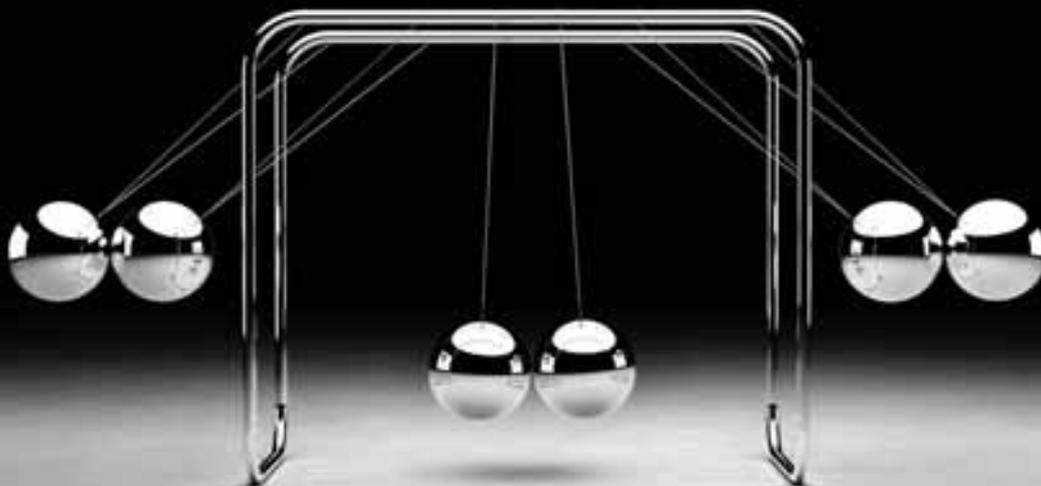


SATO

ANNUAL REPORT 2006



SATO

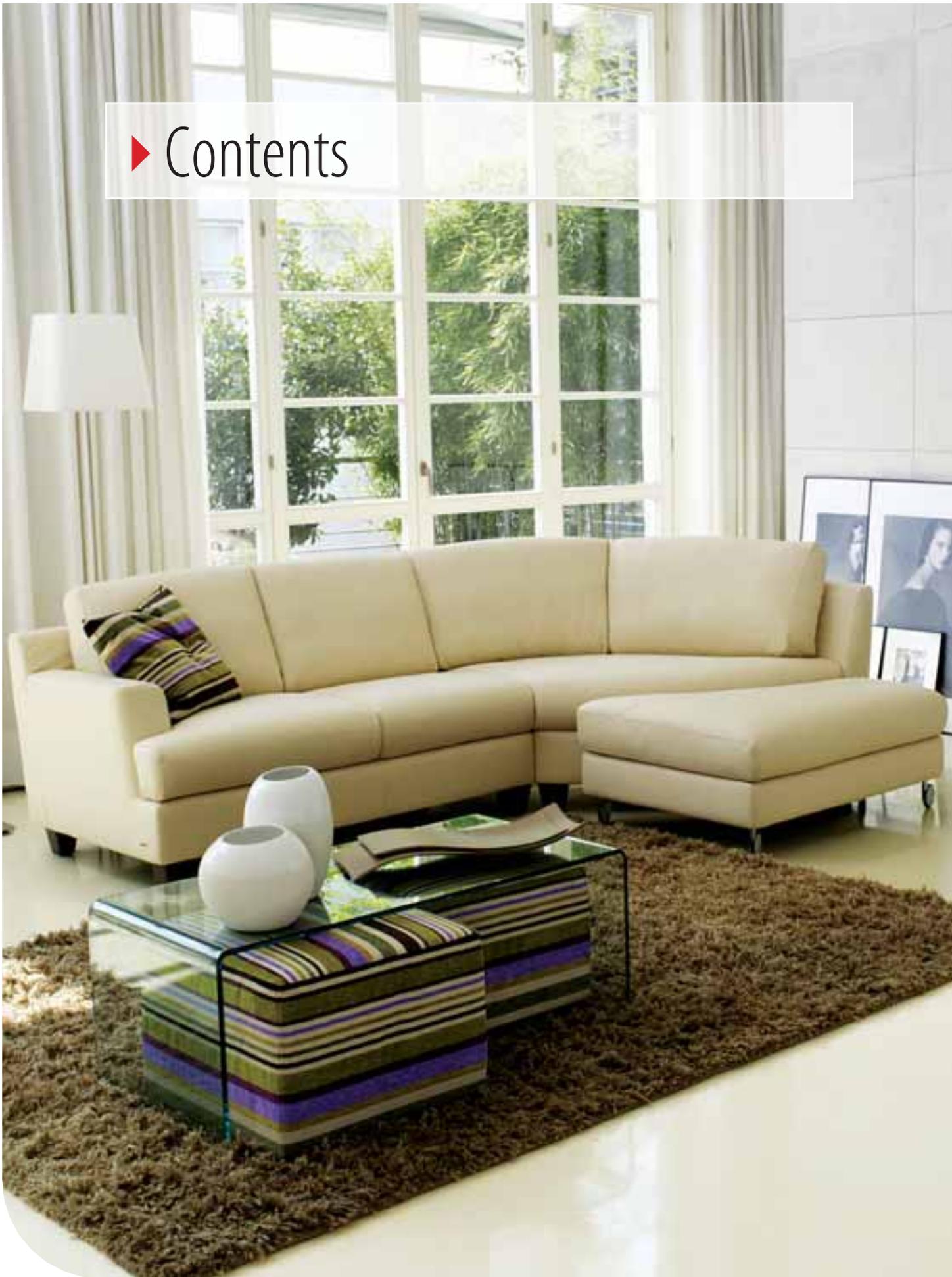
ANNUAL REPORT 2006





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A modern conference room with a glass table, black chairs, a laptop, and a cabinet. The room is brightly lit with natural light from a window with blinds. A white text box with a red arrow is overlaid on the top left of the image.

▶ To our Shareholders



Dear Shareholders,

SATO group's successful performance continued in 2006. Having laid firm foundations and constantly pursuing our well-defined strategy, we succeeded to increase significantly SATO's operating profitability.

An important factor contributing to this growth was the group's restructuring programme carried out over the last two years, which has been completed successfully. Under this programme, complete disinvestments concerning participations and activities not constituting SATO's main business core took place.

Our significant and long presence in the office furniture sector was rewarded in 2006 in the best possible way: we were awarded the most branded-name product prize by the Athens Chamber of Commerce and Industry (ACCI).

Along with the consolidation of our position in the office furniture sector, we strengthened our powerful presence in the home furniture market through a wide variety of brands. We proudly witness the positive development of **ENTÓS** brand, which is increasingly expanding through an extensive and modern store network. The other brands of the group, **BoConcept**, **La Maison Coloniale** and **Divani & Divani by Natuzzi**, have had an outstanding performance, and they are now established as top brands in the home furniture market; at the same time, the new brand **Leather Concept**, a creation of Rochebobois, has been a member of our family since January 2007.

The performance of the group's subsidiaries – German **SATO Office GmbH** and Turkish **TCC Buro Koltuk Ltd**, both having production units - has been steadily increasing. Both companies' constant contribution to the international development of SATO is vital, thus confirming our efforts for the group's expansion abroad.

Aiming always at innovation, which constitutes our strategic vision, we continue our successful performance. Know-how and long experience, in connection with qualified staff, are the main elements of a successful recipe, based on which we manage to meet the high requirements of the market. For this reason, the company provides for the development of its human resources by means of education and ongoing training programmes, while investing in the constant improvement of the work environment for better performance.

All of us, members of SATO family, acknowledge the confidence of the market in us, and look ahead with a view to completing our business plan, the strategic goals of which are to maintain the group's leadership in the office market, to strengthen its position in the home furniture market and to contribute to its international growth.

Yours faithfully,

G. Theodorides
Managing Director

▶ Group Profile



SATO SA was established in 1973 following conversion of the limited partnership METALLON HELLAS Ltd, which had been established in 1964, into a Societe Anonyme. The company's Headquarters and administrative offices are located in the area of Marousi, Athens. The SATO Group is involved in the office furniture market, holding a leading position there (In 2006, SATO was awarded by the Athens Chamber Commerce & Industry-ACCI-the prize of the most branded-name product), while has also penetrated the home furniture market via its brands ENTÓS, Bo Concept, Divani & Divani by Natuzzi, La Maison Coloniale and Leather Concept.

The company engages in both production and trading activities. It has three production plants in Thessaloniki, Germany and Turkey while has also developed major commercial partnerships with respected firms abroad.

Its office and home furniture is available via an extensive distribution network (the largest in the domestic market) with 22 showrooms, 45 dealerships and 18 franchisees. The strategic focus of the Group for expanding into the European market is through its subsidiary in Germany (SATO Office GmbH) while the company also operates on the Turkish market via its subsidiary TCC Buro Koltuk Ltd. At the same time the company also exports to European, Balkan and Arab countries, and abroad it has entered into partnerships with 10 dealers.

The SATO Group has an extensive customer base comprised of leading names in the Greek marketplace covering all sectors of the economy, industry, trade, the public sector, banks, freelancers and private individuals. In order to ensure rapid, optimal customer service, the company operates a Customer Relationship Management (CRM) platform.

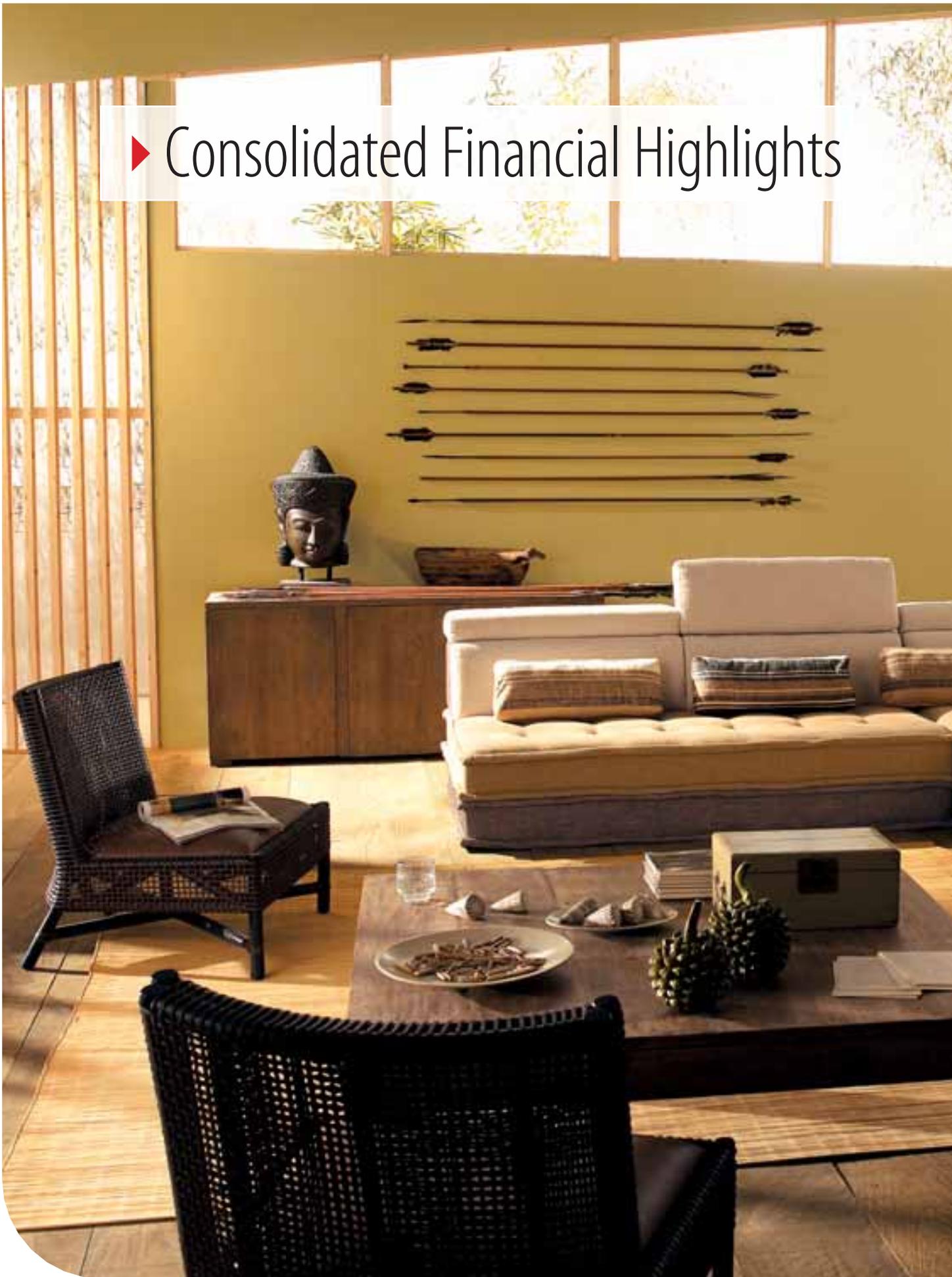
Human resources lie at the very core of the company and are a key condition for SATO's future development. Today the Group employs 526 people and invests in them systematically via training course and ongoing education. It also implements modern systems of evaluation and identifies fields and procedures requiring improvement while at the same time provides a suitable environment within which staff can perform optimally.

With a 44-year successful history, SATO ensures its operations via procedures and systems which guarantee the quality of its products and the services it offers. Against this background the company acquired ISO 9001 quality assurance certification and ISO 14001 certification which ensures acknowledgement of environmental performance at an international level beyond national requirements.

In 1990 SATO was listed on the Athens Exchange S.A. and participates on the following indexes, FTSE/ASE Small Cap-80, FTSE/ASE 140 and FTSE/Athex Personal- Households Goods.



► Consolidated Financial Highlights



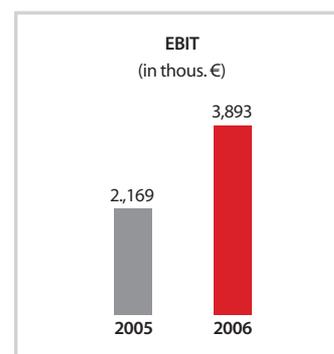
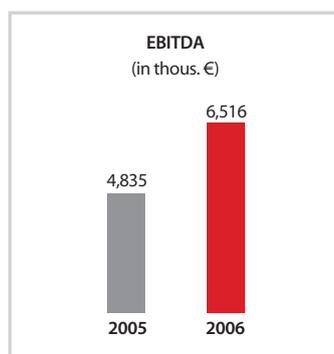
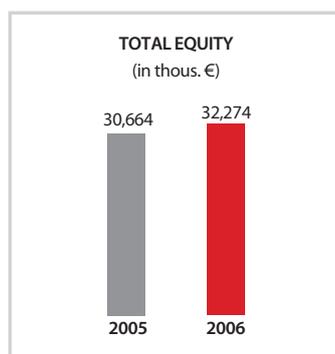
Consolidated Financial Highlights (in accordance with IFRS)

(amounts in million. €)	2006	2005	Change %
Sales	77,3	74,1	4,3%
Gross profit	33,9	30,5	11,1%
<i>as % of sales</i>	<i>43,8%</i>	<i>41,2%</i>	
EBITDA	6,5	4,8	34,8%
<i>as % of sales</i>	<i>8,4%</i>	<i>6,5%</i>	
EBIT	3,9	2,2	79,5%
<i>as % of sales</i>	<i>5,0%</i>	<i>2,9%</i>	
EBT	8,1	5,6	45,7%
<i>as % of sales</i>	<i>10,6%</i>	<i>7,6%</i>	
EAT ⁽¹⁾	5,0	6,2	-18,0%
<i>as % of sales</i>	<i>6,5%</i>	<i>8,3%</i>	
Basic earnings per share-after tax (in €)	0,18	0,23	-21,7%
Dividend per share (in €)	0,03	0,03	-
Long-term bank debt ⁽²⁾	19,8	21,5	-7,9%
<i>as % of total bank debt</i>	<i>57,8%</i>	<i>54,1%</i>	
Short-term bank debt ⁽³⁾	14,5	18,2	-20,3%
<i>as % of total bank debt</i>	<i>42,2%</i>	<i>45,9%</i>	
Total net bank debt	34,3	39,7	-13,6%

⁽¹⁾ The reduction in earnings after taxes is due to increased tax contributions.

⁽²⁾ Long-term bank debt plus leasing.

⁽³⁾ Short-term bank debt less cash & cash equivalents.



▶ SATO



At SATO, we continue in our role as leader in the office furniture market by offering our customers solutions and services which meet even their most exacting needs.

Our number one priority is to continually improve our services as well as update our product range, so as to provide solutions which are both functional and contemporary, while simultaneously maintaining the high standards in quality and ergonomomy which are our trademark.

This continual development and updating of products is achieved in a two-fold manner: firstly, via our production units within Greece, and furthermore through exclusive partnerships that we have forged with the largest manufacturers internationally.

We simultaneously place particular emphasis on our service sector as well as on our after-sales customer services. We have a separate customer services department, and this because our top priority is the satisfaction of our customer needs.

