €5.168.000 (3.876.000 after the deferred tax effect) was directly recognized in the equity.

During the current year-end property investments were sold that have been valued in the amount of € 15.195.000. The sale value amounted to € 16.890.000 and the resulted profit were transferred to the year-end results. In addition, fair value differences that had been recognized from previous valuations regarding these relevant buildings amounting to €4.571.000 were transferred from the "Fair value reserves" to the "Retained earnings" as realized profits capable to be distributed.

During the current year-end "MICHANIKI S.A." absorbed its 100% subsidiary "MICHANIKI REAL ESTATE S.A." From the absorption property investments owned by the absorbed company were transferred

amounting to €18.952.000. The buildings had been valued at their fair value and no differences resulted at the transfer. Additionally the relevant buildings continue to fulfill the property investment classification terms.

### 8.3 Intangible assets-Expenditures for the exploration and evaluation of mineral resources

The intangible assets of the Group and the Company, include software that has been acquired. The company based upon the ordinances of I.F.R.S. 6 proceeded in consolidating the expenditures for the exploration and evaluation of mineral resources, which are depreciated within a time period of 1 to 5 years. Analytically:

	THE GROUP		
	Software	Expenditures for the exploration and evaluation of mineral resources	Total
<b>Book Value January 1st 2006</b>	<b>10</b>	<b>587</b>	<b>597</b>
Gross Book Value	180	1.296	1.476
Accumulated Depreciation and impairment value	(92)	(767)	(859)
<b>Book Value January 1st 2007</b>	<b>88</b>	<b>529</b>	<b>617</b>
Gross Book Value	180	1.296	1.476
Accumulated Depreciation and impairment value	(116)	(824)	(940)
<b>Book Value December 31st 2007</b>	<b>63</b>	<b>472</b>	<b>535</b>
	Software	Expenditures for the exploration and evaluation of mineral resources	Total
<b>Book Value January 1st 2006</b>	<b>10</b>	<b>587</b>	<b>597</b>
Additions	91	0	91
Sales - Reductions	(3)	0	(3)
Depreciation	(11)	(58)	(69)
<b>Book Value January 1st 2007</b>	<b>88</b>	<b>529</b>	<b>617</b>
Additions from subsidiary company acquisitions	-	-	-
Additions	-	-	0
Sales - Reductions	-	-	0
Depreciation	(25)	(57)	(82)
Depreciation reductions	-	-	0
<b>Book Value December 31st 2007</b>	<b>63</b>	<b>472</b>	<b>535</b>



THE COMPANY

	Software	Expenditures for the exploration and evaluation of mineral resources	Total
<b>Book Value January 1st 2006</b>	<b>5</b>	<b>-</b>	<b>5</b>
Gross Book Value	115	-	115
Accumulated Depreciation and impairment value	(69)	-	(69)
<b>Book Value January 1st 2007</b>	<b>46</b>	<b>0</b>	<b>46</b>
Gross Book Value	115	-	115
Accumulated Depreciation and impairment value	(84)	-	(84)
<b>Book Value December 31st 2007</b>	<b>30</b>	<b>0</b>	<b>30</b>

	Software	Expenditures for the exploration and evaluation of mineral resources	Total
<b>Book Value January 1st 2006</b>	<b>5</b>	<b>-</b>	<b>5</b>
Additions	50	-	50
Sales - Reductions	(4)	-	(4)
Depreciation	(6)	-	(6)
<b>Book Value January 1st 2007</b>	<b>46</b>	<b>0</b>	<b>46</b>
Additions from subsidiary company acquisitions	-	-	-
Additions	-	-	0
Sales - Reductions	-	-	0
Depreciation	(16)	-	(16)
Depreciation reductions	-	-	0
<b>Book Value December 31st 2007</b>	<b>30</b>	<b>0</b>	<b>30</b>

#### 8.4 Investments

The parent company participates in subsidiaries, joint ventures in addition to other companies. The participations/investments in the parent company financial statements have been evaluated at their acquisition cost less potential impairments.

The company consolidates all of its subsidiaries through the full consolidation method. The variations of the company's participations/investments in its subsidiaries are the following:

	THE GROUP	
	31/12/2007	31/12/2006
<b>Beginning of period</b>	9	37
Additions-Valuations	-	-
Sales	-	(28)
<b>End Balance</b>	<b>9</b>	<b>9</b>
Provisions for devaluations	(3)	(3)
<b>End Balance</b>	<b>6</b>	<b>6</b>

	THE COMPANY				Total	
	Subsidiaries		Other		31/12/2007	31/12/2006
	31/12/2007	31/12/2006	31/12/2007	31/12/2006		
<b>Beginning of period</b>	131.171	128.386	3	18	131.174	128.404
Additions	53.288	4.718	-	-	53.288	4.718
Subsidiary absorption	(20.650)	-	-	-	-	-
Sales	(1.756)	(1.933)	-	(15)	(1.756)	(1.948)
<b>End Balance</b>	<b>162.053</b>	<b>131.171</b>	<b>3</b>	<b>3</b>	<b>162.056</b>	<b>131.174</b>
Provisions for devaluations	(16.769)	(24.558)	-	-	(16.769)	(24.558)
<b>End Balance</b>	<b>145.284</b>	<b>106.613</b>	<b>3</b>	<b>3</b>	<b>145.287</b>	<b>106.616</b>

During the current year-end "MICHANIKI S.A." absorbed its subsidiary by 100% "MICHANIKI REAL ESTATE S.A.".

## 8.5 Other long-term receivables

The other long-term receivables of the Group and the Company are analyzed in the table below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Long-Term maturity bills receivable	2.143	2.857	2.143	2.857
Less: Non accrued interest	(90)	(159)	(90)	(159)
Other long-term receivables	405	361	243	183
<b>Total other long-term receivables</b>	<b>2.458</b>	<b>3.059</b>	<b>2.296</b>	<b>2.881</b>

The total long-term receivables refer to securities from the sale of a financial item occupied for sale.

## 8.6 Inventories

The inventories of the Group and the Company are analyzed as follows:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Merchandise	26	2.285	4	4
Finished and Semi Finished Products - By-Products and Residues	38.842	56.551	17.636	17.083
Production in progress	63.785	20.172	19.595	18.368
Raw and auxiliary materials - Consumables - Spare parts and Packing Materials	3.998	13.669	2.482	2.007
<b>Total</b>	<b>106.651</b>	<b>92.677</b>	<b>39.717</b>	<b>37.462</b>

The total inventories have been valued at the end of the year-end at their net liquidation value.

The significant raise of the account "Production in progress" is mainly due to the initiation of the construction activity of the subsidiary company "MICHANIKI RUSSIA" which operates in the real estate development sector.

### **8.7 Construction contracts**

Construction contracts refer to the construction of assets or a group of affiliated assets specifically for customers according to the terms provided for in the relevant contracts and whose execution usually lasts for a period of over one fiscal year.

The analysis regarding receivables and liabilities from construction contracts of the Group and the Company is depicted below:

	<b>THE GROUP</b>	
	<b>31/12/2007</b>	<b>31/12/2006</b>
Contractual income accounted to the year-end results	171.554	97.778
Contractual cost realized and registered profits (less registered losses) up to now	518.760	350.307
Collected prepayments	-	-
Retentions	-	-
Gross amount owed by clients for the contractual project, depicted as a receivable	56.016	37.802
Gross amount owed to clients for the contractual project, depicted as a liability	11.654	4.496
Unexecuted Projects	426.490	450.014

  

	<b>THE COMPANY</b>	
	<b>31/12/2007</b>	<b>31/12/2006</b>
Contractual income accounted to the year-end results	137.818	60.024
Contractual cost realized and registered profits (less registered losses) up to now	445.487	310.771
Collected prepayments	-	-
Retentions	-	-
Gross amount owed by clients for the contractual project, depicted as a receivable	37.373	28.065
Gross amount owed to clients for the contractual project, depicted as a liability	11.654	4.496
Unexecuted Projects	384.245	373.260

## 8.8 Trade and Other commercial receivables

The trade receivables of the Group and the Company are analyzed below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Trade receivables	48.766	34.851	28.611	17.973
Bills receivable	154	383	130	143
Client accruals (IAS 11)	56.016	37.802	37.373	28.065
Bills receivable overdue	133	133	-	-
Cheques receivable	-	12.231	-	22
Receivables from executed projects	26.301		26.301	26.301
Cheques receivable overdue	1.751	2.881	145	145
Doubtful receivables	2.133	6.672	1.774	1.702
Sundry debtors	10.378	9.506	3.429	5.220
Prepayment and credit accounts	1.492	4.063	212	225
Less:Bad debt provisions	(34.288)	(18.635)	(29.092)	(28.995)
<b>Total other receivables</b>	<b>112.836</b>	<b>89.887</b>	<b>68.883</b>	<b>50.801</b>

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<i>Beginning of period</i>	<b>44.936</b>	<b>44.816</b>	<b>28.995</b>	<b>28.900</b>
Provisions formed in the period	97	122	97	95
Receivable write off	(10.745)	(2)	-	
<b>End of period</b>	<b>34.288</b>	<b>44.936</b>	<b>29.092</b>	<b>28.995</b>

During the current year-end the subsidiary company "BALKAN S.A." proceeded in the write off of receivables amounting to € 10.745.000 for which it had formed impairment provisions in previous year-ends.

## 8.9 Joint Ventures/Consortiums

As a member of joint ventures/consortiums the company recognizes its participation/investment to the jointly audited financial entities with the net equity method. It is noted that the company in all cases directly recognizes in its results any liability or commitment that burdens these joint ventures/consortiums, for which the latter can not self respond, recognizing such liabilities directly to them.

The most significant joint venture/consortium participations of the company are mentioned in § 6,5 "Group Structure-Consolidated Financial Statements". From these joint ventures/consortiums most of them are inactive. For the active joint ventures/consortiums the management estimates that they will be profitable and no potential liabilities will emerge apart from liabilities that have been recorded through the valuation with the net equity method.

The analysis regarding the participations/investments of the Group and the company in joint ventures/consortiums is depicted below:

THE GROUP	Joint Ventures	
	31/12/2007	31/12/2006
Beginning of period	14.977	14.425
Additions	0	10
Year-end profits proportion	4.963	1.440
Reductions / Withdrawals against profit	(3.688)	(898)
<b>End of period balance</b>	<b>16.252</b>	<b>14.977</b>
<i>Joint Ventures with a negative net equity</i>		
Beginning of period	20.835	20.106
Year-end losses	773	729
J/V with a negative net equity accumulated losses	21.608	20.835
Trade (commercial) balance	1.869	1.293
<b>End period balance</b>	<b>23.477</b>	<b>22.128</b>
<b>Net result from joint ventures</b>	<b>4.190</b>	<b>711</b>

**(\*)The result difference from joint ventures in the fiscal year-end of 2006 amounting to €711.000 against €787.000 depicted in the profit and loss account refers to the tax amounting to €76.000 which is included in the expenditure of the income tax.**

The parent company profits from joint ventures in the current fiscal year-end amounted to €4.959.000 against €1.248.000 in the previous fiscal year-end. Losses amounted to €718.000 against €725.000 in the previous fiscal year-end. There were no additions in the current fiscal year-end.

### 8.10 Other Short-term receivables and Prepayments

The other receivables of the Group and the Company are analyzed below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Escrow accounts		5		-
Deferred expenses	3.110	2.092	2.212	1.646
Accrued income	9	40		-
Other interim accounts	1.369	206		-
<b>Total</b>	<b>4.488</b>	<b>2.343</b>	<b>2.212</b>	<b>1.646</b>

The **prepayments** of the company and the Group are:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Income tax prepayments	6.326	4.013	4.926	2.619
Asset acquisition prepayments	-	1.482	-	811
Inventory purchase prepayments	575	797	375	437
Payments for the acquisition of property investment buildings	30.428	23.425		
<b>Total prepayments</b>	<b>37.329</b>	<b>29.716</b>	<b>5.301</b>	<b>3.868</b>

Payments for the acquisition of property investments refer to payments made by the group's subsidiary companies in order to obtain land usage rights. The relevant amounts remain within the prepayment account until the developmental procedure of each building is initiated.

### 8.11 Fair value Financial Items though results

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Shares		5	0	0
Other securities	6	51	0	51
<b>Total</b>	<b>6</b>	<b>56</b>	<b>0</b>	<b>51</b>

### 8.12 *Receivables from affiliated and other participation/investment interest Companies*

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Short-term receivables from affiliated companies	36.919	39.730	40.492	39.730
Short-term receivables from other investment interest companies	0	233		0
<b>TOTAL</b>	<b>36.919</b>	<b>39.963</b>	<b>40.492</b>	<b>39.730</b>

The table above presents receivables from joint ventures amounting to € 36.919.000. Part of these receivables (approximately 21.600.000€) are considered as non secure collections. There's no reason though for a bad debt provision since these receivables have been indirectly written off through the valuation (with the formation of the liability resulted, as in par. 8.9).

### 8.13 **Cash and cash equivalents**

The cash and cash equivalents of the Group and the Company are analyzed below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Cash at hand	109	205	60	25
Short-term bank deposits	22.812	34.487	3.889	9.700
<b>Total</b>	<b>22.921</b>	<b>34.692</b>	<b>3.949</b>	<b>9.725</b>

Cash represents cash at hand in addition to bank deposits available at first demand. The real weighted average interest rate of the bank deposits for the period presented is 3,02% from 2,84% regarding the previous period.

During the above dates there were no overdrafts from bank accounts.

### 8.14 **Equity**

#### i) **Share capital**

The Company's share capital is constituted from 66.937.526 common fully paid up shares and from 25.968.987 preferred shares of € 1,48 face value each. The total share capital amounts to € 137.501 thousand. The shares of MICHANIKI S.A. are listed in the Stock Exchange.

During the presented period (and the relevant comparable period) no alteration was noted to the Company's share capital.

#### ii) **Share Premium**



	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Share premium	129.629	129.629	129.629	129.629
Less :Own Shares	(3.397)	(1.088)	(3.397)	(1.088)
<b>Total</b>	<b>126.232</b>	<b>128.540</b>	<b>126.232</b>	<b>128.540</b>

The Company's share premium (above par value) capital resulted from the issue of shares against cash in a value greater than its face value.

