

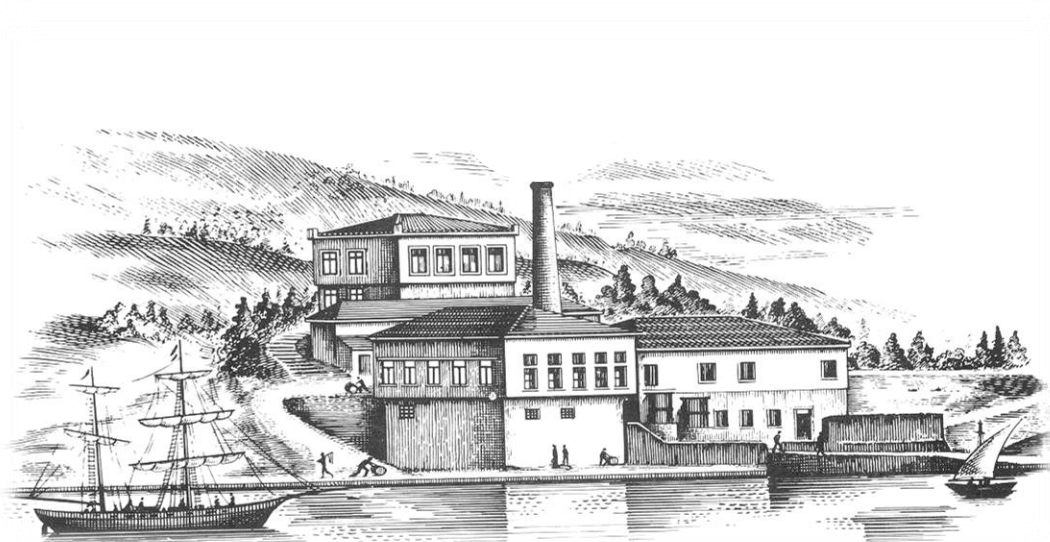


PAPOUTSANIS S.A.

ANNUAL FINANCIAL REPORT

Financial Year 2019

(1 January - 31 December 2019)



*Anonymous Industrial and Commercial Company of Consumer Goods
Register No. G.E.M.I. 121914222000
71st km. Athens-Lamia highway, Vathi Avlidos, Chalkida*

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A. DECLARATION OF MEMBERS OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 4(2)(C) OF LAW 3556/2007

Pursuant to Law 3556/2007 regarding the "Transparency requirements for information on issuers whose securities have been admitted to trading on a regulated market and other provisions", the undersigned declare that to the best of our knowledge:

1. The Annual Financial Statements for the financial year 2019 (01.01.2019 - 31.12.2019), which have been prepared in accordance with the applicable accounting standards, present fairly the assets and liabilities, net assets and results of operations of PAPOUTSANIS S.A., in accordance with the provisions of Law 3556/2007.
2. The Annual Management Report of the Board of Directors of PAPOUTSANIS S.A. presents fairly the information required by Law 3556/2007.

Vathi Avlidos, 18 March 2020

CHAIRMAN OF THE BOARD

CHIEF EXECUTIVE OFFICER

BOARD MEMBER

GEORGIOS GATZAROS

MENELAOS TASSOPOULOS

MARY ISKALATIAN

B. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY IN ACCORDANCE WITH ARTICLES 150 and 153 OF LA 4548/2018 AND ARTICLES 4(6) AND (7) OF LA 3556/2007

The Board of Directors of Papoutsanis S.A. (the Company) presents the Annual Management Report on the Annual Financial Statements for the financial year ended 31 December 2019, which has been prepared in accordance with the relevant provisions of the applicable law. 4548/2018, Law 3556/2007 and the executive decisions of the Board of Directors of the Hellenic Capital Market Commission issued pursuant to the same.

The above mentioned Financial Statements have been prepared in accordance with International Financial Reporting Standards.

1. Evolution and performance over the reporting period

Turnover - sales

In 2019, consolidated turnover amounted to € 30.7 million compared to € 24.2 million in 2018, an increase of 27%.

An important role in the growth of Papoutsanis' turnover was played by the expansion of the Greek soapmaking industry's partnerships with multinational companies. Positive contributions were also made by the hotel products category in Greece and abroad and the special soapmaking category in foreign markets.

Exports amounted to €15 million, representing 49% of total turnover, compared to €10 million in the previous financial year (41%).

18% of the total turnover comes from sales of Papoutsani's branded products in Greece and abroad, 30% from sales to the hotel market, 38% from the production of products for third parties and 14% from industrial sales of soap mixes.

Turnover moved in relation to the previous financial year, by product category, as follows:

- **Branded products**. This category decreased by 3%, although sales in Greek retail chains (Super Markets) showed a marginal increase due to lower sales in foreign markets.
- **Hotel products**. Sales of the Company's hotel products grew by 13% in 2019. This growth was driven by both the international market and the Greek market. The Company is active abroad, mainly through its partnership with a company that holds a dominant position in the global market. Its products (Olivia, Skin Essentials, Karavaki) and KORRE products (in collaboration with the company of the same name) are distributed to major hotel chains and hotel units both in Greece and abroad.
- **Third party products (industrial sales, private label)**. This category showed an increase of 73% compared to the year 2018. This growth came from an expansion of

cooperation with a multinational company abroad for the production of its products, mainly soaps.

- **Industrial soap sales.** This category grew by 16% due to exports. Sales of soap masses continue to show significant growth rates due to demand from foreign companies for special soap masses. The company possesses the appropriate expertise to develop these special industrial products.

Gross Profit

Gross profit in fiscal 2019 was positively impacted by sales growth and amounted to EUR 8.8 million compared to EUR 6.7 million in fiscal 2018, an increase of 31%.

Operating expenses

The Group's selling, administration, research and development expenses amounted to EUR 6.4 million in 2019 compared to EUR 5.1 million (2018), representing an increase of 25%, due to selling, research and development expenses for the development of new products and promotion of the Company's existing products and administration expenses for better staffing of human resources.

Results

Consolidated profit before tax amounted to EUR 1.9 million, compared to a profit of EUR 1.1 million in 2018, while profit after tax amounted to EUR 1.3 million compared to a profit of EUR 1.1 million in 2018. The parent company's profit before tax amounted to a profit of EUR 1.9 million, compared to a profit of EUR 1.1 million in 2018, while profit after tax amounted to a profit of EUR 1.4 million, compared to a profit of EUR 1.1 million in 2018.

Operating flows

The Group's operating cash flow was positive and amounted to EUR 3.83 million, compared to EUR 3.64 million in 2018, representing an increase of 5%. The Company's operating cash flows were positive and amounted to EUR 3.87 million, compared to EUR 3.64 million in 2018, representing an increase of 6%.

Lending

The Group's net bank borrowings (bank loans not including shareholder's loan less cash and cash equivalents) amounted to 5.2 (compared to EUR 6.36 million in 2018), representing 17% of the Company's consolidated turnover in 2019 (compared to 26% in 2018) and 13% of its total assets (compared to 16% in 2018).

Fixed equipment

The depreciated value of fixed assets (tangible and intangible fixed assets) amounted to EUR 28.0 million as at 31.12.2019 compared to EUR 27.0 million in 2018.

Financial structure

The total liabilities to equity ratio was 1.05 as at 31 December 2019, compared to 1.14 as at 31 December 2018.

Working capital-Liquidity

Working capital (current assets less current liabilities) as at 31.12.2019 amounted to EUR 2.5 million, compared to EUR 2.8 million as at 31.12.2018.

Alternative Performance Measurement Indicators (APAs)

The company and the group use Alternative Performance Measurement Indicators ("AIMIs") in making decisions regarding its financial, operational and strategic planning, as well as for the evaluation and publication of its performance. These KPIs serve to provide a better understanding of the Company's financial and operating results, its financial position and its cash flow statement. The alternative measures (ALRs) should always be considered in conjunction with the financial results prepared in accordance with IFRS and in no way replace them.

GROUP	2019	2018
General Liquidity		
(Current assets / Current liabilities) x 100	128%	130%
The ratio reflects the coverage of current liabilities by total current assets		
Inventory turnover rate		
(Inventories / Cost of sales) x 365 days	65	92
The indicator reflects the average number of days that the Company keeps the inventories in stock.		
Speed of collection of commercial receivables		
(Trade Receivables / Sales) x 365 days	49	59
The indicator shows the average number of days that the company's receivables are collected.		
Speed of payment of short-term liabilities other than banks		
(Short-term liabilities other than banks/cost of sales) x 365 days	109	128
The ratio reflects the average number of days that the Company's non-bank short-term liabilities are repaid.		
Gross profit margin		
(Gross Profit / Sales) x 100	28,7%	27,7%
The indicator shows gross profit as a percentage of sales		
Net profit margin		
(Net Profit / Sales) x 100	4,4%	4,6%
The indicator shows net profit after tax as a percentage of sales.		
Capital charge		
(Debt / Equity) x 100	105%	114%
The ratio shows the amount of Liabilities (current and long-term) as a percentage of equity.		

Net Borrowing

Long-term loans + Short-term loans - Cash and cash equivalents	5.502.655	6.627.045
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COMPANY	2019	2018
General Liquidity		
(Current assets / Current liabilities) x 100	129%	130%
The ratio reflects the coverage of current liabilities by total current assets		
Inventory turnover rate		
(Inventories / Cost of sales) x 365 days	64	92
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(Trade Receivables / Sales) x 365 days	49	59
The indicator shows the average number of days that the company's receivables are collected.		
Speed of payment of short-term liabilities other than banks		
(Short-term liabilities other than banks/cost of sales) x 365 days	107	128
The ratio reflects the average number of days that the Company's non-bank short-term liabilities are repaid.		
Gross profit margin		
(Gross Profit / Sales) x 100	28,7%	27,7%
The indicator shows gross profit as a percentage of sales		
Net profit margin		
(Net Profit / Sales) x 100	4,6%	4,6%
The indicator shows net profit after tax as a percentage of sales.		
Capital charge		
(Debt / Equity) x 100	105%	114%
The ratio shows the amount of Liabilities (current and long-term) as a percentage of equity.		
Net Borrowing		
Long-term loans + Short-term loans - Cash and cash equivalents	5.513.500	6.627.045

2. Other important information for the year ended 31 December 2019

Company property.

There was no change in the company's properties, which are presented in the following table:

ADDRESS	AREA (in m ²)	USE
Land in Ritsona, Boeotia (on which the factory is located)	36.516	Self-service
Plot of land in Ritsona of Boeotia	4.888	Self-service
Plot of land in Ritsona of Boeotia	2.920	Self-service
Plot of land in Ritsona of Boeotia	2.898	Self-service
Plot of land in Ritsona of Boeotia	868	Self-service
Plot of land in Ritsona of Boeotia	8.406	Self-service
Main facilities in Ritsona, Boeotia	9.672	Self-service
Facilities in Ritsona, Boeotia	3.046	Self-service
Farm in the Prefecture of Evia	141.692	Investment in real estate held for capital support

The Company's properties are subject to liens to secure bank loans which are detailed in the notes to the financial statements, where an analysis of all items in the financial statements is provided.

Own shares

The Company did not acquire any own shares in 2019, nor does it hold any own shares.

In 2018, 560,549 own shares with a total acquisition value of €108,916.83 were cancelled by the decision of the Extraordinary General Meeting of 3 May 2018.