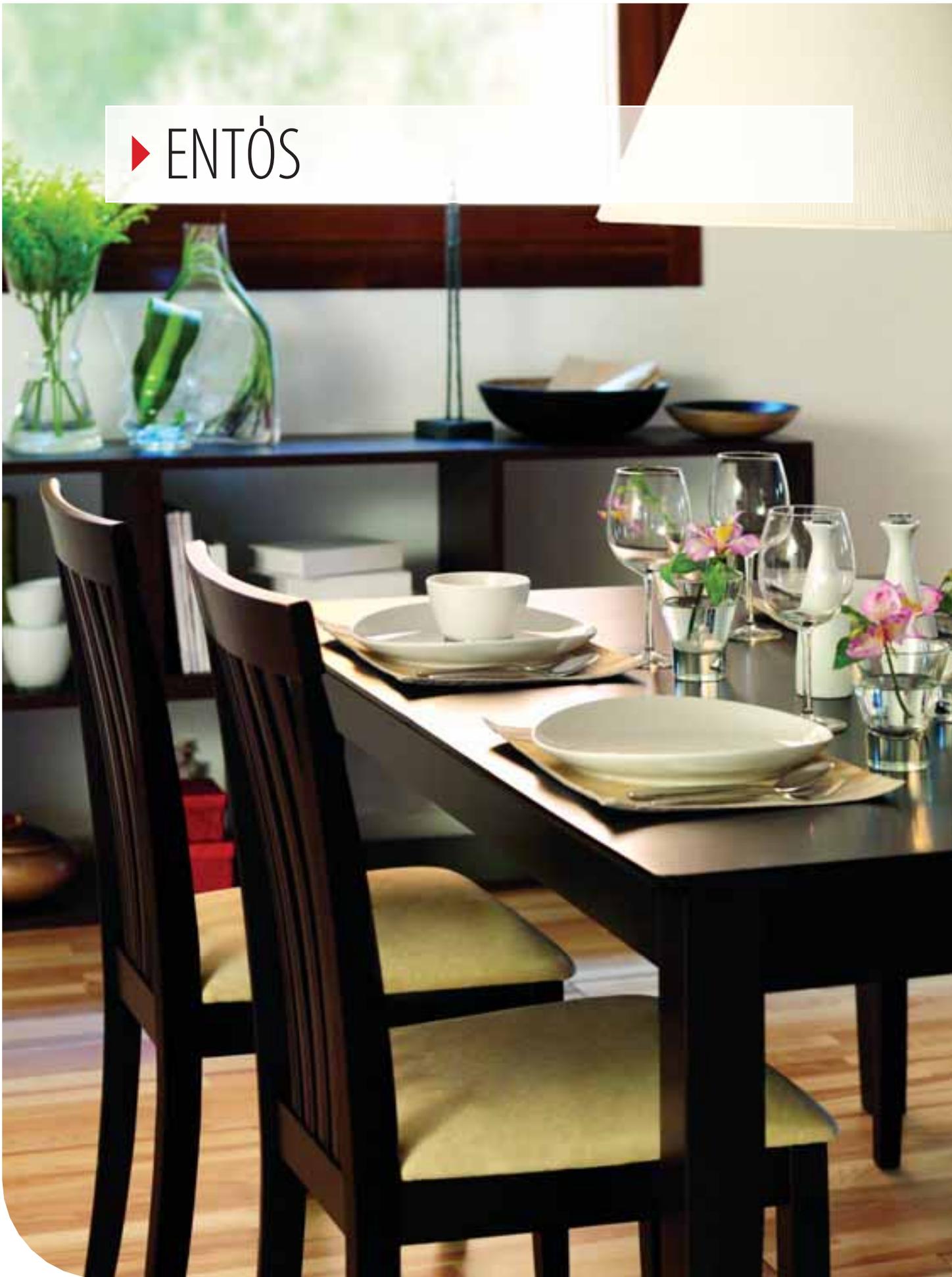
Maintenance of high quality in the above-mentioned services is of vital importance in the demanding B2B (Business to Business) market.

Our strategic aim is to strengthen our presence in both the small to mid-sized business market as well as in the freelance market. Our dynamic entrance into this particular sector of the market kicked off last December with the launch of SATO Basic. The concept behind this new line is to provide integrated office furniture ranges with the SATO quality seal, at extremely competitive prices.

SATO maintains the largest network of office furniture outlets in Greece, with 2 stores in the region of Attica, 1 in Thessaloniki and a network of 45 representatives around the rest of the country (including a number of islands, as well).

SATO

▶ ENTÓS



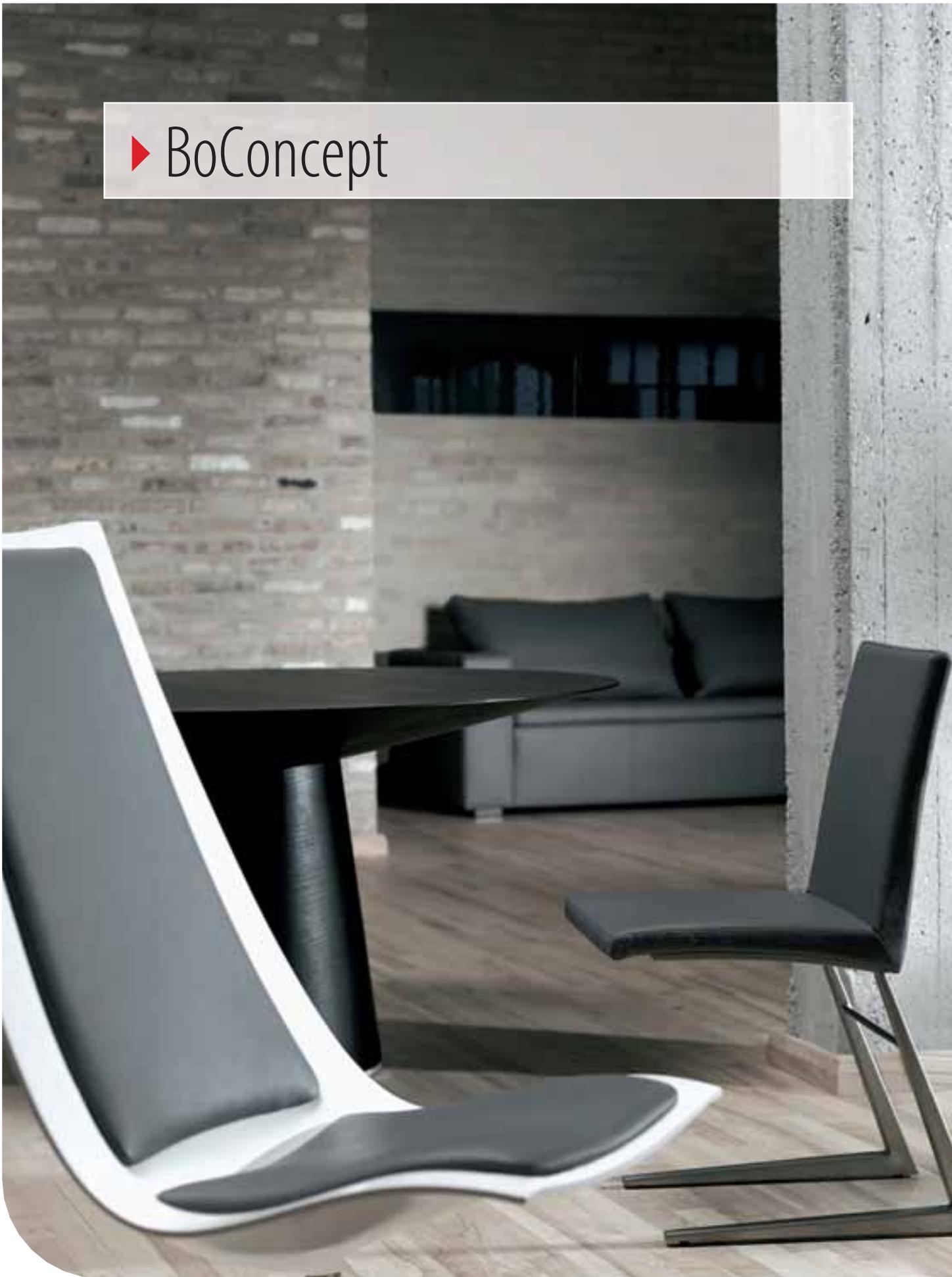
ENTÓS is an extremely dynamic and rapidly developing brand targeting the mid- to lower-level sector of the market, by offering innovative and integrated solutions for the home, with the best possible quality-price relation.

Our range of products was enriched significantly in 2006 (both in product range and in variety of products per range), with highly functional and practical furniture for all rooms of the home (sofas, dining-room sets, bedroom sets, recliners, furniture modules, small pieces of furniture and office furniture for the home), laying the foundation blocks for a successful future of further development and solidification in the home furnishings sector of the market.

2006 also witnessed the opening of 16 stores around the country and 1 Mega store in the region of Attica, while our network simultaneously carries on its rapid pace of expansion with the creation of 4 new Mega stores in Attica, 2 new Mega stores in Thessaloniki as well as 10 stores around the rest of the country, thus continuing network expansion and consequently expansion of the brand at an intense pace.

The logo for ENTÓS, featuring the brand name in white capital letters on a red, rounded rectangular background.

▶ BoConcept



BoConcept is a brand which offers design for the contemporary lifestyle. Proposals for all spaces which are created with the intense pace and particularities of city life in mind. Contemporary design, simple lines, bright colors and a host of accessories lend a new dimension to the aesthetics of your space.

All products are manufactured using high quality materials while great care is taken in creating designs that are both functional as well as affordable. Our criteria for ensuring that these standards are maintained include continually keeping up with fashion trends, carefully selecting materials and creating beautiful design characterized by studied simplicity.

With 4 stores in the region of Attica, 1 in Thessaloniki and 9 franchisees, BoConcept is one of the largest high-design home furnishing chains. In January 2007 one new store opened in Athens.



Bo[®]
concept

my home - my way



► La maison coloniale



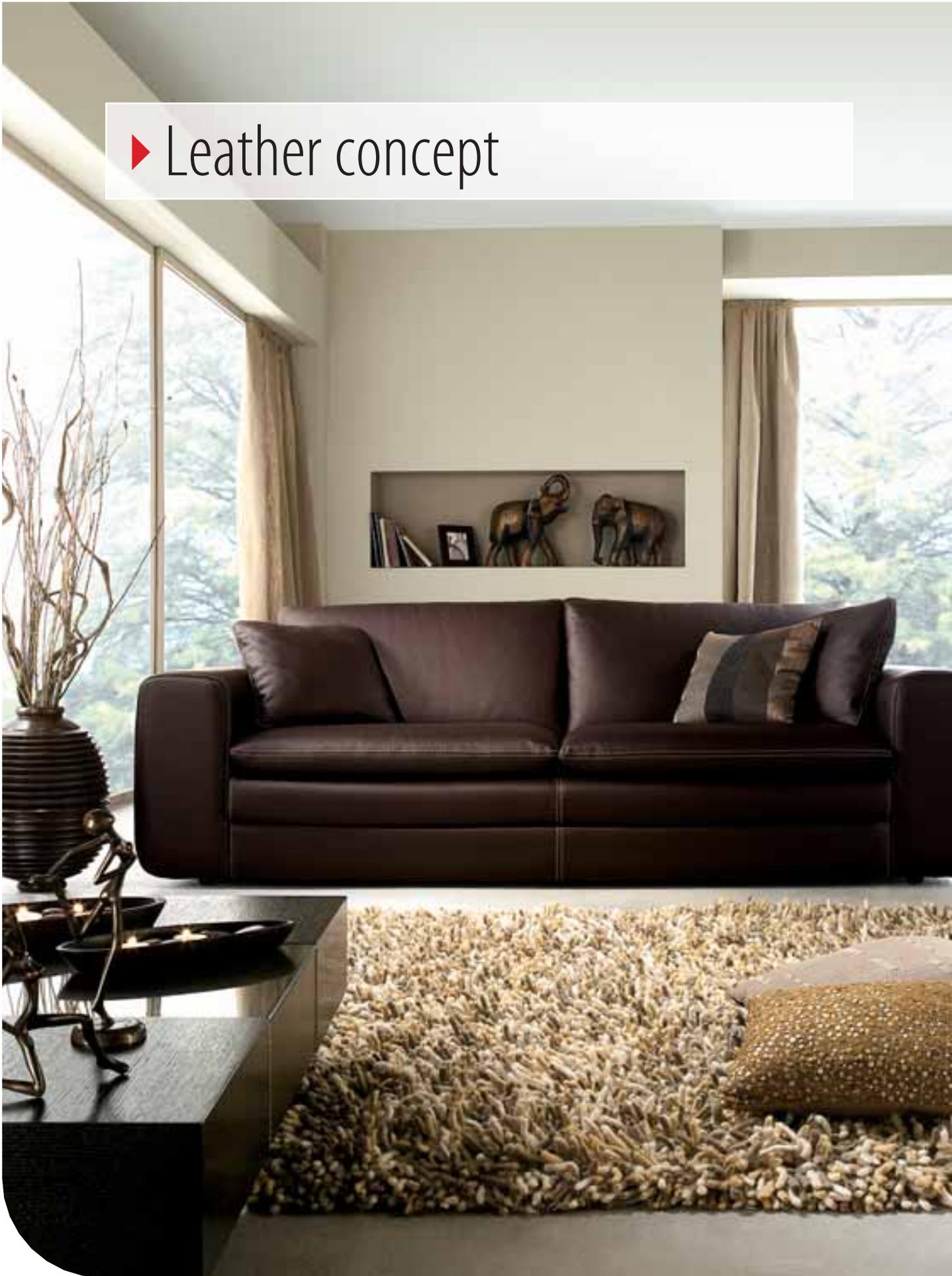
La maison coloniale is a clear reflection of the ethnic trend in home furnishing in Greece. It is the only brand offering complete proposals for every corner of the home, all characterized by a unique oriental flare.

Furniture made of solid wood, sofas and objects which are both unique and hand-created, all reveal stories of the lives and cultures of a variety of different peoples. India, Indonesia and China are but a few of the destinations to which la maison coloniale will take you.

With a network already including 5 stores, la maison coloniale is to its loyal customers an inexhaustible source of inspiration in the creation of their personal spaces.



▶ Leather concept



Leather Concept, a creation of Rochebobois, is a new brand which has 5 sofa concepts all with a different design and philosophy, so as to correspond to its customers' needs regarding quality, comfort as well as their particular functional needs. Leather Concept flawlessly merges tradition and innovation in the manufacturing of its various models, thus ensuring a collection rich in design, with contemporary lines and which is available in a variety of colors.

The exceptional quality and prices of Leather Concept products meet all tastes and budgets, and are certain to acquire their own group of loyal followers soon, just as all the brand names of the SATO Group already have. In January 2007, the first store opened in Athens.



▶ DIVANI & DIVANI



At Divani & Divani by Natuzzi, we offer products with the authentic "made in Italy" seal of quality. High aesthetics & unrivalled comfort are features that all of the products in our collection possess.

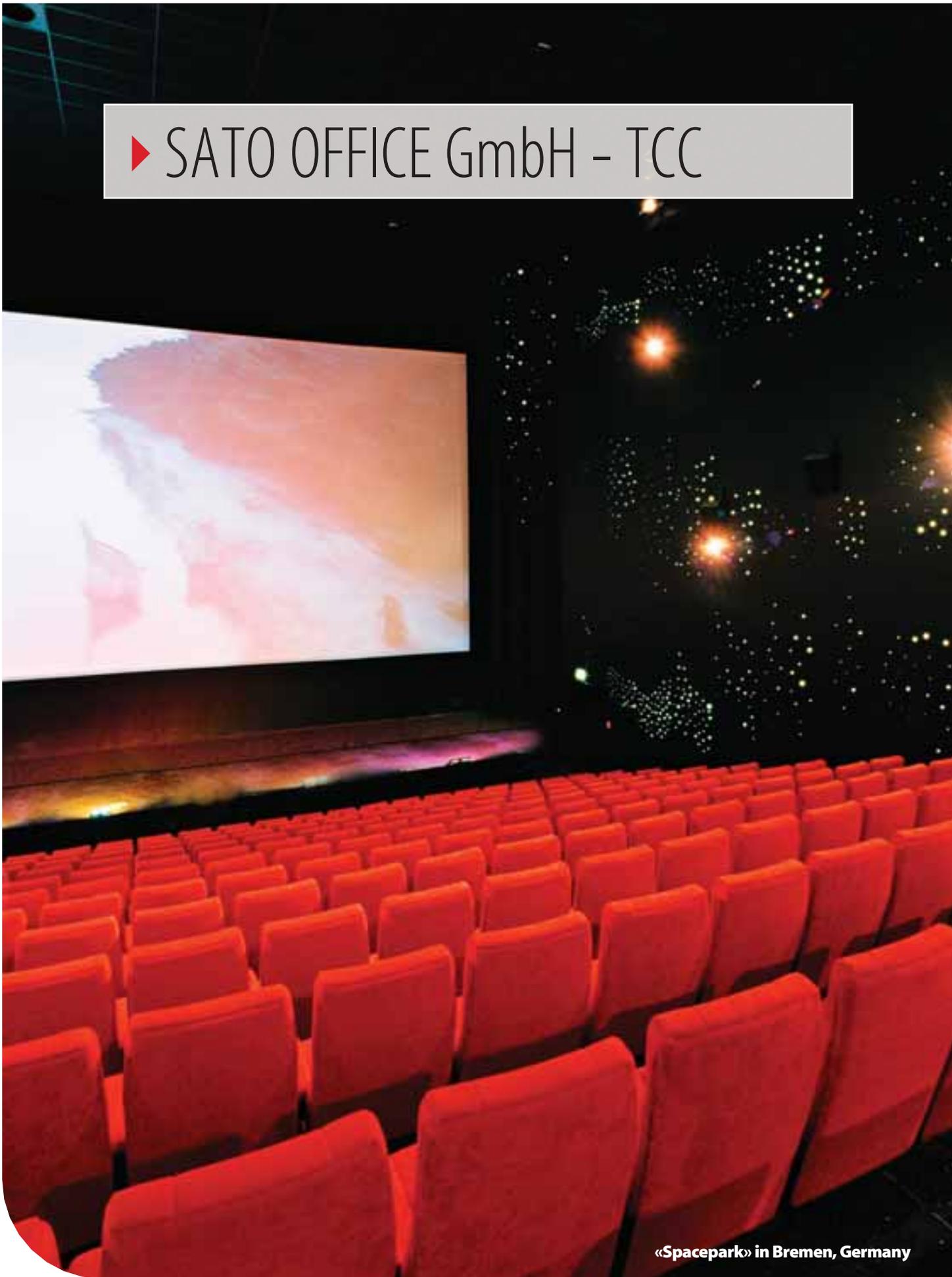
With a wide range of sofas, armchairs & accessories, and with countless possibilities to fuse different styles, materials, colors & functions, we can safely say that we help our customers create the living-room of their dreams.

