



**ELGEKA S.A.**

**GROUP OF COMPANIES**

**MANAGEMENT REPORT  
FOR THE PERIOD  
1 JANUARY – 30 JUNE 2013**

**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 2013  
(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 2013 (01/01/2013-30/06/2013).

This report includes in condensed form financial performance of the period, reference to significant events during first semester of 2013, analysis of perspectives and risks that are expected to incur during the second semester of 2013, 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 01/01/2013 TO 30/06/2013**

During the first semester of 2013, the Consolidated financial results of the Group are summarized as follows:

Turnover (sales) of the Group amounted to 150.310 thousand euro for the six-month period ended 30 June 2013 as opposed to 160.242 thousand euro for the respective period of 2012, showing a decrease of 9.932 thousand euro or 6,20%. This decline is primarily due to the negative contribution of the segment “Trade of food and other consumer products”, which hit hard by the recession of the Greek economy. Instead, the segment of “Logistics Services” is showing remarkable growth achieving increased sales, mainly due to enlarged co-operation with the Group of Cosco, as well as due the exploitation of opportunities arising through the redistribution of shares that takes place in the specific market.

<b>Sales per Segment (in thousand euro)</b>	<b>2013</b>	<b>2012</b>	<b>%</b>
Trade of food and other consumer products	109.786	122.748	(10,56%)
Production of food and other consumer products	5.496	5.431	1,20%
Real estate	297	255	16,47%
Production, trade and services in pharmaceutical industry	-	-	-
Logistics services	34.731	31.808	9,19%
Other	-	-	-
<b>TOTAL</b>	<b>150.310</b>	<b>160.242</b>	<b>(6,20%)</b>

Gross profit of the Group amounted to 15.385 thousand euro for the first semester of 2013 compared with 16.014 thousand euro of the corresponding period of 2012, a decrease of 629 thousand euro or 3,93% in percentage, mainly due to the decreased sales.

Other operating income of the Group is decreased by 35,81% compared with the corresponding period of 2012, or by 4.553 thousand euro, due mainly to decreased contribution of suppliers to marketing expenses of the Group.

The Group's Operating Expenses decreased substantially by 3.670 thousand euro or 13,37% and amounted to 23.779 thousand euro from 27.449 thousand euro in first half of 2012 as a result of concerted efforts made to adapt cost base of the Group in the new conditions of the market.

Earnings before interest, tax, depreciation and amortization (EBITDA) from continuing operations of the Group amounted to 2.594 thousand euro in the first semester of 2013 as opposed to 4.162 thousand euro in the first semester of 2012, a decrease of 1.568 thousand euro, which is attributed on the decreased sales and despite the restraint of operating costs at satisfactory levels.

At the segment level, the decline in sales that took place in "Trade of food and other consumer products" as well as the significant reduce of profit levels in the segment of "Logistics services" had as a result the significant reduction of EBITDA, which was partially offset only by the increase in "Production of food and other consumer products".

<b>EBITDA per Segment (in thousand euro)</b>	<b>2013</b>	<b>2012</b>	<b>Variation</b>
Trade of food and other consumer products	500	917	(417)
Production of food and other consumer products	748	655	93
Real estate	43	33	10
Production, trade and services in pharmaceutical industry	(16)	21	(37)
Logistics services	1.348	2.598	(1.250)
Other	(29)	(62)	33
<b>TOTAL</b>	<b>2.594</b>	<b>4.162</b>	<b>(1.568)</b>

Operating loss from continuing operations of the Group amounted to 234 thousand euro in the first semester of 2013 against operating profit of 1.278 thousand euro in the corresponding period of 2012, presenting a decrease of 1.512 thousand euro, a result that is attributable to the causes mentioned above.

Loss before tax from continuing operations of the Group amounted to 4.233 thousand euro in current period against 3.458 thousand euro in first semester of 2012, showing an increase of 775 thousand euro, which is the result on the one hand of the deterioration of Operating results (by 1.512 thousand euro) and on the other hand of the decrease of Finance expenses (by 396 thousand euro) and Other Finance Results (by 318 thousand euro, which concerns mainly loss from exchange differences of loans by foreign subsidiaries).

Net loss after tax from continuing operations of the Group during the first semester of 2013 amounted to 5.735 thousand euro compared with 3.288 thousand euro in the corresponding period of 2012, presenting an increase of 2.447 thousand euro. This increase is the result of the raise of the tax rate to 26% from 01/01/2013 and therefore the recalculation of deferred tax liability with the new rate.

