
**MANAGEMENT REPORT BY THE BOARD OF DIRECTORS
OF THE AEOLIAN INVESTMENT FUND S.A.
FOR THE PERIOD 1.1.2007 - 31.12.2007,
PRESENTED TO THE ANNUAL SHAREHOLDERS MEETING**

Dear Shareholders,

We submit for approval the Financial Statements for the period 01/01/2007 – 31/12/2007, together with the Notes to the Financial Statements, which form an integral part of these Statements.

These Financial Statements, which were prepared according to the International Accounting Standards (I.A.S.) and the International Financial Reporting Standards (I.F.R.S.), present a detailed breakdown of assets and liabilities, of the financial results for the period mentioned above and of the present financial condition of the company at the end of that same period. In addition, we would like to disclose the following information regarding these financial statements and the operating activity of the company during that period:

a. Operating Developments

As shown in the attached table below, our company had a profit before tax of 2,888,048.92 euros during the period, compared to profit of 4,088,334.96 euros during the previous period.

In addition, we would like to note the following:

- A. The company had a realized gross profit from investment income and from sales of investments, less administrative and selling expenses, of 3,663,001.12 euros.
- B. There was a negative effect from exchange rate differences of 648,289.95 euros.

Portfolio management costs amounted to 1,212,530.04 euros, compared to 1,422,727.87 euros during the previous period, which means a reduction by 14.77%. Administrative and selling expenses amounted to 281,214.03 and 9,572.99 respectively, which compared to last year were increased by 11.04% και 46.14% respectively.

In sum, operating costs amounted to 290,787.03 compared to 259,806.21 during the previous year.

From the analysis of the financial statements and the details presented above, we conclude that the company's results for 2007 were within our expectations.

b. Financial Conditions of the Company

The company holds a satisfactory position within its sector, obviously affected by positive or negative market conditions.

Regarding the company's capital position:

- Return on equity is 7.66%.
- Gross profits increased by 9.35% compared to 2006.

From all information mentioned above and from the financial statements, we deduce that the company's financial condition is stable, in relation to the peculiarities of the sector in which it operates.

c. Comments on financial markets and expectations

Most equity markets finished 2007 with a positive performance for a fifth straight year, despite the subprime loan crisis which started during the summer. The main stock indices in Germany, France, the UK and the USA rose between 1% and 22% during the year, with the Athens General Index rising by 17.9%. During the same period, major emerging markets, such as China and India, outperformed the main developed markets.

Factors that helped stock markets rise, despite the effects of the crisis, were the large number of leveraged buyout announcements during the first half of the year, the uninterrupted buying interest for emerging market stocks throughout the year, which was based on the theory of economic decoupling, and finally the expectation during the latter half of the year, that the crisis would not lead to a recession of the US economy.

On a global sector level, mining, agricultural commodity, energy and industrial stocks outperformed, while financial, retail and real estate stocks underperformed. For the Greek stock market, 2007 was a particularly positive year, as the Athens General Index outperformed most Western European indices. The two factors that contributed to this outperformance were the continuation of high profit growth of most listed stocks, due to company exposure to the rapidly expanding Eastern European and Middle East region, and the fact that Greek bank profits appeared immune to the subprime loan crisis.

However, 2008 is expected to be a much more difficult and volatile year for global markets. Risks include the continuation and potential spillover effects of the credit crisis, the possibility for a US recession, and finally, a drop in corporate earnings. In addition, any uncertainty regarding the result of the US presidential election, which takes place later in the year, will contribute to the rise in market volatility. On the other hand, swift and decisive action by the main Central Banks and/or fiscal stimulus may limit the damage to economies and may help markets continue their long-term advance. For the Greek market in particular, the continuation of high profit growth of listed stocks and the acceleration of economic reforms and privatizations by the government will be key factors for its performance.

d. Securities Holdings

At the end of 2007, securities holdings were valued by marking to market on the last day of the year. The result was an unrealized loss of 128,161.82 euros, compared to unrealized profits of 1,132,829.14 at the end of 2006.

e. Foreign Exchange

At the end of the period, deposits in foreign currency are shown below:

Deposits in USD,	79,743.20 euros
Deposits in GBP,	- 0.10 euros
Deposits in TRY,	138.25 euros

f. Corporate Actions

During the period, the company paid a total dividend of 0.20 euros per share, according to the decision of the shareholders meeting that took place on 04/04/2007.

