ELGEKA S.A.

GROUP OF COMPANIES

MANAGEMENT REPORT
FOR YEAR 2016

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF "ELGEKA S.A. TRADE-DISTRIBUTIONS-REPRESENTATIONS-INDUSTRY" REGARDING THE CONSOLIDATED AND STAND ALONE FINANCIAL STATEMENTS OF THE FINANCIAL YEAR 1 JANUARY 2016 TO 31 DECEMBER 2016 (In accordance with Law 3556/2007, article 4)

Dear Shareholders,

In accordance with the Commercial Law and the Articles of Association of the Company, we submit to the Shareholders' General Meeting for approval, the Annual Report of year 2016 (01/01/2016 – 31/12/2016) of the Board of Directors. The report was prepared in accordance with articles 43ª, par.3 and 107ª, par.3 and par.1 (subsection c and d) of article 43bb of C.L.2190/1920, article 4 of L.3556/2007, as well as the delegated of the same Law issued executive decisions of the Board of Directors of the Capital Market Commission.

The present report includes the financial status and results of year 2016 along with all significant transactions occurring during the current accounting year and until the date of submission. In addition, the report refers to an analysis of the main threat / risks, perspectives and expectations, corporate governance statement, key non-financial performance data, alternative performance measurement indicators, as well as all transactions with related parties. The abovementioned information refers to both the Parent Company and the Group.

The company "ELGEKA S.A. TRADE - DISTRIBUTIONS - REPRESENTATIONS – INDUSTRY" has the form of the Societe Anonyme and its registered office is from 1st March 2016 in the Municipality of Delta Thessaloniki, in the Industrial Area of Sindos, D.A. 13, O.T. 31 – B' FASI. It also has a branch office in Acharnes, Attika, at 60 Agios Ioannis Theologos, as well as a branch office in Aspropyrgos, Attica, at position "Skarpa".

The accounting year, ended December 31st, 2016, is the 19th year during which "ELGEKA S.A." operated as the parent company of the Group. The companies included in the consolidated financial statements, together with the interests of our company in the subsidiaries, are disclosed in detail, in Note 1 of the Annual Financial Statements of the Group and the Company.

The Financial Statements for the year ended December 31st, 2016, are the 12th consecutive, which have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S.), and the accounting principles and policies, which have been adopted by the Board of Directors of the Company.

The contents of the report are presented as follows:

A. FINANCIAL RESULTS & BUSINESS ACTIVITIES OF THE COMPANY & THE GROUP FOR THE FISCAL YEAR 01/01/2016 TO 31/12/2016

During 2016, the fundamentals of the Greek economy continued to be under pressure as a result of the very restrictive fiscal policy, which, through the significant surpluses that generate, absorbs liquidity from the private sector, the negative financial expansion of the banks, which exacerbates the problem, as well as the uncertainty about future developments. Hence, the key elements that characterize the Greek economy are the limited disposable income of consumers, the reduced liquidity which is exacerbated by the continued imposition of capital controls on banks and the reduced investment by the companies, creating altogether a self-sustaining recession and deterioration of the economic environment.

The segments in which ELGEKA Group is activated were largely influenced by the above developments, especially the segments of "Trade of food and other consumer products" and "Logistics services", which constitute the core business activities of the Group. As a consequence, there was a decrease in Turnover, which came from reduced consumer demand, nevertheless a series of actions taken by ELGEKA Group had as a result the further significant decrease of operating cost regarding the Group's total operation, i.e. storage cost, distribution cost, cost of sales as well as administrative cost.

It should be noted that the Group's operating result was influenced significantly by developments in the case of Marinopoulos Group during 2016. Although ELGEKA Group had taken all the necessary actions regarding the reduction of its exposure against the particular customer (termination of cooperation since the middle of 2015, collecting significant amounts towards old receivables, recording underwritings on real estate), actions which resulted in the formation of the claim in a minimum height in comparison with that of previous years, however the rest of the claim remaining of amount 3.031 thousand euro approximately and the cost of the recovery assurance of a part of this resulted in the burden on the operating result.

During the financial year 2016, the parent company "ELGEKA S.A." and the subsidiary "DIAKINISIS S.A." consented to the reorganization agreement of the Marinopoulos Group and therefore proceeded with a provision of 1.300 thousand euro and 216 thousand euro, respectively, amounts which account for 50% of the total claim. As a consequence, the results of the Parent Company were charged with the amount of 1.300 thousand euro and the Group with the amount of 1.516 thousand euro exclusively due to the particular client. This action ensured the recovery of the remaining 50% of the existing claim.

In addition, the Group proceeded to restructuring actions of its structure in order to create synergies between its subsidiaries at both sales and cost level, as well as disengage from activities that are not part of its strict core business and also not present stability in profitability level. In this context, they were transferred during 2016 the participation in "DIAKINISIS PORT (CY) LTD", which in turn was participated in "DIAKINISIS PORT AND CO S.A." and "P.C.D.C. S.A.", as well as in "DIAKINISIS LOGISTICS SERVICES (CY) LTD", sales that were realized with a profit of 770 thousand euro in total, while the Group ceased the inclusion of losses in its financial results. In addition, on 30.11.2016 was decided the transfer of the participation in the subsidiary company "ARIVIA S.A.", a development that is expected to improve significantly the financial results of the Group during 2017 (reduce of borrowings – reduce of financial cost, improve of working capital, improve of Equity).

As a consequence, the financial figures of the Group and the Parent are summarized as follows:

<u>Turnover (sales) from continuing activities</u> of the Group amounted to 157.766 thousand euro in the current financial year over 170.612 thousand euro the previous year of 2015, showing a decrease of 12.846 thousand euro or 7,53%. This decline is primarily due to the termination of the cooperation with Marinopoulos Group since the mid of 2015. In particular, they are included in the year 2015 sales to that customer of amount 11,7 million euro, while in the year 2016 the specific sales are zero. This fact affected both the activities of the segment "Trade of food and other consumer products" (by the amount of 6,2 million euro) and the segment of "Logistics Services" (by the amount of 5,5 million euro) .

Sales per Segment (in thousand euro)	2016	2015	%
Trade of food and other consumer products	121.456	130.162	*(6,69%)*
Real estate	491	527	*(6,83%)*
Logistics services	35.819	39.923	*(10,28%)*
TOTAL	**157.766**	**170.612**	***(7,53%)***

Gross profit of the Group amounted to 24.907 thousand euro for the year 2016 compared to 23.439 thousand euro of the previous year, presenting an increase of 1.468 thousand euro or 6,26% in percentage, reversing in full the influence from the decrease of sales and shaping the gross margin at 15,79% in 2016 as opposed to 13,74% in 2015.

Other operating income of the Group is decreased by 26,72% compared with 2015, or by 2.038 thousand euro, mainly due to the decreased marketing expenses and the corresponding decreased participation of suppliers in Group's marketing expenses, as well as due the modification of the agreements with the main suppliers of the Group.

Group's Operating Costs presented decrease by 695 thousand euro or by 2,04% in percentage, i.e. from 34.021 thousand euro in 2015 to 33.326 thousand euro in 2016. This result is a consequence of the reduced Selling and Distribution expenses by 2,896 thousand euro, as a result of coordinated actions carried out throughout the year in order to adapt the cost base of the Group to the new market conditions. It should be noted that operating costs would be much lower if they did not include the Marinopoulos Group's provision of amount 1.516 thousand euro.

Profit before interest, tax, depreciation and amortization ("EBITDA") from continuing operations of the Group amounted to 1.057 thousand euro as opposed to 1.339 thousand euro in the previous year, a result which is the consequence in one hand of the decreased sales and on the other hand to the above mentioned increase of gross profit and the adjustment of operating cost in clearly lower levels. It should be emphasized again the significant effect of the Marinopoulos Group, without which the Profit before interest, tax, depreciation and amortization would had been reached the level of 2.573 thousand euro, i.e. 92% higher than the corresponding figures for 2015.

At the segment level, there was a decrease in "EBITDA" in the segments of "Trade of food and other consumer products" and "Logistics services", mainly as a result of the aforementioned factors.

EBITDA per Segment (in thousand euro)	2016	2015	*Variation*
Trade of food and other consumer products	537	626	*(89)*
Real estate	(87)	(136)	*49*
Logistics services	784	935	*(151)*
Other	(177)	(86)	*(91)*
TOTAL	**1.057**	**1.339**	***(282)***

Operating loss from continuing operations of the Group amounted to 2.831 thousand euro against 2.956 thousand euro in the previous year, recording an improvement of 125 thousand euro, which is the consequence of the factors that already explained.

Financial Expenses are decreased by 243 thousand euro or 3,78% over the previous year, i.e. they amount to 6.187 thousand euro in 2016 compared to 6.430 thousand euro in 2015.

Other Financial Results (Expenses) are increased by 96 thousand euro amounting to 104 thousand euro in 2016 compared to 8 thousand euro in 2015.

Loss before tax from continuing operations of the Group amounted to 9.055 thousand euro the year ended against 10.629 thousand euro in 2015 as a result of the above mentioned facts (decrease of sales, decrease of operating cost) as well as of the decreased Financial Expenses and the reduced loss from the valuation of Investment property (by the amount of 943 thousand euro).

Loss after tax from continuing operations amounted to 7.600 thousand euro during 2016 compared to 10.475 thousand euro in the previous year of 2015.

Loss of Group from continuing operations attributable to shareholders of “ELGEKA S.A.”, after tax and non-controlling interest amounted to 7.447 thousand euro in the year 2016 compared to 10.084 thousand euro in the previous year of 2015, decreased by 2.637 thousand euro.

Loss per share from continuing operations of the Group reached 0,2347 euro in 2016 compared to 0,3177 euro in the comparable year of 2015.

In 2016, ELGEKA Group continued the widespread implementation of actions in order to reduce operating costs, nevertheless the decrease of Sales and mainly the evolution of Marinopoulos Group’s case had as a consequence to maintain its financial figures in negative level. The key financial data featured in 2016 at Group level is briefly as follows:

- The decrease of Sales, although at a smaller percentage compared to the previous years.
- The significant improvement in gross profit margin from 13,74% to 15,79%.
- The increase in operating costs (Operating income - Operating expenses) by the amount of 1.343 thousand euro (from 26.395 thousand euro in 2015 to 27.738 thousand euro in 2016), due to the burden by the provision of doubtful debtor of Marinopoulos Group by the amount of 1.516 thousand euro.
- The decrease in Financial Expenses by the amount of 243 thousand euro.
- The reduction of the loss created from the valuation of the investment property by the amount of 943 thousand euro.
- The positive contribution from the Results of Joint Ventures (positive change of 300 thousand euro).
- The increase of income tax from 154 thousand euro to 1.455 thousand euro (positive effect in P&L), mainly due to the recognition of deferred tax asset on unused tax losses of the Parent company “ELGEKA S.A.”.
- The loss after tax from discontinued operations of total amount 1.417 thousand euro that took place during 2016, in contrast of profit from discontinued operations amounting to 3.306 thousand euro in 2015.

The main points arising from the Statement of Financial Position of the Group are as follows:

The net book value of Tangible Fixed Assets, Intangible Assets, and Investment Property of the Group amounted, as at 31/12/2016, to 75.802 thousand euro representing 45,85% of the Group’s Total Assets as opposed to 89.807 thousand euro in 31/12/2015.

In 31/12/2016, the Group Equity represents 3,60% of the Group's Total Equity and Liabilities amounting to 5.946 thousand euro as opposed to 15.193 thousand euro in 31/12/2015.

Group's total Liabilities amounted to 159.397 thousand euro as opposed to 169.159 thousand euro in 31/12/2015, representing a decrease by 5,77%. The long term liabilities amounted to 27.491 thousand euro as opposed to 31.188 thousand euro in 31/12/2015, a decrease of 11,85%.