During the year-end of 2007 the company acquired 570.751 own shares and sold 353.539. From the sale of own shares a profit emerged amounting to € 1.899.000 (€1.424.000 after tax) that benefited directly the equity. At 31/12/2007 the company possessed 258.205 (247.184 for the previous fiscal year-end) own shares.

"MICHANIKI S.A." shares as well as the shares of the subsidiary "BALKAN EXPORT" are freely negotiable in the Athens Exchange.

### iii) Other Reserves

The other reserves of the Group and the Company are analyzed below:

	THE GROUP									
	Statutory Legal Reserve	Fair Value Property Investment Reserves	Readjustment Differences	Tax free reserves	Reserves from tax free profits of construction & Technical Companies	Reserves from specially taxed revenues	Own shares reserves	Foreign Exchange Differences Conversion Reserves	Other Reserves	Total
<b>Balance at 1/1/2006</b>	<b>3.152</b>	<b>10.427</b>	<b>795</b>	<b>4.881</b>	<b>655</b>	<b>997</b>	<b>5.027</b>	<b>(882)</b>	<b>11.735</b>	<b>36.787</b>
Foreign exchange differences	-	-	-	-	-	-	-	(140)	-	(140)
Changes during the year-end	870	(102)	-	278	-	-	(5.027)	-	(350)	(4.330)
Other	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2006</b>	<b>4.022</b>	<b>10.325</b>	<b>795</b>	<b>5.159</b>	<b>655</b>	<b>997</b>	<b>-</b>	<b>(1.022)</b>	<b>11.386</b>	<b>32.317</b>
Foreign exchange differences	-	-	-	-	-	-	-	(4.437)	-	(4.437)
Changes during the year-end	3.535	24.890	-	1.958	176	-	-	-	(5.140)	25.419
Other	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2007</b>	<b>7.557</b>	<b>35.215</b>	<b>795</b>	<b>7.117</b>	<b>831</b>	<b>997</b>	<b>-</b>	<b>(5.459)</b>	<b>6.246</b>	<b>53.299</b>

	THE COMPANY									
	Statutory Legal Reserve	Fair Value Property Investment Reserves	Readjustment Differences	Tax free reserves	Reserves from tax free profits of construction & Technical Companies	Reserves from specially taxed revenues	Own shares reserves	Foreign Exchange Differences Conversion Reserves	Other Reserves	Total
<b>Balance at 1/1/2006</b>	<b>2.616</b>	<b>-</b>	<b>795</b>	<b>1.872</b>	<b>655</b>	<b>995</b>	<b>4.793</b>	<b>-</b>	<b>11.275</b>	<b>23.002</b>
Foreign exchange differences	-	-	-	-	-	-	-	-	-	-
Changes during the year-end	752	-	12.653	-	-	-	(4.793)	-	(416)	8.196
Other	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2006</b>	<b>3.368</b>	<b>-</b>	<b>13.448</b>	<b>1.872</b>	<b>655</b>	<b>995</b>	<b>-</b>	<b>-</b>	<b>10.859</b>	<b>31.197</b>
Foreign exchange differences	-	-	-	-	-	-	-	-	-	-
Changes during the year-end	3.211	-	6.680	1.958	176	-	-	-	(7.803)	4.222
Other	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31/12/2007</b>	<b>6.579</b>	<b>-</b>	<b>20.128</b>	<b>3.830</b>	<b>831</b>	<b>995</b>	<b>-</b>	<b>-</b>	<b>3.056</b>	<b>35.419</b>

The statutory legal reserve has been formed according to the ordinances of the Commercial Law 2190/1920.

#### iv) Retained earnings

The amount of € (68.581.000)/€ (70.398.000) € refers to accumulated losses of the Group/Company at 31/12/2007.

#### 8.15 Deferred tax receivable and liability and tax agreement

The deferred tax receivables and liabilities are analyzed below:

	THE GROUP				THE COMPANY			
	31/12/2007		31/12/2006		31/12/2007		31/12/2006	
	D.T. Receivable	D.T. Liability	D.T. Receivable	D.T. Liability	D.T. Receivable	D.T. Liability	D.T. Receivable	D.T. Liability
<b>Non Current Items</b>								
Tangible Assets & property Investments	235	(16.208)	839	(5.664)	192	(2.072)	190	(1.504)
Investments and other Long-term Receivables								
<b>Current Items</b>								
Construction Contracts	2.914	(9.301)	6.461	(17.169)	2.914	(9.301)	6.122	(14.758)
Inventories	277	(1.506)	-	(1.506)	277			
<b>Equity Capital</b>								
Reserves	175	(788)	175	(1.296)	175	(788)	175	(1.296)
Grants			256	-	16		6	
<b>Long-term Liabilities</b>								
Personel Benefits	386		432	-	197		259	
Joint Ventures	41	(5)	326	83		(5)	-	83
<b>Short-term Liabilities</b>								
Financial Leases	350		26	(656)	350		0	(435)
Other short-term liabilities			-	(47)				
<b>Tax Rate Change</b>								
Tangible Assets & Property Investments			(132)	414			(44)	315
Construction Contracts			184	1.673			216	1.370
Inventories			(70)	-			(70)	
Grants			(57)	-			(1)	
Personel Benefits			(64)	-			(58)	
Joint Ventures			-	-			-	
Financial Leases			(4)	(151)				(168)
Other short-term liabilities			-	-				
<b>Other</b>								
Fiscal year-end 2006 distributed dividends income tax		3.800	-	4.269		3.800		4.269
Tax deductible losses	344		1.937	-			1.059	
IAS profits deferred taxation		(5.247)	31	(2.216)		(5.247)		(1.843)
<b>Total</b>	<b>4.722</b>	<b>(29.255)</b>	<b>10.340</b>	<b>(22.265)</b>	<b>4.121</b>	<b>(13.613)</b>	<b>7.853</b>	<b>(13.967)</b>
<b>Offsetting</b>		<b>(24.534)</b>		<b>(11.924)</b>		<b>(9.493)</b>		<b>(6.114)</b>

The income tax rate in which the companies of the Group, operating in Greece, are subject to for 2007 is 25%.

The Group has not recognized a deferred taxation for the accumulated losses from the valuation and sale of securities. These losses are setoff only with respective profits from sale of securities. Moreover it does not calculate a deferred taxation in the valuation of financial derivative products since the tax law does not recognize realized losses, but only the profits incurred.

According to the tax legislation certain incomes are not taxed at the time of their possession, but at the time of their distribution to the shareholders. The Group's accounting principle is to recognize a deferred tax liability for these incomes at the time of their attainment, regardless from the time of their distribution.

The income tax upon the profits before tax of the Group and the Company, differs from the theoretic amount that would have resulted, if the tax ratio in effect in the countries were the companies of the group operate in was used, as follows:

	CONSOLIDATED INFO		COMPANY INFO	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Current income tax	6.972	2.925	5.699	238
Deferred tax	10.220	4.575	50	3.006
Previous year-ends tax audit tax	-	-	-	-
Potential taxes	913	396	513	-
<b>TOTAL INCOME TAX</b>	<b>18.105</b>	<b>7.896</b>	<b>6.262</b>	<b>3.244</b>
<b>Profit before tax</b>	<b>71.616</b>	<b>33.842</b>	<b>31.029</b>	<b>11.793</b>
Tax rate	25%	29%	25%	29%
Current income tax upon profits before tax	17.904	9.299	7.757	3.420
Tax effect of non taxed income and expenses that are not deducted for tax reasons	(225)	527	(225)	491
Tax effect of taxed income at its source (dividends, i/v etc)	-	(77)	(2.512)	-
Tax effect of non deductible IFRS recordings	(179)	(333)	-	(333)
Tax provision of tax audit of un-audited year-ends	913	396	513	-
Reserve distribution	502	-	502	-
Tax effect of losses for which an asset deferred tax was not recognized	178	4	-	-
Other taxes	117	-	14	-
Recognition of deferred taxed losses of previous year-ends	-	(940)	-	-
Effect from ratio changes	(1.105)	(980)	213	(334)
<b>TOTAL INCOME TAX</b>	<b>18.105</b>	<b>7.896</b>	<b>6.262</b>	<b>3.244</b>

### 8.16 Employee Benefit Liabilities and Other provisions

The Group and the company recognises as a retirement benefit obligation the present value of the legal commitment that has been assumed by them for the payment of a lump sum compensation to retired personnel. The relative obligation was determined based upon an actuarial study.

The respective obligation of the Group and the Company is as follows:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Balance Sheet Liabilities for:</b>				
Retirement benefits	1.541	1.865	788	803
<b>Total</b>	<b>1.541</b>	<b>1.865</b>	<b>788</b>	<b>803</b>
<b>Charges to results:</b>				
Beginning balance	1.865	1.919	803	866
Cost of current employment	265	195	186	73
Financial Cost	61	76	28	30
Indemnities	(555)	(289)	(249)	(289)
Net Actuarial (profits) / losses registered in the period	(95)	(36)	20	123
<b>Total</b>	<b>1.541</b>	<b>1.865</b>	<b>788</b>	<b>803</b>

The principal actuarial assumptions used were as follows:

THE GROUP / THE COMPANY			
Future Salary Increases			3,15%
Yearly average of long-term increase rate			2,00%
Discount interest rate			4,60%
G.N.P. yearly average increase			3,00%
<b>Personnel mobility:</b>			
	<b>Age Group</b>	<b>Voluntary Resignation</b>	<b>Dismissal</b>
	up to 30 years old	4%	15%
	31-40	2%	12%
	41 and above	1%	10%

The provisions regarding the Group and the Company are recognized provided that present legal or implicit liabilities consequent to prior facts exist, provided that the potential to be settled through outflow resources exists, and provided that the amount of the liability can be reliably calculated. The other provisions of the company and the group are analyzed below:

	<b>THE GROUP</b>		
	<b>Provisions of loss-making construction projects</b>	<b>Other provisions</b>	<b>Total Provisions</b>
<b>1/1/2006</b>	<b>5</b>	<b>1.224</b>	<b>1.229</b>
Additional year-end provisions	185	-	185
Non used provisions that were reversed		398	398
<b>31/12/2006</b>	<b>190</b>	<b>1.622</b>	<b>1.813</b>
Additional year-end provisions	1.161	908	2.069
Non used provisions that were reversed		(708)	(708)
<b>31/12/2007</b>	<b>1.351</b>	<b>1.822</b>	<b>3.174</b>

	<b>THE COMPANY</b>		
	<b>Provisions of loss-making construction projects</b>	<b>Other provisions</b>	<b>Total Provisions</b>
<b>1/1/2006</b>	<b>5</b>	<b>1.020</b>	<b>1.025</b>
Additional year-end provisions	185	-	185
Non used provisions that were reversed	-	2	3
<b>31/12/2006</b>	<b>190</b>	<b>1.022</b>	<b>1.213</b>
Additional year-end provisions	840	507	1.347
Non used provisions that were reversed		(708)	(708)
<b>31/12/2007</b>	<b>1.030</b>	<b>821</b>	<b>1.851</b>

Within the other provisions there are included provisions that the company and the Group have performed for potential taxes.

The provision amounting to €1.351.000, (€ 1.030.000 the Company) refers to the loss-making projects which according to I.A.S. 11 "Construction Contracts" the estimate of the loss-making result of the project is directly recorded to the results. Other than the above it is estimated there are no potential receivables and liabilities that may arise from the construction contracts.

### 8.17 Loan liabilities-Leases

The duration of the loans of the companies of the group is indefinite. Their full payment date depends upon the cash liquidity of each company separately. Therefore the loan liabilities of the group based upon the Managements' estimate (long-term and short-term) is analyzed as follows:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Long-term Loans</b>				
Bank Loans	20.470	14.115	-	-
Financial Lease Liabilities	7.142	7.584	7.142	(0)
<b>Total Long-term loans</b>	<b>27.612</b>	<b>21.698</b>	<b>7.142</b>	<b>(0)</b>
<b>Short-term loans</b>				
Bank loans	67.559	38.034	42.001	29.003
Financial Lease Liabilities	478	566		0
<b>Total Short-term loans</b>	<b>68.037</b>	<b>38.600</b>	<b>42.001</b>	<b>29.003</b>
<b>Total Loans</b>	<b>95.649</b>	<b>60.299</b>	<b>49.143</b>	<b>29.003</b>

The real weighted average bank loan interest rates of the Group at the balance date are depicted below:

	31/12/2007	31/12/2006
Bank loans in €	6,49%	5,17%
Bank loans in UD \$	7,79%	7,20%

The table below presents the analysis of the contractual liability resulting from the Financial Leasing.