Activities in the Research and Development sector

The company's Research and Development department is active in the creation of various products, solid soaps and liquid cosmetics, with the greatest emphasis on Sustainability as expressed through the use of natural raw materials, the development of corresponding natural recipes, the vertical production of the required packaging materials (bottles and caps) using, as far as possible, recycled and recyclable raw materials and finally the obtaining of the relevant certifications. These products, as they respond to current and/or anticipated consumer trends, are available to the company for its branded products and to third-party customers for the development of their own.

In this context, the Research and Development sector contributes substantially to the development and integration of innovative products into the production process. Examples of these are cosmetics in solid form (body creams, shampoos, conditioners) and synthetic soap masses (syndet) as part of the effort to reduce the use of plastic and water content with a corresponding reduction in the carbon footprint. But examples are melt and pour soaps, liquid

olive oil soaps, hot fill technology, etc. or products in different shapes, recognising the trend towards new and original forms of packaging.

Branches

The company has no branches.

3. Risks and uncertainties

Macroeconomic environment

The growth dynamics of this year, and especially of the next quarter, will be determined, inter alia, to a significant extent by the duration and intensity of the Covid-19 epidemic and the refugee/migrant crisis at the borders.

According to the latest developments, the Covid-19 epidemic is projected to have a negative impact on both global and individual economies in 2020. The shape of the economic disruption is expected to be determined by:

- (i) whether the virus is subject to a seasonal pattern, i.e. how much more pronounced the seasonal distribution of virus infectivity is in the low temperature months than in the high temperature months.
- (ii) the length of time it will take to develop effective methods of treating the symptoms of the disease and of course the introduction of the vaccine,
- (iii) whether a country is exposed to demand-side or supply-side disturbances.

Based on the above, we believe that the Greek economy, including tourism, will be significantly affected in the second quarter with the hope that it will recover somewhat from the third quarter of 2020.

According to this scenario, during the second half of the year there is expected to be a gradual easing of the phenomenon, creating positive base effects for 2021. It should be noted that these estimates are based on the information available so far and are subject to a high degree of uncertainty as the phenomenon is ongoing.

Source. Economic Research Directorate 11 March 2020.

The management monitors developments, assesses the risks and takes the necessary actions to minimize the impact of the aforementioned risks and to continue its uninterrupted operation and supply to its customers.

Risk of price variation

The main raw materials used in production are vegetable oils, their chemical derivatives and animal fat. Various types of plastics are used in the production of packaging. The price of the above fluctuates according to the supply and demand on the world market, since most of them

are exchange traded products, and due to the considerable turbulence on the markets at the moment they are highly volatile and in any case with a downward trend. More generally now, due to the significant competition in the sectors in which the Company operates, any increases in international and domestic raw material prices are not easily passed on to the final price of the products, which entails the risk of a negative impact on the Company's results. To this end, the Company, annually, seeks and ultimately uses the supplier that ensures the best price, reducing the risk of dependence.

No derivatives are used to hedge this risk.

Credit risk

Credit risk arises mainly from receivables from customers. To address this risk, the Company continuously monitors the financial situation of its debtors and takes the necessary actions (credit insurance, legal actions) based on its credit policy to reduce this risk.

Interest rate and currency risk

The financial cost of all the company's bank borrowings is variable based on euribor. Bank borrowings are exclusively in euros. Management believes that there are no significant risks from a possible change in interest rates and the impact on the company's credit rating from borrowing costs is limited.

Risk sensitivity analysis

The table below shows the sensitivity of the result for the year and equity to a reasonable change in interest rates of 0.5%. Changes in interest rates are estimated to be on a reasonable basis relative to recent market conditions.

	<u>2019</u>	<u>2018</u>
Sensitivity of result	48.000	45.256

The Company has foreign currency transactions to a limited extent. There are no significant assets and liabilities in currencies other than the euro. Therefore, there are no circumstances that could expose it to high currency risk.

Liquidity risk - cash flow risk

Liquidity risk management includes ensuring that sufficient cash and cash equivalents are available, as well as ensuring creditworthiness through the availability of adequate credit limits from the cooperating banks.

According to the present financial statements, the Company has positive working capital, positive cash flows from operating activities and therefore has no significant liquidity risk. Its net bank borrowings at the end of 2019 amounted to EUR 5.5 million compared to EUR 6.4 million at 31 December 2018, representing 17% of turnover.

Liquidity needs are monitored by the Company on a daily and weekly basis, as well as on a 6-month rolling period.

Risk of non-sustainability

Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to the going concern. The assessment made has not identified any events, or circumstances or relevant business risks that could cast serious doubt on the Company's ability to continue as a going concern in the next financial year.

3. Significant events that occurred between the end of the financial year and the preparation of the Report

In March, the World Health Organization declared Covid-19 a pandemic.

By the Extraordinary General Meeting of the Company's shareholders held on 27.02.2020:

It was decided to reduce the share capital by 753,552.30€ to 14,066,309.60€, by reducing the nominal value of all 25,118,410 shares of the Company from 0.59€ to 0.56€, in order to return the capital in cash to the shareholders.

It was also decided to authorize the Board of Directors to establish within one (1) year a share offering program pursuant to article 113 par. 4 of Law 113 (4). 4548/2018 under whatever conditions within the framework of the law it deems appropriate, with rights corresponding to a maximum of 250,000 shares to be issued through a capital increase.

5. Objectives and prospects - Projected course of the Group and the Company

The Papoutsanis factory is considered one of the largest and most modern soap and hotel cosmetics production plants in Europe and the only one in Greece.

During the last three years, the Company has been on a strong growth path and the Company's management's objective remains to increase its turnover and control its production and operating costs in order to further improve its profitability and liquidity.

The following are expected to contribute positively to the Group's turnover for 2020:

- The full development of the existing cooperation in the production of soaps for the European market with a multinational company already a major customer, the extension of this cooperation to the production of hotel products, but also other special innovative products (niche innovation products) that require know-how and strong R&D, specialized technological equipment, such as for example the production and packaging of hot creams, but also the relevant certifications.
- The conclusion of a new agreement with one of the largest German companies for the production of approximately 50% of their European solid soap needs.
- the emphasis on new innovative products with reduced use of raw materials that harm the environment. The company has already invested significantly in the development of the necessary know-how and technology and has entered into partnerships for the production of these products. The aim is to vertically integrate the production of these products, while at the same time significantly developing the category.
- the expansion of the category of soap mixes through the attraction of new foreign customers, the addition of new innovative products based on the high level of know-how developed by the company, as well as the continuous investments with emphasis on synthetic soap mixes, a category that is of great ecological interest due to the possibility of manufacturing products that eliminate the use of plastics, while minimizing the carbon footprint.

The current pandemic has affected consumption patterns and demand in certain sectors. Although it is not possible to predict quantitatively how each category will be affected on a yearly basis, the present impact is set out:

- **Branded products:** The demand for these products in the country has significantly increased as the company is active in personal hygiene products.
- **Hotel products:** This category follows the trend of tourism and as a result the demand for these products has decreased mainly within the country. The final result, especially for the corresponding sales in the Greek hotel market, is directly related to the duration of the crisis and thus the development of tourism in the current year, while for abroad in the baseline scenario the impact is expected to be somewhat more limited. In 2019, the sales ratio between Greece and abroad in this category was 47% - 53%.
- **Third party products (industrial sales, private label):** the demand for these products has been significantly boosted both from the domestic market and from foreign countries as they are again personal hygiene products.
- **Industrial soap sales.** This category has also been positively affected as it concerns an industrial product used for the production of soap.

Finally, it is noted that the uninterrupted operation of the Group's production facilities continues.

6. Transactions with related parties

α) Intercompany transactions

Inter-company trade was carried out as follows:

Intercompany Transactions in 2019 (amounts in €)		PURCHASING COMPANY	
		SHOEPANIS AVEE	PAPOUTSANIS Sp. z.o.o.
SELLING COMPANY	SHOEPANIS AVEE		46.562,36
	PAPOUTSANIS Sp. z.o.o.	-	

There were no intercompany commercial transactions in 2018.

b) Intercompany balances

On 31.12.2019 the Subsidiary Company PAPOUTSANIS Sp. Z o.o. had a liability to the Parent Company in the amount of € 46.562,36.

c) Transactions with key management personnel and members of the Management

	GROUP		COMPANY	
	1.1-31.12.2019	1.1-31.12.2018	1.1-31.12.2019	1.1-31.12.2018
Remuneration of executive members of the Board of Directors and managers (based on a special employment relationship)	922.226	696.588	922.226	696.588
Fees of a law firm controlled by a related party of an executive member of the Board of Directors.	37.000	47.500	37.000	47.500
Remuneration of non-executive members of the Board of Directors	38.400	38.400	38.400	38.400
	997.626	782.488	997.626	782.488

(d) Claims and liabilities with executive officers and management.

	GROUP		COMPANY	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Liabilities to directors and senior management arising from assigned accounts	1.408	1.519	1.408	1.519
Liabilities to directors and members of the management (from remuneration)	50.051	7.300	50.051	7.300

ε) Balance with shareholders

The shareholder Tanaca Holdings Ltd, granted a loan to the Company in 2010 for an amount of €1,228,000, the majority of which was repaid in 2010. In 2013 an amount of €265,184 was repaid. The balance of the loan amounts to €262,816 as at 31 December 2019.

Related party transactions are entered into on terms equivalent to those prevailing in purely commercial transactions.

7. Description of the company's policies in relation to the environment, corporate social responsibility and labour.
7.1 Environment

The corporate philosophy of PAPOUTSANIS S.A. focuses on respect and protection of the environment and nature. Our company is fully compliant with EU and national legislation on the environment.

Papoutsanis is a member and holds the certification of a global initiative of stakeholders for the sustainability of palm oil, the RSPO, which promotes the development and use of palm oil that comes from certified crops and not from crops that have resulted from the destruction of ecosystems in various parts of the world. At the same time Papoutsanis holds ISO 9001:2008 and 22716:2008 certifications and is a member of the GreenPalm program.

Our company has products certified Cosmos Natural, Vegan and in the near future we will release a range of products with Ecolabel certification.

Moreover, the packaging of the products is a key factor for the marketing strategy of Papoutsanis as it gives the necessary information about the products, testifying their quality. At the same time they provide the appropriate protection of the products during transport and storage.

For the above reasons, the factory has invested in the production of packaging materials with respect to the environment, since all packaging materials are 100% recyclable and a large percentage of them come from recycled materials.

α) Actual and potential impact of the entity on the environment

The company complies with the standards concerning environmental parameters imposed by legislation. We aim to improve our environmental performance and reduce the environmental footprint of our activities.

The main source of energy for saponification is natural gas and for other activities electricity. As a result, there is no pollution or emissions of toxic substances and gases from the use of energy.

(b) Disclosure of the entity's procedures for the prevention and control of pollution and environmental impacts.

The procedures relating to the prevention and control of pollution and environmental impacts implemented by the company are:

- Use of modern technology machinery,
- Use of recycled packaging and materials in finished products
- Safety measures to prevent any kind of pollution.
- Use of natural gas for thermal energy.
- Separation of waste in appropriate containers during production.
- Compliance with the standards concerning environmental parameters imposed by legislation is ensured by measurements from certified laboratories.
- Waste treatment:

The processing of the returns (collection, transport, recovery and disposal) produced during the activity is carried out as follows:

α) Biological treatment plant. The company has a modern biological purification plant. The main volume of returns recycled at the biological treatment plant is the wastewater from soap and cosmetic production.

b) The management of returns from the production of plastics is entrusted to licensed waste treatment companies, which collect, transport, recover and dispose of them.