Group's Long term bank liabilities (long term liabilities payable within the following year included) amounted to 26.161 thousand euro as opposed to 26.590 thousand euro in 31/12/2015, representing a decrease of 429 thousand euro or 1,61%.

Finally, Group's Short term bank liabilities at 31/12/2016 amounted to 49.579 thousand euro (29,99% of Total Liabilities and Equity), decreased by 9.863 thousand euro as opposed to those in 31/12/2015, which amounted to 59.442 thousand euro.

It is presented below an analysis of the trend in financial ratios relating to the Group's financial structure, effectiveness, efficiency and working capital management for the fiscal year 2016, in relation to the fiscal year of 2015:

A) Financial Structure Ratios

	2016	2015
1. Property Funding Ratio		
Fixed Assets / Total Assets	70,74%	64,28%
Current Assets / Total Assets	29,26%	35,72%
2. Leverage ratio		
Total Debt* / Equity	1.586,80%	693,63%
3. Fixed Assets Coverage Ratio		
Equity / Fixed Assets	5,08%	12,82%
Equity & Long-term Liabilities / Fixed Assets	28,59%	39,14%
4. Current ratio		
Current Assets / Current Liabilities	40,69%	49,23%

***** Financial leasing liabilities included

B) Profitability Ratios

	2016	2015
1. Return on Equity		
Earnings before tax (EBT) / Equity	(152,29%)	(69,96%)

2. Gross profit margin

Gross profit / Sales	15,79%	13,74%

3. Equity turnover

Sales / Equity	2.653,31%	1.122,96%

4. Gross Profit to Cost of Sales Ratio

Gross Profit / Cost of Sales	18,75%	15,93%

C) Activity Ratios

1. Creditors' Turnover ratio	2016	2015
Trade Creditors X 360 days / Cost of Sales	89 days	80 days
2. Debtors' Turnover ratio		
Trade Debtors X 360 days / Sales of Stock & Services on credit	58 days	75 days
3. Inventory Turnover ratio		
Inventory X 360 days / Cost of sales	34 days	36 days

Regarding the financials of the Parent Company are summarized as follows:

Turnover (sales) of "ELGEKA S.A." for the current financial year amounted to 54.323 thousand euro as opposed to 59.745 thousand euro in the previous year of 2015, showing a reduction of 5.422 thousand euro, or 9,08% in proportion. This decrease was mainly due to the discontinuation of the cooperation with Marinopoulos Group, which resulted in zero sales to this customer in 2016, while the comparable year of 2015 includes sales of 6,2 million euro (up to mid-2015 when was taken the decision to stop the cooperation).

Gross profit amounted to 16.499 thousand euro in 2016 from 15.817 thousand euro in the corresponding previous year, which is an increase of 682 thousand euro or 4,31%, while gross profit margin increased to 30,37% from 26,47% in the year 2015.

Other operating income is decreased by 30,08% compared with 2015, or by 1.167 thousand euro, mainly due to the lower revenue sales promotion and consequent reduced participation of suppliers in Company's marketing expenses.

Operating Expenses decreased by 6,66%, namely from 20.834 thousand euro in the previous year of 2015 amounted to 19.447 thousand euro in the closing year of 2016, a decrease of 1.387 thousand euro. It should be noted that the decrease of operating costs would be much higher if they did not include the Marinopoulos Group's provision of amount 1.300 thousand euro.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") amounted to 352 thousand euro against 417 thousand euro in the previous year of 2015, an increase of 769 thousand euro (despite the significant burden of the provision of Marinopoulos Group).

Operating loss of the Company amounted to 235 thousand euro as opposed to 1.137 thousand euro of the previous year.

Profit before tax amounted to 3.616 thousand euro during 2016 versus loss of 6.416 thousand euro in 2015, an improvement of 10.032 thousand euro. The main reasons for this development are the reversal of the impairment of the subsidiary "ARIVIA S.A." amounting to 7.518 thousand euro (due to its subsequent sale), the aforementioned improvement of the operating result by 902 thousand euro and the collection of dividend from a subsidiary of 615 thousand euro. Also, the burden of impairment of subsidiaries was lower by 650 thousand euro.

Profit after tax of year 2016 amounted to 4.714 thousand euro against loss of 6.290 thousand euro in the previous year, an improvement of 11.004 thousand euro.

Profit per share of the Parent Company amounted to 0,1486 euro for the year 2016 compared to loss of 0,1982 euro for the year 2015.

From the above data, it is obvious that the continued recession of the Greek Economy during 2016 had a negative impact on sales of the Parent Company, however, after a series of coordinated actions, the outcome of which was the reduction of operating costs, the Company achieved to restrain the negative influence on the operating level. The key financial highlights of the specific year, for the Parent, briefly are the following:

- The decrease of sales.
- The decrease of operating cost (Operating income – Operating expenses) by the amount of 220 thousand euro (from 16.954 thousand euro in 2015 to 16.734 thousand euro in 2016), mainly due to the decreased Administration expenses and Selling and Distribution expenses, which was restrained in a significant degree by the evolution in the case of Marinopoulos Group.
- The reversal of the provision for impairment of the participation in the subsidiary "ARIVIA S.A." by the amount of 7.518 thousand euro, due to its sale in February of 2017.
- The provision for impairment of investments in subsidiaries, amounting to 400 thousand euro against 1.050 thousand euro in 2015.
- The collection of dividend of amount 615 thousand euro by a subsidiary.
- The loss from the revaluation of investment property, which was 469 thousand euro against 798 in 2015.

B. SIGNIFICANT EVENTS

a) Significant events for the year 2016

In Group level, during 2016, were made the following investment - business developments:

- On February 24th, 2016, the Board of Directors of "ELGEKA S.A. Trade - Distributions - Representations - Industry" decided to change the address of its Registered Office and afterwards the Company relocated to new premises located in the industrial area of Sindos of the Municipality Delta since March 1, 2016. In addition, from the same date, i.e. from March 1, 2016, changed the address of the Registered Office of the subsidiaries "ARIVIA S.A." and "G.S.B.G. S.A." as after taking the relevant decisions of their appropriate bodies were transferred to the above premises, leasing office space and warehouse spaces. The above decision regarding the relocation of "ELGEKA S.A." in the specific leased premises was taken in the context of fulfilling the operating needs of the Company and their subsidiaries.

- On March 30th, 2016, after taking the relevant decisions by the Management of both the Parent company "ELGEKA S.A." and its subsidiary "ELGEKA (CYPRUS) LTD" and signing the relevant contract, was concluded the sale of its participation of "ELGEKA (CYPRUS) LTD" in "DIAKINISIS PORT (CY) LTD", i.e. a percentage of 50,01% for a consideration of 1.059 thousand euro, which was completely paid the same as above date. The company "DIAKINISIS PORT (CY) LIMITED", which is headquartered in Nicosia, Cyprus with object of activity the participation in other companies, participated in the Greek companies "DIAKINISIS PORT AND CO S.A." and "P.C.D.C. S.A." with 99% and 50% respectively and therefore consolidated in the Group's financial statements. Taking into account the decisions, by December 30th, 2015, taken by Management of both the Parent company "ELGEKA S.A." and its subsidiary "ELGEKA (CYPRUS) LTD", regarding the intention of finding potential acquirer for the sale of subsidiary "DIAKINISIS PORT (CY) LTD", the specific company and by extension its subsidiaries "DIAKINISIS PORT AND CO S.A." and "P.C.D.C. S.A." appeared in the ELGEKA Group's Annual Financial Statements of 31/12/2015 as "Discontinued operations" and "Non-current assets held for sale". From the above sale of participation percentage of "ELGEKA (CYPRUS) LTD" in "DIAKINISIS PORT (CY) LTD", resulted a profit of 926 thousand euro in the ELGEKA Group's Consolidated Financial Statements on December 31th, 2016.

- On April 7th, 2016, after taking the relevant decisions by the Management of both the Parent company "ELGEKA S.A." and its subsidiary "ELGEKA (CYPRUS) LTD" and signing the relevant contract, was concluded the sale of the participation of "ELGEKA (CYPRUS) LTD" in "DIAKINISIS LOGISTICS SERVICES (CY) LTD", i.e. a percentage of 60,00% for a consideration of 320 thousand euro, which was completely paid the same as above date. The company "DIAKINISIS LOGISTICS SERVICES (CY) LTD" is headquartered in Larnaca Cyprus with main business activity the distribution, storage and packaging of all kinds, while it is consolidated in the financial statements of the Group under the full method. The significant decrease of sales of "DIAKINISIS LOGISTICS SERVICES (CY) LTD" as a consequence of the interruption of a very important cooperation that represented more than 60% of its sales resulted in a deterioration of its financials figures, which are reached, in a pre-tax loss level for the first quarter of 2016, the amount of 207 thousand euro. As a result of the above, and following the strategic decision of the Management, as already announced to investing public regarding the review of the Group's strategic planning and redefining its business focus, it was taken the decision of the transfer of the Group's participation in "DIAKINISIS LOGISTICS SERVICES (CY) LTD". From the above transfer of the participation of "ELGEKA (CYPRUS) LTD" in "DIAKINISIS LOGISTICS SERVICES (CY) LTD", accrued a loss of 156 thousand euro in the ELGEKA Group's Consolidated Financial Statements on December 31th, 2016.

- On April 28th, 2016, was completed the merger of the company under the name "ARISTA S.A." and the company "VIOTROS S.A." through absorption of the latter by the former. Specifically, according to the relevant announcement of the Service of General Commercial Registry (G.E.MI.) of the Thessaloniki Chamber of Commerce and Industry (T.C.C.I.), it was filed on 28.04.2016 with Listing Code Number (L.C.N.) 615075, the decision of the Governor of the Region of Central Macedonia with No. Ref. 3276/21.04.2016, with which it was approved:

a) The merger, according to the provisions of articles 68-77a of C.L. 2190/1920 in conjunction with the beneficial provisions of articles 1-5 of L.2166/1993 of the company under the name "ARISTA COMMERCIAL AND INDUSTRIAL S.A." with distinctive title "ARISTA S.A.", and the company with the name "VIOTROS FOOD INDUSTRY - MANUFACTURING AND MILK PROCESSING - WAREHOUSING - INDUSTRIAL AND COMMERCIAL S.A." under the distinctive name "VIOTROS S.A." by absorption of the latter by the former.

b) The change of the name and distinctive title of the acquiring company "ARISTA COMMERCIAL AND INDUSTRIAL S.A." with distinctive title "ARISTA S.A." and, therefore, its new name will be "ARIVIA INDUSTRIAL AND COMMERCIAL S.A." and its new distinctive name "ARIVIA S.A.".

Finally, after the conclusion of the above merger, the participation of "ELGEKA S.A." in the share capital of its subsidiary company "ARIVIA S.A." amounts to approximately 90,04%, i.e. it holds 12.375.185 common registered shares of a total of 13.744.500 common registered shares, with a nominal value of 1,00 euro each.

- On July 15th, 2016, following the special resolution, the Parent company "ELGEKA S.A." approved the reduction of the share capital of its subsidiary "ELGEKA (CYPRUS) LTD" by the amount of 475 thousand euro, i.e. 11.736 thousand euro divided into 6.862.870 ordinary shares of nominal value 1,71 euro each, to 11.261 thousand euro divided into 6.585.092 ordinary shares of nominal value 1,71 euro each. This reduction in the share capital of "ELGEKA (CYPRUS) LTD" was completed formally on 02/12/2016, after relevant approval - validation of the application submitted by its Management to the Nicosia District Court, while the return - deposit of the specific amount to "ELGEKA S.A." had been already preceded on 20/07/2016.

