ELGEKA S.A.

GROUP OF COMPANIES

MANAGEMENT REPORT FOR YEAR 2012

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 2012 TO 31 DECEMBER 2012
(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 2012 of the Board of Directors. The report was prepared in accordance with articles 43a, par.3 and 107, par.3 of Company Law 2190/1920, article 4 of Law 3556/2007 and the decisions of the Capital Market Commission.

The present report includes the financial status and results of the Company and the Group of year 2012 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, as well as all transactions with related parties. The abovementioned information refers to both the Parent Company and the Group.

The accounting year, ended December 31st, 2012, is the 15th year during which "ELGEKA S.A. TRADE – DISTRIBUTIONS – REPRESENTATIONS – INDUSTRY" 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, 2012, are the 8th 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. <u>FINANCIAL RESULTS & BUSINESS ACTIVITIES OF THE COMPANY & THE GROUP FOR THE FISCAL YEAR 01/01/2012 TO 31/12/2012</u>

In 2012 continued the deep recession of the Greek economy for the 5th consecutive year, pushing businesses and individuals to their limits. In their efforts to adapt to the new circumstances through reducing consumption, expenses and investments, they largely feedback recession having as a result the further worsening of the economy's fundamentals. The structural change that occurs through gradual adjustment has an impact on both consumption patterns (turn to Greek products, significantly reduce of consumption of products that satisfy secondary needs, constantly strengthening of private label products, etc.) and the productive standards (strengthening of the export orientation through advertising and promoting of local products, strengthening of innovation, etc.).

ELGEKA Group having a broad portfolio of activities affected to different degrees and in different ways, depending on the type of activity and emphasis has been given to it.

Specifically, the financial results of the Group for the year 2012 are summarized as follows:

Turnover (sales) of the Group amounted to 335.217 thousand euro in the current financial year over 363.804 thousand euro the previous year of 2011, showing a decrease of 28.587 thousand euro or 7,86%. This decline is primarily due to the negative contribution of the segment of “Trade of food and other consumer products” which suffers heavily from the domestic recession and also constitutes the most significant in terms of size, activity of the Group. Significant decrease in sales there is also in the segment of "Production, trade and services in pharmaceutical industry” in which the Group gradually reduces its exposure. Instead, the segment of “Logistics services” is in growth path showing a remarkable increase in sales, mainly due to the increased cooperation with the Group of Cosco, as well as due to the exploitation of opportunities arising through the redistribution of market shares that takes place in the domestic market.

Sales per Segment (in thousand euro)	**2012**	**2011**	**%**
Trade of food and other consumer products	248.699	281.391	*(11,62%)*
Production of food and other consumer products	9.913	10.159	*(2,42%)*
Real estate	757	791	*(4,30%)*
Production, trade and services in pharmaceutical industry	11.400	17.019	*(33,02%)*
Logistics services	64.448	54.436	*18,39%*
Other	-	8	-
TOTAL	**335.217**	**363.804**	***(7,86%)***

Gross profit of the Group amounted to 33.046 thousand euro for the year 2012 compared to 40.310 thousand euro of the previous year, presenting a decrease of 7.264 thousand euro or 18,02% in percentage, mainly due to reduced turnover and also due to the decrease of gross margin (9,86% in 2012 as opposed to 11,08% in 2011).

Other operating income of the Group is marginally increased by 0,56% compared with 2011, or by 140 thousand euro, mainly due to the continued high participation of suppliers in Group’s marketing expenses, as well as due to the increase in other income (insurance claims, etc.).

Group's Operating Costs presented significant decrease by 5.169 thousand euro or by 8,01% in percentage, i.e. from 64.494 thousand euro in 2011 to 59.325 thousand euro in 2012, as a result of the coordinated actions taken to adjust the cost base of the Group in the new market standards.

Earnings before interest, tax, depreciation and amortization (“EBITDA”) amounted to 4.687 thousand euro as opposed to 6.850 thousand euro in the previous year, a decrease which is the consequence of the reduced turnover and the gross margin. Nevertheless, the improvement of the Group’s operating cost (Operating income – Operating expenses) partially offset the above reduction.

At the segment level, the drop in sales of “Trade of food and other consumer products” had resulted in a significant reduction of «EBITDA», which was partially offset by an increase in the segment of “Production of food and other consumer products” (increase due to the rationalization of costs in the subsidiary company "VIOTROS S.A." under the guidance of the new General Department since the end of 2011).

EBITDA per Segment (in thousand euro)	2012	2011	*Variation*
Trade of food and other consumer products	(26)	2.618	*(2.644)*
Production of food and other consumer products	1.076	(348)	*1.424*
Real estate	68	(80)	*148*
Production, trade and services in pharmaceutical industry	(432)	(56)	*(376)*
Logistics services	4.146	4.716	*(570)*
Other	(145)	-	*(145)*
TOTAL	**4.687**	**6.850**	***(2.163)***

Operating loss of the Group amounted to 1.199 thousand euro against profit of 756 thousand euro in the previous year, a decrease of 1.955 thousand euro, which is the consequence of the factors that already explained.

