

A.G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY

CONSOLIDATED
FINANCIAL STATEMENTS

31st December, 2005

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**TRANSLATION FORM THE ORIGINAL
ISSUED IN GREEK LANGUAGE**

**AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
A.G. PETZETAKIS S.A. AND ITS SUBSIDIARIES**

We have audited the accompanying consolidated financial statements of the company A.G. PETZETAKIS S.A. AND ITS SUBSIDIARIES as of 31 December, 2005. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements, based on our audit.

We conducted our audit in accordance with the Greek Auditing Standards, which are based on International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the management, the overall financial statements presentation, as well as the consistency of the Board of Director's report with the financial statements. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly in all material respects, the financial position of the group, the results of its operations and its cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the European Union and the Board of Director's report is consistent with the aforementioned financial statements.

Without qualifying our report we draw your attention in notes 17, 21.1, 22.4, and 3.2 quoted in the notes of the Financial statements section which refer to a) Loan instalments of € 49 m. approximately are overdue b) the fact that the financial years 2003 and onward have not been audited by tax authorities and it is possible that additional taxes may be arised in case of such audit. The result of the tax audit is currently unpredictable, and therefore no provision is made in the financial statements c) the fact that a loan of € 5,8 m. was granted through a foreign subsidiary to a foreign company which is controlled by a related party and d) the fact that the consolidated financial statements include unaudited subsidiaries the turnover of which is about 6% of the Group's turnover.

28 March, 2006

THE CERTIFIED PUBLIC ACCOUNTANT

DAMIANOS CONSTANTINOU
A.M. SOEL 11141

A.G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY
CONSOLIDATED INCOME STATEMENT
For the year ended December 31st 2005
(Expressed in € '000)

	<u>Notes</u>	<u>31.12.2005</u>	<u>31.12.2004</u>
Revenue	7	202.203	208.260
Cost of sales	8	(149.554)	(158.388)
Gross profit		52.649	49.872
Other operating income		2.372	1.192
Total, Gross profit		55.021	51.064
Administrative expenses		(11.593)	(11.062)
Research and Development costs		(194)	(149)
Distribution costs		(31.620)	(30.238)
Profit from operations		11.614	9.615
Non operating income			
Investment income		380	--
Other non operating income		662	440
		12.656	10.055
Non operating expenses			
Finance costs		(9.901)	(8.098)
Exchange (loss)/gain		(33)	(363)
Other expenses		(2.060)	(3.538)
Profit before tax		662	(1.944)
Income tax expense		(1.817)	(2.083)
Loss after tax – continuing operations		(1.156)	(4.027)
Minority interest		(309)	(407)
Net (Loss) for the year		(1.465)	(4.434)
(Loss) per share		(0,06)	(0,18)

Notes forming an integral part of the financial statements on pages 5 to 22.

A.G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY
CONSOLIDATED BALANCE SHEET
As at December 31st 2005
(Expressed in € '000)

	<u>Notes</u>	<u>31.12.2005</u>	<u>31.12.2004</u>
ASSETS			
Intangible assets		717	747
Property, plant and equipment		126.962	125.927
Interests in associates and joint ventures		4.689	6.095
Other assets		5.100	564
Goodwill	9	<u>25.713</u>	<u>25.943</u>
		<u>163.181</u>	<u>159.276</u>
CURRENT ASSETS			
Inventories	10	33.130	35.213
Trade and other receivables	11	76.514	66.908
Investments held for trading		1.188	2.651
Deferred tax asset		--	487
Bank balances and cash	12	<u>1.040</u>	<u>7.000</u>
Total current assets		<u>111.872</u>	<u>112.259</u>
Total Assets		<u>275.053</u>	<u>271.535</u>
EQUITY AND LIABILITIES			
Share capital	13	24.069	24.069
Share premium		84.711	84.822
Capital reserves	14	9.256	9.256
Revaluation reserves	15	25.207	23.155
Accumulated profit/loss		(93.861)	(92.838)
Translation reserve		6.967	6.513
Minority interest		<u>1.552</u>	<u>1.125</u>
Total Equity		<u>57.901</u>	<u>56.102</u>
Non Current Liabilities			
Bank loans and overdrafts-due after one year	16	6.877	14.427
Retirement benefit obligation		2.805	2.980
Deferred tax liabilities		12.479	11.411
Obligations under finance leases-due after one year	18	<u>9.855</u>	<u>11.990</u>
		<u>32.016</u>	<u>40.808</u>
Current Liabilities			
Trade and other payables	19	50.993	50.040
Obligations under finance leases – due within one year	18	2.273	2.119
Bank loans and overdrafts-due within one year	17	125.494	114.427
Tax liabilities		1.273	2.349
Provisions		2.346	2.441
Accrued expenses/Deferred income	20	<u>2.757</u>	<u>3.249</u>
		<u>185.136</u>	<u>174.625</u>
Total Equity and Liabilities		<u>275.053</u>	<u>271.535</u>

