# Annual Financial Report
# For the Period from 1st of January to 31st of December 2017
# In accordance with International Financial Reporting Standards ("IFRS")

**SOVEL HELLENIC STEEL**

**PROCESSING COMPANY S.A.**

Societe Anonyme Reg. No.: 23635/01/B/91/534(93) 2-4 Mesogheion Ave, Athens

# A. Report of the Board of Directors

The attached Annual Report of the Board of Directors (hereinafter referred to as the "Report") relates to the financial year 2017 (01.01.2017 - 31.12.2017). The Report has been drafted and is in line with the relevant provisions of Law 2190/1920 (article 43a and 37).

This Report contains all the relevant legal information required to obtain a meaningful briefing on the business during the financial year of SOVEL SA. HELLENIC STEEL PROCESSING COMPANY SA (Hereinafter referred to as "Company" for brevity purposes). The Company is a member of the SIDENOR Group.

The thematic sections of the Report and their content are as follows:

## A. Major Events for the financial year 2017

The most important events that took place during the financial year 2017 are as follows:

During the financial year 2017, the Bondholders of the Syndicated Bond Loan amounting to € 71,363,000, accepted the Company's request for the refinancing of the repayment installments, which concerns the transfer of the short-term portion of the loan, as reflected in the Financial Statements of the Company at 31.12.2016 to the June and December 2020 installments respectively, that increase accordingly. The total amount of installments transferred amounted to € 7,136,300.

## B. Significant Transactions with Related Parties

Related party transactions primarily concern the purchase and sale of pipe products. Through these transactions the companies taking advantage of the size of the Group achieve economies of scale. The Company's trading with its affiliates during 2017 has been made on market terms and in the context of its normal business activity. Transactions between related parties within the meaning of IAS 24 are analyzed as follows:

*(Amounts in thousands €)*

| | Sales of goods, services | Sales of fixed assets | Purchases of goods and services | Purchases of fixed assets | Purchases of fixed assets | Purchases of fixed assets |
|---|---|---|---|---|---|---|
| **Parent** | | | | | | |
| SIDENOR INDUSTRIAL SA | 136,477,727 | 15,000 | 16,010,554 | - | 59,124,492 | - |
| **Subsidiaries** | | | | | | |
| AEIFOROS SA | 79,323 | - | 3,804,811 | - | - | 3,959,733 |
| DOJRAN STEEL LLCOP | 7,080,646 | - | - | - | 8,639,060 | - |
| ERLIKON SA | 3,595,791 | - | 12,526 | - | 2,254,650 | - |
| ETIL SA | 280 | - | 3,846,441 | 421,559 | - | 776,904 |
| PRAKSIS SA | - | - | - | - | 60,000 | - |
| SIDERAL SHPK | 10,405,429 | - | - | - | 2,193,257 | - |
| SIDEROM STEEL SRL | 34,792,074 | - | - | - | - | 241,132 |
| THERMOLITH SA | 4,223 | - | 1,387,924 | - | - | 453,489 |
| **Affiliated** | | | | | | |
| DOMOPLEX LTD | 1,115,625 | - | - | - | 252,486 | - |
| SIDMA SA | - | - | 43,852 | - | - | 30,022 |
| VIENER | - | - | 862,249 | - | - | - |
| **Other Related Parties** | | | | | | |
| A.W.M. SPA | - | - | 12,952 | 15,360 | - | - |
| ALLPINE TRADING CO LIMITED | 818,139 | - | - | - | 523,183 | - |
| ANAMET SA | - | 242 | 35,122,468 | - | 25,491 | 11,448,357 |
| ANOXAL SA | - | - | - | - | - | 326 |
| ANTIMET SA | - | - | 6,209 | - | - | - |
| CENERGY HOLDINGS SA | - | - | (51) | - | - | 176,321 |
| CORINTH PIPEWORKS SA | 346 | - | 10,385 | - | - | 405,383 |
| ELKEME SA | - | - | 65,742 | - | - | 122,753 |
| ELVAL INDUSTRIAL SA | 19,800 | - | 168,819 | - | - | 4,116,849 |
| EPIPHANIOU PHANOS LTD | 13,609,940 | - | 2,525,119 | - | 1,571,291 | - |
| ERGOSTEEL SA | - | - | 5,400 | - | - | - |
| EVETAM SA | - | - | 57,238 | 8,300 | - | 92,612 |
| FULGOR SA | 10,800 | - | - | - | 15,575 | - |
| HALCOR SA | 101,800 | - | 62,727 | - | - | - |
| HELLENIC CABLES S.A. | - | - | 32,435 | 601 | - | 66,225 |
| LESCO OOD | - | - | 114,040 | - | - | - |
| METALIGN SA | - | - | 142,860 | - | - | 49,679 |
| NOVAL SA | - | - | 362 | - | - | - |
| SIDEBALK STEEL DOO | 1,362,346 | - | - | - | 666,177 | - |
| STEELMET PROPERTY SERVICES S.A. | 5,850 | - | 38,690 | - | - | 10,476 |
| STOMANA INDUSTRY SA | 49,318,167 | - | 1,328,579 | - | 33,620,225 | 12,024,518 |
| TECHNOLOGY OF METAL PROCESSING | - | - | 35,400 | - | - | 21,948 |
| TEKA SYSTEMS SA | - | - | 360,882 | 2,343 | - | 167,743 |
| VET SA | - | - | 154,845 | 80,000 | - | 109,008 |
| VIEXAL SA | - | - | 147,385 | - | - | 14,567 |
| VIOHALCO SA | - | - | 1,761 | - | - | 3,165,617 |
| VITRUVIT SA | - | - | 1,642 | 3,758 | - | 807 |
| STEELMET ROMANIA SA | - | - | - | - | 2,911 | - |

*Fees of Managing Executives and Board of Directors members*

The following table lists the remuneration of directors and members of the Board of Directors:

| (Amounts in €) | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Total Compensation of Managers and Management Members | 483,434 | 407,840 |

## C. Development and Performance of the Company

The Company's turnover for the financial year 2017 amounted to 342,962 thousand euro versus 256,882 thousand euro in 2016, showing an increase of 33.51%. This change is mainly due to the rapid increase in sales volumes of self-produced reinforcing steel products (Rebar) and Mesh. In 2017, the Company entrusted its parent company SIDENOR with the exclusive distribution of the HOS own products in the Greek market as well as partly in Albania, Serbia and Romania. Earnings before tax amounted to 998 thousand euros for the financial year 2017 compared to 2,552 thousand euros in the financial year 2016.

The administrative and distribution expenses of the Company amounted to € 21,362 thousand during the year compared to € 26,626 thousand in 2016, while the financial results amounted to € (9,388) thousand and € (7,247) respectively.

**Ratios and Alternative Performance Measures**

The management of the Company has adopted, monitor and report internally and externally Indicators and Alternative Performance Indicators. These indicators provide a comparable picture of the Company's performance and are the basis for decision-making of the Management.

**Liquidity:** It is an indication that short-term liabilities are covered by current receivables and is calculated from the ratio of current assets to short-term liabilities. The figures are derived from the Statement of Financial Position. For the Company for the current fiscal year as well as the comparable previous ones are as follows:

| | **31-Dec-17** | **31-Dec-16** |
|---|---|---|
| Current Assets / Short Term Liabilities | 1.07 | 1.04 |

**Gearing:** It is an indication of leverage and is calculated from the ratio of equity to loans. The amounts are used as presented in the Statement of Financial Position. For 2017 and 2016 the ratio had as follows:

| | **31-Dec-17** | **31-Dec-16** |
|---|---|---|
| Equity / Loans | 0.58 | 0.59 |

**Efficiency of Capital Employed:** It is a measure of the return on equity and foreign invested capital and is measured by the ratio of the operating result to the equity plus the borrowed funds. Amounts are used as presented in the Income Statement and Statement of Financial Position.

For the year 2017 and the previous year, figures for the Company were as follows:

| | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Operating Profit / (Equity + Loans) | 4.32% | 4.43% |

**Profitability:**

| | | |
|---|---|---|
| Gross Profit Margin (Gross Profit / Sales) | 9.64% | 14.87% |
| Net Profit Margin (Net Profit / Sales) | 2.12% | 1.08% |
| EBITDA | 20,980,282 | 20,316,281 |
| EBITDA Margin * (EBITDA / Sales) | 6.12% | 7.91% |

*EBITDA: It is an indicator of the company's profitability before taxes, finance and depreciation. It is calculated by adjusting depreciation in operating profit as reported in the income statement.

| | | |
|---|---|---|
| Operating profit / (loss) | 10,380,240 | 9,734,211 |
| Adjustments for: | | |
| + Depreciation of tangible fixed assets | 11,409,383 | 11,391,411 |
| + Amortization of intangible assets | - | - |
| - Grants amortization | (809,341) | (809,341) |
| EBITDA | 20,980,282 | 20,316,281 |

## D. Non-financial Information

**Business model**

The Company is active in the steel industry, processing and trading of steel products, currently one of the largest Greek steel manufacturing industries, with a leading position in Greece as well as in Southeastern Europe.

SOVEL's business model aims to create value for all stakeholders, such as shareholders, customers, employees, suppliers and the community at large.

### Critical collaborations

Suppliers of high quality raw materials

Quality Assurance Bodies

Research centers and organizations

Special partners in the implementation of projects

### Main activities

Manufacturing, Processing and Trading of Steel Products

### Important resources

A productive unit of steel works in Greece

High-quality mechanical equipment

Specialized and experienced staff

### Creating value / utility

Our products contribute to the construction of Buildings, Mechanical and Industrial Applications as well as to the Transport, Shipbuilding, Mining and Energy sectors

### Client categories

Technical companies

Construction companies

Merchants

Public Sector and Institutions

### Communication channels

Sector exhibitions

Sign up for lists of approved suppliers

| Competitive advantages | Cost structure | Revenue structure |
| --- | --- | --- |
| Innovation and technological excellence<br>Exporting activity in over 20 countries<br>ISO 9001, ISO 14001, OHSAS 18001 management systems<br>Internationally registered trademark SIDENOR<br>Customer-centric philosophy<br>Strict steel production standards | Maintenance of infrastructure and equipment of production facilities<br>Product and plant certifications | Sales of steel products |

**Sustainable Development Issues Management - Policies and Systems**

The Company has mechanisms and processes for the emergence and management of sustainable development issues with emphasis on safe work, respect for the environment and society while focusing on its economic and sustainable operation. The Commitment of Management and the Responsible Management Issues Framework are reflected in the SOVEL Policy of Sustainable Development.

**SUSTAINABLE DEVELOPMENT POLICY (extract)**

SOVEL's Sustainable Development Policy is in agreement with the Company's principles, accountability, integrity, transparency, efficiency and innovation and is determined by the Management, which is committed to the following:

- the implementation of the Policy at all levels and fields of activity of the Company.
- the strict abidance with the existing legislation and the full implementation of the standards, policies, internal instructions and related procedures applied by the Company, as well as other requirements resulting from voluntary agreements, endorsed and accepted by SOVEL.
- the open, two-way communication with stakeholders in order to recognize and record their needs and aspirations.
- providing a healthy and safe working environment for human resources, partners and every visitor.
- the protection of human rights and the provision of a working environment for equal opportunities, without any discrimination.
- the open communication, with transparency, for the Company's stakeholders.
- the continuous effort to reduce the environmental footprint through the implementation of responsible actions and prevention measures in accordance with the Best Available Techniques.

• the cooperation and support of the local society, with the aim of contributing to the sustainable development of the local areas in which it operates.

• the constant pursuit of creating added value for stakeholders.

SOVEL, in order to strengthen its Sustainable Development operation, has established specific policies and implements appropriate management systems and processes that support responsible operation and determine how the Company's objectives are achieved. In particular, SOVEL has, among other things, established and implemented the following policies and codes:

- Internal Rules of Operation
- Sustainable Development Policy
- Health and Safety Policy at Work
- Environmental Policy
- Human Resource and Human Rights Policy
- Quality Policy
- Code of Ethics and Business Ethics

The Company's integrated management is carried out through the Management Systems it implements. In particular, SOVEL applies the following certified systems:

- Quality Management System, according to ISO 9001 standard.
- Environmental Management System, according to ISO 14001.
- Occupational Health and Safety System, in accordance with OHSAS 18001 standard.

The following sections present the results of policies and procedures implemented by SOVEL, quoting relevant environmental and social performance reports (presentation of relevant non-financial indicators).

## Labor Issues

The Company invests in its human resources as it has recognized the human factor's contribution to its successful course and the achievement of its business goals. SOVEL’S main concern is to ensure optimal working conditions and fair reward, with respect for human rights, diversity and equal opportunities for all employees. SOVEL’s human resources policies and initiatives are designed to effectively attract, develop and maintain employees. Constantly oriented to human values, the Company seeks to apply responsible work practices, focusing on important issues such as:

- ensuring the health and safety of employees and their associates
- preserving jobs
- providing equal opportunities for all employees
- applying objective assessment systems
- providing continuous education and training of employees
- providing additional benefits.

## Labor Indexes

| | 2016 | 2017 |
|---|---|---|
| Number of employees | 341 | 355 |
| Workers' Mobility (Turnover) | 2.0% | 1..4% |
| % of women in total human resources | 4.37% | 4.23% |

*Turnover rate: percentage of employees leaving (for reasons of resignation, dismissal, retirement, etc) of the Company's total human resources.*

Policy and related payment and benefits systems have been developed to attract, employ and retain experienced staff with the necessary skills and abilities that lead to the optimization of individual but also overall performance. The remuneration of each employee reflects the educational background, experience, responsibility, but also the value / weight of the position in the labor market. Additionally, in the context of employee reward and satisfaction, the Company offers a number of additional benefits.

**Equal opportunities and respect for human rights**

With respect for human rights and with responsibility towards its people, the Company implements a human resources management policy with a view to providing equal opportunities without discrimination based on gender, nationality, religion, age and educational attainment. SOVEL is opposed to child labor and condemns all forms of forced and compulsory labor. Additionally, SOVEL condemns and prevents the development of behaviors that could lead to discrimination, unequal behavior, intimidation or moral harassment, gesture and verbal or physical threat.

As a result of the policies, procedures and control mechanisms in place, in 2017, as in previous years, no cases of child labor or forced labor have been detected and no human rights violation has occurred.

**Health and Safety at Work**

With particular respect for the protection of human life, SOVEL has set as a priority the design of measures for the anticipation and prevention of accidents. Commitment of Management in this field is reflected in the Health and Safety Policy (M & S) established and implemented by the Company. The Company complies with relevant legislation and regulations on working conditions and occupational health and safety, and focuses on the implementation of preventive measures and actions to avoid occupational incidents. SIDENOR implements a certified Occupational Health and Safety Management System (OHSAS 18001), which implements targeted H & S programs for the continuous improvement of the Company in this field. The Company attaches great importance to the training and participation of its employees in related matters. To monitor and evaluate performance in the field of H & S at work, the Company uses internationally applicable and measurable indicators.

