

INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

V. Description of main features of the Company's internal audit and risk management system in relation to the procedure for preparing the financial statements

Internal Audit

Internal audit is carried out by the Group Internal Audit Division, which is an independent department with its own written regulation, reporting to the Board of Directors' Audit Committee.

Internal audit is performed today by 15 executives who have the necessary training and experience to flawlessly carry out their work.

Internal Audit's primary role is to evaluate the checks and balances that have been put in place for all Group functions in terms of their adequacy and effectiveness. Internal Audit's functions also include checking compliance with the laws in all jurisdictions in which the Group operates, as well as compliance with the Company's Internal Regulation and Code of Conduct.

During 2010, 23 written reports from the Internal Audit Division relating to all audits of Group functions were submitted to the Audit Committee, and via it to the Board of Directors. The half-yearly and annual reports on the work of the Internal Audit Division, which contained an overall reference to the most important audit findings, were also submitted. During 2010 the Audit Committee held regular private meetings with the Group's Internal Audit Director to discuss functional and organisational issues, and all the information requested was provided and briefings were given about the audit systems currently in place, their effectiveness and the progress of audits. Following a report from the Audit Committee the Board of Directors approved the audit schedule for 2011 and specified the

functions and points on which internal audit must focus.

During 2010 the Board of Directors, acting on a recommendation from the Audit Committee, decided to make specific changes to how the Internal Audit Division was organised in the Greece, USA, SE Europe and Eastern Mediterranean regions was organised to ensure a more rational allocation of staff and better internal auditing overall.

The System of Internal Controls and Risk Management

The Board of Directors is generally responsible for the Company and Group's internal audit and risk management, and for evaluating their effectiveness each year.

The Board of Directors confirms that the Company has internal control systems and risk management policies in place and that it has been informed by the CEO and the competent Group executives about their effectiveness.

The Board of Directors is aware of the important risks which could materially impact the Group's operations, reputation and results, as well as of the risk management processes that support their identification, prioritization, mitigation and monitoring.

It should be noted, though, that the system of internal controls and the risk management provide reasonable, but not absolute security, as they are designed to reduce the probability of occurrence of the relevant risks and to mitigate their impact, but cannot preclude such risks from materialising.

Specifically, the key elements of the system of internal controls utilized in order to avoid errors in the preparation of financial statements and to provide reliable financial information are as follows:

The assurance mechanism regarding the in-

tegrity of the Group's financial statements consists of a combination of the embedded risk management processes, the applied financial control activities, the relevant information technology utilized, and the financial information prepared, communicated and monitored.

The Group's management reviews on a monthly basis the consolidated financial statements and the Group's Management Information (MI) – both sets of information being prepared in accordance with IFRS and in a manner that facilitates their understanding.

The monthly monitoring of the financial statements and Group MI and their analysis carried-out by the relevant departments, are key elements of the controlling mechanism regarding the quality and integrity of financial results.

In consolidating the financial results and statements, the Group utilizes consolidation software and for reconciling intercompany transactions and balances the Group utilizes intercompany software. These are specialized software that has been created exclusively for these processes. These tools come with built-in control mechanisms and they have been parameterized in accordance with the Group needs. Finally, the above tools recommend best-practices regarding the consolidation process which the Group has to a large extent adopted.

During each Board meeting, the Group CEO informs the Board about financial results and business performance and the Group CFO informs the Board on the aforementioned once every quarter.

The Group's external auditors review the mid-year financial statements of the Company, the Group and its material subsidiaries and audit the full-year financial statements of the aforementioned. In addition, the Group's external

auditors inform the Audit Committee about the outcomes of their reviews and audits.

During its quarterly, bi-annual and annual reviews of the financial statements, the Audit Committee is informed about the performance of the Group's working capital and cash-flow, as well as about the Group's financial risk management. Following this, the Audit Committee informs the Board whose members have the right to request additional information or clarifications.

Prior to Board's approval, the Audit Committee reviews the consolidated financial statements. Any additional information or clarifications regarding the financial statements and requested by the Audit Committee is provided by the Company's relevant executives.

Risk Management

Given the nature of its operations and its geographical diversification, the Group is de facto exposed to risks and uncertainties, the most important of which are outlined in the Section Risk and Uncertainties of the Board of Directors' Annual Report. Those risks include, among others, financial risks (liquidity/FX/interest rate/credit risks), risks arising from the cyclical nature of the construction sector, risks arising from the Group's presence in developing markets, risks arising from natural disasters, risk of accidents, environmental risks, risks related to energy costs/access to raw materials and risks related to legal disputes.

The Board of Directors' Annual Report contains a detailed description of the policy it implements to address financial risks and quite a few of the other risks referred to above. The financial risk management policy implemented is reviewed and revised twice a year by the Board of Directors.

The Group management team's main concern is to ensure that by implementing appropriate internal audit and risk management systems the Group overall is able to rapidly and effectively respond to risks as they arise and in all events to take the right measures to mitigate their effects to the extent possible. To that end, the systems implemented by the Group provide for specific procedures to be followed and the implementation of specific policies and standards and designate the competent officers, at all levels, assigned with the management of the risks, and their limits of authority.

The Board of Directors are informed at least once a year about the main operational risks faced by the Group and examines whether those risks are clearly defined, have been adequately assessed and whether the method for managing them is effective.

VI. Information required by Article 10(1) of European Parliament and Council Directive 2004/25/EC

The information required by Article 10(1) of European Parliament and Council Directive 2004/25/EC is contained, pursuant to Article 4 (7) of Law 3556/2007, in the Explanatory Report which is part of the Board of Directors' Annual Report and is set out above.



Application of new concrete products by INTERBETON at Greek Parliament