Loss per share from continuing operations of the Group reached 0,1822 euro in the first semester of 2013 compared to loss per share of 0,1011 euro in the comparable period of 2012.

During the first half of 2013 ELGEKA Group continued efforts to reduce operating costs while gradually proceeds to disengage from loss-making activities. However, the deep and prolonged recession of the Greek economy resulted in reduced sales and higher provisions for doubtful debtors. The key financial data that characterized the first half of 2013 the Group briefly are:

- The decrease in Sales by 6,20%.
- The marginal increase of operating cost (Operating revenues – Operating expenses) by the amount of 883 thousand euro or by 5,99% in percentage (from 14.736 thousand euro in 2012 to 15.619 thousand euro in 2013), mainly due to increased provisions for doubtful debtors (from 511 thousand euro in 2012 to 1.045 thousand euro in 2013).
- The decrease of Finance costs by the amount of 396 thousand euro or by 9,77% in percentage.
- The significant increase of income tax, due to the increased tax rate.
- The loss from discontinued operations of total amount 1.345 thousand euro compared to 384 thousand euro in the corresponding period of 2012.

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 30/06/2013, to 106.871 thousand euro representing 41,30% of the Group's Total Assets as opposed to 109.559 thousand euro at 31/12/2012 (representing the 38,97% of the Group's Total Assets).

The Group shareholders' Equity represents 18,31% of the Group's Total Equity & Liabilities amounting to 47.366 thousand euro as opposed to 54.733 thousand euro at 31/12/2012, representing a decrease of 13,46%.

The Group's total Liabilities amounted to 211.390 thousand euro as opposed to 226.394 thousand euro in 31/12/2012, representing a decrease by 6,63%. The Long term liabilities of the Group amounted to 37.017 thousand euro as opposed to 51.080 thousand euro in 31/12/2012, a decrease of 27,53%.

The Group's Long term bank liabilities (long term liabilities payable within the following year included) amounted to 27.401 thousand euro as opposed to 28.000 thousand euro in 31/12/2012, representing a decrease of 599 thousand euro or 2,14%.

Finally, the Group's Short term bank liabilities amounted to 64.985 thousand euro (25,11% of the Total Liabilities and Equity), decreased by 4.423 thousand euro or by 6,37% as opposed to 31/12/2012, which amounted to 69.408 thousand euro. However, it should be noted that the current liabilities of the Group as at 30 June 2013 does not include those relating to Non-current assets held for sale, while the current liabilities of 31 December 2012 include them.

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 2013 amounted to 44.747 thousand euro as opposed to 50.504 thousand euro in the corresponding period of 2012, showing a reduction of 5.757 thousand euro, or 11,40% in percentage. This reduction is a consequence of the deep recession

affecting the Greek market, despite the efforts that have been made through new partnerships and promotions of products.

<b>Sales per quarter (in thousand euros)</b>	<b>2013</b>	<b>2012</b>	<b>Variation</b>
Quarter 1 (January to March)	21.782	26.805	(18,74%)
Quarter 2 (April to June)	22.965	23.699	(3,10%)
<b>TOTAL</b>	<b>44.747</b>	<b>50.504</b>	<b>(11,40%)</b>

Gross profit amounted to 7.982 thousand euro in 2013 from 10.545 thousand euro in the corresponding period, which is a decrease of 2.563 thousand euro or 24,31%, while gross profit margin showed a deterioration by 3,04%, namely 17,84% from 20,88%.

Operating Expenses decreased by 14,29%, namely from 14.992 thousand euro in the six-month period of 2012 amounted to 12.850 thousand euro in the corresponding period of 2013, a decrease of 2.142 thousand euro.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 954 thousand euro against 1.153 thousand euro in the first semester of 2012, a decrease of 17,26%, mainly due both to reduced sales and to reduced gross margin. In contrast, the decrease in operating cost, resulted in restricting the decline in that percentage.

Operating profit amounted to 458 thousand euro in the six-month period of 2013 as opposed to 595 thousand euro of the corresponding period of 2012, a decrease of 137 thousand euro.

Loss before tax amounted to 908 thousand euro during the current period versus 844 thousand euro in the first semester of 2012, an increase of 64 thousand euro. The results of "ELGEKA S.A." at this level have been positively affected by the increase occurring during the current period in the Financial Expenses by 90 thousand euro compared with the first half of 2012.

Loss after tax amounted to 895 thousand euro against 752 thousand euro in the previous year, an increase of 143 thousand euro.