THE GROUP					THE COMPANY			
Future minimum lease payment rentals at December 31st, 2007								
	<1 year € '000s	1<5 years € '000s	>5 years € '000s	Total € '000s	<1 year € '000s	1<5 years € '000s	>5 years € '000s	Total € '000s
Rental payments	453	7.131	-	7.584	453	7.131	-	7.584
Discount (Future financial charges of financial leases)	-	-	-	-	-	-	-	-
<b>Net Present Value</b>	<b>453</b>	<b>7.131</b>	<b>-</b>	<b>7.584</b>	<b>453</b>	<b>7.131</b>	<b>-</b>	<b>7.584</b>

  

THE GROUP					THE COMPANY			
Future minimum lease payment rentals at December 31st, 2006								
	<1 year € '000s	1<5 years € '000s	>5 years € '000s	Total € '000s	<1 year € '000s	1<5 years € '000s	>5 years € '000s	Total € '000s
Rental payments	566	7.584	-	8.150	(0)	-	-	(0)
Discount (Future financial charges of financial leases)	-	-	-	-	-	-	-	-
<b>Net Present Value</b>	<b>566</b>	<b>7.584</b>	<b>-</b>	<b>8.150</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>(0)</b>



## MICHANIKI S.A.

The Operating leases (expenses/income) of the group are as follows:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Operating leases which will be paid in 1 year</b>				
BUILDINGS	77	79	51	51
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	587	440	513	363
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 1: Short-term operating leases</b>	<b>664</b>	<b>519</b>	<b>563</b>	<b>414</b>
<b>Operating leases which will be paid in 2 to 5 years</b>				
BUILDINGS	203	152	203	152
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	1.024	814	931	652
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 2</b>	<b>1.227</b>	<b>967</b>	<b>1.135</b>	<b>804</b>
<b>Operating leases which will be paid after 5 years</b>				
BUILDINGS	0	0	0	0
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	0	0	0	0
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subtotal 4 (=2+3): Long-term operating leases</b>	<b>1.227</b>	<b>967</b>	<b>1.135</b>	<b>804</b>
<b>TOTAL (=1+4)</b>	<b>1.891</b>	<b>1.486</b>	<b>1.698</b>	<b>1.218</b>

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Operating leases which will be collected in 1 year</b>				
BUILDINGS	442	473	390	0
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	0	3	0	0
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 1: Short-term operating leases</b>	<b>442</b>	<b>476</b>	<b>390</b>	<b>0</b>
<b>Operating leases which will be collected in 2 to 5 years</b>				
BUILDINGS	1.200	1.501	991	0
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	0	0	0	0
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 2</b>	<b>1.200</b>	<b>1.501</b>	<b>991</b>	<b>0</b>
<b>Operating leases which will be collected after 5 years</b>				
BUILDINGS	0	0	0	0
EQUIPMENT	0	0	0	0
TRANSPORTATION MEANS	0	0	0	0
OTHER EQUIPMENT	0	0	0	0
<b>Subtotal 3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subtotal 4 (=2+3): Long-term operating leases</b>	<b>1.200</b>	<b>1.501</b>	<b>991</b>	<b>0</b>
<b>TOTAL (=1+4)</b>	<b>1.642</b>	<b>1.977</b>	<b>1.381</b>	<b>0</b>

### 8.18 Commercial Liabilities and prepayments

The analysis of the remaining balance of the trade creditors and the other similar liabilities of the Group and the Company are depicted below:

Commercial Liabilities	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Trade creditors	38.695	30.499	26.723	12.919
Bills payable	1.237	1.885	429	0
Cheques payable	17.868	19.886	15.042	12.950
	<b>57.800</b>	<b>52.270</b>	<b>42.194</b>	<b>25.869</b>

Liabilities to clients	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Client advances	14.180	12.458	11.654	7.747
Client accruals (IAS 11)	5.175	4.035	5.175	3.072
<b>Total</b>	<b>19.355</b>	<b>16.494</b>	<b>16.829</b>	<b>10.820</b>

### 8.19 Tax liabilities

The liabilities from taxes are analyzed below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Income Tax	17.192	7.500	5.749	3.244
Tax audit differences provision	913	396	513	0
Previous year-ends tax audit differences	0	0	0	0
<b>Period tax expense proportion</b>	<b>18.105</b>	<b>7.896</b>	<b>6.262</b>	<b>3.244</b>
	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Tax liabilities	2.196	655	1.715	0
<b>Total</b>	<b>2.196</b>	<b>655</b>	<b>1.715</b>	<b>0</b>

The parent company has not been audited by the tax authorities for the fiscal year-ends of 2005 and 2007. During the current fiscal year-end the tax audit was concluded regarding the fiscal year-ends from 2002 up to and 2004. From the relevant audit additional taxes resulted amounting to € 708.000. The relevant amount did not encumber the period's results since the company had formed sufficient provisions.

The tax un-audited fiscal year-ends for the other companies of the Group are depicted in the table below:

COMPANY NAME	TAX UN-AUDITED FISCAL YEAR-ENDS
HELLENIC PIPE WORKS S.A.	2001-2007
BALKAN EXPORT S.A.	2000-2007
MARMARA KAVALAS S.A.	2003-2007
THOLOS S.A.	2003-2007
HELLENIC WOOD INDUSTRY S.A.	1999-2007
MICHANIKI REAL ESTATE S.A.	2005-2007
MICHANIKI BULGARIA S.A.	1995-2007
MICHANIKI UKRAINE	01.04.2007 up to 31.12.2007
MICHANIKI RUSSIA LTD	2004-2007
MICHANIKI EGYPT	First fiscal year-end
MICHANIKI BELARUS	First fiscal year-end

There have been recognized potential taxes for the parent company amounting to € 821.000 and for the Group €1.821.000 that are assessed as sufficient. The outcome of the joint venture/consortium tax liabilities in which the company participates in can not be forecasted at this current stage. It is estimated that as far as the inactive joint ventures/consortiums is concerned an additional taxation will not emerge due to the implicit taxation, and as far as the active joint ventures/consortiums is concerned any potential taxation will limit the profits towards its members.

## 8.20 Other long-term liabilities

In the other long-term liabilities of the group and the company the long-term section of the undertaken subsidiaries are included.

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Other long-term liabilities	3.849	3.497	2.597	2.664

## 8.21 Other short-term liabilities

The analysis of the other short-term liabilities is depicted below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Dividends Payable	728	701	728	701
Deferred revenues - Grants	66	2.039	66	429
Accrued expenses	33	42	11	-
Other liability interim accounts	1.371	9	1.093	-
Social Security	1.964	1.274	1.414	698
Other taxes-duties	6.296	4.530	6.006	2.546
Sundry creditors	6.068	2.801	4.582	1.763
<b>Total</b>	<b>16.526</b>	<b>11.396</b>	<b>13.900</b>	<b>6.137</b>
<hr/>				
Amounts owed to affiliated parties	23.477	22.128	24.169	20.445
<b>Total</b>	<b>23.477</b>	<b>20.835</b>	<b>24.169</b>	<b>20.445</b>

Almost the total account "Amounts owed to affiliated parties", refers to a liability registered by the company from the valuation of the joint ventures in which it participates in with the Net Equity method. More information is mentioned in § 8.10.

## 8.22 Turnover

The turnover analysis of the Group and the Company is analyzed in § 7.

## 8.23 Cost of sales

The cost of sales of the company and the group is analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Cost of inventories recognized as an expense	72.690	63.109	48.967	19.256
Cost of sales of property investments	15.300	8.748	-	-
Personnel Fees	25.587	17.273	18.583	10.564
Fees and expenses of third parties	43.986	21.925	30.109	12.001
Third party grants	18.004	11.662	11.981	4.498
Taxes and duties	1.477	1.003	1.217	734
Other general expenses	4.064	3.625	2.606	2.556
Asset depreciation	5.908	5.478	3.953	2.820
<b>Total</b>	<b>187.016</b>	<b>132.823</b>	<b>117.416</b>	<b>52.429</b>

## 8.24 Administrative expenses

The administrative expenses of the company and the group are analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Personnel fees	4.359	2.683	2.568	1.838
Fees and expenses of third parties	1.067	1.494	593	792
Third party grants	1.523	1.035	1.400	792
Taxes and duties	907	396	877	356
Other general expenses	3.353	2.436	2.700	1.793
Asset depreciation	290	345	219	259
<b>Total</b>	<b>11.498</b>	<b>8.389</b>	<b>8.358</b>	<b>5.830</b>

## 8.25 Selling expenses

The selling expenses of the company and the group are analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
Cost of inventories recognized as an expense	0	46	0	0
Personnel fees	585	707	0	0
Fees and expenses of third parties	47	97	0	0
Third party grants	97	211	3	5
Taxes and duties	15	16	5	0
Other general expenses	928	2.860	53	0
Interest & Similar Charges	4	0	0	0
Asset depreciation	87	129	33	39
<b>Total</b>	<b>1.763</b>	<b>4.068</b>	<b>94</b>	<b>44</b>

## 8.26 Depreciation

The allocation of the depreciation is depicted below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
COST OF SALES	6.052	5.478	3.953	2.820
SELLING EXPENSES	89	129	33	39
ADMINISTRATIVE EXPENSES	374	345	219	259
NOT INCORPORATED I THE OPERATIONAL COST	-	69	-	-
SELF PRODUCTION	-	410	-	111
	<b>6.515</b>	<b>6.432</b>	<b>4.205</b>	<b>3.229</b>

## 8.27 Other operating revenues/ expenses

The other operating revenues/expenses are analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
<b>Other operational income</b>				
Foreign exchange differences profits	988	1.583	205	0
Income from Subsidies - Grants	248	198	97	66
Insurance Indemnities	70	105	70	80
Other idemnities	-	-	-	-
Income from rents	118	114	115	56
Income from unused/used provisions	-	368	-	166
Profits from asset sales	805	104	79	72
Fair value of property investments	226	-	-	-
Profits from sale and leaseback of assets	-	406	-	96
Other income from previous year-ends	26	752	11	0
Other income	115	358	97	271
<b>Total</b>	<b>2.595</b>	<b>3.988</b>	<b>674</b>	<b>806</b>
<b>Other operating expenses</b>				
Foreign exchange differences losses	286	1.128	0	0
Bad debt provision	97	122	97	95
Losses from asset sales	994	332	17	238
Tax fines and increments	39	53	14	28
Tax fines and increments of previous year-ends	2	5	0	5
Insurance Indemnities	-	80	-	80
Other Indemnities	52	-	52	-
Depreciation not incorporated to the operational cost	-	69	-	-
Other expenses from previous year-ends	509	153	24	40
Other expenses	1.044	194	139	55
<b>Total</b>	<b>3.022</b>	<b>2.135</b>	<b>343</b>	<b>540</b>

## 8.28 Financial revenues/expenses – Other financial results

The financial result of the group and the company is analyzed below:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2007	1/1 - 31/12/2006	1/1 - 31/12/2007	1/1 - 31/12/2006
<b>Financial Income from:</b>				
- Bank interest	315	232	74	5
- Derivative financial product valuation	-	117	-	117
- Trade receivables	-	445	-	143
- Securities	116	1.075	6.132	884
<b>Total</b>	<b>431</b>	<b>1.871</b>	<b>6.206</b>	<b>1.150</b>
<b>Financial Expenses from:</b>				
- Derivative financial product valuation	1.666	241	1.666	241
- Bank Loans	6.646	3.084	3.809	1.835
- Guarantees commission	1.812	1.390	1.531	1.025
- Financial Leases	78	528	78	8
- Other bank expenses	76	259	76	148
<b>Total</b>	<b>10.278</b>	<b>5.501</b>	<b>7.160</b>	<b>3.257</b>
<b>Other Financial Results</b>				
- Profits from investment and securities sales	344	258	2.995	630
- Derivative financial product result	4.760	5.038	4.760	5.038
- Valuation differences from investments and securities	-	(13)	-	-
- Investments and securities sale losses	(16)	(97)	(16)	(97)
- Investments and securities expenses and losses	(77)	(57)	(77)	(57)
-Other financial expenses	(28)	(245)	-	(171)
Profit-loss proportion to associate company	4.190	787	4.240	523
<b>Total</b>	<b>9.173</b>	<b>5.671</b>	<b>11.902</b>	<b>5.865</b>
<b>PERIOD FINANCIAL RESULT</b>	<b>(674)</b>	<b>2.041</b>	<b>10.948</b>	<b>3.758</b>

The company maintains foreign exchange forwards (options and forwards) which it evaluates according to the ordinances of the IFRS. The total investment amount in foreign exchange forwards at 31/12/2007 amounted to € 94.000.000 (€ 57.000.000 in the previous fiscal year-end).

The scope of these foreign exchange forwards is the management of foreign exchange risk for commercial or investment purposes. The profits or losses from foreign exchange forwards resulting from interest rate and foreign exchange fluctuations may be significant. The risk emanates from the fluctuation of foreign exchange rates regarding the benchmark currencies of the respective financial tool and from the course of the deposit and lending interest rates of the two currencies. For the foreign exchange forwards there is no type of coverage regarding the above risks.

The company can proceed at any time in the termination of use of this specific tool even after the commencement in effect of the foreign exchange forward contract. The company mainly proceeds in the contracting of foreign exchange forward contracts with one year duration. Last the collection of profits or the payment of losses may take place either at the termination date of the foreign exchange forward contract through the profit or loss discount or at any other date up to the maturity of the foreign exchange forward contract.



## 8.29 Transactions with associated parties

The transactions referring to sales and purchases to and from associated parties of the group are analyzed below:

	THE GROUP	01/01 - 31/12/2007 THE COMPANY
COMMODITIES AND SERVICES SALES	124	776
COMMODITIES AND SERVICES PURCHASES	1.180	4.088
OTHER RECEIVABLES	3.469	3.573
OTHER LIABILITIES	1.650	3.007
LOAN RECEIVABLES	33.450	36.919
LOAN LIABILITIES	21.606	21.161

### ANALYSIS OF PURCHASES - SALES OF PARENT COMPANY WITH SUBSIDIARIES 01/01/2007 - 31/12/2007

	BALKAN S.A.	MARMARA S.A.	PIPING S.A.	THOLOS S.A.	MICHANIKI REAL ESTATE S.A.	PARENT COMPANY TOTAL TRANSACTIONS WITH	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
COMMODITIES AND SERVICES SALES		44	89	521		654	2	122
COMMODITIES AND SERVICES PURCHASES		62	2.586	261		2.908	0	1.180

	PIPING S.A.	MARMARA S.A.	THOLOS S.A.	ELVIX S.A.	MICHANIKI REAL ESTATE S.A.	MICHANIKI BULGARIA	MICHANIKI UKRAINE	PARENT COMPANY TOTAL RECEIVABLES-LIABILITIES WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
OTHER RECEIVABLES	0	23	84	0	0	0	0	107	3	3.466
OTHER LIABILITIES	1.311	0	46	0	0	0	0	1.357	221	1.650
LOAN RECEIVABLES	0	0	0	63	0	346	1.871	2.281	87	34.638
LOAN LIABILITIES	0	0	0	0	0	0	0	0	445	21.161



01/01 - 31/12/2006  
**THE GROUP**                      **THE COMPANY**

COMMODITIES AND SERVICES SALES	1.064	2.053
COMMODITIES AND SERVICES PURCHASES	140	391
OTHER RECEIVABLES	1.861	1.963
OTHER LIABILITIES	298	286
LOAN RECEIVABLES	41.119	43.192
LOAN LIABILITIES	21.828	20.443

ANALYSIS OF PURCHASES - SALES OF PARENT COMPANY WITH SUBSIDIARIES 01/01/2006 - 31/12/2006

	BALKAN S.A.	MARMARA S.A.	PIPING S.A.	THOLOS S.A.	MICHANIKI REAL ESTATE S.A.	PARENT COMPANY TOTAL TRANSACTIONS WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
COMMODITIES AND SERVICES SALES	-	92	355	539	8	993	4	1.060
COMMODITIES AND SERVICES	13	92	156	-	-	261	10	130

