MANAGEMENT REPORT of THE BOARD of DIRECTORS
or "SIDMA SA STEEL PRODUCTS"
for the FISCAL YEAR 2005

The Management Report of the BoD concerns the fiscal year 2005 and was compiled according to the principles of the International Financial Reporting Standards (IFRS), applied in Greece since 1/1/2005. The Management Report contains the major information sections, which provide essential elements regarding the activities and financial results of the Company and the Group during 2005, as well as the prospects and targets for the current fiscal year 2006.

Athens, March 2006

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1. REVIEW OF MAJOR EVENTS REGARDING THE COMPANY AND THE GROUP DURING 2005

1.1 Listing on the Athens Stock Exchange

During 2005, the Company completed its listing on the Athens Stock Exchange successfully. The public offering took place from 12 until 15 April 2005. The trading debut of SIDMA stock was scheduled for 10 May 2005. The Share Capital Increase concerned the issuance of 2,500,000 (CR) new shares with a nominal value of EUR 1.35 per share, whereas the total proceeds after the deduction of the listing expenses amounted to EUR 12,550,000.

Of the total proceeds raised, 25% (or amount € 3,063 thousand) was utilized within 2005, while the remaining proceeds will be invested within 2006, mainly in production units and for the purchase of a land as well as the construction of new storage and office facilities in the broader Attica area.

1.2 New Investments

The Company continued to implement its investment plan during 2005, with investments in fixed assets, as well as in subsidiaries, targeting stronger expansion in the Balkans and Romania. Total investments reached € 4,390 thousand on parent basis, whereas an amount of € 229 thousand was channeled to subsidiary PANELKO for investment in machinery equipment.

Investments in fixed assets amounted to € 2,218 thousand approximately, of which € 1,573 thousand derived from the share capital increase following the Company's listing on the Athens Exchange. Total investments concerned the following:

Investments in large-scale projects - markets

- purchase of machinery,
- repayment of software SAP,
- purchase of packaging system for Thessaloniki's Slitting unit

Investments in current equipment

- upgrade of Thessaloniki's Slitting unit,
- purchase of a bundle machine for Thessaloniki's Cut-to-length unit,
- purchase of machinery equipment in the various facilities of the Company.

Building surrounding area improvements in the Company's facilities in Thessalonica.

Investments in participation interests amounted to € 2,172 thousand approximately, of which € 1,490 thousand concerned the establishment of subsidiaries in Bulgaria and Romania, with capital raised from the Company's share capital increase following its listing on the Athens Exchange. The remaining amount of € 669 thousand financed the acquisition of an additional stake, 16%, of PANELKO from the Company (current participation stake stands at 78%).

1.3 International Activity

In the context of the strategic expansion and stronger growth of the Company's activities in the foreign markets, SIDMA SA proceeded during 2005 with the establishment of two subsidiaries in Romania and Bulgaria. "SIDMA WORLDWIDE LIMITED", a Cyprus based subsidiary of the Company, implemented the above investments.

Following its investments, SIDMA has participated by 50% in the share capital of "Sid-Pac steel and construction products SRL" in Romania and by 75% in the share capital of SID-PAC BULGARIA SA" in Bulgaria.

Packer Plada Ltd owns the remaining stakes of the above two companies. Packer Plada Ltd was established in 1934 and operates as a processor and trader of steel products. This company is leader in the steel market of Israel and listed in Tel Aviv Stock Exchange since 1981.

The share capital of "Sid-Pac steel and construction products SRL" amounts to € 950 thousand, whereas the share capital of SID-PAC Bulgaria SA to € 1,361 thousand approximately. The above capitals have financed part of the total investment for the construction of modern Steel Service Centers. Specifically, in Bulgaria, SID-PAC Bulgaria purchased a land of a total area 39,000 square meters in the old industrial area of Sofia. The land has also storage facilities of a total area 4,500 square meters, with maintenance works currently under way, whereas further expansion of the facilities is still to materialize.