During the period from 03/05/2007 to 08/05/2007, the company purchased 2,000 own shares for a total cost of 5,240.00 euros.

g. Principles of Financial Reporting

The principles of financial reporting that were followed by the company for the preparation of the financial statements for the period 1/1/2007 – 31/12/2007, and other related information, are presented in detail in the Notes to the Financial Statements.

h. Results (profit) Distribution:

Analysis of profit carried forward is as follows:

Amounts in €

Results (profit) carried forward on 31/12/2006	4,845,168.83
Less: Dividends paid	2,235,600.00
Plus: Result (profit) for period 01/01/07 – 31/12/07:	2,698,648.29

TOTAL	5,308,217.12

The Management of the company proposes that above profits are distributed as follows:

Amounts in €

1. Ordinary Reserves	265,410.86
2. Reserves for Own Shares	5,240.00
3. Dividend for 2007	2,794,500.00 (0.25 € per share)
4. Result (profit) carried forward	2,243,066.26

TOTAL	5,308,217.12

RISK MANAGEMENT POLICIES (article 43a par.3c L.2190/1920)

Due to the nature of the sector that the company operates in, it is exposed to market risk. The policy of the company is to diversify its investments and to retain significant part of the portfolio in cash and equivalents. In order to analyze market risk, the company performs VaR analysis on a daily basis, using specialized software. In addition, using the same software, the company conducts regular stress tests, in order to evaluate the behaviour of the portfolio under extreme market conditions.

Liquidity risk for the company is negligible. This is because the company retains a high proportion of the portfolio in cash and because most investments are in liquid stocks in Greece or other foreign markets.

Credit risk is also negligible. Most security transactions that the company performs are cleared through exchanges. Also, cash deposits are only placed at large bank institutions and are diversified.

EXPLANATORY REPORT (article.11^a Law 3371/2005)

This explanatory report by the Board of Directors for the Annual Shareholders' Meeting contains detailed information, according to requirements of paragraph 1 of article 11^a, Law 3371/2005.

I. Structure of equity Capital of the Company.

Equity capital amounts to twenty million one hundred and twenty thousand four hundred euros (20.120.400,00) divided into eleven million one hundred and seventy eight thousand (11,178,000) common ordinary voting shares, of one euro and eighty cents (1.80) par value per share. Shares of the company are listed in the Athens Stock Exchange, in the Mid and Small Market Capitalization category.

II. Restrictions on the transfer of shares of the Company.

Transfer of shares of the Company takes place according to Law and there aren't any restrictions on transfers imposed by the Company's articles of association, insofar as the shares are listed in the Athens Stock Exchange.

III. Significant direct or indirect participations according to articles 9-11, Law 3556/2007.

There are shareholders that hold either directly or indirectly, more than 5% of the total number of shares of the company as of 31/12/2007:

PROTON BANK S.A.	15,986%
EUROCORP GROUP	13,066%
CREDIT AGRICOLE (SUISSE) S.A.	8,096%
IOANNIS PAGUIDAS	5,516%

IV. Shares with special controlling rights.

None of the shares of the Company provide their holders with special controlling rights.

V. Restrictions on voting rights.

There are no provisions within the articles of association of the Company, for restrictions of voting rights on the shares of the Company.

VI. Special agreements between shareholders of the Company.

The Company is not familiar with special agreements between any of its shareholders, that would constitute restrictions on transfer of shares, or restrictions on the voting rights of shares.

VII. Rules regarding the appointment of members of the Board of Directors and the modification of the articles of association.