	BALKAN S.A.	MARMARA S.A.	THOLOS S.A.	ELVIX S.A.	MICHANIKI REAL ESTATE S.A.	MICHANIKI BULGARIA	MICHANIKI UKRAINE	PARENT COMPANY TOTAL RECEIVABLES-LIABILITIES WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
OTHER RECEIVABLES	-	44	57	-	2	-	-	103	1	1.860
OTHER LIABILITIES	12	6	-	0	-	-	-	18	30	268
LOAN RECEIVABLES	-	-	-	107	-	346	1.871	2.324	251	40.868
LOAN LIABILITIES	-	-	-	-	-	-	-	-	1.385	20.443



## **MICHANIKI S.A.**

### **TRANSACTIONS BETWEEN SUBSIDIARIES OF THE GROUP**

#### **Purchases - sales 01/01 - 31/12/2007**

<b>BUYER</b>	THOLOS	784 €
<b>SELLER</b>	MARMARA	8 €
<b>SELLER</b>	PIPING	776 €

#### **Lending receivables - liabilities at 31/12/2007**

<b>LIABILITY</b>	RUSSIA	1.016 €
<b>RECEIVABLE</b>	BULGARIA	

#### **Other receivables - liabilities at 31/12/2007**

<b>LIABILITY</b>	THOLOS	27 €
<b>RECEIVABLE</b>	MARMARA	7 €
<b>RECEIVABLE</b>	PIPING	20 €

### **TRANSACTIONS BETWEEN SUBSIDIARIES OF THE GROUP**

#### **Purchases - sales 01/01 - 31/12/2006**

<b>BUYER</b>	THOLOS	2.384 €
<b>SELLER</b>	PIPING	

#### **Lending receivables - liabilities at 31/12/2006**

<b>LIABILITY</b>	RUSSIA	7.001 €
<b>RECEIVABLE</b>	BULGARIA	

#### **Other receivables - liabilities at 31/12/2006**

<b>LIABILITY</b>	THOLOS	364 €
<b>RECEIVABLE</b>	PIPING	

**For the year of 2007**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
Transactions and executive fees and BoD	9.315	1.606
Payables to executive members and BoD as	41	41

**For the year of 2006**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
Transactions and executive fees and BoD 01.01.2006 to 31.12.2006	2.160	1.401
Payables to executive members and BoD as of December 31 2006	62	31

Additionally during the current period "MICHANIKI REAL ESTATE" sold a property investment to an affiliate part Management member for the amount of €6.890.000. The fair value of the building had been assessed in the amount of € 6.529.000 and the initial acquisition cost amounted to €5.931.000. From the transaction a profit resulted for the company amounting to €361.000. The amount had been fully settled at the balance sheet date.

**8.30 Profits per share**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>31/12/2007</b>	<b>31/12/2006</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
Profits proportioned to the parent company shareholders	33.970	18.219	17.855	6.160
Weighted Number of Ordinary Shares	66.687.986	66.323.741	66.687.986	66.323.741
<b>Total basic profits per share (€ per share)</b>	<b>0,51</b>	<b>0,27</b>	<b>0,27</b>	<b>0,09</b>

**(\*) Profits are in € thousand**

The weighted average of shares is calculated based upon the acquisitions and sales of own shares from the parent company during the fiscal year-end.

**8.31 Potential receivables-liabilities**

MICHANIKI S.A. has receivables from anti-contractual behavior against the company PYLAIA S.A. regarding the MEDITERRANEAN COSMOS project. For these receivables there are pending lawsuits from MICHANIKI against PYLAIA S.A. in the multimember court of first instance of Athens amounting to €31.600.000. MICHANIKI S.A. has recognized the amount of €18.500.000 which is included in its receivables. For the same work project the counterpart has filed a lawsuit amounting to €15.600.000. The company's management based upon the technical and legal reports reckons that the receivables emanating from PYLAIA S.A. lawsuit are unsubstantiated.

There are no other judicial or administrative or under litigation disputes for which, in sum taken into consideration by case, may have a significant impact on the financial position or operation of the company and the group.

### 8.32 Engagements

The engagements of the Group and the Company regarding construction contracts are depicted below:

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
L/G Good Performance	261.805	245.065	235.088	213.384
L/G Retention Replacement	14.640	9.543	11.777	7.739
L/G Advance Payment	11.558	15.046	7.841	10.317
<b>TOTAL</b>	<b>288.003</b>	<b>269.654</b>	<b>254.706</b>	<b>231.440</b>

### 8.33 Dividends

During the current fiscal year-end the company approved and deposited a dividend of 0.14€/share or a total amount of €13.126.000. The dividend concerned the profits of fiscal year-end 2006.

The company's management intends to propose to the shareholders, the distribution of an amount of € 0,16 (against 0,14€ during the previous fiscal year-end) per share, that is a total amount of €14,865,000.

### 8.34 Number and grants of Employed personnel

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Salaried	508	430	349	245
Daily Wage	668	428	572	240
<b>Total Employees</b>	<b>1.176</b>	<b>858</b>	<b>921</b>	<b>485</b>

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Personnel Emoluments	21.904	16.283	15.603	9.691
Employers' Contributions	7.184	4.932	5.169	2.911
Personnel Indemnities	1.574	368	573	166
Other personnel grants	25	22	6	6
<b>Total</b>	<b>30.687</b>	<b>21.604</b>	<b>21.351</b>	<b>12.774</b>
Amount charged to the Profit & Loss account	30.008	20.350	20.816	12.299
Amount capitalized within the asset self productions	0	154	0	154
Amount in Inventories	679	1.100	535	321
<b>Total</b>	<b>30.687</b>	<b>21.604</b>	<b>21.351</b>	<b>12.774</b>

### 8.35 Management grants

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Short-term grants to personnel				
Salaries & Fees	1.609	1.519	1.057	941
Social Security Cost	112	111	55	48
Board of Directors Fees	704	529	493	412
<b>Total</b>	<b>2.425</b>	<b>2.160</b>	<b>1.606</b>	<b>1.401</b>

### 8.36 Change in accounting estimations

No change was recorded regarding the accounting methods or accounting estimations.

### 8.37 Events after the date of the balance sheet

Other than the pre-mentioned facts, there are no subsequent events to the financial statements concerning either the Group or the Company, which require a reference to be made from the International Financial Reporting Standards.

#### THE CHAIRMAN

**PRODROMOS S. EMFIETZOGLOU**  
ID No: Ξ 498825/86

#### THE MANAGING DIRECTOR

**MELPOMENI PR. EMFIETZOGLOU**  
ID No: AE 034080/06

#### THE FINANCIAL DIRECTOR

**APOSTOLOS N. ATHANASOPOULOS**  
ID No: Ξ 288898/87

#### THE CHIEF ACCOUNTING MANAGER

**KIKIANTONIS I. CHRISTOS**  
ID No: N 296442/83 License Register No. of the  
Chartered Auditors Association 13476

**2. CONCISE YEARLY DATA AND INFORMATION OF THE COMPANY AND THE GROUP SET BY THE JOINT DECISION OF THE ECONOMY AND FINANCE MINISTER AND THE MINISTER OF DEVELOPMENT PROVIDED IN ARTICLE 135 PAR. 4 OF THE C.L. 2190/1920 IN EFFECT**



**SUMMARIZED FINANCIAL DATA AND INFORMATION OF FISCAL YEAR-END FROM JANUARY 1ST, 2007 TO DECEMBER 31ST, 2007**

(published according to L. 2190/20, article 135 for companies that compile yearly financial statements, consolidated and non consolidated according to the I.A.S.) - (Amounts in € thousand)  
The data and information below aim to provide a general briefing for the financial statement and the results of "MICHANIKI S.A." and its GROUP. The reader seeking to derive a complete picture of the financial position and results of the company, must secure access to the yearly financial statements that the International Accounting Standards provide, in addition to the audit report of the certified auditor public accountant. Indicatively he can trace the company's website address, www.michaniki.gr, where the said information is depicted.

Company Headquarters: M.Alexandrou 91 Street - Amarousio Attica  
Societe Anonyme/Registered Number: 8440/06/8/8616  
Qualified Authority: Ministry of Development  
Date of approval of the yearly financial statements: 28.03.2008

Board of Directors Composition:  
Chairman (Exec. Member) Pr. Emfielzoglou  
Man. Director (Exec. Member) M. Emfielzoglou  
Exec. Members: G. Dimakis, El. Trivoulidis

Exec. Members: Ap. Athanassopoulos  
Non Exec. Members: N. Kambar, El. Vozani  
Non Exec. Independent Members: Agg. Tsagiakonas, D. Petrotou

Certified Auditor Accountant: Georgios Ath. Skabavrias  
Auditing company: S.O.L.S.A.  
Type of auditing report of chartered accountants:  
With agreeable opinion - emphasized matter \*  
Company Website Address: www.michaniki.gr

**BALANCE SHEET ITEMS (amounts in € thousand)**

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>ASSETS</b>				
Asset Tangible Items for own use	71.362	68.695	50.481	42.670
Property Investments	118.769	42.833	18.922	0
Intangible Asset Items	64	88	29	46
Other non current asset items	19.231	19.118	161.907	123.818
Inventory	108.651	92.877	39.717	37.462
Receivables from clients	104.188	88.111	87.185	48.989
Other current asset items	110.310	108.545	53.444	58.831
<b>TOTAL ASSETS</b>	<b>530.575</b>	<b>420.068</b>	<b>391.915</b>	<b>309.816</b>
<b>NET EQUITY AND LIABILITIES</b>				
Share capital	137.502	137.502	137.502	137.502
Other net equity items	110.949	80.068	91.253	69.247
<b>Total Net Equity of Company's Shareholders (a)</b>	<b>248.451</b>	<b>217.570</b>	<b>228.755</b>	<b>206.748</b>
Minority rights (b)	33.977	19.609	-	-
<b>Total Net Equity (c) = (a) + (b)</b>	<b>282.428</b>	<b>237.178</b>	<b>228.755</b>	<b>206.748</b>
Long-term loan liabilities	20.470	14.115	0	0
Provisions / Other long-term liabilities	40.283	27.232	21.872	10.794
Short-term loan liabilities	87.559	38.034	82.029	89.247
Other short-term liabilities	119.834	103.509	99.286	63.270
<b>Total liabilities (d)</b>	<b>248.145</b>	<b>182.889</b>	<b>163.161</b>	<b>103.067</b>
<b>TOTAL NET EQUITY AND LIABILITIES (c) + (d)</b>	<b>530.575</b>	<b>420.068</b>	<b>391.915</b>	<b>309.816</b>

**YEAR-END PROFIT AND LOSS STATEMENT (amounts in thousand €)**

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Total sales turnover</b>	<b>226.142</b>	<b>166.710</b>	<b>145.620</b>	<b>66.072</b>
Gross profits / (losses)	39.127	33.887	28.204	13.644
Profits / (losses) before tax, financial and investment results and depreciation	78.806	38.235	24.287	11.265
Profits / (losses) before tax, financial and investment results	72.290	31.802	20.081	8.036
Profits / (losses) before tax	71.616	33.843	31.029	11.793
Less taxes	(18.105)	(7.896)	(6.262)	(3.244)
Profits / (losses) after tax	53.512	25.947	24.767	8.549
Distributed to:				
Company shareholders	47.119	25.287	24.767	8.549
Minority Shareholders	6.393	660	-	-
Profits after tax per Share (in €/share)	0.51	0.27	0.27	0.09
<b>Suggested dividend per Share - (€/share)</b>	-	-	0.16	0.14
Total shares: 92.905.513 Ordinary/65.937.528 Preferred/25.968.987				

**YEAR-END NET EQUITY CHANGES STATEMENT (amounts in € thousand)**

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Total Net equity at beginning of year-end (01.01.2007 and 01.01.2006 respectively)</b>	<b>237.178</b>	<b>222.529</b>	<b>206.749</b>	<b>194.219</b>
Year-end Profits/(losses) after tax	53.512	25.948	24.767	8.549
Cash and cash equivalents for sale financial items	0	0	7.775	12.653
Change of foreign exchange differences conversion reserve	(4.737)	(157)	0	0
Effect from change of investment percentage to a subsidiary company	6.418	(3.077)	0	0
Profits/(losses) from sale of cash and cash equivalents for sale financial items	0	0	(1.095)	0
Property Investment valuation differences	3.876	0	0	0
Profits/(losses) from Own Shares sales that were transferred to the equity capital	1.498	2.287	1.498	2.287
Distributed Dividends (profits)	(13.007)	(13.007)	(13.007)	(13.007)
Effect from subsidiary merge	0	0	4.378	0
Own shares (purchases)/sales	(2.309)	2.656	(2.309)	2.048
<b>Net Equity at end of period (31.12.2007 and 31.12.2006)</b>	<b>282.428</b>	<b>237.178</b>	<b>228.755</b>	<b>206.748</b>

**ADDITIONAL DATA AND INFORMATION**

- Emphasized Matter: According to the Auditing Report of the Certified Auditors Public Accountants, "Without stipulating reservation subject to the conclusion of our audit, we call upon your attention that no provisions have been made for potential tax liabilities regarding the un-audited, tax wise, fiscal year ends of the Joint Ventures/Consortiums, as relevantly mentioned in note 8.19 which is cited in the Financial Statements Addendum, regarding the current tax position of the Company and the Group. The outcome of the Joint Venture/Consortiums tax audits can not be forecasted at this current stage and therefore no provision whatsoever has been made upon the Financial Statements relevant to this matter"
- All of the companies of the Group that are included in the table "GROUP STRUCTURE" are consolidated with the full consolidation method, except the joint ventures which are consolidated with the net equity method.
- For the un-audited tax year-ends of the Parent company and the remaining companies of the Group, mentioned in the appendix and the Group structure, sufficient provisions for potential taxes have taken place except for the joint ventures/consortiums. The ordinary tax audit for the un-audited tax year-ends from 2002 up to 2004 of the Parent has been finalized. For the tax audit differences the Company has performed sufficient provisions in previous year-ends. More information is stated within the financial statements in paragraph (8.19).
- The Group's assets are free of mortgages and charging orders in favour of third parties, with the exception of a building of the company THLOS S.A., upon which a mortgage amounting to € 0.15 million exists for liability guarantees.
- There are no judicial or administrative or under litigation disputes for which, in sum taken into consideration by case, may have a significant impact on the financial position or operation of the company and the group. More information is stated within the financial statements in paragraph (8.31).