In Romania, the Company proceeded with the purchase of land, 35,000 square meters, which is located in the Industrial Area of Bucharest. Works for the construction of an Integrated Steel Service Center are expected to commence in the second half of 2006. Sid-Pac steel and construction products SRL already commenced its commercial activities during 2005, completing the financial year with € 2.4 million turnover.

1.4 Market circumstances – Factors affecting the Company

The Company's sector is cyclical with periods of skyrocketing prices and demand on the one hand and with periods of recession on the other hand. Specifically, product prices within the sector are mainly affected from conditions in the international steel market and domestic competition. The Company's gross profit margin is (positively or negatively) affected from changes in steel prices. This is the case as changes in sale prices of steel products cannot synchronize with purchase prices of steel products and inventories for the Company.

Specifically, sale prices are immediately affected from international price trends. However, from ordering the steel materials (the time of purchase price agreement) until receiving the actual merchandise, there is a time lag. For this reason, purchase prices recorded in the Company's books at delivery time may differ from those observed in the international market. Moreover, the acquisition cost of inventories is determined by the weighted average price methodology. Therefore, while purchase and sale prices follow a similar trend, the pace of increase in sale prices is not the same with the one is purchase prices. As a result, in periods of rising prices, the Company's gross profit margin is increasing, whereas in periods of weakening prices, the gross profit margin is decreasing.

The above introduction explains the fundamentals behind the price fall during 2005 as compared to the previous year, and their effect on the Company's financial results:
Specifically:

1. Following a favorable 2004, and a satisfactory first quarter in 2005, the market turned unexpectedly bearish, with international steel prices remaining low for the rest of the year.

2. For a long period of time, the Company continued to purchase materials at high prices and at the same time adjusted sale prices downward, thus its gross profit margin was decreased.

3. The above resulted in a significant reduction of the Company's earnings, starting in Q1 2005, as compared with Q1 2004.

4. Despite the above unfavorable developments, the Company's financial results for 2005, without deducting extraordinary

expenses (such as the amount of € 900 thousand for its listing on the Athens Stock Exchange and the penalty of € 290 thousand imposed by HCMC), exceed the annual average earnings of the last five years, without calculating for 2004.

2. FINANCIAL RESULTS

2.1 TRANSITION INTO IFRS

The Company adopted and applied the International Financial Reporting Standards for the first time in 2005. The Group promptly took the necessary actions for the transition of its accounts from the Greek Generally Accepted Accounting Principles (GAAP) into the IFRS, whereas the IFRS based accounts implied an improved financial status on both parent and consolidated basis.

Specifically, SIDMA SA completed in 2004, via “Athinaiki Oikonomiki” the valuation of its fixed assets for both subsidiary Panelko and parent company, assuming their fair value as the historic cost, according to IFRS 1 with regard to the first transition. According to the relevant valuation reports, both the real estate assets as well as the Company’s machinery equipment realized significant premiums. The above event in conjunction with the Company’s share capital increase resulted into significantly higher book value per share, from EUR 3.7 per share in 2004 to EUR 5.0 per share in 2005.

2.2 FINANCIAL RESULTS 2005

The major financial accounts of the financial year 1/1-31/12/2005 are presented below:

GROUP	**1.1 - 31.12.2005**	**1.1 - 31.12.2004**	**CH. (%)**
Turnover	124.213.521	133.597.327	-7.0%
Operating Results (EBITDA)	9.295.933	19.416.7867	-52.1%
Earnings before taxes	4.406.223	15.414.484	-71.4%
Net Earnings after Taxes	2.745.283	11.413.515	-75.9%
EBITDA Margin	7.5%	14.5%	-48.5%
Net Profit Margin	3.5%	11.5%	-69.3%