### Health and safety Indexes

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Event Frequency Index (LTIR) | 0 | 5.673 | 4.018 |
| Incident severity index (SR) | 0 | 0.128 | 0.147 |
| Fatal events | 0 | 0 | 0 |

*LTIR: Lost time incident rate (number of security incidents / incidents with a full-time absence of work per 106 working hours)*

*SR: Severity rate (number of days of absence per 106 hours of work)*

## Social issues

The Company seeks to have a positive and productive interaction with the social environment in which it operates, contribute to the country's overall economic development and benefit local communities through job creation (priority is given to employing people from the local area) and business opportunities (we seek cooperation with local suppliers wherever possible). SOVEL supports organizations, associations and associations on a yearly basis through a variety of sponsorship activities.

Through its activity, SOVEL produces multiple benefits for the community. In addition to the payment of wages and other benefits to its employees, the relevant taxes and contributions are paid to the state, continuous investments and payments are made to the cooperating suppliers of materials and services. In this way, the overall positive impact of the Company on local as well as on wider society is important.

## Anti-corruption and bribery issues

SOVEL implements an integrated corporate governance framework that aims to ensure the company's transparent, sound and efficient management, which in the long run leads to business and economic growth. The SOVEL Code of Conduct, the Code of Ethics and Business Ethics, reflect the Company's commitment and position on transparency, anti-corruption and bribery. A Company's recent policy, recently issued, is the Business Ethics and Anti-Corruption Policy.

The Company opposes any form of corruption and undertakes to operate in an ethical and responsible manner. Although the risk of corruption is low, the Company takes all necessary measures to control and identify possible incidents. As a result of the Company's policies and practices, in 2017, as in previous years, no corruption / bribery incident

## Environmental issues

The protection of the environment is high on the Company's priorities. With a view to an integrated approach to environmental protection, the Company has set up the appropriate infrastructure and follows systematic environmental management. SOVEL’s engagement in this field is reflected in the environmental policy it has established and follows, and is translated into practice through the implementation of a certified Environmental Management System (ISO 14001) and coordinated programs and actions (e.g. energy saving actions, waste management, reduction of air emissions, etc.), which is being implemented and which aim at the continuous improvement of the Company's performance in this field.

| | 2016 | 2017 |
|---|---|---|
| Specific emissions of $CO_2$ (kg / t of product) | 798 | 577 |
| Specific water consumption (m3 / t of product) | 1.15 | 1.09 |

**Responsible supply chain management**

SOVEL selects and manages its suppliers responsibly. Suppliers are an important group of stakeholders, as raw materials and other materials, equipment and services are essential components of product development. As a recipient of products and services, the Company is responsive to its obligations and is committed to positively influence the supply chain.

The Company's procurement policy follows the policy of strengthening the local economy by offering business opportunities and employment to local suppliers. In the process of evaluating and selecting suppliers, the criterion of locality is considered positively.

**Non-financial risks and remedies**

The Company operates in an economic and social environment characterized by various risks, financial and non-financial. In this context, it has established procedures for controlling and managing both financial risks and non-financial risks. The main categories of non-financial risks for the Company are the environmental risks and risks associated with H&S at work. The management of these risks is considered to be of great importance by the Management of the Company as they involve the risk of directly or indirectly affecting the smooth operation of the Company. The Company's internal rules of operation clearly describe the risk areas and include specific procedures developed under the Prevention Authority for the management of H & S and environmental issues.

Additionally, within the framework of the certified Management Systems implemented by the Company, an assessment is made on an annual basis for the relevant risks. In order to reduce the probability and the significance of the risks in these areas, the Company takes preventive measures, plans and implements specific programs and actions and monitors its performance through relevant indicators (quality, environment, health and safety at work) has set.

*NOTE:*

*The non-financial indicators presented in this report are in line with the Global Reporting Initiative (GRI Standards) Guidelines for Sustainability Reporting Guidelines. The selection of these indicators was based on their relevance to the Company's activities*

**E. Main Risks**

***Market risk***

***Foreign exchange risk***

The Company operates in Europe, and consequently the greater part of its transactions is carried out in Euros. However, part of the Company’s purchases is denominated in US Dollar.

The Company, for the purpose of countering this risk, makes forward contracts, while the policy of the Company is to pay its obligations to its suppliers directly.

Interest on loans is in a currency that does not differ from that of the cash flows arising from the Company's operating activities (euro).

The Company's investments in other subsidiaries are not hedged because these foreign exchange positions are considered to be of a long-term nature and have been realized mainly in euro.

***Price risk***

The purpose of risk management against market conditions is to control the Company's exposure to those risks, within the framework of acceptable parameters while optimizing results.

*a) Products*

The main market risk is the risk of fluctuations in the prices of raw materials (scrap), which determine to a great extent the final price of the products. Company's policy is to record inventories at the lowest value between acquisition cost and net realizable value. In periods of price fluctuation, results are affected by the depreciation of the value of stocks. The Company makes use of hedging instruments by using derivative financial products where available.

*b) Investments*

Investments are classified by the Company based on the purpose for which they were acquired.

Management decides on the suitable classification of the investment at the time of acquisition. It also estimates that there will be no effect of default on these investments.

***Cash flow risk and fair value interest rate risk***

The Company finances its investments and its cash flow requirements through bank and bond loans, which result in interest expense that encumbers its financial results. Upward trends in interest rates will have adverse effects on results, as the Company will incur additional cost of debt.

Interest rate risk is mitigated, as part of the Company's loans is subject to fixed interest rates, either indirectly or directly with the use of financial instruments (interest rates Swaps).

If, as of 31/12/2017, interest rates were increased (decreased) by 0.25% / (-0.25%), the Company's profits before taxes effect would be (loss) / profit equal to (-euro €380 thousand) / euro €380 thousand. Company's net assets would be affected proportionally.

Respectively, if, as of 31/12/2016, interest rates were increased (decreased) by 0.25% / (-0.25%), the Company's profits before taxes effect would be (loss) / profit equal to (euro - €345 thousand) / euro €345 thousand. Company's net assets would be affected proportionally.

***Credit risk***

Credit risk is the risk of loss to the Company in the event that a customer or third party in a financial instrument transaction fails to meet its contractual obligations and is principally related to customer requirements and investment securities.

***Customers and other receivables***

The Company's exposure to credit risk is mainly affected by the specific characteristics of each customer. The demographic characteristics of the Company's customer base, including the risk of payment default characterizing the specific market and country wherein customers operate, do not affect credit risk to the same extent, as no correlation between geographic location and credit risk has been observed. No customer exceeds 10% of sales and, as a result, market risk is divided among a large number of customers.

The Board of Directors has established a credit policy whereby each new customer is individually checked for creditworthiness before the usual payment terms are proposed. Credit limits are set on a customer by customer basis and are re-estimated according to current trends and if necessary the sales and collection terms are readjusted. Customer credit lines are mainly determined based on the insurance limits set by the insurance companies based on which the company proceeds with insuring the receivables.

When monitoring customer credit risk, customers are classified in accordance with their credit profile, the maturity of their receivables and any prior collection problems they may have displayed. Customers and other receivables mainly concern wholesale customers of the Company. Customers characterized as “high risk” are placed on a special list and future sales have to be prepaid. Depending on the customer’s prior record and profession, the Company reserves the right to demand tangible or other guarantees (such as letters of guarantee).

The Company records a depreciation provision which represents its assessment of losses incurred in relation to customer liabilities, other receivables. This provision mainly consists of losses due to the devaluation of specific receivables that were deemed realizable in relation to specific conditions but which have not as yet been finalized.

The nominal value less impairment provision of trade receivables is assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by the present value of the discounted future cash flows of specific contracts at the current market interest rate prices that is available to the Company for similar financial instruments.

***Guarantees***

The policy of the Company is not to offer guarantees, except only to subsidiaries or affiliated companies and then only by decision of the Board of Directors.

***Capital Management***

The policy of the Board of Directors consists of the preservation of a solid capital base, in order to maintain investor, creditor and market confidence in the Company and to allow the future expansion of its activities. The Board of Directors monitors the return on capital, which is defined by the Company as the net results divided by the total net position, excluding non-convertible preferred shares and minority interests into consideration. The Board of Directors also monitors the level of dividends paid to the holders of ordinary shares.

The Board of Directors tries to maintain a balance between, on the one hand, higher returns which would have been possible under higher borrowing levels and, on the other hand, the advantages associated with the security that a strong and healthy capital position would provide.

The leverage ratios as of 31 December 2017 and 2016 respectively were as follows:

| | Note | **31/12/2017** | **31/12/2016** |
|---|---|---|---|
| Total Borrowing | 16 | 151,892,127 | 138,194,790 |
| Less | | | |
| Cash and Cash Equivalent | 13 | (2,768,993) | (9,251,955) |
| Net Borrowing | | **149,123,134** | **128,942,835** |
| Total Equity | | 88,543,368 | 81,299,839 |
| Total Capital Employed | | **237,666,502** | **210,242,675** |
| **Leverage Ratio** | | **63%** | **61%** |

The Company does not have a specific share purchase plan.

There have been no changes to the Company's approach on capital management during the financial year.

***Fair value estimation***

The table below analyses financial instruments carried in the balance sheet at fair value, at the date of preparation of the Company's Financial Statements, depending on how their fair value is determined:
The different levels have been determined as follows:

**First level** – Includes quoted prices in active markets for identical assets or liabilities.
**Second level** – Includes inputs other than quoted prices included within the first level that are observable for the asset or liability, either directly or indirectly.
**Third level** – Includes inputs that are not based on observable market data (that is, unobservable inputs).

The different levels are defined as follows:

| | 31/12/2017 | | | | 31/12/2016 | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in Euro | Level One | Level Two | Level Three | Total | Level One | Level Two | Level Three | Total |
| Available-for-sale financial assets | - | - | 166,473 | 166,473 | - | - | 158,173 | 158,173 |
| | **-** | **-** | **166,473** | **166,473** | **-** | **-** | **158,173** | **158,173** |

There were no transfers between Level 1 and Level 2 during the period.

Valuation techniques used to derive Level 2 fair values

Level 2 trading instruments comprise forward foreign exchange contracts (forward).

These forward foreign exchange contracts have been fair valued using forward exchange rates at balance sheet date, discounted to present values.

Valuation of Level 3 fair value

Available-for-sale financial assets at level 3 are securities that are not listed on a traded market and therefore it is not possible to reliably measure their fair value and are valued at their acquisition cost.

Valuation processes

The financial management undertakes the measurement of the financial and fair value of the third level required for financial reporting. The process is carried out once a year according to the annual reports of the company.

Fair Value of Financial Assets and Liabilities measured at amortized cost.

The book value of short-term loans approximates fair value as the effect of discounting is not significant. The fair value of the following financial assets and liabilities approximates their book value:

-Trade and other receivables
- Cash and cash equivalents
- Suppliers and other liabilities
- Other short-term financing liabilities

**Risks of macroeconomic environment in Greece**

The macroeconomic and financial environment in Greece shows signs of improvement, but uncertainties persist.

Following the completion of both the recapitalization of Greek banks in late 2015 and the € 85 billion rescue plan between the institutions and the Greek government, Eurogroup and the institutions completed the second evaluation of the Greek program in 2017 by releasing the installment of financial assistance to Greece amounting to € 8.5 billion, while discussions on the third evaluation have been completed, paving the way for the release of the next tranche of financial aid.

The capital controls in force in Greece since June 2015, which remain in force, on more flexible terms modified in 2017, have not prevented the Company from continuing uninterrupted operations, while cash flow from operating activities has not been disrupted.

Moreover, SOVEL's strong customer base outside Greece minimizes the liquidity risk that may arise from the uncertainty of the economic environment in Greece.

The Company closely and continuously monitors developments both internally and externally and adjusts its business strategies and risk management policies in a timely manner to minimize the impact of macroeconomic conditions on its operations.

**Liquidity Risk:**

The above developments as well as the instability of the Greek banking sector create an uncertain financial situation in Greece which may affect the Company's liquidity.

The bulk of the borrowing relates to long-term loans whose average maturity is around 3 years. Additionally, the fact that the Company exports most of its output significantly offsets the current situation in Greece.

The financing of the Company comes mainly from Greek financial institutions.

The approach adopted by the Company for liquidity management is to ensure, by holding the absolutely necessary cash and sufficient credit limits from the cooperating banks, that it will have liquidity to meet its obligations when they expire under normal and difficult conditions without incurring unacceptable damage or jeopardizing its reputation. At the same time, in order to avoid liquidity risks, the Company carries out a cash flow forecast for a period of one year when the annual budget is drawn up and a monthly rolling three-month forecast to ensure that it has enough cash to meet its operational needs.

The Company has direct access to sources of finance and historically refines its short-term borrowings. The Company believes that the refinancing of its short-term borrowing will continue in the future as in the past if deemed necessary.

The Company, in 2018, made a request for a total restructuring of the syndicated loan installments approved by the Bondholders.

In any case, the company pursuing its strategic planning, as reflected in its relevant five-year business plan, has achieved a significant increase in sales volume by 15% in the first quarter of 2018 (€ 184 mio) compared to the corresponding period of 2017 (€ 160 mio). This improvement in the Company's results is expected to be sustained by the end of the current fiscal year and also over a five-year period due to increased productivity and sales of value added products through its further penetration into new and existing markets as well as its compression operating costs. According to the above, the current estimates anticipate an improvement in the Company's liquidity, which can cover, in addition to working capital needs, the short-term part of its long-term debt obligations too.

The Company continues to maintain the "going concern principle" in the preparation of the financial statements for the year ended 31 December 2017.

**Moody's credit rating to cash**

| | COMPANY DATA | |
|---|---|---|
| | **31/12/2017** | **31/12/2016** |
| Caa1 | - | 9,250,425 |
| Caa2 | 2,768,167 | - |
| **Total** | **2,768,167** | **9,250,425** |

**Operating Risks:**

Production / Sales and Suppliers

The Company's sales in Greece amounted to 41% of the total turnover for the period ended December 31, 2017. The operations of the Company in Greece depend to a large extent on foreign suppliers. Assuming that capital controls currently in place will remain in place, the company should continue to seek approval from the competent authorities to use cash and cash equivalents held in Greece in order to service payments to suppliers outside Greece. This could cause a delay in imports of raw materials.
However, this is remote as the Company regularly makes payments from holdings held abroad, and considers that this regularity will continue to occur in the future.

Developments that could negatively affect the Greek economy are beyond the control of the Company and Management is not in a position to anticipate or foresee any potential impact thereof. Nevertheless, the Company's management, taking into account its export character, which is strengthened by the modern production facilities it holds in Greece, constantly assesses the situation and its possible consequences and takes all the necessary and effective measures and actions on time minimizing any impact on its activities

Credit Risk

Credit risk is the risk of loss to the Company if a client or third party in a financial instrument transaction fails to meet its contractual obligations and is primarily related to customer receivables. Credit risk exists also in cash and cash equivalents, in investments and in financial derivative contracts.
The Company applies a specific credit policy that focuses on customer credit control. Where appropriate, additional insurance coverage is required as a credit guarantee. Additional credit risk is considered to exist for amounts receivable by the State. The slowdown that has recently occurred in the Greek market may affect the company's customer base in Greece with an impact on average working capital life. However, sales per customer are distributed to a large number of customers, ensuring that the commercial risk is spread to acceptable levels.