Our network consists of 3 stores in the region of Attica, 1 in Thessaloniki & 10 more around the rest of the country. In January 2007 one new store opened in Athens, while the network in the rest of the country is under restructuring.

DIVANI & DIVANI
by NATUZZI



▶ SATO OFFICE GmbH - TCC



«Spacepark» in Bremen, Germany

SATO Office GmbH (Germany) is a subsidiary of the group and is our arm in Central Europe.

It has its own production unit and specializes in the manufacture of high added value seating, while simultaneously being the company responsible for developing the pioneering, patented technology Glide tec.

SATO Office GMBH has a strong presence throughout Germany via an extensive network of representatives that allow them to cover the entire country. In addition, it has activities in most Western European countries, where it has been extremely successful, especially in German-speaking countries and in Scandinavia as well.

Furthermore, it is the exclusive representative in Germany as well as in Belgium, Luxemburg, Switzerland and Austria of the internationally renowned Japanese company OKAMURA, manufacturer of the Giorgetto Giugiaro-designed Contessa chair.

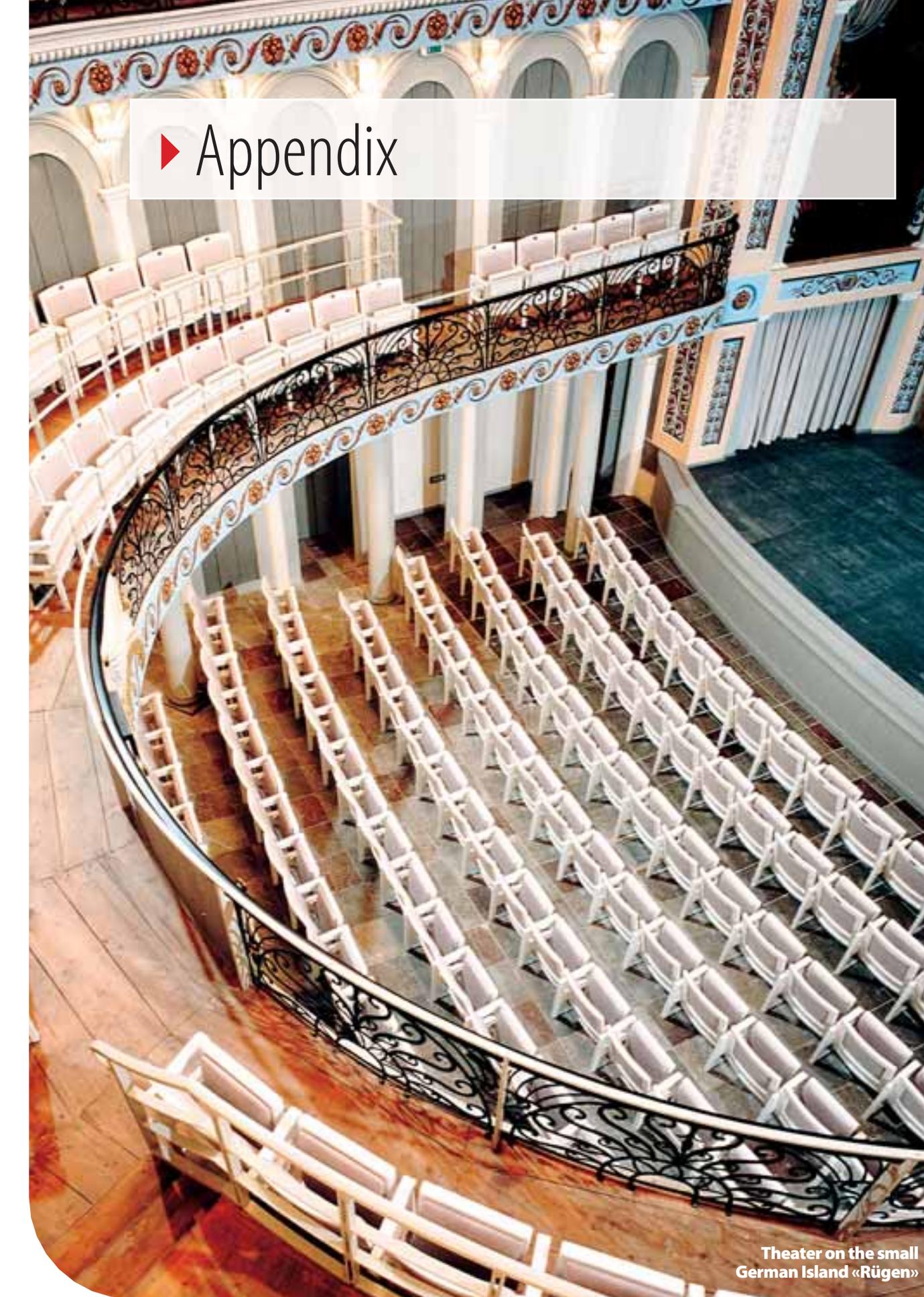
SATO Office GMBH has a significant presence in Turkey through its subsidiary TCC Buro Koltuk Ltd.

TCC is headquartered in the city of Bursa, which is also the location of the production unit it maintains. The company produces office and amphitheater seating which is available on the market through representatives and associates. It chiefly covers the Turkish market, but has begun expansion into other countries of the greater region as well.

GRAMMER
office

TCC
The Chair Company





▶ Appendix

Theater on the small
German Island «Rügen»

Financial Statements for the year ended December 31, 2006

Amounts in thousands of € (unless otherwise stated)

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Independent Auditor's Report

To the shareholders of «SATO A.E.»

Report on the Financial Statements

We have audited the accompanying Financial Statements of SATO A.E. (the "Company"), as well as the Consolidated Financial Statements of the Company and its subsidiaries (the "Group), which comprise the balance sheets as at December 31st, 2006, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards which comply with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of SATO A.E. and the Group as of December 31st, 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The content of the Board of Directors Report is consistent with the accompanying Financial Statements.

Athens, 16 March 2007

The Certified Auditor Accountant

Loizos Kolokotronis
(SOEL Reg. No. 10931)

Ernst & Young (Hellas) Certified Auditors Accountants S.A

A. INCOME STATEMENT

	Notes	CONSOLIDATED		COMPANY	
		01/01-31/12/06	01/01-31/12/05	01/01-31/12/06	01/01-31/12/05
Revenue (sales)	6	77,276	74,062	54,842	53,426
Cost of sales	20	-43,393	-43,563	-26,870	-28,065
Gross profit		33,883	30,499	27,972	25,361
Other income		1,945	2,651	1,748	2,218
Selling expenses		-24,500	-22,852	-21,765	-20,168
Administrative expenses		-7,435	-7,509	-5,542	-5,772
Other expenses		0	-620	0	-343
Profit from operating activities		3,893	2,169	2,413	1,296
Financial expenses		-3,060	-3,059	-2,096	-2,225
Financial income		395	318	167	183
Gains and losses from investments	5	6,927	6,168	6,927	5,990
Profit from operating activities before income taxes		8,155	5,596	7,411	5,244
Income taxes	19	-3,104	571	-3,024	643
Net profit after taxes		5,051	6,167	4,387	5,887
Attributable to:					
Equity holders of the parent		5,049	6,160		
Minority interest		2	7		
		5,051	6,167		
Basic earnings per share in €	23	0,18	0,23	0,16	0,22
Diluted earnings per share in €	23	0,18	0,23	0,16	0,22

B. BALANCE SHEET as at December 31, 2006 and 2005

	Notes	CONSOLIDATED		COMPANY	
		31/12/2006	31/12/2005	31/12/2006	31/12/2005
ASSETS					
NON CURRENT ASSETS					
Fixed assets	7	43,234	42,211	34,997	34,016
Intangible assets	8	588	201	574	179
Investments in subsidiaries	5	0	0	9,523	8,070
Available for sale financial assets	5	3	12,518	3	12,518
Deferred tax assets	19	975	1,817	143	1,313
Other non current assets	9	932	410	2,433	2,709
		45,732	57,157	47,673	58,805
CURRENT ASSETS					
Inventories	10	17,133	15,215	14,554	12,813
Trade receivables	11	22,678	16,775	19,910	14,631
Other receivables	11	3,611	2,588	3,121	2,665
Cash and cash equivalents	12	291	871	260	713
		43,713	35,449	37,845	30,822
TOTAL ASSETS		89,445	92,606	85,518	89,627
EQUITY AND LIABILITIES					
Equity and reserves					
Share capital	13	25,251	20,521	25,251	20,521
Treasury shares	13	-1,104	0	-1,104	0
Share premium	13	3,344	7,402	3,344	7,402
Retained earnings/(accumulated losses)		-5,363	-10,513	2,254	-2,251
Other reserves	13	10,143	13,226	9,630	12,537
Minority Interest	3	28	0	0	0
Total equity		32,274	30,664	39,375	38,209
LONG TERM LIABILITIES					
Long term loans	15	19,815	21,522	14,407	16,106
Provisions	16	2,956	2,975	839	926
Government grants	17	0	6	0	6
Deferred tax liabilities	19	2,359	3,144	2,359	3,476
		25,130	27,647	17,605	20,514
SHORT TERM LIABILITIES					
Trade and other liabilities	18	16,786	15,155	13,774	12,436
Short term bank borrowings	15	14,802	19,069	14,367	18,459
Income tax payable	19	453	71	397	9
		32,041	34,295	28,538	30,904
Total liabilities		57,171	61,942	46,143	51,418
TOTAL EQUITY AND LIABILITIES		89,445	92,606	85,518	89,627

C. CASH FLOW STATEMENT FOR THE YEAR

	CONSOLIDATED		COMPANY	
	01/01-31/12/06	01/01-31/12/05	01/01-31/12/06	01/01-31/12/05
Cash flows from operating activities				
Profit/(loss) before income taxes	8,155	5,596	7,411	5,244
Plus/minus adjustments for:				
Amortization and depreciation (note: 7,8)	2,682	2,738	2,146	2,056
Amortization of government grants (note: 17)	-59	-72	-59	-72
Provisions (note: 10, 11, 16)	277	1,552	289	1,338
Foreign exchange loss/(gain)	-134	175	-	-
Loss on fixed asset sale/destruction	-	64	-	64
Stock options (note: 21)	731	-	731	-
(Gains) from investments (note: 5)	-6,927	-6,168	-6,927	-5,990
Interest and related income	-313	-318	-84	-183
Interest and related expenses	2,905	2,834	1,942	2,001
Operating Profit Before Changes in Working Capital	7,317	6,401	5,449	4,458
Adjustments for changes in working capital:				
Decrease/(Increase) in inventories (note, 10)	-2,068	-1,314	-1,975	-1,360
Decrease/(Increase) in receivables 11)	-7,195	6,521	-5,600	6,878
(Decrease) / increase in liabilities (excl, Bank borrowings) (note 18)	1,120	-3,848	1,339	-3,097
Less:				
Interest and related expenses paid	-2,848	-2,834	-1,885	-2,001
Income taxes paid (note: 19)	-2,632	-1,341	-2,581	-1,195
Net cash inflow / (outflow) from operating activities (a)	-6,306	3,585	-5,253	3,683
Cash flows from investing activities				
Proceeds from sales of investments (note: 5)	16,610	6,385	16,610	6,385
Increase of investment in subsidiary (Note: 5)	-44	-360	-1,454	-217
Purchase of treasury shares (note: 13)	-1,104	-	-1,104	-
Purchase of tangible and intangible assets (note 7,8)	-4,273	-4,157	-3,533	-3,881
Sale of tangible and intangible assets (note 7,8)	223	162	11	110
Interest and related income received	313	271	85	136
Dividend received	-	47	-	47
Total inflow from investing activities (b)	11,725	2,348	10,615	2,580
Cash flows from financing activities				
Intragroup borrowings	-	-	-	-610
(Payments)/proceeds from Bank borrowings (note 15)	-7,514	-4,861	-7,500	-4,386
Proceeds from loans extended/ drawn (Note: 15)	2,369	-	2,369	-
Payment of finance lease liabilities (capital payments) (note 15)	-830	-878	-660	-647
Proceeds from sale of treasury shares	-	188	-	188
Proceeds from share capital increase (note: 13)	671	-	671	-
Dividends paid	-695	-650	-695	-650
Total outflow from financing activities (c)	-5,999	-6,201	-5,815	-6,105
Net increase / (decrease) in cash and cash equivalents [(a)+(b)+(c)]	-580	-268	-453	158
Cash and cash equivalents at beginning of year	871	1,139	713	555
Cash and cash equivalents at end of year (note 12)	291	871	260	713

D. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

D1. SATO GROUP

	Share capital	Share premium	Treasury shares	Statutory reserve and other reserves	Retained earnings / (accumulated loss)	Minority Interest	Total
January 1st 2005	20,521	7,402	-539	7,563	-12,872	100	22,175
Purchase of minority interest in subsidiary					-273	-87	-360
Exchange difference on translation of foreign subsidiaries				209		8	217
Fair value reserve on valuation of investments				2,837			2,837
Effect of absorption of subsidiaries				2,493	-2,493		0
(Purchase)/sale of treasury shares			539		-351		188
Dividends distributed					-684		-684
Stock option plan reserve				124			124
Profit for the year	0	0	0		6,160	7	6,167
December 31st 2005	20,521	7,402	0	13,226	-10,513	28	30,664
Issue of share capital from capitalization of share premium note: 13)	4,104	-4,104					0
Reserve from granting of stock option plan 2006 to personnel (note: 21)				731			731
Effect of exercise of stock options by personnel (note: 21)	626	46		-802	802		672
Transfer to profit and loss of the fair value reserve of investments due to their sale (note: 13)				-2,836			-2,836
Purchase of treasury shares (note: 13)			-1,104				-1,104
Dividends distributed (note: 23)					-684		-684
Purchase of minority interest in subsidiary (note 5)					-17	-27	-44
Exchange difference of translation of foreign subsidiaries				-176			-176
Profit for the year	0	0	0		5,049	2	5,051
December 31st 2006	25,251	3,344	-1,104	10,143	-5,363	3	32,274

D. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

D2. SATO S.A.

	Share capital	Share premium	Treasury shares	Statutory reserve and other reserves	Retained earnings/(accumulated losses)	Total
January 1st 2005	20,521	7,402	-539	7,042	-4,364	30,062
Dividends distributed					-684	-684
(Purchase)/sale of treasury shares			539		-351	188
Fair value reserve from valuation of investments				2,836		2,836
Effect of absorption of subsidiaries				2,535	-2,739	-204
Stock Option Plan reserve				124	124	
Profit for the year	0	0	0		5,887	5,887
December 31st 2005	20,521	7,402	0	12,537	-2,251	38,209
Share capital increase from capitalization of share premium (note: 13)	4,104	-4,104				0
Transfer to profit and loss of the fair value reserve of investments due to their sale (note: 5)				-2,836		-2,836
Effect of exercise of stock options by personnel (note: 21)	626	46		-802	802	672
Reserve from granting of stock option plan 2006 to personnel (note: 21)				731		731
Dividends distributed (note: 23)					-684	-684
Purchase of treasury shares (note: 13)			-1,104			-1,104
Profit for the year	0	0	0		4,387	4,387
December 31st 2006	25,251	3,344	-1,104	9,630	2,254	39,375

1. COMPANY'S FORMATION AND OPERATIONS:

SATO AE (hereinafter 'the Company') was incorporated in 1973 and its shares are listed on the Athens Stock Exchange since 1990 under the stock code ΣΑΤΟΚ (stock code per Reuters SATr.AT).

The company' headquarters are located on Kifissias Avenue n. 168, in Maroussi (Register of Sociétés Anonymes N. 8406/B/86/15).

The operating activities of SATO AE and its subsidiaries (hereafter 'the Group') include production and trading of office and home furniture. The Group is mainly active in Greece, though it does significant business in Europe as well, through its subsidiary in Germany.

