MANAGEMENT REPORT of THE BOARD of DIRECTORS
or "SIDMA SA STEEL PRODUCTS"
for the FISCAL YEAR 2006

The Management Report of the BoD concerns the fiscal year 2006 and was compiled according to the principles of the International Financial Reporting Standards (IFRS). 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 2006, as well as the prospects and targets for the current fiscal year 2007.

Athens, February 2007

CONTENTS

1. REVIEW OF MAJOR EVENTS REGARDING THE COMPANY AND THE GROUP DURING 2006

1.1 Financial Overview

Fiscal year 2006 was a very promising year for the SIDMA Group.

Consolidated turnover including consignment sales, rose by a significant 22% to € 224 million, compared to € 183 million in 2005. For the first time in the company's history total sales surpassed the € 200 million barrier.

Specifically, consolidated turnover for SIDMA S.A. stood at € 157 million compared to € 124 million in 2005, registering an increase of 26%. Consignment sales increased from € 59 million in 2005 to € 67 million in 2006, registering an increase of 14%.

Subsidiary PANELCO also advanced considerably, with an increase of 30% in turnover, from € 17,6 million in 2005 to € 23 million in 2006. The turnover of SID-PAC Steel and Construction Products S.R.L in Romania reached € 8,3 million in 2006 compared to € 2,4 million in 2005, while the turnover of SID-PAC BULGARIA, which started operation only last May, reached € 4 million.

The increase in turnover was accompanied by an increase in gross profit margin. At Group level the increase was 30%, from 12,2% in 2005 to 15,8% in 2006. This resulted in more than double profits before tax as well as profits after tax and minority rights.

More explicitly, Group gross profit amounted to € 24,8 million in 2006 up 64% from € 15 million in 2005. Consolidated results before tax reached € 12,3 million in 2006 compared to € 4,4 million in 2005, registering an increase of 179%. Consolidated results after tax and minority rights rose 220% to € 8,8 million from € 2,7 million in 2005. Finally, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 94%, from € 9,3 million to € 18 million.

At company level, results before tax stood at € 10,2 million in 2006 from € 3,5 million in 2005, registering an increase of 189%. After-tax results amounted to € 7,3 million, up 227% from € 2,2 million in 2005. Finally, earnings before interest, taxes, depreciation and amortization (EBITDA) registered an increase of 105% from € 7 million to € 14,3 million.

1.2 Investment Plan Progression

The Company continued to implement its investment plan during 2006, with investments in fixed assets, as well as in participations of € 7 million. The majority of the above amount (€ 6 mio) was financed from the funds raised from the Athex during company's IPO in 2005. The single most important acquisition was the new plot at Inofyta area (€ 4,3 mio) where SIDMA builds its new steel service center. Other fixed assets investments include:
Investments in large-scale projects,

- Building of a new warehouse at Thessalonica plot (1.100 m^2)
- Construction expenses regarding the new steel service center at Inofyta
- machinery equipment for INOX related products servicing

as well as investments regarding the improvement of current equipment.

At group level, Panelco invested around € 1,5 mio. Part of it (€ 300 k) concerned the acquisition of an adjacent plot, of 18.000 m^2, next to its existing one at Lamia. The resulting € 1,2 mio concerned the acquisition of mechanical equipment.

SID-PAC BULGARIA S.A. invested around € 1,7 mio improving the existing warehouses and constructing part of the new steel service center in its own plot of 39.000 m^2. Also part of the above amount concerned advances for new machinery acquisition as soon as the steel service center is ready.

SID-PAC Steel and Construction Products S.R.L in Romania invested around € 1,2 mio constructing part of the new steel service center in its own plot of 35.000 m^2

Investments in participations amounted to € 1,1 mio concerning the share capital increase of Panelco (€ 585 k) and SIDMA WORLDWIDE LIMITED respectively. The share capital of SID-PAC Steel and Construction Products S.R.L in Romania was increased accordingly by € 465 k.

