**Annual Financial Report**
**For the Period from 1st of January to 31st of December 2019**
**In accordance with International Financial Reporting Standards ("I.F.R.S.")**

**SOVEL HELLENIC STEEL PROCESSING COMPANY S.A.**

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

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## Annual 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 2019 (01.01.2019 - 31.12.2019). The Report has been drafted and is in line with the relevant provisions of Law 4548/2018.

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 S.A. (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:

### I. Significant Events for the financial year 2019

During 2019 the Company proceeded to the sale of its participation at the subsidiary "ERLIKON WIRE PROCESSINGS S.A." for a price of EUR 52 983.

Also, the Company issued a new bond loan of 3,200,000 Euros amount in order to purchase mechanical equipment.

**Decisions of the Ordinary General Assembly**

At the Ordinary General Assembly of the shareholders that took place in Athens on 16th July 2019 the following decisions were made:

1. Submission for approval of the annual financial statements for the fiscal year that ended on 31 December 2018 with the reports of them by the Board of Directors and Auditors.
2. Approval of the Board of Directors management and discharge of the auditors from any liability for the year 2018.
3. Election of auditors for the year 2019 and determination of their remuneration.
4. Approval of the Board of Directors Members' remuneration according to the article 109 par.1 L. 4548/2018.
5. Election of members of the New Board of Directors.

### II. Significant Transactions with Related Parties

Related party transactions primarily concern the purchase and sale and processing of finished products (finished and semi-finished) of steel. 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 2019 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:

| | **Sales of Goods and Services** | **Purchases of Goods and Services** | **Receivables** | **Liabilities** | **Purchases of Fixed Assets** |
|---|---|---|---|---|---|
| **Parent** | **178,294,070** | **15,907,122** | **75,660,797** | **150,092** | **7,960** |
| SIDENOR INDUSTRIAL SA | 178,294,070 | 15,907,122 | 75,660,797 | 150,092 | 7,960 |
| **Subsidiaries** | **-** | **31,763** | **-** | **31,130** | **17,039** |
| SIDMA SA | - | 31,763 | - | 31,130 | 17,039 |
| **Other related parties** | **58,460,396** | **112,155,677** | **13,576,615** | **20,569,599** | **572,330** |
| AEIFOROS SA | 39,270 | 2,968,560 | - | 3,904,458 | - |
| ANAMET SA | 1,290 | 38,881,926 | 29,741 | 10,571,505 | - |
| ANOXAL SA | - | - | - | 326 | - |
| ANTIMET SA | - | 13,886 | - | 12,165 | - |
| AWM | - | 38,217 | - | 3,320 | 48,930 |
| CENERGY HOLDINGS SA | - | - | - | 176,321 | - |
| CORINTH PIPEWORKS SA | 464 | 18,576 | - | 425,116 | - |
| DOJRAN STEEL LLCOP | 6,801,695 | - | 6,549,944 | - | - |
| DOMOPLEX LTD | 1,681,207 | - | 106,213 | - | - |
| ELKEME SA | - | 88,560 | - | 171,678 | - |
| ELVALHALCOR SA | 21,600 | 130,219 | - | 4,106,708 | - |
| ERLIKON SA | 652,755 | 26,656 | 350,751 | - | - |
| ETIL SA | 5,291 | 1,045,595 | 65,144 | - | 290,819 |
| FULGOR SA | 16,800 | - | 3,054 | - | - |
| HELLENIC CABLES SA | - | 39,984 | - | 24,094 | 20,905 |
| INTERNATIONAL TRADE | - | 63,877,484 | 546,278 | - | - |
| LESCO OOD | - | 92,161 | - | 92,161 | - |
| METALIGN S.A. | - | 264,007 | - | 10,676 | - |
| NOVAL PROPERTY REIC | - | 135 | - | 148 | - |
| NOVAL SA | - | 143 | - | - | - |
| SIDEBALK STEEL DOO | 6,977,317 | - | 614,697 | - | - |
| SIDERAL SHRK | 1,990,968 | 40,145 | 132,195 | 40,145 | - |
| SIDEROM STEEL SRL | 21,867 | 189,227 | 4,299 | 189,227 | - |
| SIGMA IS SA | - | 450 | - | 84,274 | 83,824 |
| STEELMET PROPERTIES SA | - | 51,179 | - | 15,822 | - |
| STEELMET ROMANIA SA | - | - | 2,911 | - | - |
| STEELMET SA | - | - | - | - | - |
| STOMANA IDUSTRY SA | 40,245,499 | 1,315,997 | 5,170,526 | 157,395 | - |
| TEKA SYSTEMS SA | - | 200,602 | - | 47,266 | 127,435 |
| VIOHALCO SA | - | 1,761 | - | 149 | - |
| VIENER SA | - | 1,568,786 | 861 | 104,264 | - |
| VIEXAL SA | - | 130,605 | - | 46,970 | 417 |
| VITRUVIT SA | 4,372 | 1,170,816 | - | 385,411 | - |
| **Total** | **236,754,465** | **128,094,563** | **89,237,412** | **20,750,821** | **597,329** |

**Remuneration of Management and the Board Members**

The Remuneration of Management and the Board Members are presented at the following table:

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Remuneration of Management and Board Members included in employee benefits | 382,098 | 549,400 |

## III. Branches

The Company has the following branches:

- 33 Amarousiou Chalandriou, 15125 Marousi –Attica Offices.
- Area Tsigeli Platanou, 37100 Almyros of Magnisias-Manufacturing Plant.
- Tsigeli Position, 37100 Almyros of Magnisias – Warehouse.
- 245 Klm. N.R. Athinon-Agriniou, 30200 Messologi: Warehouse.

The main business of Tsigeli in Magnesia plant is the production and trading of Steel products.

## IV. Evolution and Performance of the Company

In year 2019 the Company's turnover, amounted to 328,841 thousand euros compared to 372,229 thousands euros in 2018, presenting an (11.66%) decrease. This decrease is mainly attributed to the deceleration of the European industrial production and to the increasing trade protectionism that affected negatively the international trade and contributed to the fall in demand of the steel products, including the concrete reinforcement steel and the semi-finished products. The results before tax amounted to losses of (8,539) thousands euros for the year 2019 compared to losses of (1,586) thousands euros for the year 2018.

The distribution and administration expenses of the Company amounted to 20,362 thousands euros for the year 2019, compared to 23,583 thousands euros for 2018, while the financial results for the year amounted to (7,989) thousands euros compared to (8,321) thousand euros in 2018

**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 indicative of current liabilities coverage by current receivables and it is calculated from the ratio of current assets to short-term liabilities. The figures derive from the Statement of Financial Position. For the years 2019 and 2018 the ratio is as follows:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Current Assets / Short-term Liabilities | 1.06 | 1.11 |

**Gearing:** Constitutes an indication of leverage and is calculated by the ratio of equity to loans. Amounts are used as presented in the Statement of Financial Position. For 2019 and 2018 the ratio is as follows:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Equity / Total Borrowing* | 0.52 | 0.62 |

*Total Borrowing: They form the total of the short-term and long-term bond and bank loans, of the factoring with right of recourse, as well as the short-term and long-term leasing liabilities.

**Return on Capital employed:** Constitutes a measurement of the return on equity and loans invested capital and is measured by the ratio of the operating result to the equity plus borrowed funds. Amounts are used as presented in the Income Statement and in the Statement of Financial Position. For the years 2019 and 2018 the ratio was as follows:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Operating Result / (Equity + Total Borrowing*) | (0.23%) | 2.80% |

**Profitability:**

| | 2019 | 2018 |
|---|---|---|
| Gross Profit Margin (Gross Profit / Sales) | 5.07% | 6.43% |
| Net Profit Margin (Net Profit / Sales) | (3.01%) | 0.97% |
| EBITDA** | 10,726,888 | 17,595,159 |
| EBITDA Margin** (EBITDA / Sales) | 3.26% | 4.73% |

** EBITDA: Constitutes the Company's profitability index before taxes, financial expenses, depreciation and amortisation. It is calculated by adjusting depreciation in operating profit as it is reported in the income statement..

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Operating profit / (loss) | (549,852) | 6,734,237 |
| Adjustments for: | | |
| + Depreciation of tangible fixed assets | 10,850,515 | 11,670,263 |
| + Depreciation of right of use assets | 1,224,152 | - |
| + Amortisation of intangible assets | 11,416 | - |
| - Amortisation of grants | (809,343) | (809,341) |
| **EBITDA**** | **10,726,888** | **17,595,159** |

## V. Non-financial information

**Business Model**

The Company is active in the steel industry, manufacturing 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 until 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**

Innovation and technological excellence
Exporting activity in over 20 countries
ISO 9001, ISO 14001, OHSAS 18001 management systems
Internationally registered trademark SIDENOR
Customer-centric philosophy
Strict steel production standards

**Cost structure**

Maintenance of infrastructure and equipment of production facilities

Product and plant certifications

**Revenue structure**

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, has established and implements 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 applied the following 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).

## Labour 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.

**Labour indicators**

| | 2019 | 2018 |
|---|---|---|
| Number of employees | 494 | 389 |
| Workers' Mobility (Turnover) | 4.05% | 5.14% |
| % of women in total human resources | 3.23% | 3.34% |

*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 led 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 level. SOVEL is opposed to child labour and condemns all forms of forced and compulsory labour. 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, during 2019, as in previous years, no cases of child labour or forced labour 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 (H & 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. SOVEL 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 indices**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Event Frequency Index (LTIR) | 7.203 | 5.18 | 4.018 |
| Incident severity index (SR) | 0.577 | 0.064 | 0.147 |
| Fatal events | - | - | - |

*LTIR: Lost time incident rate (number of security incidents / incidents with a full-time absence of work per $10^6$ working hours)*

*SR: Severity rate (number of days of absence per $10^6$ working hours).*

## 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 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 2019, as in previous years, no corruption / bribery incident has occurred.

## 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 commitment 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.

| | **2019** | **2018** |
|---|---|---|
| Specific emissions of CO2 (kg / tn of product) | 623 | 605 |
| Specific water consumption ($m^3$ / tn of product) | 1.17 | 1.18 |

## 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.

<u>*Note:*</u>
*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..*

## VI. Main Risks

The Company through the use of its financial instruments is exposed to credit risk, liquidity risk and market risk. This note provides information on the Company's exposure to each of the above risks, the Company's objectives, its policies and procedures for risk measurement and management, and the Company's capital management. More figures for these disclosures are included in the full range of the consolidated financial statements.

The Company's risk management policies are applied to identify and analyze the risks faced by the Company and to set risk-taking limits and to apply controls on them. Risk management policies and related systems are reviewed periodically to incorporate changes observed in market conditions and the Company's activities

The supervision of compliance with risk management policies and procedures is entrusted to the Internal Audit Department, which carries out regular and extraordinary audits on the implementation of procedures, the findings of which are communicated to the Board of Directors.

**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.
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.

**Risk of products' price fluctuation**

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

The main market risk lays on 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 inventory. The Company makes use of hedging instruments by using derivative financial products where available.

**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.

**Interest rate risk**

The Company finances its investments and its working capital 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 directly or indirectly through the use of financial instruments (interest rates Swaps).

**Guarantees**

The policy of the Company is not to provide 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. 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.

| | | **31.12.2019** | **31.12.2018** |
|---|---|---|---|
| Debt Ratio | $\frac{\text{Non-current Liabilities}}{\text{Non-current Liabilities + Total Equity}}$ | 0.50 | 0.48 |

| | | **31.12.2019** | **31.12.2018** |
|---|---|---|---|
| Index of Assets' Financing | $\frac{\text{Total Equity}}{\text{Total non-current asset}}$ | 52.58% | 58.54% |

The leverage ratios as of 31 December 2019 and 2018 respectively were as follows:

| | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Total borrowing | 156,932,185 | 148,714,911 |
| *Minus:* | | |
| Cash and Cash equivalents | (1,017,311) | (1,723,431) |
| **Net borrowing** | **155,914,874** | **146,991,480** |
| Total Equity | 81,783,048 | 91,999,134 |
| **Total capital employed** | **237,697,922** | **238,990,614** |
| **Leverage rate** | **66%** | **62%** |

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

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

***Fair value estimation***

The fair value of financial instruments traded in active markets (stock exchanges) (such as derivatives, shares, bonds and mutual funds) is based on quoted market prices at the balance sheet date. The offer price is used for financial assets, while the bid price is used for financial liabilities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques and assumptions that are based on market conditions existing at each balance sheet date.

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.

**Risks of macroeconomic environment**

The Company has evaluated possible consequences on the financial risks' management due to the macroeconomic conditions of the markets it is active in.

The macroeconomic and financial environment of Greece presents signs of improvement, but certain insecurities continue to exist. Management continuously assesses the likely impact of any changes in the macroeconomic and financial environment in Greece so as to ensure that all necessary actions and measures are taken to minimize any impact on the Company's activities. Management is not in a position to accurately predict possible developments in the Greek economy, but based on its assessment, it has concluded that no significant additional impairment provisions are required for the Company's financial and non-financial assets as at 31 December 2019.