(c) Disposal of unsuitable chemicals and products is handled by licensed chemical waste management and disposal companies.

7.2 Working Issues

The company does not discriminate in the selection, recruitment, remuneration, training and assignment of its employees on the basis of race or ethnic origin, gender, age, religion and religious beliefs, marital status or disability. The remuneration of employees shall be determined in accordance with their work experience, theoretical training, qualifications, efficiency and abilities.

The Group's average headcount amounted to 138 people (up 15% compared to the previous year (120 people in 2018)).

The Company monitors labour legislation including reports on child labour, respect for human rights and working conditions and is in full compliance with the provisions.

The company provides continuous training to staff in order to develop and improve their existing skills. This training is carried out either internally by trained personnel or through training centres in the form of seminars or long-term programmes.

The Company maintains a cooperation agreement with an external partner, which ensures the provision of a Safety Technician and an Occupational Physician, with responsibilities related to preventive issues related to health and safety and staff health issues.

EXPLANATORY REPORT TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN ACCORDANCE WITH ARTICLE 4 PARAGRAPH 8 OF LAW 3556/2007.

This explanatory report of the Board of Directors is submitted to the Ordinary General Meeting of the Company's Shareholders pursuant to paragraph 8 of article 4 of Law 3556/2007, and has been prepared in accordance with the provisions of paragraph 7 of article 4 of the above mentioned law.

(a) Share capital structure

The share capital of the Company amounts to fourteen million eight hundred and nineteen thousand eight hundred and sixty-one euros and ninety-one cents (14,819,861.90), divided into twenty-five million one hundred and eighteen thousand four hundred and ten (25,118,410) common nominal shares with voting rights, with a nominal value of EUR 0.59 each.

The Company's shares are listed for trading in the General Category (Main Market) of the Athens Exchange.

The rights of the Company's shareholders deriving from its shares are proportional to the percentage of the capital to which the paid-up nominal value of the share corresponds. Each share embodies all the rights and obligations provided for by law and the Company's Articles of Association, and in particular:

- The right to participate and vote in the General Meeting of the Company.
- The right to the dividend from the annual or liquidated profits of the Company.
- The right to withdraw the contribution upon liquidation.
- The right of pre-emption in principle to any increase in the Company's share capital in cash and the subscription of new shares.
- The right to receive copies of the financial statements and reports of the auditors and the management report of the Board of Directors of the Company.

(b) Restrictions on the transfer of the Company's shares

The transfer of the Company's shares, which are dematerialised and listed in the General Category (Main Market) of the Athens Exchange Market, is carried out as required by law and there are no restrictions on their transfer under the Company's Articles of Association.

(c) Significant direct or indirect shareholdings within the meaning of Articles 9 to 11 of Law 3556/2007

Based on the attendance at the last Annual General Meeting of shareholders on 27.02.2020 pursuant to article 14 of Law no. 3556/2007, - persons controlling more than 5% of the total shares and voting rights are listed in the table below:

Full name or Name of Shareholder	Shares attributable to (in units)	QUANTUM
RAGUSO Co Ltd	15.726.173	62,61%

The entire share capital of Raguso Limited is held by Bolelli CO. Limited. The ultimate beneficiaries of the entire share capital of Bolelli CO. Limited are Mr. Georgios Gatzaros (Chairman of the Board of Directors of PAPOUTSANIS ABEE) and Mr. Menelaos Tasopoulos (Vice Chairman of the Board of Directors of PAPOUTSANIS ABEE), with a 50% share each.

(d) Holders of shares conferring special control rights

There are no shares of the Company that give their holders special control rights.

(e) Restrictions on voting rights - Deadlines for exercising the relevant rights

The Company's Articles of Association do not provide for any restrictions on the voting rights attached to its shares.

(f) Shareholders' agreements on restrictions on the transfer of shares or the exercise of voting rights

The Company is not aware of any shareholder agreements that entail restrictions on the transfer of shares or restrictions on the exercise of voting rights.

(g) Rules for the appointment/replacement of members of the Board of Directors and amendment of the Articles of Association if they differ from those provided for in Law. 4548/2018.

The rules provided in the Company's Articles of Association for the appointment/replacement of the members of the Board of Directors and amendment of the Articles of Association do not differ from those provided in Law no. 4548/2018, however, the possibilities provided by these laws are used in the case of vacancy of a Board member's position, as below:

1. If for any reason a vacancy occurs in the Board of Directors:

α. If there is an alternate Member or Alternate Members elected by the General Assembly of the Company, he/she shall fill the vacant position or positions, in the order of their election.

β. If there are none, the Board of Directors may either continue to manage and represent the Company, provided that the remaining Members exceed half of the total number of Members before the vacancy or vacancies, but in any case such Members may not be less than three, or, if the remaining Members are at least three (3), to elect an alternate Member or Members to fill the vacancy or vacancies for the remainder of the term of office of the Member or Members being replaced. Such election shall be announced at the next ordinary or extraordinary General Meeting, which may replace the elected members, even if no item is yet on the agenda.

The choice of one of the two solutions under b. above is made by the Board of Directors at its sole discretion. The Board of Directors may, of course, fill only some of the vacant positions, provided that the Members after partial replacement exceed half of the total number of Members before the vacancy or vacancies.

2. The Company's Articles of Association have been harmonized with the provisions of Law 4548/2018 on limited liability companies.

(h) Authority of the Board of Directors to issue new shares / purchase of own shares pursuant to article 49 of Law no. 4548/2018.

1. According to the provisions of Article 24 par. 1(b) of the Law. 4548/2018, the Board of Directors of the Company has the right, following the relevant decision of the General Meeting subject to the publicity formalities of article 13 of Law 4548/2018. 4548/2018, to increase the Company's share capital by issuing new shares, by a decision taken by a majority of at least two-thirds (2/3) of all its members. In this case, the share capital may be increased in accordance with the applicable law. 4548/2018, up to three times the amount of the capital paid up on the date on which the Board of Directors was granted such authority by the General Assembly. The aforementioned authority of the Board of Directors may be renewed by the General Assembly for a period not exceeding five years for each renewal.

2. According to the provisions of Article 113 par. 4 of Law 4548/2018, a decision was taken on 27.02.2020 by the Extraordinary General Meeting which allows the Board of Directors to establish a share issue program in the form of stock options under any conditions within the framework of the law, but subject to the following restrictions:

- a) the rights to be allocated will correspond to a maximum of 250,000 shares, as the number of shares, provided that this number will be adjusted in the event of corporate transactions which, without new contributions, lead to a change in the total number of shares, such as for example a division or merger of shares, so that the percentage of the total number of shares represented remains constant
- b) the shares to be allocated will result from an increase in the company's share capital by cash payment

The other terms of the program will be defined by the Board of Directors in the resolution establishing the program and taking all decisions related to it. The authorisation granted by the Board of Directors will be valid for one year from 27.02.2020, provided, of course, that this period only concerns the adoption and not the termination of the programme.

In the event that the coverage of the amount of the share capital increases that will take place in accordance with the share allocation plan adopted by the Board of Directors is not complete, the share capital will be increased up to the amount of the corresponding coverage according to article 28 of Law no. 4548/2018.

3. At the responsibility of the members of the Board of Directors of the Company, the Company may itself or with a person acting in its name, but on its behalf, acquire its own shares, subject to the approval of the General Meeting and to the specific conditions and procedures of article 49 of Law No. 4548/2018.

(i) Significant agreements of the Company that are in force / amended / terminated in the event of a change in control of the Company following a public offer.

There are no significant agreements that come into effect, are amended or expire in the event of a change in control of the Company following a public offering.

(j) Compensation agreements for Board members or staff in the event of resignation/ dismissal without just cause or termination of office/ employment due to public proposal

There are no agreements between the Company and its directors or employees that provide for the payment of compensation in the event of resignation or dismissal without just cause or termination of their term of office or employment due to the public offering.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO ARTICLES 152 AND 153 OF LAW 4548/2018

This Corporate Governance Statement is prepared in accordance with article 152 of Law No. 4548/2018 as in force.

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INTRODUCTION

The term "corporate governance" describes the way companies are managed and controlled. Corporate governance is articulated as a system of relationships between the Company's management, the Board of Directors, shareholders and other stakeholders, constitutes the structure through which the Company's objectives are approached and set, the means of achieving these objectives are identified and it becomes possible to monitor management's performance in the process of implementing them.

In Greece, the corporate governance framework has been developed mainly through the adoption of mandatory rules, such as Law no. 3016/2002 and Decision 5/204/2000 of the Hellenic Capital Market Commission, which, inter alia, require the participation of non-executive and independent non-executive members in the Boards of Directors of Greek companies whose shares are listed on a regulated market in Greece, the establishment and operation of an internal audit unit and the adoption of internal operating regulations with minimum mandatory content in accordance with the above provisions. In addition, other legislative acts have incorporated into the Greek legislative framework the European company law directives or implemented European regulations, creating new corporate governance rules, such as Law No. 4449/2017, which requires, inter alia, the operation of an audit committee and Law 4449/2017, which requires, inter alia, the operation of an audit committee and Law 4449/2017, which requires, inter alia, the operation of an audit committee. 3884/2010 concerning shareholders' rights and additional corporate disclosure obligations to shareholders in the context of the preparation of their General Meeting as well

as significant disclosure obligations regarding, inter alia, the ownership and governance of a company. Finally, the Public Limited Companies Act (v. 4548/2018) contains the basic rules of corporate governance of public limited companies.

1. Corporate Governance Code

1.1 Notification of the Company's voluntary compliance with the Corporate Governance Code

The Company has decided to adopt the **Corporate Governance Code of the Federation of Enterprises and Industries (SEV) for Listed Companies** (hereinafter referred to as the "**Code**"). This Code is available on the SEV website at the following address:

http://www.sev.org.gr/Uploads/pdf/kodikas_etairikis_diakivernisis_GR_20131003.pdf

In addition to the SEV website, the Code is available to all staff and in hard copy at the Financial Services and Human Resources Departments as well as on the Company's official website at the following e-mail address: <http://www.papoutsanis.gr/corporate-governance.php?id=3&lang=gr>

1.2 Deviations from the Code of Corporate Governance and justification of such deviations. Specific provisions - practices of the Code for listed companies - not applied by the Company and explanation of the reasons for non-application

The Company hereby confirms that it applies the provisions of the Greek legislation which formulate the minimum requirements to be met by any Code of Corporate Governance applicable to a company whose shares are traded only on a regulated market in Greece.

These minimum requirements are incorporated as of the date hereof into the aforementioned Code, which the Company has adopted and applies. The Code, however, contains, in addition to the minimum requirements, a number of specific provisions from which deviation is permitted on a case-by-case basis.

The Company deviates from or does not apply in full certain provisions of the Code concerning "*Special Practices for listed companies*", to the extent permitted by applicable law. These deviations are detailed below (*at the end of each paragraph the Code numbering of the relevant specific practices is indicated*).