**YEAR-END CASH FLOW STATEMENT INFORMATION (Indirect Method) (amounts in € thousand)**

	THE GROUP		THE COMPANY	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Operating Activities</b>				
Profit before tax	71.617	33.842	31.029	11.793
Plus / less adjustments for:				
Depreciation	6.515	6.432	4.205	3.229
(Depreciation of assets grants)	(71)	(116)	(71)	(66)
Losses / (Profits) from asset sale	(836)	(2.112)	17	72
Provisions / (Revenues from unused provisions of previous year-ends)	936	252	922	219
Losses / (Profits) of fair value Property Investments	(48.538)	(7.352)	0	0
Foreign exchange differences	(4.737)	(302)	0	0
Results (income, expenses, profits and losses) from investment activity	(621)	(3.290)	(13.885)	(3.290)
Credit interest and similar charges	10.746	5.504	7.254	3.188
Debit interest and similar charges				
Plus/less adjustments for changes of working capital accounts that are related with operating activities				
Decrease / (increase) of inventories	(13.974)	(10.303)	(2.255)	(2.061)
Decrease / (increase) of receivables	(26.868)	(60.882)	(17.448)	(11.871)
(Decrease) / Increase of liabilities (except banks)	19.967	36.238	34.230	5.757
Less:				
Paid up Debt interest and similar charges	(10.746)	(5.498)	(7.254)	(3.188)
Paid up interest and similar charges	(8.638)	(3.807)	0	0
<b>Total inflows / (outflows) from operating activities (a)</b>	<b>(5.878)</b>	<b>(2.083)</b>	<b>30.346</b>	<b>593</b>
<b>Investment activities</b>				
Disposal/(Acquisition) of subsidiaries, associates and other investments	(888)	(10)	(33.373)	(2.037)
Purchases of tangible and intangible assets	(16.108)	(10.676)	(14.342)	(9.235)
Disposal/(Acquisition) of property investments	(1,000)	(1,000)	0	0
Collections from sale of tangible and intangible assets	2.285	2.309	22	2.223
Loans provided to affiliated parties	0	(4,688)	0	(4,602)
Decrease of share capital of subsidiary	0	0	0	1.787
Collected dividends	0	0	3.141	883
Interest received	630	361	76	58
Collections from Government grants	369	62	0	0
Settlement of Derivative Financial Items	4.760	2.761	4.760	2.761
<b>Total inflows / (outflows) from investment activities (b)</b>	<b>(27.926)</b>	<b>1.109</b>	<b>(39.715)</b>	<b>(8.162)</b>
<b>Financial Activities</b>				
Collections from issued / undertaken loans	70.500	47.408	40.149	29.303
Sales / (Purchases) of own shares	(410)	4.334	(410)	4.334
Loan settlements	(34.819)	(39.871)	(27.150)	(22.300)
Liability settlements from financial leases (amortization)	(530)	(1,471)	(74)	(852)
Paid dividends to parent company shareholders	(12,908)	(13,126)	(12,908)	(13,126)
<b>Total inflows / (outflows) from financial activities (c)</b>	<b>22.034</b>	<b>(2,526)</b>	<b>(393)</b>	<b>(2,480)</b>
<b>Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)</b>	<b>(11,771)</b>	<b>(3,500)</b>	<b>(9,762)</b>	<b>(10,049)</b>
<b>Cash and cash equivalents at the beginning of year-end</b>	<b>34,662</b>	<b>38,162</b>	<b>9,725</b>	<b>19,774</b>
<b>Plus cash and cash equivalents of absorbed company</b>	<b>0</b>	<b>0</b>	<b>3,985</b>	<b>0</b>
<b>Cash and cash equivalents at the end of year-end</b>	<b>22,891</b>	<b>34,662</b>	<b>3,949</b>	<b>9,725</b>

**GROUP STRUCTURE**

ΕΠΙΧΕΙΡΗΣΙΑΚΗ ΕΤΑΙΡΕΙΑ	HEADQUARTERS	% PARTICIPATION	UNAUDITED TAX YEAR-ENDS
MICHANIKI S.A.	GREECE	PARENT	2005-2007
HELLINIC IRING S.A.	GREECE	100.00%	2001-2007
BALKAN EXPORT S.A.	GREECE	52.2%	2000-2007
MARMARA KAVALAS S.A.	GREECE	77.07%	2003-2007
THLOS S.A.	GREECE	100.00%	2003-2007
HELLENIC WOOD INDUSTRY S.A.	GREECE	98.62%	2003-2007
MICHANIKI REAL ESTATE S.A.	GREECE	100.00%	2005-2007
MICHANIKI BULGARIA S.A.	BULGARIA	100.00%	1995-2007
MICHANIKI UKRAINE	UKRAINE	100.00%	14/07-2007
MICHANIKI RUSSIA LTD.	RUSSIA	79.91%	2004-2007
MICHANIKI EDIPT	EDIPT	88.13%	2007
MICHANIKI BELARUS	BELARUS	88.13%	2007
JV "MICHANIKI S.A. - EDIPTRA EDIPTA STRADALE SPA"	GREECE	99.00%	2003-2007
JV "MICHANIKI S.A. - ELIASSALICAN COUS MOUNTED"	GREECE	99.00%	2003-2007
JV "MICHANIKI S.A. - EMPEDOS S.A. AEGE-ELLINIKI DYNAMIKI"	GREECE	93.00%	2003-2007
JV "MICHANIKI S.A. - ATHINA S.A."	GREECE	50.00%	2005-2007
JV "MICHANIKI S.A. - TERVA S.A."	GREECE	2.00%	2002-2007
JV "MICHANIKI S.A. - ATLIKAT S.A."	GREECE	99.80%	2003-2007
JV "MICHANIKI S.A. - ATHINAKI TERMIKI S.A. - PARNON S.A."	GREECE	82.50%	2003-2007
JV "AKTOR MICHANIKI MOHLOS ALITE"	GREECE	20.00%	2003-2007
JV "AKTOR MICHANIKI MOHLOS ALITE (EGNATHA AVE. - VERGIA)"	GREECE	4.38%	2003-2007
JV "MICHANIKI S.A. - MOHLOS ALITE"	GREECE	20.00%	2003-2007
JV "MICHANIKI S.A. - THEMELI S.A. - PARNON S.A."	GREECE	90.00%	2003-2007
JV "MICHANIKI S.A. - PANTHEHKO S.A."	GREECE	50.00%	2003-2007
JV "MICHANIKI S.A. - CHR. KONSTANTINIDIS S.A."	GREECE	50.00%	2000-2007
JV "MICHANIKI S.A. - PARNON S.A."	GREECE	92.50%	1993-2007
JV "MICHANIKI S.A. - PANTHEHKO S.A. (ALEXANDROUPOLIS)"	GREECE	50.00%	2003-2007
JV "THESSALIKI MICHANIKI TERMIKI CHR. KOYKIDI"	GREECE	26.30%	2002-2007
JV "THESSALIKI MICHANIKI ELTER"	GREECE	25.00%	2002-2007
JV "ATHINA MICHANIKI"	GREECE	50.00%	2006-2007
JV "TERVA MICHANIKI"	GREECE	35.00%	2005-2007
JV "THEMELIODOI MICHANIKI MOHLOS"	GREECE	40.00%	2003-2007

Amarousio, March 26th, 2008

THE CHAIRMAN OF THE BOARD

THE MANAGING DIRECTOR

THE FINANCIAL DIRECTOR

THE CHIEF ACCOUNTING MANAGER

PRODROMOS S. EMFIETZOGLOU  
ID No: Ε 498825/06

MELPOMENI PR. EMFIETZOGLOU  
ID No: AE 034080/06

APOSTOLOS N. ATHANASSOPOULOS  
ID No: Σ 288988/07

KIKIANTONIS I. CHRISTOS  
ID No: N 296442/83 License Register No. of the Chartered Auditors Association 13476

**3. BOARD OF DIRECTORS REPORT UPON THE YEARLY FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP PROVIDED IN ARTICLE 136 OF C.L. 2190/1920 AND EXPLANATORY REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL ASSEMBLY OF ITS SHAREHOLDERS INCLUDING INFORMATION ACCORDING TO THE ORDINANCES OF PARAGRAPH 1 OF ARTICLE 11A OF L. 3371/2005**

**BOARD OF DIRECTORS MANAGEMENT REPORT  
OF THE YEARLY FINANCIAL STATEMENTS OF THE FISCAL YEAR-END  
JANUARY 1<sup>ST</sup> UP TO DECEMBER 31<sup>ST</sup> 2007**

During 2007, MICHANIKI S.A. significantly improved its financial ratios but even more further expanded its market share ensuring improved development conditions and benefits to its Shareholders.

The company and consolidated financial results of the Group for 2007 are summarized below:

<b><i>Consolidated Results in € million</i></b>	<b><i>31.12.2007</i></b>	<b><i>31.12.2006</i></b>	<b><i>% Δ</i></b>
Sales Turnover	226.142	166.710	35,65%
Profits before Taxes, Interest, Depreciation (EBITDA)	78.806	38.235	106,10%
Profits before Taxes (EBT)	71.616	33.843	111,61%
Profits after Taxes (EAT)	53.512	25.947	106,23%
Profits after Tax , Board of Directors Fees and Minority Rights	47.119	25.287	86,34%
Profits per share	0,51€	0,27 €	

<b><i>Company Results in € million</i></b>	<b><i>31.12.2007</i></b>	<b><i>31.12.2006</i></b>	<b><i>% Δ</i></b>
Sales Turnover	145.620	66.072	120,39%
Profits before Taxes, Interest, Depreciation (EBITDA)	24.287	11.265	115,59%
Profits before Taxes (EBT)	31.029	11.793	163,11%
Profits after Taxes (EAT)	24.767	8.549	189,70%
Profits per share	0,27 €	0,09 €	

## **PROSPECTS FOR 2008**

The positive facts and the prospects for further development, expansion and enlargement of our activities will characterize the new year as well. More over, in 2008 we expect significant development in the following sectors in which we operate:

### **Construction sector:**

The continuation of the strengthening of our position through the undertaking of significant public and selective private projects that classify MICHANIKI within the top construction companies in a broad range of infrastructure projects and set off the qualitative characteristics and the Company's consistency in the Greek market.

### **Energy sector:**

Exploiting the Company's infrastructure and know-how in the construction of significant projects, MICHANIKI's objective is to become an electric energy producer through Hydroelectric Stations.

### **Real Estate Development and Utilization sector:**

With the objective to continue our development and the promotion of the Greek entrepreneurship abroad, MICHANIKI has opened significant paths in substantial and very promising foreign markets, such as Ukraine, Russia, Bulgaria and Egypt. The real estate development and utilization is the sector where the MICHANIKI Group gives greater emphasis, due to the general orientation of these projects worldwide with the "construction – financing – utilization" aspect from private companies and syndicate schemes.

During the current year-end "MICHANIKI S.A." absorbed its 100% subsidiary company "MICHANIKI REAL ESTATE S.A." The absorption took place with an absorption balance sheet of the subsidiary company dated 31.10.2007. The absorption was based upon the decision K2-18653/31.12.2007 of the Athens Prefecture. From the absorption there was no effect in the net equity and the results of the Group. Additionally there was no effect to the minority rights since the absorbed company was a subsidiary company by 100%. From 01.11.2007 the results are included in "MICHANIKI S.A." and for the two-month period amounted to a loss of € 749.000. The most part of these losses are due to the conveyance tax that amounted to €614.000.

## **CORPORATE GOVERNANCE**

MICHANIKI's Management has adopted the Principles of Corporate Governance, as designated by the Greek legislation in effect and the international practices. The Corporate Governance, as a set of rules, principles and control mechanisms, according to which the Company is organized and managed, has the objective of disclosure towards the public, equal treatment in information, as well as the objective to ensure the interests of its Shareholders and all of whom are related to its operation.

The Board of Directors of MICHANIKI S.A. is the custodian of the Corporate Governance principles. Today the Board is composed from 6 executive and 3 non executive members. From the non executive members 2 fulfill the requirements that according to the ordinances of L. 3016/2002 regarding the Corporate Governance, are so called "independent".

The internal audit constitutes one of the basic and necessary conditions relative to the Corporate Governance operation.

The responsibilities of the Company's Internal Audit Administration, include the evaluation and improvement of the risk management and internal audit systems, as well as the ascertainment of compliance relative to the institutional policies and procedures as delimited in the Internal Regulation of Operations of the Company, the in effect legislation and the regulatory ordinances, but also to the Quality Assurance Services System EN ISO 9001:2000.

### **DIVIDEND POLICY**

The Company's Management, intends to suggest to the G.A. of its shareholders for 2007, the distribution of a dividend amounting to € 0,16 per share.

### **FINANCIAL RATIOS**

For a thorough information upon the proceedings of fiscal year-end 2007, the following ratios are presented that refer to the development of the company's financial figures.

#### **A. Growth Ratios**

	<b><u>The Group</u></b>	<b><u>The Company</u></b>
<b>1. Sales (Turnover)</b>	<b>35,65%</b>	<b>120,39%</b>
<b>2. Profits before Tax</b>	<b>111,61%</b>	<b>163,11%</b>

These particular ratios present the increase in sales and profits before tax, of the company and the group for 2007 compared to the previous year-end of 2006.

#### **B. Index Ratios**

	<b><u>The Group</u></b>	<b><u>The Company</u></b>
<b>3. Net Profits before Tax / Sales</b>	<b>31,67%</b>	<b>21,31%</b>
<b>4. Net Profits after Tax / Sales</b>	<b>23,66%</b>	<b>17,01%</b>

These ratios depict the final result before and after tax as a percentage to sales (turnover).

	<b><u>The Group</u></b>	<b><u>The Company</u></b>
<b>5. Net Profits before Tax / Equity</b>	<b>25,36%</b>	<b>13,56%</b>

This ratio depicts the net year-end results before tax as a percentage to equity.

	<b><u>The Group</u></b>	<b><u>The Company</u></b>
<b>6. Gross Profit / Sales</b>	<b>17,30%</b>	<b>19,37%</b>

Here, the year-end gross profits are depicted as a percentage to sales (turnover).

#### **C. Debt Management Ratios**

	<b><u>The Group</u></b>	<b><u>The Company</u></b>
<b>7. Owed capital / Equity (except Minority rights)</b>	<b>99,88%</b>	<b>71,33%</b>
<b>8. Bank Liabilities / Equity</b>	<b>31,17%</b>	<b>18,36%</b>

These ratios depict the capital owed and the bank liabilities as a percentage to equity.