The parent company of SATO S.A. up to 27/12/2006 was PASAL S.A. (formerly THEODORIDES GROUP OF COMPANIES S.A.). On this date, the shares of SATO S.A. held by PASAL S.A. were transferred to individuals (see note 25).

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation of the Financial Statements

The consolidated financial statements of the Group and the stand alone financial statements of the Company ('the financial statements') are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and amounts are reflected in thousand €, the currency of the country in which the parent company operates. The financial statements have been prepared on a historical cost basis with the exception of available for sale financial assets which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of sufficient available information and judgmental conclusions are integral parts for making these estimations. Actual results may ultimately differ from the above estimations with significant effect on the Financial Statements.

2.2 Changes in Accounting Policies

The accounting policies which have been applied are in line with those of the previous period except for those cases which were affected by new or amended standards and interpretations that are mandatory for the periods beginning on or after January 1, 2006. Changes in accounting policies arise from the application of the following new or revised standards and interpretations:

- 】 IAS 1 and IAS 19: (Amendments) Actuarial Gains and Losses / Multi-Employer Plans and Disclosures
- 】 IAS 39 (Revised) Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- 】 IAS 39 (Revised) The Fair Value Option
- 】 IAS 39 and IFRS 4 (Revised) Financial Guarantee Contracts
- 】 IFRS 6: Exploration for and Evaluation of Mineral Resources
- 】 IFRIC 4: Determining whether an arrangement contains a lease
- 】 IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- 】 IFRIC6: Liabilities arising from Participating in a Specific Markets € Waste Electrical and Electronic Equipment

Of the aforementioned new or revised standards and interpretations, some were not applicable to the Group and other did not have a significant effect on the Group's individual and consolidated financial statements.

2.3 Approval of the Financial Statements

The financial statements as of and for the year ended December 31, 2006, prepared in conformity with IFRS, have been approved by the Board of Directors on March 15, 2006 and are subject to the final approval of the General Assembly of Shareholders.

2.4 Consolidated Financial Statements

Business Combinations

All the acquisitions of companies for which the agreement was executed on March 31 2004 and thereafter are recorded using the purchase method as this is set by IFRS 3, from the date of each purchase. The Group has included in its income statement and recognized in its balance sheet respectively the accounting result and all the assets and liabilities of the purchased companies as well as any goodwill arising from each purchase.

All business combinations have been recognized at their purchase cost, which includes, in addition to the consideration paid, any costs directly attributable to the business combination. In order to allocate the cost of a business combination, all identifiable assets and liabilities of the acquiree are recognized at their fair values at the date of exchange and any minority interest is stated at the minority's proportion of the net fair value of those items, in compliance with IFRS 3.

Goodwill is the difference between the acquisition amount and the fair value of the net assets of the companies acquired.

IFRS 3 was not applied retrospectively for business combinations before 1 January 2004. Goodwill related to those business combinations was deducted from equity and has not been recorded as an asset in the opening IFRS balance sheet of the Group, in accordance with the provisions of IFRS 1.

Goodwill from business combinations that arose after 1 January 2004 is initially recognized at cost, being the excess of the purchase price over the acquirer's share on the fair value of net assets acquired at acquisition date. Goodwill is revised at least on a yearly basis or when events or changes in situations indicate that value may not be recoverable.

Subsidiaries are companies in which the Company holds either directly or indirectly more than half of the voting rights or have the power to govern their operating and financial policies. All subsidiaries have been consolidated through the total consolidation method. The parent company consolidates all its subsidiaries from the date control is acquired, and ceases to consolidate them when control cease to exist.

A schedule showing the most significant subsidiaries of the Company is presented in **Note 5**.

The consolidated financial statements include the financial statements of SATO AE and the financial statements of its subsidiaries, which have been prepared for the same period. The financial Statements of the subsidiaries have been prepared for the same fiscal year as those of the parent company, using the same accounting policies.

All the intercompany balances and transactions, including any unrealized profit that may have occurred from intercompany transactions have been eliminated.

2.5 Investments in subsidiaries and associates (separate financial statements)

The investments of the parent company in its consolidated subsidiaries are recognized at cost less accumulated impairment (if any).

Investments in associates are accounted for in the separate financial statements at cost less any provision for impairment.

2.6 Fixed assets

Tangible assets include land and buildings, improvements in leasehold assets, machinery and equipment, and vehicles owned by the group and used for operating and administrative purposes.

The tangible assets are initially recorded at their acquisition cost which includes all the necessary expenses to make the asset operational. Tangible assets which are manufactured by the Group are recognized at their construction cost which includes expenses for subcontracting, materials and wages insofar as the constructed items (including employer's social security contributions).

After initial recognition, tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight line method over the useful life of the asset from the date they are fully operational as below:

	Years
Industrial buildings	25
Office buildings	33
Shops	33
Machinery and equipment	6,7-10
Improvements in leasehold assets	9-12
Transportation means	5-10
Furniture and other equipment	3-10

No depreciation is calculated for land and assets under construction. Improvements to leased properties are amortized during the duration of the lease, though they do not exceed their useful lives.

The management of the group periodically assesses the tangible assets for indications of impairment. If there is any indication that the book value of a fixed asset is greater than its recoverable amount then a provision for an impairment loss is recorded so that the book value of the asset corresponds to its recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any incremental selling costs. For the calculation of the value in use, the expected future cash flows are discounted at their present value, using a pre-tax discount rate which reflects the current expectations of the market for the time value of money and the risks related to the asset. For assets which do not create cash flows from their use, which are separable from the cash flows of other assets, the recoverable amount is identified for the cash generating unit to which the asset belongs.

Tangible assets are derecognized from the balance sheet when they are disposed or when no future financial benefits from their use are expected.

Gains or losses arising from derecognition of tangible assets are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item; they are included in the Income Statement for the period.

2.7 Leases

The Group as a lessee

Finance leases that transfer (to the Group) substantially all risks and rewards, incidental to the ownership of the leased asset, are recorded as assets and liabilities at amounts equal at the commencement of the lease to the fair value of the leased asset or if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charges are charged to the Income Statement.

The leased assets are depreciated over their useful life as if they were owned by the Group. However, if there is no reasonable certainty that the leased asset will be acquired by the company at the end of the lease period the assets are depreciated over the shorter of the useful life of the asset and the lease period.

Leases where the lessor retains all risks and rewards associated to the leased asset are classified as operating leases. Lease payments for operating leases are recognized as an expense in the Income Statement, on a systematic basis over the lease period. If an operating lease is terminated before the due date, the amount payable to the lessor as compensation is recognized as an expense in the period in which the lease is terminated.

The Group as a lessor

Assets under operating leases are shown on the balance sheet according to their nature. These assets are depreciated over their useful life in the same way as other similar operational assets. Revenues from the lease payments are recognized using the straight line method over the lease period.

The group does not operate as a lessor for finance leases.

2.8 Borrowing Costs

The Company has adopted the benchmark treatment provided by IAS 23, on the basis of which borrowing costs (whether for loans used for acquisitions or the construction of fixed assets and installations) are expensed for in the period which they refer to.

2.9 Intangible assets

Intangible assets acquired separately by the Group are recognized at cost. These intangible assets include software purchase costs as well as any expenditure incurred for preparing it for its use. Software is depreciated on a straight line basis over 3-5 years.

After initial recognition, intangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

After initial recognition, the management of the Group periodically examines the intangible assets to identify whether there are any indications of impairment. When certain events or changes in circumstances show that the carrying amount of an intangible asset may not be recoverable then a provision for impairment loss is recorded so that the carrying amount of the asset reflects its recoverable amount.

The recoverable amount of an intangible asset is the higher between the net selling price and its value in use.

2.10 Investments – Financial Assets

All investments are initially recorded at cost including relevant purchase costs.

After initial recognition, investments classified as held for sale, are measured at their fair value. Gains or losses from investments held for sale are recorded as a separate component of equity until the investment is sold, settled or disposed in any other way, or until there is an indication for impairment in which case any accumulated gains or losses previously recorded in equity are included in the Income Statement.

For investments listed in active markets, fair value is determined as the market value quoted at these active markets on the date of the financial statements.

Investments for which there is no active market, their fair value is determined either on the basis of the price of another similar listed financial asset or on the basis of a discounted cash flow analysis of the equity of the issuer.

An investment is considered to be impaired when its carrying amount is higher than its recoverable value and there is objective evidence that the decrease in its value is such that the recovery of the invested amount is not likely in the near future

For financial assets which are measured at amortized cost, impairment losses are calculated as the difference between their carrying amount and the present value of the expected cash flows, discounted at the effective interest rate of the financial asset.

The recoverable amount of financial assets, which are listed in active markets and are measured at their fair value, is considered the present value of the expected future cash flows discounted at the current market rate used for other similar financial assets.

However, the recoverable amount of financial assets, which are not listed in active markets, is calculated using generally accepted valuation techniques.

Any impairment losses are recognized in profit and loss.

Revenue from interest and dividends originating from investment securities are recognized as "interest and similar income" and "dividend income" respectively.

2.11 Inventories

Inventories are measured at the lower of cost and net realizable value. The company applies the weighted average cost method to measure inventories. The net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Appropriate provisions are made for inventory that is obsolete, useless and has a very low turnover rate. The reductions in value of the inventory to net realizable value and other losses from inventories are recorded in the income statement of the period in which they occur.

2.12 Trade and other receivables

These are short term receivables (due in less than 12 months from the recognition date) and are recorded at their fair value. When past due receivables and indications of impairment exist, a provision is recognized (as a charge in the income statement) to decrease their carrying amount to their recoverable amount. In such case, the receivable amount is valued at its recoverable amount which is the present value of estimated future cash inflows from receipts and the difference is charged to profit and loss.

Doubtful receivables are written off against the relevant provision, when all actions for their collection have been exhausted.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at hand and short-term deposits at banks or other highly liquid investments with initial maturity of less than three months.

For Cash flow purposes cash and cash equivalents comprise the above less any overdraft balances.

2.14 Bank borrowings

All Bank loans are initially recognized at an amount equal to the fair value of the funds received less any directly related expenses.

After initial recognition, borrowings are measured at their amortized cost using the effective interest method. The amortized cost is calculated considering any issue costs and the difference between the initially borrowed amount and the principal repayments to maturity.

Gains and losses are shown in the Income Statement when liabilities are derecognized or decreased, through the amortization process.

2.15 Provisions, contingent liabilities and contingent assets

The Group recognizes a provision when:

- ❑ There is a current legal or constructive obligation as a result of a past event.
- ❑ It is probable that an outflow of resources that embody economic benefits will be required in order to settle the obligation
- ❑ A reliable estimate can be made of the amount of the obligation

The management of the Group reassesses the need for a provision at the end of each fiscal year and adjusts it so as to reflect the best estimates which are discounted at a pre-tax discount rate when considered necessary.

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of outflows embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements, but are disclosed if inflows embodying economic benefits are probable.

2.16 Employee benefits

The Group companies participate in different post-employment benefit plans depending on the conditions and practices applicable to the countries where they operate. These plans include Defined Benefit Plans and Defined Contribution Plans.

A Defined Benefit Plan is a post-employment benefit plan, under which an entity pays a certain amount for retirement benefits which is determined on certain attributes such as age, years of service, salary, etc. . The amount recognized as a defined benefit liability is the present value of the defined benefit liability at the balance sheet date less the fair value of plan assets (if any), plus/minus any actuarial gains or losses not yet recognized, minus any past service cost not yet recognized.

The Group applies the "corridor approach" as defined in IAS 19 "Employment Benefits." Actuarial gains or losses which result from adjustments based on historical data and exceed 10% of the accumulated liability are amortized for a period that is equal to the average remaining working life of the staff. The Defined Benefit liability is determined at regular intervals, at least every year, by independent qualified actuaries using the Projected Unit Method. The present value of the liability is determined based on the estimated future outflows, discounted at the rate of the government bonds with maturity corresponding to that of the obligation. The change in the carrying amount of the liability is recorded as income or expense in the Income Statement and attributed to relevant cost centers.

A Defined Contribution Benefit Plan is one under which the Group pays fixed contributions into a separate entity (the Fund) and the Group has no legal or constructive obligation to pay additional contributions if the Fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Group's contributions to such plans are recognized as an expense in the Income Statement for the period services are provided to the Group, under payroll expenses.

Share option plans to employees: The Group has set up a share option plan for some of its executives through which part of their remuneration is settled with company shares or share options..

The cost of these transactions is defined as the fair value of the shares at the date these plans are approved by management.

The fair value is defined through the use of a valuation model relevant to the circumstances.

The cost of the share purchase option plans is recognized during the period in which the conditions for the exercise of the options are gradually fulfilled. The period ends on the date the executives participating in the plan are entitled to exercise their options (options vesting date).

No cost is recognized for options which are not vested unless they are dependant upon certain external market conditions.

These options are considered to vest when all other conditions have been satisfied irrespective of external market conditions.

In the event that such plans are cancelled they are measured as if they had vested at the cancellation date and those not yet recognized are immediately recorded in equity.

If a cancelled plan is replaced by another, the new one is treated as a modification of the initial plan.

2.17 Revenue

Revenues from sale of goods are recognized after deducting any given discounts, when the Group has transferred substantially all risks and rewards from the ownership of the goods to their buyer.

Interest income is recognized in the Income Statement when it is earned on a proportionate basis (using the effective interest method, which is the interest that discounts the estimated future cash inflows throughout the expected life of the financial asset) on the carrying value of the financial asset.

2.18 Income taxes (Current and Deferred)

Current and deferred income taxes are calculated on the relevant amounts reflected in the financial statements and according to the tax laws and regulations applicable in the countries in which the Group operates. Current income tax refers to tax on the taxable profits of each company, as restated in conformance with the fiscal law, and is calculated using the applicable income tax rate.

Deferred tax is calculated using the liability method for all temporary differences at the Balance sheet date between the tax base and the carrying value of assets and liabilities.

The expected tax consequences of the temporary tax differences are determined and reflected either as future (deferred) tax liabilities or deferred tax assets.

Deferred tax assets are recognized for all tax deductible temporary differences and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the tax-deductible temporary difference can be used.

The carrying value of the deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that taxable profits will not be available against which a part or the total of the deferred tax assets can be used.

Current Income tax assets and liabilities for the current and previous fiscal years are measured at the amount expected to be paid to the tax authorities (or recovered from them), using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Income tax or deferred tax asset or liability on items directly recognized in the equity is also recognized directly in the Group equity and not in the Income Statement.

2.19 Transactions in foreign currency

The parent company's currency of measurement and reference is the Euro (€). Transactions in other currencies are recorded into Euros by applying the spot exchange rates at the date of transaction. Foreign currency monetary items at the Balance sheet date are translated into euros using the closing rates. Gains and losses arising from changes in foreign currency rates are recognized in the Income statement as gain/loss from exchange differences.

Assets and liabilities of foreign operations are translated into Euros using the closing exchange rates at the balance sheet date, while revenues and expenses are translated using the average exchange rates for the period. Exchange differences that arise from translating assets and liabilities at closing rate and revenues and expenses at average rates, as well as those arising from translating the opening net assets at a closing rate that differs from the previous closing rate, are recognized as a separate component of equity. On the disposal of a foreign operation the cumulative amount of the exchange differences deferred as a separate component of equity relating to that foreign operation is recognized in profit or loss when the gain or loss on disposal is recognized.

The financial statements of foreign companies that operate in hyperinflationary economies (Turkey up to 2005) have been revaluated using appropriate indices in current values on the balance sheet date, prior to their conversion into the currency of the parent company.

2.20 Government grants

Government grants are not recognized in the Group's financial statements unless there is reasonable assurance that

(a) the Group will comply with the conditions attaching to them; and

(b) the grants will be received.

The government grants are initially recognized at the fair value of the consideration received and are recognized as income on a systematic basis matching the grants received to the related costs subsidized.

Grants relating to purchase of tangible assets are shown as long term liabilities (deferred income) and are recognized as income over the life of the depreciable asset.

2.21 Financial instruments

Financial assets and liabilities include cash and cash equivalents, trade and other receivables, equity investments and securities short and long term liabilities.

Financial instruments are shown as assets, liabilities or equity elements on the basis of their substance and content of the relevant contracts from which they arise. Interest, dividends, profits or losses which arise from financial instruments (assets or liabilities) are accounted for as income or expense respectively. Dividend distribution to shareholders is recorded in equity. Financial instruments are set off when the Group has a legally enforceable right and intends to do so or recover the asset and set off the liability simultaneously.

The Group does not use derivative financial instruments either for risk hedging purposes or for speculation.

2.22 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, less the average number of treasury shares held by the group during the year. Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding during the year with the effect of all titles potentially convertible to ordinary shares. In the case of the company, the stock options are the only category of titles potentially convertible to ordinary shares. With respect to stock options, a calculation is performed for the amount of shares that could have been purchased at the fair value (defined as the average of the price quoted in the Stock Exchange during the year) based on the value of the participation rights related to the existing stock option plan. The number of shares resulting from the above calculation is compared to the number of shares that could have been issued if the rights were exercised. The resulting difference is added to the denominator as ordinary shares issued. Finally no adjustment is made to profit/(loss) for the year (numerator).