Financial Expenses are marginally increased by 104 thousand euro or 1,26% over the previous year (i.e. they amount to 8.366 thousand euro in 2012 compared to 8.262 thousand euro in 2011), despite the reduction of total Group debt and after a highly significant increase in the cost of money in 2011, reflecting one of the major problems faced by Greek enterprises, namely the excessive increase in financing costs due to lack of liquidity in the Greek financial industry especially during the last two years.

Other financial results (costs) are decreased by 720 thousand euro or by 44,14% amounting to 911 thousand euro in 2012 compared to 1.631 thousand euro in 2011. The main reasons that contributed to this decrease can be attributed to: gains from sale of investment property amounting to 314 thousand euro compared to losses of 617 thousand euro in 2011, the impairment of goodwill that took place of 253 thousand euro compared to 638 thousand euro in 2011 and losses from exchange differences on loans amounting to 912 thousand euro compared to losses of 254 thousand euro in 2011.

Loss before tax amounted to 11.506 thousand euro the year ended against 6.655 thousand euro in 2011 as a result in the one hand of decreased operating results and on the other hand of the loss of amount 1.190 thousand euro from the revaluation of investment property (while in 2011 have been recorded gains of 2.303 thousand euro due to investment property in Romania).

Loss after tax amounted to 11.188 thousand euro during 2012 compared to 7.075 thousand euro in the previous year of 2011.

Loss of Group attributable to shareholders of "ELGEKA S.A.", after tax and non-controlling interest amounted to 12.070 thousand euro in the year 2012 compared to 8.467 thousand euro in the previous year of 2011, showing an increase of 3.603 thousand euro.

Loss per share reached 0,3803 euro in 2012 compared to 0,2668 euro in the comparable year of 2011.

During the fiscal year 2012 ELGEKA Group proceeded to a series of actions with an ultimate goal the adapting to new market conditions, the redefining of its cost base to new lower levels, as well as the creation of the necessary conditions in order to exploit the new opportunities as they arise. However, the greater than the expected decline of Greek economy combined with the further growth of a series of uncontrollable cost factors, such as energy, taxes and interest rates, had a major impact on its financial results. The key financial data featured in 2012 at Group level is briefly as follows:

- The decrease of Turnover and of gross margin.

- The reduction in operating costs (Operating income - Operating expenses) by the amount of 5.309 thousand euro or in rate 13.42% (from 39.554 thousand in 2011 to 34.245 thousand euro in 2012).
- The decrease in Other Financial Expenses by the amount of 720 thousand euro.
- The loss on valuation of investment property amounting to 1.190 thousand euro as opposed to profit of 2.303 thousand euro that was recorded in 2011 and was created due to the recognition of real estate property rights in Romania and their valuation at fair value.

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 31/12/2012, to 117.311 thousand euro representing 41,04% of the Group's Total Assets as opposed to 123.519 thousand euro in prior year.

In 31/12/2012, the Group Equity represents 19,12% of the Group's Total Equity and Liabilities amounting to 54.665 thousand euro as opposed to 66.702 thousand euro in 31/12/2011, showing a decrease of 18,05%.

Group's total Liabilities amounted to 231.208 thousand euro as opposed to 240.080 thousand euro in 31/12/2011, representing a decrease by 3,70%. The long term liabilities amounted to 54.449 thousand euro as opposed to 50.959 thousand euro in 31/12/2011, an increase of 6,85%.

Group's Long term bank liabilities (long term liabilities payable within the following year included) amounted to 28.660 thousand euro as opposed to 32.914 thousand euro in 31/12/2011, representing a decrease of 4.254 thousand euro or 12,92%.

Finally, Group's Short term bank liabilities at 31/12/2012 amounted to 69.408 thousand euro (24,28% of Total Liabilities and Equity), decreased by 3.667 thousand euro as opposed to those in 31/12/2011, which amounted to 73.075 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 2012, in relation to the fiscal year of 2011:

A) Financial Structure Ratios

1. Property Funding Ratio	2012	2011
Fixed Assets / Total Assets	48,54%	47,07%
Current Assets / Total Assets	51,46%	52,93%

2. Leverage ratio	2012	2011
Total Debt* / Equity	218,42%	191,72%

***** Financial leasing liabilities included

3. Fixed Assets Coverage Ratio

Equity / Fixed Assets	39,39%	46,19%
Equity & Long-term Liabilities / Fixed Assets	78,63%	81,48%

4. Current ratio

Current Assets / Current Liabilities	83,22%	85,86%

B) Profitability Ratios

	2012	2011
1. Return on Equity		
Earnings before tax (EBT) / Equity	(21,05%)	(9,98%)
2. Gross profit margin		
Gross profit / Sales	9,86%	11,08%
3. Equity turnover		
Sales / Equity	613,22%	545,42%
4. Gross Profit to Cost of Sales Ratio		
Gross Profit / Cost of Sales	10,94%	12,46%

C) Activity Ratios

	2012	2011
1. Creditors' Turnover ratio		
Trade Creditors X 360 days / Cost of Sales	80 days	82 days
2. Debtors' Turnover ratio		
Trade Debtors X 360 days / Sales of Stock & Services on credit	95 days	100 days
3. Inventory Turnover ratio		
Inventory X 360 days / Cost of sales	31 days	32 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 102.619 thousand euro as opposed to 118.084 thousand euro in the previous year of 2011, showing a reduction of 15.465 thousand euro, or 13,10% in proportion.