Loss per share of the Parent Company amounted to 0,0282 euro for the current period compared to loss per share of 0,0237 euro for the corresponding period of 2012.

From the above data, it is suggested that the continued recession in the domestic market had an impact on financial results of the Parent Company during the first half of 2013. The basic elements of economic data that characterized the period at the Parent Company level briefly are the following:

- The reduction in Sales and in gross margin pushed negatively the level of gross profit (reduction by 2.563 thousand euro).
- Efforts to restrict operating costs (Operating income - Operating expenses) resulted in their reduction by the amount of 2.426 thousand euro (from 9.950 thousand euro in 2012 to 7.524 thousand euro in 2013) and restricting drop in operating profit.
- The decrease in Financial Expenses by 90 thousand euro contributed further to the restriction of losses.

**2. SIGNIFICANT EVENTS FOR THE PERIOD 01/01/2013 TO 30/06/2013**

The most significant events which took place during first semester of 2013 are the following:

- In April 26, 2013, the subsidiary, by 100%, company “ELGEKA (CYPRUS) LTD” proceeded to the deposit of the amount of 200.008 euro to cover its majority shareholding in newly formed company called “ELGEKA AG” based in Hamburg of Germany. The Nominal Share Capital of the new company amounts to 50.000 euro divided into 50.000 shares with a nominal value of 1,00 euro each, while due to the issue of the above shares in premium there was an obligation for additional contribution of the participating shareholders, totaling 350.000 euro, which covered in proportion to the percentage participation of its shareholders. The participation percentage share of “ELGEKA (CYPRUS) LTD” to that company is 50% plus one (1) share, i.e. 25.001 shares. The main activity of the new company will be among others the purchase, sale, promotion and distribution of various Private Label products-food and all kinds of consumer goods and also similar products mainly of Mediterranean production or origin principally to German, Austrian and Swiss market, the implementation of distribution programs for the transportation of the above products to retail and wholesale spots as well as to catering companies and companies that produce meals, the commercial representation and the providing of services regarding brands and franchises.
- In May 14, 2013, “ELGEKA S.A.” proceeded to the purchase of 6.355 shares of the subsidiary company under the name “VIOTROS - FOOD INDUSTRY - MANUFACTURING AND MILK PROCESSING - WAREHOUSING - INDUSTRIAL AND COMMERCIAL S.A” that correspond to 10% of the total its share capital, thereby increasing its participation percentage in the specific company to 90% from 80% it had before, while the total price of the purchased shares amounted to 189 thousand euro.
- In June 14, 2013, the company “MEDIHELM PHARMACEUTICALS S.A.”, subsidiary by 98,92% of “ELGEKA S.A.”, which operates in the pharmaceutical industry, proceeded to the transfer and assignment of rights to the company “VIANEX S.A.” that stemming from two existing contracts with Irish Group for the exclusive distribution of certain pharmaceutical and para-pharmaceutical products in the Greek territory. The above business development relates to the gradual implementation of the strategic decision of ELGEKA Group for disengagement from activities not included in its core business. The net consideration of these transfers and assignments of rights of MEDIHELM amounted to 1.980 thousand euro.
- In June 25, 2013, the Annual General Meeting of “ELGEKA S.A.” decided the reduction of the share capital of the Company by the amount of 324 thousand euro, by reducing the total number of shares from 31.937.030 to 31.734.530 common shares due to the cancellation of 202.500 treasury shares held by the Company, which purchased during the period from 22 April 2010 until 19 July 2010, pursuant to the relevant decisions of the Board of Directors on April 21, 2010 pursuant to the decision of the Annual General Meeting on 30 June 2008 and then by the decision of Board of Directors on June 29, 2010 pursuant to the decision of the Annual General Meeting on 28 June 2010.
- In June 25, 2013, the Annual General Meeting of “ELGEKA S.A.” decided the conclusion of agreement with the organizing bank issuing common collateralized bond within the meaning of

L.3156/2003, totaling up to 46.500 thousand euro, in order to refinance existing bank debt of the Company.