2.23 Dividend distribution

Dividend distribution to the shareholders of the group is shown as a liability in the period it is approved by the Annual shareholders assembly.

2.24 Share capital

The share capital reflects the value of Company shares that have been issued and are outstanding. The amount paid above the par value of the shares is recognized in the equity account as "share premium."

When the Company or its subsidiaries acquire portions of the Company's share capital, the amount paid, before income taxes but including any related expense is subtracted from equity as treasury shares, until cancellation thereof. When the treasury shares are sold or re-issued, the value of the corresponding transaction is recognized in equity.

2.25 Segment information

The group operates in two business segments, office furniture and home furniture, which are exposed to different risks and returns. Consequently, segmental analysis of its financial statements is based on these two segments, which are considered as the primary segment for reporting purposes.

As the group operates in different countries, geographical segments provide information about products or services offered in each area that are subject to different risks and returns when compared to other areas.

2.26 Related party transactions

Related parties are companies over which the Group has control or significant influence over their financial and operating policies. Moreover, related parties are the members of the Board of Directors, their close family members and companies they own, control or significantly influence.

2.27 New accounting standards and IFRIC interpretations

New IFRS interpretations and amendments of existing standards which are mandatory for accounting periods beginning on January 1, 2007 and thereafter, have been issued up to the date the financial statements were authorized. The assessment of the management of the Group and of the Company regarding the effects of implementing these new standards and interpretations is set forth below.

IFRS 7 Financial Instruments: Disclosures and the amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (applied to annual accounting periods beginning on or after January 1, 2007).

IFRS 7 requires additional disclosures regarding financial instruments in order to improve the quality of the information provided and in particular, it requires disclosure of qualitative and quantitative information regarding exposure to risks deriving from financial instruments. More specifically, it defines minimum disclosure requirements regarding credit risk, liquidity risk and market risk (it requires a sensitivity analysis insofar as market risk). IFRS 7 replaces IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions) and the requirements of IAS 32 (Financial Instruments: Disclosure and Presentation). It is applicable to all companies that prepare financial statements according to IFRS.

The related amendment of IAS 1 refers to disclosures about the level of an entity's capital as well as the way in which it is managed. The Group is in the process of assessing the effect of this standard on its financial statements.

IFRS 8, Operating Segments (applied to annual accounting periods beginning on or after January 1, 2009)

IFRS 8 replaces IAS 14 Segment Reporting and adopts a managerial approach to segment reporting. The information to be disclosed will be the information used internally by management to assess the performance of the operating segments and the allocation of resources to these segments. This information may differ from the information reported in the balance sheet and income statement and companies must provide explanations and reconciliations for these differences. The Group is in the process of assessing the effect of this standard on its financial statements. IFRS 8 has not yet been adopted by the EU.

IFRIC7, Applying the Restatement Approach under IAS 29

Financial Reporting in Hyperinflationary Economies (applied to annual accounting periods beginning on or after March 1, 2006)

This interpretation requires a company that identifies the existence of hyperinflation in the economy of its functional currency, which was not hyperinflationary in the prior period, to apply the requirements of IAS 29 as if the economy had always been hyperinflationary.

IFRIC 7 does not apply to the Group.

IFRIC 8, Scope of IFRS 2 (applied to annual accounting periods beginning on or after May 1, 2007)

This Interpretation clarifies that IFRS 2 applies to transactions in which an entity disposes of equity instruments or commits to deliver cash or other assets (which are based on the value of the entity's shares), when the consideration that has been received appears to be less than the fair value of the equity instruments granted or the liability incurred/

IFRIC 8 does not apply to the Group.

IFRS 9, Reassessment of Embedded Derivatives (applied to annual accounting periods beginning on or after January 1, 2006)

IFRIC 9 requires an entity to assess the extent to which an agreement contains an embedded derivative when the agreement is first entered into and prohibits reassessment unless there is a change in the terms of the agreement which materially modifies the cash flows.

IFRIC 9 does not apply to the Group.

IFRIC 10, Interim Financial Reporting and Impairment (applied to annual accounting periods beginning on or after November 1, 2006)

IFRIC 10 can affect the financial statements, if an impairment loss is recognized during an interim period which involves goodwill or investments in equity instruments which are available for sale or unlisted equity instruments which are accounted for at cost, as this impairment loss cannot be reversed in subsequent interim or annual financial statements.

IFRIC 10 has not yet been adopted by the EU.

IFRIC 11, IFRS 2 –Group and Treasury Share Transactions (applied to annual accounting periods starting on or after March 1, 2007)

This Interpretation requires transactions in which employees receive rights to equity instruments to be considered for accounting purposes as equity settled share-based payment transactions, even if the company chooses or has committed to buy these equity shares from third parties or the shareholders provide the instruments to be granted. The Interpretation also covers how subsidiaries handle programs in which employees are granted rights on the parent company's equity instruments, in their individual financial statements.

IFRIC 11 does not apply to the Group. IFRIC 11 has not yet been adopted by the EU.

IFRIC 12, Service Concession Arrangements (applied to annual accounting periods beginning on or after January 1, 2008)

IFRIC 12 covers how concessionaires should apply existing International Financial Reporting Standards (IFRS) to record liabilities that they incur and the rights that are granted to them through the relative concession agreements. Based on the Interpretation, concessionaires must not recognize the relative infrastructure as a tangible fixed asset, but rather they should recognize a financial asset or intangible fixed asset. IFRIC 12 does not apply to the Group. IFRIC 11 has not yet been adopted by the EU.

No Standards have been applied before their effective date.

2.28 Reclassifications of amount

Some amounts in the notes have been reclassified so as to be comparative with the presentation of the current year. Further clarifications are provided in the corresponding notes.

3. RISK MANAGEMENT

The group is exposed to financial risks, mainly market risk (changes in foreign currency rates, interest rates, and market prices), credit risk, liquidity risk and cash flow risk.

The general risk management policy of the Group focuses on credit risk and market risk management.

Risk management is performed through the various business operations of the Group.

The approval of the executives that bind the company is required prior to carrying out transactions.

Market risk

Foreign currency risk

It does not affect Group operations significantly as foreign currency transactions with customers and suppliers are limited.

Price risks

The Group is exposed to changes in the prices of the raw materials and other materials or merchandise it purchases.

Credit risk

The Group's revenue derives mainly from transactions with companies of the public or private sectors and there is no significant concentration of credit risk from customers.

Liquidity risk

It is considered low by retaining adequate cash and cash equivalents while there are unused credit lines from financial institutions.

Cash flow risk and fair value risk due to changes in interest rates

Group operating revenue and cash flows are substantially unaffected by interest rate fluctuations.

However, the Group has short and long term liabilities (bank loans) with variable interest rates based on Euribor.

4. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS OF THE MANAGEMENT

The estimates and judgments made by management are reviewed continually and are based on historic data and expectations of future events that are taken into account on the basis of existing circumstances.

The Group makes estimates and assumptions about the outcome of future events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set forth below:

Income tax

An estimate is required from the Group regarding the anticipated amount of income tax. There are many transactions and calculations for which the final forecasted amount of income tax is uncertain. If the final tax differs from the initially recognized income tax, the difference will affect income tax and the deferred tax provision for the period.

Provisions for inventories

The Group makes estimates regarding the measurement of inventory at the lowest of the current and net realizable value. The net realizable value may differ from the amount that was estimated on the date the financial statements were prepared.

The useful lives of tangible fixed assets:

Management makes some estimates regarding the useful lives of depreciable fixed assets. Further information is provided in paragraph 2.6.

Defined benefit plans

The cost of the benefits of defined benefit plans is calculated using actuarial assumptions, which assumptions include discount rates, the rate of increase in salaries and the mortality rates. Due to the long term nature of the plans, these assumptions are subject to significant uncertainty.

5. CONSOLIDATED COMPANIES AND AVAILABLE FOR SALE INVESTMENTS

Consolidated companies:

The companies included in the consolidated financial statements for fiscal years 2005 and 2006 along with the consolidation method applied are as follows:

31.12.2006

Company	Location	Area of activity	Direct shareholding	Indirect shareholding	Indirect shareholding Consolidation method	Year end
SATO OFFICE GmbH	Germany	Production and trading of office furniture	100%		Purchase method	31.12.XX
TCC Buro Koltuk Ltd	Turkey	Production and trading of office furniture		99.95%	Purchase method SATO OFFICE GmbH	31.12.XX

31.12.2005

Company	Location	Area of activity	Direct shareholding	Indirect shareholding	Indirect shareholding Consolidation method	Year end
SATO OFFICE GmbH (ex- SID Seating)	Germany	Production and trading of office furniture	95.47%		Purchase method	31.12.XX
TCC Buro Koltuk Ltd	Turkey	Production and trading of office furniture		95,42%	Purchase method SATO OFFICE GmbH	31.12.XX
SATO RAMLER	Greece	Import and trading of furniture	51.00%		Purchase method	31.12.XX

During the current period SATO RAMLER was placed under liquidation and is no longer consolidated as it was inactive during 2005 and 2006 and its financial position is not significant to the Group.

The Company's investments in subsidiaries companies in the 2006 and 2005 periods were:

2006 Company	Cost of Participation	% of Participation	Difference from valuation	Value Participation
SATO OFFICE GMBH	9,523	100%	-	9,523
SATO RAMLER	31	51%	-31	0
Investments in subsidiaries	9,554		-31	9,523

2005 Company	Cost of Participation	% of Participation	Difference from valuation	Value Participation
SATO OFFICE GMBH	8,070	95.47%	0	8,070
SATO RAMLER	31	51.00%	-31	0
Investments in subsidiaries	8,101		-31	8,070

During the first half of 2006 the company acquired 4.53% of the share capital of its German subsidiary SATO Office GmbH, of which it already owned 95.47%, for the amount of €44 thous. After this purchase, the Company's investment in the share capital of SATO Office GmbH amounted to 100%.

Furthermore, during 2006 and following the acquisition of the percentage, SATO Office GmbH proceeded to an increase on its share capital and reserves by 1,410 thous., which was covered in its entirety by SATO S.A. through capitalization of its existing loan this subsidiary.

Available for sale investments

The analysis of the available for sale investments on December 31, 2006 and 2005 is shown below:

	31/12/2006		change in year 2006			31/12/2005	
	Valuation	% of participation	Acquisition	Sale/ Liquidation	Percentage sold	Valuation	% of participation
BO CONCEPT HOLDINGS	-	0,00%	4	-6.369	-11,93%	6.365	11,93%
ANASTILOTIKI S.A.	-	0,00%	-	-6.150	-13,50%	6.150	13,50%
ALLEN CREATIVE INTERIORS	-	0,00%	-	-	-99,85%	-	99,85%
Other available for sale financial assets	3	-	-	-	-	3	
Available for sale investments	3		4	-12.519		12.518	

The effect on the profit/loss for 2005 and 2006 was:

COMPANY	TRANSACTIONS IN 2006			
	Sales price less transaction taxes	Carrying value	Result	Percentage sold
BO CONCEPT HOLDINGS sale of the investment	10,767	-6,369	4,398	-11.93%
ANASTILOTIKI S.A. sale of the investment	5,843	-6,150	-307	-13.50%
Transfer to profit and loss of the 2005 fair value reserve for Bo Concept Holdings	0	0	2,836	0
Gains and losses from investments	16.610	-12.519	6.927	

	TRANSACTIONS IN 2005			
	Sales price less transaction taxes	Carrying value	Result	Percentage sold
BO CONCEPT HOLDINGS sale of part of the investment	6.385	-2.414	3.971	-18,85%
BO CONCEPT HOLDINGS reversal of impairment	-	-	2.019	-
Gains and losses from investments	6.385	-2.414	5.990	

Bo Concept Holdings (formerly Denka Holdings)

During the 3rd quarter of year 2005 the Company sold 3.47% of the shares of this entity, due to the significant increase of its share price. Furthermore, on 30/11/2005, the company sold an additional 15.38% as well as reversed the impairment loss of the value of the Bo Concept Holdings Shares, as they were trading at a price which was higher than the acquisition price.

The result of the above actions was a profit of € 5.9 million which has been recorded in the 2005 income statement.

Subsequent to the reduction of SATO's participation from 30.79% to 11.93% the Company has transferred this participation to available for sale investments. This investment as of 31.12.2005 has been valued based on the price of its shares in the stock exchange as at that date. The valuation on 31.12.2005 resulted in a capital gain of €2,836 thous. which was recognized directly in a fair value reserve in equity which was transferred to the 2006 profit and loss after the final sale of the remaining percentage during 2006.

The remaining investment in Bo Concept Holdings during 2006 was sold for a consideration of €10,767 thous. and this resulted in a gain of €7,234 thous. which was recognized in the income statement for 2006. The Company plans to create an untaxed reserve of €6,300 thous. for part of the gain from this sale.

ANASTILOTIKI S.A.

The 31/12/2005 balance refers to the 13.5% investment in the non-listed company ANASTILOTIKI S.A. in the amount of € 6,150 thous., which appears in its acquisition cost.

In July 2006, the Company sold and transferred all its shares in Anastilotiki ATE for an amount of €6,150 thous. Upon the sale of this investment, share transfer taxes of € 307 thous. were paid and recorded in the income statement.

ALLEN CREATIVE INTERIORS

This company has been placed under liquidation in previous periods and its acquisition cost (€ 1,172 thous.) has been fully impaired in previous periods. The winding up and liquidation of this company was completed in the current period.

6. SEGMENT INFORMATION

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is defined as a geographical area in which products and services are offered , and which is subject to risks and rates of return that are different from another geographical segment.

SATO group's primary consideration for financial reporting is focused on the business segments, while the geographical distribution of the activities of the Group is included as secondary information.

The main activities of the Group and financial information for the following business and geographical segments as at December 31, 2006 and 2005 are presented in the table below:

Primary reporting format: Business segments:

	By segment as at 31/12/2006		
	Office furniture	Home furniture	Total
Revenue (Sales)	42,461	34,815	77,276
Profit before finance charges and taxes	2,228	1,665	3,893
Total assets	75,144	14,301	89,445
Total liabilities	45,741	11,430	57,171
Total amortization and depreciation	1,783	899	2,682
Total expenses	2,841	1,432	4,273

	By segment as at 31/12/2005		
	Office furniture	Home furniture	Total
Revenue (Sales)	40,026	34,036	74,062
Profit before finance charges and taxes	239	1,930	2,169
Total assets	74,004	18,602	92,606
Total liabilities	45,284	16,658	61,942
Total amortization and depreciation	1,727	1,011	2,738
Total capital expenditures	2,623	1,534	4,157

The segment analysis items on 31/12/05 include the ENTOS brand office furniture. Therefore, in these notes the amounts have been reclassified so as to be comparable with those of 31/12/2006.

Secondary reporting format Geographical segments:

	By geographic segment as of 31/12/2006		
	Greece	Foreign	Total
Revenue (Sales)	54,842	22,434	77,276
Profit before finance charges and taxes	2,413	1,480	3,893
Total assets	85,518	3,927	89,445
Total liabilities	46,143	11,028	57,171
Total capital expenditures	3,533	740	4,273

	Analysis by segment as of 31/12/05		
	Greece	Foreign	Total
Revenue (Sales)	53,426	20,636	74,062
Profit before finance charges and taxes	1,296	873	2,169
Total assets	89,627	2,979	92,606
Total liabilities	51,418	10,524	61,942
Total capital expenditures	3,881	276	4,157

7. FIXED ASSETS

7.1 CONSOLIDATED

DESCRIPTION	Land	Buildings and Installations	Machinery	Transportation means	Furniture and other equipment	Assets under construction	Total
2005							
Acquisition cost 01/01/05	10,086	34,112	11,115	1,005	9,927	386	66,631
Purchases of year 2005	737	2,531	164	30	446	136	4,044
Transfers			4,917		-4,917		0
Transfer from assets under construction		181	21			-202	0
Reduction for 2005		-243	-45	-67	-53		-408
Hyperinflation and exchange differences			335	25	72		432
Acquisition cost 31/12/2005	10,823	36,581	16,507	993	5,475	320	70,699
Accumulated depreciation as at 1/1/2005							
Depreciation for the year 2005		1,346	665	107	484		2,602
Transfers			4,423		-4,423		0
Reduction for 2005		-182	-39	-23	-49		-293
Hyperinflation and exchange differences	0	296	9	24	329		
Total accumulated depreciation as at 31/12/2005	0	8,802	14,701	661	4,324		28,488
Net book value as of							
1/1/2005	10,086	26,474	1,759	437	1,639	386	40,781
31/12/05	10,823	27,779	1,806	332	1,151	320	42,211
2006							
Acquisition cost 01/01/06	10,823	36,581	16,507	993	5,475	320	70,699
Purchases of year 2006		754	1,357	45	508	1,186	3,850
Transfer from assets under construction		1,203	6		45	-1,336	-82
Reduction for 2006			-83	-140			-223
Foreign exchange loss/(gain)			-94	-16	-30		-140
Acquisition cost as at 31/12/2006	10,823	38,538	17,693	882	5,998	170	74,104
Accumulated depreciation as at 01/01/06							
Depreciation for the year 2006		1,375	509	-5	477	140	2,496
Foreign exchange loss/(gain)			-84	-11	-19		-114
Total accumulated depreciation as at 31/12/2006	0	10,177	15,126	645	4,782	140	30,870
Net book value as of							
01/01/06	10,823	27,779	1,806	332	1,151	320	42,211
31/12/06	10,823	28,361	2,567	237	1,216	30	43,234

7.2 COMPANY

DESCRIPTION	Land	Buildings and Installations	Machinery	Transportation means	Furniture and other equipment	Assets under construction	Total
2005							
Acquisition cost 01/01/05	7,881	21,042	10,372	676	3,647	299	43,917
Purchases of year 2005	737	2,531	44		394	73	3,779
Transfer from absorption of subsidiaries	2,205	5,297			329		7,831
Transfer from assets under construction		181	21			-202	0
Reduction for 2005		-243			-12		-255
Acquisition cost 31/12/2005	10,823	28,808	10,437	676	4,358	170	55,272
Accumulated depreciation as at 1/1/2005							
Depreciation for the year 2005		1,146	324	40	421		1,931
Transfer from absorption of subsidiaries		415			231		646
Reduction of year 2005		-180			-9		-189
Total accumulated depreciation as at 31/12/2005	0	8,173	9,170	529	3,384		21,256
Net book value as of							
1/1/2005	7,881	14,250	1,526	187	906	299	25,049
31/12/05	10,823	20,635	1,267	147	974	170	34,016
2006							
Acquisition cost 01/01/06	10,823	28,808	10,437	676	4,358	170	55,272
Purchases of year 2006		738	643		475	1,187	3,043
Transfer from assets under construction		1,202	6		45	-1,335	-82
Reduction for 2006			-11				-11
Acquisition cost as at 31/12/2006	10,823	30,748	11,075	676	4,878	22	58,222
Accumulated depreciation as at 01/01/06							
Depreciation for the year 2006		1,176	333	34	426		1,969
Total accumulated depreciation as at 31/12/2006		9,349	9,503	563	3,810		23,225
Net book value as of							
01/01/06	10,823	20,635	1,267	147	974	170	34,016
31/12/06	10,823	21,399	1,572	113	1,068	22	34,997

The Group has certain finance lease agreements which are running, mainly for property (land and buildings). The net carrying amount on December 31, 2006 and 2005 was:

Land and buildings	GROUP		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Cost of fixed assets under financial leases	23,264	23,264	17,500	17,500
Accumulated amortization and depreciation	-1,689	-1,179	-1,348	-945
Net book value	21,575	22,085	16,152	16,555

There are no liens or other burdens on the tangible assets of the company and the group except for the above mentioned lease contracts and a prenotation of mortgage of € 4,860 thousand which has been granted for a long term loan of € 4,034 thousand. No other item of land, buildings and machinery has been pledged as collateral against liabilities.