**D. Financial Structure Ratios**

	<u>The Group</u>	<u>The Company</u>
<b>9. Current assets / Total</b>		
<b>Assets</b>	<b>60,53%</b>	<b>40,96%</b>

This particular ratio presents the percentage of the quick (acid) liquidity items to the total asset items.

	<u>The Group</u>	<u>The Company</u>
<b>10. Total Liabilities / Equity</b>	<b>87,86%</b>	<b>71,33%</b>

The above ratio depicts the financial self sufficiency of the financial unit.

	<u>The Group</u>	<u>The Company</u>
<b>11. Tangible &amp; intangible assets/</b>		
<b>Equity</b>	<b>25,29%</b>	<b>22,08%</b>

This particular ratio depicts the equity capitalization percentage.

	<u>The Group</u>	<u>The Company</u>
<b>12. Current assets/</b>		
<b>Short-term liabilities</b>	<b>171,38%</b>	<b>113,63%</b>

The above ratio depicts the liquidity of the financial unit.

	<u>The Group</u>	<u>The Company</u>
<b>13. EBITDA (Profits before tax, interest and depreciation)</b>	<b>106,10%</b>	<b>115,59%</b>

**Explanatory Report of the Board of Directors to the Ordinary General Assembly of its shareholders including information according to the ordinances of paragraph 1 of article 11a of L. 3371/2005.**

1. Share Capital Structure.

The Company's share capital amounts to € 137.501.639,24 divided in 66.937.526 common registered voting shares & 25.968.987 preferred, of € 1,48 face value each. All of the shares are listed in the Athens Stock Exchange, in the Large Capitalization category. The Company's shares are common registered voting shares and preferred registered non-voting shares.

2. Limitations regarding the transfer of the company's shares.

Stock transfer of Company shares is performed according to the law with no limitations arising from its statute.

3. Significant direct or indirect participations according to the ordinances of L. 3556/2007

Mr. Emfietzoglou Prodromos at 20.4.2008 holds a percentage of 19,76% of the Company's share capital. The G22-HG22 SMALLCAP WORLD FUND INC. at 20.4.2008 holds a percentage of 5,87% of the Company's share capital. No other physical or legal entity holds a percentage bigger than 5% of the share capital.

4. Owners of any kind of shares with special controlling rights.

There are no Company shares that grant its owners with special controlling rights.

5. Limitations regarding voting rights.

The Company's statute does not provide any limitations regarding voting rights.

6. Agreements between Company shareholders.

It is not to the Company's knowledge the existence of agreements between shareholders, which entail limitations regarding share transfers or the exercise of voting rights emanating from its shares.

7. Appointment rules and replacement of Board of Directors members and statute amendment.

The rules provided by the Company's statute regarding the appointment and the replacement of Board of Directors members and the amendment of the statute's ordinances don not diversify from the provisions of C.L. 2190/1920.

8. Authority of the Board of Directors or of certain of its members regarding the issue of new shares or the acquisition of own shares.

According to the ordinances of article 13 & 1 section B' and c' of c.l. 2190/1920 and article 6 of the Company's statute, it is provided that its Board of Directors has the right, with the condition of a relevant decision from the General Assembly, which is subject to the publicity stipulations of article 7b of C.L. 2190/1920, to increase the Company's share capital through the issuance of new shares through its decision, taken by a majority of at least 2/3 of its total members up to the amount of the capital, which is paid-up at the date were the Board of Directors was granted the above authority by the General Assembly which can be renewed by the General Assembly for a period of time that does not exceed the five years for each renewal and its effect commences after the maturity of each five year period. There is no decision by the General Assembly with which a similar authority has been granted to the Board of Directors.

During the period from January 1<sup>st</sup> 2007 to December 31<sup>st</sup> 2007, a decision regarding the acquisition of own shares took place. In particular the Ordinary General Assembly of its shareholders, common stock shareholders, dated June 22<sup>nd</sup> 2007 and the Repetitive Extraordinary Particular General Assembly of its shareholders, preferred stock shareholders, dated July 10<sup>th</sup> 2007 decided upon the acquisition of own shares.

More specifically during the stated fiscal year-end, 547.935 common shares were acquired in execution of the decision of the above assembly and 22.816 common shares in execution of the decision of the Extraordinary General Assembly of its shareholders, common stock shareholders, dated June 30<sup>th</sup> 2006. Moreover, 148.665 preferred shares were acquired, in execution of the decision of the Repetitive Extraordinary Particular General Assembly of its shareholders, preferred stock shareholders, dated July 18<sup>th</sup> 2006.

Moreover, during the period January 1<sup>st</sup> 2007 to December 31<sup>st</sup> 2007, the Board of Directors decided upon the sale of own shares, that the Company had acquired in previous year-ends, according to the decisions taken by the extraordinary General Assemblies dated 30.6.2006 and 18.7.2006. More



specifically during the stated fiscal year-end, 270.000 common and 255.020 preferred Company shares were sold.

At December 31<sup>st</sup> 2007 MICHANIKI had 547.935 own common shares.

9. Significant agreement signed by the Company, commencing, amended or expiring in case there is a change in the Company's control as a result of a public offer and the results of such an agreement.

No such agreement exists.

10. Every agreement signed between the Company and the members of its Board of Directors or with its employees, which provides compensation in case of resignation or discharge in the absence of a substantial reason or termination of their term or occupation due to a public offer.

There are no agreements between the Company and its Board of Directors members, or employees which provide the deposit of any compensation especially in the case of a resignation or discharge in the absence of a substantial reason or the termination of their term or occupation due to a public offer.

Prodromos S. Emfietzoglou

Chairman of the Board of Directors  
MICHANIKI S.A.

The current Report constituted by 6 pages is the one mentioned in the Auditor's Report that I have issued dated 26.03.2008.

Salonika, March 26<sup>th</sup> 2008

THE CERTIFIED AUDITOR PUBLIC ACCOUNTANT

GEORGIOS ATH. SKABAVIRIAS  
REG. NO. (ICPA (GR)) 14661  
S.O.L. S.A



## **4. AUDITORS REPORT FOR THE COMPANY AND THE GROUP**

### **INDEPENDENT AUDITORS REPORT**

To the Shareholders of Societe Anonyme "MICHANIKI S.A"

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Societe Anonyme "MICHANIKI S.A" (the "Company") in addition to the Consolidated Financial Statements of the company (the "Group"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity 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 adopted by the European Union (EU). 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; 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 based on 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

Without stipulating reservation subject to the conclusion of our audit, we call upon your attention that no provisions have been made for potential tax liabilities regarding the un-audited, tax wise, fiscal year ends of the Joint Ventures/Consortiums, as relevantly mentioned in note 8.19 which is cited in the Financial Statements Addendum, regarding the current tax position of the Company and the Group. The outcome of the Joint Venture/Consortiums tax audits can not be forecasted at this current stage and therefore no provision whatsoever has been made upon the Financial Statements relevant to this matter.

### **Report on Other Legal and Regulatory Requirements**

The Board of Directors Report includes the information provided by articles 43a paragraph 3, 107 paragraph 3 and 16 paragraph 9 of the C.L. 2190/20 in addition to article 11a of L.3371/2005 and its content is consistent with the aforementioned financial statements

**Amarousio, March 26<sup>th</sup> 2008**

**THE CERTIFIED AUDITOR PUBLIC ACCOUNTANT**

**GEORGIOS ATH. SKABAVIRIAS**  
**REG. NO. (ICPA (GR)) 14661**  
**S.O.L. S.A.**



**5. TRANSACTION REPORT OF THE COMPANY WITH AFFILIATED COMPANIES PROVIDED IN ARTICLE 2 PAR. 4 OF L. 3016/2002, IN EFFECT**

a) The company HELLENIC PIPE WORKS S.A. a) sold steel pipes of € 2.539,06 thousand value before V.A.T. to MICHANIKI S.A., with an outstanding amount of € 0,00 thousand, b) rented a building to MICHANIKI S.A. to be used as a repair workshop and the rentals amounted to € 46,53 thousand with an outstanding amount of € 1.311,06 thousand.

b) BALKAN EXPORT S.A. a) from timber sales to MICHANIKI S.A. from a previous year-end has an outstanding balance amount of € 0,16 thousand.

c) The company MARMARA KAVALAS S.A. sold marble of € 61,85 thousand before V.A.T. to MICHANIKI S.A., with an outstanding amount of € 0,00 thousand.

d) The company HELLENIC WOOF INDUSTRY S.A. a) from timber sales to MICHANIKI S.A. in a previous year-end has an outstanding amount of € 0,01 thousand.

e) The company THOLOS S.A. leased equipment with € 260,73 thousand before V.A.T. to MICHANIKI S.A., with an outstanding amount of € 46,10 thousand.

f) The company MICHANIKI S.A. leased equipment with € 44,49 thousand before V.A.T. to MARMARA KAVALAS S.A., with an outstanding amount of € 23,06 thousand.

g) The company MICHANIKI S.A. leased equipment with € 88,99 thousand before V.A.T. to HELLENIC PIPE WORKS S.A., with an outstanding amount of € 0,00 thousand.

h) The company MICHANIKI S.A. leased equipment of € 520,72 thousand value before V.A.T. to THOLOS S.A., with an outstanding amount of € 84,07 thousand.

i) The company HELLENIC PIPE WORKS S.A. sold steel pipes of € 776,15 thousand value before V.A.T. to THOLOS S.A., with an outstanding amount of € 19,48 thousand.

j) The company MARMARA KAVALAS S.A. sold marble of € 7,80 thousand before V.A.T. to THOLOS S.A., with an outstanding amount of € 7,14 thousand.

k) The company MICHANIKI S.A. a) rendered services of € 122,27 thousand value to Joint Ventures in which it participates in, with an outstanding amount of € 3.465,66 thousand b) received services of € 1.179,59 thousand value from Joint Ventures in which it participates in, with an outstanding amount of € 1.649,91 thousand.



l) The company THOLOS S.A. a) rendered services of € 1,85 thousand value to Joint Ventures in which it participates in, with an outstanding amount of € 3,31 thousand b) received services of € 0,00 thousand value from Joint Ventures in which it participates in, with an outstanding amount of € 221,15 thousand.

m) The company MICHANIKI S.A. has other receivables amounting to € 36.918,81 thousand, a) from HELLENIC WOOF INDUSTRY S.A. amounting to € 63,23 thousand, b) from MICHANIKI UKRAINE amounting to € 1.870,79 thousand, c) from MICHANIKI BULGARIA amounting to € 346,50 thousand, d) from Joint Ventures in which it participates in amounting to € 34.638,29 thousand.

Additionally the company MICHANIKI S.A. has other liabilities to Joint Ventures in which it participates in amounting to € 21.161,43 thousand.

n) The company THOLOS S.A. has other receivables from Joint Ventures in which it participates in amounting to € 86,59 thousand.

Additionally the company THOLOS S.A. has other liabilities to Joint Ventures in which it participates in amounting to € 444,87 thousand.

o) The company MICHANIKI RUSSIA has a borrowing liability towards MICHANIKI BULGARIA amounting to € 1.016,00 thousand.



The transactions referring to sales and purchases to and from associated parties of the group are analyzed below:

	THE GROUP	01/01 - 31/12/2007 THE COMPANY
COMMODITIES AND SERVICES SALES	124	776
COMMODITIES AND SERVICES PURCHASES	1.180	4.088
OTHER RECEIVABLES	3.469	3.573
OTHER LIABILITIES	1.650	3.007
LOAN RECEIVABLES	33.450	36.919
LOAN LIABILITIES	21.606	21.161

ANALYSIS OF PURCHASES - SALES OF PARENT COMPANY WITH SUBSIDIARIES 01/01/2007 - 31/12/2007

	BALKAN S.A.	MARMARA S.A.	PIPING S.A.	THOLOS S.A.	MICHANIKI REAL ESTATE S.A.	PARENT COMPANY TOTAL TRANSACTIONS WITH	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
COMMODITIES AND SERVICES SALES		44	89	521		654	2	122
COMMODITIES AND SERVICES PURCHASES		62	2.586	261		2.908	0	1.180

	PIPING S.A.	MARMARA S.A.	THOLOS S.A.	ELVIX S.A.	MICHANIKI REAL ESTATE S.A.	MICHANIKI BULGARIA	MICHANIKI UKRAINE	PARENT COMPANY TOTAL RECEIVABLES-LIABILITIES WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
OTHER RECEIVABLES	0	23	84	0	0	0	0	107	3	3.466
OTHER LIABILITIES	1.311	0	46	0	0	0	0	1.357	221	1.650
LOAN RECEIVABLES	0	0	0	63	0	346	1.871	2.281	87	34.638
LOAN LIABILITIES	0	0	0	0	0	0	0	0	445	21.161



01/01 - 31/12/2006  
**THE GROUP**                      **THE COMPANY**

COMMODITIES AND SERVICES SALES	1.064	2.053
COMMODITIES AND SERVICES PURCHASES	140	391
OTHER RECEIVABLES	1.861	1.963
OTHER LIABILITIES	298	286
LOAN RECEIVABLES	41.119	43.192
LOAN LIABILITIES	21.828	20.443

**ANALYSIS OF PURCHASES - SALES OF PARENT COMPANY WITH SUBSIDIARIES 01/01/2006 - 31/12/2006**

	BALKAN S.A.	MARMARA S.A.	PIPING S.A.	THOLOS S.A.	MICHANIKI REAL ESTATE S.A.	PARENT COMPANY TOTAL TRANSACTIONS WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
COMMODITIES AND SERVICES SALES	-	92	355	539	8	993	4	1.060
COMMODITIES AND SERVICES PURCHASES	13	92	156	-	-	261	10	130

	BALKAN S.A.	MARMARA S.A.	THOLOS S.A.	ELVIX S.A.	MICHANIKI REAL ESTATE S.A.	MICHANIKI BULGARIA	MICHANIKI UKRAINE	PARENT COMPANY TOTAL RECEIVABLES-LIABILITIES WITH SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF SUBSIDIARIES	OTHER ASSOCIATED PARTIES OF PARENT COMPANY
OTHER RECEIVABLES	-	44	57	-	2	-	-	103	1	1.860
OTHER LIABILITIES	12	6	-	0	-	-	-	18	30	268
LOAN RECEIVABLES	-	-	-	107	-	346	1.871	2.324	251	40.868
LOAN LIABILITIES	-	-	-	-	-	-	-	-	1.385	20.443



