ELGEKA S.A.

GROUP OF COMPANIES

MANAGEMENT REPORT
FOR THE PERIOD
1 JANUARY – 30 JUNE 2016

SIX MONTH REPORT OF THE BOARD OF DIRECTORS OF "ELGEKA S.A. TRADE-DISTRIBUTIONS-REPRESENTATIONS-INDUSTRY" COVERING BOTH THE ACTIVITIES OF THE PARENT COMPANY AND THE GROUP, FOR THE PERIOD 1 JANUARY – 30 JUNE 2016 (In accordance with Law 3556/2007, article 5)

Dear shareholders,

In accordance with the terms of Law 3556/2007 and the relevant decisions issued by the Capital Market Commission, we submit the present six-month Report of the Board of Directors for the six-month period of the current year 2016 (01/01/2016-30/06/2016).

This report includes in condensed form financial performance of the period, reference to significant events during first semester of 2016, analysis of perspectives and risks that are expected to incur during the second semester of 2016, along with an analysis of related party transactions. This information refers to both the Parent company and the Group ELGEKA as a whole.

The contents of the report are presented as follows:

1. FINANCIAL RESULTS & BUSINESS ACTIVITIES OF THE COMPANY & THE GROUP FOR THE PERIOD 01/01/2016 TO 30/06/2016

During the first semester of 2016, the Consolidated financial results of the Group are summarized as follows:

Turnover (sales) from continuing activities of the Group amounted to 90.488 thousand euro for the six-month period ended 30 June 2016 as opposed to 98.439 thousand euro for the respective period of 2015, showing a decrease of 7.951 thousand euro or 8,08%. This decline stems mainly from the segment of "Trade of food and other consumer products", as well as from "Logistics services", segments which strongly affected by the interruption of the Group's cooperation with one of the most important customers since June 2015, due to its increased credit risk. As a result, the comparable figures of 2015 include sales to the specific customer, while in those of the first half of 2016 the sales are zero. On the other hand, the segment of "Production, trade and promotion of own and third party brands" presenting strong growth by performing remarkable increase in sales and profitability, primarily due to the increasing penetration of its products into new major markets abroad.

Sales per Segment (in thousand euro)	A' Semester 2016	A' Semester 2015	%
Trade of food and other consumer products	57.373	65.032	*(11,78%)*
Production, trade and promotion of own and third party brands	15.242	12.267	*24,25%*
Real estate	263	283	*(7,07%)*
Logistics services	17.610	20.857	*(15,57%)*
TOTAL	**90.488**	**98.439**	***(8,08%)***

Gross profit of the Group amounted to 18.211 thousand euro for the first semester of 2016 compared to 16.385 thousand euro of the corresponding period of 2015, an increase of 1.826 thousand euro or 11,14% in percentage, despite the fall in sales, mainly due to the significant improvement in gross margin in the segments of "Production, trade and promotion of own and third party brands" and "Trade of food and other consumer products".

Other operating income of the Group is decreased by 37,47% compared with the corresponding period of 2015, or by 1.948 thousand euro, due mainly to decreased sales, as well as to the decreased marketing expenses and the corresponding decreased participation of suppliers in Group's marketing expenses which are related to the specific income.

The Group's Operating Expenses presented a marginal increase by 159 thousand euro or 0,77% and amounted to 20.702 thousand euro from 20.543 thousand euro in first half of 2015 as a result of the increased depreciation arising from the reduction of the useful life of the "Customer Relationships" derived from the acquisition of the company "ARISTA S.A." (amount 619 thousand euro), as well as from the increased provisions for bad debts realized in the current period (by the amount of 380 thousand euro). In reality, the improvement in the product mix and the continuous effort for reduction in operating cost had as a consequence the significant rationalization of the Group's cost base.

Earnings before interest, tax, depreciation and amortization (EBITDA) from continuing activities of the Group amounted to 4.383 thousand euro in the first semester of 2016 as opposed to 4.101 thousand euro in the first semester of 2015, an increase of 282 thousand euro, which is the result of the above mentioned rationalization of Group's operating cost.

At the segment level, there a drop in the segment of "Logistics services", while the segment of "Trade of food and other consumer products" has positively contributed to the consolidated EBITDA through the significant improvement of gross margin and the reduction of operating cost. In addition, the segment of "Production, trade and promotion of own and third party brands" continues its strong growth of the last years.