Notes forming an integral part of the financial statements on pages 6 to 23.

A.G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31st 2005
(Amounts Expressed in € '000)

	Share capital	Share premium	Revaluation reserves	Accumulated Losses carried forward	Capital reserves	Translation reserves	Minority interest	Total Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Equity 31.12.2005								
Balance at 01.01.2005	24.069	84.822	23.155	(91.730)	9.256	5.943	1.125	56.640
Loss for the year 31.12.05				(1.465)				(1.465)
Other movements		(111)	2.052	(666)	-	1.024	427	2.726
Balance at 31.12.2005	24.069	84.711	25.207	(93.861)	9.256	6.967	1.552	57.901
Equity 31.12.2004								
Balance at 01.01.2004	24.751	86.170	10.227	(50.621)	(3.262)	888	3.302	71.455
Changes in accounting policy (adoption of IFRS)	(682)	(1.348)	12.928	(37.783)	12.518	5.625	(2.177)	(10.919)
Loss for the year	--	--	--	(4.434)	--	--	--	(4.434)
Balance at 31.12.2004	24.069	84.822	23.155	(92.838)	9.256	6.513	1.125	56.102

A.G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY
CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31st 2005
(Expressed in € '000)

	<u>31.12.2005</u>	<u>31.12.2004</u>
<u>Cash flows from operating activities</u>		
Loss for the year	662	(1.944)
Adjustments for:		
Depreciation of tangible assets	7.660	7.198
Provisions	<u>(1.811)</u>	<u>15.844</u>
Operating profit before working capital changes	6.511	21.098
Finance costs	9.901	7.100
Adjustments for:		
Decrease/(Increase) in inventories	2.083	(4.538)
(Increase) / Decrease in debtors	(10.556)	1.028
Decrease/(Increase) in other receivables	-	-
Increase)/(Decrease) in suppliers	<u>359</u>	<u>17.827</u>
Cash flows from operating activities	8.298	42.515
Finance costs	(9.901)	(7.100)
Taxes paid	<u>(505)</u>	<u>(2.104)</u>
Total infows/(outflows) from operating activities	<u>(2.108)</u>	<u>33.311</u>
<u>Cash flow from investing activities</u>		
Purchase of tangible assets	(6.639)	(14.597)
Disposal of tangible assets	<u>1.252</u>	<u>--</u>
Net cash flow from investing activities	<u>(5.387)</u>	<u>(14.597)</u>
<u>Cash flow from financing activities</u>		
Bank loans	3.517	--
Repayments of bank loans	--	(9.577)
Repayments of obligation under finance leases	<u>(1.982)</u>	<u>(5.437)</u>
Cash flow from financing activities	<u>1.535</u>	<u>(15.014)</u>
Net increase in cash and cash equivalents	(5.960)	3.700
Cash and cash equivalents at beginning of year	<u>7.000</u>	<u>3.300</u>
Cash and cash equivalents at end of year	<u>1.040</u>	<u>7.000</u>

A. G. PETZETAKIS S.A.
HELLENIC PLASTICS AND RUBBER INDUSTRY
Notes to the consolidated financial statements
31st December, 2005
(Expressed in 000, Euro)

1. General information

The consolidated financial statements for the year 2004, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been approved by the Board of Directors which held at 27/03/06.

The parent company was incorporated in Athens, Greece in 1960 in accordance with Law 2190/1920 as amended, with a life of 50 years duration which can be extended by resolution of the shareholders' General Meeting. The company is listed in Athens Stock Exchange.

