

BOARD OF DIRECTORS REPORT

To the Ordinary General Meeting of Shareholders
of «ALFA-BETA» VASSILOPOULOS S.A.
(Reg.No. 13363/06/B/86/17)
On the consolidated financial statements of 31/12/2006

Dear Shareholders,

We are happy to present the "ALFA-BETA" VASSILOPOULOS S.A. Report on Activities for 2006. It has been a year in which the Group's values and elements of strength and distinction in the Greek food retail sector have yielded a high rate of return. Our efforts and long term investment in values such as quality, assortment, service, competitive prices, strict abidance to rules of hygiene, innovative merchandising and consistent commercial policy, have yielded their fruits and are reflected in our better than ever financial results. It is for these reasons that we put 2006 on record as the year of **return on values**.

It is notable indeed that Group's successful performance is reflected in each and every one of the financial figures reported for the fiscal year as itemized below:

Revenue **«broke the one billion euro barrier»** and amounted to 1,030.2 million euro from 908.0 million euro in 2005, thus increasing by 13.5%. This increase was caused by better sales performance of existing stores, especially the remodeled ones, as well as by the contribution of newly added stores.

Gross Profit increased by 14.5% from 197.7 million euro in 2005 to 226.3 million euro in 2006, a **rate of increase higher than that of Revenue**. This comparison comes as proof that the Company follows an effective commercial policy and prudent inventory management.

Operating Expenses reached 197.0 million euro from 177.0 million euro in 2005 thus increasing by 11.3%. Such **increase of operating expenses at a rate lower than that of sales**, and Gross Profit, reflects the Company's efforts to control expenses and consolidate its competitiveness.

The augmentation of sales and gross profit as well as the control of expenses reported above, have caused the figure for *Profit before Tax, Financial, Investing Activities, Depreciation and Amortization(EBITDA)* **to increase by 27.0%**, reaching 52.2 million euro compared with 41.1 million euro in 2005.

Likewise, *Profit before Tax, Financial and Investing Activities, (Operating Profit)* **increased by 36.0%** and amounted at 32.8 million euro compared with 24.2 million euro in 2005.

Profit before Tax reached an amount of 30.4 million euro from 22.1 million euro in 2005, an increase by 37.5%.

Finally, *Profit after Tax climbed to 20.0 million euro from 12.3 million euro in 2005.*

Briefly, Group's financial Results for the years 2006 and 2005, as indicated through profitability and activity ratios are stated below:

Profitability Ratios (% on Turnover)	2006	2005
Gross Profit Margin	22,0%	21,8%
Operating Profit Margin	3,2%	2,7%
Profit before Taxes Margin	3,0%	2,4%
Profit after Taxes and Minority Rights	1,9%	1,4%
Activity Ratios (days)	2006	2005
Average days of stock	19,2	22,2
Average Payment Period of Suppliers	92,5	88,1
Average Collection Period of Trade Receivables	9,8	7,3

In 2006, Group's capital expenditures amounted to 37.484 thousand Euros and were disposed for the expansion and enhancement of its sales' network. Investments were funded by Group's Operating Cash flow. During the year the Group did not raise any additional loan. Existing borrowings, which are long-term, bond loans were contracted in prior years. One of them, a swap agreement, is a derivative financial instrument. The Group does not use derivative financial instruments for speculative purposes, but only for limiting exchange rates risks.

The Group is a food retailer and wholesaler thus it sales merchandises in cash and pays its liabilities to suppliers on credit. This fact, secures the Group from possible liquidity and Cash flow risks.

Apart from the financial results, the Group's dedication to its values and the return on these values are evident in all its activities during 2006. Continuing the dynamic commercial policy of prior years, "ALFA-BETA" extended its product assortment, mainly by adding new private label products. Furthermore, it reinforced its value-for-money concept by adjusting the prices in 700 basic products, in addition to the similar pricing adjustments in 4,300 products already effected during 2005 & 2004.

As regards its organic expansion, Group continued its development activity with the opening of thirteen new sales outlets of which five were supermarkets, two City stores and six franchise operations. In parallel, six existing stores were remodeled and upgraded. The "AB Food Market" banner that had previously been used in larger franchise stores was designed, developed and applied to a company-operated pilot store. The main characteristics of the AB Food Market are proximity, convenience through self-service and assisted self-service systems, aiming to satisfy consumers' every day needs. At the end of the year, the retail network of stores bearing the "ALFA-BETA" banner in Attica and the Provinces comprised 138 stores, of which 108 company-operated and 30 operated by franchisees. Together with the 10 Cash-and-Carry sales points, the Group's sales network counted 148 stores on total, at the end of 2006.