Cash and cash equivalents are also considered to be high credit risk elements, as current macroeconomic conditions in Greece exert significant pressure on domestic banks.

**G. Evolution in Activities for 2018**

Developments during 2017 and national and international debates on the re-examination of the terms of Greece's funding program maintain the macroeconomic and financial environment in the country volatile. The return to economic stability depends to a large extent on the actions and decisions of the institutions in the country and abroad.

The economic uncertainty of the country's economic environment is a major risk factor where any adverse developments may adversely affect primarily domestic activities and their financial situation. The management of SOVEL S.A., as a member of the SIDENOR Group, taking into account its export character, strengthened by its modern production facilities in Greece, continuously assesses the situation and takes all possible and necessary measures to minimize any impact.

Finally, safety in the workplace, environmental protection, harmonious co-existence with the local community and ongoing staff training continue to be non-negotiable goals, inextricably linked to the operation of the company.

**Branches**

The Company maintains the following branches:
• Maroussi- 33Chalandriou str., 15125 Maroussi, Attiki: offices
• Tsigelli spot-Almyros- Magnesia: factory
• 245 km of Athens-Agrinio, 30200 Mesologgi: warehouse

The main activity of the factory in Tsigelli, Magnesia, is the production and trading of iron products.

Athens, 7 September 2018

**The Chairman of the BoD**

**Georgios Ch. Kalfarentzos**
**ID Card no. F 147183**

**B. Independent Chartered Auditor Accountant's Report**

To the Shareholders of the company « SOVEL HELLENIC STEEL PROCESSING COMPANY S.A.»

**Audit report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of SOVEL HELLENIC STEEL PROCESSING COMPANY S.A. which comprise the statement of financial position as of 31 December 2017, the income statement and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and comply with the regulatory requirements of Ref. Law 2190/1920

**Basis of opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISA), which have been incorporated into the Greek Legislation. Our responsibilities, according to these standards, are further described in the section of our report "Auditor's Responsibilities for the Financial Statements Audit". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence of the Auditor**

Throughout our appointment we remain independent of the Company in accordance with the Code of Conduct for Professional Auditors of the Board of International Standards on Auditors' Ethics (Code of Ethics and Standards) incorporated into the Greek Legislation and the ethical requirements of Law 4449 / 2017, relating to the audit of the financial statements in Greece. We have fulfilled our ethical obligations in accordance with Law 4449/2017 and the requirements of the Code of Ethics.

**Other Information**

Members of the Board of Directors are responsible for Other Information. Other Information is the Management Report of the Board of Directors (but does not include the financial statements and the audit report thereon) that we received before the date of this auditor's report.

Our opinion on the financial statements does not cover the Other Information and, in addition to what is expressly stated in this paragraph of our Report, we do not express an audit opinion or other assurance on it.

With respect to our audit of the financial statements, it is our responsibility to read the Other Information and thus to examine whether the other information is materially inconsistent with the financial statements or the knowledge we acquired during the audit or otherwise appears to be fundamentally incorrect.

We have examined whether the Management Report of the Board of Directors includes the disclosures required by the Cod. Law 2190/1920.

Based on the work we performed during our review, in our opinion:

- The information included in the Management Report of the Board of Directors for the year ended 31 December 2017 corresponds to the financial statements.

- The Management Report of the Board of Directors has been prepared in accordance with the applicable legal requirements of article 43a of Cod. Law 2190/1920.

In addition, based on the knowledge and understanding we have acquired during our audit, for SOVEL HELLENIC STEEL PROCESSING COMPANY S.A. and its environment, we are obliged to report whether we have identified material inaccuracies in the Management Report of the Board of Directors. We have nothing to say about this issue.

**Responsibilities of the Board of Directors and the Management for the governance of the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, the requirements of Cod. Law 2190/1920 and for such internal control as management determines is necessary in order to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue its operations, disclosing where relevant the matters relating to the continuing activity and the use of the accounting basis of the continuing activity, and if the Board of Directors either intends to liquidate the Company or to discontinue its activities or has no other realistic option than to proceed to these actions

Those responsible for governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for auditing financial statements**

Our goals are to obtain reasonable assurance that the financial statements as a whole are free from material error, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance is a high level of assurance but it is not a guarantee that the audit carried out in accordance with the EIS, incorporated into the Greek Legislation, will always detect a material error when it exists.
Errors may result from fraud or error and are considered essential when individually or collectively could reasonably be expected to affect the economic decisions of users made on the basis of those financial statements.

As a duty of control, according to the ISA incorporated into the Greek Legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and evaluate the risks of material misstatement in financial statements, whether due to fraud or error, by designing and performing audit procedures that respond to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failing to detect a material error due to fraud is higher than that due to error, as fraud may involve collusion, forgery, deliberate omissions, false assurances, or bypassing internal controls.

- We understand control-related internal controls in order to design audit procedures that are appropriate to the circumstances, but not in order to express an opinion on the effectiveness of the Company's internal control.

- We assess the appropriateness of the accounting policies and methods used and the reasonableness of accounting estimates and disclosures made by the Board of Directors.

- We decide on the appropriateness of the Board of Directors' use of the going concern basis and based on the audit evidence obtained about whether there is material uncertainty about events or circumstances that may indicate significant uncertainty as to the Company's ability to continue its activity. If we conclude that there is material uncertainty, we are required to draw the attention of the auditor's report to the relevant disclosures of the financial statements or if these disclosures are insufficient to differentiate our opinion. Our findings are based on audit evidence obtained until the date of the auditor's report. However, future events or conditions may cause the Company to cease to operate as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that is reasonably priced.

Among other issues, we report to those responsible for the governance, the scope and timing of the audit, as well as the important audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

The work we performed on the Management Report of the Board of Directors is mentioned in the "Other Information" section above.

Athens, 7 September 2018

The Certified Auditor Accountant

PricewaterhouseCoopers S.A.
Societe Anonyme
Certified Auditor Accountant
268 Kifissias Avenue
152 32 Halandri
AM SOEL 113

Dimitrios Sourbis
AM SOEL 16891

# Annual Financial Statements
# For the Period from 1st of January to 31st of December 2017
# Prepared in accordance to International Financial Reporting Standards (IFRS)

**SOVEL HELLENIC STEEL**

**PROCESSING COMPANY S.A.**

Societe Anonyme Reg. No.: 23635/01/B/91/534(93) 2-4 Mesogheion Ave, Athens

## C. Annual Financial Statements

Content | Page

## Statement of Financial Position

| | Note | 31-Dec-17 | 31- Dec -16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land & buildings | 6 | 49,305,395 | 50,801,326 |
| Machinery equipment | 6 | 106,615,780 | 114,553,585 |
| Other Fixed Assets | 6 | 2,217,295 | 1,164,367 |
| Intangible Assets | 6 | 1 | 1 |
| Participations in affiliated companies | 7 | 4,570,682 | 4,570,682 |
| Participations in subsidiaries | 8 | 148,562 | 226,562 |
| Financial Assets Available for Sale | 9 | 166,473 | 158,173 |
| Other long-term Receivables | 12 | 1,285,977 | 1,299,048 |
| | | **164,310,164** | **172,773,743** |
| **Current Assets** | | | |
| Inventory | 11 | 64,815,205 | 61,104,311 |
| Trade and other receivables | 12 | 126,323,184 | 86,695,143 |
| Cash and cash equivalents | 13 | 2,768,993 | 9,251,955 |
| | | **193,907,382** | **157,051,409** |
| **Total assets** | | **358,217,546** | **329,825,152** |
| **EQUITY** | | | |
| **Equity attributable to shareholders** | | | |
| Share capital | 14 | 40,981,356 | 40,981,356 |
| Share premium | 14 | 47,611,049 | 47,611,049 |
| Other reserves | 15 | 41,324,658 | 41,324,658 |
| Retained earnings/(losses) | | (41,373,694) | (48,617,223) |
| **Total Equity** | | **88,543,368** | **81,299,839** |
| **LIABILITIES** | | | |
| **Long-term liabilities** | | | |
| Loans | 16 | 58,143,759 | 64,959,421 |
| Deferred Tax Liabilities | 10 | 18,524,298 | 24,803,011 |
| Retirement benefit liabilities | 17 | 1,601,103 | 1,491,170 |
| Grants | 18 | 2,889,704 | 3,699,045 |
| Provisions | 20 | 53,631 | 53,297 |
| Other long-term liabilities | 19 | 7,951,084 | 2,720,925 |
| | | **89,163,579** | **97,726,869** |
| **Short-term liabilities** | | | |
| Suppliers & other liabilities | 19 | 86,760,397 | 77,563,074 |
| Income tax liabilities | 24 | 1,834 | - |
| Loans | 16 | 93,748,368 | 73,235,369 |
| | | **180,510,598** | **150,798,443** |
| **Total Liabilities** | | **269,674,177** | **248,525,312** |
| **Total Equity & Liabilities** | | **358,217,546** | **329,825,152** |

The notes on pages 29 to 71 are an integral part of these financial statements.

## Income Statement

| *Amounts in Euro* | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Turnover** | 5 | **342,961,871** | **256,881,649** |
| Cost of sales | 21 | (309,899,687) | (218,683,864) |
| **Gross Profit** | | **33,062,185** | **38,197,785** |
| Distribution expenses | 21 | (16,890,704) | (23,095,001) |
| Administration expenses | 21 | (7,608,187) | (7,074,066) |
| Other operating income | 25 | 1,816,946 | 1,705,493 |
| **Operating profit / (loss)** | | **10,380,240** | **9,734,211** |
| Financial Income | 23 | 9,798 | 14,580 |
| Financial Expenses | 23 | (9,398,201) | (7,261,743) |
| Income from dividends | 25 | 5,850 | 64,572 |
| **Profit/(Loss) before income tax** | | **997,686** | **2,551,621** |
| Income tax | 24 | 6,269,180 | 229,283 |
| **Profit/(Loss) after tax** | | **7,266,867** | **2,780,904** |

## Statement of Comprehensive Income

| | 12 months up to 31/12/2017 | 12 months up to 31/12/2016 |
|---|---|---|
| **Profit/(losses) after taxes** | **7,266,867** | **2.780.904** |
| Recognized actuarial gain/losses | (23,338) | (77.403) |
| **Total comprehensive income/(losses) after tax** | **(23,338)** | **(77.403)** |
| **Aggregate Total Comprehensive Income / (Loss) after Tax** | **7.243.529** | **2,703,501** |

The notes on pages 29 to 71 are an integral part of these financial statements.

## Statement of Changes in Shareholders' Equity

| *Amounts in Euro* | Share Capital & share Premium Reserves | Other Reserves | Retained Earnings | Total Equity |
|---|---|---|---|---|
| **Balance as of 1st of January 2016** | **88,592,405** | **41,324,658** | **(51,320,724)** | **78,596,338** |
| Profit/(loss) that was recognized directly in equity | - | - | (77,403) | **(77,403)** |
| Net profit/(loss) of the period | | | 2,780,904 | **2,780,904** |
| **Total aggregate comprehensive income** | **-** | **-** | **2,703,501** | **2,703,501** |
| **Balance as of 31st of December2016** | **88,592,405** | **41,324,658** | **(48,617,223)** | **81,299,840** |
| **Balance as of 1st of January 2017** | **88,592,405** | **41,324,658** | **(48,617,223)** | **81,299,840** |
| Profit/(loss) that was recognized directly in equity | - | - | (23,338) | **(23,338)** |
| Net profit of the period | | | 7,266,867 | **7,266,867** |
| **Total aggregate comprehensive income** | **-** | **-** | **7,243,529** | **7,243,529** |
| **Balance as of 31st of December 2017** | **88,592,405** | **41,324,658** | **(41,373,694)** | **88,543,369** |

## Statement of Cash Flows

| *Amounts in Euro* | Note | 1/1 to 31/12/2017 | 1/1 to 31/12/2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows from operating activities | 26 | (7,652,680) | (14,531,741) |
| Interest paid | | (9,063,391) | (6,407,378) |
| Income tax paid | | 1,834 | - |
| **Net Cash flows from operating activities** | | **(16,714,238)** | **(20,939,119)** |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets | | (2,583,922) | (2,457,855) |
| Sales of Tangible & Intangible Fixed Assets | | 15,000 | 1,000 |
| Sales of participations | | 39,419 | 6,065,371 |
| Dividends received | | 5,850 | 6,480 |
| Dividends received | | 9,798 | 14,580 |
| Acquisition of investments available for sale | 9 | (8,300) | (14,500) |
| Increase of participation in subsidiaries | | - | 39,783 |
| **Net cash flows from investing activities** | | **(2,522,156)** | **3,654,859** |
| **Cash flows from financing activities** | | | |
| Loans received | | 41,894,193 | 44,329,645 |
| Loans settlement | | (29,140,761) | (21,250,000) |
| **Net cash flows from financing activities** | | **12,753,432** | **23,079,645** |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(6,482,962)** | **5,795,385** |
| Cash and cash equivalents at the beginning of period | 13 | 9,251,955 | 3,456,570 |
| **Cash and cash equivalents at the end of period** | | **2,768,993** | **9,251,955** |

The notes on pages 29 to 71 are an integral part of these financial statements.

## 1 General Information

The main activities of SOVEL HELLENIC STEEL PROCESSING COMPANY S.A ("the Company" or "Sovel S.A") are the industrial processing and trade of iron and steel products. The Company operates in Greece and the broader region of the Balkans. The Company is a member of the SIDENOR Group of companies. The Company is registered in Athens, Greece, 2-4 Mesogheion Ave., Attiki. The Company also has branches in Almyros, Magnesia, where the total of its production activity is being carried out.

The financial statements have been approved for publication by the Board of Directors on 07/09/2018 and are subject to approval by the Annual General Meeting which will convene on 10/09/2018.

The Company does not prepare or publish consolidated financial statements because the financial statements of the company itself and its subsidiaries are included in the consolidated financial statements prepared by the parent company VIOHALCO S.A. and for that reason, based on IAS 27, it is not required to prepare consolidated financial statements. The Company's financial statements are published at the company's site (http://sovel.vionet.gr).

## 2 Summary of significant accounting policies

The principal accounting policies applied by the Group in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### *2.1 Basis of preparation of the financial statements*

These annual financial statements have been prepared by the management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), including the International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee, as adopted by the European Union (EU).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through results as well as derivatives.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Moreover, it requires the use of calculations and assumptions affecting the aforementioned assets and liabilities' amounts, the disclosure of contingent receivables and liabilities existing on the financial statements' preparation date and of the aforementioned income and expense amounts during the reported year. Although these calculations are based on the best possible knowledge of management with respect to the current conditions and activities, the actual results can eventually differ from these estimates (Note 4).

The Company's major priorities as a member of the SIDENOR Group are:

- the preservation and further increase of its market share
- the reinforcement of its presence in the Central Europe, the Balkans and the Eastern Mediterranean markets to compensate for the considerable decline in the Greek construction market.
- the reduction of its production costs
- the efficient management of its working capital.