The group's main objectives are the manufacturing, process and trading of items which are produced from plastic material, rubber, or metal and each other similar product and in general any activity of such similar trading, industrial and the business of co-operation with entities and also the establishment or participation in Greece or overseas trading or industrial entities, whose objectives are similar.

The Financial Statements have been approved by the Board of Directors at 27/03/06. The composition of the Board of Directors is as follows:

1. Georgios Arist. Petzetakis, President
2. Ioannis Spanoudakis, Vice President and Managing Director
3. Pavlos Kanellopoulos, Member
4. Petros Tzannetakis, Member
5. Dionysios Gaggas, Member

2. Adoption of International Financial Reporting Standards (IFRS)

The attached Financial Statements have been prepared by the company's management in accordance with International Financial Reporting Standards (IFRS), their Interpretations as have been issued by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) respectively and have been adopted from the European Union.

The financial statements for the year 2005 have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) and specifically with the adoption of IFRS I "First adoption of IFRS".

Since the financial statements for the year 2004 had been prepared and published in accordance with Greek Accepted Accounting Standards, the accompanied statements for the year 2004 have been adjusted appropriately based on the assumption that the date of adoption of IFRS is the 1st of January, 2004.

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3. General accounting policies

3.1. Accounting convention

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of land, buildings and machinery which have been estimated by an independent appraisal company.

The consolidated financial statements are presented in Euro and all amounts are rounded in thousands.

3.2. Base of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries, as at 31.12.2005.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra group transactions and balances including unrealised profits have been eliminated in full. Unrealised loss has been eliminated except for the case when the cost cannot be recovered.

Minority interest consist of the amount except of the interests of the group.

All group's companies have the same reporting date. The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary the consolidated financial statements include the results for the part of the reporting year during which Group has control.

The Group is consisted by the following affiliates:

Name of the company	Country of residence	Group effective shareholding
A.G. PETZETAKIS S.A	Greece	Parent
HELIFLEX PETZETAKIS TUBOS LTD	Portugal	100%
A. PETZETAKIS GMBH	Germany	100%
PETZETAKIS NORTH GREECE SA	Greece	94%
A. G. PETZETAKIS ROMANIA SRL	Romania	100%
MILLENIUM HOLDINGS LTD	Niue Island	100%
AG.PETZETAKIS INTERNAT. HDGS LTD	Cyprus	100%
FLEXIPLAS S.A.	Spain	100%
INDUPLAS SPA	Italy	100%
EUROHOSE LTD	UK	100%
PETZETAKIS AFRICA PTY	S. Africa	100%
BEHKA PLAST GMBH	Germany	100%

The companies A. PETZETAKIS GMBH and BEHKA PLAST GMBH with total revenue which consists 6% of the Group have not been audited by Chartered Accountants.

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3. **General accounting policies (cont'd)**

3.3. **Foreign currency transactions**

A. **Transactions in foreign currencies and presentation**

The company's parent and subsidiaries financial statements are presented in the country's currency in which the company operates. The Group Financial Statements are stated at Euro currency.

B. **Economic Transactions**

Transactions in foreign currencies are reflected at the rate prevailing at the time the transactions are recorded. Monetary assets and liabilities in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Realised and unrealised exchange gains and losses are transferred to the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

3.4. **Depreciation and amortisation**

Property, plant and equipment

Transportation means and equipment are stated at cost less accumulated depreciation and any impairment in value. Land, buildings and machinery are measured at fair value less depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<u>Category of assets</u>	<u>Useful life</u>
Buildings	20-50
Plant and machinery	5-30
Office equipment	3-8
Transportation means	3-9

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on building an accumulated impairment losses.

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3. General accounting policies (cont'd)

3.4. Depreciation and amortisation (cont'd)

Property, plant and equipment (cont'd)

Fair value is determined by independent valuers and is defined as the amount for which the assets could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the asset revaluation reserve and the rest is transferred to the income statement. An annual transfer from the asset revaluation reserve is transferred to retained earnings for the depreciation relating to the revaluation surplus. Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

3.5. Goodwill

Goodwill arising on the acquisition of a subsidiary is initially measured at cost being the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The management did not consider necessary the adoption of a depreciation policy for goodwill, subsequently goodwill is stated at cost in balance sheet. Goodwill is reviewed frequently for impairment, especially if events or changes in circumstances indicate that the carrying value may be impaired.