Gross profit amounted to 19.005 thousand euro in 2012 from 23.410 thousand euro in the corresponding previous year, which is a decrease of 4.405 thousand euro or 18.82%, while gross profit margin decreased to 18,52% from 19,82% in the year 2011.

Other operating income is increased by 11,58% compared with 2011, or by 1.179 thousand euro, mainly due to the increased participation of suppliers in Company's marketing expenses, as well as due to the increase in rentals.

Operating Expenses decreased by 7,93%, namely from 33.065 thousand euro in the previous year of 2011 amounted to 30.442 thousand euro in the closing year of 2012, a decrease of 2.623 thousand euro.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") amounted to 1.013 thousand euro against 1.708 thousand euro in the previous year of 2011, a decrease of 695 thousand euro, which results from two opposing forces: on one hand, from the reduced sales and reduced gross profit contributed by them (by 4.405 thousand euro) and on the other hand from the reduced operating costs (by 2.623 thousand euro).

Operating loss of the Company amounted to 81 thousand euro as opposed to profit of 522 thousand euro of the previous year, in other words there was a decrease in operating results during 2012 of 603 thousand euro.

Loss before tax amounted to 10.020 thousand euro during 2012 versus 7.472 thousand euro in 2011, a deterioration of 2.548 thousand euro. Causes of this development are the reduction of operating result (by 603 thousand euro), the increased impairment loss of subsidiaries (by 1.247 thousand euro), as well as the increased loss from the valuation of investment property (by 638 thousand euro).

Loss after tax of year 2012 amounted to 9.820 thousand euro against 7.021 thousand euro in the previous year, an increase of 2.799 thousand euro.

Loss per share of the Parent Company amounted to 0,3094 euro for the year 2012 compared to 0,2212 euro for the year 2011.

From the above data, it is obvious that the continuing recession in the domestic market had a negative impact on the financials of the Parent by the year 2012. The key financial highlights of the specific year, for the Parent, briefly are the following:

- The decrease in Turnover and in gross profit margin pushed particularly the amount of gross profit (decrease by 4.405 thousand euro).
- The efforts to retain operating costs in low levels (Operating income - Operating expenses) resulted in a reduction by the amount of 3.802 thousand euro (from 22.888 thousand euro in 2011 to 19.086 thousand euro in 2012) and the corresponding limited fall in operating profits.
- The provision for impairment of investments in subsidiaries, amounting to 5.632 thousand euro against 4.385 thousand euro in 2011.
- The loss from the revaluation of investment property, which was 1.516 thousand euro against 878 in 2011.

B. SIGNIFICANT EVENTS

a) Significant events for the year 2012

In Group level, during 2012, were made the following investment - business developments:

- “DIAKINISIS PORT AND CO E.E.", which is controlled by ELGEKA Group, signed in early 2012 a contract regarding the extension of cooperation duration with the company “PIRAEUS CONTAINER TERMINAL S.A.” up on January 1, 2017. The initial 2-year cooperation agreement with the company “PIRAEUS CONTAINER TERMINAL S.A.” was signed on April 27, 2010 for the provision of services that relate to loading, unloading and handling of containers as well as other services at the Pier II of the New Container Terminal of the Port of Piraeus. Furthermore, in July of that year, the aforementioned contract has been extended to management of under construction Pier III, the activation of which is estimated to begin in mid-2013.

- In April 2012, “ELGEKA S.A.” and “DIAKINISIS S.A.” made an agreement to revise the terms of the contracts of common bonds with bondholders banks “ALPHA BANK S.A.” and “ALPHA BANK LONDON LTD”, and the “COMMERCIAL BANK OF GREECE S.A.”. This review concerns the repayment schedule of the outstanding capital.

- The Annual General Meeting of the company “VITA PI S.A.” decided on 28/06/2012 to increase its share capital by 2.756 thousand euro by issuing 5.200.000 new nominal common shares, at a nominal value of 0,53 euro each. Consequently, its new share capital will amount to a total of 5.300 thousand euro divided into 10.000.000 nominal common shares with nominal value of 0,53 euro each. The above increase covered in full by “ELGEKA S.A.” by offsetting equivalent financial claims of “VITA PI S.A.” of 2.756 thousand euro, which amount had already been credited partially at regular intervals during their existing commercial cooperation - sale and purchase of products. After the approve of the relevant decision of the above General Meeting by the Development Division R.U. Thessaloniki (no. 7651 /06.07.2012) followed an offsetting-capitalization of such amount and the percentage of "ELGEKA S.A." increased from 99,92% to approximately 99,96%.