Within this framework, innovative investments have been almost completed at SOVEL's premises, in order to reduce both the consumption of energy and the factory's carbon foot-print (Co2).

Consequently the Company continues to adopt the "principle of going concern" in preparing individual and consolidated financial statements for the year ended 31st of December, 2017.

## Macroeconomics and business environment in Greece

The macroeconomic and financial environment in Greece shows signs of improvement, but uncertainties remain.

After the completion of both the recapitalization of Greek banks in late 2015, and the bailout program of EUR 85 bn. Euros between the institutions and the Greek government in June 2017, the Eurogroup and institutions completed the debate on the second evaluation of the Greek project, which paved the way for the release of the third installment of financial assistance to Greece amounting to EUR 8.5 billion.

Capital controls in Greece since June 2015, which remain (although loosened), have not prevented SOVEL from continuing uninterrupted operations, while cash flow from operating activities has not been disrupted.

SOVEL closely and continuously monitors developments in both the international and domestic environment and adapts its business strategies and risk management policies in a timely manner, in order to minimize the impact of macroeconomic conditions on its activities.

**Liquidity Risk:**

The aforementioned evolutions and the instability of the Greek banking sector create an uncertain financial situation in Greece which may affect the Company's liquidity.

The bulk of the borrowing relates to long-term loans whose average maturity is around 3 years. Additionally, the fact that the Company exports most of its output significantly offsets the current situation in Greece.

The financing of the Company comes mainly from Greek financial institutions.

The approach adopted by the Company for liquidity management is to ensure, through holding the absolutely necessary cash and sufficient credit limits from the cooperating banks, that it will have liquidity to meet its obligations when they expire, under normal but also difficult conditions without incurring unacceptable losses or risking its reputation. At the same time, in order to avoid liquidity risks, the Company carries out a cash flow forecast for a period of one year when the annual budget is drawn up, and a monthly rolling three month forecast to ensure that it has enough cash to meet its operational needs.

The Company has direct access to sources of finance and historically refines its short-term debt obligations.

The Company believes that the refinancing of its short-term borrowing will continue in the future as in the past if deemed necessary.

The Company, in 2018, made a request for a total restructuring of the syndicated loan installments approved by the Bondholders.

In any case, the Company, following its strategic planning, as reflected in its relevant five-year business plan, has achieved a significant increase in sales volume by 15% during the first six months of 2018 (€ 184 mio) compared to the corresponding period of 2017 (€ 160 mio). This improvement in the company's results is expected to be sustained by the end of the current fiscal year, but also over a five-year period due to the increase in sales through new market penetration as well as the further depression of operating costs. According to the above, the current estimates anticipate an improvement in the Company's liquidity, which can cover, in addition to working capital needs and the short-term part of its long-term borrowings.

The Company continues to maintain the "going concern" in the preparation of the financial statements for the year ended 31 December 2017.

**Moody's credit rating to cash**

| | COMPANY DATA | |
|---|---|---|
| | **31/12/2017** | **31/12/2016** |
| Caa1 | - | 9,250,425 |
| Caa2 | 2,768,167 | - |
| **Total** | **2,768,167** | **9,250,425** |

**Operational Risks:**

Production / Sales and Suppliers

The Company's sales in Greece amounted to 41% of the total turnover for the period ended December 31, 2017. The operations of the Company in Greece depend to a large extent on foreign suppliers. Assuming that current capital controls will remain in force, the Company should continue to seek approval from the competent authorities to use cash and cash equivalents held in Greece to serve the payments of suppliers outside Greece. This could cause a delay in imports of raw materials. However, this is remote as the Company regularly makes payments from holdings abroad and estimates that this will continue to happen in the future.

Developments that could negatively affect the Greek economy are beyond the control of the Company and Management is not in a position to anticipate or foresee any impact on the Greek economy. Nevertheless, the Management of the Company taking into account its export character, which is strengthened by its modern production facilities both in Greece and abroad, constantly assesses the situation and its possible impact and takes all the necessary and effective measures in time to minimize any impact on its activities.

Credit Risk

The Company applies a specific credit policy that focuses on customer credit control. Where appropriate, additional insurance coverage is required as a credit guarantee. Additional credit risk is considered to exist for amounts receivable by the State. The deceleration that has recently occurred in the Greek market may affect the Company's customer base in Greece with an impact on the average working capital life. However, sales per customer are distributed to a large number of customers, which ensures that the commercial risk is spread to acceptable levels.

Cash and cash equivalents are also considered elements with high credit risk, as current macroeconomic conditions in Greece have a significant pressure on domestic banks.

## *2.2 New standards, interpretations and amendments to existent International Accounting Standards*

***New Standards, amendments to standards and interpretations:*** Specific new standards, amendments to standards and interpretations have been issued, which are mandatory for accounting periods beginning on or after 1.1.2017. The Group's assessment of the impact of the application of these new standards, amendments and interpretations is set out below.

**Standards and Interpretations effective for the current financial year**

**IAS 7 (Amendments) "Disclosures"**

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

**IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealized Losses"**

These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

**Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle)**

*IFRS 12 "Disclosures of Interests in Other Entities"*

The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

**Standards and Interpretations effective for subsequent periods**

**IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

The Company assessed the effects of IFRS 9 and concluded that they would not be significant. Specifically, in 2018, the Company will have to adjust the opening balance of Equity due to the application of IFRS 9 as the amount of profits redeemed at 1 January 2018 will decrease by EUR 33 thousand

**IFRS 9 (Amendments) " Prepayment Features with Negative Compensation and modifications of financial liabilities** " (effective for annual periods beginning on or after 1 January 2019)

The amendments allow companies, if they fulfill a particular condition, to measure financial assets with early repayment right and to pay a negative compensation to the undepreciated cost or to the fair value through other comprehensive income instead of the fair value through profit or loss.

**IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.
After assessing the possible effect on the amount or the time of revenue recognition, the Company determined that it is not expected that this standard will have an impact on the Company.

**IFRS 16 "Leases" (**effective for annual periods beginning on or after 1 January 2019)

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently investigating the impact of IFRS 16 on its financial statements.

**IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021)

IFRS 17 was issued in May 2017 and replaces IFRS 4. IFRS 17 establishes the principles for the recognition, measurement and presentation of insurance policies within the scope of the Standard and the related disclosures. The purpose of the standard is to ensure that an entity provides relevant information that presents a reasonable view of these contracts. The new standard addresses the comparability problems created by IFRS 4 as it requires that all policies be accounted for in a consistent manner. Insurance liabilities will be measured at current values and not at historical cost. The standard has not yet been adopted by the European Union.

**IFRS 4 (Amendments) "Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance contracts*"** (effective for annual periods beginning on or after 1 January 2018)

The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

**IAS 28 (Amendments) "Long-term Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2019)

The amendments clarify that entities should account for their long-term interests in an associate or joint venture - to which the equity method does not apply - based on IFRS 9. The amendments have not yet been adopted by the European Union.

**IFRIC 22 "Foreign currency transactions and advance consideration"** (effective for annual periods beginning on or after 1 January 2018)

The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

**IFRIC 23 "** Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019)

The Interpretation provides explanations regarding the recognition and measurement of current and deferred income taxes when there is uncertainty about the tax treatment of certain items. IFRIC 23 applies to all aspects of income tax accounting when there is such uncertainty, including taxable profit / loss, the tax base of assets and liabilities, tax profits and tax damages and tax rates. The Interpretation has not yet been adopted by the European Union.

**IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement"** (effective for annual periods beginning on or after 1 January 2019)

The amendments specify how entities should determine the retirement costs when changes are made to defined benefit pension plans. The amendments have not yet been adopted by the European Union.

**Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle)**

*IAS 28 "Investments in associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2018)*

The amendments clarified that when venture capital organizations, mutual funds, unit trusts and similar entities use the election to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.

**Annual Improvements to IFRSs (2015 – 2017 Cycle)** (effective for annual periods beginning on or after 1 January 2019)

The amendments listed below include changes in four IFRSs. The amendments have not yet been adopted by the European Union.

*IFRS 3 "Business combinations"*

The amendments clarify that an entity remeasures its previously held share in a jointly controlled activity when it acquires control of that entity

*IAS 12 "Income taxes"*

The amendments clarify how an entity accounts for all the effects on income tax on dividend payments in the same way.

*IAS 23 "Borrowing costs"*

Amendments specify that an entity treats as part of general borrowing any loan that was specifically incurred for the development of an asset when that asset is ready for its intended use or sale.

### *2.3 Investments in Subsidiaries and Associates*

*(a) Subsidiary companies*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company does not prepare or publish consolidated financial statements due to the fact that the financial statements of the company itself and its subsidiaries are included in the consolidated financial statements prepared by the parent company SIDENOR STEEL PROCESSING COMPANY S.A. and for that reason, based on IAS. 27, is not required to prepare consolidated financial statements.

The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies.

The Company applies the acquisition method to account for business combinations. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. By each case of purchase the Company recognizes eventual non-controlling interest of the subsidiary either in its fair value or in the value of the share of the non-controlling interest in the Equity of the subsidiary.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. In case that the contingent consideration is classified as equity item it is not re-measured until the final settlement through equity.

The Company records its investments in subsidiary companies, in its corporate financial statements, at cost less impairment.

In addition, the cost of acquisition is adjusted to reflect changes in the cost arising from any adjustments to the potential consideration.

*(b) Disposal of subsidiaries*

When the Company ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

*(c) Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but the

Company's significant influence is retained, only a proportionate share of the amounts previously recognized in net worth is reclassified to profit or loss.

In the case of a decrease in the participation percentage in an associate but where the Company continues to exercise significant influence, only the proportion of the amounts previously registered directly in equity will be transferred to the income statement.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company's investments in associate companies are presented at acquisition cost less impairment.

### *2.4 Segment Reporting*

The operating segments are presented in a manner consistent with its internal financial reports, in accordance with the Company's management.

### *2.5 Foreign Currency Translation*

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

*(b) Transactions and balances*

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

### *2.6 Property, plant and equipment*

All property, plant and equipment, is shown at cost less subsequent depreciation and impairment. Acquisition cost may also include expenditure that is directly attributable to the acquisition of the items.

Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The book value of the replaced part is derecognized.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | | |
|---|---|---|
| - Buildings | 10-33 | Years |
| - Machinery | 5-25 | Years |
| - Vehicles | 6-7 | Years |
| - Furniture, fittings and equipment | 3-8 | Years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When an asset's carrying amount is greater than its estimated recoverable amount, the difference (impairment) is immediately written down to results.

Upon sale of tangible fixed assets, any difference between the proceeds and their book value is recorded as profit or loss in the operating results.

General borrowing costs and borrowing costs incurred specifically for the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset for the period of time required for that asset to be ready for use or sale. A qualifying asset is an asset that requires an extended period of time to be ready for the use for which it is designated or the sale.

Interest income from the temporary placement of borrowing that is specifically incurred for the acquisition, construction or production of an asset is deducted from the borrowing costs that may be capitalized.

All other borrowing costs are recognized in the income statement as incurred.

### *2.7 Impairment of non-financial assets*

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Impairments recognized in non-financial assets are reviewed at each reporting date for any reversal.

### *2.8 Financial Assets*

The Company classifies its financial assets in the following categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Loans and receivables*

Here are included loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

*(b) Financial assets at fair value through profit or loss*

It includes non-derivative financial assets that are either designated in this category or cannot be classified in any of the above categories. They are included in non-current assets if they do not expire or the Management does not intend to liquidate them within 12 months from the date of preparation of the Financial Statements.

Purchases and sales of investments are recognized at the date of the transaction, which is the date the Company commits to purchase or sell the item. Available-for-sale investments are initially recognized at fair value plus transaction costs. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as an expense in the Income Statement. Loans and receivables are initially recognized at their fair value plus transaction costs. Investments are written off when the right to cash flows from investments expires or is transferred and the Company has transferred substantially all the risks and rewards of ownership.

Subsequently, available-for-sale financial assets are measured at fair value and the relevant gains or losses are recorded in other comprehensive income. On sale or impairment, accumulated profits or losses are transferred from equity to profit or loss. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

Realized and unrealized gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are recognized in the income statement of the year in which they occur.

The fair values of financial assets traded on stock markets are determined by current market prices. For those that are not quoted on a stock market, fair values are determined using valuation techniques such as analysis of recent transactions, comparable tradable items and discounted cash flow.

At each financial statement date, the Company assesses whether there are objective indications that the financial assets have been impaired. For shares of companies classified as available-for-sale financial assets, such an indication is the significant or prolonged decline in fair value relative to cost of acquisition. If impairment is established, the accumulated equity loss, which is the difference between acquisition cost and fair value, is transferred to profit or loss. Impairment losses on equity instruments recognized in profit or loss are not reversed through profit or loss.

*(c) Impairment of financial assets measured at amortized cost*

The Company assesses at each reporting date whether there is any indication that a financial asset or group of financial assets has been impaired. A financial asset or group of financial assets is impaired and impairment losses have been incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the asset's initial recognition ("loss event") and this event (or events) has an effect on the future cash flows of the financial asset or group of financial assets and this effect can be reliably estimated.

Indicative evidence of impairment may be the following: significant financial difficulty of the debtor or group of debtors, delay or interruption of interest and installment payments, probability of bankruptcy or other financial reorganization and observable data showing measurable decrease in expected future cash flows.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted the initial effective interest rate of the asset. The book value of the assets is reduced by the amount of the impairment loss and the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate as determined by the contract.

If the amount of impairment is reduced in the subsequent period and the decrease can be objectively correlated with an event occurring after the impairment has been recognized (e.g. improvement in the credit rating of the debtor), the reversal of the recognized impairment loss is recognized in the income statement.

### *2.9 Derivative Financial Instruments*

*Cash Flow Hedging*

The part of changes in the fair value of financial derivatives that are designated and classified as "cash flow hedges" and relates to effective hedge is recognized in other comprehensive income. The gain / loss of the ineffective portion of these is recognized immediately in the income statement.

Amounts accumulated in equity are recycled through the income statement when the hedged item affects the profit or loss for the period. The gain / loss attributable to the effective portion of the interest rate risk hedging derivatives is recognized in the Income Statement in the financial cost.

At the time a financial derivative expires, is sold or is judged to be ineffective, hedging then any cumulative loss / gain remains in equity and is recognized in the income statement when the transaction to which it relates is recognized in profit or loss. When a forecasted transaction ceases to exist, cumulative gains / losses that are recognized in other comprehensive income are transferred directly to the Income Statement.

The Company records in detail at the initial recognition of the transaction the hedging relationship between the hedging instrument and the hedged item, as well as the purpose and risk management strategy in which the Company carries out the hedge transactions. The Company also documents the effectiveness of the hedging relationship both at the beginning of the hedge and throughout its duration.

### *2.10 Inventories*

Inventories are estimated at the lower value between their acquisition cost and their net realizable value. The acquisition cost is determined based on the average monthly weighted cost method. Financial expenses are not included in the acquisition cost. The net realizable value is estimated based on the stock's current sales price, within the framework of ordinary business activities, less any possible selling expenses, wherever such a case concurs.