COMPANY	1.1 - 31.12.2005	1.1 - 31.12.2004	CH. (%)
Turnover	107.119.507	119.144.475	-10.1%
Operating Results (EBITDA)	6.983.665	17.679.268	-60.5%
Earnings before taxes	3.516.253	14.647.677	-76.0%
Net Earnings after Taxes	2.245.996	10.888.948	-79.4%
EBITDA Margin	6.5%	14.8%	-56.1%
Net Profit Margin	3.3%	12.3%	-73.3%

From the above financial accounts, the steel market's cyclical effect on the Company's financial results becomes evident. Despite the fact that during 2005 turnover posted a downward trend, earnings before taxes and extraordinary expenses (Athens Exchange listing expenses and HCMC penalty of approximately € 1.2 million) reached € 5.6 million on group basis and € 4.7 million on parent basis. As mentioned previously, the above results exceed the average results of the past five years, of course with the exception of 2004, which was a record year for the steel industry worldwide.

The major reasons behind the drop of turnover are presented below:

1. The price reduction as compared to the year 2004.
2. The excess inventories created by the customers at the end 2004, due to fears of lack of inventories in the global market.
3. The abrupt price fall in the international market in March 2005 brought an upheaval in customer base. Consumption contracted and came back in the normal levels of 2004 after a period of 6 months.
4. The post-Olympics period saw construction companies with cash flow problems and lack of large-scale projects.
5. Lack of liquidity, which was the case to a large extent for the customer base, inevitably increased creditors' days in the market. At the same time, insurance companies gradually reduced the credit limits for a large number of our customers. By following a similar policy, our Company limited sales to the above customers.

2.3 RISK MANAGEMENT

The major financial risks and the corresponding actions taken by the Company are presented below:

	Risk	Company's Projections
1.	Credit Risk (Risk associated with doubtful customers)	The parent company applies an insurance credit policy in co-operation with insurance companies. Approximately 75%-80% of the customer receivables are insured and as result no significant credit risk exists. At the same time, the Company operates a credit risk control department, which exclusively deals with customers' credit rating and determines the appropriate credit limits.
2.	Interest Rate Risk (affects financing cost)	The Company has applied transactions for interest rate risk management, in co-operation with various banks. As a result, the current upward trend in interest rates, provided that remains within normal ranges, does not affect the Company's financing cost. Specifically, 40% of its long-term debt is based on fixed rates, whereas the remaining debt is hedged against further increase of the interest rates.
3.	Liquidity Risk	• The Company in co-operation with banks ensures the necessary credit limits. • Case by case, the Company may utilize various financial techniques, such as leasing, etc. • The Company limits its risk via the significant dispersion of its customer base. It is worth noting that the Company has over 2,700 active clients and none of them represent more than 2% of the Company's total turnover.
4.	Foreign Exchange Risk	It does not exist.
5.	Volatility of Raw Material Prices	Volatility in sale prices does not follow changes in acquisition cost of inventories. The above results in higher gross profit margin in periods of upward price trends, and in lower gross profit margin in periods of downward price trends. In view of the above situation, the Company applies a stable inventory policy, whereas through its long-term co-operation with its suppliers, the Company is promptly informed on upward or downward trends in raw material prices.

2.4 SHARE PRICE PERFORMANCE – PARTICIPATION IN SECTOR INDICES – DIVIDEND

I. The Company's stock followed a downward trend during 2005, and by the end of the financial year closed at EUR 3.10 per share. Since May 2005, SIDMA stock is constituent of the indices FTSE/ASE 140 and Small Cap 80.