- In June 25, 2013, the Annual General Meeting of the subsidiary company “DIAKINISIS S.A.” decided the conclusion of agreement with the organizing bank issuing common collateralized bond within the meaning of L.3156/2003, totaling up to 14.300 thousand euro, in order to refinance existing bank debt of the Company.
- In June 25, 2013, the Annual General Meeting of the subsidiary company “VITA PI S.A.” decided to increase its share capital by 8.745 thousand euro by issuing 16.500.000 new nominal common shares, at a nominal value of 0,53 euro each and to amend article 5 of its Articles of Association of the Company approved by the Directorate of Development of the Regional Administration of Thessaloniki with the decision Reg No. 9060/09-07-2013. After the explicit and unreserved statement of the other shareholder that it will not participate in the above mentioned share capital increase of “VITA PI S.A.”, “ELGEKA S.A.” undertook to cover entirely this increase a) by offsetting equivalent financial claims of “VITA PI S.A.” of 2.214 thousand euro, which amount has already been credited partially at regular intervals during their existing commercial cooperation - sale and purchase of products and it will be offset-capitalized after the relevant decision of the above Annual General Meeting and b) by payment in cash of total amount 6.531 thousand euro which will be realized in due time as it has been defined by article 11, par. 3 of L.2190/1920. Consequently, the new share capital of “VITA PI S.A.” will amount to a total 14.045 thousand euro divided into 26.500.000 nominal common shares with nominal value of 0,53 euro each, while the participation percentage of “ELGEKA S.A.” in the above company will increase from 99,96% to 99,99% approximately.
- The investments in Fixed Assets and Investment Property for the first semester of 2013 amounted to 949 thousand euro and 137 thousand euro for the Group and the Parent Company, respectively.

### **3. PERSPECTIVES – BUSINESS ACTIVITIES – MAIN RISKS AND UNCERTAINTIES**

The first half of 2013, the recession of the Greek economy, the result of the extremely restrictive fiscal policy and the full absence of liquidity in the financial sector, continued unabated. As a direct consequence, every citizen and business in the country is facing a combination of reduced income and increased costs, unable to cope and feeding back even further this situation.

The cost of money still remains very high (despite the reduction in the base rate - Euribor at historic lows) hindering further economic activity, while the financial system continues to absorb liquidity from firms and households (negative credit expansion) depriving valuable resources for investment and hence for growth.

During the second half of 2013 the economic conditions are expected to gradually present stabilizing elements even at low levels, "breaking" the vicious circle of recession.

ELGEKA Group will continue its efforts to strengthen its activities in areas which present promising perspectives, as well as in areas in which it has invested and has a competitive advantage. In parallel, the reducing exposure or full disengagement of the Group's loss-making activities is of key objectives.

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

ELGEKA Group operates in the field of logistics through companies "DIAKINISIS S.A.", "DIAKINISIS PORT AND CO E.E." and "DIAKINISIS LOGISTICS SERVICES (CY) LTD ", as well as through the joint venture "PCDC S.A.". The deep knowledge of the area and the competitive advantage that has developed in recent years through the "DIAKINISIS S.A." and the strategic collaboration with the Group of "COSCO", in the port of Piraeus, enable ELGEKA Group the share expansion of in the industry (sales growth of 9,19% in the first half of 2013).

Regarding the market of private label products, in which ELGEKA Group operates through its subsidiary "G.S.B.G. S.A.", the sales increased by 34,00% in relation to the first semester of 2012, achieving significant penetration in the market of super markets. The company aims to market domestically 1.080 product codes, while it has already started selling abroad, with the primary aim of establishing a portfolio of approximately 80 to 100 Greek products, especially food, for promotion in the markets of central and northern Europe.

The traditional segment of the Group, the "Trade of food and other consumer goods", which operates in Greece mainly through Parent ELGEKA and "VITA PI S.A." strongly accepts the consequences of the recession both through reducing sales and also through the small profit margins that are formed in this market. However, the Group constantly enriches its product portfolio, in 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.

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. Regarding the first, its financial performance is satisfactory, with an increase in sales by 3,51% and continuous improvement of its profitability year on year, contributing positively to the Group's financial figures. The Group also launched in the first half of 2013 a new effort through the newly formed "ELGEKA AG", which will be the "vehicle" to penetrate the large German market.

During 2013, the subsidiary "VIOTROS S.A.", through which the Group is active in the segment of "Production of food and other consumer goods", continues to present a very dynamic course. "VIOTROS S.A." has made an extensive series of actions to rationalize costs, production of new products (processed cheese "Drimio", new series of vegetarian and vegan products, etc.), expanding the customer base and penetrate new markets (Germany, Sweden, France, England), leading to record significant increases in its figures (increased sales by 31,24%, operating profit increased by 14,18%). The strong growth of the subsidiary is expected to continue at full scale and in the second half of 2013.

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 implements procedures in order to find acquirer to transfer its activities in this sector. For this reason, the financial statements for the first half of 2013 "MEDIHELM

PHARMACEUTICALS S.A." is presented as "Non-current assets held for sale" and "Discontinued Operations".