1.3 International Activity

2006 was a year of significant progress for the subsidiaries in Bulgaria and Romania.

SID-PAC BULGARIA S.A. started in May the sale and distribution of steel products from its Sofia establishment, purchased in November 2005. In the following months, the company strengthened its position in the local market, by increasing sales volume, widening its customer base and starting from October, the distribution of SIDENOR-produced merchant bars in Bulgaria. In addition, the company launched the construction of a new 4.200 m^2 steel service center, expected to operate during the 2^{nd} half of 2007. At the end of 2006 the company employed 25 persons.

Romania's SID-PAC Steel and Construction Products SRL, which started operations in May 2005, widened its customer base by targeting more end-users; strengthened its position at the home-base market of Bucharest and launched a systematic effort to expand its commercial network in the Romanian province. Construction of a 6.300 m^2 modern steel service center started in September at the new company-owned premises. It's coming to operating, scheduled for the 2^{nd} half of 2007, is expected to further bolster the company's position. At the end of 2006 the company employed a staff of 23.

1.4 Market circumstances – Factors affected the Group

006 had a strong start. From mid February global steel prices started to increase gradually. This increase peaked during March resulting in strong demand in the local market. Low inventory levels both of our competitors and clients increased buying interest. Sales prices followed this upward trend but not at the pace set by the steel mills.

Global steel market prices remained steady during the second quarter with no loosening of prices. On the contrary, steel mills continued to raise price while offering limited quantities to their clients. A few signs of fatigue from the constant increase were observed in certain customers but this didn't lead to price decrease.

The third quarter was characterized by increasing imports of Chinese products in the European market at extremely competitive prices. European steel mills did not follow until September and as a result lost market share. Subsequently, they were forced to offer deep discounts in order to re-gain back their lost share.

The steady import of Far East materials predominantly in Southern Europe continued during the fourth quarter. This led to price drops in certain products. Nevertheless, prospects for first quarter of 2007 seem better, as demand is improving due to global price increase at most steel products.

2. FINANCIAL RESULTS

2.1 FINANCIAL RESULTS 2005

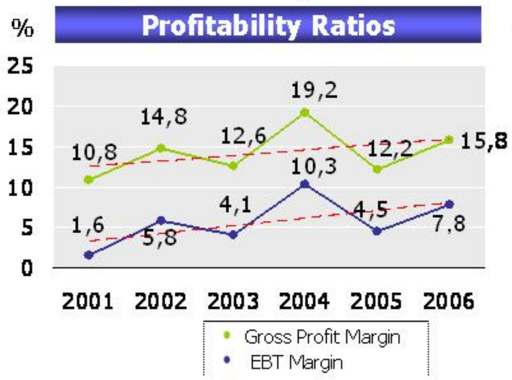
The major financial accounts of the financial year 1/1-31/12/2006 are presented below:

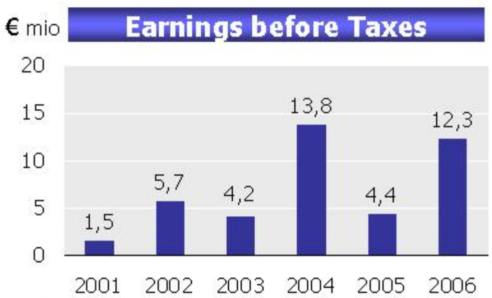
Group	1.1 - 31.12.2006	1.1 - 31.12.2005	Δ (%)
Turnover	156.841.601	124.213.521	26,3%
Consignment Sales	67.140.485	59.058.696	13,7%
Total Sales	223.982.086	183.272.217	22,2%
Operating Results (EBITDA)	18.048.736	9.295.933	94,2%
Earnings before taxes	12.311.552	4.406.223	179,4%
Net Earnings after Taxes and Minority Interests	8.797.681	2.745.283	220,5%
EBITDA Margin	11,51%	7,48%	53,8%
Net Profit Margin	5,61%	2,21%	153,8%