It should be noted that the following report also includes the exemptions for specific practices for smaller listed companies, i.e. those not included in the FTSE/ATHEX 20 and FTSE/ATHEX Mid 40 indices, for which the Code provides in Appendix 1 thereof the possibility of exempting them from the obligation to explain non-compliance with them, to the extent permitted by the applicable legislation.

Regarding the Board of Directors and its members

Role and responsibilities of the Board of Directors

- the Board of Directors has not established a special, separate committee, which presides over the process of submitting nominations for election to the Board of Directors and prepares proposals to the Board of Directors regarding the remuneration of executive members and key senior executives, since on the one hand the Company's policy regarding such remuneration is stable and well-established, and on the other hand, in view of the size of the Company, the existence of such committees is not considered absolutely necessary. *AI (1.2)*

Role and required qualities of the Chairman of the Board of Directors

- no explicit distinction is established between the responsibilities of the Chairman and the Chief Executive Officer, nor is it considered appropriate to create such a distinction in view of the organisational

structure and operation and the size of the Company. *A III (3.1)*

- the Board does not appoint an independent Vice-Chairman from among its independent members, but an Executive Vice-Chairman, as the assistance of the Vice-Chairman to the Chairman of the Board in the exercise of his executive duties is considered of paramount importance. *A III (3.3 & 3.4)*

Nomination of candidates for members of the Board of Directors

- there is no nomination committee for the Board of Directors, as due to the structure and operation of the Company this committee is not considered necessary at present. *A V (5.4 to 5.8)*

Functioning of the Board of Directors

- the Board of Directors at the beginning of each calendar year does not adopt a calendar of meetings and a 12-month action plan, which can be revised according to the needs of the Company, as all its members are residents of the prefecture of Attica, it is easy to convene and meet the Board of Directors when the needs of the Company or the law require it, without the existence of a predetermined action plan. *A VI (6.1)*

- there is currently no provision for the Board of Directors to be supported in its work by a competent, qualified and experienced company secretary, as its basic duties are fully serviced by other departments of the Company. *A VI (6.2, 6.3)*

- there is no provision for the existence of introductory information programmes for new Board members and continuous professional training and education for the other members, given that persons with proven experience and organisational and management skills are proposed for election as Board members. *A VI (6.5).*

- there is no provision for the provision of adequate resources to the Board committees for the fulfilment of their duties and for the hiring of external consultants to the extent required, as there are no Board committees, other than the Audit Committee, as required by law, and the relevant resources, where necessary, are approved on a case-by-case basis by the Board of Directors of the Company, based on the corporate needs at any given time. *A V (6.9).*

Evaluation of the Board of Directors

- there is no established procedure to evaluate the effectiveness of the Board and its committees, nor is the performance of the Chairman of the Board evaluated during a procedure chaired by the independent Vice-Chairman or another non-executive member of the Board in the absence of an independent Vice-Chairman. In addition to the Board's evaluation through its Performance Report at the Annual General Meeting of Shareholders, the Board monitors and reviews the implementation of its resolutions on an annual basis. There is no longer a senior evaluation system for the Board and the *A VII* committees (*7.1, 7.2 and 7.3*).

Regarding internal control

Internal control system

No specific budget is allocated to the Audit Committee for the use of external consultancy services, as the composition of the Committee and the specialised knowledge and experience of its members ensure its effective functioning. *B J (1.9)*

Regarding the fees

Level and structure of remuneration

- there is no remuneration committee, the purpose of which is to determine the remuneration of the executive and non-executive members of the Board of Directors and, consequently, there are no regulations on the duties of this committee, the frequency of its meetings and other matters relating to its operation. The establishment of this committee, in view of the structure and operation of the Company, has not been assessed as necessary to date.

The general remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the members of the Board of Directors, executive and non-executive, are provided for by the Remuneration Policy approved by the Annual General Meeting of the Company's shareholders on 16.07.2019, are specified by the Board resolutions and are adequately disclosed in the financial statements, in accordance with IAS 24 and in the Remuneration Report that the Company is obliged to publish annually in accordance with Law No. 4548/2018, on which the General Meeting discusses and votes on in an advisory capacity.

No "compensation package" has been agreed for any Board member.

The employment contracts of the executive members of the Board of Directors include the possibility of a salary.

The General Meeting of Shareholders

- no discrepancy was observed, except for the exception granted by the Code, in accordance with Annex 1, for information in English. *D II (2.1)*

1.3 Corporate governance practices applied by the Company in addition to the provisions of the law

The Company does not apply any other practices in addition to the provisions of the applicable legal framework on corporate governance.

2. Main Features of Internal Control and Risk Management Systems in relation to the Financial Statements and Financial Reporting Process

The Company's Internal Control and Risk Management System in relation to the preparation of the financial statements and financial reports includes safeguards and control mechanisms at various levels within the Organization as described below:

2.1 General

Identify, assess, measure and manage risks:

The identification and assessment of risks is mainly done during the strategic planning phase and the annual business plan. The issues considered vary according to market and industry conditions and include, but are not limited to, developments and trends in the markets in which the company operates or are important sources of raw materials, changes in technology, macroeconomic indicators and the competitive environment. The Board conducts an annual review of the corporate strategy, key business risks and internal control systems.

Planning and monitoring/Budgeting:

The Company's progress is monitored through a detailed budget. The development of the Company's financial performance is largely dependent on exogenous factors such as raw material prices and other market factors. Therefore, the budget is adjusted periodically to take into account these changes. The

Company's management monitors the Company's financial performance through regular reports, comparisons with the budget and management team meetings.

Adequacy of the Internal Control System:

The Company's management has designed and performs ongoing supervisory activities, which are integrated into the Company's operations and which ensure that the Internal Control System maintains its effectiveness over time. The Company also performs periodic individual assessments as to the adequacy of the Internal Control System, which are primarily implemented through the Internal Audit function.

The Company has an independent Internal Audit Department, which, among other things, ensures that the risk identification and management procedures applied by the Company's Management are adequate, ensures the effective operation of the Internal Audit System and the quality and reliability of the information provided by the Management to the Board of Directors regarding the Internal Audit System.

The adequacy of the Internal Audit System is monitored on a systematic basis by the Audit Committee through two-way communication with the Internal Audit Service.

Prevention and suppression of financial fraud:

As part of risk management, areas considered to be at high risk of financial fraud are monitored with appropriate control systems and correspondingly increased safeguards. Indicative examples are the existence of an organisational chart, operating rules, as well as detailed procedures and approval limits. Furthermore, in addition to the control mechanisms implemented by each management, all the Company's activities are subject to audits by the Internal Audit Department.

Internal Rules of Procedure:

The Company has drawn up relevant Internal Operating Regulations, which have been approved by the Board of Directors. The Regulations also define the powers and responsibilities of key positions, thus promoting the adequate separation of responsibilities within the Company.

Security nets in information systems:

The Company has developed a framework for monitoring and controlling its information systems, which is defined by individual control mechanisms, policies and procedures. Among these is the definition of specific access rights for all employees according to their position and role, and a relevant log of access to the Company's systems is also maintained.

2.2 Safeguards for the financial reporting process

As part of the Company's financial reporting procedures, certain safeguards are in place and in operation, which relate to the use of tools and methodologies that are generally accepted in accordance with international practices. The key areas in which safeguards related to the preparation of the Company's financial reports and financial statements are in place are as follows:

Organisation - Allocation of responsibilities

- The assignment of responsibilities and powers to both the company's senior management and its middle and junior executives ensures the enhancement of the effectiveness of the Internal Audit System, while preserving the required separation of responsibilities.
- Appropriate staffing of the financial services with people who have the necessary technical knowledge and experience for the tasks assigned to them.

Accounting monitoring and financial reporting procedures

- Existence of policies and monitoring of the accounting department.
- Training and briefing of staff involved in the preparation of the Financial Statements.

- Automatic checks and verifications carried out between the different reporting systems and specific approval of accounting treatments of non-recurring transactions is required.
- Management's judgments and estimates required for the preparation of the financial statements are reviewed at each financial reporting period, also in relation to the risks identified.

Internal control procedures of the financial statements

- Internal control over financial reporting is designed to provide reasonable assurance on the assertions made by management to third parties and the external auditors on the individual line items in the financial statements, which are:
For the balance sheet: the existence and ownership of the data, completeness, measurement and classification in accordance with the accounting framework.
For results: The existence of the transaction, self-sufficiency of the use, completeness, accuracy and classification based on the accounting framework.

Asset safekeeping procedures

- Existence of security safeguards for fixed assets, inventories, cash - cheques and other assets of the company, such as, but not limited to, physical security of cash and warehouses, inventory and comparison of the quantities counted with those in the books, adequate security of assets, etc.

3. Board of Directors

3.1 Composition and functioning of the Board of Directors

3.1.1 The role, powers and responsibilities of the Board of Directors are described in the Articles of Association and, in addition, in the Internal Operating Regulations of the Company.

The Board of Directors, acting collectively, is responsible for the administration and management of the company's affairs. It decides in general on all matters concerning the Company and performs all acts except those which either by law or by the Articles of Association are the responsibility of the General Meeting of Shareholders.

By way of illustration and not limitation, the Board of Directors :

- (a) Represent the Company in and out of court.
- (b) Initiate and conduct legal proceedings, effect seizures, record mortgages and liens, consent to their cancellation, waive privileges, actions and remedies, settle in and out of court and agree to arbitrations.
- (c) Acquires, constitutes or transfers rights in rem and rights in rem in movable and immovable property and accepts obligations, enters into all forms of contracts, subject to Articles 99 to 101 of the Law. 4548/2018, participates in public or other tenders as well as in low-price or bidding auctions.
- (d) Appoint, install and remove employees and agents of the Company, regulate their remuneration and salaries and grant and revoke any general and special powers of attorney on behalf of the Company.
- (e) Issue, accept and sign or guarantee or endorse promissory notes, drafts, cheques and any instrument to order.
- (f) Determine the general expenses of the Company.
- (g) Audit the books and the treasury of the Company, prepare the annual financial statements, recommend depreciation of premises and bad debts and recommend dividends and profits to be distributed.
- (h) Arrange the internal functioning of the Company and issue the relevant regulations and generally undertake all acts of administration of the Company and management of its property and have all powers and rights to manage the corporate interests and to take all actions for the realization of the purposes pursued by the Company.
- i) Provide any kind of guarantees on behalf of the company in favour of legal or natural persons with whom the company has or maintains commercial or financial transactions in order to serve its purposes.

(j) Decide on the issuance of bond loans, other than those referred to in Articles 71 and 72 of Law No. 4548/2018. With regard to the latter, the Board of Directors may decide to issue such loans upon authorization by the General Assembly in accordance with Articles 71 and 24(1) of Law No. 4548/2018.

3.1.2 The Board of Directors may, by its decision, delegate the exercise of all or part of its rights and powers related to the administration, management and representation of the Company to one or more persons, whether or not such persons are members of the Board of Directors. Such persons may, if provided for by the relevant resolutions of the Board of Directors, further delegate the exercise of the powers conferred on them or part thereof to other parties or third parties. The title and competence of each of these persons shall always be determined by the decision of the Governing Board appointing them.