- On November 30th, 2016, took place the Extraordinary General Meeting of the Shareholders of "ELGEKA S.A.", in which it was decided the sale and transfer of the total shares that holds the Parent company in the subsidiary company "ARIVIA S.A.", namely 12.375.185 shares representing 90,04% of the total shares of the latter for a consideration of 20.000 thousand euro, payable in cash by the Purchaser (Greek limited company) within the forthcoming fifteen days and with guarantee statements and assurances usually provided in similar transactions. After the full payment of the purchase price, the Purchaser acquired the full and exclusive ownership, possession and occupation of all the above transferred shares. As a result, the subsidiary "ARIVIA S.A." presented in the Consolidated Financial Statements as at 31 December 2016 as Non-current assets held for sale and Discontinued operations.

- On December 30th, 2016, "ELGEKA S.A." proceeded to a purchase of 1.780 common registered shares of the subsidiary company under the name "GLOBAL SYNERGY BUYING GROUP S.A. Trade – Distributions – Representations" and the distinctive title "G.S.B.G. S.A." for a consideration of 18 thousand euro. As a result, the participation percentage of "ELGEKA S.A." in the subsidiary "G.S.B.G. S.A." raised to at approximately 99,99% (from approximately 98,82% previously) and corresponds to 152.980 common registered shares of a nominal value of 10,00 euro each.

- Finally, the investments in Fixed Assets and Investment Property for 2016 amounted to 1.394 thousand euro and 131 thousand euro for the Group and the Parent Company, respectively.

b) Significant post – balance sheet events until the date of the Report

(a) On February 20th, 2017, there was signed contract regarding the sale of total shares held by the Company to its subsidiary "ARIVIA S.A.", i.e. 12.375.185 shares representing 90,04% of the company's shares, for a consideration of 20.000 thousand euro. After the full payment of the consideration, the Purchaser acquired full and exclusive ownership and possession of all the aforementioned transferred shares.

The sale of the above participation has as a consequence the inflow of a significant consideration in the Company, which is part of the negotiation and of the Company's commitment to its lending banks in the context of the new S.B.L. (Syndicated Bond Loan) for restructuring of its debt. Amount of 10 million euro from the consideration that is 50% of the total consideration will be directed to the creditor banks to repay existing loans of the Company and its subsidiary "DIAKINISIS S.A.".

(b) On March 10th, 2017, the Unsolicited Extraordinary General Meeting of the subsidiary "DIAKINISIS S.A." decided to increase its share capital by the amount of 3.100 thousand euro in cash and the issuance of 1.550.000 new common registered shares of nominal value of two (2) euro each, amending Article 5 of its Articles of Association. "ELGEKA S.A." undertook to cover the part of this increase in "DIAKINISIS S.A." that corresponds to the participation percentage in it, namely 99,99%, with the payment of 3.100 thousand euro, which will be held within two months from the date when the aforementioned General Meeting took place. Following the above, the new share capital of the subsidiary "DIAKINISIS S.A." will amount to totally 16.500 thousand euro divided into 8.250.000 common registered shares with nominal value of two euro each, while the participation percentage of "ELGEKA S.A." in that company remains at approximately 99,99%.

This increase of the share capital of "DIAKINISIS S.A." takes place in the context of the enhancement of its Equity, while the amount of the increase is going to be used for the decrease of its borrowing and strengthening the cash flows of the subsidiary.

(c) "ELGEKA S.A.", after receiving the Notice of Tax Audit for fiscal years 2009, 2009 and 2010 by Audit Authority for Large Enterprises with which determined temporarily total amount of tax to be charged (including surcharges and fines) of 2.198 thousand euro, submitted Memorandum to Audit Authority, expressing its views on the audit findings, asking at the same time the acceptance of its relevant claims. Subsequently, the Company under the provisions of articles 57 to 61 of L.4446/2016 submitted modified - supplementary tax returns relating to the audited fiscal years and paid total taxes (including surcharges) amounting to 532 thousand euro, i.e. 532 thousand euro, so accepting part of the initial tax amount being charged.

After that, the Audit Authority having considered both the above submitted by the Company tax returns under the provisions of articles 57 to 61 of L.4446/2016 and also the Company's claims submitted with the relevant Memorandum, notified the Company the relevant partial audit reports and corresponding definitive acts of corrective income tax assessment, ultimately attributing to the Company additional tax and fines (beyond those already declared and paid) of total amount 880 thousand euro.

Given that the Company considers as unfounded the charge of these additional taxes and fines, it will file an intra-corporate appeal against the finding in order to defend its rights.

There were no other events after the Financial Statements date that relate to the Group or the Company, which require separate disclosure.

C. PERSPECTIVES – BUSINESS ACTIVITIES – MAIN RISKS AND UNCERTAINTIES

In 2016, the recession in the Greek economy continued, with consumption and investment on the one hand to show some stabilizing trends on the other hand to be formed at very low levels. Household consumption, in particular, continues to present a downward trend, strongly affected by reduced disposable income, as well as by negative expectations regarding future disposable income. An additional element is the constant change in consumer trends, namely the composition of the product portfolio, and the way it is acquired. Households are constantly switching to non-branded products (private label products), lower-cost products and bidding products, while they carry out more frequent visits to larger stores, reducing spending per visit.

All of the above points demonstrate a constant change in consumer trends, which in turn affects the way businesses operate. Companies that show a high degree of adaptability to new data enjoy higher market shares, while reversely companies that are unable to follow new trends find themselves quickly out of the market.

With regard to 2016, it is a positive fact that there were no extraordinary events at macroeconomic and political level, which would put further pressure on consumers and businesses; however the retail sector was significantly influenced by the developments in the Marinopoulos Group case. ELGEKA Group had undertook a series of actions in recent years with a result to achieve a significant reduction of its exposure to that client, given the exposure that had the previous years and the fact that it was one of its largest clients, nevertheless it did not achieve to collect the total amount claimed. In order to minimize the negative impact of the development of the case and to ensure the collection of at least 50% of its total claim, ELGEKA Group gave its consent to the Marinopoulos Group's reorganization agreement and therefore charged its Operating Results with the amount of 1.516 thousand euro (as a provision for doubtful debtors). This fact greatly reduced the benefit of the remaining actions regarding the optimization of its financial figures (product mix change, gross margin improvement, significant operating cost savings) but has not denied the usefulness of these as the positive impact of the latter will continue to exist in the future, while the provision of doubtful debtor of the specific customer is a non-recurring event.

ELGEKA Group, being active to a significant extent in the Greek economy, accepted the consequences of these events resulting in the reduction of its activity. Furthermore, in order to adapt to the new conditions that prevailed in the domestic economy, it proceeded to discontinuation or drastic reduction of partnerships with customers who are classified as high risk, resulting in further decline in its sales level.

In addition, the Group proceeded to restructuring actions of its structure in order to create synergies between its subsidiaries at both sales and cost level, as well as disengage from activities that are not part of its strict core business and also not present stability in profitability level. In this context, they were transferred during 2016 the participation in “DIAKINISIS PORT (CY) LTD” (participated in “DIAKINISIS PORT AND CO S.A.” and “P.C.D.C. S.A.”) and in “DIAKINISIS LOGISTICS SERVICES (CY) LTD”, while additionally was decided the transfer of the participation in the subsidiary company “ARIVIA S.A.”, a development that is expected to improve significantly the financial results of the Group during 2017.

In 2017, the challenges will be faced by businesses is expected to be again significant and multidimensional. Consumers and businesses are required to handle continuously increased tax liabilities and shrinking incomes, thereby exerted further pressure on consumption. The business sector has also to cope with the increased credit risk, as after many years of recession several companies can no longer meet their accumulated obligations, creating new obstacles to the operation of the rest. Given also the continued imposition of capital controls on banks, a statute that adversely affects both the psychology and the real capability of businesses and consumers to operate smoothly as economic entities, it becomes obvious that the conditions for 2017 will continue to be difficult.

However, in any such period where the circumstances of economic activity are changing both quantitatively and qualitatively, they were created the conditions that allow the repositioning of business relationships, by taking advantage of opportunities that arise, covering gaps in the market and timely understanding of the changes in consumer behavior.

The challenge for companies that operate and addressed in the domestic Economy and therefore the challenge for ELGEKA Group is its adaptation to the new circumstances, through the search of new products and services, new markets, new innovative alternative distribution channels, transforming the way they work so as to gain an advantageous position in the ongoing new business reality.

ELGEKA Group will continue its efforts to strengthen its activities in areas which present promising perspectives, in areas where emerge potential business gaps as well as in areas in which it has invested and has a competitive advantage. In parallel, the continuous adjustment of the Group's operation by reviewing the structures and processes is part of the general strategy of continuous quality improvement of products and services offered by the simultaneous reduction of the related costs.

Main pillars in the Group's development are the markets of trade of consumer products and logistics services, areas which present particularly strong momentum internationally.

The traditional segment of the Group, the "Trade of food and other consumer goods", which operates in Greece mainly through Parent ELGEKA and "G.S.B.G. S.A.", strongly accepts the consequences of the recession through both the reduction in sales and also through small profit margins that characterize the specific market. However, the Group constantly enriches its product portfolio, adapting each time to changing consumer needs and invests in existing brands and markets with a long presence in Greece, while at the same time carry out the necessary actions (exploit synergies, better organization of distribution networks, etc.) in order to reduce operating costs and increase productivity. As a result, the Parent ELGEKA achieved to significantly increase its operational profitability despite the decline in its sales, while new partnerships will enable it to further improve its financial figures.

Regarding the market of private label products, in which ELGEKA Group operates through its subsidiary "G.S.B.G. S.A.", sales exceeded 14,3 million euro, achieving an increase of 10,4% compared to 2015, while it has been also improved significantly its operating profitability (EBITDA 24 thousand euro against losses of 267 thousand euro in 2015). The company continuously increases the number of its product codes, expanding its market share in a rapidly growing market and, therefore, the prospects appear positive for 2017.

In the segment of "Trade food and other consumer goods", the Group is also active in the markets of Romania and Bulgaria through the companies "ELGEKA FERFELIS ROMANIA S.A." and "ELGEKA

FERFELIS BULGARIA L.T.D.”, respectively, achieving to acquire significant market shares in these countries.

ELGEKA Group operates in the segment of “Logistics services” through company “DIAKINISIS S.A.”, while until the end of March and the first days of April respectively participated also in the companies “DIAKINISIS PORT AND CO S.A.”, “DIAKINISIS LOGISTICS SERVICES (CY) LTD“, and “PCDC S.A.”. The segment has been affected by the general environment in which it operates with the result to accept the broader negative consequences, namely reducing of its figures and increasing the cost factors. Nevertheless, the Group has deep knowledge of the area and it has developed competitive advantage through "DIAKINISIS S.A.", which is one of the key players of the market.

In particular, the company “DIAKINISIS S.A.”, which is activated in the provision of storage, distribution and packaging services, accepted a decline of its sales, mainly due to the termination of cooperation with Marinopoulos Group, however a series of coordinated actions at each level resulted in improved operational profitability. Specifically, its sales declined by 10,8%, but managed to achieve EBITDA of 784 thousand euro compared to 935 thousand euro in 2015, despite the fact that it also accepted the consequences of the provision of doubtful debtor for the customer Marinopoulos of 216 thousand euro. Excluding this charge, in other words, the company managed to improve its operating result despite its reduced sales. In 2017, the company is expected to benefit fully from cost savings already made, while a series of additional moves will allow it to further improve its financial performance.

Regarding the companies “DIAKINISIS PORT AND CO S.A.”, “DIAKINISIS LOGISTICS SERVICES (CY) LTD” and “PCDC S.A.”, the Group's Management under the strategy of disengagement from loss-making activities and focus of its resources to the functional areas that presents competitive advantage decided to sell them. By the disinvestment from these companies, the Group received benefits at two levels: a) Ceased to incorporate the Group's financial figures particularly loss-making activities, which significantly burdened the Results, b) The Group obtained a profit overall from the sale of the companies amounting to 770 thousand euro.