SOVEL's strong customer base outside of Greece minimizes the liquidity risk that can derive from the uncertainty of Greece's economic environment.

United Kingdom's exit from the European Union, will not affect the Company as the relevant sales amounted to 0.01% percentage for 2019. Consequently, the currency fluctuations due to BREXIT will not impact the Company's operation.

Concerning the imposition of duties on USA steel imports, the Company closely follows the developments. However, the Company will not be affected, as it does not have sale operations in the USA.

With regards to the devaluation of the Turkish lira, the Company keeps track of the developments as this strengthens the competitiveness of the Turkish companies with export character, due to reduced production cost. The sales of the Company in Turkey amounted to 1.1% of the total turnover compared to 0.2% in 2018.

SOVEL closely and continuously monitors developments both internationally and domestically and adapts 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 4 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 provision for cash flows 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 assets to meet its operational needs.

The Company has direct access to sources of finance and historically refinances 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 continues to maintain the "going concern principle" in the preparation of the financial statements for the year ended 31 December 2019.

**Credit rating at cash and cash equivalents**

| | 31.12.2019 | 31.12.2018 |
|---|---:|---:|
| Caa1 | 1,002,752 | 1,722,505 |
| Caa2 | 12,740 | 0 |
| **Total** | **1,015,492** | **1,722,505** |

**Operational Risks**

Developments that could negatively affect the Greek economy are beyond the control of the Company and Management is not in a position to forecast 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 in the event that a customer 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 financial derivative contracts.

The Company's exposure to credit risk is mainly affected by the characteristics of each client. Demographics of the Company's customer base, including the default risk of the particular market and the country in which customers operate, have less impact on credit risk as there is no geographical concentration of credit risk.

The Board of Directors has set a credit policy based on which each new client is examined on an individual basis for its creditworthiness before the usual payment terms are proposed. Credit limits are defined for each customer, which are reviewed according to current conditions and adjusted, if necessary, the terms of sales and receipts. Customer credit limits are generally determined on the basis of the insurance limits received for them by insurance companies, and then claims are insured against these limits.

In monitoring the credit risk of customers, customers are grouped according to their credit characteristics, the maturity characteristics of their receivables and any past receivables issues that they have occurred. Customers and other receivables include mainly wholesalers of the Company. Clients classified as "high risk" are placed in a special customer account and future sales must be pre-paid. Depending on the client's background and status, the Company seeks, where possible, interest or other collateral (e.g. letters of guarantee) to secure its claims.

The Company recognizes an impairment provision that represents the measurement of losses and expected losses for losses in relation to customers, other receivables and investments in debt securities. This provision mainly consists of impairment losses on specific receivables and is estimated on the basis of the conditions that they will be realized but not yet finalized, as well as from the provision for the expected credit losses according to the Company's study adopted for the application of I.F.R.S. 9.

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

## VII. Evolution of Activities for 2020

The developments during 2020 preserve the macroeconomic and financial environment in the country as volatile and the return to economic stability depends on a large extent on the actions and decisions of domestic and abroad institutions.

The economic uncertainty of the country's economic environment constitutes a major risk factor where any adverse developments may negatively 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 Almiro, Magnisias, Greece, continuously assesses the situation and takes all necessary and possible 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 constitute non-negotiable goals, inextricably linked to the operation of the company.

## VIII. Subsequent events after 31 December 2019

On December 2019 at China the COVID-19 virus appeared, which rapidly transmitted globally, resulting in the World Health Organization declaring the COVID-19 outbreak as a pandemic on 11 March 2020.

Responding to the possible serious threat that the virus presents to the public health, the Greek Authorities as well as the majority of the governing authorities around the globe, moved to social and economic activities restriction, so as to prevent the rapid spread of the virus that include among other, restrictions in the cross-borders transportation of people, in the entrance of foreign visitors, the closing of educational institutions, restaurants, shopping stores (excluding the food stores), entertainment and exercise centers and the under-conditions curfew. Part of these restrictions are still in force.

The virus spread and the aforementioned restricting measures, marked a series of negative conditions for the world economy. The wide economic consequences of these events include:

- Disruption in business at a global level with heavy impact on supply chains.
- Suspension in operation of business in certain sectors as well as businesses that heavily rely on foreign markets. The areas affected include trade and transports, travels and tourism, entertainments, constructions, retail trade, education and others.
- Significant drop in demand for non-essential goods and services.
- Rise in the economic uncertainty, reflected in unstable prices and foreign exchange rates and the sharp decrease in the stock exchange rates globally.

In order to face the crisis in a financial level, the Greek Government with Legislative Acts, has moved to the provision of support measures for the companies affected. According to the Business Activity Codes, the Company is included in the affected businesses and can, if deemed necessary, make use of the measures for the companies' support, established by the Government.

The Company, which based on its multi-year experience, has been proven able to face and adapt timely to the new market conditions during the pandemic outbreak, continues smoothly its operations, remaining competitive in the new demanding environment not only by preserving but also by strengthening its long-time collaborations with its customers and suppliers.

Therefore, and despite the uncertainty, the Management believes that – even in the worst-case scenarios – the Company is able to withstand the crisis challenges for the following reasons:

- It has maintained the cash equivalents at the same level as of 31 December 2019.
- There are credit lines available that can be used in case considered necessary.
- There is no precarious situation under the Management's knowledge at this time.
- The crisis has not affected significantly the supply chain of the Company, allowing the Company to preserve a satisfactory level of stock so as to respond to the current demand, while no important issues are expected to rise in the following months.

Expecting that the special conditions shaped will affect the market's operation throughout 2020, the Management appreciates that the negative impact in sales will revolve around -6% in an annual basis compared to the previous year figures.

The total impact in Company's figures will depend on the spread and the duration of the pandemic and also from the more general conditions in the economy as a whole.

With the current conditions, the uncertainty and the new business environment shaped after the crisis, the Company has set as first priority the shielding of its liquidity and financial position and also the maintenance of its operational results in a satisfactory level.

In the context of further shielding of its liquidity, the Company by adopting part of the Greek Government's support measures, submitted a request to the bondholders of its Bond Loans of suspension of the bond's capital (installments) with simultaneous transfer of the maturity date of the bond loans repayment program by nine (9) months. The Company received the consent of the Bondholders for maturity date extension of its 27 June 2020 bonds for nine (9) months, namely until 27 March 2021 and expects their consent for the rest of the repayment program.

Athens, 15 July 2020

The Vice-Chairman of the BoD

Nikolaos Mariou
ID No AE 083192

**Independent Auditor's Report**
**(Translated from the original in Greek)**

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

### Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of SOVEL HELLENIC STEEL PROCESSING COMPANY S.A. (the "Company") which comprise the Statement of Financial Position as at 31 December 2019, the Statements of Comprehensive Income and Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of SOVEL HELLENIC STEEL PROCESSING COMPANY S.A. as at 31 December 2019 and its financial performance and its cash flows for the year then ended, in accordance with the International Accounting Standards, as adopted by the European Union

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, which has been incorporated in Greek legislation, and the ethical requirements that are relevant to the audit of the financial statements in Greece and we have fulfilled our ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The Financial Statements of the Company for the prior year ended 31 December 2018 were audited by another Audit Firm, for which the Certified Auditor issued an audit report on 16th June 2019 expressing an unmodified opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the International Financial Reporting as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, which have been incorporated in Greek legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.
As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

Taking into consideration that Management is responsible for the preparation of the Board of Directors' Report, pursuant to the provisions of paragraph 5 of Article 2 (part B) of Law 4336/2015, we note that:

a) In our opinion, the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of Article 150 of L. 4548/2018 and its contents correspond with the accompanying Financial Statements for the year ended 31 December 2019.

b) Based on the knowledge acquired during our audit, relating to SOVEL HELLENIC STEEL S.A. and its environment, we have not identified any material misstatements in the Board of Directors'

Athens, 28th July 2020

KPMG Certified Auditors S.A.
AM SOEL 114

Alexandros Petros Veldekis, Certified Auditor Accountant
AM SOEL 26141

**Annual Financial Statement**

**Of the year from 1st January 2019 until 31st December 2019**

**According to the International Financial Reporting Standards ("I.F.R.S.")**

**Contents**

## Statement of Financial Position

| *Amounts in Euro* | | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | 144,367,465 | 150,971,267 |
| Rights of use assets | 17 | 5,029,795 | - |
| Intangible assets and goodwill | | 116,020 | 1 |
| Investments in subsidiaries | 18 | - | 148,562 |
| Investments in associates | 19 | 4,570,682 | 4,570,682 |
| Other investments | 20 | 166,473 | 166,473 |
| Other non-current receivables | 14 | 1,283,369 | 1,286,527 |
| **Total non-current assets** | | **155,533,804** | **157,143,511** |
| | | | |
| **Current assets** | | | |
| Inventories | 13 | 65,333,798 | 77,670,785 |
| Trade and other receivables | 14 | 105,833,914 | 104,910,694 |
| Cash and cash equivalents | 15 | 1,017,311 | 1,723,431 |
| **Total current assets** | | **172,185,023** | **184,304,910** |
| **Total assets** | | **327,718,827** | **341,448,421** |
| | | | |
| **EQUITY** | | | |
| Share Capital | 21 | 40,981,356 | 40,981,356 |
| Share premium | 21 | 47,611,049 | 47,611,049 |
| Other reserves | 21 | 41,324,658 | 41,324,658 |
| Retained Earnings/(losses) | | (48,134,015) | (37,917,929) |
| **Total Equity** | | **81,783,048** | **91,999,134** |
| | | | |
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Loans and Borrowings | 22 | 60,923,000 | 64,363,000 |
| Lease liabilities | | 3,976,816 | - |
| Deferred tax liabilities | 12 | 14,527,097 | 13,272,811 |
| Employee benefits | 11 | 2,255,231 | 1,780,725 |
| Grants | 24 | 1,271,021 | 2,080,364 |
| Provisions | 25 | 53,631 | 53,631 |
| Other non-current liabilities | 23 | - | 2,137,636 |
| **Total non-current liabilities** | | **83,006,796** | **83,688,167** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 68,717,793 | 81,120,214 |
| Contract liabilities | 7 | 2,176,987 | 287,161 |
| Current tax liabilities | | 1,834 | 1,834 |
| Loans and Borrowings | 22 | 90,858,316 | 84,351,911 |
| Lease liabilities | | 1,174,053 | - |
| **Total current liabilities** | | **162,928,983** | **165,761,120** |
| **Total liabilities** | | **245,935,779** | **249,449,287** |
| **Total equity and liabilities** | | **327,718,826** | **341,448,421** |

The notes of pages 7 to 39 are integral part of these financial statements.

## Statement of Comprehensive Income

| *Amounts in Euro* | | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | 7 | **328,841,174** | **372,228,520** |
| Cost of Sales | 9 | (312,177,436) | (348,303,051) |
| **Gross Profit** | | **16,663,738** | **23,925,469** |
| Other income | 8 | 3,244,066 | 6,391,671 |
| Distribution expenses | 9 | (13,527,553) | (15,746,362) |
| Administration expenses | 9 | (6,834,524) | (7,836,541) |
| Other expenses | 8 | (95,579) | - |
| **Operating expenses** | | **(549,852)** | **6,734,237** |
| Finance income | 10 | 2,312 | 7,902 |
| Finance expenses | 10 | (8,011,905) | (8,337,249) |
| Income from dividends | 27 | 20,250 | 8,550 |
| **Net financial result** | | **(7,989,343)** | **(8,320,797)** |
| **Profit/(losses) before tax** | | **(8,539,195)** | **(1,586,561)** |
| Income tax | 12 | (1,355,711) | 5,207,482 |
| **Profit/(losses) after taxes** | | **(9,894,906)** | **3,620,921** |
| **Other Comprehensive Income that will never be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit liability | 11 | (422,606) | (176,020) |
| Related tax | 12 | 101,425 | 44,005 |
| **Total other comprehensive income after taxes** | | **(321,181)** | **(132,015)** |
| **Total comprehensive income after taxes** | | **(10,216,087)** | **3,488,906** |

The notes of pages 7 to 39 are integral part of these financial statements.

## Statement of changes in equity

| *Amounts in Euro* | Share Capital | Share Premium | Other reserves | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance as of 1st of January 2018** | **40,981,356** | **47,611,049** | **41,324,658** | **(41,373,694)** | **88,543,369** |
| Change in accounting principle (IFRS 9) | - | - | - | (33,141) | **(33,141)** |
| **Adjusted Balance 1st January 2018** | **40,981,356** | **47,611,049** | **41,324,658** | **(41,406,835)** | **88,510,228** |
| Profit/(loss) that was recognized directly in equity | - | - | - | (132,015) | **(132,015)** |
| Net profit of the period | - | - | - | 3,620,921 | **3,620,921** |
| **Total comprehensive income** | **-** | **-** | **-** | **3,488,906** | **3,488,906** |
| **Balance as of 31st December 2018** | **40,981,356** | **47,611,049** | **41,324,658** | **(37,917,929)** | **91,999,134** |
| **Balance as of 1st January 2019** | **40,981,356** | **47,611,049** | **41,324,658** | **(37,917,929)** | **91,999,134** |
| Profit/(loss) that was recognized directly in equity | - | - | - | (321,181) | **(321,181)** |
| Net profit/(loss) of the period | - | - | - | (9,894,906) | **(9,894,906)** |
| **Total comprehensive income** | **-** | **-** | **-** | **(10,216,087)** | **(10,216,087)** |
| **Balance as of 31st of December 2019** | **40,981,356** | **47,611,049** | **41,324,658** | **(48,134,015)** | **81,783,048** |

The notes of pages 7 to 39 are integral part of these financial statements.