EBITDA per Segment (in thousand euro)	**A' Semester 2016**	**A' Semester 2015**	***Variation***
Trade of food and other consumer products	1.499	903	*596*
Production, trade and promotion of own and third party brands	2.303	1.827	*476*
Real estate	(26)	4	*(30)*
Logistics services	782	1.412	*(630)*
Other	(175)	(45)	*(130)*
TOTAL	**4.383**	**4.101**	***282***

Operating profit from continuing activities of the Group amounted to 760 thousand euro in the first semester of 2016 against 1.041 thousand euro in the corresponding period of 2015, presenting a decrease of 281 thousand euro, a result that is attributable to the causes mentioned above.

Other financial results of the Group amounted to loss of 3.120 thousand euro during the first semester of 2016 against profit of 20 thousand euro in the comparable period of 2015, due to two reasons: a) to the impairment of goodwill arising from the acquisition of the company "ARISTA S.A." of total amount 1.900 thousand euro, equally burdening the Results of the first half of 2016, which took place due to the adverse economic conditions that continue to exist in Greece, and b) to the transfer of the total balance of the customer "Marinopoulos S.A." and its associate companies of total amount 3.026 thousand euro in long-term receivables and its subsequent discounting, in order to be evaluated in Net Present Value. From the discounting of the balance recorded a loss totaling 1.216 thousand euro.

Loss before tax from continuing activities of the Group amounted to 5.965 thousand euro in current period against 2.625 thousand euro in first semester of 2015, showing an increase of 3.340 thousand euro, which is the result of the above mentioned increase in Other financial results.

Loss after tax from continuing activities of the Group during the first semester of 2016 amounted to 4.450 thousand euro compared with 2.245 thousand euro in the corresponding period of 2015, presenting an increase of 2.205 thousand euro.

Loss per share from continuing activities of the Group reached 0,1438 euro in the first semester of 2016 compared to loss per share of 0,0653 euro in the comparable period of 2015.

During the first half of 2016 ELGEKA Group continued its efforts to reduce operating costs, along with the reorganization of its functions, the redefinition of its partnerships and its disengagement from loss-making activities. As a consequence of the above and in conjunction with the ongoing recession of the Greek economy, the Group's sales were lower, nevertheless its operating profitability was improved despite the increase of provisions made in order to further “shield” the size of its assets. The key elements of the economic data which characterized the first half of 2016 the Group are briefly the following:

- The further improvement of the gross margin from 16,64% to 20,13% in 2016.
- The decrease in Sales by 8,08%.
- The decrease in Other Operating Income by 1.948 thousand euro, as a result of lower sales as well as the reduced participation of suppliers in promoting costs of products.
- The increase of depreciation by 477 thousand euro, due to the decrease of the useful life of “Customer relationships” that relate to company “ARISTA S.A.”.
- The impairment of goodwill that gas recognized during the acquisition of the company “ARISTA S.A.” by the amount of 1.900 thousand euro.
- The transfer of the total balance of the customer “Marinopoulos S.A.” and its associate companies of total amount 3.026 thousand euro in long-term receivables and its subsequent discounting, from which recorded a loss totaling 1.216 thousand euro.

The main figures of Group’s financial position are the following:

The net book value of Intangible Assets, Tangible Fixed Assets and Investment Property of the Group amounted, as at 30/06/2016, to 86.012 thousand euro representing 48,79% of the Group’s Total Assets as opposed to 89.807 thousand euro at 31/12/2015 (representing the 48,71% of the Group’s Total Assets).

The Group shareholders’ Equity represents 6,01% of the Group’s Total Equity & Liabilities amounting to 10.592 thousand euro as opposed to 15.193 thousand euro at 31/12/2015, representing a decrease of 30,28%.

The Group's total Liabilities amounted to 165.715 thousand euro as opposed to 169.159 thousand euro in 31/12/2015, representing a decrease by 2,04%. The Long term liabilities of the Group amounted to 29.163 thousand euro as opposed to 31.188 thousand euro in 31/12/2015, a decrease of 6,49%.