The current economic climate has greatly affected the real estate market, both domestically and internationally. ELGEKA Group operating in the segment of real estate management in Romania through the subsidiary “SC GATEDOOR HOLDINGS COM S.R.L.” and the joint venture “GREC - ROM BUSINESS GROUP S.R.L.”, accepted the consequences of this situation especially during the years 2009 - 2010. During 2016, property prices in Romania presented rise, while in Greece continued their fall, also to a lesser extent than in previous years. In 2017 the trend in real estate prices expected to be relatively stabilizing.

The Group’s strategic priority in relation to the real estate portfolio in Romania, whose value amounts to 19 million euro (according to an accredited independent valuation), remains unchanged. Therefore, the exploitation of these properties is considered a potential opportunity, in partnership with companies specializing in this field. In any case, Group's Management proceeds to careful actions by thoroughly examining every possible scenario, in order to obtain the maximum potential benefits.

Finally, on 30.11.2016 it was taken the decision for the transfer of the participation in the subsidiary company “ARIVIA S.A.”, a sale that took place in the first months of 2017 for a consideration of 20.000 thousand euro. Disinvestment from this segment of activity is expected to have multiple benefits for the Group: a) reduction of borrowing and hence reduction of financial cost, b) improvement of working capital, c) increase of Equity. In addition, the sale of specific participation directly results in the inflow of significant funds, which is part of the negotiation and of the Company's commitment to its lending banks in the context of the new S.B.L. (Syndicated Bond Loan) for restructuring of its debt, a fact which will allow it to continue its effort to optimize its operational efficiency.

Regarding the risks and uncertainties faced by the Group, it should be noted that it mainly engages in the key markets of Greece and Romania in a highly competitive environment. Therefore, it is exposed to a variety of financial risks, whose management is carried out mainly by the Group Financial Management in collaboration with the administrations at local companies. The most significant financial risks and uncertainties that the Group may face during 2017 are the following:

a) Price Changes Risk

The recession of the Greek economy has strongly differentiated the profile of the average consumer, leading to an increased uncertainty about the future. The Greek economy has fallen into a state of continuing recession with demand continuously decreased, while inflation has been driven by taxes. Under these circumstances, it is not expected in the coming years to be present strong inflationary pressures.

The Group is not exposed to price change risk related to securities as there are no investments in active markets (Stock Exchanges).

b) Credit Risk

The Group does not have a significant concentration of credit risk deriving from contracting/contractual parties, due to its highly differentiated client list and to high credibility of those clients that are responsible for the most significant proportion of revenues. The exposure to credit risks and the customers' financial position is assessed on a constant basis by the companies of the Group, so as the granted credit for significant customers not to exceed the predefined credit limit. Furthermore, in order to have a higher security, Management has adopted for the Parent Company and the subsidiary "G.S.B.G. S.A." the insurance of a significant part of their credits to a well-known insurance company ("EULER HERMES"). Moreover, the Parent Company have obtained additional guarantees from major customers, the balances of which are not fully insured by the insurance company. Finally, due to the exceptional circumstances prevailing in the market since early July 2015 (imposition of capital controls), the Group adopted a very stringent credit policy to its customers in order to further minimize credit risk.

It should be noted that ELGEKA Group discontinued its cooperation from the middle of 2015 with the companies of Marinopoulos Group due to the increased credit risk they presented. Marinopoulos Group was one of the most important clients of ELGEKA Group, to which a significant part of the sales of Parent Company ELGEKA and the subsidiary "DIAKINISIS S.A." was taking place. Through this movement as well as a series of legal actions, ELGEKA Group achieved to significantly reduce its exposure to the specific client in recent years, with the result that its claim on December 31st, 2016, amounted to 3.031 thousand euro. During the year 2016, the Parent Company "ELGEKA S.A." and the subsidiary "DIAKINISIS S.A." consented to the reorganization agreement of Marinopoulos Group and therefore proceeded with a relevant provision of 1.300 thousand euro and 216 thousand euro, respectively, amounts which account for 50% of the total claim. As a consequence, the results of the Parent Company were charged with the amount of 1.300 thousand euro and the Group with the amount of 1.516 thousand euro exclusively due to the particular client. This action ensured the recovery of the remaining 50% of the existing claim.

As a result, the Management considers that during 2017 there will not any significant credit risks unsecured or not adequate provisions for bad debts made for both the Parent Company and the other companies of the Group.

c) Interest and Foreign Exchange Risk

Group's bank loans are mostly denominated in euro and bear a floating interest rate. Group's Management considers that there is no significant risk deriving from possible significant changes in interest rates.

The Group finances its investments as well as its needs for working capital through both its operating cash flows and bank debt, senior debt and a "Sale & Lease Back" property contract, leading to interest charges in its financial results. The potential increasing trends of interest rates (changes of EURIBOR interest rate) during 2016 will have a negative impact on the Group's financial results, due to the increased interest expenses.

Group short-term loans are contracted on floating interest rates. The interest rates' renewal takes place for short-term loans, every 1 to 3 months, and for long-term loans every 3 to 6 months. This enables the Group to avoid the risk from immense interest rate fluctuations.

The following table presents the changes in the Results before tax of the Group (through the impact of the loan balances at year-end with variable-rate to profits) to possible changes in interest rates, with all other variables held constant:

Sensitivity Analysis of the Group's Loans to changes in Interest Rates

(amounts in thousand euro)	**Currency**	**Interest Rate volatility**	**Effect in Results before tax**
2016	EUR	1%	(768)
		-1%	768
2015	EUR	1%	(905)
		-1%	905

Sensitivity Analysis of the Company's Loans to changes in Interest Rates

(amounts in thousand euro)	**Currency**	**Interest Rate volatility**	**Effect in Results before tax**
2016	EUR	1%	(478)
		-1%	478
2015	EUR	1%	(510)
		-1%	510

Furthermore, due to Group international activities, there are trade transactions in foreign currency. Consequently, it is exposed to the fluctuations of the exchange rates (main country, apart from Greece, is Romania). Finally, the Group's exposure to translation foreign exchange risks is limited.

The following table presents the changes in the Results before tax of the Group and in Equity in reasonable changes in Romanian Lei (RON), with all other variables held constant:

Sensitivity Analysis of changes in Foreign Exchange

(amounts in thousand euro)	Foreign Currency	Increase / Decrease in foreign currency against euro	Effect in Results before tax	Effect in Equity
2016	RON	5%	25	887
		-5%	(25)	(887)
2015	RON	5%	31	940
		-5%	(31)	(940)

d) Liquidity Risk (financial risk)

The Group serves its obligations based on positive operating cash flows, high debt capacity received from financial institutions and the financial assets, whose book values in Financial Statements do not deviate from their fair values.

Group manages its risks that might occur due to limited liquidity by maintaining unused bank credit limits. In addition, as at 31/12/2016, the Group and the Company possessed 3.621 thousand euro and 2.400 thousand euro respectively in cash (31/12/2015: 5.933 thousand euro and 1.569 thousand euro, respectively).

Given that at 31 December 2016 the Group and the Company has negative working capital by 70.529 thousand euro and 52.346 thousand euro, respectively, they implement a broad program of actions to reduce costs, optimize the management of the trade cycle as well as to renegotiate their loan needs.

Regarding the borrowings of the Group, the Management is in negotiations with creditor banks in order to convert the short-term debt of the Parent Company and its subsidiary “DIAKINISIS S.A.” into long-term. The final signing of the agreement during 2017 is expected to resolve this issue as loans totaling 61.261 thousand euro and 46.898 thousand euro for the Group and the Company respectively, which on December 31st, 2016 are presented as short-term, will eventually become long-term. A detailed description is made in Note 32 of the Financial Statements.

In any case, the Group's Management monitors and evaluates developments and takes the necessary measures to ensure adequate liquidity, which will ensure the smooth continuation of its activities.

e) Capital management

The Group’s primary goal regarding capital management is to ensure the maintenance of high credit rating and strong capital ratios, in order to secure and expand the Group’s activities and to maximize shareholders’ value.

The Group and the Parent Company, manage capital efficiency using the ratio of total borrowings to Equity, with the purpose to constantly improve their capital structure.

At 31st December 2016, the Company's Equity is less than 50% of the share capital and therefore applies the conditions for application of article 47 of the C.L. 2190/1920. Also, the Equity of the subsidiary “DIAKINISIS S.A.” is less than 50% of its share capital and therefore applies the conditions for application of article 47 of the C.L. 2190/1920.

The Management has already proceeded to adoption of actions in order to reduce costs in every level of business operation, through the optimization of use of Group’s resources, increase sales and generally creating profitable results, which would allow an increase in its Equity and thus restore them to more than 50% of its share capital. Specifically, the aforementioned actions are summarized as follows:

1. Change of product portfolio mix with a simultaneous increase of the focus on more profitable sales channels.
2. Improvement in operating profitability both of Company and Group through: a) the renegotiation of trade policies with the affiliated suppliers / customers of the Company and the Group and b) the optimization of the efficiency of both the logistics and other support operations.
3. Disengage from activities that are either underperforming or do not promote the focus on key / critical activities of the Group.
4. Active exploitation of sub-exploited assets of the Company and the Group (e.g. real estate, other investments).
5. Re-negotiate loan agreements with creditor banks with a view to convert the current bank lending into long-term, lightening repayments over the medium term and lowering interest rates.
6. Focus on the operating segments, in which the Group presents a competitive advantage and attempts to integrate new partnerships with the aim of maximizing the synergies produced.

f) Macroeconomic risk

The main macroeconomic risks to which the Group is exposed are the inflation, the income policy and the recession risk that might lead into compression and shrinkage of consumer's disposable income. The decrease in consumption might lead not only to an intension of competition but also to a sales decline, a gross profit decline and, as a result, a negative influence on Group's profitability.

Moreover, the imposition of capital controls in the banking sector has created new risks, which come from the limited liquidity, the difficulties in the import of goods and services and the overall reduced economic activity, resulting in reduced sales and lower profitability.

g) Risk relevant to Food safety

The Group's main area of activity is the food sector.

Packaging, marketing, distribution and food sales include inherent risks as far as the products' quality liability, the potential recall and the consequent unfavorable publicity is concerned. This might lead to negative consequences in reputation, operation, financial position and Group's financial results.

Such products might be unintentionally distributed by the Group and might have consequences in customers' health. As a result, the Group has the legal responsibility for potential damage claims and, as a result, has engaged to a corresponding insurance coverage.

The Group applies a strict quality and safety policy for food products, in order to offer to its customers, high quality and secure products and to faithfully and strictly follow safety and hygiene rules.

Both Management and the entire Group structure are socially sensitive, in order to offer to customers high quality and safe products, as indicated by the following certifications granted to the Parent Company.

"ELGEKA S.A.", following reviews of related procedures and systems implemented, inspected by accredited certification bodies on its premises in Athens and Thessaloniki, and received certifications for the application thereof in accordance with international standards:

- ISO 22000: 2005 for Food Safety Management by the certification body TÜV HELLAS (Member of TÜV NORD Group), accredited by ESYD on this field.
- ISO 9001: 2008 for Quality Management, by the certification body TÜV HELLAS (Member of TÜV NORD Group), accredited by ESYD on this field.
- QHSAS 18001: 2007 Health and Safety at Work, by the certification body TÜV HELLAS (Member of TÜV NORD Group), accredited by ESYD on this field.
- ISO 14001: 2004 for Environmental Management by the certification body, BUREAU VERITAS, accredited by UKAS Management System on this field.

The certifications cover all the areas in which the Company operates and which are as follows: "TRADING, STORAGE AND DISTRIBUTION OF EVERY KIND OF CONSUMER GOODS, TRADING, STORAGE AND DISTRIBUTION OF FOOD".