- The Annual General Meeting of “MEDIHELM PHARMAC. WHOLESALE STORE S.A.” dated 29/06/2012 decided a share capital increase for the amount of 238 thousand euro with the issue of 23.800 new common shares with face value 10 euro each. As a consequence, the new share capital of “MEDIHELM PHARMAC. WHOLESALE STORE S.A.” amounts to 3.308 thousand euro divided into 330.800 common shares with face value 10 euro each. “ELGEKA S.A.” undertook to cover entirely this increase and on 6th September 2012 paid the amount of 238 thousand euro, increasing its participation percentage in the above company from 98,48% to 98,83% approximately.

- On September 11, 2012, the subsidiary, by 100% percentage, company “ELGEKA (CYPRUS) LTD” proceeded to the establishment of a new company under the name “DIAKINISIS LOGISTICS SERVICES (CY) LTD", which is situated in Nicosia of Cyprus. The company "ELGEKA (CYPRUS) LTD" participates with 100% in the share capital of the newly created company "DIAKINISIS LOGISTICS SERVICES (CY) LTD", which was set at Euro 200 thousand. The purpose of activity of the new company is primarily distributions, storage and packaging of all kinds.

- On December 18, 2012, “ELGEKA S.A.” proceeds to the dissolution of cooperation with the company “DANONE Dairy products S.A.”. The decision to disengage of Company from this cooperation was obtained as a result of our strategic choice to concentrate its forces in collaborations that act synergistic between them and create profit and added value for both “ELGEKA S.A.” and for the Group. This decision will release resources and strengths to develop new projects and also to better service existing contracts of the Company.

- Finally, the investments in Fixed Assets and Investment Property for 2012 amounted to 3.138 thousand euro and 509 thousand euro for the Group and the Parent Company, respectively.

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

1) On January 23, 2013, "ELGEKA S.A." proceeded to sign of Memorandum of Understanding (M.o.U.) with the Turkish company "SEBA DIS TICARET VE NAKLIYAT A.S." having as basis the following main areas:

a) the joint establishment of holding company, with an initial share capital of 50 thousand euro, in order to acquire initially the 50.36% stake of the share capital of the company "GREEK COOPERATIVE CIGARRETE MANUFACTURING COMPANY (SEKAP S.A.)" based on the binding offer by the Turkish company, as filed on 15.10.2012 to the special liquidator of "AGRICULTURAL BANK OF GREECE S.A.". The participation percentage of ELGEKA S.A. or any of its subsidiaries in the capital of the newly formed company will amount to 19%.

b) the commitment of the Turkish company for the assignment of both the project of providing 3PL services for products of "GREEK COOPERATIVE CIGARRETE MANUFACTURING COMPANY (SEKAP S.A.)" and the exclusive trade of those products within the Greek territory in companies of ELGEKA Group.

In early March 2013, the special liquidator of "AGRICULTURAL BANK OF GREECE S.A." announced the extended bidding period until 20 March 2013. Final outcome for the competition is expected in early April.

2) According to IAS 12 (par. 47) and IAS 10 (par. 22) the change in the tax rate in early 2013 is a "non adjusting event" and therefore the current and deferred income tax calculated at the applicable December 31, 2012 tax rate. In case of application of the new tax rate on temporary differences at 31 December 2012, the net deferred tax liability would amount to Euro 9.191 thousand and Euro 120 thousand for the Group and the Company respectively, while net income for the year would have been lower by Euro 1.134 thousand and Euro 48 thousand for the Group and the Company respectively.

Besides the above, 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

2012 was a continuation of last year regarding the fundamentals of Greek economy, which remained at the same negative levels or worsened even more. For the 5^{th} consecutive year (since 2008) the domestic economy shrank at all levels, while expectations for the exact time to stabilize the situation continuously revised.

The cost of money has been formed at particularly high levels, while the financial system is characterized by a complete lack of liquidity failing to fulfill its basic function, namely the direction of savings into productive investments, which would allow the creation of added value for the entire national economy.

In general, the process of deleveraging, which is reflected in the continuously negative credit growth, has resulted in a dramatic reduction of the sizes at all levels: consumption, investments, savings, disposable income. At the same time unemployment has risen to very high levels, depriving the economy of valuable resources and, perhaps most importantly, creating intense friction to the cohesion of society.

These developments are taking place in an uncertain global environment, which probably exacerbates problems rather than offering solutions.

In 2013, adverse economic conditions are expected to maintain presented maybe some stabilization or a slight improvement towards the end of the year. In any case, it is expected to result in deep cuts in consumption behavior of households, which will lead both to create opportunities in some sectors of the business and also some others it found itself in decline.

In 2013, the Group ELGEKA will continue its efforts to strengthen its activities in sectors with good prospects, as well as in areas in which it has invested and has competitive advantage. Additionally, reducing exposure or full disengagement of the Group's loss-making activities is of key objectives.

Main pillars in the Group's development are the markets of logistics services and private label products, areas which present particularly strong momentum in the domestic economy.