Income tax is calculated on taxable profits and according to the rate which is in force. Taxable profit differs from company's profit as reported in the income statement because it excludes items of income or expenses that are not taxable or deductible in other years and its further excludes items that are never taxable or deductible.

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HELLENIC PLASTICS AND RUBBER INDUSTRY
Notes to the consolidated financial statements
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3. General accounting policies (cont'd)

3.6. Income tax

Income tax is calculated on taxable profits and according to the rate, which is in force (32% for the year 2005 and 35% for the year 2004). Taxable profit differs from the company's profit as reported in the income statement because it excludes items of income or expenses that are not taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax payable or receivable due to time differences in income taxation or in expense recognition for taxation purposes and is accounted for to the extent that it will be utilised in the future.

Deferred tax liability is recognized mainly for all short-term taxation differences and deferred tax asset is recognised to the extent that it is probably that future taxable profit will be available, and tax asset will be utilized against the resulting tax liability.

The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date and are reduced if it is necessary to the extent that it is no longer probable that taxable profits will be available to allow all or part of the asset or liability to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or assets realised.

Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also accounted for against equity.

3.7. Investments

Investments are accounted at their appropriate value plus any cost directly related to their acquisition. Then, securities that the company intends and is able to hold up to their maturity date are valued at real cost using the real discount rate minus possible loss connected to amounts that cannot be recovered.

Non-recoverable amounts, as well as, possible difference from valuation are transferred to the income statement.

Other securities except for long-term investment are characterized as tradable or intended for reselling and are valued at their appropriate value. Profit or loss incurred by valuation of tradable or intended for reselling securities is transferred directly to profit and loss account or directly to equity respectively, up to the date of their sale or recognition of possible impairment of their value, in which case, profit or loss accounted in equity is transferred to profit and loss account.

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3. General accounting policies (cont'd)

3.8. Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows for both the current and previous year.

Raw materials - purchase cost on a first-in, first-out basis;

Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

3.9. Trade and other receivables

At first, trade receivables are accounted at their fair value, and then, are revalued taking into consideration their present value using a real discount rate. Impairment because of differences with the present value or because of provision for bad debts is accounted only for if the difference is material. The amount of provision for possible loss is transferred to the income statement.

3.10. Cash and cash equivalents

Cash and cash equivalents include cash in the bank and at hand as well as short term highly liquid investments.

3.11. Government grants

Government grants are recognised at their carrying value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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3. General accounting policies (cont'd)

3.12. Retirement benefits

In accordance with the Greek labour legislation the company has to provide to all its retirees a specific financial benefit. The above financial benefit which is payable on the retirement day is a percentage of (40%) on a specified amount based on:

- a. years of service in the company
- b. monthly salary at the retirement year
- a. other factors in accordance with the existing legislation

The liability, is the present value of the defined benefit obligation determined on an actual basis at the balance sheet date. Independent actuaries have calculated the defined obligation. The estimated liability on 31.12.2005 is recognised in the financial statements.

The obligation of previous years has been separated and charged directly to equity, and the obligation related to the period, is charged to income statement.

The company has not adopted, any retirement benefit plan, in order to secure the availability of the required funds, when obligation is raised.

3.13. Treasury Shares

Shares held by the company that have not been cancelled are classified in equity as treasury shares, and accounted for at nominal value. Any gains or losses on purchases or sales of these shares by the company are recognised directly in equity.

3.14 Provisions

Provisions are recognized when:

- There are present obligations (legal or constructive) as a result of past events.
- Their settlement through an outflow of resources is probable.
- The exact amount of the obligation can be reliably estimated.

Provisions are reviewed by management of the company during the date when each balance sheet is compiled and can be recalculated if their current value is different from their accounting value.

3.15. Trade payables

Trade creditors are first recorded at the cost. Then they are valued at their real value using the real interest rate method, and only if there is a material difference from cost.