Return on value has also been achieved through the implementation of strict rules of food safety and hygiene, such as the HACCP system implementation, the emphasis on control of fresh products and the frequent sample controls continued to be in effect and to bring in 2006.

Corporate Social Responsibility was and remains Group's fundamental value. Protection of the Environment is an important manner of expressing the "ALFA-BETA" social role. We are the only company in Greece that have been officially certified for handling recycled packaging materials for private label and imported products. Moreover, the Group increased to 28 the number of stores where Recycling Centres are installed. The Donations'

Committee continued its social work in 2006 and managed the donations fund, donating sums to medical, social and educational organisations.

As regards ENA, it continued the priors' years positive evolutions, a fact which is reflected in its sales and results.

Group's successful results in 2006, there is no doubt, are due to the qualitative work and cooperative culture of the employees, which numbered 7,209 at the end of the year. The sales figures are the result of the devotion of the employees at all levels, but mainly of those who are in the "front line" of customer service. Successful financial results were achieved thanks to the skill, experience and professionalism of key personnel supported by the expertise of key Delhaize personnel. The Chairman of the Board of Directors and the Managing Director would like to express our heartfelt thanks to everybody.

PERSPECTIVE 2007

With the year 2006 now behind us, it is only natural that our shareholders' main interest and thoughts should focus on 2007. For the current year, "ALFA-BETA" VASSILOPOULOS S.A. plans to accelerate its expansion by adding 19 new stores to its network expanding it to 167 outlets including the stores of franchise network.

In the commercial sector, priority will be given both to the price policy aiming to strengthen company's competitiveness as well as to the enrichment of product assortment with new product categories emphasizing on exclusive and locally sourced products, on the development of private label products' and organic ones.

As concerns ENA, the policy followed in 2006 and lead to the positive evolution of its results continues in 2007 with the same consistency. Special emphasis is given to the more efficient stock management as well as to the reduction of personnel expenses and the elimination of costs related to doubtful receivables.

The Group's Management looks forward to 2007 with optimism. The devotion to our values, our well-established strengths, foremost among them being our customers' loyalty and the dedication of our staff, lead us to have faith in its achievement of its long-term quantitative and qualitative aims, which all converge in the overall aim of increasing the value of the company for its shareholders.

BASIC ACCOUNTING PRINCIPLES

The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS). Analytical information for the Basic Accounting Principles followed, are stated in the Notes to the Accounts of December 31, 2006.

The Consolidated Balance Sheet and Income Statement of the fiscal period 01.01.2006-31.12.2006 are as follows:

BALANCE SHEET

Amounts in thousands of EUR

	31.12.2006
<u>ASSETS</u>	
Fixed Assets	264.085
Inventories	72.755
Trade Receivables	27.731
Other Assets	<u>53.966</u>
TOTAL ASSETS	<u>418.537</u>
<u>EQUITY & LIABILITIES</u>	
Long-term borrowings	59.201
Short-term borrowings	28.929
Other short-term liabilities	<u>249.379</u>
Total Liabilities (a)	<u>337.509</u>
Share Capital	19.099
Other Net Equity	<u>61.928</u>
Equity attributable to the equity holders of the parent (b)	81.027
Minority Interests (c)	<u>1</u>
Total Equity (d)=(b)+(c)	<u>81.028</u>
TOTAL EQUITY & LIABILITIES (e)=(a)+(d)	<u>418.537</u>

INCOME STATEMENT

Amounts in thousands EUR

	01.01- 31.12.2006
Revenue	1.030.249
Gross Profit / (Loss)	226.303
Profit / (Loss) before tax, financial, investing activities, depreciation and amortization	52.206
Profit / (Loss) before tax, financial and investing activities	32.840
Profit / (Loss) before tax	<u>30.424</u>
Less Tax	<u>10.405</u>
Profit / (Loss) after tax	<u>20.019</u>
<u>Attributable to:</u>	
Equity holders of the parent	20.018
Minority Rights	1
Earnings per share after tax - basic (in Euro)	1,57
Proposed dividend per share (in Euro)	0,49

Following the above, Ladies and Gentlemen Shareholders, we ask you to approve the Balance Sheet 31.12.2006 and the Results for the fiscal year 2006, and to release the members of the Board of Directors and the Auditors of any liability for the fiscal year 2006 according to the Law and the Statutes of the Company.

Gerakas, March 7, 2007

For the Board of Directors,

Raphael Moissis
Chairman of the Board of Directors