## Cash Flows Statement

| *Amounts in Euro* | | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) after taxes | | **(9,894,906)** | **3,620,921** |
| **Adjustments for:** | | | |
| Income tax | 12 | 1,355,711 | (5,207,482) |
| Depreciation of tangible assets | 16 | 10,850,515 | 11,670,263 |
| Depreciation of right of use assets | 17 | 1,224,152 | - |
| Amortization of intangible assets | | 11,416 | - |
| Amortization of grants | 24 | (809,343) | (809,341) |
| Net financial cost | 10,27 | 7,989,343 | 8,320,797 |
| Losses from sale of subsidiary | 8 | 95,579 | - |
| Losses from write off of property plant and equipment | | 810,887 | 978,558 |
| (Gains)/Losses from foreign exchange differences | | (239,543) | (292,851) |
| | | **11,393,811** | **18,280,865** |
| **Variations in working capital:** | | | |
| Decrease / (Increase) in inventory | | 12,336,987 | (12,855,579) |
| Decrease / (Increase) in receivables | | (862,857) | 21,378,925 |
| (Decrease) / Increase in liabilities (excluding banks) | | (14,779,732) | (10,977,137) |
| Decrease / (Increase) in contract liabilities | | 1,889,826 | 103,542 |
| (Decrease) / Increase in defined benefit obligation | | 51,900 | 3,602 |
| Reversal of provisions | | (20,596) | (431,426) |
| | | **(1,384,472)** | **(2,778,073)** |
| Interest paid | | (7,876,361) | (8,577,175) |
| **Net cash flows from operating activities** | | **2,132,978** | **6,925,617** |
| **Cash flows from investment activities** | | | |
| Purchase of tangible assets | 16 | (5,057,600) | (5,481,616) |
| Purchase of intangible assets | | (127,436) | - |
| Proceeds from sales of investments | | 52,983 | - |
| Dividends received | | 20,250 | 8,550 |
| Interest received | | 2,312 | 7,902 |
| **Net cash flows from investment activities** | | **(5,109,491)** | **(5,465,164)** |
| **Cash flows from financing activities** | | | |
| Loans received | | 8,371,180 | 38,724 |
| Loans settlement | | (5,000,000) | (2,544,738) |
| Payment of lease liabilities | | (1,100,788) | - |
| **Net cash flows from financing activities** | | **2,270,392** | **(2,506,015)** |
| **Net (decrease) in cash and cash equivalents** | | **(706,121)** | **(1,045,562)** |
| Cash and cash equivalents on 1st of January | 15 | 1,723,431 | 2,768,993 |
| **Cash and cash equivalents on 31st December** | | **1,017,311** | **1,723,431** |

The notes of pages 7 to 39 are integral part of these financial statements.

## Notes on Financial Statements

# 1 General Information

SOVEL HELLENIC STEEL PROCESSING COMPANY S.A. (hereafter “SOVEL” or “Company”) was set up and headquarters in the Prefecture of Attiki, in the Municipality of Athens, 2-4 Mesogeion Street. The Company’s website address is ***www.sovel.vionet.gr***.

The Company’s duration is set until 31st December 2200 and is recorded at the Societe Anonymes’ Register with the number 23635/01/B/91/534 (93) and at the Hellenic Business Registry with registry number 2294101000.

The Company operates in Greece and in the broader region of the Balkans and Europe and is a subsidiary of SIDENOR STEEL PRODUCTS MANUFACTURING COMPANY S.A. while the final parent company is VIOHALCO S.A. which is a listed company at the Euronext Stock Exchange of Brussels and the Athens Stock Exchange. The Company’s financial statements are included in the consolidated financial statements of the parent company VIOHALCO S.A. The main activities of the Company are the industrial manufacturing and trade of iron and steel products.

The Financial Statements have been approved for publication by the Company’s Board of Directors on 15 July 2020 and are subject to approval by the Regular General Assembly that will convene on 30 July 2020. The Financial Statements are available at the Company’s website.

# 2 Basis of preparation of the financial statements

## 2.1 Compliance statement

The Company’s Financial Statements have been composed according to the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) as well as the interpretations of the above, as adopted by the European Union based on the going concern principle.

## 2.2 Measurement basis

The Financial Statements have been composed according to the historical cost principle apart from the evaluation of certain financial elements of assets and liabilities and the retirement programs of determined benefits that are measured on fair value.

## 2.3 Functional and presentation currency

Items included in the Consolidated Financial Statements of the Group’s subsidiaries are recorded and presented using the currency of the country in which the Company operates, that is their functional currency. The Consolidated Financial Statements are presented in euros (€), the Company’s functional currency.

## 2.4 Use of estimates and assumptions

The preparation of financial statements according to the IFRs, requires the conduct of estimates and the adoption of assumptions from the Management, that could affect the assets’ and liabilities’ balances, as well as the expenses’ and incomes’ amounts. The real results could differ from the above estimates. However, based on the Management’s evaluation, no further impairment provisions for the Company’s financial and non-financial assets on 31st December 2019, are required.

The estimates and the relevant assumptions are re-evaluated at regular intervals. Deviations derived from the accounting estimates are recognized at the period in which they are re-evaluated, if they concern only the current period, or if they also concern future periods the deviations affect the current and the future periods.

The accounting estimates used by Management at the implementation of the accounting policies, that are expected to have significant impact on the Company's Financial Statements are the following:

- The useful lives and residual values of the depreciated tangible and intangible assets.
- The amount of bad debt provisions.
- The amount of tax income provisions for non-audited periods.
- The amount of indemnities provisions.
- The use of the going concern principle.

Information on the above estimates and assumptions that could have significant impact on the Company's Financial Statements are described below:

**a) Measurement of the bad debt provision (notes 4, 14).**

The Company forms provision for receivables' impairment when there is objective indication that it will not be able to collect the total receivables' amount based on the terms of the sales contracts. As an objective indication of no-collection of the Company's receivables can be perceived the information received for the following:
Significant financial difficulties of the customer, the possibility of beginning of integration processes under bankruptcy or any other financial restructure as well as unfavorable changes in the common trading terms.

**b) Income tax (notes 4, 12)**

The income tax provision based on IAS 12 is calculated with estimations on the tax paid at the Tax Authorities and includes the current income tax for every accounting period and provision for additional taxes arisen from future tax audits. The final income tax clearance could differ from the relative figures presented in the Financial Statements.

**c) Employee benefits liabilities (notes 4, 11).**

The employee benefits liabilities are calculated based on actuarial methods, the conduct of which requires from the Management to estimate certain factors as the future rise in employees' salaries, the discount rate of these liabilities, the turnover rate etc. The Management tries on each date of Financial Position that the provision is revised, to estimate with the best possible way these factors.

**d) Obsolete stock provision**

The Company impairs the value of its stock when there are indications that the cash flows from their sale will be less than their current value or due to their current state, it is not possible to be sold or used in the production. The Management re-estimates the adequacy of the obsolete stock provision and any impairments arisen are recorded at the Income Statement.

**e) Going concern principle**

The Company's Management has composed the Financial Statements based on the going concern principle, having taken into consideration the financial factors and the degree they affect the Company's operation, as according to the current provisions and available financial resources, the Management does not intend or needs to liquify Company's assets on a short-term period. The Company's provisions having taken into account the possible variations in its performance, create to the Management the fair expectation that the Company is in possession of adequate resources to continue smoothly its business operation in the near future.

Consequently, the Company continues to adopt the "principle of going concern" in preparing its financial statements for the year ended 31st of December, 2019.

## 3 New standards, interpretations and amendments on existing standards

The below new standards, amendments to standards and interpretations which have been issued by the International Accounting Standards Board (IASB) and the I.F.R.S. Interpretations Committee (IFRIC) and adopted by the European Union, are mandatory for accounting periods beginning on or after 1 January 2019:

**Standards and Interpretations obligatory for the current period**

**I.F.R.S. 16, Leases**

I.F.R.S. 16, replaces IAS 17 "Leases" and relevant interpretations, introduces a single lessee accounting model within the Statement of Financial Position, based on which the classification of leases by the lessee either as operating or as finance leases is eliminated and all the leases are treated similarly to finance leases in accordance with IAS 17.

The definition of a lease in accordance with IFRS 16 mainly relates to the control concept. The new standard separates leases from service contracts based on whether the use of an identifiable asset is controlled by the customer. It is considered that control exists when the customer has:

The right to obtain all the financial benefits from the use of the identifiable asset

The right to direct the use of the identified asset

In accordance with I.F.R.S. 16 a right-of-use asset and a lease liability are recognized at the lease inception, when the contract or part of the contract conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The right-of-use asset is initially measured at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee, and subsequently it is measured at cost less accumulated depreciation and impairment. The lease liability is initially measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid.

Consequently, the straight-line method recognizing the expense from operating leases in accordance with IAS 17 has been replaced by the depreciation of the "right-of-use asset" and the interest expense on the "lease liabilities". The recognition of the assets and liabilities by the lessees, as described above, is not required for certain short-term leases and leases of low-value assets. The accounting treatment for lessors is not substantially affected by I.F.R.S. 16 requirements.

The Company has applied the I.F.R.S. 16 as at 1 January 2019. The Company has elected to use the simplified approach according to which the comparative figures for the year before the standard's adoption are not restated.

In accordance with I.F.R.S. 16, at the lease inception, the Company as a lessee recognizes right-of-use assets and lease liabilities at the Statement of Financial Position, initially measured at the present value of the remaining lease payments.

The Company applied this initial measurement to all of its leases, except for the leases for which the lease term ends within 12 months or less, applying the relevant exceptions for short-term leases and leases of low value assets.

The Company recognized liability measured at the current value as resulted from the prepayment of leases remaining to be paid with the borrowing interest in force on the day of implementation and recognition of the right use of the asset, measuring the right on it that equals to the relevant liability recognized.

The impact of the I.F.R.S. 16 adoption as at 1 January 2019 is presented at note 5.

**IAS 28, Amendments –Long term Interests in Associates and Joint Ventures**

The amendments clarify that I.F.R.S. 9 "Financial Instruments", including impairment requirements, applies to the long-term interests in associate or joint venture, which are part of a company's net investment in an associate or a joint venture to which the equity method is not applied.

In accordance with the amendment, an entity should not take into account any adjustments to the carrying value of the long-term interests (net investment in an associate or a joint venture) as a result of the application of IAS 28 "Investments in Associates and Joint Ventures" when I.F.R.S. 9 is applied.

These amendments have no impact to the Financial Statements of the Company.

**Amendments to I.F.R.S. 9-Prepayment Features with Negative Compensation**

The amendments to I.F.R.S. 9 allow companies to measure a financial asset at amortized cost or at fair value through other comprehensive income (FVOCI), depending on the business model, even in the case of pre-payable financial assets with negative compensation. As a result, financial assets with these prepayment features can therefore be measured at amortized cost or at fair value through other comprehensive income irrespective of the cause of the early termination and regardless of which party pays or receives reasonable compensation for early termination. The application of I.F.R.S. 9 prior to these amendments would result in these financial assets not meet the 'solely payments of principal and interest' (SPPI) criterion and therefore being measured at fair value through profit or loss.

Further to this, the amendments confirm the accounting treatment of the modification of financial liabilities in accordance with I.F.R.S. 9. In particular, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in the Statement of Profit or Loss and Other Comprehensive Income.

These amendments have no impact to the Financial Statements of the Company.

**IFRIC 23, Uncertainty over income tax treatments**

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. In this case, the recognition and measurement of current or deferred tax assets or liabilities in accordance with IAS 12 is based on taxable profit (tax loss), on the tax base, on unused tax losses and on unused tax credits and tax rates determined by applying the IFRIC 23.

In accordance with the interpretation, any uncertainty over income tax treatments should be assessed separately or in combination with other, depending on which approach best predicts the resolution of the uncertainty. An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information.

The judgments and estimates made to recognize and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgments (actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment).

This interpretation has no impact to the Financial Statements of the Company.

**IAS 19, Amendments – Plan amendment, curtailment or settlement**

The amendments clarify that when a change to a defined benefit plan, i.e. amendment, curtailment or settlement occurs and a remeasurement of the net defined benefit liability or asset is required, updated assumptions should be used to determine current service cost and net interest for the remainder of the period after the event. Further to this, changes include clarifications regarding the effect of plan's amendment, curtailment or settlement on the requirements of the standard with respect to the upper limit of the asset.

These amendments have no impact to the Financial Statements of the Company.

