F.G. EUROPE S.A.
SOCIETE ANONYME OF ELECTRIC AND ELECTRONIC APPLIANCES

DIRECTORS REPORT FOR FISCAL YEAR 2005
OF THE BOARD OF DIRECTORS OF F.G. EUROPE S.A.
TO THE
GENERAL ASSEMBLY OF SHAREHOLDERS

Dear Shareholders,

The Company for the second time in 2006 fully adopted and prepared the Company and consolidated Financial Statements according to International Financial Reporting Standards (IFRS) (according to the provisions of L. 2992/2002, 3148/2003, P.D. 360/1985 and the decision 17/336/21-04-2005 of the Capital Market Committee as in force).

General

The Group of F.G. EUROPE activates:
Through the parent company in the import and distribution of long living consumer goods and the distribution of products and services of mobile telephony.
Through its subsidiaries additionally in the fields of logistics, installation of central systems, after sale service and in energy production from renewable energy sources (Wind, hydro electrical energy).
The business of long living consumer goods covers:

- The sales of air conditioners products for home use (split units) and central climatization systems for professional use. These sales represent the main business of the Group contributing the most significant part to the Groups results.
  In the field of air conditioners, F.G. EUROPE A.E. activates besides Greece, where a dominant market position is hold, also in Italy and the wider area of the Balkans and additionally in Germany and the Czech Republic.
- The sales of white electrical goods under the brand name ESKIMO and SHARP.
- The sales of Consumer Electronics products of SHARP, activity that started the last four months of 2005, developed rapidly though the supplier incurred problems serving the increased demand and contributed significantly to the Group's sales and results in 2006.

In the field of products and services of mobile telephony the Group continued reducing its sales of prepaid cards following the decision of the Management and simultaneously reorganized the department giving emphasis to the increase of new subscriptions and the distribution of corporate products of TIM following the goal to increase revenues from air time.
The services rendered through the subsidiaries in the fields of logistics and technical support cover primarily the Group Company's needs.

Sales

The Group's total sales for 2006 amounted to EURO 156,08 mil., compared to EURO 161,12 mil. in 2005, decreased by 3,13%.

The decrease in sales is mainly due to the decrease in sales of mobile telephony that were reduced from EURO 107,70 mil. in 2005 to EURO 86,56 mil. in 2006 or 19,63%. The reduction in sales of mobile telephony concerns primarily the sales of prepaid phone cards while also exports of mobile telephony products were also reduced from EURO 12,35 mil. in 2005 to EURO 2,25 mil. in 2006.

In the air conditioners business sales amounted in 2006 to EURO 51,28 mil. compared to EURO 42,42 mil. in 2005, posting a significant increase of 20,89%. The increase in air conditioners sales is mainly due to the increase on the domestic market that amounted to EURO 29,44 in 2006 mil. compared to EURO 21,69 mil. in 2005 posting an increase of EURO 7,75 mil. or 35,73% enhancing further the company's dominant position on the Greek market.

The exports of air conditioner products for the Group in 2006 amounted to EURO 21,84 mil. compared to EURO 20,73 mil. in 2005. Exports of air conditioners to Italy increased from EURO 6,56 mil. in 2005 to EURO 10,58 mil. in 2006 (+61,28%), exports to Balkan countries increased by 41,62% amounting to EURO 9,63 mil. compared to EURO 6,8 mil. in 2005 while exports to the rest of Europe were reduced from EURO 7,37 mil. in 2005 to 1,64 mil. in 2006.

The sales of white electrical appliances realized a decrease of 7,75% amounting in 2006 to EURO 6,19 mil. compared to EURO 6,71 mil. in 2005.

The sales of SHARP products though the significant problems for the coverage of the increased demand for LCD TVs amounted to EURO 9,06 mil compared to EURO 3,35 mil. in 2005.

Gross Profit
Gross profit increased by 41,27% and amounted in 2006 to EURO 19,58 mil. compared to EURO 13,86 mil. in 2005. The increase in gross profit given the decrease in sales is due to the increase in gross profit margin which in 2006 amounts to 12,72% compared to 8,60% in 2005, primarily due to the change in sales mix with the significant increase in sales of long living consumer goods and the addition of SHARP products.

EBITDA
In 2006 the earnings before interest, taxes, depreciation and amortization as percentage of sales amounted to 4,02% compared to 3,18% in 2005, realizing an increase of EURO 1,14 mil. or 22,22%.
The absolute and relative increase in EBITDA margin did not follow the increase of the gross profit margin due to the realized increase in general expenses in the year 2006 of EURO 4,36 mil.

Administrative – Distribution – Other Expenses
The administrative – distribution and other expenses in 2006 totaled to EURO 15,27 mil. compared to EURO 10,91 mil. in 2005, posting an increase of 39,97%. The increase is based on increased advertising expenses for the promotion of SHARP products as well as on the increased logistics costs that resulted from the realized increase during the year 2006 of the sale of long living consumer goods.

Financial Results
The net financial expenses, decreased by EURO 1,49 mil. or 45,43% and amounted in 2006 to EURO 1,79 mil. compared to EURO 3,28 mil. in 2005. The decrease in net financial expenses is due to foreign exchange gains during the year 2006 of EURO 1,47 mil. compared to foreign exchange losses of EURO 1,00 mil. that were charged to the year 2005 but also to the reduction of net debt by EURO 21,46 mil. that amounted to EURO 35,27 mil. as of December 31, 2006.

Long Term Liabilities
The long term liabilities decreased from EURO 36,93 mil. as of December 31, 2005 to EURO 16,97 mil. as of December 31, 2006 because of the second conversion of 14.457 bonds of the convertible bond loan of the Company, that increased the shareholders' equity by EURO 1,45 mil., the repayment of EURO 7,87 mil. of the second and third tranche of the bonded loan that was issued in 2004 by the Company and the transfer of long term liabilities payable within the next 12 months to short term borrowings of EURO 19,11 mil.