### *2.11 Trade and other receivables*

Receivables from customers are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method, net of impairment losses. Impairment losses are recognized when there is objective evidence that the Company is not in a position to collect all amounts due under the contractual terms. The amount of the provision is the difference between the book value of the receivables and the present value of the estimated future cash flows discounted using the effective interest rate method. The amount of the provision is recognized as an expense in the Income Statement.

### *2.12 Cash and cash equivalents*

Cash and cash equivalents include cash in hand and time deposits.

### *2.13 Share Capital*

Ordinary shares are classified as equity.

Direct expenses attributable to the issuance of new shares appear following the subtraction of the relevant in-come tax, as a deduction in Equity.

Treasury share acquisition cost is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included as reserves in equity.

### *2.14 Suppliers*

The trade payables are accounted for initially at fair value and later on are evaluated at the net value using the effective interest method. Liabilities payable to suppliers are recorded as short-term liabilities when their payment is due within the next year. If they can be paid more than a year, then they are included in long-term liabilities.

### *2.15 Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. In this case borrowings are classified as non-current liabilities.

General borrowing costs and borrowing costs incurred specifically for the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset for the period of time required for that asset to be ready for use or sale. A qualifying asset is an asset that requires an extended period of time to be ready for the use for which it is determined or the sale.

### *2.16 Deferred income tax*

Deferred income tax is determined using the liability method that results from the temporary differences between the carrying amount and the tax base of the assets and liabilities. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, when the transaction took place, did not affect either the accounting or the tax profit or loss. Deferred tax is determined using the tax rates at the date of preparation of the financial statements that will be effective when the temporary differences are reversed.

Deferred tax assets are recognized to the extent that there will be a future taxable profit for the use of the temporary difference that creates the deferred tax asset.

Deferred income tax is recognized for temporary differences arising from investments in subsidiaries and associates, unless the reversal of the temporary differences is controlled by the company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities and receivables may be offset only if they relate to a joint tax authority and there is a right to set off.

Tax is recognized in profit or loss unless it relates to items recognized in other comprehensive income or directly to equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### *2.17 Taxation*

Income tax is calculated on the basis of the tax laws and tax rates in force in the countries where the Company operates and is recognized as an expense in the period in which the income arises.

Management periodically evaluates positions in tax returns for situations where tax legislation is interpreted. It prepares forecasts where necessary in relation to the amounts expected to be paid to the tax authorities.

## 2.18 Employ benefits

*(a) Pension obligations*

The employee benefits after their retirement include defined contribution plans and defined benefit plans.

The accrued cost of defined contribution plans is recognized as expense during the relevant period.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

*(b) Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *Short term benefits*

Short term employee benefits both in money and kind are accounted for as expense when they occur.

## 2.19 Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

## 2.20 Provisions

A provision shall be recognized when:

i. The Company has a current legal or inferable commitment as a result of past events

ii. It is likely that a cash outflow will be required to settle the commitment

iii. The amount can be reliably estimated

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### *2.21 Revenue recognition*

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts. Revenue is recognized as follows:

*(a) Sales of goods*

Sales of goods are recognized when the Company delivers products to the customers; the customer accepts the products; and collectability of the related receivables is reasonably assured.

*(b) Provision of services*

Provision of services is recognized in the accounting period in which the services are rendered, by reference to the completion stage of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*(c) Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the book value to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. Thereafter, interests are calculated by using the same rate on the impaired value (new book value).

*(d) Dividends*

Dividends are recognized when the right to receive payment is established.

### *2.22 Leases*

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding payables, net of financial charges, are shown in liabilities. The part of the financial expense relating to finance leases is recognized in the income statement during the lease term. Fixed assets acquired under finance leases are depreciated over the shorter of the useful life of the assets and the duration of their lease.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

### 2.23 Profits allocation, dividend distribution

The allocation of the profits for the year and the recognition of the distribution obligation are recognized in the financial statements upon receipt of the final approval by the General Meeting of Shareholders.

### 2.24 Rounding

The numbers contained in these financial statements have been rounded to Euros. Due to this fact, differences that may exist, are due to these rounding.

## 3 Financial Risk Management

The Company is exposed to Credit Risk, Liquidity Risk and Market Risk arising from the use of its financial instruments. This memo provides information regarding the exposure of the Company to each of the above risks, the goals of the Group, its risk assessment and management policies and procedures, as well as the Company's capital management. More quantitative information on these notifications is included throughout the Financial Statements.

The Company's risk management policies are implemented in order to identify and analyze risks faced by the Company as well as to set risk-taking limits and implement controls thereon. Risk management policies and related systems are periodically monitored, in order to ensure that they incorporate the changes in market conditions and in the Company's activities.

The Internal Audit department is responsible for monitoring compliance with risk management policies and procedures. The department carries out regular as well as special audits in order to ascertain compliance with proper procedures and its findings are communicated to the Board of Directors.

### 3.1 Market risk

#### 3.1.1 Foreign exchange risk

The Company operates in Europe, and consequently the greater part of the Company's transactions are carried out in Euros. However, part of the Company's purchases is denominated in US Dollar.

The loan interest is in the same currency as that used in the cash flows relating to the Company's operational activities, which is mainly Euro.

The Company's investments in other subsidiaries are not hedged, as these are regarded as long-term currency investments and have mainly been carried out in Euros.

#### 3.1.2 Price fluctuation risk

The purpose of risk management against market conditions is to control the Company's exposure to those risks, within the framework of acceptable parameters while optimizing results.

a) *Products*

The main market risk is the risk of fluctuations in the prices of raw materials (scrap), which determine to a great extent the final price of the products. Company policy is to show inventories at the lower value between acquisition cost and net realizable value. In periods of price fluctuation results are affected by the depreciation of the value of stocks. The Company makes hedging using derivative financial products where available.

*b) Investments*

Investments are classified by the Company based on the purpose for which they were acquired.

Management decides on the suitable classification of the investment at the time of its purchase and it also estimates that there will be no default probability for these investments.

### *3.1.3 Cash flow and fair value interest rate risk*

The Company finances its investments and its cash flow requirements through bank and bond loans, which result in interest expense that charges its financial results. Upward trends in interest rates will have adverse effects on results, as the Company will incur additional cost of debt.

Interest rate risk is mitigated as part of the borrowing is at fixed interest rates, or directly using financial instruments (interest rate swaps).

If on 31/12/2017 interest rates were increased / (decreased) by 0.25% / (-0.25%), the effect on the pre-tax profits of the company would be (loss) / profit (- € 380 thousand) ) / € 380 thousand. The Company's equity would also be proportionally affected.

Correspondingly, if on 31/12/2016 interest rates were increased / (decreased) by 0.25% / (-0.25%), the effect on the company's pre-tax profits would be (loss) / profit (- € 345 thousand) / € 345 thousand. The equity of the company would also be affected.

## *3.2 Credit Risk*

Credit risk refers to the Company’s risk of incurring a loss in the event a customer or third party fails to fulfill his contractual obligations under a financial instrument agreement and is related primarily to receivables from customers and investment securities.

### *3.2.1 Customers and other receivables*

The Company’s exposure to credit risk is mainly affected by the specific characteristics of each customer. The demographic characteristics of the Company's customer base, including the risk of payment default characterizing the specific market and country wherein customers operate, do not affect credit risk to the same extent, as no correlation between geographic location and credit risk has been observed. No customer exceeds 10% of sales and, as a result, market risk is divided among a large number of customers.

The Board of Directors has established a credit policy whereby each new customer is individually checked for creditworthiness before the usual payment terms are proposed. Credit limits are set on a customer by customer basis and are re-estimated according to current trends and if necessary the sales and collection terms are readjusted. Customer credit lines are mainly determined based on the insurance limits set by the insurance companies based on which the company proceeds with insuring the receivables.

When monitoring customer credit risk, customers are classified in accordance with their credit profile, the maturity of their receivables and any prior collection problems they may have displayed. Customers and other receivables mainly concern wholesale customers of the Company. Customers characterized as “high risk” are placed on a special list and future sales have to be prepaid. Depending on the customer’s prior record and profession, the Company reserves the right to demand tangible or other guarantees (such as letters of guarantee).

The Company records a depreciation provision which represents its assessment of losses incurred in relation to customer liabilities, other receivables. This provision mainly consists of losses due to the devaluation of specific receivables that were deemed realizable in relation to specific conditions but which have not as yet been finalized.

The nominal value less impairment provision of trade receivables is assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by the present value of the discounted future cash flows of specific contracts at the current market interest rate prices that is available to the Company for similar financial instruments.

### *3.2.2 Guarantees*

The policy of the Company is not to offer guarantees, except only to subsidiaries or affiliated companies and then only by decision of the Board of Directors.

## *3.3 Capital Management*

The policy of the Board of Directors consists of the preservation of a solid capital base, in order to maintain investor, creditor and market confidence in the Company and to allow the future expansion of its activities. The Board of Directors monitors the return on capital, which is defined by the Company as the net results divided by the total net position, excluding non-convertible preferred shares and minority interests into consideration. The Board of Directors also monitors the level of dividends paid to the holders of ordinary shares.

The Board of Directors tries to maintain a balance between, on the one hand, higher returns which would have been possible under higher borrowing levels and, on the other hand, the advantages associated with the security that a strong and healthy capital position would provide.

The leverage ratios at 31 December 2017 and 2016 respectively were as follows:

| | Note | **31/12/2017** | **31/12/2016** |
|---|---|---|---|
| Total Borrowing | 16 | 151,892,127 | 138,194,790 |
| Less | | | |
| Cash and Cash Equivalent | 13 | (2,768,993) | (9,251,955) |
| Net Borrowing | | **149,123,134** | **128,942,835** |
| Total Equity | | 88,543,368 | 81,299,839 |
| Total Capital Employed | | **237,666,502** | **210,242,675** |
| **Leverage Ratio** | | **63%** | **61%** |

The Company does not have a specific own share buyback plan.

No changes occurred insofar as the approach adopted by the Company in relation to capital management during the fiscal period being reported.

### *3.4 Fair value estimation*

The table below analyses financial instruments carried in the balance sheet at fair value, at the date of preparation of the Company's Financial Statements, depending on how their fair value is determined:

The different levels have been determined as follows:

**First level** – Includes quoted prices in active markets for identical assets or liabilities.
**Second level** – Includes inputs other than quoted prices included within the first level that are observable for the asset or liability, either directly or indirectly.
**Third level** – Includes inputs that are not based on observable market data (that is, unobservable inputs).

| | 31/12/2017 | | | | 31/12/2016 | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in Euro | Level One | Level Two | Level Three | Total | Level One | Level Two | Level Three | Total |
| Available-for-sale financial assets | - | - | 166,473 | 166,473 | - | - | 158,173 | 158,173 |
| | **-** | **-** | **166,473** | **166,473** | **-** | **-** | **158,173** | **158,173** |

There were no transfers between Levels 1 and 2 during the period.

<u>Valuation techniques used to derive Level 2 fair values</u>

Level 2 trading comprise forward foreign exchange contracts (forward).

The fair value of the above contracts is determined by the use of forward rates at the date of preparation of the Financial Statements, discounted to present values.

<u>Valuation of Level 3 fair value</u>

The available-for-sale financial assets and the derivative financial assets of level 3 are non-traded securities. So it is not possible to measure their fair value reliably. Correspondingly, they are valued at acquisition cost.

<u>Valuation processes</u>

The financial management undertakes the measurement of the financial and fair value of the third level required for financial reporting. The process is carried out once a year according to the annual reports of the company.

<u>Fair value of financial assets and liabilities measured at amortized cost</u>
The book value of the short-terms loans approximates their fair value because the effect from discount is immaterial.
The fair value of the following financial assets and liabilities approximates their book value:

- Trade and other receivables
- Cash and cash equivalents
- Suppliers and other liabilities
- Other short-term financing liabilities

### *3.5 Risks of macroeconomic environment in Greece*

The macroeconomic and financial environment in Greece shows signs of improvement, but uncertainties persist.

Following the completion of both the recapitalization of Greek banks in late 2015 and the € 85 billion rescue plan between the institutions and the Greek government, Eurogroup and the institutions completed the second evaluation of the Greek program in 2017 by releasing the installment of financial assistance to Greece amounting to € 8.5 billion, while discussions on the third evaluation have been completed, paving the way for the release of the next tranche of financial aid.

The capital controls in force in Greece since June 2015, which remain in force, on more flexible terms modified in 2017, have not prevented the Company from continuing uninterrupted operations, while cash flow from operating activities has not been disrupted.

Moreover, SOVEL's strong customer base outside Greece minimizes the liquidity risk that may arise from the uncertainty of the economic environment in Greece.

The Company closely and continuously monitors developments both internally and externally and adjusts its business strategies and risk management policies in a timely manner to minimize the impact of macroeconomic conditions on its operations.

### *3.6 Liquidity Risk*

The above developments as well as the instability of the Greek banking sector create an uncertain financial situation in Greece which may affect the Company's liquidity.

The bulk of the borrowing relates to long-term loans whose average maturity is around 3 years. Additionally, the fact that the Company exports most of its output significantly offsets the current situation in Greece.

The financing of the Company comes mainly from Greek financial institutions.

The approach adopted by the Company for liquidity management is to ensure, by holding the absolutely necessary cash and sufficient credit limits from the cooperating banks, that it will have liquidity to meet its obligations when they expire under normal and difficult conditions without incurring unacceptable damage or jeopardizing its reputation. At the same time, in order to avoid liquidity risks, the Company carries out a cash flow forecast for a period of one year when the annual budget is drawn up and a monthly rolling three-month forecast to ensure that it has enough cash to meet its operational needs.

The Company has direct access to sources of finance and historically refines its short-term borrowings. The Company believes that the refinancing of its short-term borrowing will continue in the future as in the past if deemed necessary.

The Company, in 2018, made a request for a total restructuring of the syndicated loan installments approved by the Bondholders.

In any case, the company pursuing its strategic planning, as reflected in its relevant five-year business plan, has achieved a significant increase in sales volume by 15% in the first quarter of 2018 (€ 184 mio) compared to the corresponding period of 2017 (€ 160 mio). This improvement in the Company's results is expected to be sustained by the end of the current fiscal year and also over a five-year period due to increased productivity and sales of value added products through its further penetration into new and existing markets as well as its compression operating costs. According to the above, the current estimates anticipate an improvement in the Company's liquidity, which can cover, in addition to working capital needs, the short-term part of its long-term debt obligations too.

The Company continues to maintain the "going concern principle" in the preparation of the financial statements for the year ended 31 December 2017.