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HELLENIC PLASTICS AND RUBBER INDUSTRY
Notes to the consolidated financial statements
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(Expressed in 000, Euro)

3. **General accounting policies (cont'd)**

3.16. **Finance leases**

The company as lessee.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments. The corresponding Lease liability is presented in the Balance Sheet under the heading ' Finance Lease Liability'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except if related to investment property which can be treated according to IAS 23 "Borrowing costs".

3.17. **Bank borrowings**

Interest – bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. At subsequent reporting dates they are measured at amortised cost of the instalments payable. Any difference arising is treated according to IAS 23 "Borrowing costs".

3.18. **Borrowing costs**

Borrowing costs directly attributable to the acquisition, production or construction of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are debited to the cost of those assets. Any related income (interest income) is deducted from the capitalized borrowing costs. All other borrowing costs are recognised as an expense when incurred and charged directly against income.

3.19. **Revenue**

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured (excluding relevant V.A.T.).

Interest

Interest income is accrued on a time basis , by reference to the principal outstanding and at the effective interest rate applicable.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

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HELLENIC PLASTICS AND RUBBER INDUSTRY
Notes to the consolidated financial statements
31st December, 2005
(Expressed in 000, Euro)

4. Segment reporting

Business segment could be considered a gathering of non current assets and operations that are employed in the production process under business risk conditions and possibilities of investment return which differ from other business activities.

Geographical segment could be considered a unique geographical economical environment in which products and services are served under business risk conditions and possibilities of investment return which differ from other economical environment.

The Group's activity has wide geographical apportion and is applied basically through local subsidiaries.

5. Business Risk Management

The Group's activities are subject to various financial risks:

- Foreign exchange risk
- Business risk
- Credit risk
- Liquidity risk
- Cash flow risk and fair value interest rate risk

- **Foreign exchange risk**

The international activity of the group exposures, constantly, the entity against foreign currency risks. The company's management keep abreast of the market trends and applies hedging strategies when necessary.

- **Business risk**

The company has significant dependence on raw materials (oil products). This fact exposes the company to constant risk relating to price fluctuations in global market. Consequently, the management acts proactively when necessarily and hedges against price fluctuation.

- **Credit risk**

Potential areas of credit risk consist of trade accounts receivable. Group companies monitor the financial position of their customers on an ongoing basis to minimize the risk.

- **Liquidity risk**

The liquidity problem the entity faces, and, as a consequence the difficulties to meet the direct liabilities, drives the company to renegotiate the borrowing facilities together with new credit policies in order to avoid the future presence of liquidity problems.

- **Cash flow risk and fair value movement risk due to interest fluctuation**

The company's interest risk is related, basically, with long term borrowings. The management apply hedging techniques when the risk is considered as high.
There was no need to recognize the fair value of the financial instruments based on amortised cost method.

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6. Managements' assumptions

The company makes estimates and assumptions before adopting its accounting principles. There is no particular issue which would require further investigation.

7. Revenue

An analysis of group's revenue is as follows:

	<u>2005</u>	<u>2004</u>
Sales of goods	27.044	28.602
Finished and semi finished goods	175.027	179.631
Other	<u>132</u>	<u>27</u>
	<u>202.203</u>	<u>208.260</u>

The following table provides an analysis of the sales by geographical area.

	<u>2005</u>	<u>2004</u>
Greece	59.791	59.544
Rest of Europe	49.006	51.613
Africa	91.076	91.386
America	1.173	1.973
Other countries	<u>1.157</u>	<u>3.744</u>
	<u>202.203</u>	<u>208.260</u>

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8. Cost of Sales

	<u>2005</u>	<u>2004</u>
Wages	18.029	22.925
Sundry expenses	128	147
Utilities	3.480	3.023
Depreciation	4.170	3.609
Material costs	<u>123.747</u>	<u>128.684</u>
	<u>149.554</u>	<u>158.388</u>

Number of employees per business segment

	<u>2005</u>	<u>2004</u>
Greece	481	503
S.Africa	725	732
Portugal	93	98
Italy	60	66
Germany	54	54
Spain	49	47
Romania	15	16
United Kingdom	<u>2</u>	<u>3</u>

	<u>1.479</u>	<u>1.519</u>
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9. Goodwill

The goodwill is analyzed as follows:

	<u>2005</u>	<u>2004</u>
1. PETZETAKIS NORTH GREECE S.A	107	359
2. AG PETZETAKIS INTERNATIONAL HOLDINGS	3.590	3.590
3. HELIFLEX PETZETAKIS TUBOS LDA	11.989	11.989
4. A.PETZETAKIS GMBH	804	804
5. BEHKA PLAST GMBH	2.148	2.148
6. FLEXIPLAS SA	2.798	2.798
7. PETZETAKIS AFRICA PTY	3.933	3.911
8. PETZETAKIS ROMANIA SRL	258	258
9. EUROHOSE LTD	2	2
10. MILLENIUM HOLDINGS LTD	251	251
11. INDUPLAS SPA	<u>(167)</u>	<u>(167)</u>
	<u>25.713</u>	<u>25.943</u>

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10. Inventories	<u>2005</u>	<u>2004</u>
Merchandise	5.050	5.270
Finished and semi finished goods	20.971	20.815
Spare parts	<u>7.109</u>	<u>9.128</u>
	<u>33.130</u>	<u>35.213</u>
11. Trade and other receivables	<u>2005</u>	<u>2004</u>
Trade receivables, net of provisions for doubtful debts	51.139	44.060
Other receivables	<u>25.375</u>	<u>22.848</u>
	<u>76.514</u>	<u>66.908</u>
12. Cash and cash equivalents	<u>2005</u>	<u>2004</u>
Cash in hand	63	70
Cash at banks	<u>977</u>	<u>6.930</u>
	<u>1.040</u>	<u>7.000</u>
13. Share capital	<u>2005</u>	<u>2004</u>
Authorised, issued and fully paid: 24.750.972 ordinary shares of 1 € each	24,069	24,751
Cancellation of 681.826 treasury shares (own shares) of nominal value € 1 each.	---	(682)
	<u>24.069</u>	<u>24.069</u>

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14. Capital reserve	<u>2005</u>	<u>2004</u>
Statutory reserve	1.295	1.295
Special tax reserve	3.808	3.808
Tax free reserve	<u>4.153</u>	<u>4.153</u>
	<u>9.256</u>	<u>9.256</u>
15. Revaluation reserve	<u>2005</u>	<u>2004</u>
Increase in fair value of investments	3.478	3.478
Revaluation increase on fixed assets	<u>21.729</u>	<u>19.677</u>
	<u>25.207</u>	<u>23.155</u>
16. Bank loans and overdrafts – due after one year	<u>2005</u>	<u>2004</u>
Syndicated loan "Alpha"	--	9.404
GENERAL BANK	1.128	1.692
BILBAO-VIZCAYA	1.708	1.113
UNICREDIT BANCA	1.911	1.753
OTHER BANKS	<u>2.130</u>	<u>465</u>
	<u>6.877</u>	<u>14.427</u>
17. Bank loans and overdrafts – due within one year	<u>2005</u>	<u>2004</u>
Syndicated loan (since August 2001)	31.359	23.297
Syndicated loan (since March 1999)	26.847	28.000
National Bank of Greece	9.716	10.435
ALPHA BANK	8.471	9.364
OTHER BANKS	<u>49.101</u>	<u>43.331</u>
	<u>125.494</u>	<u>114.427</u>

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17. Bank loans and overdrafts – due within one year (cont’)

- (1) The balance of the syndicated loan with facility agent Alpha Bank was issued on 2001 with 5 years duration. The interest equals Euribor plus inflation. The loan has floating payments and is due at 3/8/2006.
- (2) The balance of the syndicated loan with facility agent Citibank Int’l London was issued on 1999 with 5 years duration and its settlement is outstanding.

The short term bank loans bears floating interest rate.

Loan instalments of € 49m approximately are overdue as at December 31, 2005. At the balance sheet date, no refinancing plan was in place in order to settle its overdue loan instalments.

At 16/02/2006 the company signed a Bank Facility Order without recourse with Calyon Bank and Emporiki Bank for €35m, seven years duration and floating rate plus Euribor.

