



**REPORT OF THE BoD OF AKTOR TECHNICAL COMPANY S.A.  
ON THE FINANCIAL STATEMENTS OF THE YEAR 2005**

**AKTOR S.A.**  
TECHNICAL COMPANY S.A.  
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# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY “AKTOR TECHNICAL COMPANY S.A.” ON THE FINANCIAL STATEMENTS OF THE YEAR 2005

## 1. Overview of Activities

AKTOR S.A. is 100% subsidiary of the holdings company ELLINIKI TECHNODOMIKI TEB S.A. and a member of the Group which has taken up all its construction activities. AKTOR is undeniably a leader in the Greek construction market steadily holding a market share over 22% among the largest constructions companies in Greece. Within the past years, AKTOR has played a key role in the development of infrastructures in Greece by taking active part in the construction of the most significant infrastructure projects, the great Concessions projects (Attiki Odos and Rio-Antirio Bridge) and the Olympic projects. Moreover, AKTOR is a financially robust company, marking a steadily high profitability and producing significant cash flows from operating activities on an annual basis. On an international level the company's efforts to establish its position abroad and to gradually transform into a «regional player» have already started paying off through projects undertaken in SE Europe and the Middle East.

Moreover, AKTOR has proceeded with verticalising its construction activities and is active in the field of quarries and concrete by keeping quarries at several locations in Greece. At the same time, the company is interested in expanding its activities in the lignite mines sector through acquisitions of existing units, while it participates by 35% in the Mines of Halkidiki.

## 2. Significant events for the financial year 2005

The financial year 2005 was marked by the following significant events for AKTOR:

- Delisting of AKTOR's shares from the Athens Stock Exchange and acquisition by ELLINIKI TECHNODOMIKI of 100% of AKTOR's shares. This move was preceded by structural changes, among which the split-up of AKTOR's activities in construction and other activities, preservation by its quasi-universal successor with the same name AKTOR S.A. of the construction activities and other construction-related activities, such as the Quarries and the Mines, and transfer of the rest of activities, among which all the company's holdings in concessions to ELLINIKI TECHNODOMIKI TEB S.A..
- Consolidation of the company's position in countries of the Middle East by undertaking projects in Kuwait and Dubai, as well as projects in Romania
- Undertaking of large infrastructure projects in Greece, among which the appointment of the company as a temporary contractor for the extension of the Athens Metro to Helliniko.

- Appointment of the Group as temporary contractor for the co-financed project of constructing the Thessaloniki Submerged Tunnel.

### **3. FY 2005 Results and Prospects**

The financial results of AKTOR and its participations for 2005, as well as the future perspectives and goals are summarized as follows:

#### **3.1 Financial Results**

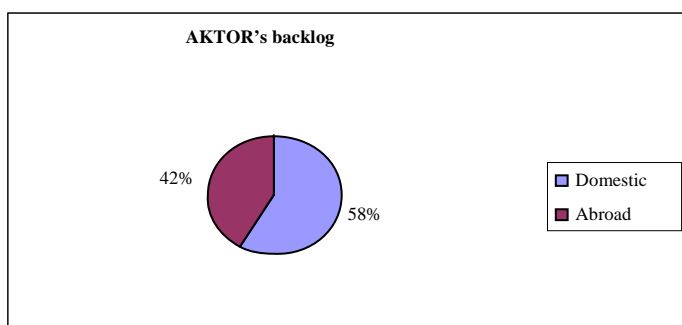
After the impressive development of construction activities in Greece within the past few years, which was mainly due to large infrastructure projects and Olympic projects, the year 2005 was, as expected, a year of recession for the companies of the sector. The negative climate was further enhanced by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

For the FY 2005, presented under IFRS, AKTOR marked a turnover of 516.4 mil. € and consolidated EBIT of 96.5 mil. €. Consolidated turnover marked a decrease of 27%, while operating profits fell by 32% as compared to the respective figures of 2004. This decrease which was expected is due to the abovementioned reasons regarding the status of the construction sector in Greece. Despite their relevant decrease, profit margins both on an operational and on a net profits level stood at 18.7% and 7.5% respectively which are very high compared to the margins of other Greek and foreign construction companies. On a consolidated level, AKTOR's shareholders' equity amount to 261.5 mil. €, its borrowings to 116.9 mil. €, while the cash in hand to 159.6 mil. €. A key feature of the company's good financial standing is the cash flow generation from operating activities of 88 mil. €.

On a company level, AKTOR marked sales of 108.3 mil. € and operating profits of 27.1 mil. €. AKTOR's quarrying activity posted sales of 18 mil. € and profit before taxes of 1.3 mil. €.

#### **3.2 Prospects**

AKTOR's prospects are exceptionally optimistic. The funds which are going to be allocated to infrastructure projects for the period from 2006 through 2015 are calculated at approximately 20 bil. € (3<sup>rd</sup> and 4<sup>th</sup> Community Support Framework). Foreign projects are also expected to have a significant contribution, which is already evident from their 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 which are going to be signed shortly). 42% of total backlog is from projects abroad.



Kuwait	76
Dubai	28
Romania	36
Oman	750
<b>Total</b>	<b>890</b>

AKTOR's main goal in Greece is to make the best use of constantly increasing opportunities in infrastructure projects and new co-financed projects. As for SE Europe, the company aims at penetrating the developing markets of countries to be included in the European Union, which will absorb funds for upgrading their infrastructures, while in the Middle East it aims at developing markets with great growth rates, where competition is not so intense.

#### **4. Efficiency ratios**

For the Constructions sector the most reliable ratio is the Return on Invested Capital (ROIC). This ratio includes both the profitability and the efficiency for the year of blocked capital. AKTOR's ROIC for 2005 on a consolidated basis stands at 16% (cash in hand and needs in working capital are not included), which is considered really high for companies of the sector.

#### **5. Risks**

In domestic Constructions, the risks for the development of AKTOR result from changes in existing legislation on tender procedures of public works, together with the adverse financial standing of the majority of the companies of the sector, which are often lead 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.

#### **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 regards the materialization of the first phase out of the 10 phases needed for the development of the new city named the Blue City.
- Conclusion of a contract for the extension of the Athens Metro to Helliniko.
- Bid for the co-funded projects of the construction and operation of the Corinth-Tripoli-Kalamata motorway.
- Submission for approval by the competent authorities of a business plan for the development of Mines in Chalkidiki and the construction of a gold production plant.

7. Considering all of the above, we invite you, Dear Shareholders, to approve of the Company's Annual Financial Statements for the year 1/1/2005 – 31/12/2005, together with the accompanying Reports of the Board of Directors and Certified Auditor-Accountant, and to discharge the BoD members individually and the BoD as a whole, as well as the Certified Auditor-Accountant from any liability for the financial year 1/1/2005 – 31/12/2005.

Athens, March 21, 2006  
For the Board of Directors

The President of the BoD

The present report consists of five (5) pages and is that mentioned in the audit report which is granted today.

Athens, March 21, 2006  
THE CERTIFIED AUDITOR-ACCOUNTANT

IOANNIS A. ANASTASSOPOULOS  
SOEL No 10151  
S.O.L. S.A.