The Group's Long term bank liabilities (long term liabilities payable within the following year included) amounted to 26.415 thousand euro as opposed to 26.590 thousand euro in 31/12/2015, representing a decrease of 175 thousand euro or 0,66%.

Finally, the Group's Short term bank liabilities amounted to 60.130 thousand euro (34,11% of the Total Liabilities and Equity), increased by 688 thousand euro or by 1,16% as opposed to 31/12/2015, which amounted to 59.442 thousand euro.

As regards to the financial performance of the Parent Company is summarized as follows:

Turnover (sales) of "ELGEKA S.A." for the first half of 2016 amounted to 26.604 thousand euro as opposed to 32.917 thousand euro in the corresponding period of 2015, showing a reduction of 6.313 thousand euro, or 19,18% in percentage. This reduction is a consequence mainly of the termination of partnerships with customers that presented high credit risk and secondly of the reduced consumer demand.

Gross profit amounted to 7.897 thousand euro in 2016 from 8.909 thousand euro in the corresponding period, which is a decrease of 1.012 thousand euro or 11,36%, while gross profit margin showed an improvement from 27,07% to 29,68%.

Operating Expenses decreased by 22,80%, namely from 11.094 thousand euro in the six-month period of 2015 amounted to 8.565 thousand euro in the corresponding period of 2016, a decrease of 2.529 thousand euro.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 1.198 thousand euro against 865 thousand euro in the first semester of 2015, an increase of 38,50%, mainly due to the significant reduce of Company's operating cost.

Operating profit amounted to 900 thousand euro in the six-month period of 2016 as opposed to 493 thousand euro of the corresponding period of 2015, an improvement of 407 thousand euro.

Other financial results amounted to loss of 1.023 thousand euro during the first semester of 2016 against 19 thousand euro in the comparable period of 2015, a fact that is the consequence of the transfer of the total balance of the customer "Marinopoulos S.A." and its associate companies of total amount 2.544 thousand euro in long-term receivables and its subsequent discounting, in order to be evaluated in Net Present Value. From the discounting of the balance recorded a loss totaling 1.041 thousand euro.

Loss before tax amounted to 1.828 thousand euro during the current period versus 1.277 thousand euro in the first semester of 2015, an increase of 551 thousand euro due to the above mentioned increase of Other financial results.

Loss after tax amounted to 1.431 thousand euro against 1.248 thousand euro in the previous year, an increase of 183 thousand euro.

Loss per share of the Parent Company amounted to 0,0451 euro for the current period compared to 0,0393 euro for the corresponding period of 2015.

From the above data, it is suggested that the continued recession in the domestic market had a negative impact on the sales of the Parent Company during the first half of 2016. However, the most important factor that contributed to the decrease of sales was the termination of the cooperation with one of the most important customer of the Company since June 2015, due to the increased credit risk that he presented. Simultaneously, however, the strategic redefinition of its partnerships and the constant effort of readjustment of Company's cost base had as a result the improvement of its profitability in every level. Specifically, the basic elements of economic data that characterized the current period at the Parent Company level briefly are the following:

- The improvement of gross margin from 27,07% to 29,68%.
- Efforts to redefine operating costs, resulted in a reduction of Operating expenses by the amount of 2.530 thousand euro and the corresponding improvement of operating result.
- The transfer of the total balance of the customer "Marinopoulos S.A." and its associate companies of total amount 2.544 thousand euro in long-term receivables and its subsequent discounting, from which recorded a loss totaling 1.041 thousand euro.

2. SIGNIFICANT EVENTS FOR THE PERIOD 01/01/2016 TO 30/06/2016

The most significant events which took place during first semester of 2016 are the following:

- 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 June 30th, 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”, resulted a loss of 156 thousand euro in the ELGEKA Group's Consolidated Financial Statements on June 30th, 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.

- The investments in Fixed Assets and Investment Property for the first semester of 2016 amounted to 1.065 thousand euro and 66 thousand euro for the Group and the Parent Company, respectively.

3. PERSPECTIVES – BUSINESS ACTIVITIES – MAIN RISKS AND UNCERTAINTIES FOR THE SECOND SEMESTER OF 2016

The first half of 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. The positive is that there were no exceptional events in macroeconomic, political, economic level, which would exert further pressure on consumers and businesses.