Tax revaluation of land and buildings: According to Greek tax legislation, the value of land and buildings is revalued every four years on the basis of adjustment indices which are set with corresponding Ministerial Decisions. The most recent revaluation was on 31/12/2004 and it was reversed for the purposes of the IFRSs on the basis that it did not fulfill the criteria set by IAS 16.

8. INTANGIBLE ASSETS

8.1 GROUP

DESCRIPTION	Software	Software
Opening on 1/1/06 and 05, respectively	2006	2005
Acquisition cost	2,500	2,268
Accumulated amortization and depreciation	-2,299	-1,979
Unamortized value on 01/01/2006 and 05 respectively	201	289
Plus:		
Acquisitions	492	113
Transfer from assets under construction	82	90
Exchange differences	-32	27
Less:		
Amortization and depreciation for the year	186	137
Transfers		165
Exchange differences	-31	16
Unamortized value on 31.12.06 and 05 respectively	588	201
31/12/2006 and 05 respectively		
Acquisition cost	3,042	2,500
Accumulated amortization	2,454	2,299
Unamortized value on 31/12/2006 and 05 respectively	588	201

8.2 COMPANY

DESCRIPTION	Software	Software
Opening on 1/1/06 and 05, respectively	2006	2005
Acquisition cost	1,827	1,619
Accumulated amortization	-1,648	-1,451
Unamortized value on 01/01/2006 and 05 respectively	179	168
Plus:		
Acquisitions	491	102
Transfer from assets under construction	81	106
Less:		
Amortization for the year	177	125
Transf. from merger	-	72
Unamortized value on 31.12.06 and 05 respectively	574	179
Acquisition cost	2,399	1,827
Accumulated amortization	-1,825	-1,648
Unamortized value on 31.12.06 and 05 respectively	574	179

The additions during the year and the unamortized balance on 31/12/2006 mainly refers to the company's new software.

9. OTHER LONG TERM ASSETS

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Rental guarantee deposits	363	349	363	349
Other guarantee deposits	69	61	69	60
Receivable from subsidiary (SATO GMBH)	-	-	1,501	2,300
Other receivables (check from the sale of Anastilotiki shares post dated 30/6/2008)	500	-	500	-
TOTAL	932	410	2,433	2,709

10. INVENTORIES

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Merchandise	11,450	8,940	11,231	8,789
Products	2,294	2,564	1,984	2,293
Work in progress	1	1	1	1
Raw materials	4,191	4,316	1,924	2,084
Consumables	28	26	28	26
Provision for obsolescence of inventory	-831	-632	-614	-380
TOTAL	17,133	15,215	14,554	12,813

11. TRADE AND OTHER RECEIVABLES

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Trade receivables				
Customers	12,868	11,408	9,962	9,103
Credit cards	6,027	3,512	6,027	3,512
Post-dated checks receivable	6,406	4,359	6,406	4,359
Less: Provision for doubtful receivables	-2,623	-2,504	-2,485	-2,343
Total	22,678	16,775	19,910	14,631
Other receivables				
Prepayments to suppliers	704	133	583	78
Advances for inventory purchases	126	154	-	-
Other debtors	1,045	2,013	802	2,366
Checks receivable from the sale of Anastilotiki	1,500	-	1,500	-
Taxes and duties payable	-	4	-	-
Pre-paid expenses- accrued income	236	284	236	221
Total	3,611	2,588	3,121	2,665

The movement of the provision for doubtful receivables is analyzed as follows:

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Opening balance	2,504	1,677	2,343	1,640
Write offs	-161	-293	-	-293
Charge of the year	260	1,120	142	958
Transf.from merger	-	-	-	38
Total	2,603	2,504	2,485	2,343

12. CASH AND CASH EQUIVALENTS

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Cash at hand	173	126	173	123
Cash at banks	118	745	87	590
Total	291	871	260	713

Cash at banks earns interest at floating rates based on monthly bank deposit rates.

13. SHARE CAPITAL, TREASURY SHARES AND RESERVES

Share capital

The Company's share capital on December 31st 2006 consists of 28,056,518 shares each having a nominal value of € 0.90. The evolution of the Company's capital share and the difference from the issue of premium shares is analyzed below:

	(whole amounts, not thousands)			
	Number of Shares	Share Capital	Share Premium Account	Total
December 31, 2004	22,800,582	20,520,524	7,402,455	27,922,978
December 31, 2005	22,800,582	20,520,524	7,402,455	27,922,978
Share capital increase through capitalization of the share premium	4,560,116	4,104,104	-4,104,104	0
Share capital increase due to exercise of stock options held by the personnel (note 21)	695,820	626,238	45,335	671,573
December 31, 2006	28,056,518	25,250,866	3,343,686	28,594,551

We note that for the calculations specified in note 23, the number of shares for the years 2005 and 2004 has been adjusted to include retroactively the number of free shares from the share capital increase through capitalization of the share premium as required by IAS 33.

Treasury shares

The Company, in execution of the Decision of the Regular General Meeting of its Shareholders on 21.6.2006 and the decision of the Board of Directors dated 28.7.2006, purchased treasury shares through the Athens Stock Exchange on several dates during the second semester of 2006, that reached a total amount of € 1.104 thous. (purchase of 446,218 shares).

The acquisition cost of the treasury shares is reflected in the financial statements of 31 December in a separate equity account.

Reserves

The reserves of the Group and the Company include an amount of € 1.1 million approximately which relates to the Statutory reserve, and the balance of the reserves relates to special reserves (mainly untaxed) of specific investment or tax laws, as well as reserves from foreign exchange differences on translation of foreign subsidiaries and which are analyzed as follows:

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Statutory reserve	1,117	1,117	1,117	1,117
Untaxed reserves of special laws	5,079	5,079	5,079	5,079
Untaxed reserves taxable according to special provisions	144	144	144	144
Reserves transferred upon absorption of subsidiaries	2,493	2,493	2,493	2,493
Reserve for stock option plan	53	124	53	124
Fair value reserve for available for sale investments	-	2,836	-	2,836
Other reserves	1,257	1,433	744	744
Total	10,143	13,226	9,630	12,537

Statutory reserve: Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the outstanding share capital. The above reserve cannot be distributed during the existence of the Company.

Reserve for stock option plan: The reserve for stock options (share purchase options) refers to the fair value of the unexercised share purchase options outstanding on 31 December of each year. Further information is provided in note 21.

Untaxed reserves of special laws The nontaxable reserves from special law provisions refer to the non-distributed earnings that are exempt from taxation based on special development law provisions (provided that there are sufficient earnings for their formation). These reserves relate primarily to investments and they are not distributed. No deferred tax liabilities have been accounted for on these reserves.

Untaxed reserves taxable according to special provisions: These reserves relate to income from interest and sale of investments which are not listed on a Stock Exchange and which are not taxable, or for which tax has been withheld at source. These reserves become taxable upon their distribution. No deferred tax liabilities have been accounted for on these reserves.

Reserves transferred on merger of subsidiaries: This reserve relates to the share premium reserve of subsidiary Bo Concept S.A., which was absorbed by the parent company SATO during 2005.

Fair value reserve for held for sale investments: Relates to the revaluation surplus that resulted upon valuation of an investment available for sale which has been recognized directly in equity.

If the above mentioned untaxed reserves are distributed, then they will be taxed with the respective tax rate applicable at the date of distribution (e.g. 25% for 2007).

14. DIVIDENDS

Under Greek corporate law, companies are required each year to distribute, from their statutory profits, dividends of at least 35% of after-tax statutory profit, after allowing for the legal reserve, or a minimum of 6% of the paid-in share capital, whichever is greater. However, a company can decide not to distribute any dividends, with the unanimous consent of all shareholders. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

(a) No dividends can be distributed to the shareholders as long as the company's net equity, as reflected in the balance sheet, following this distribution, is less than the outstanding capital plus non-distributable reserves.

(b) No dividends can be distributed to the shareholders as long as the unamortized balance of "Formation Expenses," as reflected in the statutory financial statements exceeds the aggregate of distributable reserves plus retained earnings.

In addition, according to other provisions/ guidelines, it is specified that if positive balances are included within the retained earnings or accumulated losses as a result of tangible assets valuation at fair value (which will thereafter be considered as the acquisition cost), these amounts, although they have been transferred directly to profit, are not freely distributable.

15. BANK BORROWINGS

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Bank loans	3,781	4,772	3,731	4,739
Finance lease liabilities	16,034	16,750	10,676	11,367
Long term borrowings	19,815	21,522	14,407	16,106
Short-term borrowings	13,989	18,217	13,654	17,776
Short term portion of finance lease liabilities	813	852	713	683
Short term borrowings	14,802	19,069	14,367	18,459
Total borrowings	34,617	40,591	28,774	34,565

The maturity period of the Group's long- term loans is up to ten years whereas the maturity period of liabilities from finance leases ranges from nine to twenty five years. The nominal interest rate of these loans is equal to their effective interest rate. The interest rate of the above loans is mainly variable. The future repayments of capital are shown in the table below:

Company	1 year	2 to 5 years	Over 5 years
Long term loans	303	1,793	1,938
Finance Leases	713	3,283	7,393
Total	1,016	5,076	9,331

Group	1 year	2 to 5 years	Over 5 years
Long term loans	303	1,843	1,938
Finance Leases	813	3,882	12,151
Total	1,116	5,725	14,089

The short term bank borrowings are withdrawals based on various credit lines that the company maintains with several banks. The utilization of these credit lines is as follows:

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Credit lines available	31,903	32,300	30,903	31,300
Used portion	13,989	18,217	13,654	17,776
Unused portion	17,914	14,083	17,249	13,524

The average weighted effective interest rates as at the balance sheet date are set out below.

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Bank loans (long term)	5.68%	5.54%	5.68%	5.54%
Bank borrowings (short term)	5.38%	4.72%	5.32%	4.67%
Finance lease obligations	6.93%	6.35%	6.20%	5.48%

The reconciliation between future liabilities from minimum leases and their current values is as follows:

FINANCIAL LEASES	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Future minimum lease payments				
Up to 1 year	1,953	1,948	1,486	1,401
From 1 to 5 years	7,782	8,672	5,851	6,809
Over 5 years	18,215	18,799	8,876	8,999
Total	27,950	29,419	16,213	17,209
Less: Future financial charges for finance leases	-11,103	-11,817	-4,824	-5,159
Present value of finance lease liabilities	16,847	17,602	11,389	12,050

16. EMPLOYEE BENEFITS

a) State pension: The company's contribution to state pension funds for the 2006 financial year has been charged to expenses and amounted to €1,790 thousand (€ 1,764 thous. for 2005) (note 21)

b) Staff retirement indemnities: Under the provisions of labor laws in the countries where the Group operates, employees and workers are entitled to termination payments in the event of dismissal or retirement.

As far as Greek subsidiaries are concerned, the amount of payment varies depending on the compensation, length of service and manner of termination (dismissal or retirement). Employees or workers that resign or are dismissed for a justifiable reason are not entitled to compensation. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause.

In Greece, local practice is that pension plans are not funded and they are defined benefit plans in accordance with IAS 19. In accordance with this practice, the Company does not fund these plans. The Company charges operations for benefits earned in each period with a corresponding increase in pension liability. Benefit payments made each period to retirees are charged against this liability.

c) Retirement pension plan of German subsidiary: The Company's German subsidiary maintains a defined benefit retirement plan (unfunded). Based on the provisions of this plan, personnel is entitled (with a pre-requisite of serving with company for at least five years) to monthly pension payments after its retirement. Monthly payments depend on various factors such as the duration of the service with the company and their salary at the date of retirement.

The net liability movement in the accompanying financial statements has as follows:

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Net liability at beginning of year	2,808	2,786	866	891
Liability transferred from absorbed subsidiaries		-		72
Actual benefits paid by the company	-553	-639	-528	-625
Expenses recognized in income statement	630	661	501	528
Net liability at end of year	2,885	2,808	839	866

An international firm of independent actuaries evaluated the Company's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2006, were:

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Present value of unfunded obligations	3,117	3,074	983	1,044
Unrecognized actuarial gain/(loss)	-207	-266	-119	-178
Unrecognised past service cost	-25	-	-25	-
Net liability in balance sheet	2,885	2,808	839	866
Amounts recognized in the income statement				
Service cost	144	139	96	88
Interest cost	122	126	41	45
Recognition of actuarial loss	5	-	5	-
Recognition of past service cost	3	-	3	-
Regular charge in the income statement	274	265	145	133
Additional cost of extra benefits/redundancies	356	389	356	388
Cost of restructuring	-	-18	-	-18
Other expenses	-	25	-	25
Total charge in the income statement	630	661	501	528
Changes in the net liability recognised in the balance sheet				
Net liability at beginning of the year	2,808	2,786	866	963
Actual benefits paid by the Company	-553	-639	-528	-625
Total expense recognized in income statement	630	661	501	528
Net liability at end of year	2,885	2,808	839	866
Movement in present value of obligation				
Present value of the obligation at beginning of year	3,074	2,858	1,044	1,035
Service cost	144	139	96	88
Interest cost	122	126	41	45
Actual benefits paid by the Company	-553	-639	-528	-625
Additional costs	329	390	329	390
Past service cost, during the period	28	-	28	-
Actuarial (gain)/loss	-27	200	-27	111
Present value of obligation at year end	3,117	3,074	983	1,044

The principal actuarial assumptions used in the actuarial valuation have as follows:

	2006	2005
Discount rate	4.1%-4.25%	4%
Inflation rate	2.5%	2.5%
Rate of compensation increase	1%-4%	1%-4%
Estimated average future service	17.10	17.40

The number of personnel at the end of 2006 amounts to 526 (2005: 509) for the Group and to 360 (2005: 349) for the Company.

The additional cost of extra benefits/redundancies relates to benefits paid to employees that were dismissed. The majority of this cost was not anticipated within the terms of the plan and as a consequence the cost that had been paid that was in excess of the existing provisions has been treated as an additional cost and has been charged to the income statement as an additional pension cost.

In the line item reflected in the balance sheet as "Provisions" are included and other provisions for redundancies and retirements of personnel amounting to € 71 thousand (2005: € 167 thousand) for the Group and zero (2005: € 60 thousand) for the Company.

17. GOVERNMENT GRANTS

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Long term portion of government grants for fixed asset purchases (L.2601/98)	-	6	-	6
Short term portion of government grants for fixed asset purchases (L.2601/98) (note 18)	6	60	6	60
TOTAL GOVERNMENT GRANTS	6	66	6	66

The movement relates to the amortization of each fiscal year. No additional government grants have been obtained during the fiscal years 2005 and 2006.