II. Following the decision of Athens Exchange Board of Directors on 24 November 2005, concerning the adoption of a new sector classification model "FTSE Dow Jones Industry Classification Benchmark" (ICB) with commencement date on 2/1/2006, the Company's stock is classified under the industry "Steel", along with the following 8 companies:
   1. HALIVDOFILON SA
   2. N. LEVENTERIS SA
   3. BITROS HOLDINGS SA
   4. KORDELLOU BROS SA
   5. CORINTH PIPEWORKS SA
   6. TZIRAKIAN PROFIL SA
   7. A. KALPINIS – N. SIMOS SA
   8. SIDENOR SA

III. The Company's Board of Directors, taking into consideration the financial results of 2005, the Company's financial status, prospects and in view of the broader economic environment, intends to propose a dividend distribution of € 1,200,000 or € 0.12 per share, to the Annual Shareholders' Meeting, scheduled during the first two weeks of June 2006. The proposed dividend implies a dividend yield of 3.9%, based on the share price as of 31st December 2005.

3. STRATEGY – GROWTH DRIVERS

Aiming at the constant and sustained growth for both the Company and the Group in 2006, the Management has set the following growth drivers and strategies:

- The Company's industrialization: Over the last few years, SIDMA has shifted its attention to the manufacturing and industrial activity. The Company invests significant amounts for the completion and modernization of its machinery equipment, as well as the modernization of its building facilities. Specifically, over the past three years, the Company's fixed asset investments have exceeded € 7 million.

The above shifting resulted into the following:

- Greater penetration in the market, based on the ability to sell materials not only to consumers but also to constructors.
- Greater independence on raw material supplies.
- Lower inventory volumes.
- Better gross profit margins.
- Higher added value domestically.

- Expansion of the Company's activities: SIDMA's strategic goal is to expand activities and increase production output in conjunction with the production of new products, currently not produced within the Company's facilities. In this context, the Management considers the prospects of various other metallurgy sub-sectors, where the Company has the ability to benefit from synergies and new partnerships or synergies. The implementation of the above strategy led SIDMA to acquire 78% of PANELKO in 2001. PANELKO operates in the industrial production sector, manufacturing metallic and thermo-proofing units, operating at the same time the largest non-stop production line in Greece. By participating in PANELKO, the Company is in position to provide construction companies with a broader range of products and total solutions, since it now offers both materials for the metallic body of industrial buildings, and coverage parts.

- Expansion in international markets: The Company's objective is to sustain the positive course of the past years through investments, which will allow SIDMA to depend to a smaller extent on Greek economy. Over the next 5 years, the Company targets to assume a dynamic position in the Balkans, similar with one currently held in the Greek market, and benefit from the strong GDP growth rates of the neighboring markets. Specifically, the Company wishes to expand activities and capture opportunities in the Balkan countries. As of today, SIDMA has established subsidiaries in Romania, Bulgaria with major strategic partners, aiming at becoming one of the major processing centers in the broader region. SIDENOR Group's presence in the above markets facilitates the Company's efforts to achieve its strategic goals. From its activity expansion and its entrance into new markets, the Company anticipates stronger turnover and profitability growth.

* Constant improvement of existing procedures: The constant reviewing of existing procedures aims at efficiency gains, greater diffusion of information to every level within the company, and further cost contraction. In this context, the Company proceeded with an upgrade of its IT infrastructure via the introduction of the corporate information system SAP, as well as of the corporate web-site (www.sidma.gr) encompassing greater information on the Company and its operations.

4. TARGETS AND PROSPECTS FOR 2006

With regard to the first half of 2006, expectations for the steel market are positive.

Specifically, steel demand in both global and Greek market recovered during the first quarter 2006, following a relatively modest 2005. The increasing demand for the sector's products is also the case in the neighboring Balkan markets, which continue to demonstrate especially high growth.

Far East continues to absorb a significant percentage of the global production and affect international market trends. Generally, the international market provides signs of recovery following the contraction during 2005. Demand in several countries favors higher prices and steel plants have been steadily adjusted prices upward. In favor of the above, are also the higher mineral prices, steel scrap prices, as well as the price of zinc.

Greek market continues to suffer from weak liquidity and at the same time no significant projects are expected in the near future. This situation makes more difficult the rise in prices in a similar pattern with the one of international markets. In any case, we anticipate a more balanced market by the end of first half.