## **MICHANIKI S.A.**

### **TRANSACTIONS BETWEEN SUBSIDIARIES OF THE GROUP**

#### **Purchases - sales 01/01 - 31/12/2007**

<b>BUYER</b>	THOLOS	784 €
<b>SELLER</b>	MARMARA	8 €
<b>SELLER</b>	PIPING	776 €

#### **Lending receivables - liabilities at 31/12/2007**

<b>LIABILITY</b>	RUSSIA	1.016 €
<b>RECEIVABLE</b>	BULGARIA	

#### **Other receivables - liabilities at 31/12/2007**

<b>LIABILITY</b>	THOLOS	27 €
<b>RECEIVABLE</b>	MARMARA	7 €
<b>RECEIVABLE</b>	PIPING	20 €

### **TRANSACTIONS BETWEEN SUBSIDIARIES OF THE GROUP**

#### **Purchases - sales 01/01 - 31/12/2006**

<b>BUYER</b>	THOLOS	2.384 €
<b>SELLER</b>	PIPING	

#### **Lending receivables - liabilities at 31/12/2006**

<b>LIABILITY</b>	RUSSIA	7.001 €
<b>RECEIVABLE</b>	BULGARIA	

#### **Other receivables - liabilities at 31/12/2006**

<b>LIABILITY</b>	THOLOS	364 €
<b>RECEIVABLE</b>	PIPING	

**For the year of 2007**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
Transactions and executive fees and BoD	9.315	1.606
Payables to executive members and BoD as	41	41

**For the year of 2006**

	<b>THE GROUP</b>	<b>THE COMPANY</b>
Transactions and executive fees and BoD 01.01.2006 to 31.12.2006	2.160	1.401
Payables to executive members and BoD as of December 31 2006	62	31

Additionally during the current period "MICHANIKI REAL ESTATE" sold a property investment to an affiliate part Management member for the amount of €6.890.000. The fair value of the building had been assessed in the amount of € 6.529.000 and the initial acquisition cost amounted to €5.931.000. From the transaction a profit resulted for the company amounting to €361.000. The amount had been fully settled at the balance sheet date.

**6. INFORMATION OF ARTICLE 10 OF L. 3401/2005 FOR FISCAL YEAR 2007**

<b>A/A</b>	<b>SUBJECT</b>	<b>POSTING SITE</b>	<b>DATE OF PUBLICATION</b>
1	COMPANY'S PARTICIPATION TO ROAD SHOW (MICHANIKI S.A.)	www.michaniki.gr	12/01/2007
2	PUBLIC OFFER REGARDING THE ACQUISITION OF SHARES TO THE SHAREHOLDERS OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	17/01/2007
3	PUBLIC OFFER REGARDING THE ACQUISITION OF SHARES TO THE SHAREHOLDERS OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	23/01/2007
4	COMPANY'S PARTICIPATION TO ROAD SHOW (MICHANIKI S.A.)	www.michaniki.gr	24/01/2007
5	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	25/01/2007
6	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	26/01/2007
7	TRANSACTIONS OF MICHANIKI S.A. UPON THE SHARE OF BALKAN EXPORT S.A. ACCORDING TO L. 3461/2006 (MICHANIKI S.A.)	www.michaniki.gr	29/01/2007
8	TRANSACTIONS OF MICHANIKI S.A. UPON THE SHARE OF BALKAN EXPORT S.A. ACCORDING TO L. 3461/2006 (MICHANIKI S.A.)	www.michaniki.gr	30/01/2007
9	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	31/01/2007
10	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	01/02/2007
11	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	02/02/2007
12	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	05/02/2007
13	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	06/02/2007
14	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	07/02/2007
15	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	08/02/2007
16	OBLIGATORY PUBLIC OFFER OF "MICHANIKI S.A." (MICHANIKI S.A.)	www.michaniki.gr	08/02/2007
17	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	09/02/2007
18	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	12/02/2007
19	CORRECT REPETITION (MICHANIKI S.A.)	www.michaniki.gr	13/02/2007
20	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	13/02/2007
21	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	14/02/2007
22	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	15/02/2007
23	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	16/02/2007
24	ANNOUNCEMENT REGARDING THE ACQUISITION OF SHARES OF BALKAN EXPORT S.A. (MICHANIKI S.A.)	www.michaniki.gr	20/02/2007
25	SHARE CAPITAL INCREASE OF MICHANIKI RUSSIA (MICHANIKI S.A.)	www.michaniki.gr	23/02/2007
26	SCHEDULE FOR INTENDED CORPORATE ACTIONS 2007 (MICHANIKI S.A.)	www.michaniki.gr	01/03/2007

27	PARTICIPATION IN THE INTERNATIONAL MIPIM FAIR IN CANNES (MICHANIKI S.A.)	www.michaniki.gr	12/03/2007
28	MICHANIKI UNDERBIDS FOR A H.R.O. PROJECT BUDGETED AT € 211 MILLION (MICHANIKI S.A.)	www.michaniki.gr	13/03/2007
29	FINANCIAL RESULTS FISCAL YEAR-END 2006 (MICHANIKI S.A.)	www.michaniki.gr	19/03/2007
30	SHARE CAPITAL INCREASE OF MICHANIKI RUSSIA (MICHANIKI S.A.)	www.michaniki.gr	02/05/2007
31	CONTRACT SIGNATURE REGARDING A PROJECT FOR H.R.O. AMOUNTING TO € 150,5 MILLION (MICHANIKI S.A.)	www.michaniki.gr	07/05/2007
32	EXPANSION OF THE GROUP IN EGYPT (MICHANIKI S.A.)	www.michaniki.gr	14/05/2007
33	SHARE CAPITAL INCREASE OF MICHANIKI RUSSIA (MICHANIKI S.A.)	www.michaniki.gr	22/05/2007
34	A' QUARTER RESULTS 2007 (MICHANIKI S.A.)	www.michaniki.gr	23/05/2007
35	INVITATION REGARDING THE 32 <sup>ND</sup> ORDINARY SHAREHOLDER GENERAL ASSEMBLY (MICHANIKI S.A.)	www.michaniki.gr	24/05/2007
36	INVITATION REGARDING THE EXTRAORDINARY SPECIAL GENERAL ASSEMBLY OF THE COMPANY'S PREFERRED SHAREHOLDERS (MICHANIKI S.A.)	www.michaniki.gr	24/05/2007
37	COMPANY'S PARTICIPATION TO ROAD SHOW (MICHANIKI S.A.)	www.michaniki.gr	13/06/2007
38	ANNOUNCEMENT REGARDING THE DEPOSIT OF THE FISCAL YEAR-END 2006 DIVIDEND (MICHANIKI S.A.)	www.michaniki.gr	22/06/2007
39	ORDINARY SHAREHOLDER GENERAL ASSEMBLY RESULTS (MICHANIKI S.A.)	www.michaniki.gr	22/06/2007
40	ANNOUNCEMENT REGARDING THE DECISIONS OF THE ORDINARY SHAREHOLDER GENERAL ASSEMBLY DATED 22.06.2007 (MICHANIKI S.A.)	www.michaniki.gr	22/06/2007
41	INVITATION REGARDING THE REPETITIVE EXTRAORDINARY SPECIAL GENERAL ASSEMBLY OF THE COMPANY'S PREFERRED SHAREHOLDERS (MICHANIKI S.A.)	www.michaniki.gr	26/06/2007
42	ANNOUNCEMENT OF OWN ORDINARY SHARES SALE (MICHANIKI S.A.)	www.michaniki.gr	03/07/2007
43	COMPLETION OF OWN ORDINARY SHARES SALE (MICHANIKI S.A.)	www.michaniki.gr	06/07/2007
44	ANNOUNCEMENT REGARDING THE COMPLETION OF THE REPETITIVE EXTRAORDINARY SPECIAL GENERAL ASSEMBLY OF THE COMPANY'S PREFERRED SHAREHOLDERS (MICHANIKI S.A.)	www.michaniki.gr	10/07/2007
45	ANNOUNCEMENT: INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	11/07/2007
46	SALE OF LAND PLOT IN THE ISLAND OF CORFU	www.michaniki.gr	27/07/2007
47	ANNOUNCEMENT (MICHANIKI S.A.)	www.michaniki.gr	31/07/2007
48	ANNOUNCEMENT: INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	02/08/2007
49	ANNOUNCEMENT REGARDING THE SALE OF OWN PREFERRED SHARES (MICHANIKI S.A.)	www.michaniki.gr	07/08/2007
50	ANNOUNCEMENT REGARDING THE MERGE OF MICHANIKI S.A. WITH MICHANIKI REAL ESTATE S.A. (MICHANIKI S.A.)	www.michaniki.gr	21/08/2007
51	COMPLETION OF NEW LAND PLOT ACQUISITION (MICHANIKI RUSSIA)	www.michaniki.gr	23/08/2007
52	6 MONTH RESULTS 2007 (MICHANIKI S.A.)	www.michaniki.gr	27/08/2007
53	SHARE CAPITAL AMOUNT ANNOUNCEMENT (MICHANIKI S.A.)	www.michaniki.gr	31/08/2007
54	OWN PREFERRED SHARES SALE (MICHANIKI S.A.)	www.michaniki.gr	31/08/2007
55	COMMENT UPON PUBLICATION OF KATHIMERINI NEWSPAPER DATED 04.09.2007 (MICHANIKI S.A.)	www.michaniki.gr	05/09/2007
56	DISCLOSURE OF TRANSACTIONS (MICHANIKI S.A.)	www.michaniki.gr	10/09/2007
57	COMPLETION OF LAND PLOT ACQUISITION (MICHANIKI BULGARIA)	www.michaniki.gr	19/09/2007
58	COMPANY'S PARTICIPATION TO ROAD SHOW (MICHANIKI S.A.)	www.michaniki.gr	19/09/2007
59	SALE OF 2007 SHARES (MICHANIKI S.A.)	www.michaniki.gr	19/09/2007

60	COMPLETION OF OWN PREFERRED SHARES SALE (MICHANIKI S.A.)	www.michaniki.gr	21/09/2007
61	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	21/09/2007
62	NEW SHARE CAPITAL INCREASE OF € 20 MILLION (MICHANIKI RUSSIA)	www.michaniki.gr	27/09/2007
63	VALUATION OF LAND PLOT IN RUSSIA (MICHANIKI RUSSIA)	www.michaniki.gr	02/10/2007
64	REPLACEMENT OF BOARD IF DIRECTORS MEMBER (MICHANIKI S.A.)	www.michaniki.gr	18/10/2007
65	ANNOUNCEMENT REGARDING THE COMMENCEMENT OF THE MERGE PROCEDURE OF MICHANIKI S.A. AND MICHANIKI REAL ESTATE S.A. (MICHANIKI S.A.)	www.michaniki.gr	31/10/2007
66	COMPLETION OF TANGIBLE ASSETS DISPOSAL PROCEDURE (MICHANIKI S.A.)	www.michaniki.gr	31/10/2007
67	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	05/11/2007
68	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	13/11/2007
69	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	15/11/2007
70	ANNOUNCEMENT OF PARTICIPATION ACQUISITION (MICHANIKI S.A.)	www.michaniki.gr	16/11/2007
71	MERGE MICHANIKI S.A.-ABSORPTION MICHANIKI REAL ESTATE S.A. (MICHANIKI S.A.)	www.michaniki.gr	19/11/2007
72	COMMENT UPON PUBLICATION (MICHANIKI S.A.)	www.michaniki.gr	19/11/2007
73	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	21/11/2007
74	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	21/11/2007
75	ANNOUNCEMENT OF PARTICIPATION ACQUISITION (MICHANIKI S.A.)	www.michaniki.gr	21/11/2007
76	ANNOUNCEMENT OF PARTICIPATION ACQUISITION (MICHANIKI S.A.)	www.michaniki.gr	21/11/2007
77	9 MONTH RESULTS 2007 (MICHANIKI S.A.)	www.michaniki.gr	26/11/2007
78	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	27/11/2007
79	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	27/11/2007
80	MERGE CONTRACT DRAFT (MICHANIKI S.A.)	www.michaniki.gr	29/11/2007
81	MERGE CONTRACT DRAFT (MICHANIKI REAL ESTATE S.A.)	www.michaniki.gr	29/11/2007
82	COMPANY PRESENTATION IN DUBLIN (MICHANIKI S.A.)	www.michaniki.gr	04/12/2007
83	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	05/12/2007
84	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	05/12/2007
85	COMPANY'S PARTICIPATION TO ROAD SHOW IN LONDON (MICHANIKI S.A.)	www.michaniki.gr	10/12/2007
86	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	11/12/2007
87	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	11/12/2007
88	PARTICIPATION IN THE MREF INTERNATIONAL FAIR IN MOSCOW (MICHANIKI S.A.)	www.michaniki.gr	12/12/2007
89	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	14/12/2007
90	ANNOUNCEMENT OF REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	14/12/2007
91	ANNOUNCEMENT REGULATED INFORMATION (MICHANIKI S.A.)	www.michaniki.gr	18/12/2007
92	INFORMATION REGARDING THE ACQUISITION OF OWN SHARES (MICHANIKI S.A.)	www.michaniki.gr	18/12/2007
93	€ 20 MILLION SHARE CAPITAL INCREASE COMPLETION (MICHANIKI RUSSIA)	www.michaniki.gr	20/12/2007
94	MERGE OF MICHANIKI REAL ESTATE (MICHANIKI S.A.)	www.michaniki.gr	31/12/2007



## **MICHANIKI S.A.**

### **7. AVAILABILITY OF FINANCIAL STATEMENTS, AUDITOR REPORTS AND BOARD OF DIRECTOR REPORTS OF THE COMPANIES THAT ARE INCORPORATED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY**

The Company and Group Yearly Financial Statements, the Auditor's Report and the Board of Directors Report are registered within the Company's website address [www.michaniki.gr](http://www.michaniki.gr).