3.1.3 Each director is liable to the company for any loss suffered by the company as a result of an act or omission constituting a breach of his or her duties. If damage is caused by a joint act of several members of the board of directors, or if several members are jointly and severally liable for the same damage, they are all jointly and severally liable. The same shall apply if several persons have acted at the same time or in succession and it cannot be ascertained whose act caused the damage. The court may, however, decide to apportion liability between the persons responsible, depending on the gravity of the act, the degree of fault and the allocation of responsibilities among the members of the board of directors. The court may also regulate the right of recourse between the persons responsible. Liability shall not exist in respect of acts or omissions based on a lawful resolution of the general meeting or relating to a reasonable business decision taken (a) in good faith, (b) on the basis of information which is adequate in the circumstances and (c) solely for the purpose of serving the interests of the company. These elements shall be assessed by reference to the timing of the decision. The directors shall bear the burden of proving the requirements of this paragraph. The court may also consider that there is no liability in respect of acts or omissions based on the recommendation or opinion of an independent body or committee operating in the company in accordance with the law.

3.1.4 Incompatibilities - other obligations

α) Members of the Board of Directors who participate in any way in the management of the company, as well as its directors, are prohibited, without the authorisation of the general meeting or a relevant provision in the articles of association, from acting, for their own account or for the account of third parties, in acts falling within the purposes of the company, as well as from participating as general partners or as sole shareholders or partners in companies pursuing such purposes. B) Members of the Board of Directors and any third person to whom functions have been delegated by the Board of Directors have a duty of loyalty to the company. They shall in particular:

α) Not to pursue self-interests that are contrary to the interests of the company.

b) To disclose in a timely and adequate manner to the other members of the Board of Directors their own interests that may arise from transactions of the company that fall within their duties, as well as any conflict of interests with those of the company or its affiliated companies within the meaning of article 32 of Law No. 4308/2014, which arises in the exercise of their duties. They are also required to disclose any conflict of interest between the interests of the company and the interests of the persons referred to in paragraph 2 of Article 99 of Law No. 4548/2018, if they are related to these persons. A sufficient disclosure is deemed to be one that includes a description of both the transaction and the company's own interests. Companies shall disclose the cases of conflict of interest and any contracts concluded that fall under Article 99 of Law No. 4548/2018 with the annual report of the board of directors.

c) To maintain strict confidentiality about the company's affairs and the company's secrets, which have become known to them by virtue of their capacity as consultants.

3.1.5. Meetings of the Board of Directors

The Board of Directors shall meet at the Company's headquarters whenever the law or the needs of the Company require it and shall be convened by the Chairman or the Vice-Chairman who replaces him on a

day and time determined by him. It shall also be convened whenever the Chairman deems it expedient or whenever requested by two Directors, as provided by law.

The convening of the Board of Directors may be requested by two (2) of its members, in addition to the President or his/her deputy, through a request to the President or his/her deputy, who are obliged to convene the Board of Directors in order for it to meet within seven (7) days from the submission of the request. The request must, under penalty of inadmissibility, clearly state the matters to be dealt with by the Board of Directors. If the Board of Directors is not convened by the Chairperson or his/her deputy within the above deadline, the members who requested the meeting shall be allowed to convene the Board of Directors within five (5) days of the expiry of the above seven (7) day period, by notifying the other members of the Board of Directors of the invitation. Six meetings of the Board of Directors were held in the year 2019, which were attended by all members of the Board of Directors. All other decisions of the Board of Directors were taken by signing minutes.

3.2 Information on the members of the Board of Directors

The current Board of Directors of the Company consists of six members, as elected by the Annual General Meeting on 6.09.2018, and after the resignation of Mr. Michalis Panagi and the decision of the Board of Directors of 14.01.2020 to continue as it is, in accordance with article 7 par. 3 of the Articles of Association and article 82 no. 2 of the law. 4548/2018, and consists of the following members:

- α. Georgios Gatzaros, Chairman of the Board, Executive Member.** He holds a degree in Mechanical Engineering from NTUA. He is the founder of GAGEO S.A. which merged in 2009 with PAPOUTSANIS S.A. From 2008 to 2009 he was an industrialization consultant of PAPOUTSANIS and GAGEO.
- β. Menelaos Tasopoulos, Vice Chairman, CEO, executive member.** He holds PhD and MPhil in Engineering & Applied Science from Yale University, has a Master in Industrial Engineering & Management Science from Columbia University and a Master in Chemical Engineering from Worcester Polytechnic Institute. He also holds a degree in Chemical Engineering from the National Technical University of Athens. He has many years of experience in industry, as a General Manager and Managing Director and as a Private Equity Director in a commercial bank.
- c. Mary Haigui Iskalatian, Executive Member and Chief Financial Officer.** She holds a B.Sc. in Economics from the National and Kapodistrian University of Athens and an M.B.A. from the University of Strathclyde. She has many years of experience in industry and service provision.
- d. Christos Georgalis, Non-executive, independent member.** He holds a degree from the Athens School of Economics and Commerce (ASCE). He has extensive experience in financial matters in the industry as a Financial Director.
- ε. Dimitrios Papoutsanis, Non-executive independent member.** He studied Business Management with specialization in Marketing and Communications at Adelphi University. He has worked in marketing, sales and purchasing for a large multinational company.
- f. Georgios Minoudis, Non-executive member.** Lawyer, graduate of the University of Essex (LLB) and the University of London (LLM, London School of Economics and Political Science). He is employed at Karatzas & Partners Law Firm. Partners since 2000 and has been a partner since 2004. He specializes in commercial and corporate law.

Based on the above composition, the Board of Directors consists of three (3) executive and three (3) non-executive members, of which two (2) are independent members, for whom the Board of Directors considers that they maintain their independence, based on the definitions of the Code.

The term of office of the Board of Directors is three years, expires on 06.09.2021 and is automatically extended until the first ordinary General Assembly after the expiry of its term of office. In any case, the term of office may not exceed four (4) years.

The members of the Board of Directors, apart from their activities related to their status and position in the Company, do not engage in other professional activities that are important for the Company, with the following exceptions:

Georgios Gatzaros, Administrator of GAGEO M. Ltd, member of the Boards of Directors of Bolelli CO Ltd and Raguso Ltd.

Menelaos Tasopoulos, member of the Boards of Directors of Bolelli CO Ltd and Raguso Ltd.

Georgios Minoudis, Attorney at Law, partner of the Law Firm "Karatzas and Partners".

3.3 Audit Committee

The Company complies with the provisions and requirements of Law no. 4449/2017, the Company has established an Audit Committee to support the Board of Directors in its duties regarding, inter alia, financial reporting, internal control and supervision of regular audit, whose composition was renewed at the Annual General Meeting on 06.09.2018.

The Audit Committee consists of one independent non-executive member of the Board of Directors, Mr Christos Georgalis, one non-executive member of the Board of Directors, Mr Georgios Minoudis, and Mr Meletios Babekos, an accountant, who meets the criteria of independence of article 4 of Law 3016/2002 , as in force. The members of the Audit Committee are elected by the General Assembly.

Mr Christos Georgalis has been appointed Chairman of the Audit Committee.

According to the decision of the Ordinary General Meeting on 06.09.2018, the term of office of the Committee is identical to the term of office of the Board of Directors, i.e. it expires on 06.09.2021, but it is extended until the next termination of the Ordinary General Meeting, not exceeding four years.

In the event of resignation or for any reason the resignation of a member or members of the Audit Committee, he or they shall be replaced by the Board of Directors and the replacement shall be submitted for approval at the next general meeting of the Company's shareholders.

The powers and duties of the Audit Committee consist, inter alia, of:

- a) monitoring the financial reporting process, reviewing management's judgments and estimates that affect the preparation of the financial statements and overseeing any official communication regarding the company's financial performance,
- b) monitoring the effective operation of the internal control system and the risk management system, as well as supervising the Company's internal audit function and ensuring its independence,
- c) monitoring the progress of the statutory audit of the Company's individual and consolidated financial statements,
- d) reviewing and monitoring issues related to the existence and maintenance of the statutory auditor's or audit firm's objectivity and independence, in particular with regard to the provision of other services to the Company by the statutory auditor or audit firm.

The Audit Committee met 7 times during the financial year 2019 (01.01.2019-31.12.2019).

It is clarified that the Company's Statutory Auditor, who performs the audit of the annual and interim financial statements, does not provide any other type of non-audit services to the Company that are prohibited under Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council

and Law No. 4449/2017, nor is it connected with any other relationship with the Company, in order to ensure its objectivity and independence.

3.4 Other management, supervisory bodies or committees of the company

There are no other management or supervisory bodies or committees of the Company as at the date hereof within the function of the Board of Directors.

3.5 Diversity policy in the composition of the Company's administrative, management and supervisory bodies

Due to the size of the Company and the small number of the Company's administrative, management and supervisory bodies (each of which is composed of a small number of members), the Company does not maintain a separate diversity policy in the composition of these bodies, while respecting, inter alia, the principle of non-discrimination and equality.

4. Information required under Article 10 par. 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC, concerning public takeover bids

This is information on the following issues, which are already given in the section entitled "*EXPLANATORY REPORT TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS IN ACCORDANCE WITH ARTICLE 4 OF LAW 3556/2007*" of this Annual Management Report of the Board of Directors to which we refer:

- significant direct or indirect holdings (including indirect holdings through pyramid structures or cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC;
- the holders of any type of securities conferring special control rights and a description of such rights;
- restrictions on voting rights of any kind, such as restrictions on voting rights to holders of a given percentage or number of votes, time limits on the exercise of voting rights, or systems in which, with the cooperation of the company, the financial rights attaching to securities are separated from the holding of securities;
- the rules concerning the appointment and replacement of members of the board and the amendment of the statutes;
- the powers of the members of the board, in particular as regards the possibility of issuing or repurchasing shares;

The disclosure of the above required information is included in the section entitled "*EXPLANATORY REPORT TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN ACCORDANCE WITH ARTICLE 4 OF LAW 3556/2007*" of this Annual Management Report of the Board of Directors to which we hereby refer.

18 March 2020

For the Board of Directors

The Chairman of the Board.

The Chief Executive Officer

Georgios Gatzaros

Menelaos Tassopoulos

Independent Auditor's Report

To the Shareholders of the company PAPOUTSANIS ANONYMOUS INDUSTRIAL AND TRADE COMPANY OF CONSUMER GOODS

Audit Report on the Company and Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PAPOUTSANIS ANONYMOUS INDUSTRIAL AND COMMERCIAL COMPANY OF COTTON GOODS (the Company), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of PAPOUTSANIS S.A. and its subsidiaries (the Group) as at 31 December 2019, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Opinion base

We conducted our audit in accordance with the International Standards on Auditing (ISA) as incorporated into Greek Law. Our responsibilities under those standards are further described in the section of our report entitled "Auditor's Responsibilities for the Audit of the Company and Consolidated Financial Statements". We have been independent of the Company and its consolidated subsidiaries throughout our appointment in accordance with the Code of Ethics for Professional Accountants of the Council on International Standards on Auditing Ethics as incorporated into Greek law and the ethical requirements related to the audit of the corporate and consolidated financial statements in Greece and have fulfilled our ethical responsibilities in accordance with the requirements of applicable law and the aforementioned Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Major control issues

The most significant audit matters are those matters that, in our professional judgment, were of major significance in our audit of the consolidated and consolidated financial statements of the audited financial year. Those matters and the related risks of material misstatement were considered in the context of our audit of the corporate and consolidated financial statements taken as a whole in forming our opinion on them and we do not express a separate opinion on those matters.

