



**ELLINIKI TECHNODOMIKI TEB GROUP**

**REPORT OF THE BoD OF THE COMPANY  
ELLINIKI TECHNODOMIKI TEB A.E. ON THE FINANCIAL  
STATEMENTS OF THE FY 2005**

**ELLINIKI TECHNODOMIKI TEB A.E.**  
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# REPORT OF THE BOARD OF DIRECTORS OF ELLINIKI TECHNODOMIKI TEB S.A. ON THE FINANCIAL STATEMENTS OF THE FY 2005

## 1. Overview of Activities

ELLINIKI TECHNODOMIKI TEB A.E. (ELTEB) is a holding company with investments of a long-term horizon in four strategic sectors: Construction, Concessions, Environmental Services and Real Estate. Traditionally, the Group has been active in Construction and recently expanded into the other activities which have substantial synergies with Construction. Moreover, ELTEB has minority interests with a medium to short-term investment horizon in selected sectors, which have significant growth potential and constitute great opportunities for shareholder value creation. Today these interests include the Casino, Telecommunications and Mines.

Achievements of the last six years - following the Group's restructuring through the association of the companies ELLINIKI TECHNODOMIKI, AKTOR and TEB and initial definition of its strategy including strengthening of the construction activity in Greece, expansion of construction abroad, and the development of new profitable activities -, are the real proof of the Management's consistency to the goals which had been set:

- In the area of Construction, AKTOR, which has consolidated all construction activities of the Group is the most powerful construction company in Greece with high profitability and steady annual generation of cash flows from operating activities. On an international level, the efforts of establishing the Group abroad and turning it into a «regional player» have already started paying off with the acquisition of new projects in the Balkans and the Middle East.
- In the area of Concessions, the Group is the leader among domestic competitors in co-financed projects, through its participation in Attiki Odos (Athens ring road) and the Rio-Antirion Bridge. Apart from participating in the construction of these works, the Group also has a shareholding in the operating companies, gaining significant experience in their operation. Moreover, the Group currently claims a share in the large 6 billion € market of co-financed projects.
- In the area of Environmental Services, the Group dominates the Greek and Cypriot markets in waste recycling, construction and operation of landfills and processing of dangerous waste. Through the acquisition of HERHOF in Germany

by the subsidiary HELECTOR, the Group has now access to an internationally unique technology for urban and commercial waste recycling, thus becoming an international player in a field with great growth perspectives. The Group currently also operates wind parks of 23 MW total capacity and biogas fired energy production units of 14 MW total capacity.

- In the area of Real Estate, the total market value of the Group's properties is estimated at ~ 107 mil. €. Within the last five years the Group has completed the development of two shopping and leisure centres in Patras and Athens and of one housing complex in Pallini. At the same time, planning for the development of two major real estate assets in Kantza and Gyalou has already started.
- Finally, considerable funds have been allocated in fields which are not among the Group's core activities, such as the Casino of Parnitha where a much greater return than the initial investment is expected, the development and exploitation of a fiber optic network in the Attica region through the company Attica Telecommunications and the Kassandra Mines in Chalkidiki.

## **2. Significant events for the financial year 2005**

The following significant events took place during 2005:

- AKTOR's delisting from the Athens Stock Exchange and acquisition of 100% of its shares by ELTEB: This strategic move was accompanied by a Group restructuring including the spin-off of AKTOR's non-construction related activities (among which all participations to concessions) to ELTEB.
- Acquisition of projects in Kuwait and Dubai, as well as major projects in Greece, including the appointment of AKTOR as temporary contractor for the extension of the Athens Metro to Helliniko.
- Appointment of AKTOR as a temporary contractor for the concession project of approximately € 450 mil. of constructing and operating the Thessaloniki Submerged Tunnel for 30 years.
- Completion of a strategic investment in the field of urban and commercial waste management through the acquisition of the company HERHOF in Germany which has a unique proprietary technology in waste recycling. At the same time, the Group undertook the construction of two waste recycling plants in Osnabrueck (the agreement also includes the management of the plant for 17 years) and Berlin which apply this technology. This has been a very important step in the international waste management arena.

- Pre-agreement for the sale of a large-scale property owned by the Group in Kantza to a French Real Estate Development Group for 70 mil. € under the condition of acquiring a construction license. (Properties are for the most part owned by REDS and a cash inflow will be owed).
- Resolution of the “major shareholder” issue, which was slowing down the development of the Group throughout 2005.

All the above developments had a positive impact on ELTEB’s share price around the end of 2005 and this upward trend continues until today.