Provisions within the articles of association regarding the rules for the appointment of members of the Board of Directors, and for the modification of the articles of association, are no different to the respective provisions of Law 2190/1920.

VIII. Responsibilities of the Board of Directors regarding the issuance and purchase of own shares.

A) The Board of Directors has no jurisdiction for either the issuance of new shares or for the purchase of own shares of the Company.

B) According to paragraphs 5 to 13 of article 16, Law 2190/1920, companies listed in the Athens Stock Exchange can purchase their own shares up to a total of 10% of shares outstanding, after a decision of the shareholders general assembly, which should also define the purpose and the conditions under which such purchases can take place through the Athens Stock Exchange.

IX. Important agreements which are put in place, modified or expire, in case of a change of control after a public tender offer.

There are no agreements that are put in place, modified or expire in case of a change of control after a public tender offer.

X. Agreements with members of the Board of Directors or with company personnel.

There are no agreements between the Company and the members of the Board of Directors that contain provisions for payment of damages, especially in the case of resignation, or dismissal, or expiry of term, or end of their occupation, as a result of a public tender offer. Provisions for payments to personnel in case of dismissal amounted to 9,286.67 euros as of 31/12/2007.

Dear Shareholders, based on the above, I call you to approve the financial statements for the period 1/1/2007 -31/12/2007.

**TRANSLATED COPY
FROM THE MINUTES-BOOK
OF THE BOARD OF DIRECTORS

THE PRESIDENT OF THE BOARD**

IOANNIS PAGUIDAS

It is hereby certified that the above Board of Directors' Report consisting of five (5) pages and one (1) table of indexes is the one mentioned in the Auditor's Report issued on February 25, 2007.

Athens, 25th February 2008

The Certified Auditor Accountant

**Dimitrios Ntzanatos
SOEL Registration No 11521**

 **Grant Thornton
SOEL Registration No 127**

AEOLIAN INVESTMENT FUND S.A.		
Period ending 31/12/2007		
FINANCIAL STATEMENTS		
Period : 01/01/2007 - 31/12/2007		
	2006	2007
ASSETS		
Fixed Assets (tangible and intangible)	92,440.99	99,957.89
Depreciation	78,569.78	88,524.10
Undepreciated Balance (Fixed Assets)	13,871.21	11,433.79
Current Assets and Transit Debit Balances	38,092,384.25	38,325,730.90
Total Assets	38,106,255.46	38,337,164.69
SHAREHOLDERS EQUITY AND LIABILITIES		
Total Equity	37,297,873.06	37,698,158.65
Own Shares	0.00	-5,240.00
Provisions	0.00	0.00
Long Term Liabilities	6,790.00	9,286.67
Short Term Liabilities and Transit Credit Balances	801,592.40	634,959.37
Total Equity and Liabilities	38,106,255.46	38,337,164.69
Income Statement		
Sales	5,038,496.14	5,166,318.18
Cost of Sales	1,422,727.87	1,212,530.04
Gross Profit	3,615,768.27	3,953,788.14
Other income	0.00	0.00
Financial income	0.00	0.00
Administrative Expenses	253,255.75	281,214.03
Selling Expenses	6,550.46	9,572.99
Financial Expenses	0.00	0.00
Operating Profit	3,355,962.06	3,663,001.12
Non-operating income	208,503.90	171,545.86
Non-operating expenses	608,960.14	818,336.24
Profit/Loss from investment valuation	1,132,829.14	-128,161.82
Profit Before Taxes	4,088,334.96	2,888,048.92
Total depreciation	6,235.84	15,346.28
Key metrics		
Net income / Shareholder's Equity	10.96%	7.66%
Percentage change in Operating Profit	17.30%	9.35%
Percentage change in Cost of Sales	-9.62%	-14.77%
Percentage change in Administrative Expenses	21.35%	11.04%
Percentage change in Selling Expenses	-30.14%	46.14%