Regarding the sector of «logistics», it should be noted that Greece is at the heart of international developments, as the strategic location in the south-eastern edge of mainland Europe coupled with the urgent need for change in the organization and operation of Greek economy create the conditions necessary to make the country a considerable center of international transit trade. The high mobility of the Group «Cosco» in the port of Piraeus, as well as partnerships that have been achieved lately with large multinational companies are the precursor to conclude respective agreements in the future.

ELGEKA Group operates in this sector through the companies “DIAKINISIS S.A.”, “DIAKINISIS PORT AND CO», “PCDC S.A.” and the newly established “DIAKINISIS LOGISTICS SERVICES (CY) LTD”. The deep knowledge of the sector and the competitive advantage that has developed in the last years through "DIAKINISIS S.A.", as well as the strategic cooperation with the Group of «Cosco» in the port of Piraeus, allow ELGEKA Group the expanding of its share in the specific market (sales growth of 18.39% in 2012).

In particular, the company "DIAKINISIS S.A.", which operates in the provision of warehousing and distribution services, continuously expands its market share by enlarging its customer base and increasing its turnover (sales increased by 9,00% in 2012). The transformations taking place in the industry due to the recession of the Greek economy, with a large part of the multi-fragmented market withdraw from it, and the concentration of the activities to the most powerful players in the industry, greatly benefits the subsidiary.

During the previous years, "DIAKINISIS S.A." has focused on improving its competitiveness through the qualitative and quantitative development of organizational infrastructure. As a consequence, the subsidiary has at its disposal the necessary modern infrastructure to serve the most demanding needs of the market at the lowest possible cost.

“DIAKINISIS PORT AND CO", which is the exclusive service provider for container management of «PCT», a subsidiary of the «Cosco» Group, presents strong growth (sales growth of 54,73% in 2012), while in 2013 the figures are expected even better. In addition, given that in 2013 and earlier than expected, it will operate the Pier III of Cosco Group in port of Piraeus, as well as the investment of the joint venture the two Groups, the “PCDC S.A.” for the operation of containers' center in the Port, ELGEKA Group expects strong growth of its activities in this field.

Regarding the market of private label products, in which the ELGEKA Group operates through its subsidiary “G.S.B.G. S.A.”, the sales exceeded 10,4 million euro, achieving significant market penetration in the super markets, while in 2011 sales were just 0,7 million euro. The company aims to trade in the domestic market more than 1.080 product codes, while it also sells and abroad, with the primary target of establishing a product portfolio of approximately 80 to 100 Greek products, especially food, to promote to markets of central and northern Europe.

The traditional segment of the Group, the "Trade of food and other consumer products”, in which operates in Greece mainly through the Parent ELGEKA and “VITA PI S.A.", strongly accepts the consequences of the recession both by reducing sales and through the small profit margins that are formed in this market. However, the Group constantly enriches its product portfolio, adapting each time to changing consumer needs and invests in existing brands that trades with a long presence in Greece, while at the same time carry out the necessary actions (exploit synergies, better organization of distribution network, etc.) in order to reduce operating costs and improve productivity.

Keeping on top in such a competitive industry requires a continuous effort to satisfy both represented firms as suppliers and also direct customers and the end user, to whom the Group targets. Keeping the aforementioned customer- oriented approach, the Management of ELGEKA Group expects to cope in the best way in achieving its goals and despite the intense competition and shrinking demand for consumer products, will retain its strong position in the Greek market.

In the segment of "Trade of food and other consumer products ", the Group is also active in the markets of Romania and Bulgaria through the companies “ELGEKA FERFELIS ROMANIA S.A.” and “ELGEKA FERFELIS BULGARIA LTD”, respectively. Regarding the former, its performance is satisfactorily, as it achieves an increase in sales of 3,58% and continuous improvement of its profitability year on year, contributing positively to the Group's financial figures. Also, the subsidiary “ELGEKA FERFELIS BULGARIA LTD” has managed to establish its presence in the Bulgarian market and significantly improve profit margins compared to previous years (6,42% EBITDA margin in 2012 compared to 1,67% in 2011).

During 2012, especially dynamic was the performance of subsidiary "VIOTROS S.A.", through which the Group is active in the segment of "Production of food and other consumer products". In particular, through a series of actions carried out under the guidance of the new General Management, with a target to rationalize costs, the production of new innovative products (processed cheese "Drimio”, new series of vegetarian and vegan products, etc.), the expanding of its clientele and the penetration into new markets (Germany, Sweden, France, England), the subsidiary achieved to record sales growth, but mainly to significantly improve its operating margins (gross margin: 21,63% in 2012 against 15,92 % in 2011, operating margin: 5,27% in 2012 against -6,86% in 2011) and generate profits. The strong growth of the subsidiary is expected to continue at full stretch and 2013.

The current economic climate has greatly affected the real estate market, both domestically and internationally. ELGEKA Group operates in the segment of real estate management in Romania through the companies “SC GATEDOOR HOLDINGS COM S.R.L.” and “GREC - ROM BUSINESS GROUP S.R.L.”, accepted the consequences of this situation especially during the years 2009 - 2010. During 2012, property prices in Romania presented a stabilizing trend, while in Greece continued the sharp fall, charging the Group's Results with total losses amounting to 1.190 thousand euro. In 2013 this trend is expected to continue.