**Moody's credit rating to cash**

| | COMPANY DATA | |
|---|---|---|
| | **31/12/2017** | **31/12/2016** |
| Caa1 | - | 9,250,425 |
| Caa2 | 2,768,167 | - |
| **Total** | **2,768,167** | **9,250,425** |

## 4 Accounting estimates and Management's assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

### *4.1 Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) The Company recognizes provisions for anticipated negative outcome of legal cases based on assessments performed the Group's Legal Department.

c) The Company makes estimates on the future tax profits that will be available to offset losses that have been recognized as deferred tax. The Company makes assumptions as to whether these deferred tax assets can be recovered using the estimated future taxable income in accordance with the approved five-year business plan.

d) Also, provisions are recognized, based on historical information and past experience, for estimated losses that are expected to arise in the future due to customer claims for contractual obligations undertaken by the Company.

e) The Company recognizes provisions for impairments to investments in Associates and Affiliates that are not measured at fair value taking into account the future benefits that will flow from them.

f) The Company recognizes provisions for contractual obligations to its customers, which are calculated on the basis of historical data and statistics from the settlement of similar cases of the past. If the resulting final amount is different from the initially recognized one, the difference will affect the results of the event that will be realized.

g) Employee benefits

The current value of the employee benefit commitments is based on a number of factors specified on actuarial basis using some assumptions. The assumptions used to define the net expenditure of employee benefits include discount rates, future pay raises as well as inflation rates. Possible changes in these assumptions would affect the book value of the commitment.

The present value of the defined benefits is calculated based on the appropriate discount rate (Bond index "iBoxx AA-rated Euro corporate bond 10+year") plus increases in staff salaries. The assumptions used are further illustrated in Note 17.

### *4.2 Critical judgments in applying the entity's accounting policies*

By application of the provisions of IAS 2, according to which inventories are valued at the lower of the acquisition cost and the net realizable value.

## 5 Sales

| **Sales** | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Greece | 140,284,561 | 106,052,090 |
| European Union | 126,826,688 | 82,454,527 |
| Other European countries | 37,391,868 | 35,502,133 |
| Asia | 27,889,224 | 6,683,093 |
| Africa | 10,569,531 | 22,231,335 |
| Oceania | - | 3,958,472 |
| **Total** | **342,961,871** | **256,881,649** |

**Analysis of sales per category**

| *Amounts in Euro* | **31- Dec -17** | **31- Dec -16** |
|---|---|---|
| Sale of goods &products | 342,747,795 | 251,128,421 |
| Provision of services | 214,077 | 1,522,811 |
| Other | - | 4,230,416 |
| **Total** | **342,961,871** | **256,881,649** |

## 6 Property, plant and equipment and intangible assets

| *Amounts in Euro* | Land plots | Buildings | Machinery | Transportation means | Furniture & other equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance as of 1 January 2016** | **9,254,863** | **73,067,797** | **250,341,423** | **1,338,814** | **5,957,416** | **1,080,241** | **341,040,554** |
| Additions | - | 11,280 | 1,864,972 | 290 | 224,635 | 356,678 | **2,457,855** |
| Disposals | - | - | - | - | (4,792) | - | **(4,792)** |
| Destructions | - | - | (1,648,920) | - | - | - | **(1,648,920)** |
| Reclassifications | - | - | 664,758 | - | - | (664,758) | **-** |
| **Balance as of 31 December 2016** | **9,254,863** | **73,079,077** | **251,222,233** | **1,339,104** | **6,177,259** | **772,161** | **341,844,697** |
| **Accumulated depreciations** | | | | | | | |
| **Balance as of 1 January 2016** | **-** | **(29,812,012)** | **(128,118,825)** | **(1,271,626)** | **(5,678,185)** | **-** | **(164,880,648)** |
| Depreciations of the period | - | (1,720,602) | (9,491,671) | (20,386) | (158,752) | - | **(11,391,411)** |
| Disposals | - | - | - | - | 4,792 | - | **4,792** |
| Destructions | - | - | 941,848 | - | - | - | **941,848** |
| **Balance as of 31 December 2016** | - | **(31,532,614)** | **(136,668,648)** | **(1,292,011)** | **(5,832,146)** | **-** | **(175,325,419)** |
| **Book value as of 31 December 2016** | **9,254,863** | **41,546,463** | **114,553,585** | **47,093** | **345,113** | **772,161** | **166,519,278** |

| *Amounts in Euro* | Land plots | Buildings | Machinery | Transportation means | Furniture & other equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance as of 1 January 2017** | **9,254,863** | **73,079,077** | **251,222,233** | **1,339,104** | **6,177,259** | **772,161** | **341,844,697** |
| Additions | 86,103 | 98,571 | 1,710,950 | 670 | 471,209 | 1,165,667 | **3,533,169** |
| Disposals | - | - | (15,000) | - | - | - | **(15,000)** |
| Destructions | - | - | (1,081,957) | - | - | - | **(1,081,957)** |
| Reclassifications | - | 42,000 | 326,768 | - | - | (368,768) | **-** |
| **Balance as of 31 December 2017** | **9,340,967** | **73,219,648** | **252,162,994** | **1,339,774** | **6,648,468** | **1,569,059** | **344,280,909** |
| **Accumulated depreciations** | | | | | | | |
| **Balance as of 1 January 2017** | - | **(31,532,614)** | **(136,668,648)** | **(1,292,011)** | **(5,832,146)** | - | **(175,325,419)** |
| Depreciations of the period | - | (1,722,604) | (9,470,929) | (15,428) | (200,421) | - | **(11,409,383)** |
| Disposals | - | - | 11,563 | - | - | - | **11,563** |
| Destructions | - | - | 580,800 | - | - | - | **580,800** |
| **Balance as of 31 December 2017** | **-** | **(33,255,219)** | **(145,547,214)** | **(1,307,439)** | **(6,032,567)** | **-** | **(186,142,439)** |
| **Book value as of 31 December 2017** | **9,340,967** | **39,964,429** | **106,615,780** | **32,335** | **615,900** | **1,569,059** | **158,138,470** |

The fixed assets incorporate mortgages in favor of the banks amounting to € 85.636 thousand for a current loan account balance of € 71.363 thousand.

## 7 Participations in Affiliated companies consolidated in SIDENOR Group's financial statements using the equity method

| | COMPANY DATA | |
|---|---|---|
| *Amounts in Euro* | 31/12/2017 | 31/12/2016 |
| **Balance as of January 1** | 4,570,682 | 4,592,682 |
| Capital return | - | (22,000) |
| **Balance as of December 31** | 4,570,682 | 4,570,682 |

The Company's financial statements, as well as its associates', are included in SIDENOR Group's consolidated financial statements and as such, in terms with IAS 27, the Company does not compile nor publish consolidated financial statements of its own.

The associated companies consolidated in SIDENOR Group's financial statements using the equity method are the following:

| Company | Country of establishment | Participation percentage 31/12/2017 | Participation percentage 31/12/2016 | Activity sector |
|---|---|---|---|---|
| SIDMA SA | Greece | 27.90% | 28.21% | Steel construction products |
| BIODIESEL SA | Greece | - | 25.00% | Steel construction products |

## 8 Participations in Affiliated companies fully consolidated in SIDENOR Group's financial statements

| *Amounts in Euro* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Balance as of January 1** | **226,562** | **6,291,933** |
| Capital return | - | (6,065,371) |
| Sales | (78,000) | - |
| **Balance as of December 31** | **148,562** | **226,562** |

The Company's financial statements, as well as of its associates', are included in SIDENOR Group's consolidated financial statements and as such, in terms with IAS 27, does not compile nor publish consolidated financial statements of its own.

The companies fully consolidated in SIDENOR Group are the following:

| Company 31/12/2016 | Country of establishment | Direct participation percentage | Activity sector |
|---|---|---|---|
| VEAT S.A. | Greece | 65.00% | Steel construction products |
| VET S.A. | Greece | 100.00% | Steel construction products |
| ERLIKON | Greece | 0.64% | Steel construction products |

| Company 31/12/2017 | Country of establishment | Direct participation percentage | Activity sector |
|---|---|---|---|
| ERLIKON | Greece | 0.64% | Steel construction products |

## 9 Financial assets available for sale

Available for sale financial assets include the following:

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Unlisted Securities | | |
| - Greek Equity Instruments | 166,473 | 158,173 |
| **Total** | **166,473** | **158,173** |

| | **31/12/2017** | **31/12/2016** |
|---|---|---|
| **Balance as of 1 January** | 158,173 | 143,673 |
| Additions | 8,300 | 14,500 |
| **Balance as of 31 December** | **166,473** | **158,173** |
| Non-current Assets | 166,473 | 158,173 |

All participations are in Euros.

As most of the financial assets are non-listed securities that are not feasible to be measured at fair value, the Company valued them at acquisition cost.

The maximum exposure in credit risk at the reporting date is the value in which the financial assets available for sale are being presented.

## 10 Deferred Taxation

| *Amounts in Euro* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Deferred tax liabilities:** | | |
| Tax Assets before Offsetting | 6,084,681 | 469,638 |
| Tax Liabilities before Offsetting | (24,608,979) | (25,272,649) |
| **Total** | **(18,524,298)** | **(24,803,011)** |

The total change in deferred income tax is as follows:

| *Amounts in Euro* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Balance as of 1 January** | **(24,803,011)** | **(25,063,909)** |
| Recognized in profit or loss | 6,269,180 | 229,283 |
| Recognized in OCI | 9,532 | 31,615 |
| **Balance as of 31 December** | **(18,524,298)** | **(24,803,011)** |

The movements in deferred tax assets and liabilities prior to offsetting are as follows:

| *Amounts in Euro* | Depreciation Difference | Difference in provisions | Loans and borrowings | Employee benefits | Sub funding | Transf. tax Losses for Offsetting | Total |
|---|---|---|---|---|---|---|---|
| **Balance as of 1 January 2016** | **(25,329,476)** | **37,199** | **(152,218)** | **380,586** | **-** | **-** | **(25,063,909)** |
| Recognized in profit or loss | 111,156 | - | 97,889 | 20,238 | - | - | **229,283** |
| Recognized in OCI | - | - | | 31,615 | - | - | 31,615 |
| **Balance as of 31 December 2016** | **(25,218,320)** | **37,199** | **(54,329)** | **432,439** | **-** | **-** | **(24,803,011)** |
| **Balance as of 1 January 2017** | **(25,218,320)** | **37,199** | **(54,329)** | **432,439** | **-** | **-** | **(24,803,011)** |
| Recognized in profit or loss | 609,341 | | 228,809 | 22,348 | 2,675,000 | 2,733,682 | **6,269,180** |
| Recognized in OCI | - | - | - | 9,532 | - | - | **9,532** |
| **Balance as of 31 December 2017** | **(24,608,979)** | **37,199** | **174,480** | **464,320** | **2,675,000** | **2,733,682** | **(18,524,298)** |

The rate at which the deferred tax is calculated is equal to that estimated to apply when the temporary tax differences are reversed,

The current income tax rate for companies operating in Greece is 29%. As of 1/1/2015, in accordance with Article 1 (4) of Law 4334/2015, the tax rate was changed from 26% to 29%.

The deferred tax recognized in the Income Statement relates to deferred tax that arises from the recognition of actuarial loss / gain in the retirement benefit obligation.

Deferred tax receivables arising from unused tax losses for offsetting in future fiscal years are recognized only if it is probable that future tax profits will be offset. Deferred tax assets recognized for unused tax losses amounted to € 2.7 million at 31 December 2017 , as on the basis of the approved business plan, the management considers that it is possible to offset the tax losses with future tax profits.

In 2014, the provisions of sub-appendix No 49 of Law 4172 apply for the first time that the discount rate for excess interest expense is defined as a percentage of the company's EBITDA (60% in 2014, 50 % in 2015 and 40% from 2016 and in future). The effect on the deferred tax of the Company was € 2.7 million (requirement) at 31 December 2017. This amount can be offset by future tax profits, time constraint.

## 11 Inventories

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Products | | |
| Finished goods | 16,304,086 | 13,610,924 |
| Semi-finished goods | 1,470,629 | 3,535,610 |
| By-products & scrap | 1,567,295 | 1,016,296 |
| Raw and auxiliary materials, consumables, spare parts and packaging materials | 45,473,196 | 42,879,334 |
| Down payments for purchase of inventory | | 62,147 |
| **Total** | **64,815,205** | **61,104,311** |

Cost of inventories recorded as an expense in the cost of sales amounts to €263 million (2016:€174 million).

By application of the provisions of IAS 2 inventories are valued at the lower of the acquisition cost and the net realizable value.

The Company has stock mortgages of € 30,000 thousand to receive an equal loan.

## 12 Trade & Other Receivables

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Trade receivables | 14,802,846 | 6,205,534 |
| Less: Impairment provisions | (179,504) | (179,837) |
| **Net trade receivables** | **14,623,342** | **6,025,696** |
| | | |
| Down payments | 851,050 | 205,334 |
| Cheques and notes receivables & Cheques overdue | 14,599 | 14,599 |
| Receivables from related entities | 108,948,798 | 72,310,011 |
| Tax receivables | 14,806 | 101,875 |
| Other debtors | 1,870,589 | 8,037,627 |
| **Total** | **126,323,184** | **86,695,143** |
| Other long - term receivables | 1,285,977 | 1,299,048 |
| **Total** | **1,285,977** | **1,299,048** |
| **Total Receivables** | **127,609,161** | **87,994,191** |
| **Provisions for doubtful clients - debtors** | | |
| **Beginning balance** | (179,837) | (179,837) |
| Reclassifications | 333 | - |
| **Closing balance** | (179,504,0) | (179,837,4) |

**Trade customers and other receivables (per currency)**

| | 31- Dec -17 | 31- Dec -16 |
|---|---|---|
| Euro | 127,609,161 | 87,994,191 |
| **Total** | **127,609,161** | **87,994,191** |

Other long-term receivables included in non-current assets refer to guarantees given to third parties in the context of the company's activity and do not have a specific expiration date. The Company estimates that the balances of receivables are approximately equal to their fair values.

***Financial instruments per category***

**Balance as at December 31st 2016**
*Amounts in Euro*

| **Assets** | Loans and receivables | Available for sale | Total |
|---|---|---|---|
| Long-term financial assets available for sale | - | 158,173 | **158,173** |
| Trade and other receivables | 82,607,059 | - | **82,607,059** |
| Cash and cash equivalents | 9,251,955 | - | **9,251,955** |
| **Total** | **91,859,014** | **158,173** | **92,017,187** |

**Balance as at December 31st 2017**
*Amounts in Euro*

| **Assets** | Loans and receivables | Available for sale | Total |
|---|---|---|---|
| Long-term financial assets available for sale | - | 166,473 | **166,473** |
| Trade and other receivables | 126,142,666 | - | **126,142,666** |
| Cash and cash equivalents | 2,768,993 | - | **2,768,993** |
| **Total** | **128,911,659** | **166,473** | **129,078,131** |

## 13 Cash and Cash Equivalents

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Cash in banks and in hand | 826 | 1,531 |
| Short-term bank deposits | 2,768,167 | 9,250,425 |
| **Total** | **2,768,993** | **9,251,955** |

**Credit rating of Moody's to cash**

| | **COMPANY DATA** | |
|---|---|---|
| | **31/12/2017** | **31/12/2016** |
| Caa1 | - | 9,250,425 |
| Caa2 | 2,768,167 | - |
| **Total** | **2,768,167** | **9,250,425** |

## 14 Share Capital

| *Amounts in Euro* | **Number of Shares** | **Common Shares** | **Share premium** | **Total** |
|---|---|---|---|---|
| **1st of January 2016** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |
| **31st of December 2016** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |
| **1st of January 2017** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |
| **31st of December 2017** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |

The shares of the company are nominal and their value amounts to € 34.34.