**Annual improvements to I.F.R.S.s (Cycle 2015-2017)**

The improvements amend various standards as follows:

With the amendments of I.F.R.S. 3 "Business Combinations" and I.F.R.S. 11 "Joint Arrangements", it was clarified how a company accounts for increasing its interest in a joint operation that meets the definition of a business. In particular, when an entity obtains joint control in a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. In case that an entity participates in a joint operation and does not have the joint control, when obtains the joint control then the previously held interest is not remeasured.
Improvements on IAS 12 "Income Taxes" clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, in the statement of other comprehensive income or in equity, consistently with the initial transaction or event that generated the distributable profits.

With the improvements on IAS 23 "Borrowing Costs", it was clarified that borrowings that were initially intended to specifically finance qualifying assets should be included as a part of the entity's general borrowing pool, when these assets are ready for their intended use or sale.

These amendments have no impact to the Financial Statements of the Company.

**Revised Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework for Financial Reporting (effective for accounting periods beginning on or after 1/1/2020)**

**I.F.R.S. 17 "Insurance Contracts"** (effective for accounting periods beginning on or after 1/1/2021)

I.F.R.S. 17 has been issued in May 2017 and supersedes I.F.R.S. 4. I.F.R.S. 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and the relevant disclosures. Its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by I.F.R.S. 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU.

I.F.R.S. 17 is not relevant with the Company's activities.

**Amendments to IFRS 3 "Business Combinations"** (effective for annual periods beginning on or after 1/1/2020)

The new definition focuses on the notion of the business performance in the form of goods and services supply to customers contrary to the previous definition that focused on the performances in the form of dividends, lower costs or other financial benefits to the investors and other parties. The amendments have not yet been adopted by the European Union.

**Amendments to IAS 1 and IAS 8: Definition of Material** (effective for accounting periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be used, completing it with instructions provided in other I.F.R.S.s. In addition, the clarifications accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is implemented with consistency in all I.F.R.S.s.

**Amendments to I.F.R.S. 9, IAS 39 and I.F.R.S. 7 "Interest Rate Benchmark Reform"** (effective for annual periods beginning on or after 1 January 2020)

The amendments modify specific hedge accounting requirements, in order to mitigate the possible effects of the uncertainty as a result of interest rate benchmark reform. Further to this, the amendments require entities to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

**IAS 1, Amendments Classification of liabilities as current or non-current** (effective for annual periods beginning on or after 1 January 2022)

The amendment clarifies that the liabilities are classified as long-term or short-term based on the right of use in force until the end of the reporting period. The classification is not affected from the entity's expectations or events after the reporting date. In addition, the amendment clarifies the meaning of the term "settlement" of liability of IAS 1. The amendment has not yet been adopted by the European Union.

# 4 Significant accounting policies

The accounting policies applied during the preparation and presentation of the present Financial Statements are consistent with the accounting policies applied during the preparation of the Financial Statements of the period end 31st December 2018, excluding the changes described in note 5.

The most significant accounting policies and methods used for the preparation of the financial statements are presented below:

### 4.1 Tangible assets

Tangible assets are presented at cost less subsequent depreciation and impairment. Acquisition cost may also include expenditure that is directly attributable to the acquisition of the items.

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 Company and the cost of. the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other tangible assets is calculated using the straight-line method with equal interim charges during the term of the items' useful life so as to delete their cost at their residual values as follows:

| | | |
|---|---|---|
| Buildings | 10-33 | years |
| Mechanical equipment | 5-25 | years |
| Vehicles | 6-7 | years |
| Furniture and other equipment | 3-8 | years |

Tangible assets' residual values and useful lives are subject to review, if appropriate, at each balance sheet date.

When an asset's carrying amount is greater than its estimated recoverable amount, the difference (impairment) is written down immediately as an expense at the Income Statement.

Upon sale of tangible assets, any difference between the proceeds and their book value is recorded as profit or loss at the Income Statement.

Financial expenses that concern the construction of assets are capitalized for the period required for the completion of the constructions. All other financial expenses are recognized at the Income Statement.

**4.2. Intangible assets**

The intangible assets acquired independently are recognized at their acquisition cost, while the intangible assets acquired through businesses purchase, are recognized at their fair value on their acquisition date. Subsequently, they are measured at this amount less accumulated depreciations and/or amortizations and reductions. Their useful life can be limited or infinite. The cost for intangible assets with limited useful life is depreciated, during their useful life period, based on the straight-line method. The depreciation starts at the day the intangibles assets are available to be used.

Intangible assets with infinite useful life are not depreciated but they are subjected periodically (at least annually) in revaluation for possible reduction of their value based on the guidelines of IAS 36 "impairment of assets". Residual values are not recognized. Their useful life is estimated on annual bases.

Acquired computer software licenses are valued at the acquisition cost less any accumulated amortization, less any accumulated impairment. Amortization expenses are conducted based on the straight-line method over their estimated useful lives, which is three to five years.

Costs associated with developing or maintaining computer software programs are recognized as an expense in the Income Statement as incurred.

**4.3 Investments property**

The investments in property include land and buildings owned by the Company for long-term rent collection and are not used by the Company. The investments in property are calculated as cost less accumulate depreciations and amortizations. When the properties' carrying amount is greater than its estimated recoverable amount, the difference (impairment) is written down immediately as an expense at the results. The land included in investments property is not depreciated. The depreciations of the buildings are calculated based on the straight-line method during their useful life period.

Profits or losses arisen from the use of investments (calculated as the difference between the net cash inflow from their use and their accounting value) are recognized at the Income Statement during their use period.

**4.4 Investments in subsidiaries, associates and joint ventures**

The Company measures its investments in subsidiaries, associates and joint ventures at their acquisition cost less any impairments.

**4.5 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and when certain events imply that their book value may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever indications incur that their carrying amount may not be recoverable. Recoverable amount is the higher among that of an asset's fair value less costs to sell and that of value in use. (current cash flow value that is expected to be created based on the management's estimation for the future financial and operational conditions). Impairment loss is recognized in income statement in the year it incurred. For the purposes of assessing impairment, assets are grouped at the lowest possible units of cash flow generation. Impairments recognized in non-financial assets (other than goodwill) are reviewed at each reporting date for potential reversal. In this case the recoverable amount of the assets is redefined, and the impairment loss is reversed by retrieving the carrying amount of the asset at its recoverable amount, to the point that it does not exceed the carrying amount of the asset, that would have been determined (net from depreciations or impairments) if the impairment loss had not been recorded in previous years.

**4.6 Financial assets and liabilities**

**4.6.1 Initial recognition and measurement**

The initial recognition of the trade receivables takes place at the time it is created. All the other financial items of the assets and liabilities are initially recognized when the Company becomes part of the conventional provisions of the relevant financial instrument.

Financial assets which are not measured at fair value through profit or loss (unless they are trade receivables with significant financial component which are initially measured at amortized cost) are initially measured at fair value increased with related transaction costs.

**4.6.2 Presentation and subsequent measurement**

<u>Financial assets</u>

On initial recognition, a financial asset is classified as measured either at: a) its amortized cost b) or at its Fair Value through Other Comprehensive Income (FVOCI) c) or at its Fair Value Through Profit and Loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets all of the following conditions:

- It is not designated by Management as an asset measured at FVTPL
- it is not held within a business model whose objective is to hold assets to collect contractual cash flows and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets (except derivatives held for hedging purposes) not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For the subsequent measurement of financial assets and liabilities, the following accounting principles are applied:

<u>Financial assets – Subsequent measurement and gains and losses:</u>

| | |
|---|---|
| **Financial assets at amortized cost** | **These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.** |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |

Financial Liabilities

Financial liabilities are classified as measured at amortized cost.

All financial liabilities (except derivatives held for hedging purposes) are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**4.6.3 Impairment of financial assets**

The Company recognizes impairment provisions for anticipated credit losses for all aforementioned financial assets, excluding those measured at their fair value through profit and loss.

For the definition of the anticipated credit losses compared to the trade receivables, the Company applies the simplified approach as predicted in the I.F.R.S. 9. According to this approach, the Company recognizes the anticipated credit losses from the initial recognition and for all life time of the trade receivables.

The losses are recognized in the results and reflected in a provision account. When the Company estimates that there are no realistic prospects of the asset's recovery, the relevant amounts are deleted. If the amount of the impairment loss is decreased subsequently and the decrease is related to an event after the impairment recognition, then the impairment loss previously recognized is reversed through results.

The rest of the trade and other receivables of the Company, excluding those for which a provision has been formed) are considered to be collectible.

**4.6.4 Derecognition**

Financial assets

The Company derecognizes a financial asset when

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### 4.6.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set-off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 4.7 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by applying the method of weighted average cost. Financial expenses are not included in the inventories' acquisition cost The net realizable value is estimated based on the inventory's current sales price, in the ordinary course of business activities, less any possible selling expenses, whenever such a case occurs. Provisions for slow-moving or obsolete stock are formed, when deemed necessary.

## 4.8 Cash and cash equivalents

The cash and cash equivalents include cash, deposits and other short-term investments of high liquidity with expiry date of up to three months, which can be directly converted to specific amounts of cash and which are subjected to non-significant risk of value fluctuation.

## 4.9 Share Capital

Common 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. Any gain or loss on the sale of treasury shares net of other expenses and taxes directly attributable to the transaction, appears as a reserve in equity.

## 4.10 Income Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in OCI.

The current tax is calculated based on tax laws in force on the date of the Financial Statements' reporting date and concerns the anticipated paid tax of the period's taxable revenue, as well as any adjustments in previous years' income tax. The Management evaluates periodically the positions in the tax statements, concerning situations where the tax law is subject to interpretation and forms relevant provisions, when deemed necessary compared to the amounts anticipated to be paid at the tax authorities.

Deferred income tax is determined from the temporary differences between the carrying amount and the tax base of the assets and liabilities on the financial statements. Deferred income tax is not accounted a) 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, b) when the temporary differences in investments in subsidiaries are not reversed, c) at the initial recognition of goodwill. Deferred tax is determined using the tax rates at the date of preparation of the financial statements that will be effective when the asset will be liquified or the liability will be settled. The calculation of future tax rates is based on laws in force on the Financial Statements' reporting date.

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 liability. The deferred tax liabilities are decreased when the relevant tax benefit is implemented.

The deferred tax assets and liabilities are offset when there is a lawful right for the current tax assets and liabilities to be offset and when they are related to income taxes that are imposed by the same tax authority.

### 4.11 Employee benefits

The employee benefits after termination of service include defined-benefits plans as well as defined-contributions plans and healthcare plans after the termination of service.

a) Benefits after termination of service

Defined-contributions plan is a pension program, to which the Company pays fixed contributions to a third legal person without other obligations. The Company has no legal or deemed obligation to pay additional contributions if the invested assets are inadequate to deal with the anticipated benefits for the employees' service concerning the current and previous periods. A defined-benefits plan is a pension plan that is not a defined-contribution plan.

Usually the defined benefits programs define the amount of pension benefit that an employee will receive after his retirement, that depends on many factors as age, years of professional experience and compensation.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of the plan's 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 discount rates of 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.

The current occupation cost of the anticipated benefits program is recognized at the Income Statement, excluding the case of it be included at the cost of an asset. The current occupation cost reflects the increase in defined benefits obligation that derives from the employees' occupation during the period, as well as changes due to cuts or settlements.

The experience cost is recorded directly at the Income Statement.

The net interests' cost is calculated as the net amount between the liability of the defined benefits program and the fair value of the program's assets by the discount rate. This cost is included in the Income Statement at the employee benefit.

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

For the defined contributions programs, the Company pays contributions to public or private insurance funds either necessarily, or conventionally or voluntarily. After the contributions' payment no further commitments arise for the Company. The contributions are recognized as employee contributions'' cost, when they are rendered payable. The prepaid contributions are recognized as assets at the depth that the prepayment will lead to decrease in future payments or cash refund.

b) Termination benefits

The employment termination benefits are paid when the employees leave before their retirement date. The Company registers these benefits either when it is committed, or when it terminates the employees' employment according to a detailed program for which there is no chance of withdrawal, or when these benefits are offered as a motive for voluntary leaves. The employment termination benefits due 12 months after the Financial Statements reporting date are prepaid.

c) Short-term benefits

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

### 4.12 Grants

Government grants are recognized at their fair value when it is anticipated with certainty that the grant will be collected, and the Company will comply with all predicted terms.

Government grants that concern expenses, are deferred and recognized at the results so as to be matched with the expenses they are destined to compensate.

Government grants that relate to tangible assets purchase, are included in long-term liabilities as deferred government grants and transferred as expenses at the profit and loss statement with the straight-line method according to the useful life for the relevant assets.

### 4.13 Provisions

Provisions are recognized when:

i) There is a current legal or deemed commitment as per the past events result
ii) It is possible that resources outflow will be required for the settlement of the commitment
iii) The required amount can be fairly evaluated

When various similar liabilities occur, the possibility of an outflow to be required during clearance is defined with the test of the liabilities class in total. A provision is recognized even if the possibility of outflow concerning any item included in the same liabilities' class, could be small.