Major control issue	How the major control issue was addressed
Revenue recognition (Turnover)	
The Group's and the Company's turnover for the financial year	Our audit approach included the following key

<p>ended 31.12.2019 amounted to € 30,667,128 and € 30,682,488 respectively (€ 24,240,709 for the financial year ended 31.12.2018 for the Company and the Group).</p> <p>An entity recognises revenue when a contractual obligation to a customer is discharged by the delivery of goods or provision of services (which is the time when control of the goods or services passes to the customer). If a contract contains more than one contractual obligation, the total contract value is allocated to the individual obligations based on the individual sales values.</p> <p>Furthermore, the company concluded that the transfer of control of the products to the customer takes place at a specific time, when the customer receives the goods, as that is when the customer is able to receive the benefits of the specific products.</p> <p>We have identified this area as one of the most important control issues due to its increasing trend in terms of the amount and volume of transactions and its significant impact on the formulation of the results of operations.</p> <p>In addition, this figure reflects the growth of the company, which, in our judgment, is the main focus of the users of its Financial Statements.</p> <p>The Group's disclosures on its revenue recognition accounting policies are included in Note 5.2.22 (5.2.22. Revenue recognition) and Note 6.17 (Sales) to the financial statements.</p>	<p>procedures:</p> <ul style="list-style-type: none"> • We examined the information systems environment that supports the various revenue categories, including the internal processes and security safeguards associated with them. • Verification of the correct segregation of duties by examining sales made close to and immediately after the end date of the reporting period by comparing invoices with the corresponding delivery notes. • Targeted analytical procedures to identify any unusual changes and transactions that require further investigation. • Examination of a sample of customer contracts to evaluate current accounting principles and methods of revenue recognition. • Random recalculation of discounts based on the confirmed turnover per case and the terms of the contracts and reconciliation with the corresponding invoices and other documents issued. • We have assessed the adequacy of the disclosures in the accompanying financial statements in relation to this matter.
<p>Inventory valuation</p>	
<p>As at 31.12.2019, the Group and the Company hold inventories of €3,870,807 and €3,848,071 respectively (€3,790,903 for the year ended 31.12.2018 for the Company and the Group). An impairment provision of €70,000 is included in the consolidated and company statement of financial position in both fiscal 2019 and fiscal 2018.</p> <p>Inventories are valued at the lower of cost and net realisable value.</p> <p>Net realisable value is the estimated selling price in the ordinary course of business less the amount of disposal costs.</p> <p>The costs of finished products and work in progress are determined by the weighted average cost method and consist of raw materials, direct labour costs and industrial overheads allocated on the basis of normal production capacity.</p> <p>Appropriate provision shall be made for unusable, obsolete and</p>	<p>Our audit approach included the following key procedures:</p> <ul style="list-style-type: none"> • Examination of the internal safeguards relating to the inventory tracking circuit, product costing, inventory and end-of-year inventory valuation. • Monitoring of the physical inventory and sample recounts. • Sample confirmation of the correct calculation of the weighted average cost valuation method. • We evaluated management's estimates of real estate and slow-moving inventory by sampling historical sales data. • We compared on a sample basis sales prices with cost of inventories sold to identify inventories sold

<p>very low-speed stocks if they exceed the prescribed level. Write-downs from book value to net realisable value and losses on inventories are expensed in the period to which the write-down or loss corresponds.</p> <p>We have identified the area of inventory valuation as one of the most important audit issues mainly due to the estimates required in both the measurement of inventory value and the calculation of production costs, and their significant impact on profit and loss.</p> <p>The measurement of the value of inventories is based on management estimates that take into account the movement of inventories during the financial year, their shelf life, the possibility of reusing or liquidating slow-moving inventories, etc.</p> <p>The Group's disclosures on the accounting policies adopted for the valuation of inventories are included in notes 5.2.14 (5.2.14. Inventories) and Note 6.5 (Inventories) to the financial statements.</p>	<p>at a negative margin and assessed whether this was taken into account in valuing them at the lower of cost and net realisable value.</p> <ul style="list-style-type: none"> • In addition, we have assessed the adequacy of the relevant disclosures made by the Company and the Group in the accompanying financial statements in relation to the above matter.
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Other Theme

The financial statements of the Company for the previous financial year ended 31.12.2018 were audited by another auditing firm. For the said financial year, the Statutory Auditors issued an audit report on 13.03.2019 with concurring opinion.

Other information

Management is responsible for the other information. The other information is included in the Management Report of the Board of Directors, for which reference is made in the "Report on Other Legal and Regulatory Requirements", in the Statements of **the** Directors, but does not include the financial statements and the audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance on them in this opinion.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of that other information, we are required to report that fact. We have nothing to report on this matter.

Responsibilities of management and those charged with governance over the corporate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, where applicable, matters related to continuing operations and the use of the going concern basis of accounting, unless management either intends to liquidate the Company and the Group or to discontinue operations or has no realistic alternative but to

The Audit Committee (article 44 of Law 4449/2017) of the Company is responsible for overseeing the financial reporting process of the Company and the Group.

Auditor's responsibilities for the audit of the company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but it is not a guarantee that an audit performed in accordance with the ISAs, as incorporated into Greek law, will always detect a material misstatement when it occurs. Errors may arise from fraud or error and are considered material when, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these consolidated and consolidated financial statements.

As an audit task, in accordance with the ISAs as incorporated into Greek law, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and evaluate the risks of material misstatement of the company and consolidated financial statements, whether due to fraud or error, by designing and performing audit procedures that address 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 due to fraud is higher than that due to error, as fraud may involve collusion, forgery, intentional omissions, false assurances or circumvention of internal controls.
- We understand internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- We evaluate the appropriateness of the accounting principles and methods used and the reasonableness of accounting estimates and related disclosures made by management.
- We express an opinion on the appropriateness of management's use of the going concern basis of accounting and on the basis of the audit evidence obtained as to whether there is any material uncertainty about events or circumstances that may indicate a material uncertainty about the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required in the auditor's report to draw attention to the relevant disclosures in the company and consolidated financial statements or, if those disclosures are inadequate, to qualify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may result in the Company and the Group ceasing to operate as a going concern.

- We evaluate the overall presentation, structure and content of the corporate and consolidated financial statements, including disclosures, and whether the corporate and consolidated financial statements present the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence about the financial reporting of the entities or business activities within the Group to express an opinion on the corporate and consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Company and its subsidiaries. We remain solely responsible for our audit opinion.

Among other matters, we communicate to those responsible for governance the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

In addition, we declare to those responsible for governance that we have complied with the relevant ethical requirements on independence and disclose to them all relationships and other matters that may reasonably be considered to affect our independence and the relevant safeguards, where applicable.

From the matters disclosed to those charged with governance, we identify those matters that were of significant importance to the audit of the consolidated and consolidated financial statements for the audited financial year and therefore are the most significant audit matters.

Report on other Legal and Regulatory Requirements

1. Management Report of the Board of Directors

Taking into account that the management is responsible for the preparation of the Management Report of the Board of Directors and the Corporate Governance Statement included in this report, pursuant to the provisions of paragraph 5 of article 2 of Law 4336/2015 (part B), we note that:

- a) The Management Report of the Board of Directors includes a corporate governance statement, which provides the information specified in article 152 of Law 4548/2018.
- b) In our opinion, the Management Report of the Board of Directors has been prepared in accordance with the applicable legal requirements of articles 150 - 151 and 153 - 154 and paragraph 1 (cases c' and d') of article 152 of Law 4548/2018 and its content corresponds to the attached financial statements for the financial year ended 31.12.2019.
- c) Based on the knowledge we obtained during our audit, about PAPOUTSANIS ANONYMOUS INDUSTRIAL AND COMMERCIAL COMPANY OF RESOURCES and its environment, we have not identified any material misstatements in the Management Report of its Board of Directors.

2. Supplementary Report to the Audit Committee

Our opinion on the accompanying consolidated and consolidated financial statements is consistent with our Supplementary Report to the Audit Committee of the Company, as required by article 11 of the European Union Regulation (EU) No 537/2014.

3. Provision of non-audit services



We did not provide the Company and its subsidiaries with non-audit services prohibited under Article 5 of the European Union Regulation (EU) No 537/2014 or other permitted non-audit services.

4. Appointment of the Auditor

We were appointed for the first time as the Company's Statutory Auditors by resolution of the Annual General Meeting of Shareholders held on 16/07/2019.

Athens, 18 March 2020

The Statutory Auditor

Panayiotis Noulas

A.M. S.O.E.L. 40711



Ορκισμένοι Ελεγκτές Σύμβουλοι Επιχειρήσεων
Ζεφείρου 56, 17564 Πικαίο Φλόγρια
Α.Μ. Σ.Ο.Ε.Λ. 127

D. FINANCIAL STATEMENTS

1. Statement of Financial Position

ASSETS	Note.	GROUP		COMPANY	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Non-current assets					
Tangible fixed assets	6.1	27.821.937	26.815.600	27.821.937	26.815.600
Investment in real estate	6.2	226.707	235.000	226.707	235.000
Intangible assets	6.3	177.878	185.617	177.878	185.617
Investments in subsidiaries		-	-	40.208	-
Long-term receivables	6.4	17.797	21.268	16.876	21.268
		28.244.319	27.257.485	28.283.606	27.257.485
Current assets					
Inventories	6.5	3.870.807	4.426.394	3.848.071	4.426.394
Trade receivables (open balance)	6.6	3.980.057	3.790.903	3.980.057	3.790.903
Trade receivables (balance covered by cheques)	6.6	108.896	106.695	108.896	106.695
Other receivables	6.6	649.616	832.550	610.728	832.550
Cash and cash equivalents	6.7	2.650.657	2.940.575	2.639.812	2.940.575
		11.260.032	12.097.117	11.187.564	12.097.117
Total assets		39.504.351	39.354.602	39.471.170	39.354.602
CAPITAL EQUITY					
Equity attributable to equity holders of the parent					
Share capital	6.8	14.819.862	15.322.230	14.819.862	15.322.230
Share Premium	6.8	14.431.168	14.431.168	14.431.168	14.431.168
Fair value reserves	6.9	1.551.930	1.479.307	1.551.930	1.479.307
Exchange rate differences		(275)	-	-	-
Other reserves	6.10	217.200	217.200	217.200	217.200
Retained earnings		(11.783.630)	(13.084.449)	(11.749.464)	(13.084.449)
Total Equity attributable to equity holders of the parent		19.236.255	18.365.456	19.270.696	18.365.456
Non-controlling interests		(8.600)	-	-	-
Total equity capital		19.227.655	18.365.456	19.270.696	18.365.456
RESPONSIBILITIES					
Long-term liabilities					
Long-term loans	6.11	5.892.022	6.419.970	5.892.022	6.419.970
Deferred income tax	6.12	3.279.561	2.769.308	3.279.561	2.769.308
Provisions for employee benefits	6.13	792.994	712.120	792.994	712.120
Other provisions	6.14	175.142	175.142	175.142	175.142
Asset grants	6.15	1.368.385	1.618.873	1.368.385	1.618.873
		11.508.104	11.695.414	11.508.104	11.695.414
Short-term liabilities					
Suppliers	6.16	5.406.224	5.481.951	5.346.863	5.481.951
Other liabilities	6.16	1.101.079	664.132	1.084.216	664.132
Short-term loans	6.11	2.261.290	3.147.650	2.261.290	3.147.650
		8.768.592	9.293.732	8.692.369	9.293.732
Total liabilities		20.276.696	20.989.146	20.200.474	20.989.146
Total Equity and Liabilities		39.504.351	39.354.602	39.471.170	39.354.602

The notes set out on pages 37 to 100 form an integral part of the financial statements.