The Group’s strategic priority in relation to the real estate portfolio in Romania, whose value amounts to 26.5 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. In this context, Group proceeded to the sale of investment property during 2012 earning a total profit of 314 thousand euro.

Finally, the pharmaceutical industry, in which ELGEKA Group operates through the subsidiary “MEDIHELM PHARMACEUTICAL S.A.”, has received a strongly negative impact due to economic crisis, charging Group’s Results. The Group is exploring any alternatives exist with respect to this investment, intending to seize any opportunity arise and reap any potential benefit exists.

The Group mainly operates in the Greek and Romanian markets which are very competitive and, as such, it is exposed in a series of financial risks, which are managed by the Parent Company’s Financial Management in constant cooperation with each subsidiary’s local management. The most significant financial risks and uncertainties that the Group may face during 2013 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 by taxes and fuel prices. 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 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 the subsidiaries “VIOTROS S.A.” and “VITA PI 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 companies "VIOTROS S.A." and “VITA PI S.A.” have obtained additional guarantees from major customers, the balances of which are not fully insured by the insurance company. As a result, the Management considers that during 2013 there will not any significant credit risk unsecured or not adequately accrued 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 Parent Company's Management decided, during 2009, to enter into hedging contracts with "ALPHA BANK S.A." and "EMPORIKI BANK OF GREECE S.A.". These are interest rate hedging contracts up to 7.500 thousand euro each in order to hedge for the Company's interest rate exposure or/and the exploitation of its cash. For the same reasons, the subsidiary "DIAKINISIS S.A." entered into a hedging contract with the amount of 7.500 thousand euro (Parent Company as guarantor). The abovementioned contracts were signed at the beginning of July 2009 and activated in October 2009.

In early July 2011, the Management of the Parent Company "ELGEKA S.A." proceeded to amendment of the terms of that interest rate swap contract in common with "ALPHA BANK S.A." adapting them to current financial needs of the Parent.

The products "Plain Vanilla IRS" qualify for hedge accounting in accordance with I.A.S. 39 "Financial Instruments: Recognition and Measurement" and, therefore, changes in their fair value recorded directly in the Statement of Other Comprehensive Income. Based on the valuation as at December 31, 2012, a loss of 17 thousand euro and 30 thousand euro for the Group and the Company accrued respectively (31/12/2011: loss 49 thousand euro and 72 thousand euro respectively), that was recorded in "Other Comprehensive Income" in the Statement of Comprehensive Income. Out of this amount, income tax of 3 thousand euro and 6 thousand euro (31/12/2011: 10 thousand euro and 15 thousand euro respectively) for the Group and the Company respectively was deducted and the remaining 14 thousand euro and 24 thousand euro (31/12/2011: 39 thousand euro and 57 thousand euro respectively) for the Group and Company respectively was added to the recorded loss of the previous year, while the net amount of 291 thousand euro and 261 thousand euro for the Group and the Company respectively recorded in "Other Reserves" in the Statement of Financial Position (31/12/2011: 277 thousand euro and 237 thousand euro respectively). Consequently, on 31 December 2012, the cumulative loss from derivatives is 364 thousand euro (31/12/2011: 347 thousand euro) for the Group and 326 thousand euro (31/12/2011: 296 thousand euro) for the Company and is presented in current liabilities in the Statement of Financial Position.

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 2013 will have a negative impact on the Group's financial results, due to the increased interest expenses. However, the signing of the above interest rate derivatives will significantly offset the negative impact of such possibility.

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 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 faces no difficulties in the settlement of its liabilities, due to a) very good operating cash flows, b) high debt capacity from financial institutions and c) 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. As at 31/12/2012, the Group and the Company possessed 10.469 thousand euro and 2.602 thousand euro respectively in cash (31/12/2011: 9.055 thousand euro and 1.327 thousand euro, respectively), as well as available approved bank credit limits, which are deemed adequate to cover for a potential short-fall in cash.

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.

No changes are expected to occur regarding the Group's approach in relation to capital management during 2013.

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.

In this context, the Group's Management is in advanced negotiations with creditor banks to convert the total short-term borrowings of the Parent Company and its Greek subsidiaries to long-term. In any case, the Group's Management follows and assesses developments and takes the necessary measures to ensure adequate liquidity, which will ensure the smooth continuation of activities.

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 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 (14/06/2012, 30/10/2012 and 01/11/2012 in Athens, as well as 25/10/2012 in 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, according to the decision of the Board of Directors on 18/02/2011, it follows the Code of Corporate Governance adopted by the Hellenic Federation of Enterprises (SEV). The Code is posted on the website of SEV, at the following address: http://www.sev.org.gr/Uploads/pdf/KED_SEV_InternetVersion_updatednew2132011.pdf, as well as on the website of Hellenic Corporate Governance Council: http://www.esed.org.gr (version March 2011).

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 Board of Directors does not consist in majority of non-executive directors under the proposed practice, as of seven (7) members, non-executive directors are three (3) members (A.II, par. 2.2 of the Code).