18. TRADE AND OTHER LIABILITIES

DESCRIPTION	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Suppliers	11,795	9,292	9,219	7,717
Various creditors	464	1,117	411	962
Taxes (other than income taxes) and duties	1,045	890	952	811
Social security organizations	483	553	470	442
Other accrued liabilities	724	1,174	724	553
Short term portion of government grants	6	60	6	60
Customer prepayments	2,269	2,069	1,992	1,891
TOTAL	16,786	15,155	13,774	12,436

19. INCOME TAXES CURRENT AND DEFERRED

According to tax legislation, the tax rate applied for the 2006 fiscal year is 29%.

In November 2004, a new tax act was approved whereby the corporate tax rate for companies will be gradually reduced from 35% to 25%.

Specifically, for fiscal years 2005 and 2006 the tax rate was reduced to 32% and 29%, respectively and from fiscal year 2007 and onwards it will be further reduced to 25%.

The provision for income taxes reflected in the accompanying financial statements is analyzed as follows:

Income taxes	CONSOLIDATED		COMPANY	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Current income taxes	-3,046	-197	-2,971	-24
Deferred income taxes	-58	768	-53	667
Total income tax charged in income statement	-3,104	571	-3,024	643

Based on the above current and deferred income tax, an amount of € 2,138 thous. relates to additional taxes (reduced by the provisions established in previous years) that resulted from on the tax audit of the 2000-2005 tax years of SATO S.A. and the 2003 and 2004 tax years of the companies Bo Concept AE and VERSA S.A.

The deferred income taxes arise from the temporary differences between the book values and the tax bases of assets and liabilities, as well as tax losses carried forward, are calculated using the applicable statutory income tax rate and their analysis as well as their impact on the income statement is reflected as follows:

COMPANY	31/12/2006	Results 2006	31/12/2005	Results 2005	Transfer from merger	1/1/2005
Differences from tangible assets & leasing	-2,783	-140	-2,643	-106	-367	-2,170
Other	-203	630	-833	-2	0	-831
Differences from intangible assets	90	-46	136	-142	152	126
Provisions	680	3	677	417	8	252
Tax losses carried forward	0	-500	500	500	0	0
Total	-2,216	-53	-2,163	667	-207	-2,623

Allocated to:	31/12/2006	31/12/2005	1/1/2005
Deferred tax asset	143	1,313	378
Deferred tax liability	-2,359	-3,476	-3,001
Total deferred tax	-2,216	-2,163	-2,623

GROUP	31/12/2006	Transfer Results 2006	31/12/2005	Results 2005	from merger	1/1/2005
Differences from tangible assets & leasing	-3,404	-761	-2,643	-109	0	-2,534
Other	-204	297	-501	124	0	-625
Differences from intangible assets	765	629	136	-149	0	285
Provisions	919	242	677	402	0	275
Tax losses carried forward	540	-464	1,004	500	0	504
Total	-1,384	-57	-1,327	768	0	-2,095

Allocated to:	31/12/2006	31/12/2005	1/1/2005
Deferred tax asset	975	1,817	1,064
Deferred tax liability	-2,359	-3,144	-3,159
Total deferred tax	-1,384	-1,327	-2,095

The reconciliation of the provision for income taxes which occurs after the application of the Greek income tax rate to the pre-tax result is:

Income taxes	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
Profit before income taxes	8,155	5,596	7,411	5,244
Income tax at applicable income tax rates	-2,365	-1,791	-2,149	-1,678
Additional income taxes assessed	-2,138	-24	-2,138	-24
Tax effect of untaxed revenues or expenses which are not tax deductible	1,740	1,696	1,740	1,652
Tax effect of utilization of tax carry forward losses no previously recognized	106	175	0	178
Tax effect of recognition of deferred tax asset on losses not previously recognized	-435	500	-435	500
Other	-12	15	-42	15
Income tax charge in the income statement	-3,104	571	-3,024	643

Greek tax laws and related regulations are subject to interpretations by the tax authorities. Income tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used by Greek corporations to offset profits of the five fiscal years following the fiscal year to which they relate. With respect to the Company's German subsidiary, based on the German tax legislation, the tax losses carried forward do not expire and they may be carried forward indefinitely.

During the first semester of 2006, the tax audit of the unaudited tax years of 2000 up to 2004 of SATO S.A. was completed, and additional taxes and penalties of the amount of 2.571 thous. Euro were assessed, which were calculated as reduced in profit and loss by the provisions established from previous years.

Furthermore, in February 2007 the tax audit of the unaudited tax years of 2003 and 2004 of the acquired Companies Bo Concept A.E. and Versa A.E. was completed, along with the tax year of 2005 for SATO S.A., and additional taxes and penalties of € 397 thous. were assessed, which were charged in the 2006 income statement of the 2006 tax year.

Further to the above audits, the tax years that have not yet been audited by the tax authorities, for each company included in the consolidated financial statements, are set out in the following table.

Company	Unaudited years
SATO	2006
SATO OFFICE GmbH	2001-2006

We note that for tax losses of approximately € 9 mil. of SATO Office GmbH, no deferred tax asset has been recognized as at the date of the Group's transition to IFRS because the recognition criteria were not met.

20. COST OF SALES

Cost of sales includes:

DESCRIPTION	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
Cost of materials and merchandise	29,698	28,982	18,020	17,388
Payroll cost	3,705	3,888	1,326	1,552
Depreciation and amortization	733	863	399	371
Other costs	9,257	9,830	7,125	8,754
Total	43,393	43,563	26,870	28,065

21. PAYROLL COSTS

DESCRIPTION	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
Salaries-wages	10,839	10,668	6,979	7,044
Employers' social security contributions	2,611	2,446	1,790	1,764
Share options:	731	124	731	124
Other employee benefits	298	351	251	284
Employee severance pay and provisions	630	593	501	464
TOTAL	15,109	14,182	10,252	9,680
Less:				
Payroll expenses included in cost of sales	3,705	3,888	1,326	1,552
Payroll expenses	11,404	10,294	8,926	8,128

Employee stock option plan

In the financial year 2006, the following plans were in force:

Description	2006 Plan	2004 Plan	2003 Plan	2002 Plan
Type of plan	Call options on shares	Call options on shares	Call options on shares	Call options on shares
Beneficiaries	Members of the B.o.D. and high level executives	Members of the B.o.D. and high level executives	Members of the B.o.D. and high level executives	Members of the B.o.D. and high level executives
Date of grant	07/11/06	29/11/04	28/11/03	29/11/02
Number of options granted	395,000	144,000	194,000	262,000
Exercise price	€0.90	€1.25	€1.25	€1.25
Contractual life	2 years	2+2 years	2+2 years	2+2 years
Vesting requirements	None	Two years' service.	Two years' service.	Two years' service.

Further details regarding these plans are set out below:

Options	01/01/06 - 31/12/06		01/01/05 - 31/12/05	
	Number of Shares	Average exercise price	Number of Shares	Average exercise price
Outstanding at the beginning of the period	425,220	€1.04	354,350	€1.25
Granted during the period	395,000	€0.90	-	-
Forfeited during the period	-61,500	€1.04	-	-
Amounts exercised during the period	695,820	€0.97	-	-
Amounts expired during the period	-	-	-	-
Outstanding at the end of the period	62,900	€1.00	354,350	€1.25
Ability to exercise at end of period	62,900	€1.00	204,500	€1.25

On 18/07/2006 the Company's share capital was increased with free distribution of two new shares for each 10 old shares and the same adjustment was made to the unpaid options that existed on that date. After the readjustment, the unpaid options were adjusted from 354,350 to 425,220 (after the decision of the BoD dated 4/12/2006) and the exercise price was adjusted from 1.25 to 1.04 per option. In the first two columns of the above table, options are presented as they were formed after the readjustment.

On 31/12/2006, the unpaid options from the 2006 plan amount to 23,000 and may be exercised within the next two years at an exercise price of 0.90. Unpaid rights from previous plans amount to 39,900 and the exercise price is 1.04.

Calculation of fair value

The fair value of the right for the 2006 plan was estimated as €1.85. The estimate was made by use of the Black – Scholes valuation model by an independent assessor, taking into consideration the possibility of early exercise. The significant data to be entered in this model is the share price, the exercise price, the dividend yield, the discount rate and the volatility of the share price. The data entered in the model are the following:

	2006
Weighted average share price	€2.75
Weighted average price for the exercise of rights	€0.90
Estimate of the option's expected life	0.13
Expected fluctuation	46.60
Weighted average risk-free interest rate	3.43
Weighted average expected share yield	1.09

The volatility, i.e., the typical deviation of the expected changes in the share price, is calculated on the basis of a statistical analysis of the daily share prices over the last 24 months.

Amounts recognized in the income statement

According to the terms of the plan, the granted equity shares vest immediately and the company fully recognizes the services received, by charging them to profit and loss and with relevant increase in equity, on the date the options are granted.

Cost for the period	01/01/06-31/12/2006
Expected vesting period	0.04
Exercise price	€0.90
Fair value of option	€1.85
Estimated number of vested options	395,000
Allocation of cost at end of period	100%
Cumulative cost	731,001
Cost for the period	731,001

22. DEPRECIATION AND AMORTIZATION

The depreciation and amortization which has been accounted for in the accompanying financial statements has as follows:

DESCRIPTION	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
Depreciation of tangible fixed assets	2,496	2,601	1,969	1,931
Amortization of intangible assets	186	137	177	125
Less: Depreciation and Amortization charged to cost of sales	733	863	399	371
Depreciation and amortization charged to selling and administrative expenses	1,949	1,875	1,747	1,685

23. EARNINGS AND DIVIDENDS PER SHARE

Basic EPS

The basic earnings per share are calculated by dividing the net profit attributable to the Shareholders by the weighted average number of ordinary shares outstanding during the year, without taking into consideration the ordinary shares that were purchased by the Company, which appear as treasury shares (note 13).

DESCRIPTION	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
Net profit for the period due to the shareholders of SATO SA	5,051	6,167	4,387	5,887
Weighted average number of ordinary shares outstanding	27,344,313	27,194,396	27,344,313	27,194,396
Basic earnings per share (in €)	0.18	0.23	0.16	0.22

Diluted EPS

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding during the year with the effect of all titles potentially convertible to ordinary shares. In the case of the company, the stock options are the only category of titles potentially convertible to ordinary shares. With respect to stock options, a calculation is performed for the amount of shares that could have been purchased at the fair value (defined as the average of the price quoted in the Stock Exchange during the year) based on the value of the participation rights related to the existing stock option plan. The number of shares resulting from the above calculation is compared to the number of shares that could have been issued if the rights were exercised. The resulting difference is added to the denominator as ordinary shares issued. Finally no adjustment is made to profit/(loss) for the year (numerator).

	Group		Company	
	2006	2005	2006	2005
Net profit attributable to the shareholders of SATO S.A.				
for the calculation of the diluted earnings per share.	5,051	6,167	4,387	5,887
Weighted average number of ordinary shares outstanding				
for the calculation of the diluted earnings per share	27,344,313	27,194,396	27,344,313	27,194,396
Potential shares from call options on shares	197,620	0	197,620	0
Total weighted average number of ordinary shares outstanding for the calculation of the diluted earnings per share	27,541,933	27,194,396	27,541,933	27,194,396
Diluted earnings per ordinary share in €	0.18	0.23	0.16	0.22

As far as potential shares from call options on shares are concerned, with regard to the tax year 2005, due to the existence of the 2002-2004 stock option plan, there was no effect on the latter, mainly due to the fact that during the years 2004 and 2005, the stock market value of the share was lower than the exercise price of the options.

At the General Meeting held on 21.06.06, the distribution of dividends from taxed earnings of previous years reaching a total amount of € 684 thous. was decided. This amount corresponded to a dividend of € 0.03 per share (€ 0.025 per share approximately, retrospectively taking into consideration the issuance of free shares of the year 2006).

For the fiscal year 2006, the BoD will propose to the General Meeting the distribution of a dividend of € 0.03 per share with distribution of untaxed reserves and earnings taxed in previous tax years.

24. CONTINGENT ASSETS AND LIABILITIES

Litigation:

The Company as a lessee has received payment in December 2005 from a third party company, following acceptance of relevant legal action in a court of first instance and by appeal, the amount of € 649 thous. as compensation for the restoration of an intangible asset with commercial value for its eviction from the leased premises it held. The decision of the court of appeal was revoked by the Supreme Court and on 3.12.2006 the case was pending to be heard before the Athens Court of Appeal and was heard on 16.1.2007 however no decision has been issued. On the basis of the revoking decision, the Company considers that it will possibly not be obliged to return the amount.

The management of the Company believes that there are no other litigious or disputes under arbitration by judicial or arbitral bodies that may have a significant impact on the financial status or operation of the Company or Group.

Future lease (payable) from operating leases:

The future (payable) leases of the Company and the Group from rent contracts on 31/12/2006 and 31/12/2005 are set out below:

1 YEAR	2 TO 5 YEARS	AFTER 5 YEARS	TOTAL	
31/12/2005	2,450	7,850	6,500	16,800
31/12/2006	3,059	9,839	7,822	20,720

Future lease (receivable) from operating leases:

The future (receivable) leases of the Company and the Group from rent contracts on 31/12/2006 and 31/12/2005 are set out below:

	1 YEAR	2 TO 5 YEARS	TOTAL
31/12/2005	59	338	397
31/12/2006	63	276	339

Letters of guarantee:

The value of the Company's and Group's letters of guarantee is set out below:

COMPANY

Type of guarantee letter	31/12/2006	31/12/2005
Participation	182	288
Good execution	507	959
Payment of advance	5,579	3,036

CONSOLIDATED

Type of guarantee letter	31/12/2006	31/12/2005
Participation	182	288
Good execution	597	1,036
Payment of advance	3,277	3,307

25. RELATED PARTY TRANSACTIONS

DESCRIPTION	CONSOLIDATED		COMPANY	
	1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Purchase of goods and services	1,605	1,412	2,852	2,052
SATO OFFICE GmbH (subsidiary)	-	-	554	442
SECOND	1	1	1	1
PASAL S.A.	814	623	814	623
BEST LAND A.E.	372	372	372	372
AT LAND A.E.	418	416	418	416
TCC THE CHAIR COMP (subsidiary)	-	-	-	25
TCC BURO KOLTUK-Turkey (subsidiary)	-	-	693	173
Sale of goods and services	52	70	149	283
SATO RAMLER S.A. (subsidiary)	-	-	-	2
SATO OFFICE GmbH (subsidiary)	-	-	78	138
SECOND	42	61	42	62
PASAL S.A.	4	3	4	3
BEST LAND A.E.	3	3	3	3
AT LAND A.E.	3	3	3	3
TCC THE CHAIR COMP (subsidiary)	-	-	19	72
Transactions and remuneration of key management and members of the board	2,100	1,282	1,702	945
Remuneration of the BoD and key managerial executives	1,568	1,282	1,170	945
Value of stock option granted to members of the BoD and key managerial executives	532	-	532	-

	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Receivables from related parties	17	179	1,626	3,390
SATO RAMLER S.A. (subsidiary)	-	-	109	109
SATO OFFICE GmbH (subsidiary)	-	-	1,500	3,020
SECOND	17	179	17	179
TCC THE CHAIR COMP (subsidiary)	-	-	-	82
Liabilities to related parties	1	0	147	180
SATO OFFICE GmbH (subsidiary)	-	-	57	146
SECOND	1	-	1	-
TCC THE CHAIR COMP (subsidiary)	-	-	-	2
TCC BURO KOLTUK-Turkey (subsidiary)	-	-	89	32

The remuneration of the BoD and key management executives specified in the above table for the year 2005, have been revised in relation to the amounts mentioned in the relevant note of the financial statements dated 31-12-2005 from € 192 for the Company and Group to € 945 thousand for the Company and € 1,282 thousand for the Group, to include remuneration of top management executives and be comparable to the presentation for the year 2006.

No loans have been granted by the company to members of its Board of Directors or to other Group executives.

The Company's transactions with related parties are taking place at arm's length based on the usual market terms.

The Company's shareholders as at 31.12.2006 are the following:

NAME	SHARES	PERCENTAGE %
THEODORIDIS SOTIRIOS	9,364,005	33.38
THEODORIDIS GEORGIOS	7,078,334	25.23
OTHER INVESTORS	11,614,179	41.39
TOTAL	28,056,518	100.00

26. EVENTS AFTER THE BALANCE SHEET DATE

In January 2007, SATO Office GmbH proceeded to the increase of capital share and reserves by € 700 thous. with capitalization of the loan that had been granted to it by SATO S.A.

On 24/1/2007, the Company signed a contract with construction company for the construction of a distribution center for SATO S.A. for the contractual amount of €13,260 thous. The construction will take place on a leased building site with a long-term lease (20 years with the right to extend unilaterally for a further 5 years) by PASAL Real Estate Development Public Limited Company S.A. (related company) under a monthly lease in the amount of € 30 thous. (readjusted for inflation plus 1%) with April 2007 being the lease payment start date.

There were no other significant events after December 31, 2006.