D. CORPORATE GOVERNANCE STATEMENT

1. Reference to the Corporate Governance Code which applies to the Company and the place where the Code is available to the public

"ELGEKA S.A." ("Company" hereafter) is committed to high standards of corporate governance, beyond those provided by relevant laws. In implementing L.3873/2010, the Company states that it follows the Code of Corporate Governance adopted by the Hellenic Federation of Enterprises (SEV), as applicable as Greek Code of Corporate Governance (EKED) after its amendment by the Greek Council of Corporate Governance. The Code is posted at the following address: http://www.helex.gr/el/web/guest/esed-hellenic-cgc.

2. Reference to deviations from the Corporate Governance Code

The Company confirms that applies faithfully and strictly the provisions of Greek law, which establish the minimum requirements to be followed by any Code of Corporate Governance (L.2190/1920, L.3016/2002, L.3693/2008, L.3873/2010, L.3884/2010).

The Company deviates or does not apply in total some of the special practices of the Code, as following:

- The Company has no independent Vice-Chairman, despite the fact that the duties of the Chairman of the Board of Directors and those of the Managing Director have been assigned to the same person. During the upcoming establishment of the Board of Directors in the body (the term of the existing expires on 07.05.2018) will be examined the implementation of the proposed practice, but the Company considers that the departure from this practice does not hinder its proper operation (A.III, par.3.3 of the Code).
- It has not established evaluation procedure of the Board and its Committees. The Board is assessed by the Shareholders' Annual General Meeting through the Activity Report (A.VII, par.7.1 of the Code).
- There are no regular meetings of non-executive Board members without the presence of executive members in determining the performance and remuneration, as this process takes place in the

context of the collective operation and decisions of the Board, which in the majority consists of non-executive members (A.VII, par.7.2 of the Code).

- In the contracts of executive directors, there is no provision for return of part or all of the bonus that has been awarded, in case of revised financial statements of previous years, according to which it has been estimated this bonus. In the case of a new contract, it will be reviewed the application of this practice. During 2016 no bonus was given to executive members of the Board of Directors (C.I., par.1.3 of the Code).
- Regarding the vote in the General Meeting through electronic voting or voting by mail, the Company's Articles of Association does not provide relevant procedure. The proposed practice will be reviewed when the relevant Minister's decisions are issued, in which there will be setting out the requirements to safeguard the identity of the voter-shareholder, a decision that is not yet issued (D.II, par.2.2 of the Code).
- The Company has not adopted a policy of diversity including gender balance for members of the Board of Directors and senior managers. The current Board of Directors consists of a majority of men, from the total of seven (7) members the six (6) are men and only one (1) member is a woman. The issue will be considered by the Remuneration and Nomination Committee during the upcoming establishment of the Board of Directors in the body and will be facilitated for implementation of the proposed practice (A.II, par. 2.8 of the Code).
- The Company has not adopted specific policies to ensure that the Board has sufficient information to base its decisions regarding transactions between related parties according to the standard of a prudent businessman. However, all of the Company's transactions and its subsidiaries with related parties are subject to the application of the arm's length principle and are subject to review annually subject to compliance with the relevant documentation of Transfer Pricing legislation (A.IV, par. 4.1 of the Code).
- The Company has not adopted specific practices regarding communication with shareholders, which include the policy on questioning by the shareholders to the Board of Directors. It will be taken care to implement the proposed practice (DI, par. 1.4 of the Code).
- The Company does not disclose to the Remuneration Report analysis of remuneration paid to each member of the Board of Directors to protect the privacy of persons concerned (CI, par. 1.11 of the Code). The total remuneration paid is referred below in the Remuneration Report and is based on relevant resolutions of the General Meeting of shareholders, as provided by law.

3. Reference to corporate governance practices implemented by the Company that go beyond the provisions of Law and reference to the place where they are published

The Company, in order to strengthen its corporate governance system, has adopted practices beyond those provided by Law. Illustratively:

- The operation of the Board is clearly described in the Operating Regulations of the Board, which has been circulated to all members.
- The main duties and responsibilities of the Audit Committee are defined in the Internal Operation Regulation of the Company.
- The Board has adopted a clear policy of empowerment in the Management of the Company, through the Chart of Authorities, which describes explicitly delegated powers.

4. Description of the main characteristics of internal control system and risk management of the Group, in relation to the preparation of financial statements

One of the main concerns of ELGEKA Group is the development and continuous improvement of internal control system of the companies that are member of it, which is consists of detailed written procedures and controls, covering in continuous basis all activities and transactions and contributes to the efficient and secure operation of them.

The Board of Directors is responsible for monitoring and evaluating its adequacy and effective implementation. The examination of the internal control system by the Board is supported by the Audit Committee and the Internal Audit Division.

Aim of the Board of Directors is the implementation of internal control systems that respond effectively to risk management. The Board is responsible for the identification, evaluation and monitoring of risks that the Group's companies face, as well as for their management.

The risk assessment is a continuous process, carried out during the preparation of business planning and annual budget, during the fiscal year, through periodic reporting, as well as through the evaluation of the activity report at the end of the year.

In addition, the Group's companies implement insurance programs (fixed assets, credit balances, etc.) and risk management programs (foreign exchange and interest rate).

The Internal Audit Department expresses opinion on the internal control system of each controlled area, based on the audit conducted in accordance with the annual audit plan. The annual audit plan is approved by the Audit Committee and is the result of a risk assessment of potential risks that the Group's companies face per function.

In the context of risk management, the Group has established detailed procedures on transactions that are considered important and of high risk.

The adequacy and accuracy of compliance with safeguards, is controlled by the Internal Audit Department, informing appropriately the Company's Board of Directors.

In particular, regarding the Individual and Consolidated Financial Statements, the Group's companies have established procedures to ensure proper preparation, which among others include:

- Creation, development and implementation of uniform accounting practices and procedures
- Compliance of subsidiaries' accounting department to financial policies and procedures of the Group. Accounting treatments of non-recurring transactions not covered by the procedures should be given special approval.
- Review of Financial Reporting issues at regular intervals.
- Adequate knowledge of personnel in financial services, with clearly segregation of duties.
- Ongoing training and staff development.
- Process of monitoring and controlling intra-group transactions.
- Process of controlling and approving all documents prior to their accounting entry, to ensure their accuracy and validity according to the procedures of the Group and the accounting standards.
- Monthly balance agreements.

- Annual agreements of customers and suppliers.
- Stock counting at the end of the year.
- Procedures regarding the end of the fiscal year, which include deadlines, allocation of responsibilities, classification of accounts and information on required disclosures.
- Regulation approval levels (Chart of Authorities), which sets out the powers granted to the executives of the Group's companies to carry out important transactions.
- Limited access to applications and files, from which the financial statements are derived.

5. Information required by article 10, par. 1, points c), d), f), h), i) of Directive 2004/25/EC of the European Parliament and Council, of 21 April 2004, regarding takeover bids

The above requested information about the significant direct and indirect holdings, the holders of any securities giving rights of control and description of these rights, the limitations on voting rights, the rules for appointing and replacing Board members and the rules for amending the Articles of Association, have been developed in detail in the Explanatory Report of the Board, which is in Chapter B8.

6. Information about how the General Meeting of Shareholders operates and its main powers, as well as a description of shareholders rights and how they are exercised

6.1. Main powers

The General Meeting is the supreme body of the Company and decides on all important matters, in accordance with the provisions of L.2190/1920.

The General Meeting has exclusive jurisdiction to decide on:

- The amendment of Articles of Association.
- The appointment of new members in the Board of Directors and Auditors.
- The approval of Annual Financial Statements of the Company.
- The profit allocation of profits in any financial year.
- The merger, division, conversion, revival or extension of term or winding up of the Company.
- The appointment of liquidators.

6.2. Operation

The General Meeting is convened by the Board of Directors and is met in the Company's headquarters at least once a year, until the tenth calendar day of the ninth month after the end of the fiscal year. Participation right holds all shareholders either in person or by duly authorized representative in accordance with the prescribed legislation.

The General Meeting, with the exception of repeated meetings, convened at least twenty (20) days before the meeting date (includes any holidays). The invitation contains all the information necessary for the conduct of the General Meeting, as well as the information that help to inform its shareholders in order to effectively exercise their rights (place, date and time, entitled to participate, record date, minority rights, voting procedure by representative, the website address of the Company where is available additional information, etc.).

Along with the publication of the invitation, the Company posts on its website the complete text of the invitation and information about:

- The total number of shares and voting rights at the time of the invitation.
- Documents to be submitted to the General Meeting.
- Any proposed draft decisions.
- The forms of defining representative.

6.3. Conditions for participation in the General Meeting

Right of representation in the General Meeting, regular or special, has any shareholder, owner of at least one (1) share.

The General Meeting is entitled to be attended by any individual or legal entity presented as shareholder in the records of Dematerialized Securities System managed by the "Hellenic Exchanges S.A.", in which are held the securities of the Company at the beginning of the fifth (5^{th}) day before the day of session of General Meeting (record date).

The shareholder status is evidenced by a written acknowledgement of the above institution or by direct online connection of the Company with the records of the institution. The written statement or electronic certification must be received by the Company at least three (3) days before the General Meeting.

The exercise of these rights does not require the blocking of shares by the recipient.

Each shareholder participates in the General Meeting and votes either in person or by proxy holders, setting up to three (3) proxy holders. Also, entities may participate in the General Meeting, setting up to three (3) natural persons as proxy holders. A proxy holder acting for more shareholders may vote differently for each shareholder.

The appointment and revocation of a proxy holder must be done in writing and be communicated to the Company at least three (3) days before the date of the General Meeting. The relevant documents authorizing a proxy holder are available on the Company's website. According to the Company's Articles of Association is not provided the possibility for participation in the General Meeting and the exercise of voting electronically or by mail.

The proxy holder is obliged to disclose to the Company, before the beginning of the session of the General Meeting, any fact which might be useful to the shareholders in assessing whether the proxy holder might pursue any interest other than the interest of the represented shareholder (these events are explicitly defined in Article 28a, par.3 of L.2190/1920).

6.4. Shareholders' rights and way of exercising them

The rights of minority shareholders are provided in Article 39 of L.2190/1920. In particular, the following are in force:

1. At the request of shareholders representing 1/20 of the paid up share capital, the Board of Directors shall convene an Extraordinary General Meeting, not later than within forty-five (45) days.
2. At the request of shareholders representing 1/20 of the paid up share capital, the Board of Directors is required to include additional items in the agenda of the General Meeting that has been already

convened, if the request is received by the Board of Directors at least fifteen (15) days before the General Meeting. The request is accompanied by a justification or a draft decision for approval by the General Meeting.

3. At the request of shareholders representing 1/20 of the paid up share capital, the Board of Directors makes available to shareholders draft decisions on agenda items, at least six (6) days before the date of the General Meeting, provided the request has been received seven (7) days before the General Meeting.
4. At the request of shareholders representing 1/20 of paid share capital, the President of the General Meeting is obliged to postpone only once decisions' approval by the General Meeting, regular or extraordinary, for all or some matters, defining a day continuance of the meeting, that day specified in the request of shareholders, which cannot be more than thirty (30) days from the date of deferral.
5. At the request of any shareholder, which is received five (5) days before the General Meeting, the Board of Directors provides to the General Meeting the requested specific information about Company's cases, provided that they are useful for the real appraisal of the issues on the agenda.
6. At the request of shareholders representing 1/20 of the paid up share capital, the Board of Directors shall notify the General Meeting, in the case that it is a Regular one, the amounts and benefits have been paid in the last two years to each member of the Board of Directors or to executives of the Company.
7. At the request of shareholders representing 1/5 of paid share capital, submitted five (5) days before the General Meeting, the Board of Directors provides information to the General Meeting regarding the progress of corporate affairs and financial position of the Company.
8. At the request of shareholders representing 1/20 of paid share capital, the decision taking on the agenda of the General Meeting shall be by name.
9. In all these cases, the applicant shareholders must prove their ownership status and number of shares owned during the exercise of the specific right. Such evidence is supported by a certification from the institution where the securities are held or by a certification of the shareholder status by direct online connection between the institution and the Company.