18. Obligations under finance lease

The Group has finance leases for plant and machinery. Future minimum lease payments under finance leases together with the present value of the minimum lease payment are as follows:

	ETVA <u>2283</u>	ETVA <u>2288</u>	PIRAEUS	OTE	OTHER	TOTAL
	Present value of minimum payments					
Payable within 2005	811	722	480	(32)	742	2.273
Payable 2006 – 2010	108	53	1.321	--	--	1.482
Payable 2011-2014	<u>--</u>	<u>--</u>	<u>3.578</u>	<u>--</u>	<u>4.615</u>	<u>8.373</u>
	<u>919</u>	<u>325</u>	<u>5.559</u>	<u>(32)</u>	<u>5.357</u>	<u>12.128</u>
Present Value of finance lease payments	919	325	5.559	(32)	5.357	12.128
Less: Short term finance lease obligation	<u>(811)</u>	<u>(272)</u>	<u>(480)</u>	<u>32</u>	<u>(742)</u>	<u>(2.273)</u>
Long term finance lease obligation	<u>108</u>	<u>53</u>	<u>5.079</u>	<u>--</u>	<u>4.615</u>	<u>9.855</u>
31.12.05						

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19. Trade and other payables

	<u>2005</u>	<u>2004</u>
Trade creditors	37.542	39.505
Other creditors	9.461	6.219
Advances from clients	<u>3.990</u>	<u>4.316</u>
	<u>50.993</u>	<u>50.040</u>

20. Accrued income

	<u>2005</u>	<u>2004</u>
Grants for investment	1.655	2.013
Income from sale and lease back of property	<u>1.102</u>	<u>1.236</u>
	<u>2.757</u>	<u>3.249</u>

21. Contingent liabilities

- 21.1. Additional taxes may be arise in case of tax audit by the tax authorities for the financial years 2003, 2004 and 2005.
- 21.2. Various litigation cases against the company amounted €4.5m approximately
- 21.3. The land and buildings of the holding company which is included in the consolidation are secured with a pre-notice of Euro 132 million, issued at 4.11.2002 for total coverage of bank loans and letters of guarantee
- 21.4. Sundry letters of guarantee have been issued for coverage of bank loans and good execution agreement terms amounted Euro 4m approximately
- 21.5. Pledged inventories amounted Euro 10m approximately
- 21.6. Pledged of “OTE” agreement (numb.10591/25-7-2005) amounted initially Euro 2m approximately
- 21.7. Arrangement with Chevron for instalment payments as follows:
- | | |
|-----------|-----------|
| 31.3.2006 | \$700.000 |
| 20.5.2006 | \$700.000 |
| 30.6.2006 | \$600.000 |
- for coverage of corporate guarantee.

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22. Related parties transactions

22.1. Sekunjalo Piping Systems (Proprietary) Limited (49%subsidiary of Petzetakis Africa)

A loan is due to Sekunjalo Piping Systems amounted Zar 7.5m with interest rate Zar Prime+1%. Additionally, management fees have been received amounted Zar 600k and rentals amounted Zar 320k. Finally, loan interest amounted Zar 3.8m have been received.

22.2. City Plastics Industrial Piping (Proprietary) Limited (49%subsidiary of Petzetakis Africa). A loan is due to City Plastics Industrial Piping amounted Zar 784k with interest rate Zar Prime. Additionally, management fees have been received amounted Zar 168k.

22.3. Board of Directors Remuneration

<u>2005</u>	<u>2004</u>
2.350	2.120

22.4. Loan with no recourse to related party

A loan of Euro 5.8m was granted through a foreign subsidiary to a foreign company which is controlled by a related party. The loan was issued for the implementation of strategic investment plan and bears interest at 3.75%. The accrued interest expenses at 31.12.2005 were Euro 700.000k approximately

The company's management appreciates that the loan reasons was missing and addresses its return in year 2006.

23. After Balance Sheet Events

There were no material after balance sheet events which need to be adjusted for or included in the notes to the financial statements as contingent liabilities. However, the negotiations with the banks for the loan rescheduling is mentioned.

Approval of consolidated financial statements
Athens, 27 March 2006

CHAIRMAN OF B.O.D.

VICE CHAIRMAN &
MANAGING DIRECTOR

CHIEF FINANCIAL
OFFICER

HEAD ACCOUNTS
DEPARTMENT

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