The second semester of 2016, the challenges will be faced by businesses is expected to be again significant and multidimensional. In this period, consumers and businesses are required to handle increased tax liabilities, 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 the second semester of 2016 will be particularly difficult.

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

During the second half of 2016, it is expected to be exercised further pressure on the ELGEKA Group's financial figures. The Group companies which are addressed in the Greek market in a significant extent, namely Parent ELGEKA, "DIAKINISIS S.A.", "G.S.B.G. S.A." and to a lesser extent "ARIVIA S.A.", have to face a difficult environment characterized by reduced economic activity, low liquidity, increased credit risk and many difficulties in importing goods from abroad. To address specific risks, ELGEKA Group has taken appropriate measures to restrict any negative impact to a minimum level and to maintain its proper operation.

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 of Group development are the production, trade and promotion of own and third party brands, the trade of consumer products and logistics services, areas which have particularly strong momentum both in the domestic economy and abroad. Particular emphasis is given to the production of innovative dairy products through the subsidiary company "ARIVIA S.A.", an activity that contributes significantly to the Group's financial figures in recent years and is in constant development process.

The segment of "Production, trade and promotion of own and third party brands", in which the Group operates through its subsidiary company "ARIVIA S.", is one of the most dynamic sections of the Group in recent years. Through this segment, the Group has developed a series of innovative products (cheese alternatives), which have been widely accepted by the general public and which have allowed it to penetrate to major markets abroad. In addition, the trading and promotion of a wide range of products with private label or thirds' label has given the opportunity to acquire a sufficient share of the domestic retail market. Given the continuous creation of new products and the actions carried out to penetrate into new geographic markets, the second half of 2016 is expected to further strengthen the economic fundamentals of the Group's specific segment.

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. As mentioned above, in mid-2015 it was decided to discontinue cooperation with the one of the largest customers of ELGEKA due to increased credit risk presented, with a result to suffer a a great decrease of its sales. 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 profitability despite the decline in its sales, while new partnerships that has completed and will begin to contribute to the second half of 2016 will enable it to further improve its financial figures.

In the market of private label products, in which ELGEKA Group operates through its subsidiary "G.S.B.G. S.A.", sales reached the amount of 7,3 million euro, presenting an increase of 14,6% in relation to the comparable period of 2015, while it has been substantially improved its operating profitability (EBITDA 77 thousand euro against loss of 119 thousand euro in the comparable period of 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 the second half of 2016.

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. The performance of the two companies considered satisfactory, as they present an increase in profitability, contributing positively to the Group's financial figures.

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 E.E.”, “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 customers who presented high credit risk. The management of the company, in line with the Group's strategy, decided to discontinue cooperations which made significant sales, ensuring the recoverability of the remaining sales. As a result, the Sales of the company declined and its operating result deteriorated. Since late 2015 it has launched a wide operating cost reduction program, which will take full extent within 2016, a program that is expected to result in a gradual improvement in its financial figures.

Regarding the companies “DIAKINISIS PORT AND CO E.E.”, “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.

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 the second semester of 2016 are the following:

a) Price Changes Risk

The recession which has come 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 mainly 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 listed securities.

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 percentage 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 for companies "ARIVIA S.A." and "G.S.B.G. S.A." the insurance of a significant part of their credits to a well-known insurance company ("EULER HERMES"). Moreover, both the Parent Company and "ARIVIA S.A." obtain 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 strict credit policy against its customers in order to further reduce credit risk. It should also be noted that ELGEKA Group terminated its cooperation with one of its major customers since mid-2015 due to the increased credit risk presented. As a result, the Management considers that during the second semester of 2016 there will be not any significant credit risk that is not covered by some sort of collateral or adequate provisions for bad debts for both the Parent Company and its subsidiaries.

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 the second semester of 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.

Furthermore, due to Group international activities, there are trade and borrowing 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.

d) Liquidity Risk (financial risk)

The Group serves its obligations based on its positive operating cash flows, the high ratings received from financial institutions and in financial assets, whose value presented in Financial Statements approximate their fair values.

Group manages its risks that might occur due to limited liquidity by maintaining unused bank credit limits. In addition, as at 30/06/2016, the Group and the Parent hold 8.544 thousand euro and 2.906 thousand euro in cash respectively (31/12/2015: 5.933 thousand euro and 1.569 thousand euro, respectively).