7. Composition and function of Board of Directors, oversight bodies and committees of the Company

7.1. Board of Directors

The Company is managed by the Board of Directors, which is elected by the General Meeting of Shareholders by secret voting and by an absolute majority.

According to the Company's Articles of Association, the term of the Board is four years, which may be extended until the election of new Board by General Meeting of Shareholders convened in the year that expires its term.

The Board of Directors is the top governing body of the Company and is empowered to decide for any matter relating to the administration and representation of the Company, to management of its assets and generally ensure its operational efficiency.

The Operation's Regulation of the Board of Directors, which has been approved by a decision of the Board of Directors, includes the basic operating rules and obligations of its members.

Illustratively, among the responsibilities are including the following:

- Approve the Company's strategy and annual budget.
- Convene the General Meeting of Shareholders and defines the agenda items.
- Prepare and approve the Annual Financial Statements of the Company and submit them for approval by the General Meeting of Shareholders, together with the Annual Management Report.
- Specifies the Board of Directors' members, who sign the statements of L.3556/2007 and certify, by signing, the accuracy and the true representation of the information contained in the Annual Financial Report.
- Approve the six-month Financial Statements of the Company.
- Propose the dividend that will be distributed to shareholders and the amounts to be reserved for the formation of reserve capital.
- Decide on the establishment and expansion of branches.
- Decide the participation of the Company in existing or newly established companies and the creation of new segments.
- Supervise the operation of the Internal Audit Department, through the Audit Committee.
- Approve any kind of fees paid to managers of the Company and its internal auditors, as well as the general remuneration policy of the Company.

The Board of Directors has the possibility to delegate powers to its members, executives of the Company, to third parties or to committees, identifying each time the limits of that power through relevant decision.

In achieving high standards of corporate governance, the Board of Directors has approved the Chart of Authorities, in which they are described all necessary approvals from the various administrative levels to carry out important transactions of the business of the Company.

The Board of Directors convened by the Chairman or his deputy, by invitation communicated to its members, two (2) working days at least before the meeting. The invitation includes clearly the agenda. The convocation may require two (2) of its members, by application to the Chairman, who shall convene the Board within seven (7) days.

Each director has one vote, but when it represents director who is validly absent, can have two votes, provided that he has been awarded representation.

The Board of Directors is in quorum and convenes validly, when are present or are represented at this half plus one of its directors. The Board of Directors' decisions are taken by absolute majority of those present and represented members.

The Board of Directors is consisted of seven members as elected by the General Meeting of Shareholders at 07/05/2014, while there are certain changes on the initial composition of the elected members of the Board of Directors (retirements, replacements), validated by the next Ordinary General Meeting on 18/05/2015.

Subsequently, the Board of Directors is consisted of the following members during 2016:

	Name of member	Capacity	Number of meetings that held during its term	Number of meetings that was attended
1	Alexandros Katsiotis	Chairman and Managing Director, Executive member	*33*	*33*
2	Elli Drakopoulou	Vice-Chairman, Non-executive member	*33*	*33*
3	Anthimos Misailidis	Deputy Managing Director, Executive member	*33*	*33*
4	Stilianos Stefanou	Non-executive, independent member	*33*	*33*
5	Michalis Fandridis	Non-executive	*33*	*33*
6	Nikolaos Milios	Non-executive, independent member	*33*	*30*
7	Adamantios Lentsios	Non-executive, independent member	*33*	*30*

The Board of Directors held in total forty-two (42) meetings in 2016, of which nine (9) were conducted on board.

The term of the current Board was originally set to be four year with end at 07/05/2018 and may be extended until the election of a new Board of Directors from the next Ordinary General Meeting to be held after that date.

The CVs of Board of Directors members listed on the website of the Company (www.elgeka.gr).

With respect to transactions with related parties it is followed specific procedure for approval by the relevant bodies in the preparation stage of the contracts, in order to ensure compliance with the regulatory framework and documentation, taking the advisory support of external partners. Also, transactions with related parties are subject to annual inspection to ensure compliance with the regulatory framework and documentation.

7.2. Diversity policy regarding the Company's administrative, management and supervisory bodies

The composition of the Board of Directors as well as the Committees supporting it assures a diversity of skills, views and abilities in order to achieve effective achievement of corporate goals. All members of the Board of Directors are university graduates, while three of them hold postgraduate degrees from both national and foreign universities, a fact which ensures a high level of professional training. They have also worked in senior positions of important domestic and foreign companies, active in various industries; they have been senior executives of large organizations, ensuring high professional training, skills, experience and administrative capabilities. In addition to their technical training and experience, they stand out for their ethos and integrity, contributing to shaping corporate culture and achieving a high level of corporate governance.

7.3. Audit Committee

The Audit Committee support the Board of Directors in the performance of its duties related to the internal control system.

Under article 37 of L.3693/2008, the Audit Committee is appointed by the General Meeting of the Company.

The members of Audit Committee during 2016 were the following:

1.	Chairman	Stilianos Stefanou	Non-executive, independent
2.	Member	Michalis Fandridis	Non-executive
3.	Member	Adamantios Lentsios	Non-executive, independent

The Chairman of Audit Committee Mr. Stilianos Stefanou, as an independent non-executive member, meets the requirements of article 37 of L.3693/2008, having demonstrated proficiency and experience in the fields of accounting and auditing.

The term of the Audit Committee is similar to that of the Board Directors and expires on 07.05.2018.

The main responsibilities of the Audit Committee are the following:

- Monitor the financial reporting process.
- Monitor the effective operation of the Internal Control System and the Risk Management System.
- Monitor of proper functioning of the Company's Internal Audit Department.
- Monitor of the statutory audit of individual and consolidated financial statements.
- Review and monitor issues related to the existence and maintenance of objectivity and independence of the external auditor or audit firm, particularly regarding the provision from them to the Company and other non-audit services.
- Review the financial statements prior to approval by the Board of Directors.
- The Company's compliance with legal and regulatory framework of operation.

The responsibilities of the Audit Committee are detailed described in the Internal Operation Regulation of the Company, which is approved by the Board of Directors.

The Committee held seven (7) meetings in 2016. The members of the Committee participated in all meetings, with the exception of one member that participated in six (6) meetings.

The Audit Committee receives annually from the collaborated audit firm, confirmation regarding the independence and objectivity of external auditors.

The main topics handled by the Audit Committee during 2016 were the following:

- Review the results of audits performed by Internal Audit Department.
- Review the process of creating the annual audit plan and proceeded to its approval.
- Review the annual and semi-annual Financial Statements prior to its approval by the Board of Directors.
- Review the effective operation of internal control system and risk management system.
- Review issues related to ensuring the objectivity and independence of external auditors, regarding the provision of non-audit services.
- Advise the Board of Directors regarding the selection of the audit firm.

7.4. Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for the process of appointment of the candidate members of the Board of Directors to ensure the smooth transition of members with objective and merit criteria.

In addition, the Committee recommends to the Board of Directors the remuneration policy for the Board members, as well as the remuneration policy, benefits and financial incentives for attracting, retaining and developing the human resources of the Group.

The members of the Committee during the year 2016 were as follows:

1.	Chairman	Nikolaos Milios	Non-executive, independent
2.	Member	Stilianos Stefanou	Non-executive, independent
3.	Member	Michalis Fandridis	Non-executive
4.	Member	Adamantios Lentsios	Non-executive, independent

The Committee consists of four (4) non-executive members of the Board, which they appointed by it, of which at least three (3) are independent.

The term of the Audit Committee is similar to that of the Board Directors and expires on 07.05.2018.

The Committee held two (2) meetings in 2016, with the participation of all its members.

7.5. Remuneration Report of Board of Directors' members

The remuneration of non-executive Board of Directors' members is approved by the Annual General Meeting in accordance with the relevant legislation.

Furthermore, the Annual General Meeting approves the maximum monthly salary may take any executive member, as well as the upper limit which may reach the total remuneration of non-executive members during each year and authorizes the Board of Directors to specify them.

According to the existing policy of the Company, both executive and non-executive members do not receive variable remuneration

In particular, during 2016 the total remuneration paid by the Company and its subsidiaries to executive members of Board of Directors amounted to 489 thousand euro, while to the non-executive members were paid 171 thousand euro.

The remuneration of executive members of Board of Directors associated with the corporate strategy, the purposes of the Company and the realization thereof, with the ultimate aim of creating long-term value for the Company.

For the year 01/01/2016 - 31/12/2016 were not granted stock options and there is no valid stock option program.

E. <u>KEY NON-FINANCIAL PERFORMANCE DATA</u>

Pursuant to the provisions of article 43[a] par. 6 of CL. 2190/1920, as in force after its amendment by Law 4403/2016, the Management Report for the year 2016 includes for the first time information on the non-financial position of the Group.

1. Brief business model description

ELGEKA S.A. is one of the largest Greek commercial companies and is active in the Greek market in the food sector since 1974. In the year 2016, the companies of the Group acted mainly in the following segments:

- Trade of food and other consumer products
- Provision of logistics services
- Production of cheese and cheese substitutes
- Real estate

In addition to the Greek market, the Group has a presence through its subsidiaries in the following countries: Romania, Bulgaria, Moldova and Cyprus.

The primary objective of the Group is to strengthen its position in the main markets of Greece and Romania, where the majority of the companies that participate in it are active.

The experience, know-how and human resources, systems and equipment that the Company holds are an important opportunity for successful suppliers from Greece and abroad to commercially develop their portfolio products at a controlled cost and with limited risk.

The pursuit of the Group's objectives is ensured by a framework of principles and values that determine the day-to-day operation and practice. The Group's objectives and corporate values also define its responsibility towards the social groups that are directly and indirectly affected by its business activity, such as:

1. ***Shareholders***: We seek to protect their investment and ensure a satisfactory return on their funds, with transparency and meaningful information.
2. ***Customers / Consumers***: We try to provide quality products and services that meet their needs.
3. ***Employees***: Human resources are valuable. Respect for its rights and the emphasis on its development is a prerequisite for the achievement of the Group's objectives.
4. ***Partners***: We believe in mutually beneficial relationships with suppliers and associates of the Group.
5. ***Society***: We believe that socially responsible business operations contribute to the progress and prosperity of society as a whole.

We share important values on which the Group has set out its fundamental rules:

Transparency: Transparency is the cornerstone of decision-making and actions procedure.

Integrity: Compliance with ethical business practices and the performance of operations with transparency and reliability.

Commitment: Commit to achieving goals by adding value to shareholders.

Trust: Mutual trust between colleagues and management is especially important for the proper conduct of our business activities.

Teamwork: Developing and encouraging a spirit of collaboration and teamwork through communication, participation, support and briefing of cooperators.

Creativity: Identifying opportunities and taking initiatives to develop and implement new ideas and solutions.

The existing non-financial report concerns the actions of ELGEKA Group companies in 2016.

2. Description of the corporate policies, risks and outcomes of these policies

2.1 Environmental issues

In ELGEKA Group we recognize the responsibility to preserve and protect the environment. Our business strategy is inseparably linked to sustainable development in the long run. In this context, we systematically apply practices in order to achieve continuous improvement of environmental performance. The Group's will and objective is that processes and products have the least negative environmental impact in proportion to business activity.

The environmental actions concern mainly the companies of the Group that have production and storage facilities. In particular:

- All Group companies comply with the requirements of applicable Greek and European environmental legislation that relate to their activities.
- Recycling and waste management practices are being used.
- Managers and workers are constantly trained and made aware of the importance of contributing to environmental management.
- More environment-friendly materials are used when storing and repacking products.