- The Company does not have a Nomination Committee for candidates for the Board positions. The implementation of this practice will be reviewed at a later stage (A.V, par.5.4 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).
- 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 (C.I., par.1.3 of the Code).
- The Company does not have a Remuneration Committee. The remuneration of executive Board members is approved by the Board of Directors, while the remuneration of non-executive Board members is approved by the General Meeting of Shareholders, after a proposal by the Board of Directors (C.I., par.1.6 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 (D.II, par.2.2 of the Code).

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 Company, in relation to the preparation of financial statements

One of the main concerns of the Company is the development and continuous improvement of internal control system, 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 the Company.

The Board confirms that the Company has internal control system in place, and 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 Company faces, 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 Company implements 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 Company faces per function.

In the context of risk management, the Company has established detailed procedures on transactions that are considered important and of high risk and a Chart of Authorities which describes delegated authorities.

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 Company has 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 Company 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 Company 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 F.

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, within six (6) months from 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 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 quarterly 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 current Board is consisted of seven members and elected by the General Meeting of 25/06/2012.

The following table shows the composition of the Board, as it was in 2012:

	Board of Directors	**Name of member**	**Capacity**	**Number of meetings that held during its term**	**Number of meetings that was attended**
1	Chairman	Elli Drakopoulou	Executive	*88*	*88*
2	Vice-Chairman	Stylianos Stefanou	Non-executive, independent	*88*	*81*
3	Managing Director	Alexandros Katsiotis	Executive	88	88
4	Executive Director	Ilias Fotiadis[(1)]	Executive	*36*	*36*
5	Member	Anthimos Misailidis	Executive	*88*	*88*
6	Member	Michalis Fandridis	Non-executive, independent	*88*	*72*
7	Member	Kyriakos Sachanidis	Non-executive, independent	*88*	*70*
8	Member	Vasilios Evgenios [(2)]	Executive	*23*	*22*
9	Member	Paraskevas Toktokoglou [(3)]	Non-executive	*9*	*8*

(1) He is member of BoD since 25.06.2012
(2) He was member of BoD until 11.05.2012
(3) He was member of BoD until 02.02.2012

The Board of Directors held in total 88 meetings in 2012, of which 43 were conducted on board.

The term of the current Board was originally set to be four year with end at 30/6/2016.

The CVs of Board of Directors members listed on the website of the Company (http://www.elgeka.gr/page/default.asp?la=1&id=8).

7.2. 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 2012 were the following:

1.	Chairman	Stylianos Stefanou	Non-executive, independent
2.	Member	Kyriakos Sachanidis	Non-executive, independent
3.	Member	Paraskevas Toktokoglou (1)	Non-executive
4.	Member	Michalis Fandridis (1)	Non-executive, independent

(1) Mr Toktokoglou was member of Committee until 02.02.2012,thereafter was replaced by Mr.Fandridis

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

The term of the Audit Committee is similar to that of the Board Directors and expires on 30.06.2016.

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 activities.
- 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 of other services to the Company by the external auditor or audit firm.
- 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 six (6) meetings in 2012 and all members were present, with the exception of one meeting in which there was one member absent.

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 2012 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 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.

E. 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 parties (in accordance with Codified Law 2190/1920, article 42e, par.5), as presented in the following table:

	01/01/2012 - 31/12/2012		01/01/2011 - 31/12/2011	
Transactions with related-parties:	**GROUP**	**COMPANY**	**GROUP**	**COMPANY**
a) Sales / Revenue from services	-	1.862	-	1.581
b) Purchases	55	5.916	3	4.182
c) Key management personnel and members of Board compensation	1.410	1.281	1.337	1.188

	31/12/2012		31/12/2011	
Transactions with related-parties:	**GROUP**	**COMPANY**	**GROUP**	**COMPANY**
a) Receivables	-	3.417	-	1.958
b) Liabilities	12	2.108	-	514
c) Receivables from key management personnel and members of Board	-	-	-	-
d) Payables to key management personnel and members of Board	20	20	-	-

The related-party transactions and Parent Company's intercompany balances for 2012 are presented below:

SUBSIDIARIES	**Sales / Income**	**Purchases/ Expenses**	**Receivables**	**Liabilities**
DIAKINISIS S.A.	730	5.042	119	810
VITA PI S.A.	576	26	2.273	10
VIOTROS S.A.	97	824	-	469
MEDIHELM PHARM. WHOLESALE STORE S.A.	200	-	227	-
G.S.B.G. S.A.	259	-	798	-
ELGEKA (CYPRUS) LTD	-	7	-	807
Total	**1.862**	**5.899**	**3.417**	**2.096**
Other Related Parties	**-**	**17**	**-**	**12**
Total of Subsidiaries and Other Related Parties	**1.862**	**5.916**	**3.417**	**2.108**

The related-party transactions and Parent Company's intercompany balances for the prior year 2011 are presented below:

SUBSIDIARIES	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	470	3.644	9	496
VITA PI S.A.	867	226	1.776	10
VIOTROS S.A.	87	308	-	8
SAMBROOK PHARMACEUTICALS S.A.	6	-	1	-
MEDIHELM PHARM. WHOLESALE STORE S.A.	144	1	146	-
G.S.B.G. S.A.	7	-	7	-
ELGEKA FERFELIS ROMANIA S.A.	-	-	19	-
Total	**1.581**	**4.179**	**1.958**	**514**
Other Related Parties	**-**	**3**	**-**	**-**
Total of Subsidiaries and Other Related Parties	**1.581**	**4.182**	**1.958**	**514**

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:

- 3.357 thousand euro for distribution services
- 1.615 thousand euro for warehousing services
- 57 thousand euro for rentals. The headquarters of "ELGEKA S.A." in Thessaloniki are located in premises which are leased by "DIAKINISIS S.A."
- 7 thousand euro for overtime costs and repackaging
- 6 thousand euro for co-location costs (water and electricity expenses)

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

- 319 thousand euro for rentals (since September 2011 "ELGEKA S.A." leases to "DIAKINISIS S.A." storage area in Athens)
- 237 thousand euro for the provision of consulting services
- 163 thousand euro for co-location costs (water and electricity expenses)
- 4 thousand euro for sale of fixed assets
- 7 thousand euro for compensation due to lack of supplies

2. ELGEKA S.A. – VITA PI S.A.

"VITA PI S.A." charged "ELGEKA S.A." the following amounts:

- 13 thousand euro for sales of goods
- 13 thousand euro for promotional and marketing expenses

"ELGEKA S.A." charged "VITA PI S.A." the following amounts:

- 234 thousand euro for sales of goods

- 203 thousand euro for the provision of consulting services
- 137 thousand euro for rentals and sale of fixed assets
- 2 thousand euro for miscellaneous expenses (water and electricity expenses)

3. ELGEKA S.A. – VIOTROS S.A.

According to the private agreement signed by both counterparties, “ELGEKA S.A.” has undertaken “VIOTROS S.A.”’s products distribution in the Greek market.

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

- 824 thousand euro for sales of goods

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

- 54 thousand euro for the provision of consulting services
- 33 thousand euro for promotion costs of its products
- 8 thousand euro for sale of fixed assets
- 2 thousand euro for rentals and miscellaneous expenses (water)

4. ELGEKA S.A. - MEDIHELM PHARM. WHOLESALE STORE S.A.

“ELGEKA S.A.” charged “MEDIHELM PHARM. WHOLESALE STORE S.A.” the following amounts:

- 183 thousand euro for sales of goods
- 17 thousand euro for the provision of consulting services

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

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

- 208 thousand euro for sales of goods
- 26 thousand euro for interest income (on a loan of 500 thousand euro given by “ELGEKA S.A.” on January 2012)
- 6 thousand euro for sale of fixed assets
- 14 thousand euro for the provision of consulting services
- 5 thousand euro for rentals and miscellaneous expenses (water, electricity)

6. ELGEKA S.A. – ELGEKA (CYPRUS) LTD

“ELGEKA (CYPRUS) LTD” had revenues from "ELGEKA S.A." 7 thousand euro for interest against loan granted in October 2012 of total amount 800 thousand euro.

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 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 during 2012 are as follows:

- The company “EXCEED CONSULTING S.A. (FANDRIDIS & PARTNERS – CONSULTANTS)”. The transactions with “ELGEKA S.A.” amounting to 7 thousand euro related to fees for market research. At year end, the amount was paid at full.
- The company “FIN CONSULTING FOTIADIS-CHARATSI O.E.". The total value of transactions amounted to 10 thousand euro and involves the provision of consultancy services. The amount remained outstanding at 31/12/2012.

The company “OPTIMAL SUPPLY CHAIN S.A.", in which it participates with over 10% member of the Board of "ELGEKA S.A." had transactions with the subsidiary "DIAKINISIS S.A." of 38 thousand euro relating to the reception of repackaging services.

No loans were given to the Board of Directors’ members or to the Group’s Managers (nor their families), as well as to legal entities that are controlled by the previously mentioned individuals.

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 2012.

All aforementioned transactions were accomplished under the standard market rules.

F. 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 01/01/2012 – 31/12/2012 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 51.099.248 euro, divided in 31.937.030 ordinary shares with nominal value of 1,60 Euro each.

All shares representing 100% of the total share capital are registered and listed for trading in the Securities Market of the Athens Stock Exchange.

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.

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 31/12/2012 the following shareholders held more than 5% of the total voting rights of the Company:

Shareholder's name	Number of shares	% of share capital
Katsiotis Alexandros	10.641.100	33,32%
Drakopoulou Elli	10.509.000	32,90%
Katsioti Eleni	1.847.840	5,79%
TOTAL	**22.997.940**	**72,01%**

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.

The total number of treasury shares currently held by the Company pursuant to that decision and the earlier decision of the General Meeting and in particular decisions of 30.6.2008 and 28.6.2010 is 202.500 shares, representing in total 0.634 % of issued share capital of the Company.

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 Sindos Thessaloniki

Thessaloniki, 28 March 2013

Chairmano of BoD
Elli Drakopoulou