The Yearly Financial Statements, the Auditor's Reports and the Board of Director's Reports of the companies that are consolidated within the Company's consolidated financial statements, which are obligated to compile financial statements according to the International Accounting Standards as anticipated in case b' of the last section of paragraph 1 of article 134 of C.L. 2190/1920 in effect, and specifically the companies BALKAN EXPORT S.A., HELLENIC PIPE WORKS S.A., MARMARA KAVALAS S.A. THOLOS S.A., HELLENIC WOOD INDUSTRY S.A. and MICHANIKI REAL ESTATE S.A. (Merge Balance Sheet date 31.10.2007) are registered within the Company's website address [www.michaniki.gr](http://www.michaniki.gr).

## **8. ADDITIONAL INFORMATIONAL DATA OF ARTICLE 8 CASE 3 OF DECISION 7/372/15.02.2006 OF THE HELLENIC CAPITAL MARKET COMMISSION BOARD OF DIRECTORS**

The significant developments after the disclosure of the financial statements of fiscal year-end 2007 and up to the disclosure of the present report are the following.

### **1. ESTABLISHMENT OF SUBSIDIARY COMPANIES IN CYPRUS**

The process of the establishment of subsidiary companies in Cyprus could be summarized as following:

The Companies of the MICHANIKI GROUP (MICHANIKI SA, BALKAN EXPORT SA and HELLENIC PIPE WORKS SA) are shareholders of Michaniki Russia, Ukraine, Bulgaria, Egypt, and Belarus. The existed Group structure and participation in the share capital (taking into consideration the other shareholders as well) may be depicted as following:

in €	RUSSIA	UKRAINE	BULGARIA	BELARUS	EGYPT	TOTAL
MICHANIKI	53.016.000	8.763.900	652.107	525.000	14.000.000	76.957.007
BALKAN	17.000.000			175.000	5.000.000	22.175.000
HELLENIC PIPE WORKS	1.984.000				1.000.000	2.984.000
OTHERS	8.000.000					8.000.000
	80.000.000	8.763.900	652.107	700.000	20.000.000	110.116.007

in %	RUSSIA	UKRAINE	BULGARIA	BELARUS	EGYPT	TOTAL
MICHANIKI	66,27%	100,00%	100,00%	75,00%	70,00%	69,89%
BALKAN	21,25%			25,00%	25,00%	20,14%
HELLENIC PIPE WORKS	2,48%				5,00%	2,71%
OTHERS	10,00%					7,27%
	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

The 1<sup>st</sup> phase of the planned reorganization includes the transfer of the subsidiaries shares, hold the Group companies, into new established affiliated companies based in Cyprus.



Specifically each Greek, belonging to the group, company is about to contribute the foreign shares it owns to a separate Cyprus holding company ("Cyprus Hold Co") with return of the Cypriot shares of the same value (nominal value+premium). Hereby, the fourth (4) Cypriot companies will be established held completely (by 100%) by the correspondent Greek ones.

During the 2<sup>nd</sup> phase of the restructure, the already established Cypriot holdings will contribute their shares of capital to the newly established Cypriot company under the trade name of Michaniki Real Estate Cyprus Ltd. The general purpose and aim of this contribution is the concentration of all of the shares into a single vehicle; the reasonability is based to a more effective operation of the businesses abroad, better utilization of resources, and to better controlling of the total costs.

As of March 31<sup>st</sup> 2008, MICHANIKI SA along with its subsidiaries -BALKAN EXPORT SA and HELLENIC PIPE WORKS SA- proceeded to the incorporation of the following four (4) Cypriot holding companies:

- MICHANIKI HOLDING (CYPRUS) LIMITED
- MICHANIKI REAL ESTATE (CYPRUS) LIMITED
- VALKAN HOLDING LIMITED
- HELLENIC PIPEWORKS HOLDING LIMITED

Currently the management of the MICHANIKI Group has hired Consultants to deliver and present of the final statute of the new legal entity to the Board of Directors, which will be announced to the investors upon the finalization of the process. The evaluation methods related to the unification of the MICHANIKI's five foreign companies (in Russia, Ukraine, Bulgaria, Belarus and Egypt) were carried out in accordance with the generally acceptable accounting concepts. As long as the appropriateness of each methodology is investigated, the final results will be provided. Both the appropriateness of the adopted for the case methodologies and the weightiness attributed to each of them will be the logic ones so that no trouble or difficulty appears in theirs implementation.

Among the internationally accepted accounting methodologies, the Readjusted Net Value methodology is considered to be the most appropriate because it is based exclusively on the static figures depicted by the financial statements which are being adjusted in relation with the real values of the Assets' and Liabilities' data of a company. A Readjusted Net Value can be defined as the difference between the company's readjusted Assets and readjusted Liabilities.

For the Net Value readjustment we are obligated to take into consideration the comments of the Auditors as well as the notes of the Management in the latest Financial Statements of the companies under evaluation. In case there are no real evaluations of the Assets' and Liabilities' data of a company or/and Auditors' comments or notes of the Management in the balance Sheets of the companies under evaluation, the value of Equity Capital is then considered as their actual value (net value).

## **2. ACQUISITION OF LAND PLOTS IN EGYPT FROM A SUBSIDIARY COMPANY**

The company "MICHANIKI EGYPT" acquired two investment property plots which are analyzed below:

<b>Land Plot</b>	<b>Area</b>	<b>Location</b>	<b>Acquisition cost</b>
KERDASSA	17.912m <sup>2</sup>	KERDASSA – CAIRO	€3.564.000
AZEZEYA	147.538m <sup>2</sup>	EL-AZEZEYA – CAIRO	€11.300.000
<b>Total</b>	<b>165.450 m<sup>2</sup></b>		<b>14.864.000</b>

**9. INVITATION TO THE ORDINARY GENERAL ASSEMBLY OF THE SHAREHOLDERS FOR FISCAL YEAR-END 2007**

**MICHANIKI S.A.**

91, Meg. Alexandrou Str., Marousi 151 24

Tel: 210-80 97 100, fax: 210-61 43 359, e-mail: [info@michaniki.gr](mailto:info@michaniki.gr)

S.A. Reg. No. 8440/06/B/86/16

<http://www.michaniki.gr>

**Invitation to the 33<sup>RD</sup> Shareholders Ordinary General Assembly**

By means of a decision of the Board of Directors and pursuant to Law and Articles of Association, the shareholders of the societe anonyme trading as MICHANIKI S.A., are invited to an Annual Ordinary General Meeting on June 25<sup>th</sup> 2008, on Wednesday at 14.00, at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room) to discuss and take decisions on the following agenda items:

Agenda Items

1. Submission and approval of the Consolidated Financial Statements of the year from January 1<sup>st</sup> 2007 to December 31<sup>st</sup> 2007, together with the relevant reports of the Board of Directors and of auditors (Chartered Auditor). Approval of Profit Appropriation.
2. Release of the members of the Boards of Directors and of Auditors from any kind of liability for compensation, with regard to the minutes, management and annual financial statements for the period from 01.01.2007 to 31.12.2007.
3. Approval of the financial data (balance sheet) of transformation dated 31.10.2007 of the societe anonyme with corporate name MICHANIKI REAL ESTATE DEVELOPMENT SOCIETE ANONYME and trade name MICHANIKI REAL ESTATE S.A. (COMPANIES REG. NO. 43695/01AT/B/99/294), which was merged by means of its absorption by MICHANIKI S.A. (GG ISSUE ON S.A.s and LTDs dated 3/02.01.2008).
4. Release of the members of the Boards of Directors of the societe anonyme with corporate name MICHANIKI REAL ESTATE DEVELOPMENT SOCIETE ANONYME and trade name MICHANIKI REAL ESTATE S.A. (COMPANIES REG. NO. 43695/01AT/B/99/294), which was merged by means of its absorption by MICHANIKI S.A. (GG ISSUE ON S.A.s and LTDs dated 3/02.01.2008) from any kind of liability for compensation for the management period from 01.01.2007 to 31.10.2007.
5. Approval of fees of the Chartered Auditor for the financial year 2007.
6. Approval of fees of the members of the Board of Directors.
7. Election of one regular and one alternate Chartered Auditor for the financial year 2008 and determination of his fees.
8. Announcement and confirmation of election by the Board of Directors of a new advisor, in replacement of the retired advisor (independent non-executive member) and

determination of the competencies of the new advisor as an independent non-executive member.

9. Increase of the Company's share capital by € 5,574,390.78 in total by means of capitalization of the following reserves: a) total real estate value adjustments, in line with the provisions of Law 2065/1992, of the reserve "Other assets value adjustments", which is encompassed in the "Retained Earnings" account of the published financial statements, based on the IAS, amount of € 5,312,878.76, b) of the taxed reserve "Taxed reserves (in line with article 7, Law 2579/1998)" amounting to € 205,022.92 and c) part of the taxed reserve "Reserves from own shares' dividends for the year 2006" amounting to € 56,489.10 by increasing the par value share, both common and preferred, from €1.48 to €1.54, without changing the number (quantity) of shares. Amendment of articles 5 and 27 of the Articles of Association regarding the share capital so as the aforementioned increase is reflected therein.
10. Harmonization of the Company's Articles of Association to the provisions of Codified Law 2190/1920, as in force, by amending articles 6,8,10,11,12,13,16,17,19,22,23,24,25,26 and 28, adaptation, complementation, abolition, transfer and numbering of articles and their paragraphs, verbal adaptation, and configuration of the Articles of Association into an integral text and codification of its.
11. Granting 5-year authorization to the Board of Directors a) to increase the Company's share capital in accordance with article 13 (§1b) of Codified Law 2190/1920, as currently in force and b) to decide the issuance of bond loans by means of convertible bonds, in accordance with article 3a (§1b) of Codified Law 2190/1920, as in force today.

In case the required by law quorum is not achieved regarding some or all agenda items, the Shareholders of the company are invited to:

- **1<sup>st</sup> Iterative General Meeting** on July 9, 2008, on Wednesday at 14.00 at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room),
- **2<sup>nd</sup> Iterative General Meeting** on July 23, 2008, on Wednesday at 14.00 at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room).

All shareholders who possess common shares may participate and vote, either in person or by proxy, in the General Meeting. Each common share provides the right of one vote. The Shareholders who possess common shares, pursuant to the Law and article 17 of the Company's articles of association should:

- block in whole or in part, the shares they possess through their Operator in the Dematerialized Securities System and receive from the operator the relevant Share Blocking Certificate.



- If no Operator has been appointed and the shares are kept in a Special Account, the shareholders should block, by means of a statement, in whole or in part the shares they possess, in the HELLENIC EXCHANGES HOLDING S.A. (former CENTRAL SECURITIES DEPOSITORY S.A.) and receive the relevant Share Blocking Certificate.
- Deposit/ submit the Share Holding Certificates and any other proxy documents at the Company's registered offices (91 M. Alexandrou and March 25<sup>th</sup> street, Amaroussio), at least five (5) days prior to the General Meeting's date, i.e. until Thursday, June 19, 2008 or in the case of the 1<sup>st</sup> iterative General Meeting, until Thursday, July 3, 2008.

Amaroussio, Attica, May 29<sup>th</sup> 2008

The Board of Directors



## MICHANIKI S.A.

91, Meg. Alexandrou Str., Marousi 151 24

Tel: 210-80 97 100, fax: 210-61 43 359, e-mail: [info@michaniki.gr](mailto:info@michaniki.gr)

S.A. Reg. No. 8440/06/B/86/16

<http://www.michaniki.gr>

### **Invitation to a Special General Meeting of Shareholders, holders of preferred shares**

By means of a decision of the Board of Directors and pursuant to Law and Articles of Association, the shareholders of the societe anonyme trading as MICHANIKI S.A., holders of preferred shares are invited to an Special General Meeting on June 25<sup>th</sup> 2008, on Wednesday at 15.00, at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room) to discuss and take decisions on the following agenda items:

#### Agenda Items

1. Increase of the Company's share capital by € 5,574,390.78 in total by means of capitalization of the following reserves: a) total real estate value adjustments, in line with the provisions of Law 2065/1992, of the reserve "Other assets value adjustments", which is encompassed in the "Retained Earnings" account of the published financial statements, based on the IAS, amount of € 5,312,878.76, b) of the taxed reserve "Taxed reserves (in line with article 7, Law 2579/1998)" amounting to € 205,022.92 and c) part of the taxed reserve "Reserves from own shares' dividends for the year 2006" amounting to € 56,489.10 by increasing the par value share, both common and preferred, from €1.48 to €1.54, without changing the number (quantity) of shares. Amendment of articles 5 and 27 of the Articles of Association regarding the share capital so as the aforementioned increase is reflected therein.
2. Granting 5-year authorization to the Board of Directors a) to increase the Company's share capital in accordance with article 13 (§1b) of Codified Law 2190/1920, as currently in force and b) to decide the issuance of bond loans by means of convertible bonds, in accordance with article 3a (§1b) of Codified Law 2190/1920, as in force today.

In case the required by law quorum is not achieved regarding the agenda items, the Shareholders of the company, holders of preferred shares are invited to:

- **1<sup>st</sup> Iterative Special General Meeting** on July 9, 2008, on Wednesday at 15.00 at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room),



- **2<sup>nd</sup> Iterative Special General Meeting** on July 23, 2008, on Wednesday at 15.00 at the company's registered offices situated in the Municipality of Amaroussio, Attica (91 M. Alexandrou and March 25<sup>th</sup> street, ground floor, Meeting Room).

All shareholders who possess preferred shares may participate and vote, either in person or by proxy, in the General Meeting. Each preferred share provides the right of one vote. The Shareholders who possess preferred shares, pursuant to the Law and article 17 of the Company's articles of association should:

- block in whole or in part, the shares they possess through their Operator in the Dematerialized Securities System and receive from the operator the relevant Share Blocking Certificate.
- If no Operator has been appointed and the shares are kept in a Special Account, the shareholders should block, by means of a statement, in whole or in part the shares they possess, in the HELLENIC EXCHANGES HOLDING S.A. (former CENTRAL SECURITIES DEPOSITORY S.A.) and receive the relevant Share Blocking Certificate.
- Deposit/ submit the Share Holding Certificates and any other proxy documents at the Company's registered offices (91 M. Alexandrou and March 25<sup>th</sup> street, Amaroussio), at least five (5) days prior to the General Meeting's date, i.e. until Thursday, June 19, 2008 or in the case of the 1<sup>st</sup> iterative General Meeting, until Thursday, July 3, 2008 or in the case of the 2<sup>nd</sup> iterative General Meeting until Thursday, July 17, 2008.

Amaroussio, Attica, May 29<sup>th</sup> 2008

The Board of Directors