"DIAKINISIS S.A.", as a storage, distribution and repackaging company, applies Integrated Management System IQMS. In the integrated management system, various standards of management (management of quality, environment, health and safety at work, etc.) have been developed and completed in such a way that they are compatible between them and to facilitate with synergies in their implementation by one simple and productive way while reducing business risk. Thus, in IQMS co-exist the following standards:

Integrated Quality Management System	
ISO 1 4001:2004	Environmental Management System
OHSAS 18001:1999	Health and Safety of workers System
ISO 22000:2005	Management of Health and Food Safety
SMETA	Corporate Social Responsibility
Government Gazette 1380	Management of medical products

"ARIVIA S.A." as a productive company applies a Total Quality Policy and focuses on the following priorities and is committed to their compliance:

- The high quality of the products it produces at its premises, in the Industrial Zone of Prosotsani Drama, in compliance with all the hygiene and safety rules of the Greek and European legislation, applying the good practices of production, storage, hygiene and food safety (GMP, GHP, GSP), confirmed and verified in the whole spectrum of its activities, with its integrated VIMAS management system.
- Respecting the customer with:
    - The best way to meet its needs combined with the maximum efficiency for the company.
    - A sense of responsibility resulting from the possible consumption of our products by groups of "sensitive" consumers.
    - Exclusion from use of Genetically Modified Organisms (GMOs), both as components of raw and supplementary materials and also as assistances in the various stages of processing of raw and supplementary materials for product preparation.

- Achieving conditions of safety and health at work for staff which, meet not only the minimum threshold required by the legislation, but create conditions for a productive and competitive working environment ("pleasant" and productive working environment).
- Respecting the environment by:
  - continuous efforts to prevent environmental pollution and as much as possible reduced waste generation
  - the creation of new facilities and extensions with minimal impact on the environment
  - the use in production and final disposal, of methods and materials more environmentally friendly
  - the effort to save energy and, more generally, natural resources
- Respecting and preserving the moral values and religious beliefs of its employees and the social environment in which it operates. The above total quality policy applies to all operating levels of "ARIVIA S.A.", is communicated to all personnel and executives of the organization and is reviewed by the Management to ensure its continued suitability.

The Group's companies maintain cooperation with certified companies for the collection and alternative management of used non-hazardous packaging in order to direct them to alternative waste management solutions, collect waste of electrical and electronic equipment intended for withdrawal with a view to recycling them, collect lead accumulators (batteries) in order to recycle them and collect waste lubricating oils.

The key environmental indicators for the year 2016 were as follows:

Electricity consumption	**11.038.896 kwh**
Recycling of materials (paper, plastic, wood, glass)	1.055 ton
Processing by organic cleaning of organic liquid waste	20 ton

In the context of ELGEKA Group's environmental policy and energy management, a replacement program for existing lamps with energy saving lamps led will be implemented in 2017. This action concerns the storage facilities of DIAKINISIS and production facilities of ARIVIA and is estimated to result to about 60% of energy savings.

2.2 Social issues

The Group's companies are committed to provide a safe and healthy working environment for employees, to operate with environmental care by ensuring compliance with applicable legislation, to protect personal data and employees, to ensure maximum service and satisfaction of customers / consumers and to engage in responsible communication and promotion of their products.

Indicatively, some of the major programs and actions implemented in 2016 to support society are listed below.

"DIAKINISIS S.A." participated in the Program "DIATROFI" (nourishment) covering the daily availability of healthy meals at a school of 255 students in the area of Aspropyrgos for the school year 2015-2016. The aim of the program was to combat the food insecurity phenomenon of school pupils in socially vulnerable areas.

Through the companies of the Group, funds and free products were provided to support various institutions with a total value of 39 thousand euro (THE SMILE OF THE CHILD, FRIENDS OF MERIMNA THESSALONIKI, GREEK RED CROSS, THEOFILOS, CHILDREN'S FRIENDS, etc.).

Particular care is taken to treat the stray animals (dogs) located at DIAKINISIS facilities. Care includes feeding, vaccination, sterilization, deworming and creating sheltered areas for animal hospitalization.

2.3 Work issues

ELGEKA Group employs 1.164 employees, of which 39% are women.

The training and development of all associates is very important for improving the efficiency and profitable growth of the Group. Each partner, in cooperation with his supervisor, is responsible for his training on the job, as well as for submitting proposals to the Human Resources Manager for the follow-up of educational programs. During the annual evaluation and record of the personal development plan of the partner is agreed a program of improvement and training that will allow the acquisition of knowledge and techniques for better quality at work.

The direction and speed of each partner's development depends on him. His contribution should be his will and effectiveness as well as the ability to take greater responsibility. In addition, it should be willing to learn new skills, undertaking new projects and mobility. In order to encourage the development of its new executives, the Company is trying to fill its gaps through internal promotions. The choice of promotions is based solely on the ability of each person to take on a position of greater responsibility and not on the length of his service.

Our associates are our most valuable asset. Each partner must ensure that his or her behavior and how to handle business affairs does not compromise his / her personal security or that of others. This includes applying the security procedures and making suggestions for changes when necessary.

In other circumstances, including business trips, each associate must behave in a professional, mature and responsible manner at any time.

Associates must ensure that there is no compromise with regard to their personal security or integrity, and that each partner is responsible for adhering to these rules of conduct.

Associates treat each other with respect, courtesy and decency. Debasement, harassment and negative comments on colleagues or outside associates contradict this belief, and each associate must discourage such behaviors.

The Group's companies implement a Health and Safety Policy and the sense of responsibility deriving from it is a top priority for their operation and they focus on preventing accidents and job-related illnesses.

In 2016, no job-related accident occurred in the Group's companies.

In particular, "ARIVIA S.A." implements the Health and Safety Management Procedures of the employees according to ISO 9001, IFS, BRC, OHSAS 18001, ISO 14001 standards.

In addition to the requirements of labor law, the following actions were implemented in 2016:

- Blood Bank at "DIAKINISIS S.A." in collaboration with Thriasio Hospital.
- Occupational nurse, in addition to the Occupational Health Doctor, who has an employment contract for an indefinite period, and visits all the facilities of DIAKINISIS at regular time intervals and all workers who sick in their homes.
- Training for all staff at regular time intervals on Health and Safety issues at work.
- Employee insurance private scheme.

In particular, "ARIVIA S.A." has established a risk analysis system for health and safety at work. Below are the process measurement indices:

Index	Process tracked	Target (2016)	Target (Average 2016)	Deviation (2016)
Number of work-related accidents, related to work in the company	**Management** (the smaller the index the better)	**0**	0	0
Number of near accidents, related to work in the company	**Management** (the smaller the index the better)	**0**	4	400%
Number of non-compliances in terms of instructions and procedures related to H&S	**Management** (the smaller the index the better)	**5**	0	-100%
Number of suggestions for improvement of conditions H&S by employees	**Management** (the higher the index the better)	**5**	0	-100%
Number of lost working hours due to illness	**Management** (the smaller the index the better)	**500**	344	-31%
Number of employees requiring further clinical testing	**Management** (the smaller the index the better)	**1**	0	-100%
Number of annual audits of total employees who have done an Audiogram by DL (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of annual audits of total employees who have done spirometry by DL (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of annual audits of total employees who made broad visual inspection (visual acuity, Amsler test, Ishibora test, Jager test) by DL (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of Noise Controls at Factory premises (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of microclimate inspections in factory premises (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of harmful agents control at factory premises (KPI)	**Management** (the higher the index the better)	**1**	1	0
Number of fire protection seminars (KPI)	**Management** (the higher the index the better)	**4**	1	-75%
Number of building evacuation exercises (KPI)	**Management** (the higher the index the better)	**2**	1	-50%
Number of manual lifting courses (KPI)	**Management** (at least once a year)	**1**	0	-100%
Number of meetings T.A. with employee divisions (KPI)	**Management** (the higher the index the better)	**6**	0	-100%

2.4 Respect for human rights

ELGEKA Group does not discriminate against gender, race, religion, age, social groups, or sexual preferences. On the contrary, it believes that understanding diversity helps to facilitate contact with all consumer and workforce groups.

In addition, child labor is prohibited within the Group, as well as in the companies we have chosen as our associates and in general undeclared work, as well as work under the influence of alcohol or drugs and their use or trading in the workplace, as well as any form of violence. It is a policy of the Group to select associates according to this policy. As a result, ELGEKA Group's associates are expected to follow a similar attitude in their work and in their further contacts.

Anything that constitutes practice of any form of race and sexual harassment, physical or psychological, is strictly forbidden. The Group trains all of its executives for faithful adherence to the above policy.

The Human Resources Department is defined as a surrogate and guardian of the faithful implementation of this policy through control procedures of staff policy.

Any adverse behavior is a professional fault and is punished.

Monitoring and implementation of corporate policy is achieved through:
- The Code of Business Ethics
- Internal Operating Procedures
- Employee Health and Safety Policy

All employees of the Group, depending on their position in the corporate hierarchy, have signed the Code of Business Ethics and have the ability to report anonymous or with their name any breach of the Code.

2.5 Fighting corruption – Description of company policies, risks and outcomes of these policies

The companies of ELGEKA Group apply the Code of Business Ethics, which sets the general standards of Ethics for all Group associates and employees.

The Group's commitment to the values of integrity and honesty, which are an integral part of its operation for more than 40 years, is reflected in this Code.

Management believes that it is its responsibility of informing all employees, permanent associates and suppliers in order to achieve a single operating framework for the entire Group.

The Code outlines the basic principles and rules governing the Group's internal regulations, taking into account the relevant provisions of national and international law, on the basis of which all employees of the Group's companies carry out their duties.

The general principles outlined in the Code, taking into account the principles of Corporate Governance, are based on the values of integrity, impartiality, entrepreneurship, professionalism, transparency, social and environmental responsibility and respect for human rights.

Through compliance with the Code, all employees, among others, have the responsibility to:
- avoid situations of conflict of interest
- avoid the privileged use of suppliers for personal reasons
- ensure transparency of transactions with government authorities
- preserve business confidentiality
- ensure the integrity of financial data and reports

The fight against corruption and bribery is ensured through the following:

- Compliance with the Code of Business Ethics signed by all employees, which includes communication lines in senior and supreme management of issues or concerns relating to illegal or unethical acts. In case of detection of unethical acts, the Audit Committee is informed.
- Compliance with the Corporate Governance Code
- Compliance with internal regulations and operating procedures
- The operation of the Internal Audit Division

During 2016, there was no corruption-related incident.

F. ALTERNATIVE PERFORMANCE MEASURES (“APM”)

The Group uses Alternative Performance Measures ("APM") in decision-making regarding its financial, operational and strategic planning as well as for the evaluation and publication of its performance. These measures serve to better understand the financial and operating results of the Group, its financial position and the cash flow statement. Alternative measures ("APM") should always be taken into account in conjunction with the financial results prepared in accordance with IFRSs and under no circumstances replace them.

Definitions and agreements of Alternative Performance Measures ("APM")

1) Profitability measures

For the most complete analysis of its operating results, the Group uses the following profitability ratios:

EBITDA (Earnings before interest, tax, depreciation and amortization)

The measure EBITDA is calculated from the annual financial statements as follows: "Profit / (Losses) from operating activities" by subtracting the depreciation of assets and depreciation of asset subsidies.

	2016	2015
Profit / (Losses) from operating activities	(2.831)	(2.956)
Depreciation of assets	4.176	4.428
Depreciation of asset subsidies	(288)	(133)
EBITDA	**1.057**	**1.339**

EBIT (Earnings before interest and tax)

The measure EBIT is equal to the "Profit / (Losses) from operating activities" of the Group resulting from the Annual Financial Statements.

EBT (Earnings before tax)

These are the earnings before deduction of taxes and result from the annual Financial Statements.