The provisions are measured at the current value of the expense that is anticipated to be required for the settlement of the liability, using as discount rate, a before-tax rate that reflects the current market estimation for the all-time value of money and the relevant liability risks. The increase in the provision as the time passes is recorded as interest expense.

### 4.14 Revenue Recognition from contracts

The Company's revenues come from sales of merchandise, products and sub products of wiring (wires, fencing grids and weld products).

An entity recognizes revenue when (or as) meets the obligation to execute a contract by transferring the goods or services promised to the customer. The customer acquires control of the good or service if it is able to direct the use and derive virtually all the economic benefits from that good or service. Control is passed over a period or at a specific time.

(α) Good sales

The sales of goods are recognized when the Company delivers the goods to the customers, the goods are accepted by them and the collection of the receivable is fairly secured.

(β) Services provision

The revenue from services provisions is counted at the period the services are provided, based on the stage of completion of the service provided compared to the total of the services provided.

### 4.15 Leases

The Company as a lessor

Until 31st December 2018 the lease contracts that the Company acts as a lessor are classified as finance or operating. The lease contracts of the Company on 31$^{st}$ December 2018 concern exclusively operating leases.

The lease income from operating leases is recognized at the results with the straight-line method during the lease period.

Since 1$^{st}$ of January 2019 the lease contracts follow the new IFRS 16 as described at note 5.

The Company as a lessee

At the start of the contract date, the Company estimates if the contract is or includes a lease. A contract is or includes a lease if the contact transfers the use right control of a recognized asset for a certain period and price.

The Company recognizes liabilities from leases for the leases payments and assets with rights use that represent the right use of the subject assets

i. Assets with right of use

The Company recognizes assets with use rights during the start date of the lease period (namely the date the subject assets are available for use). Concerning the subsequent measurement, the Company applies the cost method for measurement of rights use of leased assets. Consequently, the right use of leased assets will be measured at the cost after deducting the accumulated depreciations and impairment losses and will be adjusted due to re-measurement of the lease liability. The assets with rights use are depreciated according to the straight-line method at the smaller time period between the lease duration and their useful life.

ii. Lease liabilities

At the start date of the lease period, the Company measures the lease liability at the current value of the leases that are about to be paid during the lease period. The interest-expense will be recognized on the lease liabilities, while the carrying amount will be decreased so as to reflect the leases payments. In case of re-evaluation or amendment, the carrying amount of the lease liabilities will be remeasured so as to reflect the re-evaluated leases.

### 4.16 Profits allocation and dividends distribution

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

### 4.17 Transactions in foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Profits and losses from exchange differences that occur from the clearance of such transactions during the period and the conversion of currency items expressed in foreign currency with the current exchange rate at the reporting date of the financial statements are recognized at the Income Statement. During their allocation at the Income Statement, the exchange differences follow the nature of the exchanges from which they derived.

### 4.18 Rounding of numbers

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

## 5 Changes in accounting policies

The I.F.R.S. 16 which replaced the IAS 17 "Leases" and relevant interpretations, introduced a unified accounting model, in the Financial Statement Position for the lessors, according to which the classification of the leases from the lessor's side as operating or finance leases, is cancelled and all leases are treated similarly with the finance leases of the IAS 17.

**Transition to I.F.R.S. 16**

The Company has applied the I.F.R.S. 16 as at 1 January 2019. The Company has elected to use the simplified approach according to which the comparative figures for the year before the standard's adoption are not restated. Also, the standard's exceptions were used for the lease contracts with 12-month-duration from the date of their initial commencement, for lease contracts where the leased asset is low-value and for short-term contracts.

**Lessor accounting**

According to the I.F.R.S. 16, at the start date of the lease period, the Company as a lessor recognized the rights use of leased assets and asset labilities at the Financial Statement Position, which are measured initially at the current value of the future leasings. The Company implemented a discount rate to a portfolio of leases with similar traits.

**I.F.R.S. 16 impact**

The I.F.R.S. 16 adoption on 1st January 2019 resulted in the Company recognizing right use of assets and lease liabilities for all contracts to which the Company acts as a lessor and which according to IAS 17 had been allocated as operating. As mentioned before, the Company adopted the simplified approach.

The liabilities were measured at the current value of the carrying leases, pre-paid with the incremental borrowing rate, approximately 4%, on 1st January 2019. The right use of assets was measured to an amount equal to the lease liability. The relevant leases concern exclusively car leases.

Concerning the building leases the Company did not recognize lease contracts and right use of assets, as the specific contracts can be cancelled at any time. Both the lessee and the lessor can exercise their right to terminate the contract without the obligation of refund payment and do not have any significant financial motive to remain in the contract.

The lease liabilities agreement for the Company on 1st January 2019 with the commitments for operating leases on 31st December 2018 is stated below:

| | |
|---|---|
| **Liabilities from operating leases on 31st December 2018** | **430,710** |
| Correction - Adjustment | 6,651,567 |
| Undiscounted lease liabilities | 7,082,277 |
| Discounte rate at 1.1.2019 | 4% |
| **Lease liabilities recognized on 1.1.2019** | **6,235,625** |

The Company made use of the option provided by the standard to not re-evaluate if a contract is lease at the date of its initial application.

Also, the Company made use of the following practices allowed by the standard, concerning leases previously considered as operating according to IAS 17:

- Use of a single discount rate to a leases portfolio with similar traits
- Treatment of the leases with carrying duration of less than 12 months from 1st of January 2019, as short-term leases
- Exception of the initial direct expenses for the measurement of the right use of tangible assets at the date of their first application
- Use of subsequent knowledge for the definition of the leases duration whose contract includes expansion terms or termination of the contract

The analysis of right of use assets for the period 1st January – 31st December 2019 is presented at note 17.

Finance cost of Euros 257,037 was recognized for leases during the period.

# 6 Financial Risk Management

## 6.1 Financial Risk factors

The Company due to its activities is exposed to financial risks as market risk (changes in exchange rates, interest risk), credit risk and liquidity risk. The general program of risk management focuses on the non-predictability of the financial markets and expects to minimize the probable negative impact of the financial markets' volatility on the Company's financial performance.

The risk management is conducted by the Company's Management. The Management defines, evaluates and takes measures in order to offset the financial risks.

The Company's risk management policies are applied to identify and analyze the risks faced by the Company and to set risk-taking limits and to apply controls on them. Risk management policies and related systems are reviewed periodically to incorporate changes observed in market conditions and the Company's activities.

The oversight of compliance with risk management policies and procedures is entrusted to the Internal Audit Department, which carries out regular and extraordinary audits on the implementation of procedures, the findings of which are communicated to the Board of Directors.

**(a) Market risk**

**<u>Foreign exchange risk</u>**

The Company does not face foreign exchange risk as most of its transaction are realized in euros.

**<u>Risk of prices fluctuation</u>**

The Company is not exposed to risk of products' price fluctuation as it does not possess assets that can be affected by market fluctuations.

**Cash flow risk and fair value risk due to interest fluctuations**

The Company’s exposure to interest fluctuations risk is connected mainly with its short-term debts, without posing a threat as for the most part no borrowed funds are used.

**(b) Credit risk**

The credit risk arises due to exposure to customer’s credits as well as the deposits in banks and other financial institutions.

The Company's exposure to credit risk is mainly affected by the characteristics of each client. Demographics of the Company's customer base, including the default risk of the particular market and the country in which customers operate, have less impact on credit risk as there is no geographical concentration of credit risk, and therefore commercial risk is distributed to a large number of customers.

The Board of Directors has set a credit policy based on which each new client is examined on an individual basis for its creditworthiness before the usual payment terms are proposed. Credit limits are defined for each customer, which are reviewed according to current conditions and adjusted, if necessary, the terms of sales and receipts. Customer credit limits are generally determined on the basis of the insurance limits received for them by insurance companies, and then claims are insured against these limits.

In monitoring the credit risk of customers, customers are grouped according to their credit characteristics, the maturity characteristics of their receivables and any past receivables issues that they have occurred. Customers and other receivables include mainly wholesalers of the Company. Clients classified as "high risk" are placed in a special customer account and future sales must be pre-paid. Depending on the client's background and status, the Company seeks, where possible, interest or other collateral (e.g. letters of guarantee) to secure its claims.

The company forms provision for doubtful debt based on the anticipated credit losses method, having taken into consideration historical data concerning default.

The maximum exposure to credit risk at the reporting dates is the carrying amount of each receivable category as mentioned in note 26.

The Company’s policy is not to provide guarantees to related parties, unless exceptions occur, by decision of the Board of Directors.

With respect to the credit risk arisen by the deposits, it is highlighted that the Company cooperates with abroad financial institutions that have high rate of creditworthiness and with Greek systemic banks.

**(c) Liquidity risk**

The liquidity risk constitutes the risk for the Company to not be able to fulfill its financial obligations when they expire 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.

In order to avoid liquidity risks, the Company carries out a provision for cash flows 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 assets to meet its operational needs. This policy does not take into account, impact derived from extreme conditions that cannot be predicted.

**6.2 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. The Board of Directors also monitors the level of dividends paid to the holders of common shares.

No changes concerning the Company’s approach on capital management occurred during the period.

### 6.3 Fair values definition

The Company uses the following classification for defining and communicating the fair value of the assets and liabilities:

- Level 1: Quoted price markets (without modification or adjustment) for the financial assets traded in active stock markets.
- Level 2: Observable data for the evaluated asset or liability beyond the level 1 prices, as trading prices for similar products, trading prices in non-active markets or other data that are either observable or can be supported by observable data (for example prices that derive from observable data) for almost the total duration of the financial instrument.
- Level 3: Data for the evaluated asset or liability that are not based on observable market data (not observable data). If for the calculation of fair value, observable data are used that require significant adjustments, based on non-observable data, then the calculation belongs to level 3. Level 3 includes financial instruments whose value is defined with evaluation models, discount of cash flows and similar techniques as well as products whose fair value definition calls for significant judgement or estimation from the Management.

The various levels have been defined as follows:

| *Amounts in Euro* | **31.12.2019** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Other Investments | - | - | 166,473 | 166,473 |
| **Total** | **-** | **-** | **166,473** | **166,473** |

| *Amounts in Euro* | **31.12.2018** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Other Investments | - | - | 166,473 | 166,473 |
| **Total** | **-** | **-** | **166,473** | **166,473** |

Measurement process

The financial department undertakes the measurement of the financial assets and fair values of level three, required for the financial information. The process is conducted annually according to the Company's reporting dates.

Fair value of financial items in assets and liabilities measured at the unaccumulated cost

The carrying amount of short-term loans approaches the fair value, as the discount impact is not significant.

The fair value of the following financial items of asset and liabilities approaches their carrying value:

- Trade and other receivables.
- Cash and Cash equivalents.
- Trade and other payables.
- Other financial short-term liabilities.

The nominal value of the trade receivables less the provisions for bad debt, it is estimated that approaches their fair value. Also, the nominal value of the liabilities it is estimated that approaches their fair value due to the short-term nature of these accounts.

## 7 Revenue

The geographical allocation of sales and their analysis per kind is presented at the following tables:

| *Amounts in Euro* | **2019** | **2018** |
|---|---|---|
| Sales of goods (at a point in time) | 318,657,277 | 359,036,786 |
| Rendering of services | - | 175,912 |
| Sales of scrap and raw materials | 10,168,396 | 13,000,518 |
| Other | 15,501 | 15,304 |
| **Total** | **328,841,174** | **372,228,520** |

| *Amounts in Euro* | **2019** | **2018** |
|---|---|---|
| Greece | 178,970,442 | 188,745,237 |
| European Union (without Greece) | 98,933,979 | 112,874,031 |
| Other European Countries | 43,734,008 | 30,055,009 |
| Asia | 2,580,339 | 38,081,609 |
| Africa | 4,622,406 | 2,472,634 |
| **Total** | **328,841,174** | **372,228,520** |

**Contract liabilities**

| *Amounts in Euro* | **Customer Advances** | **Total** |
|---|---|---|
| **Balance on 1st January 2018** | **-** | **-** |
| Change in accounting policy | 183,620 | **183,620** |
| **Adjusted balance on 1st January 208** | **183,620** | **183,620** |
| Recognized revenue included in the contract liabilities at the period start | (183,620) | **(183,620)** |
| Increase due to cash collected, excluding amounts recognized as revenue during the period | 287,161 | **287,161** |
| **Balance on 31st December 2018** | **287,161** | **287,161** |

| *Amounts in Euro* | **Customer Advances** | **Total** |
|---|---|---|
| **Balance on 1st January 2019** | **287,161** | **287,161** |
| Recognized revenue included in the contract liabilities at the period start | (287,161) | **(287,161)** |
| Increase due to cash collected, excluding amounts recognized as revenue during the period | 2,176,987 | **2,176,987** |
| **Balance on 31st December 2019** | **2,176,987** | **2,176,987** |