Given the fact that at 30 June 2016 the Group and the Company has negative working capital by 70.103 thousand euro and 53.383 thousand euro, respectively, they implement a broad program of actions in order to reduce costs, optimize the management of trade cycle as well as to renegotiate the 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 subsidiaries “DIAKINISIS S.A.” and “ARIVIA S.A.” into long-term. The final signing of the agreement during the second semester of 2016 is expected to resolve this issue as loans totaling 61.196 thousand euro and 46.888 thousand euro for the Group and the Company respectively, which on June 30th, 2015 are presented as short-term, will eventually become long-term.

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 2015, the Company's Equity is less than 50% of the share capital and therefore apply the conditions for application of article 47 of the C.L. 2190/1920. The Management of the Company has already proceeded to adoption of actions in order to reduce costs, 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.

f) Macroeconomic risk

The main macroeconomic risks to which the Group is exposed are the inflation cost, 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, difficulties in importing goods and services and the overall reduced economic activity, resulting in lower 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", 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".

4. RELATED-PARTY TRANSACTIONS (IN THOUSAND EURO)

Transactions and balances with related parties that have been eliminated on consolidation are presented in the following table:

	01/01/2016 - 30/06/2016		01/01/2015 - 30/06/2015	
Transactions with related parties:	**GROUP**	**COMPANY**	**GROUP**	**COMPANY**
a) Sales / Revenue from services	-	663	-	1.427
b) Purchases	9	1.475	5	2.067
c) Key management personnel and members of Board compensation	437	315	459	344

	30/06/2016		31/12/2015	
Balances with related parties:	**GROUP**	**COMPANY**	**GROUP**	**COMPANY**
a) Receivables	-	988	-	1.610
b) Liabilities	-	6.076	-	6.779
c) Receivables / Prepayments from / to key management personnel and members of Board	-	-	-	-
d) Payables to key management personnel and members of Board	1	1	-	-

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

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	408	1.191	808	942
ARIVIA S.A.	209	275	85	5.134
G.S.B.G. S.A.	46	-	95	-
Total	**663**	**1.466**	**988**	**6.076**
Other Related Parties	**-**	**9**	**-**	
Total of Subsidiaries and Other Related Parties	**663**	**1.475**	**988**	**6.076**

The related-party transactions and Parent Company's intercompany balances for the comparable period of 2015 are presented below:

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	481	1.728	289	(27)
ARISTA S.A.	766	1	2.042	-
VIOTROS S.A.	100	333	-	4.721
G.S.B.G. S.A.	80	-	134	1
Total	**1.427**	**2.062**	**2.465**	**4.695**
Other Related Parties	**-**	**5**	**-**	**-**
Total of Subsidiaries and Other Related Parties	**1.427**	**2.067**	**2.465**	**4.695**

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.

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

- 1.182 thousand euro for distribution services, warehousing and repackaging.
- 9 thousand euro for rentals

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

- 207 thousand euro for rentals
- 168 thousand euro for the provision of consulting services
- 31 thousand euro for co-location costs (lighting, water)
- 2 thousand euro for compensation due to lack of supplies

2. ELGEKA S.A. – ARIVIA S.A.

"ARIVIA S.A." charged "ELGEKA S.A." with the following amounts:

- 275 thousand euro for sales of products

"ELGEKA S.A." charged "ARIVIA S.A." with the following amounts:

- 192 thousand euro for the provision of consulting services
- 11 thousand euro for rentals
- 6 thousand euro for co-location costs (lighting, water)

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

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

- 44 thousand euro for the provision of consulting services
- 2 thousand euro for co-location costs (lighting, water)

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. Subsequently, it was checked the existence of transactions between such companies and "ELGEKA S.A.”.

From the audit, it was realized that the company 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 as follows:

- The company “EXCEED CONSULTING S.A. (FANDRIDIS M. – PARTNERS – BUSINESS CONSULTANTS)". The total value of transactions amounted to 5 thousand euro and regards the selection of a manager.

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 the first semester of 2016.

All aforementioned transactions were accomplished under the standard market rules.

Industrial Area of Sindos – Municipality of Delta, Thessaloniki,
25 September 2016

President of the Board of Directors & Managing Director
Alexandros Katsiotis