## 15 Other Reserves

| *Amounts in Euro* | **Statutory Reserves** | **Special Reserves** | **Extraordinary Reserves** | **Tax exempt reserves** | **Total** |
|---|---|---|---|---|---|
| **1st of January 2016** | **4,152,029** | **-** | **194,739** | **36,977,890** | **41,324,658** |
| **31st of December 2016** | **4,152,029** | **-** | **194,739** | **36,977,890** | **41,324,658** |
| **1st of January 2017** | **4,152,029** | **-** | **194,739** | **36,977,890** | **41,324,658** |
| Reclassifications | - | 194,739 | (194,739) | - | - |
| **31st of December 2017** | **4,152,029** | **194,739** | **-** | **36,977,890** | **41,324,658** |

Based on Greek tax legislation, tax-free reserves are exempted from income tax, provided that they are not distributed to the shareholders.

Pursuant to Law 4172, paragraph 12, and in respect of the non-distributed or uncapped reserves of the legal persons referred to in Article 45 of the Code of Civil Procedure as they were formed up to 31 December 2015 and which arose as a result of their exemption pursuant to of the provisions of Law 2238/94 from 1 January 2015 unless they are distributed or capitalized, they shall be offset at the end of each tax year with taxable losses of any kind and if they have been incurred during the last 5 years until they have been exhausted.

The offsetting of the credit reserves will take place in the Company's income tax return. No tax liability is expected to arise.

## 16 Borrowings

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| **Long-term** | | |
| Secured bond loans | 58,143,759 | 64,959,421 |
| **Total** | **58,143,759** | **64,959,421** |
| | | |
| **Short-term** | | |
| Secured Bank loans | 42,561,131 | 32,251,360 |
| Non-secured Bank loans | 36,481,105 | 34,630,130 |
| Secured bond loans | 13,501,062 | 6,353,879 |
| Factoring with a right of recourse | 1,205,069 | - |
| **Total** | **93,748,368** | **73,235,369** |
| **Total borrowings** | **151,892,127** | **138,194,790** |

The maturity dates of long-term loans are as follows:

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Between 1 and 2 years | 18,410,801 | 13,672,809 |
| Between 2 and 5 years | 39,732,958 | 51,286,612 |
| **Total** | **58,143,759** | **64,959,421** |

The actual weighted average interest rates at the date of the Financial Statements are as follows:

| | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Bank loans (short-term) - EUR | 5.86% | 5.97% |
| Securities - EUR | 4.00% | 4.00% |

The maturities for all loans are as follows:

| *Amounts in Euro* | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Up to 1 year | 93,748,368 | 73,235,369 |
| Between 1 and 2 years | 18,410,801 | 13,672,809 |
| Between 2 and 5 years | 39,732,958 | 51,286,612 |
| **Total** | **151,892,127** | **138,194,790** |

| | **COMPANY DATA** | |
|---|---|---|
| **Total borrowings (per currency)** | **31-Dec-17** | **31- Dec -16** |
| Euro | 151,892,127 | 138,194,790 |
| **Total** | **151,892,127** | **138,194,790** |

Exposure of the company's loans to changes in interest rates and contractual reset dates of the contracts are as follows:

| **Contractual reset dates** | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| < 6 months | 7,136,300 | 3,568,150 |
| 6- 12 months | 7,136,300 | 3,568,150 |
| 1-5 years | 57,090,400 | 64,226,700 |

The fair market values of loans are equal to their book values, as the impact of discounting is not significant. The fair values are evaluated based on parameters such as interest expense, specific country risk factors, or price quotations at the reporting date and are within level 2 of the fair value hierarchy.

The Company has given guarantees for the bonds (Note 29).

The Company has direct access in funding sources and has been historically engaging in refinancing its short-term debt liabilities. The Company estimates that the refinancing of its short-term debt will continue in the future, as before.

Some of the Company's loan agreements include financial terms, the most important of which are the maintenance of specific ratios, calculated as follows: "Net Debt / Profit before Tax, Interest and Depreciation", "Earnings Before Interest, Taxes and Depreciation / Net Interest"; and "Net Borrowing / Net Equity". The Company's Management monitors its performance to ensure and comply with the above financial terms.

During the fiscal year 2018, the Bondholders of the Syndicated Bond Loan amounting to € 71,363,000, accepted the Company's request for amendment of its terms and the signing of the relevant contracts is pending. More specifically, the following amendments were approved:

- The margin is changed to 4.50% throughout the loan, i.e. until 27/12/2023.
- A new term "Cash Sweep" is added, with a 40% prepayment of the Net Cash Advance, except when this is due to: i) an increase in the Long Term Loan, ii) an increase in other Long Term Liabilities, iii) income from grants (iv) the changes in Equity, with a date of

first application from 2020 [based on the pro - forma consolidated financial statements of the company, i.e. based on the financial statements for the year ending 31/12/2019].

- Extension of the Syndicated Bond Loan by three (3) years, until December 2023, with the following repayment schedule:

| Year | Amount |
|---|---|
| 2018 | 2,000,000 |
| 2019 | 5,000,000 |
| 2020 | 6,000,000 |
| 2021 | 9,500,000 |
| 2022 | 11,000,000 |
| 2023 | 37,863,000 |

## 17 Employee Retirement Obligations

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| **Amounts recognized in Balance Sheet** | | |
| Present value of obligation | 1,601,103 | 1,491,170 |
| **Net Liability recognized in Balance Sheet** | **1,601,103** | **1,491,170** |
| **Amounts included in profit or loss statement** | | |
| Current service cost | 61,305 | 70,069 |
| Interest cost/income (-) | 23,799 | 25,904 |
| Settlement/curtailment/termination cost | 65,813 | 98,941 |
| **Total expense in the Income Statement** | **150,917** | **194,914** |

The breakdown of changes in the retirement benefit obligations for the years 2017 and 2016 is as follows:

| **Change in the present value of the obligation** | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Present value of the obligation at the beginning of the period | 1,491,170 | 1,312,365 |
| Current service cost | 61,305 | 70,069 |
| Interest cost | 23,799 | 25,904 |
| Settlement/curtailment/termination cost | 65,813 | 98,941 |
| Benefits paid by the employer | (73,854) | (125,127) |
| Adjustment to the obligation (through Equity) | 26 | 1,339 |
| Actuarial loss / (gain) - economic affairs | 23,569 | 89,980 |
| Actuarial loss / (gain) – period's service experience | 9,275 | 17,698 |
| **Present value of the obligation at the end of the period** | **1,601,103** | **1,491,170** |

Amounts recognized in equity through other comprehensive income are:

| Adjustments to the obligation | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Adjustment to the obligation due to change of assumptions | (23,569) | (89,980) |
| Empirical adjustments to obligations | (9,275) | (17,698) |
| **Total actuarial gain / (loss) in Equity** | **(32,844)** | **(107,679)** |
| Other adjustments to Equity | (26) | (1,339) |
| **Total amount recognized in Equity** | **(32,870)** | **(109,018)** |

The total changes in the net liability recognized in the financial statements are:

| Movements in Net Liability in BS | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Net Liability in BS at the beginning of the period | 1,491,170 | 1,312,365 |
| Benefits paid by the employer | (73,854) | (125,127) |
| Total expense recognized in the income statement | 150,917 | 194,914 |
| Total amount recognized in Equity | 32,870 | 109,018 |
| **Net Liability in BS at the end of the year** | **1,601,103** | **1,491,170** |

The main actuarial assumptions used are as follows:

| Actuarial Assumptions | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Discount rate | 1,50% | 1,60% |
| Inflation | 1,50% | 1,50% |
| Rate of compensation increase | 0,50% | 0,50% |
| Plan duration | 14,96 | 15,83 |

The sensitivity analysis for each significant actuarial assumption which was reasonably possible, at the end of the reporting period and shows how the defined benefit obligation would have been affected by those changes is the following:

| Sensitivity analysis | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Discount rate | 1.50% | 1.60% |
| Rate of salary increase | 0.50% | 0.50% |

1. If the discount rate was 0.5% higher, then the DBO would decrease by 7%
2. If the salary increase assumption used was 0.5% higher, then the DBO would increase by 8%
3. If the rate of voluntary retirements were zero, then the DBO would decrease by 0.5%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position. The methods and the formula of the assumptions used for the defined analysis has not changed compared with the previous year.

Regarding the risks associated with the above mentioned plan, this plan is not funded and therefore no assets exist for this plan. Hence asset volatility or similar risks (e.g. low returns, asset concentration etc.) do not exist. The risks associated with the existing plan relate to the actuarial assumptions that are used in determining the liability, that must be reflected in the financial statements, and comprise potential changes in bond yields, which determine the discount rate, and assumptions relating to inflation rate of future salary increase that may affect the future cash flows of the plans.

## 18 Grants

| *Amounts in Euro* | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Balance at the beginning of the period | 3,699,045 | 4,508,385 |
| Amortization of grants | (809,341) | (809,341) |
| **Balance at the end of the period** | **2,889,704** | **3,699,045** |

Grants relate to investments in fixed assets (buildings, machinery equipment, transportation means).

## 19 Trade & Other Payables

| *Amounts in Euro* | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Suppliers | 44,020,448 | 44,594,605 |
| Down payments from customers | 183,620 | 1,292,972 |
| Social Security funds | 964,487 | 1,030,537 |
| Amounts due to related parties | 37,454,469 | 27,672,543 |
| Other debtors | 523,002 | 309,287 |
| Deferred Income | 2,489,075 | 2,178,971 |
| Accrued expenses | 56,652 | 25,169 |
| Other taxes and fees | 1,068,644 | 458,992 |
| **Total** | **86,760,397** | **77,563,074** |
| Long-term liabilities | 7,951,084 | 2,720,925 |
| **Total liabilities** | **94,711,481** | **80,283,999** |

| **Liabilities** | **<1 year** | **1- 2 years** | **2-5 years** |
|---|---|---|---|
| Borrowings | 93,748,368 | 18,410,801 | 39,732,958 |
| Trade and other creditors | 92,255,509 | 8,195,176 | - |
| **Total** | **186,003,877** | **26,605,977** | **39,732,958** |

**31/12/2016**

| **Liabilities** | **<1 year** | **1- 2 years** | **2-5 years** |
|---|---|---|---|
| Borrowings | 73,235,369 | 16,732,245 | 54,617,732 |
| Trade and other creditors | 74,780,574 | 2,808,840 | - |
| **Total** | **148,015,943** | **19,541,085** | **54,617,732** |

The above amounts are reflected in the contractual, non-discounted cash flows and therefore do not agree with the respective amounts presented in the financial statements. They concern supplier funds and other liabilities and loans.

### Financial Instruments per category

| Liabilities | Other financial liabilities |
|---|---|
| Long-term loans | 58,143,759 |
| Short-term loans | 93,748,368 |
| Suppliers and other liabilities | 86,760,397 |
| **Total** | **238,652,524** |

**Balance as of 31 December 2016**
*Amounts in Euro*

| Liabilities | Other financial liabilities |
|---|---|
| Long-term loans | 64,959,421 |
| Short-term loans | 73,235,369 |
| Suppliers and other liabilities | 77,501,499 |
| **Total** | **215,696,289** |

## 20 Provisions

### Long-term Provisions

| Amounts in Euro | Other Provisions | Total |
|---|---|---|
| **1st January 2016** | 53,297 | **53,297** |
| **31st December 2016** | **53,297** | **53,297** |
| Additional provisions of the period | 333 | **333** |
| **31st December 2017** | **53,631** | **53,631** |

## 21 Expenses per category

**31/12/2016**

| *Amounts in Euro* | Cost of goods & products sold | Distribution expenses | Administration expenses | Total |
|---|---|---|---|---|
| Cost of inventories recognized as an expense | (173,565,020) | (139,774) | (6,323) | **(173,711,117)** |
| Employee benefits | (8,900,296) | (1,282,952) | (1,705,221) | **(11,888,469)** |
| Energy | (15,465,866) | (105,194) | (629) | **(15,571,689)** |
| Depreciation and amortization | (10,413,840) | (619,449) | (358,122) | **(11,391,411)** |
| Taxes | (17,867) | (3,424) | (210,106) | **(231,396)** |
| Insurance premiums | (409,343) | (153,511) | (1,794) | **(564,648)** |
| Rental fees | (90,004) | (556) | (65,149) | **(155,709)** |
| Transportation expenses | (610,001) | (8,859,219) | (65,961) | **(9,535,181)** |
| Advertising and promotion expenses | (14,598) | - | (5,080) | **(19,678)** |
| Third party fees | (8,137,347) | (3,971,412) | (4,270,218) | **(16,378,977)** |
| Provisions for Bad receivables | (1,723) | (6,955,297) | (8,266) | **(6,965,286)** |
| Commissions | - | (30,388) | (30,388) | (60,775) |
| Other expenses | (1,057,960) | (973,828) | (346,808) | **(2,378,595)** |
| **Total** | **(218,683,864)** | **(23,095,001)** | **(7,074,066)** | **(248,852,931)** |

**31/12/2017**

| *Amounts in Euro* | Cost of goods & products sold | Distribution expenses | Administration expenses | Total |
|---|---|---|---|---|
| Cost of inventories recognized as an expense | (263,185,372) | (15,889) | (5,312) | **(263,206,573)** |
| Employee benefits | (9,603,842) | (1,135,704) | (1,687,242) | **(12,426,789)** |
| Energy | (17,599,003) | (106,893) | (8,467) | **(17,714,363)** |
| Depreciation and amortization | (10,104,498) | (635,569) | (370,350) | **(11,110,418)** |
| Taxes | (18,356) | (670) | (223,489) | **(242,515)** |
| Other Insurance premiums | (501,166) | (151,992) | (2,685) | **(655,843)** |
| Rental fees | (99,231) | (3,282) | (84,582) | **(187,095)** |
| Transportation expenses | (405,343) | (8,877,899) | (80,791) | **(9,364,033)** |
| Advertising and promotion expenses | (17,459) | - | (4,121) | **(21,580)** |
| Third party fees | (6,106,450) | (4,261,649) | (4,382,508) | **(14,750,607)** |
| Provisions for Bad receivables | - | - | (92,918) | **(92,918)** |
| Commissions | - | (377,775) | - | **(377,775)** |
| Exchange differences | - | (29,093) | (29,093) | (58,186) |
| Maintenance | (2,722,602) | (19,101) | (155,690) | **(2,897,393)** |
| Licenses and rights fees | (63,377) | - | (29,272) | **(92,649)** |
| BoD Fees | - | - | (209,167) | **(209,167)** |
| Other Expenses | 527,014 | (1,275,189) | (242,500) | **(990,675)** |
| **Total** | **(309,899,687)** | **(16,890,704)** | **(7,608,187)** | **(334,398,577)** |

## 22 Employee Benefits

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Employee remuneration & expenses | 9,690,894 | 9,315,432 |
| Social security expenses | 2,584,979 | 2,378,123 |
| Defined benefit contribution plan | 150,917 | 194,914 |
| **Total** | **12,426,789** | **11,888,469** |

The analysis of the above expenses to the Company's operations is as follows:

| | **COMPANY DATA** | |
|---|---|---|
| | **31/12/2017** | **31/12/2016** |
| Cost of goods & products sold | 9,603,842 | 8,900,296 |
| Distribution expenses | 1,033,046 | 978,623 |
| Administration expenses | 1,584,584 | 1,400,892 |
| Other expenses | 205,317 | 608,657 |
| **Total** | **12,426,789** | **11,888,469** |

## 23 Financial expenses

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| **Income** | | |
| Interest income | 9,798 | 631 |
| Other | - | 13,949 |
| **Total income** | **9,798** | **14,580** |
| **Expenses** | | |
| Interest expenses | (9,276,030) | (7,065,115) |
| Expenses for letters of guarantee | - | (24,566) |
| Other bank commissions | - | (168,463) |
| Interest on agency agreements without reduction | (44,803) | - |
| Foreign exchange differences | (29,661) | - |
| Losses from sale of participations | (38,581) | - |
| Other expenses | (9,126) | (3,598) |
| **Total expenses** | **(9,398,201)** | **(7,261,743)** |

## 24 Income Tax

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Deferred tax | 6,269,180 | 229,283 |
| **Total** | **6,269,180** | **229,283** |
| | | |
| **Accounting Profit / (loss) before tax** | 997,686 | 2,551,621 |
| | | |
| At statutory income tax rate of 29% | (289,329) | (739,970) |
| Non-deductible expenses for tax purposes | (145,000) | (233,745) |
| Tax-exempt income | - | 419,530 |
| Recognition of previously unrecognized tax losses, | 6,703,509 | 783,468 |
| **Tax included in the Income Statement** | **6,269,180** | **229,283** |

The tax rate for domestic companies active in Greece is 29%.