## 8 Other income/expenses

The other income analysis for the Company is the following:

| *Amounts in Euro* | | 2019 | 2018 |
|---|---|---|---|
| Grants of the Fiscal Year | | 137,810 | 146,096 |
| Amortization of Grants | 24 | 809,343 | 809,341 |
| Rental income | | 59,352 | 51,972 |
| Gain from foreign exchange differences | | - | 3,890 |
| Income from fees | | - | 6,694 |
| Income from costs recharged | | 229,622 | 247,267 |
| Refunds | | 99,000 | - |
| Income from reversal of other provisions | | 20,596 | 431,426 |
| Other Income | | 1,888,343 | 4,694,985 |
| **Total** | | **3,244,066** | **6,391,671** |

The other expenses analysis for the Company is the following:

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Loss from sale of investment in subsidiaries | 95,579 | - |
| **Total** | **95,579** | **-** |

## 9 Expenses by Nature

The analysis of expenses by nature is the following:

| *Amounts in Euro* | 2019 | | | |
|---|---|---|---|---|
| | **Cost of Sales** | **Distribution Expenses** | **Administration Expenses** | **Total** |
| Cost of inventories recognized as an expense | 263,406,332 | 648,953 | 32,681 | **264,087,965** |
| Employee benefits | 12,884,128 | 1,646,255 | 1,354,423 | **15,884,805** |
| Energy | 15,505,135 | 158,813 | - | **15,663,948** |
| Depreciation and amortization | 10,977,191 | 727,115 | 381,778 | **12,086,084** |
| Taxes-duties | 32,288 | 12,149 | 246,848 | **291,285** |
| Insurance expenses | 565,319 | 85,808 | 2,184 | **653,312** |
| Rental fees | 92,939 | 540 | 9,387 | **102,866** |
| Transportation Costs | 86,994 | 5,717,916 | 27,519 | **5,832,429** |
| Promotion & advertising | 2,608 | 571 | 52,022 | **55,201** |
| Third party fees and benefits | 5,391,552 | 3,264,869 | 3,741,441 | **12,397,861** |
| Storage and packing | 55,989 | 55,732 | - | **111,721** |
| Production tools | 150,712 | 5,447 | 748 | **156,907** |
| Commissions | - | 137,803 | - | **137,803** |
| Foreign exchange differences | 298,273 | 2,770 | 2,770 | **303,813** |
| Maintenance expenses | 1,883,748 | 574,683 | 156,807 | **2,615,237** |
| Travel and personnel transport expenses | 446,283 | 31,697 | 32,448 | **510,428** |
| Royalties | 76,951 | 338 | 7,337 | **84,626** |
| BoD fees | - | - | 262,567 | **262,567** |
| Shared utility expenses | 65,312 | 3,894 | 7,034 | **76,239** |
| Other expenses | 255,682 | 452,201 | 516,531 | **1,224,414** |
| **Total** | **312,177,436** | **13,527,553** | **6,834,524** | **332,539,513** |

| *Amounts in Euro* | 2018 | | | |
|---|---|---|---|---|
| | **Cost of Sales** | **Distribution Expenses** | **Administration Expenses** | **Total** |
| Cost of inventories recognized as an expense | 296,958,096 | 31,442 | 4,851 | **296,994,389** |
| Employee benefits | 10,676,705 | 1,318,997 | 1,600,891 | **13,596,593** |
| Energy | 17,841,405 | 121,919 | 3,514 | **17,966,838** |
| Depreciation and amortization | 10,565,594 | 692,539 | 412,129 | **11,670,262** |
| Taxes-duties | 16,335 | 14,561 | 243,133 | **274,029** |
| Insurance expenses | 530,866 | 77,276 | 1,381 | **609,523** |
| Rental fees | 89,033 | 2,492 | 97,380 | **188,905** |
| Transportation Costs | 426,467 | 7,289,509 | 74,516 | **7,790,492** |
| Promotion & advertising | 273,606 | 473,994 | 46,879 | **794,479** |
| Third party fees and benefits | 6,797,238 | 3,881,366 | 4,052,963 | **14,731,567** |
| Storage and packing | 82,969 | 189,273 | 38,582 | **310,824** |
| Production tools | 9,050 | 33 | - | **9,083** |
| Commissions | - | 253,633 | - | **253,633** |
| Foreign exchange differences | 1,119,996 | - | - | **1,119,996** |
| Maintenance expenses | 1,858,722 | 771,128 | 272,757 | **2,902,607** |
| Travel and personnel transport expenses | 28,874 | 3,306 | 34,201 | **66,381** |
| Royalties | 17,426 | - | 28,809 | **46,235** |
| BoD fees | - | - | 258,667 | **258,667** |
| Shared utility expenses | 59,033 | - | 13,815 | **72,848** |
| Other expenses | 951,637 | 624,894 | 652,073 | **2,228,604** |
| **Total** | **348,303,051** | **15,746,362** | **7,836,541** | **371,885,955** |

## 10 Finance income and expenses

The analysis for the Company's financial income and expenses is the following:

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| **Finance income** | | |
| Interest income | 2,312 | 7,902 |
| **Total** | **2,312** | **7,902** |
| | | |
| **Finance expenses** | | |
| Interest expenses | 7,152,426 | 7,483,968 |
| Guarantee commissions | 308,486 | 540,567 |
| Other bank commissions | 209,853 | 245,951 |
| Interest expense on factoring with recourse | 81,391 | - |
| Interest expense on factoring without recourse | 2,712 | 66,763 |
| Interest lease liabilities (former operating leasing) | 257,037 | - |
| **Total** | **8,011,905** | **8,337,249** |

## 11 Employee benefits

The employee benefits analysis of the Company is the following:

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Salaries and wages | 12,526,043 | 10,582,896 |
| Social security expenses | 3,186,424 | 2,694,617 |
| Defined benefit plan expenses | 172,338 | 319,080 |
| **Total** | **15,884,805** | **13,596,593** |

**The analysis of the above expenses at the Company's functions is the following:**

| | | |
|---|---|---|
| Cost of sales | 12,884,128 | 10,676,705 |
| Distribution expenses | 1,646,255 | 1,318,997 |
| Administrative expenses | 1,354,423 | 1,600,891 |
| **Total** | **15,884,805** | **13,596,593** |

The Company's number of employees on 31st December 2019 was 494 (2018: 389).

**Employee benefits due to termination of service**

The defined benefits liabilities derive from the requirements of the Law 2112/1920 as modified by the Law 4093/2012.

The amounts recognized in the statement of financial position as well as the changes in the defined benefits net liability during the year are as follows:

**a. Changes in current value of the liability for the Company**

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| **Balance on 1st January** | **1,780,725** | **1,601,103** |
| **Amounts recognized in profit or loss** | | |
| Service cost | 54,832 | 51,615 |
| Interest cost | 28,604 | 23,707 |
| Settlement/Curtailment/Termination loss/(gain) | 88,902 | 243,758 |
| | **172,338** | **319,080** |
| **Amounts recognized in Equity through Statement of other comprehensive income** | | |
| Adjustments due to changes in financial assumptions | 480,356 | 142,441 |
| Experience adjustments in liabilities | (64,655) | 110,398 |
| Other adjustments in Equity | 6,905 | (76,818) |
| | **422,606** | **176,020** |
| **Other** | | |
| Benefits paid | (120,438) | (315,477) |
| | **(120,438)** | **(315,477)** |
| **Balance on 31st December** | **2,255,231** | **1,780,725** |

**b. Actuarial assumptions**

The basic assumptions on which the actuarial study was based for the provision calculation are the following :

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.77% | 1.61% |
| Inflation rate | 1.30% | 1.50% |
| Salary growth rate | 1.80% | 1.00% |
| Plan duration | 15.13 | 15.00 |

**c. Sensitivity analysis**

The sensitivity analysis that shows for each actuarial assumption how the liability of defined provisions would be affected from these changes is the following:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (0.5% movement) | (7.23%) | 7.95% | (7.10%) | 7.80% |
| Salary growth rate (0.5% movement) | 7.68% | (7.05%) | 7.64% | (7.02%) |
| 0% withdrawal rate | 0.89% | - | 0.51% | - |

## 12 Income tax

The Greek tax legislation and the relevant provisions are subject to interpretations from the tax authorities. The income tax statements are submitted to the tax authorities on an annual basis, but the profits or losses states for tax reasons, remain temporarily outstanding until the tax authorities audit the tax statements and books of the taxpayer. Based on these audits the relevant tax liabilities will be finalized.

Tax losses to the degree they are accepted by the tax authorities can offset future profits for a period of up to five years from the year they resulted from.

Income tax, as recorder in Income Statement for the years ended in 31.12.2018 and 31.12.2019 is analyzed as follows:

**Amounts recognized at statement of profit or loss**

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Deferred tax | (1,355,711) | 5,207,482 |
| **Total** | **(1,355,711)** | **5,207,482** |

**Amounts recognized at Statement of Other Comprehensive Income**

| | 2019 | | |
|---|---|---|---|
| | **Before tax** | **Tax (expense)/income** | **After tax** |
| Recognized actuarial gains/losses | (422,606) | 101,425 | (321,181) |
| | **(422,606)** | **101,425** | **(321,181)** |

| | 2018 | | |
|---|---|---|---|
| | **Before tax** | **Tax (expense)/income** | **After tax** |
| Recognized actuarial gains/losses | (176,020) | 44,005 | (132,015) |
| | **(176,020)** | **44,005** | **(132,015)** |

According to the provisions of the tax legislation the companies pay every year income tax advance calculated in 100% percentage on its current year tax. During the tax clearance of the following year, possible surplus amount is returned to the Company, after tax audit of the year it was encountered. The income tax of the Company differs from the theoretical amount arisen using the tax rate in force by the Company's results. The difference is as follows:

**Reconciliation of effective tax rate**

| | | | | |
|---|---|---|---|---|
| **Accounting profit/(losses) before tax** | | **(8,539,195)** | | **(1,586,561)** |
| Current tax calculated with the tax rates in force | 24% | 2,049,407 | 29% | 460,103 |
| Non-deductible expenses for tax purposes | 3% | (240,843) | 15% | (231,367) |
| Tax exempt income | 0% | 4,860 | - | - |
| Recognition of previously not recognized losses | - | - | (57%) | 900,995 |
| Change of tax rate | 11% | (943,171) | (257%) | 4,077,751 |
| Tax on permanent differences | 5% | (401,515) | - | - |
| Reversal of deferred tax asset | 21% | (1,824,449) | - | - |
| **Tax recognized in statement of profit or loss** | **16%** | **(1,355,711)** | **(328%)** | **5,207,482** |

The income tax rate for legal persons was set to 29% in Greece for 2018 and decreased by 5% at 24% according to the article 23 of the Law 4579/2018 for 2019.

**Unaudited fiscal years**

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

Concerning the statute of limitation of tax periods and upon implementation of relevant tax provisions: a) par 1 article 84 L. 2238/1994 (unaudited cases of income tax), b) par 1 article 57 L 2859/2000 (unaudited cases of VAT) and c) par 5 article 9 L 2523/1997 (imposes of fines for income tax cases) the tax management can issue acts of administrative evaluations or corrective tax definition in five (5) years from the end of the year in which the tax submission deadline expires. Consequently, the Company's Management considers the tax liabilities of the years ending until 31st December 2013 finalized.

Under established case-law of the Council of State and the administrative Courts, due to lack of existing provisions for the statute of limitations in the Code of Laws concerning stamp duties, the relevant claim of the Public Authorities for imposing stamp duties is subject according to the article 249 of the Civil Law under 20-year statute of limitations.

From the year 2011 onwards, the Greek Societe's Anonymes and the Limited Liability Companies whose annual financial statements are obligatorily audited from statutory auditors, have to receive "Annual Certificate" that is predicted at the par. 5 of article 82 of the L. 2238/1994 for the years 2011-2013 and the provisions of the article 65A of the L. 4174/2013 for the years 2014 and 2015. For the years beginning after 1 December 2016 , the tax audit by a statutory auditor or audit firm became optional under Article 65A of Law 4174/2013 as modified with the provisions of Law 4410/2016. Upon completion of the tax audit the statutory auditor or audit firm issues to the Company the "Tax Compliance Report", which later submits electronically to the Ministry of Finance. In addition, based on risk taking criteria, the Greek tax authorities can select the Company for tax audit, in the context of the audits performed in companies that have received "certificates of tax compliance with the agreement of the chartered accountant. In this case, the Greek tax authorities have the right to conduct tax audit for the years they will choose, taking into account the work done for the issue of the tax compliance certificate.

The Company has been audited for the years 2011-2018 and received a tax compliance certificate with unqualified opinion.

For the year end 31st December 2019, the work for tax compliance certificate is in progress by the statutory auditor based on the provision of the article 65A of the code of Tax Processes (L. 4174/2013 as in force). However, the Company does not anticipate additional taxes and markups to arise, excluding those recorded and presented in the Financial Statements.