2. Statement of Comprehensive Income (by function)

		GROUP		COMPANY	
		01.01- 31.12.2019	01.01- 31.12.2018	01.01- 31.12.2019	01.01- 31.12.2018
Sales	6.17	30.667.128	24.240.709	30.682.488	24.240.709
Cost of sales	6.18	(21.857.094)	(17.532.131)	(21.879.833)	(17.532.131)
Gross profit		8.810.034	6.708.578	8.802.655	6.708.578
Other revenue	6.19	450.133	436.591	450.392	436.591
Distribution expenses		(3.260.896)	(2.858.535)	(3.260.896)	(2.858.535)
Administrative expenses		(2.617.414)	(2.122.200)	(2.553.724)	(2.122.200)
Research & development costs		(517.261)	(139.810)	(517.261)	(139.810)
Other expenses	6.21	(411.762)	(334.110)	(399.904)	(334.110)
Financial costs (net)	6.22	(597.671)	(628.232)	(597.766)	(628.232)
profit / (loss) before tax		1.855.162	1.062.282	1.923.495	1.062.282
Deferred income tax	6.23	(507.992)	43.018	(507.992)	43.018
Net profit/(loss) for the year (A)		1.347.170	1.105.300	1.415.503	1.105.300
- Parent company owners		1.381.336	1.105.300	1.415.503	1.105.300
- Non-controlling interests		(34.166)	-	-	-
Other Total Income					
Items that shall not be reclassified subsequently in profit or loss					
Recalculations of defined benefit plans		(105.312)	(62.614)	(105.312)	(62.614)
Deferred income tax		25.275	15.654	25.275	15.654
Deferred tax from a change in tax rate		(481)	-	(481)	-
Items reclassified subsequently to profit or loss					
Exchange rate differences on consolidation		(549)	-	-	-
Cancellation of own shares		-	64.853	-	64.853
Other comprehensive income after tax (B)		(81.067)	17.893	(80.518)	17.893
Aggregated total income after tax (A+B)		1.266.102	1.123.193	1.334.985	1.123.193
- Parent company owners		1.300.544	1.123.193	1.334.985	1.123.193
- Non-controlling interests		(34.441)	-	-	-
Profit/(loss) after tax per share	6.24	0,0550	0,0309	0,0564	0,0309

The notes set out on pages 37 to 100 form an integral part of the financial statements.

3. Statement of Changes in Equity

GROUP	Share capital	Own Shares	Share Premium	Fair value reserves	Other reserves	Retained earnings	Exchange differences on consolidation of subsidiaries	Minority rights	Total
Balances 1.1.2018	15.747.184	(108.917)	31.953.519	1.479.307	217.200	(31.379.593)	-	-	17.908.701
Changes in accounting policies (1st application of IFRS 9)						(159.751)			(159.751)
Aggregate total income after tax						1.123.193			1.123.193
Increase in share capital	17.331.703		(17.331.703)						-
Share capital increase expenses			(190.649)						(190.649)
Reduction of share capital by offsetting losses	(17.331.703)					17.331.703			-
Return of Share Capital	(251.184)								(251.184)
Cancellation of Own Shares	(173.770)	108.917							(64.853)
Changes in items in the period	(424.954)	108.917	(17.522.352)	-	-	18.295.144	-	-	456.755
Balances 31.12.2018	15.322.230	-	14.431.168	1.479.307	217.200	(13.084.449)	-	-	18.365.456
Balances 1.1.2019	15.322.230	-	14.431.168	1.479.307	217.200	(13.084.449)	-	-	18.365.456
Aggregate total income after tax						1.300.818		(34.166)	1.266.652
Decrease in reserves from revaluation of real estate, net of tax				72.624					72.624
Return of Share Capital	(502.368)								(502.368)
Increase of Share Capital								25.841	25.841
Exchange differences on translation of foreign operations							(275)	(275)	(549)
Changes in items in the period	(502.368)	-	-	72.624	-	1.300.818	(275)	(8.600)	862.199
Balances 31.12.2019	14.819.862	-	14.431.168	1.551.930	217.200	(11.783.630)	(275)	(8.600)	19.227.655

The notes set out on pages 37 to 100 form an integral part of the financial statements.

COMPANY	Share capital	Own Shares	Share Premium	Fair value reserves	Other reserves	Retained earnings	Total
Balances 1.1.2018	15.747.184	(108.917)	31.953.519	1.479.307	217.200	(31.379.593)	17.908.701
Changes in accounting policies (1st application of IFRS 9)						(159.751)	(159.751)
Aggregate total income after tax						1.123.193	1.123.193
Increase in share capital	17.331.703		(17.331.703)				-
Share capital increase expenses			(190.649)				(190.649)
Reduction of share capital by offsetting losses	(17.331.703)					17.331.703	-
Return of Share Capital	(251.184)						(251.184)
Cancellation of Own Shares	(173.770)	108.917					(64.853)
Changes in items in the period	(424.954)	108.917	(17.522.352)	-	-	18.295.144	456.755
Balances 31.12.2018	15.322.230	-	14.431.168	1.479.307	217.200	(13.084.449)	18.365.456
Balances 1.1.2019	15.322.230	-	14.431.168	1.479.307	217.200	(13.084.449)	18.365.456
Aggregate total income after tax						1.334.985	1.334.985
Decrease in reserves from revaluation of real estate, net of tax				72.624			72.624
Return of Share Capital	(502.368)						(502.368)
Changes in items in the period	(502.368)	-	-	72.624	-	1.334.985	905.240
Balances 31.12.2019	14.819.862	-	14.431.168	1.551.930	217.200	(11.749.464)	19.270.696

The notes set out on pages 37 to 100 form an integral part of the financial statements.

4. Cash Flow Statement (Indirect Method)

	GROUP		COMPANY	
	01.01- 31.12.2019	01.01- 31.12.2018	01.01- 31.12.2019	01.01- 31.12.2018
<u>Operating activities</u>				
Profit before tax	1.855.162	1.062.282	1.923.495	1.062.282
Plus / (minus) adjustments for:				
Depreciation	1.392.616	1.176.658	1.392.616	1.176.658
Provisions	91.974	208.627	91.974	208.627
Exchange rate differences	(549)	-	-	-
Amortisation of grants	(125.339)	(128.111)	(125.339)	(128.111)
Investment income/expenditure	8.293	-	8.293	-
Financial costs - (net)	597.766	628.232	597.766	628.232
	3.819.922	2.947.689	3.888.804	2.947.689
Plus/ minus adjustments for changes in capital accounts traffic or related to operational activities:				
Decrease / (increase) in inventories	555.587	(910.861)	578.323	(910.861)
Decrease / (increase) in receivables	(94.214)	8.057	(92.876)	8.057
(Decrease) / increase in liabilities (excluding banks)	209.947	2.246.846	159.565	2.246.846
Minus:				
Interest and related charges paid	(660.610)	(648.239)	(660.610)	(648.239)
Total income/(outflow) from operating activities (a)	3.830.632	3.643.492	3.873.207	3.643.492
<u>Investment activities</u>				
Purchase of tangible and intangible fixed assets	(2.001.710)	(2.767.779)	(2.001.710)	(2.767.779)
Participation in subsidiaries	-	-	(40.208)	-
Proceeds from the sale of tangible and intangible fixed assets	-	60.765	-	60.765
Total inflows / (outflows) from investing activities (b)	(2.001.710)	(2.707.014)	(2.041.918)	(2.707.014)
<u>Financial activities</u>				
Return of Share Capital	(502.086)	(251.018)	(502.086)	(251.018)
Proceeds from capital increase	13.212	-	-	-
Expenses for changes in share capital	-	(190.649)	-	(190.649)
Proceeds from loans issued/drawn	5.029.613	1.286.794	5.029.613	1.286.794
Proceeds from loans issued / assumed (leasing)	-	1.822.306	-	1.822.306
Loan repayments	(6.142.842)	(1.843.878)	(6.142.842)	(1.843.878)
Repayments of finance lease liabilities (interest payments)	(516.737)	(738.175)	(516.737)	(738.175)
Total inflows/(outflows) from financial operations activities (c)	(2.118.839)	85.380	(2.132.051)	85.380
Net increase / (decrease) in cash and cash equivalents period equivalents (a) + (b) + (c)	(289.918)	1.021.858	(300.763)	1.021.858
Cash and cash equivalents at the beginning of the year	2.940.575	1.918.717	2.940.575	1.918.717
Cash and cash equivalents at the end of the financial year	2.650.657	2.940.575	2.639.812	2.940.575

The notes set out on pages 37 to 100 form an integral part of the financial statements.

5. Notes to the Financial Statements

5.1. General information

PAPOUTSANIS S.A. was founded in 1960 and is active in the production, import, export, promotion (marketing) and general marketing of consumer goods, such as soapmaking products, cosmetics and other personal care products, as well as the raw materials for their manufacture, etc. The company is classified as a fully vertically integrated industry producing soaps and personal care products for the consumer, hotels, etc.

The company's facilities are located at 71^o km of the National Road Athens-Lamia in the area of Ritsona of the Regional Unit of Evia.

PAPOUTSANIS S.A. has the form of a Public Limited Company and its shares are listed on the Athens Stock Exchange. The registered office of the Company is the Municipality of Chalkideon of the Regional Unit of Evia of the Region of Central Greece.

These financial statements were approved by the Board of Directors on 18^o March 2020 and are posted, together with the auditor's report and the annual report of the Board of Directors, on the internet at www.papoutsanis.gr

5.2. Summary of significant accounting policies

The basic accounting principles applied in the preparation of the financial statements are described below. These policies have been applied consistently for all periods presented, except for the adoption of the following new standards and interpretations effective for annual periods beginning on or after 1 January 2019. More detailed information is provided below (5.2.3).

5.2.1. Framework for the preparation of financial statements

These financial statements have been prepared by the management in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations of the Interpretations Committee of the International Financial Reporting Standards, as adopted by the European Union, and present the financial position of PAPOUTSANIS S.A, its financial performance and its cash flows on a going concern basis, taking into account macroeconomic and microeconomic factors and their impact on operations.

5.2.2. Risk of non-sustainability

Events, circumstances and relevant business risks that could cast serious doubt on the company's ability to continue as a going concern in the next financial year were assessed. There is no going concern risk.

5.2.3. New standards, amendments to standards and interpretations

New Standards, Interpretations, Revisions and Amendments to existing Standards that have entered into force and have been adopted by the European Union

The following new Standards, Interpretations and amendments to Standards have been issued by the International Accounting Standards Board (IASB), have been adopted by the European Union and their application is mandatory from 01/01/2019 or later.

- IFRS 16 "Leases" (effective for annual periods beginning on or after 01/01/2019)

In January 2016, the IASB issued a new standard, IFRS 16. The purpose of the IASB's project was to develop a new Standard for Leases that sets out the principles that both parties to a contract - ie both the customer ('the lessee') and the supplier ('the lessor') - apply to provide relevant information about leases in a way that faithfully reflects those transactions. To achieve this purpose, the lessee should recognise the assets and liabilities arising from the lease. The new standard has an effect on consolidated and company financial statements. The effect of the application on the Group and the Company is described in note 5.2.4.