Athens, March 15, 2007

THE PRESIDENT OF THE BoD
SOTIRIS THEODORIDIS
ID.No. N 331642/84

THE MANAGING DIRECTOR
GEORGIOS S.THEODORIDIS
ID No. Σ 314980/97

THE GENERAL MANAGER
DIMITRIOS N. ROUSSIS
ID No. Π 020359

THE FINANCIAL MANAGER
CON/NOS A.MARKAZOS
ID No.Τ.Σ 073763

THE ACCOUNTING MANAGER
VASSILIKI B. PAPAFAEIROPOULOU
ID No. Α 255142

Management Report of the Board of Directors

2006 marked a turning point for SATO Group. SATO's restructuring programme has been completed successfully and this is clearly reflected in the increased operating profitability. The management's goal is to strengthen the Group's position in the home furniture market by means of development of the retail sales network and simultaneous expansion abroad.

More specifically, as regards 2006 financial results, profits before taxes of SATO Group rose by 45.8%, amounting to € 8.2 million against € 5.6 million in 2005. As mentioned above, this increase in profitability is the result of the restructuring strategy implemented successfully by the management of the company over the last two years, strengthened by profits stemming from the sale of its participations in Danish company "Denka" and non-listed company "Anastilotiki A.T.E".

Consolidated turnover increased by 4.3% in 2006, standing at € 77.3 million compared to € 74.1 million in 2005.

EBITDA (earnings before tax, interest, depreciation and amortization) of SATO Group reached € 6.5 million in 2006 compared to € 4.8 million in 2005, i.e. they rose by 34.8%.

Earnings before interest and tax (EBIT) increased significantly by 79.5%, amounting to € 3.9 million at the end of 2006 against € 2.2 million in 2005.

Gross profits of SATO Group stood at € 33.9 million in 2006 compared to € 30.5 million in 2005, recording an increase of 11.1%. It should be noted that the Group's gross profit margin rose from 41.2% in 2005 to 43.9% in 2006.

Finally, earnings after tax & minority interests (EATAM) of SATO Group amounted to € 5.1 million in 2006 against € 6.2 in 2005. This decrease is due to the increased tax liabilities of the Group.

The performance of SATO Group's subsidiaries abroad - German SATO Office GmbH and Turkish TCC Buro Koltuk Ltd - is deemed positive, since sales in foreign markets rose by 8.7% in 2006, thus representing 30% of the sales of the Group.

At the same time, earnings before interest and tax (EBIT) of foreign subsidiaries stood at € 1.5 million (against € 873 thousand in 2005) while earnings after taxes reached € 565 thousand, as a result of the reorganization programme implemented by the company abroad.

GOALS-PERSPECTIVES

From January 2007, "Notos Galleries" shops-in-a-shop department store in the centre of Athens hosts "Bo Concept", "Divani & Divani" and "La Maison Coloniale" stores. In the same period, a "Leather Concept" store, the new business activity of the Group, opened in Sato Centre in Moschato.

At the same time, at the end of 2007 the new logistics centre in Elefsina (30,000 sq.m.) is expected to be completed. This centre will support the network development as planned. It is worth noting that a € 5 million grant has been approved for this investment.

As regards the network development, the management of SATO Group plans to open 16 new "ENTOS" stores during 2007 (4 mega stores in Attica, 2 mega stores in Thessaloniki and 10 stores in the rest of Greece). The performance of "ENTOS" store in Peristeri, which opened last July, is deemed outstanding. At the same time, an ultra-modern SATO business centre for office furniture is expected to open in 69, Kifissias av., during the first half 2007.

The international growth of SATO is based on its German subsidiary (SATO Office GmbH) that manufactures and distributes chairs for offices and amphitheatres all over Europe, and its Turkish factory in Bursa that produces and sells office chairs. The Group exports to 30 countries in total, directly or through its network of representatives, thus covering most European countries.

Taking into account the company's profitability and continuous growth of the company, the Board of Directors will put forward to the Annual General Meeting of its shareholders a proposal for the distribution of a dividend of € 0.03 per share.

15 March 2007

THE PRESIDENT OF THE BoD

SOTIRIS C. THEODORES

THE VICE-PRESIDENT &
MANAGING DIRECTOR OF THE BoD

GEORGIOS S. THEODORIDES

Explanatory Report

(pursuant to Article 11a §1 of Law 3371/2005)

This explanatory report of the Board of Directors of SATO S.A. (hereinafter the "Company"), addressed to the Ordinary General Meeting of its shareholders, contains detailed information regarding the provisions of Article 11a §1 of Law 3371/2005.

1. Share capital structure.

The Company's share capital amounts to twenty-five million two hundred fifty thousand eight hundred sixty six euros and twenty cents (€ 25,250,866.20) in total, and consists of twenty eight million fifty six thousand five hundred eighteen (28,056,518) shares of a nominal value of ninety cents (€ 0,90) each. All Company's shares are listed for trading on the Securities Market of the Athens Stock Exchange, under medium and small capitalisation. The Company's shares are common registered shares with voting rights.

2. Restrictions on the transfer of company shares, including, on a non exhaustive basis, limitations to share holding or the need to obtain the prior approval of the Company, other shareholders or a public or administrative authority, without prejudice to Article 4 § 2 of Law 3371/2005.

The Company's shares shall be transferred according to the provisions of the law, such transfer not being subject to any restrictions deriving from the Company's articles of association. However, should the Company participate in the conclusion of public contracts within the meaning of Law 3310/05 ('Measures aiming at ensuring transparency and preventing circumventions in public procurement' – regarding primary shareholders) or conclude a public contract within the meaning of such Law, any offshore companies (as determined by Law 3310/2005) which have become primary shareholders must realize the entire number of shares or, as the case may be, the number of shares in excess, on the basis of which such companies have become primary shareholders.

3. Significant direct or indirect participations as laid down in presidential decree 51/1992.

On 31.12.2006, Mr. Sotirios Theodoridis held 33.37% of the share capital of the Company.

On 31.12.2006, Mr. Georgios Theodoridis held 25.22% of the share capital of the Company.

On 31.12.2006, except from the aforementioned persons, no other natural or legal person's direct or indirect participation in the share capital of the Company was higher than 5%.

4. Holders of any shares with special control rights.

There are no Company shares conferring special control rights on their holders.

5. Restrictions on voting rights.

No restrictions on voting rights are provided for in the Company's articles of association.

6. Agreements between shareholders of the Company.

The Company is not aware of any agreements between its shareholders which result in restrictions on the transfer of the Company's shares or on the exercise of the voting rights conferred by its shares.

7. Rules of appointment and replacement of Board members, and amendment to the articles of association.

Rules provided for in the Company's articles of association with regard to the appointment and replacement of its Board members as well as the amendment to its articles of association do not defer from provisions of Codified Law 2190/1920.

8. Power of the Board of Directors, or of certain Board members, to issue new shares or purchase own shares.

The Board of Directors of SATO S.A. is competent for issuing new shares in the following cases:

A. In the case of paragraphs 1, 2, 3 and 4 of Article 6 of the Company's articles of association, whereby :

"1. Without prejudice to paragraph 3 of Article 6, it is stated herein that during the first five years as of the amendment to the articles of association implemented by the relevant resolution adopted on 9.4.1990 by the Shareholders' General Meeting, the Board of Directors shall be entitled to increase the share capital of the Company by issuing new shares, by virtue of a

decision adopted by a majority of two thirds (2/3) of the total number of its members. This increase cannot exceed the amount of the share capital paid-up on the date of adoption of the decision by the General Meeting, in accordance with the provisions below. The aforementioned power of the Board of Directors may be renewed by the General Meeting for a period not exceeding five (5) years for each renewal.

2. Without prejudice to paragraph 3 of Article 6, the General Meeting, deciding in accordance with the provisions of Article 24 of the articles of association on quorum and majority, shall have the right to wholly or partially increase the Company's share capital by issuing new shares up to double its amount, as of the time of approval of the relevant amendment to the Company's articles of association.

3. As an exception to the provisions of the two preceding paragraphs, if the Company's reserves exceed one tenth (1/10) of its paid up share capital, it is an absolute requirement that the General Meeting decides on the basis of the exceptional quorum and majority provided for in Article 25.

4. Capital increases decided upon in accordance with paragraphs 2 and 3 of Article 6 do not amount to an amendment to the articles of association."

B. In the case of Article 13 § 9 of Law 2190/1920 (stock option plans). In particular, in 2006, by virtue of decision of 4.12.2006 adopted by the Company's Board of Directors in compliance with the provisions of the aforementioned Article and further to the resolutions adopted on 16.7.2002 and 21.6.2006 by the General Meetings of the Company's shareholders, the Company's share capital increased in 2006 –by means of payment in cash by beneficiaries – by six hundred seventy-one thousand five hundred seventy two euros and eighty cents (€ 671.572,80) with the issuance of six hundred ninety-five thousand eight hundred twenty (695.820) new shares of the Company, of a nominal value of 0.90 each.

C. In the case that, in accordance with provisions of Article 16 § 5 of Law 2190/1920 stipulating that companies listed on the Athens Stock Exchange may acquire own shares through the Athens Stock Exchange, pursuant to a decision of their Shareholders' General Meeting, up to 10% of their total shares. It is not stipulated otherwise by the Company's articles of association.

Under the resolution adopted on 21.6.2006 by the General Meeting of the Company's shareholders, it was decided that the Company has the right to purchase own shares, through the Athens Stock Exchange, up to 10% of the Company's total number of shares, from 21.6.2006 to 20.6.2007. The Board of Directors of the Company was empowered to take all necessary action for the implementation of this resolution, in accordance with the aforementioned provisions of the law. For the purposes referred to above, the Company has already purchased 446,218 own shares in total, corresponding to a participation of 1.59% in its share capital.

9. Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control following a public offer and the effects thereof.

There are no such agreements.

10. Agreements between the Company and its Board members or its employees providing for compensation in case of resignation or redundancy without valid reason or termination of their mandate or employment because of a public offer.

There are no agreements between the Company and its Board members or its employees providing for compensation payments, especially in case of resignation or redundancy without valid reason or termination of their mandate or employment because of a public offer.

THE BOARD OF DIRECTORS

Inter-group Transactions 2006 (amounts in €)

Inter-corporate transactions between companies of the SATO Group and between companies of the Group and the basic shareholder (PASAL SA) for fiscal year 2006 are as follows:

- The inter-corporate transactions of SATO include revenues from the sub-lease of estates (offices at 168, Kifissias Str.), € 2,790 from PASAL SA, € 2,790 from BEST LAND SA and € 2,790 from AT LAND SA.
- Sales to PASAL SA were equal to € 1,681;
- SATO has conducted the following intragroup commercial transactions:
 - Purchases of chairs from SATO Office GmbH equal to € 553,829, while invoices to SATO Office GmbH were € 78,355 (€ 3,171 from the sale of merchandise, € 1,106 from transportation and insurance and € 74,078 from interest and bank expenses).
 - The transactions between companies of the group with parent company PASAL SA relate to payment of rents for the use of the building at 18, Peiraios Street and one Divani-Divani store. The total amount of rents paid to PASAL SA in 2006 was € 814,417. BEST LAND SA received as rent for the use of the BO CONCEPT store and LA MAISON COLONIAL store at 42, Kifissias Str. in Maroussi the amount of €372.000. AT LAND SA received as rent for the BO CONCEPT stores in Thessalonica and Poseidonos Avenue in Alimos the amount of € 418,436.
 - Out of the companies in which the Directors and the major shareholder participate, Second is the only company which has entered into transactions with SATO. These transactions relate to the sale of merchandise to Second equal to the amount of € 41,614.
 - The inter-corporate balances of the parent company, SATO SA, on 31/12/2006 were as follows:

	CUSTOMERS	SUPPLIERS	Accounts receivable	Accounts payable
SATO Office GmbH	-	56.678	1.500.000	-
SECOND	16.834	760		-

Table of Reference

(information according to article 10 of Law 3401/2005)

FINANCIAL STATEMENTS		Details are available on the company website www.satogroup.gr in the following section:
Date	Information	
20-03-07	Financials Statements for 2006	Home Page > Investors Relations > Financial Statements. Click on the quarter required to view the corresponding "Financial statements group and parent company" or "Group and Parent company financial and other information". http://www.satogroup.gr/financials_statements_en
24-11-06	Financials Statements for the 3rd quarter of 2006	
30-08-06	Financials Statements for the 2nd quarter of 2006	
30-05-06	Financials Statements for the 1st quarter of 2006	
COMMENTS ON FINANCIAL RESULTS		Details are available on the company website www.satogroup.gr in the following section:
Date	Information	
19-03-07	Comments on the 2006 financial statements	Home Page > Investors Relations > Announcements Click on the date required for the full text of the announcement http://www.satogroup.gr/announcements_en
24-11-06	Comments on the financial statements for the 3rd quarter	
29-08-06	Comments on the financial statements for the 2nd quarter	
22-06-06	Correct republishment of the announcement dated 20/06/06	
20-06-06	Correction of figures of 1st quarter 2006	
30-05-06	Comments on the financial statements for the 1st quarter	
23-05-06	Adjustment of accounting methods of previous publication	
OTHER ANNOUNCEMENTS		Details are available on the company website www.satogroup.gr in the following section:
Date	Information	
24/07/06		Home Page > Investors Relations > Announcements Click on the date required for the full text of the announcement http://www.satogroup.gr/announcements_en
to 21/12/06	Announcements regarding purchases of own shares	
28-12-06	Change of participation	
22-12-06	Share capital increase of SATO S.A following the exercise of stock option plan	
14-12-06	2nd information note on 2006 stock option plan	
12-12-06	Operation rules of 2006 stock option plan	
30-11-06	Information note on 2006 stock option plan	
07-11-06	SATO introduces a new furniture chain store to the Greek market	
18-10-06	Presentation to the Association of Greek Institutional Investors	
13-10-06	Announcement: resignation of Internal Auditor	
24-08-06	Fractional shares	
22-08-06	Resolutions of the Extraordinary General Meeting of 22/08/06	
14-07-06	Share capital increase and allotment of bonus shares	
11-07-06	Sale of shares	
10-07-06	Sale of equity holding in Anastilotiki. A.T.E.	
05-07-06	Announcement: allocation of new, bonus shares	
21-06-06	Payment of dividends	
21-06-06	Resolutions of the General Meeting	
29-05-06	Invitation to the General Meeting	
03-05-06	SATO undertakes the supply of office furniture for Halkbank in Turkey	
10-04-06	Appointment of Internal Auditor	
02-02-06	Announcement - SATO Office GmbH	
30-01-06	Announcement - stock option plan 2002	
10-01-06	Change of participation	
04-01-06	Announcement - stock option plan 2002	
STOCK TRANSACTIONS		Details are available on the company website www.satogroup.gr in the following section:
Date	Information	
2006	Announcements of stock transactions for the year 2006 according to law 3340/2005 and decision 3/347/12.7.2005 of the Hellenic Capital Market Commission	Home Page > Investors Relations > Transaction Announcements http://www.satogroup.gr/transaction_announcements_en

Access to Financial Statements and Other Information

The following information can be accessed through our internet site www.satogroup.gr, under "Investor Relations":

- Annual and bi-annual financial statements for the company and the group, the audit certificate issued by the certified auditor and the management report issued by the Board of Directors.
- Annual financial statements of the companies included in the company's consolidated financial statements but have the obligation to report based on IFRS.
- Information about the company's stock with a chart showing its progress, the basic shareholders, etc.
- Annual Reports and company announcements.

Information on the company, our executives, the products, our network of retail stores and the services we offer are also available at www.satogroup.gr.

Management of the Company

Board of Directors

	(31/12/2006)
Sotirios Theodorides	Chairman of the Board
Georgios Theodorides	Vice Chairman & Managing Director
Eugenia Stavrinou	Non Executive Member
Constantinos Karakostas	Independend non Executive Member
Constantinos Vamvakopoulos	Independend non Executive Member

Management

Dimitrios Roussis	General Manager Group
Constantinos Markazos	Finance Director Group
Ioanna Tsireka (05/02/07)	H/R Manager Group
George Hatzianeou	IT Manager Group
Fotis Pontikoglou	Supply Chain Manager Group
George Salahas	Commercial Director SATO
George Savoulides	Commercial Director ENTÓS
Vagelis Dodogides	Commercial Director Bo Concept La Maison Coloniale, Divani&Divani, Leather Concept
Christos Tsiolis	Commercial Director Wholesale
George Kandylikis	Plant Manager SATO
Pantelis Anastasiades	Quality & Environmental Control Manager SATO
Peter Schwab	General Manager SATO Office GmbH, Germany
Alexander Bühlow	Sales Director SATO Office GmbH, Germany
Marion Kurz	Marketing Director SATO Office GmbH, Germany
Klaus Lohne	Finance Director SATO Office GmbH, Germany
Guido Schudinat	Supply Chain Manager SATO Office GmbH, Germany
Mustafa Yilmaz	General Manager TCC Buro Koltuk Ltd, Turkey
Ahmet Durak	Finance Director TCC Buro Koltuk Ltd, Turkey

Legal Advisor

Panagiota Kontou

Internal Auditor

Venetia Kontoe (22/01/07)

Certified Auditor

Ernst&Young (Hellas) S.A.

Investor Relations

Any information can be directed to:

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SATOK (ticker symbol of OASIS)

SATr.AT (Reuters code)

SATOK GA (BLOOMBERG code)

FTSE/Athex SmallCap 80, FTSE/Athex 140

ASE Sector: FTSE/Athex Personal-Households Goods

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Responsible for drawing up
this Annual Report:

Constantinos Markazos,
(Group CFO and Investor
Relations Director)

Mihalis Ioannou,
(Treasurer)

SATO

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