Total Liabilities
The Groups total liabilities increased by 3,24% and totaled in 2006 to EURO 73,26 mil., compared to EURO 70,96 mil. in 2005.

Earnings before Taxes
Earnings before taxes increased significantly by 159% in 2006 and resulted to EURO 4,23 mil. compared to EURO 1,63 mil. in 2005 and resulted as a percentage of sales to 2,71% compared to 1,01% in 2005.
The increase in earnings before taxes is based on the improvement of the gross profit margin as a result of the increased contribution of long living consumer goods to sales, the reduction of financial expenses due to foreign exchange gains and the reduction of net debt.

Net Earnings after Taxes and Minority interest
Net Earnings after Taxes and Minority interest increased by EURO 1,62 mil. or 143% in 2006 resulting to EURO 2,75 mil. compared to EURO 1,13 mil. in 2005.

Other Financial Ratios
- Collection period: 107 days (127 days in 2005)
- Inventory turnover period: 97 days (65 days in 2005)
- Payment period: 54 days (22 in 2005)
- Liabilities / Equity: 2,44 (3,33 in 2005)
- EBITDA / Financial Result: 3,51 (1,56 in 2005)

Other Information
The expansion in the field of energy is assumed a significant step for the Company and the Group. Within this frame the 40% subsidiary company R.F. ENERGY S.A., purchased the 100% of the shares of the company "KALLISTI ENERGIAKI S.A.", that holds an installation license for a 15 MW wind park in the area of Tsouka in the Arkadia Prefecture. The construction works for the wind park will begin directly in 2007. Simultaneously within 2007 the construction of a second hydro electrical plant through the 55,25% subsidiary company HYDROELECTRICAL ACHAIAS S.A. of 1,05 MW at the Kerinitis river in the area of Egialia in the Achaia Prefecture will begin, while shortly the construction of a second wind park of 10 MW capacity in the

area of Kylindria in the Kilkis prefecture through the subsidiary company AIOLIKI Kylindrias S.A. will be decided.

Significant for the Company is the cooperation in the field of Energy with RESTIS Group through the subsidiary R.F. ENERGY S.A. in which the Group holds 50%, but also the participation of RESTIS Group with 11% in the share capital of the listed company, indicative for the interest and the trust of a strong financial group with multiple businesses besides Shipping in the growth possibilities of the company and the group of F.G. EUROPE S.A.

For the year 2007 based on the management's estimates and the data of the first 2 months of the year a significant increase in sales of long living consumer goods and the profitability of the Group is expected. The sales of air conditioners on the domestic market but also on the markets abroad where the company operates are expected to increase significantly because of the climate conditions and the increase in average temperature based on scientists' predictions, creating the preconditions for the increase in demand for air conditioners for both private and professional use. The increase in demand of air conditioners was also driven through the search for alternative heating sources through the consumers because of the high oil prices that according to analysts will remain on similar levels for the next years.

The cooperation with SHARP is expected to be significant and profitable for the Company and the Group because of the continuously increasing demand for the next years and the exploding sales of LCD TVs given not only the market trends but also the dominant position of SHARP controlling 25% of the world market. The Company expects after the initial problems of SHARP to cover the increased demand this year a significant increase in the sales of LCD but also of the other SHARP products, enhancing significantly the revenues and the results of the Company and the Group in total.

The personnel of the Group companies is 115 persons perfectly trained forming one of the most significant assets of the Company. Basic concern of the management is continuous training of the personnel through the attendance of training and development seminars with the goal of optimal use of human resources of the Group, that in its total is formed through experienced and specialized executives.

F.G. EUROPE S.A. is certified by TUV AUSTRIA HELLAS with ISO 9001/2000.

Finally, managements concern on environment protection issues should be mentioned certified through the Group's engagement in the energy production through renewable energy sources but also through the participation of F.G. EUROPE S.A. as a founding member in the company ANAKYKLOSI SYSKEVON SYMMETOCHIKI S.A. sole shareholder of the company ANAKYKLOSI SISKEVON S.A. forming the first approved collection system of alternative waste management of electrical and electronic equipment by the Ministry for the Environment, Physical Planning and Public Works.

The results based on the work of the management and the Group's personnel during the examined fiscal year are significant for the Company but also for the controlled subsidiaries, creating the preconditions for a successful course in the future.

Concluding we would like to mention that the Board of Directors will propose to the Ordinary General Assembly of Shareholders of F.G. Europe S.A. to distribute from the net earnings of the year of total EURO 3,2 mil. a dividend distribution for the fiscal year 2006 of EURO 0,04 per share representing the total amount of EURO 2,11 mil.

All the above information about the financial position of the Company and the Group can be confirmed by the Financial Statements for 2006 that were prepared according to IFRS.

Narrative Report of L. 3371 Article 11 [a].

The Company's share capital as of December 31, 2006 amounts to EURO 16.974.112,2 divided into 54.580.374 common shares with par value of EURO 0,30 each. According to the Company's Article of Incorporation each share represents one vote in the General Assembly.
Shareholders obliged to disclose their participation in the share capital of the Company according to the provisions of P.D. 51/1992 are:
Georgios Fidakis, direct investment: 52,63%
Vasiliki Valianatou, direct investment: 7,67%
FIRST EUROPEAN RETAIL CORP., indirect investment: 10,993%
The preconditions of Article 11 a par. 1 b and 1 d to 1 i of L. 3371 are not fulfilled and therefore additional disclosure is not required.

Glyfada, March 5, 2007

THE
CHAIRMAN OF THE BOARD OF DIRECTORS

GEORGIOS FIDAKIS