**Deferred tax expense**

The deferred tax assets and liabilities are offset when there is legally enforceable right for the current tax assets to be offset against the current tax liabilities and when the deferred income taxes concern the same tax authority. The offset amounts are the following:

| *Amounts in Euro* | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Deferred tax assets | 5,280,977 | 6,079,434 |
| Deferred tax liabilities | (19,808,074) | (19,352,245) |
| **Net deferred tax** | **(14,527,097)** | **(13,272,811)** |

The differences that create the deferred assets and liabilities are not expected to be reversed at the following year.
The changes in deferred assets and liabilities within the year without taking into account the balances offset in the same tax authority are the following:

| *Amounts in Euro* | Balance on 1st January 2018 | Profit or Loss Statement | Income statement | Balance on 31st December 2018 |
|---|---|---|---|---|
| Tangible assets | (24,608,979) | 5,287,810 | - | **(19,321,169)** |
| Provisions | 37,199 | (68,275) | - | **(31,076)** |
| Loans and borrowings | 174,480 | (174,480) | - | **-** |
| Employee benefits | 464,320 | - | 44,005 | **508,325** |
| Thin capitalization | 2,675,000 | (192,585) | - | **2,482,415** |
| Carryforward tax losses for offset | 2,733,682 | 355,012 | - | **3,088,694** |
| **Total** | **(18,524,298)** | **5,207,482** | **44,005** | **(13,272,811)** |

| *Amounts in Euro* | Balance on 1st January 2019 | Profit or loss statement | Income statement | Change in accounting policy | Balance 31st December 2019 |
|---|---|---|---|---|---|
| Tangible asses | (19,321,169) | (486,905) | - | - | **(19,808,074)** |
| Intangible assets | - | 446 | - | - | **446** |
| Rights use of tangible assets | - | - | - | 26,280 | **26,280** |
| Provisions | (31,076) | 64,638 | - | - | **33,562** |
| Employee benefits | 508,325 | (72,727) | 101,425 | - | **537,023** |
| Thin capitalization | 2,482,415 | 766,192 | - | - | **3,248,607** |
| Carryforward tax losses for offset | 3,088,694 | (1,653,635) | - | - | **1,435,059** |
| **Total** | **(13,272,811)** | **(1,381,991)** | **101,425** | **26,280** | **(14,527,097)** |

## 13 Inventories

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Merchandise | 129,669 | - |
| Finished goods | 14,507,407 | 18,832,653 |
| Semi-finished goods | 679,871 | 2,324,044 |
| By-products & scrap | 2,933,579 | 1,909,840 |
| Raw and auxiliary materials, consumables, packaging materials | 25,098,011 | 34,258,999 |
| Spare Parts | 21,985,261 | 20,345,249 |
| **Total** | **65,333,798** | **77,670,785** |

The cost of inventory recognized as expense at the cost of sales amount to Euro 264,406 thousand. (2018: Euro 296,958 thousand). See note 9.

## 14 Trade and Other receivables

Trade and other receivables are analyzed as follows on 31st December 2019 and 2018:

| *Amounts in Euro* | | **31.12.2019** | **31.12.2018** |
|---|---|---|---|
| Trade Receivables | | 9,455,927 | 12,113,928 |
| Less: Impairment provisions | | (161,414) | (161,414) |
| **Net Trade Receivables** | | **9,294,513** | **11,952,514** |
| Other advances | | 167,589 | 165,124 |
| Cheques and notes receivables & Cheques overdue | | 14,599 | 14,599 |
| Receivables from related parties | 27 | 89,237,412 | 89,350,800 |
| Tax assets | | 15,936 | 15,222 |
| Other debtors | | 1,008,818 | 3,238,679 |
| Prepaid Expenses | | 6,146,278 | 224,987 |
| Less: Impairment provisions | | (51,231) | (51,231) |
| **Total** | | **105,833,914** | **104,910,694** |
| Other non-current receivables | | 1,283,369 | 1,286,527 |
| **Total trade and other receivables** | | **107,117,283** | **106,197,221** |

The trade and other receivables are expected to be collected within a year from the reporting date of the Financial Statements, excluding amount of 1,283,369 Euros that concerns long-term receivables from related parties and guarantees provided to third parties, in the context of the Company's activities that do not have expiry date. The value of trade and other receivables as presented in the Statement of Financial Position approaches their fair value on the reporting date.

The change in impairment provision of the trade and other receivables is analyzed as follows:

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Balance on 1st January | (212,645) | (179,504) |
| Change in accounting policy (IFRS 9) | - | (33,141) |
| **Balance on 31st December** | **(212,645)** | **(212,645)** |

## 15 Cash and Cash Equivalents

The Cash and Cash Equivalents of the Company are analyzed as follows for 31st December 2019 and 2018:

| *Amounts in Euro* | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Cash in hand and Cash in bank | 1,819 | 926 |
| Short-term bank deposits | 1,015,492 | 1,722,505 |
| **Total** | **1,017,311** | **1,723,431** |

**Credit rating of bank deposits**

The creditworthiness of the banks that the Company cooperates with was as follows on 31st December 2019:

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Caa1 | 1,002,752 | 1,722,505 |
| Caa2 | 12,740 | - |

## 16 Tangible assets

| *Amounts in Euro* | Fields-Plots | Buildings | Machinery | Transportation Equipment | Furniture & other equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **Balance on 1st January 2018** | **9,340,967** | **73,219,648** | **252,162,994** | **1,339,774** | **6,648,468** | **1,569,059** | **344,280,910** |
| Additions | - | - | 3,715,198 | - | 642,930 | 1,123,488 | **5,481,616** |
| Write offs | - | - | (1,923,919) | - | - | - | **(1,923,919)** |
| Reclassifications | - | - | 1,320,096 | - | - | (1,320,096) | - |
| **Balance on 31st December 2018** | **9,340,967** | **73,219,648** | **255,274,369** | **1,339,774** | **7,291,398** | **1,372,451** | **347,838,607** |
| **Accumulated Depreciation** | | | | | | | |
| **Balance on 1st January 2018** | - | **(33,255,219)** | **(145,547,214)** | **(1,307,439)** | **(6,032,567)** | - | **(186,142,439)** |
| Depreciation of the period | - | (1,726,378) | (9,604,274) | (14,352) | (325,259) | - | **(11,670,263)** |
| Write offs | - | - | 945,362 | - | - | - | **945,362** |
| **Balance on 31st December 2018** | - | **(34,981,597)** | **(154,206,126)** | **(1,321,791)** | **(6,357,826)** | - | **(196,867,340)** |
| **Carrying amount as of 31st December 2018** | **9,340,967** | **38,238,051** | **101,068,243** | **17,983** | **933,572** | **1,372,451** | **150,971,267** |

| *Amounts in Euro* | Fields-Plots | Buildings | Machinery | Transportation Equipment | Furniture & other equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **<u>Cost</u>** | | | | | | | |
| **Balance on 1st January 2019** | **9,340,967** | **73,219,648** | **255,274,369** | **1,339,774** | **7,291,398** | **1,372,451** | **347,838,607** |
| Additions | 141,289 | 186,274 | 2,408,113 | 11,567 | 475,315 | 1,835,042 | **5,057,600** |
| Write offs | - | - | (1,371,188) | - | - | - | **(1,371,188)** |
| Reclassifications | - | 56,790 | 422,403 | - | 121,919 | (601,112) | - |
| **Balance on 31st December 2019** | **9,482,256** | **73,462,712** | **256,733,697** | **1,351,341** | **7,888,632** | **2,606,381** | **351,525,019** |
| **<u>Accumulated Depreciation</u>** | | | | | | | |
| **Balance on 1st January 2019** | - | **(34,981,597)** | **(154,206,126)** | **(1,321,791)** | **(6,357,826)** | - | **(196,867,340)** |
| Depreciation of the period | - | (1,727,723) | (8,742,423) | (11,920) | (368,449) | - | **(10,850,515)** |
| Write offs | - | - | 560,301 | - | - | - | **560,301** |
| **Balance on 31st December 2019** | - | **(36,709,320)** | **(162,388,248)** | **(1,333,711)** | **(6,726,275)** | - | **(207,157,554)** |
| **Carrying amount on 31st December 2019** | **9,482,256** | **36,753,392** | **94,345,449** | **17,630** | **1,162,357** | **2,606,381** | **144,367,465** |

There are no mortgages or charges on the investment property. Also, there are no finance leasing assets.

## 17 Right of Use assets

| *Amounts in Euro* | Machinery | Transportation equipment | Total |
|---|---|---|---|
| **<u>Cost</u>** | | | |
| **Balance on 1st January 2019** | **-** | **-** | **-** |
| Recognition of rights of use | 6,016,508 | 219,117 | **6,235,625** |
| **Adjusted balance on 1st January 2019** | **6,016,508** | **219,117** | **6,235,625** |
| Additions | - | 18,328 | **18,328** |
| Modifications | (6) | - | **(6)** |
| **Balance on 31st December 2019** | **6,016,502** | **237,445** | **6,253,947** |
| **<u>Accumulated depreciation</u>** | | | |
| **Balance on 1st January 2019** | **-** | **-** | **-** |
| Depreciation of the period | (1,146,462) | (77,690) | **(1,224,152)** |
| **Balance on 31st December 2019** | **(1,146,462)** | **(77,690)** | **(1,224,152)** |
| **Carrying amount on 31st December 2019** | **4,870,040** | **159,755** | **5,029,795** |

## 18 Investments in subsidiaries

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Balance on 1st January | 148,562 | 148,562 |
| Disposals | (148,562) | - |
| **Balance on 31st December** | **-** | **148,562** |

During the year the Company sold its stake at ERLIKON SA of value 148.562 euros for a price of 52.983 euros..

| Company Name | Country of Establishment | Participation Percentage 31.12.2019 | Participation Percentage 31.12.2018 | Operating segment |
|---|---|---|---|---|
| ERLIKON SA | Greece | - | 0.64% | Steel |

## 19 Investments in associates

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| Balance on 1st January | 4,570,682 | 4,570,682 |
| **Balance on 31st December** | **4,570,682** | **4,570,682** |

| Company Name | Country of establishment | Participation Percentage 31.12.2019 | Participation Percentage 31.12.2018 | Operating segment |
|---|---|---|---|---|
| SIDMA SA. | Greece | 27.90% | 27.90% | Steel |

## 20 Other investments

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| **Balance on 1st January** | 166,473 | 166,473 |
| **Balance on 31st December** | **166,473** | **166,473** |

| *Amounts in Euro* | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Non-listed securities | | |
| - Greek Equity Instruments | 166,473 | 166,473 |
| | **166,473** | **166,473** |

## 21 Share Capital and Other Reserves

The Company's share capital on 31st December 2019 amounts to Euro 40,981,356 consisting of 1,193,400 shares of 34.34 Euros nominal value each. The Company's Share Capital remained unchanged compared to prior year.

| *Amounts in Euro* | Number of Shares | Common Shares | Share Premium | Total |
|---|---|---|---|---|
| **1st January 2018** | 1,193,400 | 40,981,356 | 47,611,049 | 88,592,405 |
| **31st December 2018** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |
| | | | | |
| **1st January 2019** | 1,193,400 | 40,981,356 | 47,611,049 | 88,592,405 |
| **31st December 2019** | **1,193,400** | **40,981,356** | **47,611,049** | **88,592,405** |

The movement of reserves during the period was the following:

| *Amounts in Euro* | **Statutory Reserves** | **Special Reserves** | **Tax exempt reserves** | **Total** |
|---|---|---|---|---|
| **1st January 2018** | **4,152,029** | **255,063** | **36,917,566** | **41,324,658** |
| **31st December 2018** | **4,152,029** | **255,063** | **36,917,566** | **41,324,658** |
| | | | | |
| **1st January 2019** | **4,152,029** | **255,063** | **36,917,566** | **41,324,658** |
| Reclassifications | - | (60,323) | 60,323 | **-** |
| **31st December 2019** | **4,152,029** | **194,740** | **36,977,889** | **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 non-capitalized reserves of the legal persons referred to in Article 45 of the Code of Civil Procedure as they were formed up to 31 December 2013 and which arose as a result of their exemption pursuant to of the provisions of Law 2238/94 from 1 January 2014 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.

## 22 Loans and Borrowings

The total Company borrowings on the reporting date was as follows:

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| **Non-Current** | | |
| Secured Bond Issues | 60,923,000 | 64,363,000 |
| **Total** | **60,923,000** | **64,363,000** |
| | | |
| **Current** | | |
| Secured bank loans | 34,213,550 | 34,790,787 |
| Unsecured bank loans | 48,300,158 | 43,209,632 |
| Current portion of secured bond issues | 6,700,748 | 5,040,937 |
| Recourse factoring | 1,643,860 | 1,310,555 |
| **Total** | **90,858,316** | **84,351,911** |
| **Total loans and borrowings** | **151,781,316** | **148,714,911** |

The maturities for all loans are as follows:

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Until 1 year | 90,858,316 | 84,351,911 |
| Between 1 and 2 years | 10,140,000 | 6,000,000 |
| Between 2 and 5 years | 50,783,000 | 58,363,000 |
| **Total** | **151,781,316** | **148,714,911** |

The bank loans contain clauses of control change that provide to the lenders the right of early termination.