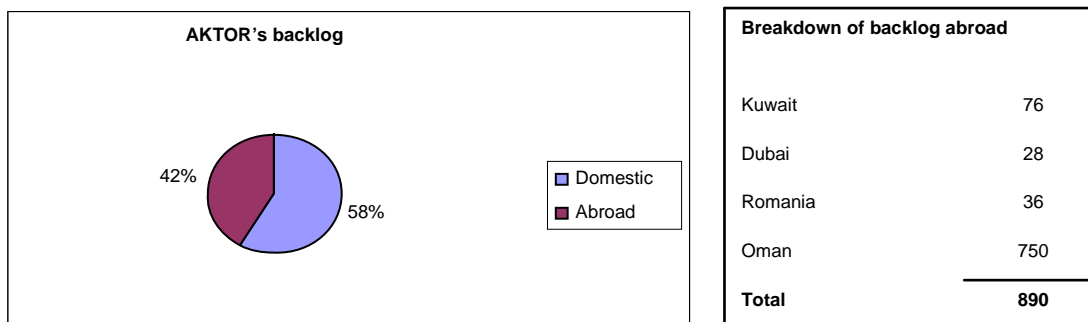
### **3. 2005 Results and Future Perspectives**

The Group’s 2005 results per business sector, as well as its strategy and future perspectives are as follows:

#### **3.1. Construction**

Following the impressive evolution of the construction activity in Greece of the past few years, which was mainly due to large infrastructure projects and Olympic projects, the year 2005 was, as expected, a year of recession for the companies of the sector. The overall negative climate was further enhanced by other factors, such as the delay of tendering many public projects, the modification of the public projects appointment system and the delays in payments of completed projects. Despite the adverse conditions, the Group maintains a leading position in the Greek market through AKTOR and its subsidiaries and is financially superior compared to its competitors.

For the FY 2005, presented under IFRS, The construction sector of the Group had a consolidated turnover of 515 mil. € and EBIT of 62mil. €. Shareholders’ Equity of the sector amounted to 271 mil. €, borrowings to 117 ml. € and cash & equivalent to 160 mil. €. A key indicator of the company’s good financial standing is the cash flow generation from operating activities of approximately 99 mil. €. Future perspectives for this sector are optimistic. The amounts allocated to infrastructure projects for the period 2006 to 2015 are estimated at approximately 20 bil. € (3<sup>rd</sup> and 4<sup>th</sup> Community Support Framework). Overseas projects are also expected to have a significant contribution, which already shows in the Group’s backlog. The backlog of AKTOR and its subsidiaries is currently over 2.1 bil. € (1.8 bil.€ from already signed contracts and 0,3 bil. € from contracts to be signed within 2006). 42% of the total backlog is from projects abroad.



### 3.2. Concessions

The Group participates by 39.17% in Attiki Odos and by 15.48% in the Rio-Antirrion Bridge. The Group is also active in the management of car parks through its participation in the company Athens Car Parks.

Out of the new concession projects, the Group is awaiting the financial closing and signing of the contract for the Thessaloniki Submerged Tunnel (of a budget of 450 mil. €), has submitted an offer for the Corinth-Tripoli-Kalamata motorway (of a budget of 1.1 bil. €) and is going to submit an offer for the Elefsina-Corinth-Patras motorway.

### 3.3. Environmental Services

FY 2005 consolidated revenues under IFRS of this sector amounted to 21 mil. € and EBIT stood at 3 mil. €. Within 2005, the Group invested approximately 13 mil. € in Germany for the acquisition of HERHOF and the completion of the recycling unit in Osnabrueck. Waste management is one of the most promising activities for the future. The perspectives opening up for the Group are really optimistic thanks to the increasing importance of environmentally friendly waste management solutions. At the same time the construction and operation of landfills markets in Greece and Cyprus are constantly growing.

The Group also operates wind parks of 23 MW total capacity and a biogas unit of 14 MW. Within 2006, the operation of a new wind park of 9.6 MW total capacity will begin in the Dodecanese, while the expansion by 10 MW of the biogas unit in Athens and the construction of a new 5 MW-capacity biogas unit in Thessaloniki will be completed. At the same time, within 2006 the construction of wind parks of a total capacity of 80 MW will begin or has already begun. Finally, the Group has production licenses for wind parks of a total capacity of approximately 300 MW.