Net Income

They are the earnings after deduction of taxes and result from the annual Financial Statements.

All the above figures relate exclusively to the Group's continuing operations.

Profit margins

For all the above profitability measures the respective profit margin is calculated by dividing the corresponding amount by the total Turnover.

	2016		2015	
	Comparable figure	Margin	Comparable figure	Margin
EBITDA	1.057	0,67%	1.339	0,78%
EBIT	(2.831)	(1,79%)	(2.956)	(1,73%)
EBT	(9.055)	(5,74%)	(10.629)	(6,23%)
Net income	(7.600)	(4,82%)	(10.475)	(6,14%)

2) Net borrowing

Net borrowing is an indicator that aims to capture the capital structure of the Group. It is calculated by adding to the long-term loans the short-term part of the long-term loans and short-term loans, as well as the obligations for finance leases, and subtracting the cash and cash equivalents. The calculations are presented in the following table:

	2016	2015
Long-term loans	1.317	1.368
Short-term part of long-term loans	24.844	25.222
Short-term loans	49.579	59.442
Finance leases	18.611	19.352
Less: Cash and cash equivalents	(3.621)	(5.933)
Net borrowing	**90.730**	**99.451**

3) Operating working capital

Operating capital is an indicator that aims to capture the Group's liquidity. The calculations are presented below:

	2016	2015
Inventory	12.571	14.593
Trade receivables and other receivables	25.426	35.455
Less: Suppliers and other trade liabilities	(32.698)	(32.863)
Operating working capital	**5.299**	**17.185**

G. RELATED-PARTY TRANSACTIONS (in thousand euro)

The related-party transactions and Parent Company's intercompany balances in accordance with I.A.S. 24, refer to the transactions with the following subsidiaries and other related, as presented in the following table:

	01/01/2016 - 31/12/2016		01/01/2015 - 31/12/2015	
Transactions with related-parties:	GROUP	COMPANY	GROUP	COMPANY
a) Sales / Revenue from services	-	1.468	-	2.577
b) Purchases	11	3.076	15	3.744
c) Key management personnel and members of Board compensation	1.141	914	1.104	874

Transactions with related-parties:	31/12/2016 GROUP	31/12/2016 COMPANY	31/12/2015 GROUP	31/12/2015 COMPANY
a) Receivables	-	1.237	-	1.610
b) Liabilities	2	7.027	-	6.779
c) Receivables from key management personnel and members of Board	-	-	-	-
d) Payables to key management personnel and members of Board	-	-	-	-

The related-party transactions and Parent Company's intercompany balances for 2016 are presented below:

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	888	2.632	1.061	1.277
ARIVIA S.A.	477	433	143	5.748
G.S.B.G. S.A.	103	-	33	-
Total	**1.468**	**3.065**	**1.237**	**7.025**
Other related parties	**-**	**11**	**-**	**2**
Total of subsidiaries and other related parties	**1.468**	**3.076**	**1.237**	**7.027**

The related-party transactions and Parent Company's intercompany balances for the prior year 2015 are presented below:

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	967	3.218	444	1.072
ARIVIA S.A.	1.436	511	1.007	5.706
G.S.B.G. S.A.	174	-	159	1
Total	**2.577**	**3.729**	**1.610**	**6.779**
Other related parties	**-**	**15**	**-**	**-**
Total of subsidiaries and other related parties	**2.577**	**3.744**	**1.610**	**6.779**

Analytically, the following relationships exist between "ELGEKA S.A." and related companies:

1. ELGEKA S.A. – DIAKINISIS S.A.

"DIAKINISIS S.A." renders 3rd party logistics services to "ELGEKA S.A." based on a contractual agreement and it relates to warehousing and product distribution.

"ELGEKA S.A." charged "DIAKINISIS S.A." the following amounts:

- 399 thousand euro for rentals
- 379 thousand euro for the provision of consulting services
- 102 thousand euro for co-location costs (water and electricity expenses)
- 8 thousand euro for compensation due to lack of supplies

"DIAKINISIS S.A." has charged "ELGEKA S.A." the following amounts:

- 2.590 thousand euro for warehousing, distribution and repackaging services
- 42 thousand euro for rentals

2. ELGEKA S.A. – ARIVIA S.A.

“ELGEKA S.A.” charged “ARIVIA S.A.” the following amounts:

- 410 thousand euro for the provision of consulting services
- 49 thousand euro for sale of products
- 12 thousand euro for rentals
- 6 thousand euro for co-location costs (water and electricity expenses)

“ARIVIA S.A.” charged "ELGEKA S.A." the following amounts:

- 433 thousand euro for sales of goods

3. ELGEKA S.A. – GLOBAL SYNERGY BUYING GROUP S.A.

“ELGEKA S.A.” charged “G.S.B.G. S.A.” the following amounts:

- 101 thousand euro for the provision of consulting services
- 2 thousand euro for co-location costs (water and electricity expenses)

Companies are identified in the capital of which are involved with a percentage of at least 10%, members of the Board of Directors of “ELGEKA S.A.” or shareholders with a participation percentage of at least 10%. Subsequently, it was checked the existence of transactions between such companies and "ELGEKA S.A.”.

From the audit, it was realized that the companies in the share capital of which they participate with more than 10% members of the Board of Directors and with which "ELGEKA S.A." had transactions are the following:

- The company “EXCEED CONSULTING S.A. (FANDRIDIS M. – ASSOCIATES – BUSINESS CONSULTANTS)”, with which the total value of transactions amounted to 11 thousand euro and concerns a market research and provision of services related to executive selection.

There were no changes in transactions between the Company and its related parties’ individuals which could lead to important consequences with regard to the financial position and performance of the Company during 2016.

All aforementioned transactions were accomplished under the standard market rules.

H. EXPLANATORY REPORT OF THE BOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS' GENERAL MEETING OF "ELGEKA S.A." (in accordance with L.3556/2007, article 4, par. 7 and 8)

Detailed information and requested explanations for the year 01/01/2016 – 31/12/2016 are presented below:

a) Structure of the Company's share capital including the shares which are not traded in organized market in Greece or in any other member-state. Report for any share category along with the rights and obligations derived from these shares as well as portion on share capital that these shares represent.

The Company's share capital amounts to 50.775.248 euro, divided in 31.734.530 ordinary shares with nominal value of 1,60 Euro each.

All the above shares are listed for trading in the Securities Market of the Athens Stock Exchange (participating in "Athex All Share Index" and in "FTSE/Athex Global Traders Index") and represent 100% of the total share capital of the Company.

The owner of a share has voting rights in any shareholders Annual or Special General Meeting, whereas the number of votes increases proportionally (one vote for each share). Own shares bare no voting rights.

Each share bares all the rights and obligations set out in law and in the Articles of Association of the Company.

Shareholders are liable towards third parties and the Company up to the shares' nominal value.

Holding a single share entails the acceptance of the Company's Articles of Association and the General Meeting and the Board of Directors' decisions, given they are taken within the limits of their jurisdiction and the Law.

Each shareholder is considered as resident at the Company's headquarters and is liable to Greek laws.

b) Limits on transfer of Company Shares, as suggestively the limits in shares possession or in obligation for pre-approval by the Company, from other shareholders of Public or Administrative Authority, with saving clauses of Law 3371/2005, article 4, par. 2.

The Company shares may be transferred as provided by the law. According to the Articles of Association of the Company there are no restrictions as regards to the transfer of shares. These shares are listed in the Athens Stock Exchange and are incorporeal.

c) Significant direct or indirect holdings in the sense of the articles 9 and 11 of law 3556/2007.

On 31/12/2016 the shareholders that held more than 5%, directly or indirectly, of the total number of shares and voting rights of the Company are the following:

Shareholder's name	Number of shares	% of share capital
Alexandros Katsiotis	10.356.023	32,63%
Elli Drakopoulou	7.322.273	23,07%
Athanasia Drakopoulou*	3.173.453	10,00%
Eleni Katsioti	1.917.840	6,04%
TOTAL	**22.769.589**	**71,74%**

*Ms. Athanasia Drakopoulou holds the bare ownership of these 3.173.453 shares while holding the power to exercise the voting rights as well as the preemptive rights arising from those shares, while Ms. Elli Drakopoulou reserves the right to usufruct of such shares.

d) Shares conferring special control rights.

There are no company shares, which provide to their owners' special control rights.

e) Limitations on voting rights, as suggestively the limits in voting rights of shareholders with a defined percentage of share capital or to owners of defined number of voting rights and the deadlines for voting rights.

With the exception of treasury shares, there are no limitations on voting rights of shareholders with a defined percentage of share capital or to owners of defined number of voting rights and the deadlines for voting rights.

f) Agreements among Company Shareholders, which are known to the Company and entail limitations on the transferring of shares or on voting rights.

The Company is not aware of any agreements among shareholders entailing limitations on the transfer of shares or limitations on voting rights, nor is there any provision in the Articles of Association providing the possibility of such agreements.

g) Rules governing the appointment and replacement of members of the Board of Directors and the amendment of the Articles of Association deviating from those provided for in the Codified Law 2190/1920.

The rules set out in the Articles of Association of the Company on the appointment and replacement of members of the Board of Directors as envisaged in Codified Law 2190/1920, as valid after law 3604/2007, are presented below:

1. The Board of Directors can elect its members in replacement of those resigned, passed away or misplaced their status with any other manner. The prerequisite for this election is that the replacement of the above mentioned members is not possible by alternate members potentially elected by General Meeting. The above mentioned election from the Board of Directors is done by the remaining members, if they are at least three (3), and it is valid until the end of the service of the replaced member.
2. It is explicitly defined that in cases of resignation, death or loss of status of member or members of Board of Directors with any other manner, the remaining members can continue with managing and representing the Company without the replacement of absent members. The prerequisite is

that the number of them exceeds half of the total number of members before the above mentioned events. In any case these members cannot be less than three (3).

3. In any case, the remaining members of Board of Directors, regardless the number, might proceed to a General Meeting with exclusive issue the election of new Board of Directors.

The terms of Articles of Association in regard with its amendments are not varied from the predefined terms in Codified Law 2190/1920, as valid.

h) Authority of the Board of Directors or certain of its members to issue new shares or to purchase the own shares of the Company, pursuant to article 16 of Codified Law 2190/1920.

The Board of Directors of the Company decides to call for the appointment of the Shareholders; General Meeting. Among the issues of the agenda of that Shareholders' General Meeting can be the issue of the new shares or the purchase of own shares as per article 16, of Codified Law 2190/1920.

Apart from the aforementioned case, the Board of Directors is restricted to the implementation of the relevant decisions taken during the General Meeting.

The decision of the General Meeting to establish the terms and conditions of scheduled acquisitions, and in particular, the maximum number of shares to be acquired, the duration for which the authorization is granted, which may not exceed 24 months, and in the case of acquisition under unfavorable conditions, the minimum and maximum value of purchase.

i) Significant agreements put in force, amended or terminated in the event of a change in the control of the Company, following a public offer. The results of this agreement would cause severe loss in the Company, except for the case of fact that the publicity of this agreement, due to the nature. The exception disclosure agreement does not apply if the obligation to disclose arises from other provisions.

"ELGEKA S.A." has no agreements which are put in force, amended or terminated in the event of a change in the control of the Company following a public offer.

j) Significant agreements with members of the Board of Directors or employees of the Company, for the payment of compensation on the case of resignation, or dismissal without ample explanation or termination of office or employment as a result of the public offer.

The Company has no significant agreements with members of the Board of Directors or its employees providing for the payment of compensation, especially in the case of resignation or dismissal without good reason or termination of their period of office or employment due to a public offer.

Municipality Delta – Industrial Area of Sindos, Thessaloniki

26 April 2017

Chairman of BoD & Managing Director

Alexandros Katsiotis