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 Financial Management of the Group in constant cooperation with each subsidiary's local management. The most significant financial risks and uncertainties that the Group may face during the second semester of 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 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 "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 "VIOTROS S.A." and "VITA PI S.A." has 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 the second semester of 2013 there is not any significant credit risk unsecured or not adequately accrued 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.

During the first half of 2013 the subsidiary "ELGEKA FERFELIS ROMANIA S.R.L." signed four contracts of derivative financial instruments ("Put European and Call Knock Out at Expiration") with the bank "UNICREDIT TIRIAC BANK S.A.", totaling 27.000 thousand euro for hedging foreign exchange risk with exercise date the 31<sup>st</sup> of December 2013. The aim of the sign of these contracts is to reduce or eliminate exchange losses arising from the valuation of the loan liabilities of the subsidiary at December 31, 2013 and related to a possible devaluation of the local currency. For these transactions, the subsidiary paid "premium" totaling 117 thousand euro. Of this amount, the Group is included in "Other Financial Results" the amount of 59 thousand euro that corresponds to the six months period, while the remaining amount

of 58 thousand euro presented in "Other Current Assets" and will be expensed fully until the maturity of the contracts.

Based on the valuation of the rights in the June 30, 2013, accrued a profit of 125 thousand euro, which included in the line "Other operating income" in the Interim Statement of Comprehensive Income, as well as in the Current assets in the Statement of Financial Position of the Group.

In addition, during the first half of 2013 the subsidiary "SC GATEDOOR HOLDINGS S.R.L." signed a contract of derivative financial instruments with the bank "BANCPOST S.A.", totaling 3.100 thousand euro for hedging foreign exchange risk with exercise date the 31<sup>st</sup> of December 2013. The aim of the sign of these contracts is to reduce or eliminate exchange losses arising from the valuation of the loan liabilities of the subsidiary at December 31, 2013 and related to a possible devaluation of the local currency. For these transactions, the subsidiary did not pay any "premium".

Based on the valuation of the rights in the June 30, 2013, accrued a loss of 6 thousand euro, which included in the line "Other operating expense" in the Interim Statement of Comprehensive Income, as well as in the Current liabilities in the Statement of Financial Position of the Group.

Parent Company's Management decided, during 2009, to enter into hedging contracts with "Alpha Bank" and "Emporiki Bank of Greece". These are interest rate hedging contracts up to 7.500 thousand euro each in order to hedge for the Company's interest rate exposure. 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 June 30, 2013, a profit of 133 thousand euro and 111 thousand euro for the Group and the Company accrued respectively (30/06/2012: loss 30 thousand euro for the Group and the Company), that was recorded in "Other Comprehensive Income" in the Statement of Comprehensive Income. Out of this amount, income tax of 13 thousand euro and 10 thousand euro (30/06/2012: 6 thousand euro for the Group and the Company) for the Group and the Company respectively was deducted and the remaining 120 thousand euro and 101 thousand euro (30/06/2012: 24 thousand euro) for the Group and Company respectively was added to the recorded loss of the previous year, while the net amount of 171 thousand euro and 161 thousand euro for the Group and the Company respectively recorded in "Other Reserves" in the Statement of Financial Position (31/12/2012: 291 thousand euro and 261 thousand euro respectively). Consequently, on 30 June 2013, the cumulative loss from derivatives is 231 thousand euro (31/12/2012: 364 thousand euro) for the Group and 215 thousand euro (31/12/2012: 326 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 the second semester of 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 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 30/06/2013, the Group and the Parent possessed 7.087 thousand euro and 1.635 thousand euro in cash respectively (31/12/2012: 10.153 thousand euro and 2.602 thousand euro, respectively).

**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 the second semester of 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 into long-term borrowing. In any case, the Group's Management monitors and assesses developments and takes the necessary measures to ensure adequate liquidity, which will ensure the smooth continuation of its activities.

**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 intensification 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 S.A.", 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".