Taxable (expenses)/ income relating to other comprehensive income are analyzed as follows:

| | 31/12/2017 | | | 31/12/2016 | | |
|---|---|---|---|---|---|---|
| | Before Taxes | Tax (expense)/Income | After taxes | Before Taxes | Tax (expense)/Income | After taxes |
| Recognized actuarial gain/losses | (32,870) | 9,532 | (23,338) | (109,018) | 31,615 | (77,403) |
| | **(32,870)** | **9,532** | **(23,338)** | **(109,018)** | **31,615** | **(77,403)** |

The above amounts are related to deferred taxation.

## 25 Other comprehensive income

| *Amounts in Euro* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| **Other Income** | | |
| Grants of the Fiscal Year | 118,005 | 7,049 |
| Depreciation of grants received | 809,341 | 809,341 |
| Rental income | 51,972 | - |
| Profit from foreign exchange differences | 217,180 | 70,470 |
| Other operating income | - | 781,350 |
| Profit from sale of tangible assets | 11,563 | 1,000 |
| Commissions | 497,239 | - |
| Income from reversal of customer provisions | 93,251 | - |
| Other Income | 18,396 | 36,283 |
| **Total Other Comprehensive Income** | **1,816,946** | **1,705,493** |

## 26 Operating cash flows

| *Amounts in Euro* | **Note** | **31/12/2017** | **31/12/2016** |
|---|---|---|---|
| Profit / (loss) after income taxes | | 7,266,867 | 2,780,904 |
| Plus/Minus: Adjustments for: | | | |
| Tax | 24 | (6,269,180) | (229,283) |
| Depreciation of tangible assets | 6 | 11,409,383 | 11,391,411 |
| Amortization of intangible assets | 18 | (809,341) | (809,341) |
| Loss from the destruction/impairment of assets | 6 | 501,157 | 707,073 |
| (Profit) / loss from sale of fixed assets | 6 | (11,563) | (1,000) |
| (Profit) / loss from sale of participations | 8 | - | (19,759) |
| (Profit) / loss from investment activities (income, expenses, profit, losses) | | (15,648) | (41,539) |
| Interest expenses & related expenses | 23 | 9,398,201 | 7,261,743 |
| (Profit) / Losses from exchange differences | | (129,334) | - |
| Decrease / (Increase) in inventories | | (3,773,042) | (16,105,455) |
| Reduction / (Increase) in receivables | | (39,572,639) | (36,889,175) |
| (Decrease) / Increase in liabilities (excluding banks) | | 14,352,791 | 17,352,894 |
| Increase / (decrease) in provisions | | (333) | 69,787 |
| **Net cash flows from operating activities** | | **(7,652,680)** | **(14,531,741)** |

## 27 Commitments

The Company leases land, buildings, machinery, passenger transportation vehicles and other equipment with operating leases. The future payable total rentals under the operating leases are as follows:

| *Amounts in Euro* | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Less than 1 year | 95,108 | 83,067 |
| Between 1 and 5 years | 216,062 | 219,309 |
| More than 5 years | 1,329 | 9,305 |
| | **312,499** | **311,681** |

| **Amounts recognized in profit or loss** | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Charge of results | 187,095 | 155,709 |
| | **187,095** | **155,709** |

*Capital commitments*

There are no significant capital expenditures incurred but not executed at the date of preparation of the Financial Statements.

## 28 Contingent Liabilities/Receivables

*Amounts in Euro*

| **Liabilities** | **31-Dec-17** | **31- Dec -16** |
|---|---|---|
| Guarantees to secure liabilities to suppliers | 9,988,200 | 1,660,483 |
| Guarantees to secure liabilities to banks | 838,412 | - |
| Other liabilities | 53,297 | 53,297 |
| **Total** | **25,911,409** | **1,713,781** |
| **Receivables** | | |
| Guarantees to secure receivables from clients | 15,031,500 | - |
| **Total** | **15,031,500** | **-** |

## 29 Existing Collateral

The fixed assets incorporate mortgages and prenotations in favor of the banks amounting to € 85,636 thousand for a current loan account balance of € 71,363 thousand.

## 30 Related parties

The transactions below relate to transactions with related parties of the VIOHALCO Group.

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| **Sale of goods** | | |
| Subsidiaries | 55,556,577 | 45,146,190 |
| Affiliated | 1,115,625 | 497,099 |
| Other related parties | 136,315,336 | 121,907,705 |
| *Amounts in Euro* | 65,177,821 | 37,075,009 |
| | **258,165,358** | **204,626,004** |
| **Provision of services** | | |
| Subsidiaries | 401,191 | 413,806 |
| Affiliated | 162,391 | 1,538,970 |
| Other related parties | 69,367 | 157,948 |
| | **632,949** | **2,110,725** |
| **Sale of fixed assets** | | |
| Parent company | 15,000 | 1,000 |
| Other related parties | 242 | 9,242 |
| | **15,242** | **10,242** |
| **Purchase of goods** | | |
| Subsidiaries | 2,903,828 | 2,405,967 |
| Affiliated | 862,249 | - |
| Parent company | 9,851,927 | 9,195,494 |
| Other related parties | 39,244,830 | 45,422,488 |
| | **52,862,834** | **57,023,949** |
| **Purchase of services** | | |
| Subsidiaries | 6,147,874 | 5,228,456 |
| Affiliated | 43,852 | 11,869 |
| Parent company | 6,158,627 | 16,601,321 |
| Other related parties | 1,151,062 | 800,478 |
| | **13,501,415** | **22,642,124** |
| **Purchase of fixed assets** | | |
| Subsidiaries | 421,559 | 272,437 |
| Affiliated | - | 958 |
| Parent company | - | 81,014 |
| Other related parties | 110,362 | 44,289 |
| | **531,921** | **398,698** |

**Benefits to Management**

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| Fees - benefits to the members of the Board of Directors and executives included in staff costs | 483,434 | 407,840 |
| | **483,434** | **407,840** |

End-of-use balances arising from sales-purchases of goods, services, fixed assets, etc., with the companies of VIOHALCO group:

| *Amounts in Euro* | 31-Dec-17 | 31- Dec -16 |
|---|---|---|
| **Receivables from related parties:** | | |
| Subsidiaries | 13,146,966 | 9,437,524 |
| Affiliated | 252,486 | 133,172 |
| Parent company | 59,124,492 | 42,976,445 |
| Other related parties | 36,424,853 | 19,762,870 |
| | **108,948,798** | **72,310,011** |
| **Liabilities towards related parties:** | | |
| Subsidiaries | 5,431,257 | 4,245,079 |
| Affiliated | 30,022 | 15,356 |
| Other related parties | 31,993,190 | 23,412,107 |
| | **37,454,469** | **27,672,543** |

*(amounts expressed in thousand €)*

| | Sales of goods and provision of services | Sales of assets | Purchases of goods and provision of services | Purchases of assets | Receivables | Payables |
|---|---|---|---|---|---|---|
| **Parent company** | | | | | | |
| SIDENOR INDUSTRIAL SA | 136,477,727 | 15,000 | 16,010,554 | - | 59,124,492 | - |
| **Subsidiaries** | | | | | | |
| AEIFOROS SA | 79,323 | - | 3,804,811 | - | - | 3,959,733 |
| DOJRAN STEEL LLCOP | 7,080,646 | - | - | - | 8,639,060 | - |
| ERLIKON SA | 3,595,791 | - | 12,526 | - | 2,254,650 | - |
| ETIL SA | 280 | - | 3,846,441 | 421,559 | - | 776,904 |
| PRAKSIS SA | - | - | - | - | 60,000 | - |
| SIDERAL SHPK | 10,405,429 | - | - | - | 2,193,257 | - |
| SIDEROM STEEL SRL | 34,792,074 | - | - | - | - | 241,132 |
| THERMOLITH SA | 4,223 | - | 1,387,924 | - | - | 453,489 |
| **Affiliated** | | | | | | |
| DOMOPLEX LTD | 1,115,625 | - | - | - | 252,486 | - |
| SIDMA SA | - | - | 43,852 | - | - | 30,022 |
| VIENER | - | - | 862,249 | - | - | - |
| **Other related parties** | | | | | | |
| A.W.M. SPA | - | - | 12,952 | 15,360 | - | - |
| ALLPINE TRADING CO LIMITED | 818,139 | - | - | - | 523,183 | - |
| ANAMET SA | - | 242 | 35,122,468 | - | 25,491 | 11,448,357 |
| ANOXAL SA | - | - | - | - | - | 326 |
| ANTIMET SA | - | - | 6,209 | - | - | - |
| CENERGY HOLDINGS SA | - | - | (51) | - | - | 176,321 |
| CORINTH PIPEWORKS SA | 346 | - | 10,385 | - | - | 405,383 |
| ELKEME SA | - | - | 65,742 | - | - | 122,753 |
| ELVAL INDUSTRIAL SA | 19,800 | - | 168,819 | - | - | 4,116,849 |
| EPIPHANIOU PHANOS LTD | 13,609,940 | - | 2,525,119 | - | 1,571,291 | - |
| ERGOSTEEL SA | - | - | 5,400 | - | - | - |
| EVETAM SA | - | - | 57,238 | 8,300 | - | 92,612 |
| FULGOR SA | 10,800 | - | - | - | 15,575 | - |
| HALCOR SA | 101,800 | - | 62,727 | - | - | - |
| HELLENIC CABLES S.A. | - | - | 32,435 | 601 | - | 66,225 |
| LESCO OOD | - | - | 114,040 | - | - | - |
| METALIGN SA | - | - | 142,860 | - | - | 49,679 |
| NOVAL SA | - | - | 362 | - | - | - |
| SIDEBALK STEEL DOO | 1,362,346 | - | - | - | 666,177 | - |
| STEELMET PROPERTY SERVICES S,A, | 5,850 | - | 38,690 | - | - | 10,476 |
| STOMANA INDUSTRY SA | 49,318,167 | - | 1,328,579 | - | 33,620,225 | 12,024,518 |
| TECHNOLOGY OF METAL PROCESSING | - | - | 35,400 | - | - | 21,948 |
| TEKA SYSTEMS SA | - | - | 360,882 | 2,343 | - | 167,743 |
| VET SA | - | - | 154,845 | 80,000 | - | 109,008 |
| VIEXAL SA | - | - | 147,385 | - | - | 14,567 |
| VIOHALCO SA | - | - | 1,761 | - | - | 3,165,617 |
| VITRUVIT SA | - | - | 1,642 | 3,758 | - | 807 |
| STEELMET ROMANIA SA | - | - | - | - | 2,911 | - |

Services from and to related parties as well as sales and purchases of goods are made in accordance with the price lists applicable to non-affiliated parties. There are no specific terms of payment for the amounts due and they are interest-free,

**Dividend income**

SOVEL A.E. has income from dividends from the associated STEELMET of € 6 thousand, (2016: € 65 thousand)

## 31 Fiscal Years non-audited by tax authorities

The Company has not been audited by the competent tax authorities for the fiscal year 2009. On 27/08/2010 the Company received an audit order for the fiscal year 2009.

However, pursuant to the relevant tax provisions of: (a) paragraph 1 of article 84 of law 2238/1994 (unaudited income tax cases), b) paragraph 1 of article 57 of Law 2859/2000 (non-audited VAT cases and (c) of paragraph 5 of Article 9 of Law 2523/1997 (imposition of fines for income tax cases), the right of the State to impose the tax for the fiscal years up to 2011 is time-barred until 31/12/2017, subject to special or exceptional provisions which may provide for a longer limitation period and subject to conditions which they define.

Moreover, according to settled case-law of the Council of State and the Administrative Courts, in the absence of a limitation provision contained in the Code on Stamps Law, the State's claim for stamp duty is subject to the twenty-year limitation period laid down in Article 249 of the Civil Code.

The Company was audited for the years 2011-2016 and received a tax compliance certificate with unqualified opinion. For the fiscal year 2017, the tax audit is already carried out by the audit firm PricewaterhouseCoopers SA. From the conduct of this tax audit, the Company's management does not expect to incur significant tax liabilities other than those recorded and presented in the financial statements.

## 32 Number of Personnel

The number of employees at the end of the year end was 355 people. For the corresponding period of 2016 Company’s personnel amounted to 341 employees.

## 33 Events after the Balance Sheet date

The most important events that took place after the date of the Financial Statements are:

- Sale of $CO_2$ emissions against the amount of € 4,265,800 during the month of April,
- Adoption by the Bondholders of the application for amendment of the terms of the Syndicated Bond Loan of the company amounting to € 71,363,000. In particular, an extension of the repayment was approved until December 2023 and a fixed margin until its expiration,

## 34 Important events

The most important events that took place during the financial year 2017 are as follows:

During the financial year 2017, the Bondholders of the Syndicated Bond Loan amounting to € 71,363,000, accepted the Company's request for refinancing the repayment installments of the year at maturity. The total amount of installments transferred amounted to € 7,136,300 .

Athens, September 7, 2018

| The Chairman of the BoD | The Executive Director | The Financial Manager |
|---|---|---|
| **Kalafrentzos Georgios**<br>**ID Card no F 147183** | **Passas Georgios**<br>**ID Card no F 020251** | **Karanikolas T. Nikolaos**<br>**ID Card no. AI 142104**<br>**LICENCE No 0113872, A' CLASS** |