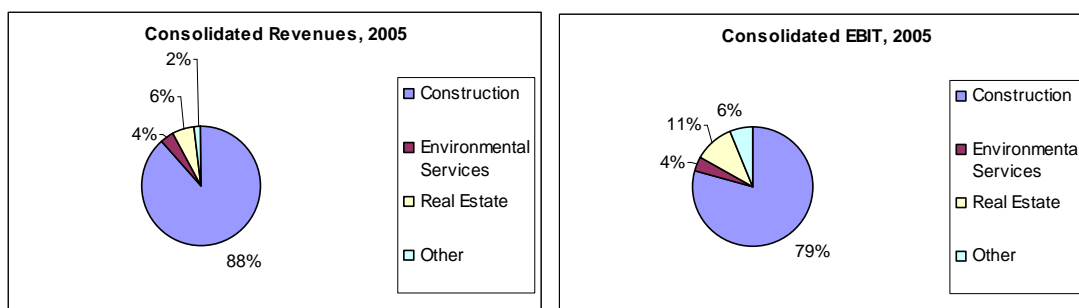
### 3.4. Real Estate

FY 2005 consolidated revenues and EBIT under IFRS of this sector amounted to 37 mil. € and 8 mil. € respectively. These revenues mainly originate from the sale of residences in the Pallini housing complex and from the management of the shopping and leisure centres Veso Mare and Escape Center. The development of the two major real estate assets in Kantza and Gyalou, the town planning process of which has been delayed, are among the top priorities of the subsidiary REDS. Based on the agreement concluded with a French Real Estate Development Group for the property in Kantza, the sale of the said property depends on the issuance of a license for the development of a shopping centre.

## 4. FY 2005 Consolidated results and Performance indicators

### 4.1. FY 2005 results

Consolidated revenues under IFRS of ELTEB amount to 582 mil. € and EBIT stand at 79 mil. €. The revenues and EBIT contribution of the business sectors are presented in the following graphs:



ELTEB received 28,7 mil € of dividends from its subsidiaries for the financial year 2004. Regarding the dividend distribution for the financial year 2005, the company's management, taking into consideration the Group's profitability, future perspectives and investment plans, proposes the distribution of a dividend of 0.16 €/share.

### 4.2. Performance indicators

Different performance indicators are used for each activity in order to better reflect the type of activity and the stage of its development.

- The most suitable performance indicator for ELTEB, which is a holding company, is the Total Return to Shareholders (TRS) which for the financial year 2005 amounts to approximately 70%.
- For Construction, due to the fact that it is an established activity, the most suitable indicator is the Return on Invested Capital (ROIC). This ratio reflects both the profitability and the efficiency of the capital employed. AKTOR's ROIC for 2005 on a consolidated basis stands at 16% (excluding excess cash), which is considered really high for companies of this sector.
- For Concessions, the performance indicator used is the Internal Rate of Return (IRR) of dividend inflows throughout the concession period. The IRR of both major projects of the Group, i.e. the Attiki Odos and the Rio-Antirion Bridge is estimated at ~ 13% (in current values).
- For Environmental Services, which is currently an activity in a growing phase, the most suitable performance indicator for the future will be the growth in revenues and operating profit as well as the geographic expansion of HELECTOR's activities. Given the high profitability and the relatively small investments required, the most suitable indicator for Energy from renewable sources is similarly the growth of the installed capacity.
- For Real Estate, the performance indicator is the value resulting from the development of the assets in relation to the relative acquisition cost.

## 5. Risks

The risks per business sector are as follows:

- In domestic Construction, the risks for the development of AKTOR result from changes in existing legislation on tender procedures of public projects, together with the adverse financial standing of the majority of the companies of the sector, which are often led to “irrational” conduct, submitting extremely low bids. These factors in the domestic market and the expansion of construction activities abroad create a relevant uncertainty in maintaining high operating profit margins.
- In Concessions, competition is constantly increasing due to international “players” wanting to penetrate the Greek market.
- The bureaucracy in the Greek public domain and the lack of a legal framework on the development of specialized technologies in the field of waste management are the main obstacles for the company’s development in the Greek market. The penetration of HERHOF’s technology in foreign markets other than Germany will be faced with great challenges and therefore the risk for the development of the company is further enhanced. In energy from renewable sources, the lack of a legal framework on the proper locations of the wind parks in Greece, together with bureaucracy issues are the negative factors slowing down the development of this activity.
- In Real Estate, the lack of a legal framework on town and urban planning issues and consequently on the development of the Group’s properties is an adverse factor for the exploitation of existing assets for the benefit of shareholders.



## **6. Events after 31.12.2005**

The most significant events after 31.12.2005 were:

- Undertaking of a major project in Oman of 1.5 bil. € in joint-venture with a large Turkish Group. This project concerns the implementation of the first phase out of the 10 phases required for the development of a new city named the Blue City.
- Signing of the contract for the extension of the Athens Metro to Helliniko.
- Submission of an offer for the co-financed projects of the construction and operation of the Corinth-Tripoli-Kalamata motorway.
- Submission for approval by the Greek authorities of a business plan for the development of the Cassandra Mines in Chalkidiki and the construction of a gold production plant.

Athens, March 28<sup>th</sup> 2006

For and on behalf of the Board of Directors

The Chairman of the B.o.D.

Anastassios Kallitsantsis

The present report which consists of eight (8) pages is the one quoted into the audit certification issued on the same day.

Athens, March 29<sup>th</sup> 2006

The Chartered Auditor

**SPYROS D. KORONAKIS**

A.M. S.O.E.L 10991

S.O.L. S.A.