**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:

	<b>01/01/2013 - 30/06/2013</b>		<b>01/01/2012 - 30/06/2012</b>	
	<b>ΟΜΙΛΟΣ</b>	<b>ΕΤΑΙΡΙΑ</b>	<b>ΟΜΙΛΟΣ</b>	<b>ΕΤΑΙΡΙΑ</b>
<b>Transactions with related parties:</b>				
a) Sales / Revenue from services	-	622	-	948
b) Purchases	50	4.189	3	2.723
c) Key management personnel and members of Board compensation	555	502	798	743

Balances with related parties:	30/06/2013		31/12/2012	
	ΟΜΙΛΟΣ	ΕΤΑΙΡΙΑ	ΟΜΙΛΟΣ	ΕΤΑΙΡΙΑ
a) Receivables	2	2.883	-	3.417
b) Liabilities	62	2.843	12	2.108
c) Receivables / Prepayments from / to key management personnel and members of Board	2	2	-	-
d) Payables to key management personnel and members of Board	-	-	20	20

The related-party transactions and Parent Company's intercompany balances for the first semester of 2013 are presented below:

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	325	2.040	162	1.014
VITA PI S.A.	210	2	1.670	10
VIOTROS S.A.	36	2.072	-	1.232
MEDIHELM PHARM. WHOLESALE STORE S.A.	7	-	214	-
G.S.B.G. S.A.	44	6	835	-
ELGEKA CYPRUS LTD	-	19	-	525
<b>Total</b>	<b>622</b>	<b>4.139</b>	<b>2.881</b>	<b>2.781</b>
<b>Other Related Parties</b>	<b>-</b>	<b>50</b>	<b>2</b>	<b>62</b>
<b>Total of Subsidiaries and Other Related Parties</b>	<b>622</b>	<b>4.189</b>	<b>2.883</b>	<b>2.843</b>

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

Subsidiaries	Sales / Income	Purchases/ Expenses	Receivables	Liabilities
DIAKINISIS S.A.	354	2.499	119	366
VITA PI S.A.	330	9	4.753	10
VIOTROS S.A.	22	212	11	34
MEDIHELM PHARM. WHOLESALE STORE S.A.	4	-	143	-
G.S.B.G. S.A.	238	-	675	-
<b>Total</b>	<b>948</b>	<b>2.720</b>	<b>5.701</b>	<b>410</b>
<b>Other Related Parties</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>2</b>
<b>Total of Subsidiaries and Other Related Parties</b>	<b>948</b>	<b>2.723</b>	<b>5.701</b>	<b>412</b>

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:

- 1.234 thousand euro for distribution services
- 726 thousand euro for services related to warehousing
- 28 thousand euro for rentals
- 43 thousand euro for repackaging expenses
- 2 thousand euro for co-location costs (lighting, water)

- 7 thousand euro for participation in staff pensions which had been transferred to "DIAKINISIS S.A." from "ELGEKA S.A."

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

- 159 thousand euro for rentals
- 71 thousand euro for the provision of consulting services
- 82 thousand euro for co-location costs (lighting, water)
- 12 thousand euro for compensation due to lack of supplies
- 1 thousand euro for sale of assets

## **2. ELGEKA S.A. – VITA PI S.A.**

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

- 2 thousand euro for sales of goods

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

- 22 thousand euro for the sale of goods
- 118 thousand euro for the provision of consulting services
- 70 thousand euro for rentals

## **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. Also, since late 2012 "VIOTROS S.A." produces on behalf of "ELGEKA S.A." cheese products, for which the latter in turn forwards them to its clientele.

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

- 2.072 thousand euro for sales of goods

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

- 32 thousand euro for the provision of consulting services
- 2 thousand euro for marketing expenses
- 1 thousand euro for sale of fixed assets
- 1 thousand euro for rentals

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

"ELGEKA S.A." charged "MEDIHELM PHARM. WHOLESALE STORE S.A." with the following amounts:

- 7 thousand euro for the provision of consulting services

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

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

- 6 thousand euro for sale commission

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

- 18 thousand euro for interest income (on a loan of 500 thousand euro given by "ELGEKA S.A." on January 2012)
- 24 thousand euro for the provision of consulting services

- 2 thousand euro for rentals

**6. ELGEKA S.A. – ELGEKA (CYPRUS) LTD**

“ELGEKA (CYPRUS) LTD” had revenues from “ELGEKA S.A.” 19 thousand euro for interest against loan granted in October 2012 of total amount 800 thousand euro, the outstanding balance of which as at 30/06/2013 is 500 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 are as follows:

- The company “FIN CONSULTING FOTIADIS-CHARATSI O.E.”. The total value of transactions amounted to 50 thousand euro and involves the provision of consultancy services. The amount remained outstanding at 30/06/2013.
- 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 4 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.

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 2013.

All aforementioned transactions were accomplished under the standard market rules.

Thessaloniki, 29 August 2013

President of the Board of Directors  
Elli Drakopoulou