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

| | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Bank Debt (current) - EUR | 4.10% | 4.83% |
| Bonds - EUR | 4.24% | 4.25% |

## 23 Trade and Other Payables

The suppliers' balance based on their current or non-current classification is as follows:

| *Amounts in Euro* | | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| Suppliers | | 42,248,700 | 51,006,083 |
| Social security funds | | 820,444 | 811,618 |
| Amounts due to related parties | 27 | 20,750,821 | 26,120,740 |
| Sundry creditors | | 542,769 | 392,908 |
| Accrued expenses | | 2,597,135 | 1,656,301 |
| Other intermediate liabilities' accounts | | 231,466 | 84,479 |
| Other taxes | | 1,526,458 | 1,048,085 |
| **Total current liabilities** | | **68,717,793** | **81,120,214** |
| Other Non-current liabilities | | - | 2,137,636 |
| **Total liabilities** | | **68,717,793** | **83,257,850** |

## 24 Government Grants

| *Amounts in Euro* | 2019 | 2018 |
|---|---|---|
| **Amount on 1st January** | **2,080,364** | **2,889,704** |
| Amortization of grants | (809,343) | (809,341) |
| **Balance on 31st December** | **1,271,021** | **2,080,364** |

Grants relate to investments realized for the purchase and installation of tangible assets (buildings, machinery and transportation equipment).

## 25 Provisions

The long term provisions, excluding the employee benefits (note 11), have remained unchanged compared to 2018. The provision amount of 53,631 Euros concerns out-of-court disputes of the Companies with third parties and is calculated based on estimations of the Legal Department for their outcome.

## 26 Financial instruments

The analysis of financial risks that the Company is exposed which are described in Note 6.1 are as follows:

### a) Credit risk

| *Amounts in Euro* | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Trade and other receivables | 107,117,283 | 106,197,221 |
| **Total** | **107,117,283** | **106,197,221** |
| | | |
| *Less:* | | |
| Down payments | (167,589) | (165,124) |
| Tax assets | (15,936) | (15,222) |
| Other receivables | (6,146,278) | (224,987) |
| **Total** | **(6,329,803)** | **(405,333)** |
| | | |
| **Financial assets with credit risk** | **100,787,480** | **105,791,888** |

**Ageing of receivables and contract assets not impaired**

| *Amounts in Euro* | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Neither past due nor impaired | 96,307,059 | 101,594,133 |
| Overdue | | |
| -Up to 6 months | 1,551,048 | 4,189,031 |
| -Over 6 months | 2,929,373 | 8,724 |
| **Total** | **100,787,480** | **105,791,888** |

**b) Liquidity risk**

| *Amounts in Euro* | 2019 | | | |
|---|---|---|---|---|
| | **Up to 1 year** | **1 to 2 years** | **2 to 5 years** | **Total** |
| Bank loans | 84,571,021 | - | - | **84,571,021** |
| Bond issues | 9,444,047 | 12,624,096 | 54,313,688 | **76,381,831** |
| Leases liabilities | 1,182,011 | 1,202,438 | 2,810,937 | **5,195,386** |
| Contract liabilities | 2,176,987 | - | - | **2,176,987** |
| Trade and other payables | 68,735,141 | - | - | **68,735,141** |
| **Total** | **166,109,207** | **13,826,534** | **57,124,625** | **237,060,366** |

| *Amounts in Euro* | 2018 | | | |
|---|---|---|---|---|
| | **Up to 1 year** | **1 to 2 years** | **2 to 5 years** | **Total** |
| Bank loans | 79,310,974 | - | - | **79,310,974** |
| Bond issues | 7,894,657 | 20,563,538 | 52,250,540 | **80,708,735** |
| Contract liabilities | 287,161 | - | - | **287,161** |
| Trade and other payables | 83,484,594 | 17,348 | - | **83,501,942** |
| **Total** | **170,977,386** | **20,580,886** | **52,250,540** | **243,808,812** |

**c) Foreign exchange risk**

| *Amounts in Euro* | 2019 | | | |
|---|---|---|---|---|
| | **EURO** | **USD** | **GBP** | **Other** |
| Trade and other receivables | 106,571,005 | 546,278 | - | **107,117,283** |
| Cash and cash equivalents | 407,758 | 609,553 | - | **1,017,311** |
| **Total assets** | **106,978,763** | **1,155,831** | **-** | **108,134,594** |
| Loans and borrowings | 151,781,316 | - | - | **151,781,316** |
| Lease liabilities | 5,150,869 | - | - | **5,150,869** |
| Trade and other payables | 58,031,583 | 10,680,127 | 6,083 | **68,717,793** |
| Contract liabilities | 2,176,985 | - | - | **2,176,985** |
| **Total liabilities** | **217,140,753** | **10,680,127** | **6,083** | **227,826,963** |
| **Total net risk** | **(110,161,990)** | **(9,524,296)** | **(6,083)** | **(119,692,369)** |

| *Amounts in Euro* | 2018 | | | |
|---|---|---|---|---|
| | **EURO** | **USD** | **GBP** | **Other** |
| Trade and other receivables | 106,171,409 | - | 25,812 | **106,197,221** |
| Cash and cash equivalents | 1,723,431 | - | - | **1,723,431** |
| **Total assets** | **107,894,840** | **-** | **25,812** | **107,920,652** |
| Loans and borrowings | 148,714,911 | - | - | **148,714,911** |
| Trade and other payables | 72,722,304 | 10,535,546 | - | **83,257,850** |
| Contract liabilities | 287,161 | - | - | **287,161** |
| **Total liabilities** | **221,724,376** | **10,535,546** | **-** | **232,259,922** |
| **Net total risk** | **(113,829,536)** | **(10,535,546)** | **25,812** | **(124,339,270)** |

The amounts presented at the column "EURO" are included for total agreement purposes.

The exchange rates used per year are the following:

| Exchange rate in Euro on | | |
|---|---|---|
| | **31/12/2019** | **31/12/2018** |
| USD | 1.1234 | 1.1450 |
| GBP | 0.8508 | 0.8945 |

**Sensitivity analysis**

| *Amounts in Euro* | Profit or loss | |
|---|---|---|
| | **Strengthening** | **Weakening** |
| **2019** | | |
| USD (10% movement) | 865,845 | (1,058,255) |
| GBP (10% movement) | 553 | (676) |
| **2018** | | |
| USD (10% movement) | 957,777 | (1,170,616) |
| GBP (10% movement) | (2,347) | 2,868 |

**d) Interest Rate Risk**

| *Amounts in Euro* | Profit or loss | |
|---|---|---|
| | **Increase by 0.25%** | **Decrease by 0.25%** |
| **Impact in Euro on 31.12.2019** | | |
| Financial instruments of variable rate | (379,453) | 379,453 |
| **Impact in Euro on 31.12.2018** | | |
| Financial instruments of variable rate | (371,787) | 371,787 |

## 27 Contingent liabilities

The Company has contingent liabilities mainly deriving from bank letters of guarantee issued in the context of its normal business:

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| Guarantees to secure liabilities to suppliers | 11,741,502 | 12,419,876 |
| Guarantees to secure the good performance of contracts with clients | - | 11,456,063 |
| Mortgages and statutory notices of mortgage issued against lots & buildings | 85,635,600 | 85,635,600 |
| Pledges on inventory | 30,000,000 | 30,000,000 |
| Guarantees for factoring with recourse | 2,487,006 | 2,140,280 |
| Other liabilities | 53,297 | 53,297 |
| **Total** | **129,917,405** | **141,705,116** |

## 28 Transactions with related parties

Related parties of the Company are considered the subsidiaries and associates of the Company, the executive Members of its Board of Directors as well as the subsidiaries and associates of the VIOHALCO Group. These transactions are analyzed as follows:

| *Amounts in Euro* | **2019** | **2018** |
|---|---|---|
| **Sales of goods** | | |
| Parent | 178,134,319 | 184,174,792 |
| Subsidiaries | - | 4,116,727 |
| Other Related Parties | 58,319,076 | 72,633,340 |
| | **236,453,395** | **260,924,859** |
| **Sales of Services** | | |
| Parent | 159,751 | 146,568 |
| Subsidiaries | - | 23,222 |
| Other Related Parties | 141,320 | 248,348 |
| | **301,071** | **418,139** |
| **Purchases of Goods** | | |
| Parent | 9,925,845 | 9,204,222 |
| Subsidiaries | - | 9,180 |
| Associates | 3,036 | - |
| Other Related Parties | 108,428,295 | 64,851,292 |
| | **118,357,176** | **74,064,694** |
| **Purchases of Services** | | |
| Parent | 5,981,277 | 5,655,839 |
| Subsidiaries | - | 19,172 |
| Associates | 28,727 | 47,804 |
| Other Related Parties | 3,727,382 | 7,332,740 |
| | **9,737,386** | **13,055,555** |
| **Purchases of fixed assets** | | |
| Parent | 7,960 | - |
| Associates | 17,039 | 7,312 |
| Other Related Parties | 572,330 | 497,354 |
| | **597,329** | **504,666** |

| *Amounts in Euro* | **2019** | **2018** |
|---|---|---|
| **Remuneration of Management and the Board Members** | | |
| Remuneration of Management and the Board Members included in employee benefits | 382,098 | 549,400 |
| | **382,098** | **549,400** |

| *Amounts in Euro* | **31.12.2019** | **31.12.2018** |
|---|---|---|
| **Receivables from Related Parties** | | |
| Parent | 75,660,797 | 74,863,519 |
| Subsidiaries | - | 2,599,309 |
| Other Related Parties | 13,576,615 | 11,887,973 |
| | **89,237,412** | **89,350,800** |
| | | |
| **Liabilities to related parties** | | |
| Parent | 150,092 | 312,039 |
| Subsidiaries | 31,130 | 98,486 |
| Other Related Parties | 20,569,599 | 25,710,215 |
| | **20,750,821** | **26,120,740** |

**Income from Dividends**

During the year the Company received income from dividends amounted to euros 20,250 from its stakes at STEELMET S.A..

## 29 Subsequent events after the date of the Statement of Financial Position

On December 2019 at China the COVID-19 virus appeared, which rapidly transmitted globally, resulting in the World Health Organization declaring the COVID-19 outbreak as a pandemic on 11 March 2020.

Responding to the possible serious threat that the virus presents to the public health, the Greek Authorities as well as the majority of the governing authorities around the globe, moved to social and economic activities restriction, so as to prevent the rapid spread of the virus that include among other, restrictions in the cross-borders transportation of people, in the entrance of foreign visitors, the closing of educational institutions, restaurants, shopping stores (excluding the food stores), entertainment and exercise centers and the under-conditions curfew. Part of these restrictions are still in force.

The virus spread and the aforementioned restricting measures, marked a series of negative conditions for the world economy. The wide economic consequences of these events include:

- Disruption in business at a global level with heavy impact on supply chains.
- Suspension in operation of business in certain sectors as well as businesses that heavily rely on foreign markets. The areas affected include trade and transports, travels and tourism, entertainments, constructions, retail trade, education and others.
- Significant drop in demand for non-essential goods and services.
- Rise in the economic uncertainty, reflected in unstable prices and foreign exchange rates and the sharp decrease in the stock exchange rates globally.

In order to face the crisis in a financial level, the Greek Government with Legislative Acts, has moved to the provision of support measures for the companies affected. According to the Business Activity Codes, the Company is included in the affected businesses and can, if deemed necessary, make use of the measures for the companies’ support, established by the Government.

The Company, which based on its multi-year experience, has been proven able to face and adapt timely to the new market conditions during the pandemic outbreak, continues smoothly its operations, remaining competitive in the new demanding environment not only by preserving but also by strengthening its long-time collaborations with its customers and suppliers.

Therefore, and despite the uncertainty, the Management believes that – even in the worst-case scenarios – the Company is able to withstand the crisis challenges for the following reasons:

- It has maintained the cash equivalents at the same level as of 31/12/2019
- There are credit lines available that can be used in case considered necessary.
- There is no precarious situation under the Management's knowledge at this time.
- The crisis has not affected significantly the supply chain of the Company, allowing the Company to preserve a satisfactory level of stock so as to respond to the current demand, while no important issues are expected to rise in the following months.

Expecting that the special conditions shaped will affect the market's operation throughout 2020, the Management appreciates that the negative impact in sales will revolve around -6% in an annual basis compared to the previous year figures.

The total impact in Company's figures will depend on the spread and the duration of the pandemic and also from the more general conditions in the economy as a whole.

With the current conditions, the uncertainty and the new business environment shaped after the crisis, the Company has set as first priority the shielding of its liquidity and financial position and also the maintenance of its operational results in a satisfactory level.

In the context of further shielding of its liquidity, the Company by adopting part of the Greek Government's support measures, submitted a request to the bondholders of its Bond Loans of suspension of the bond's capital (installments) with simultaneous transfer of the maturity date of the bond loans repayment program by nine (9) months. The Company received the consent of the Bondholders for maturity date extension of its 27 June 2020 bonds for nine (9) months, namely until 27 March 2021 and expects their consent for the rest of the repayment program.

Athens 15 July 2020

| The Vice-Chairman of the BoD | The Executive Director | The Chief Financial Officer |
|---|---|---|
| Mariou Nikolaos<br>ID No AE 083192 | Panagiotopoulos Ioannis<br>ID No AI 641705 | Patsatzis Efstratios<br>ID No. AI 541059<br>License No 0105964, A' Class |