Company	1.1 - 31.12.2006	1.1 - 31.12.2005	Δ (%)
Turnover	130.739.181	107.119.507	22,0%
Consignment Sales	67.140.485	59.058.696	13,7%
Total Sales	197.879.666	166.178.203	19,1%
Operating Results (EBITDA)	14.279.637	6.983.665	104,5%
Earnings before taxes	10.169.743	3.516.253	189,2%
Net Earnings after Taxes	7.339.112	2.245.996	226,8%
EBITDA Margin	10,92%	6,52%	67,5%
Net Profit Margin	5,61%	2,10%	167,7%

The above results pinpoint one more time the cyclicality of the market and how it affects company results. Regardless of market cyclicality, we need to emphasize the upward long-term trend of major group results. This is apparent at the figure below where the turnover; gross profit; gross and net profit margins as well as profits before taxes for the group are shown for the last six years.

* before depreciation and consignment sale commissions





The above figures concern the mother company for the period 2001-2002 and the group for the period 2003-2006. During 2005, ASE related extraordinary expenses of € 1,2 mio have been charged to P&L. Excluding these, 2005 EBT amounted to 5,6 mio.

2.2 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 group covers credit risk in co-operation with insurance companies. Approximately 75%-80% of 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 executed transactions for interest rate risk management, in co-operation with various banks. As a result, the current upward trend in interest rates does not affect the Company's financing cost--provided it remains within normal range. Specifically, 60% of the long-term debt is hedged against increase of interest rates above 4%.
3.	Liquidity Risk	• The Company in co-operation with banks secures the necessary credit limits. • Depending the case, the Company may make use of various financial instruments, such as leasing, etc.

		• The Company limits its risk through the significant dispersion of its customer base. It is worth noting that the Company has over 2,700 active clients with none representing more than 2% of total turnover.
4.	Volatility of Raw Material Prices	Steel price volatility affects gross profit margin of the company. During periods of upward price trends, the gross profit margin increases whereas in periods of downward price trends decreases. In view of the above situation, the Company applies a stable inventory policy. Moreover, through its long-term co-operation with its suppliers, the Company get timely information on upward or downward trends in raw material prices.

2.3 SHARE PRICE PERFORMANCE – PARTICIPATION IN SECTOR INDICES – DIVIDEND

I. The Company's stock during 2006 made a dynamic comeback at the IPO levels (€ 5,3 on May 2005) and by the end of the financial year (29/12/2006) closed at € 5.96 per share.

II. The Company's Board of Directors, taking into consideration the financial results of 2006, the Company's financial status, prospects and in view of the broader economic environment, intends to propose a dividend distribution of € 2,500,000 or € 0.25 per share, at the Annual Shareholders' Meeting, scheduled during the first two weeks of June 2007. The proposed dividend implies a dividend yield of 4,2%, based on the share price as of 29th of December 2006.

4. PROSPECTS FOR 2007

Steel prices are expected to increase during the first quarter of 2007 in the global market. Favorable weather conditions both in EU and Eastern Europe permitted construction projects to continue unhindered. Gulf countries present outstanding growth in construction works whereas Far East products continue to appear in European countries but at higher prices as a result of the suspension of government grants of China exports.

The growth rate of the Balkan countries remains high. After the entrance of Bulgaria and Romania to the European Union important infrastructure projects are under way favoring steel demand.

At the same time, following the Mittal-Arcelor case, the consolidation of steel mills continues with Tata Steel acquiring Corus. Other consolidations are programmed in China where the government encourages the creation of bigger mills. This consolidation procedure will cause gradually the decrease of competition as well as the decrease of steel prices cyclicality at global level.

The Greek market appeared during the first months of 2007 more bullish compared to the same period last year. Both the fair weather and the global upward market helped steel prices remain high.