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 01/01/2019)

In June 2017, the IASB issued a new Interpretation, IFRIC 23. IAS 12 Income Taxes specifies the accounting treatment of current and deferred tax, but does not specify how the effects of uncertainty should be reflected. IFRIC 23 includes the additional requirements of IAS 12, specifying how the effects of uncertainty should be reflected in the accounting treatment of income taxes. The new Interpretation has no impact on the consolidated and company financial statements.

- Amendments to IFRS 9: "Prepaid Items with a Negative Return" (effective for annual periods beginning on or after 01/01/2019)

In October 2017, the IASB issued limited purpose amendments to IFRS 9. Under the existing requirements of IFRS 9, an entity would measure a financial asset with a negative return at fair value through profit or loss, as the 'negative return' feature could be considered to create contingent cash flows that are not solely comprised of principal and interest payments. Under the amendments, entities are permitted to measure certain prepayable financial assets with a negative yield at amortised cost or fair value through other comprehensive income if a specified condition is met. The amendments have no effect on the consolidated and company financial statements.

- Amendments to IAS 28: "Long-term Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 01/01/2019)

In October 2017, the IASB issued limited purpose amendments to IAS 28. The purpose of these amendments is to provide clarification on the accounting treatment of long-term interests in an associate or joint venture - to which the equity method is not applied - under IFRS 9. The amendments have no effect on the consolidated and company financial statements.

- Annual Improvements to IFRSs - Cycle 2015-2017 (effective for annual periods beginning on or after 01/01/2019)

In December 2017, the IASB issued "Annual Improvements to IFRSs - 2015-2017 Cycle", which consists of a number of amendments to certain standards and is part of the annual improvements to IFRSs programme. The amendments included in this cycle are as follows: **IFRS 3 - IFRS 11**: Interests previously held by the acquirer in a jointly controlled operation; **IAS 12**: Income tax consequences of payments for financial instruments classified as equity; **IAS 23**: Borrowing costs eligible for capitalisation. The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments have no impact on the consolidated and company financial statements.

- Amendments to IAS 19: "Amendment, Curtailment or Settlement of a Defined Benefit Plan" (effective for annual periods beginning on or after 01/01/2019)

In February 2018, the IASB issued limited-purpose amendments to IAS 19 that require an entity to use updated actuarial assumptions when determining current service cost and net interest for the remaining period after a defined benefit plan is modified, curtailed or settled. The objective of these amendments is to enhance the understanding of the financial statements and to provide more useful information to users of the financial statements. The amendments have no effect on the consolidated and company financial statements.

New Standards, Interpretations, Revisions and Amendments to existing Standards that have not yet entered into force or been adopted by the European Union

The following new Standards, Interpretations and amendments to Standards have been issued by the International Accounting Standards Board (IASB) but are either not yet effective or have not yet been adopted by the European Union.

- Revision of the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 01/01/2020)

In March 2018, the IASB revised the Conceptual Framework for Financial Reporting, the purpose of which was to incorporate significant issues that were not covered, as well as to update and clarify specific guidance. The revised Conceptual Framework for Financial Reporting includes a new chapter on measurement, which discusses the concept of measurement, including factors to consider when selecting a measurement basis, issues related to presentation and disclosure in the financial statements and guidance on the derecognition of assets and liabilities from the financial statements. Furthermore, the revised Conceptual Framework for Financial Reporting includes improved definitions of assets and liabilities, guidance to assist in applying those definitions, an update of the criteria for recognising assets and liabilities, and clarifications in important areas such as the roles of management, conservatism and measurement uncertainty in financial reporting. The Group will consider the impact of all of the above on its Financial Statements. The above has been adopted by the European Union with an effective date of 01/01/2020.

- Amendments to the Financial Reporting Conceptual Framework (effective for annual periods beginning on or after 01/01/2020)

In March 2018, the IASB issued Amendments to the Conceptual Framework for Financial Reporting, following its revision. Some standards include explicit references to earlier versions of the Conceptual Framework for Financial Reporting. The purpose of those amendments is to update those references and to support the transition to the revised Financial Reporting Framework. The Group will consider the impact of all of the above on its Financial Statements. The above have been adopted by the European Union with an effective date of 01/01/2020.

- Amendments to IAS 1 and IAS 8: "Definition of Materiality" (effective for annual periods beginning on or after 01/01/2020)

In October 2018, the IASB issued amendments to the definition of materiality to make it easier for companies to exercise judgement on materiality. The definition of materiality helps companies decide what information should be included in their Financial Statements. The new definition amends IAS 1 and IAS 8. The amendments clarify the definition of materiality and how it should be applied by including in the definition guidance that was previously included in other Standards. The Group will consider the impact of all of the above on its Financial Statements. The above has been adopted by the European Union with an effective date of 01/01/2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7: "Restatement of Interest Rate Benchmark" (effective for annual periods beginning on or after 01/01/2020)

In September 2019, the IASB issued amendments to certain requirements for specific hedge accounting treatments in order to smooth out potential impacts arising from the uncertainty resulting from the Interest Rate Reference Point restatement. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest rate benchmarks such as interbank rates. In addition, companies are required to provide additional information to investors regarding hedging relationships that are directly affected by these conditions of uncertainty. The Group will consider the impact of all of the above on its Financial Statements. The above has been adopted by the European Union with an effective date of 01/01/2020.

- Amendments to IFRS 3: "Definition of an Enterprise" (effective for annual periods beginning on or after 01/01/2020)

In October 2018, the IASB issued limited purpose amendments to IFRS 3 to improve the definition of an entity. The amendments will help companies determine whether an acquisition is a business combination or an asset acquisition. The amended definition notes that the output of an entity is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and third parties. In addition to amending the definition of an entity, the IASB through this publication provides additional guidance. The Group will consider the impact of all of the above on its Financial Statements. The above has not been adopted by the European Union.

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 01/01/2021)

In May 2017, the IASB issued a new standard, IFRS 17, which replaces an interim standard, IFRS 4. The purpose of the IASB's project was to develop a single principle-based standard for the accounting treatment of all types of insurance contracts, including reinsurance contracts held by an insurance entity. A single principles-based standard will enhance the comparability of financial reporting between entities, jurisdictions and capital markets. IFRS 17 sets out the requirements that an entity should apply to the financial reporting related to insurance contracts that it issues and reinsurance contracts that it holds. The Group will consider the impact of all of the above on its Financial Statements, although it is not expected to have any. The above have not been adopted by the European Union.

- Amendments to IAS 1 "Classification of Liabilities as Current or Long-Term" (effective for annual periods beginning on or after 01/01/2022)

In January 2020, the IASB issued amendments to IAS 1 that affect the presentation requirements for liabilities. Specifically, the amendments clarify one of the criteria for classifying a liability as non-current, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments include: (a) clarification that an entity's right to defer settlement should exist at the reporting date; (b) clarification that the classification of the liability is not affected by management's intentions or expectations regarding the exercise of the right to defer settlement, (c) explain how borrowing conditions affect the classification; and (d) clarify the requirements for classifying liabilities of an entity that is to be or may be settled by issuing its own equity instruments. The group will consider the impact of all of the above on its financial statements. The above has not been adopted by the European Union.

5.2.4. Changes in accounting policies resulting from the adoption of new standards

- ***IFRS 16 "Leases" (effective for annual periods beginning on or after 01/01/2019)***

(COMMISSION REGULATION (EU) No 2017/1986 of 31 October 2017, L 291/1 - 9/11/2017)

It is applicable to annual accounting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has been applied.

In January 2016 the IASB issued the new accounting standard IFRS 16 "Leases" which replaces IAS 17 "Leases" and related interpretations. IFRS 16 introduces principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

With respect to the lessee, IFRS 16 removes the classification of leases as operating leases or finance leases as required by IAS 17 and instead introduces a unique accounting model for the lessee. Applying this model, the lessee is required to recognise:

- (a) assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value; and
- (b) amortisation of leased assets separately in the income statement from interest on lease liabilities.

With respect to the lessor, IFRS 16 effectively retains the accounting treatments as provided in IAS 17. Therefore, the lessor continues to classify its leases as operating leases or finance leases and to account for these two types of leases differently.

The new accounting standard has affected the accounting treatment of the Group's operating leases and the Company as lessee. The Group and the Company applied IFRS 16 from 1/1/2019, applying the simplified transition method ("modified retrospective approach"), without restating comparative amounts for prior years.

Under the previous standard (IAS 17), the Group (as lessee) classified leases as either finance leases (where the Group and the Company retained substantially all the risks and rewards of ownership) or operating leases. Finance leases were capitalised at the inception of the lease at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease was allocated between the liability and finance charges. The portion of the lease financing costs corresponding to interest was recognized in the income statement over the lease term, while the corresponding lease liabilities were reflected in "Long-term borrowings" and "Short-term borrowings". Leases where a significant portion of the risks and benefits of ownership were retained by the lessor were classified as operating leases and were not capitalized, while payments for operating leases were recognized in the income statement on a pro rata basis over the lease term. Any prepaid rentals were included in 'Other long-term receivables' and 'Trade and other current receivables', while accrued rentals were included in 'Trade and other current payables'.

Following the first application of IFRS 16 on 1/1/2019, the Group and the Company applied the following:

A) Leases previously classified as finance leases:

The Group and the Company did not change the pre-existing carrying amounts of property, plant and equipment and finance lease liabilities at the date of initial application of IFRS 16 for leases classified as finance leases (property, plant and equipment rights of use and lease liabilities equal leased assets and liabilities under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

B) Leases previously classified as operating:

The Group and the Company recognized asset usage rights and liabilities for those leases previously classified as operating leases, except for the standard's exceptions for leases with a remaining term of less than twelve months at the date of initial application of the standard, for leases where the leased asset is of low value, and for short-term leases. The Group and the Company applied the simplified transition method ("modified retrospective approach"), under which it recognized:

(a) a liability for leases measured as the present value by discounting future lease payments at the incremental borrowing rate in effect at the date of initial application of the standard; and

b) right-of-use asset, which was recognised at an amount equal to the corresponding lease liability, adjusted for prepayments and accrued lease payments recognised in the Statement of Financial Position as at 31.12.2018.

For leases where the Group's and the Company's rights to extend the lease or terminate the lease are provided for, management has made an assessment as to whether or not there is certainty that the rights will be exercised based on the Group's and the Company's past experience and business plan.

The impact (increase / (decrease)) from the application of IFRS 16 on 1/1/2019 was as follows:

		1.1.2019
Tangible fixed assets	Rights of use of means of transport	182.798
("right-of-use assets")	Rights to use Machinery & Equipment	43.797
Total non-current assets		226.595
TOTAL ASSETS		226.595
Short-term loans and lease liabilities	Short-term lease liabilities from third parties	68.162
Total current liabilities		68.162
Long-term lease liabilities	Long-term lease liabilities from third parties	158.433
Total long-term liabilities		158.433
TOTAL LIABILITIES		226.595

The Group and the Company had no impact on equity from the initial application of IFRS 16.

C) Recognition of leases in the financial statements of 31.12.2019:

After initial recognition, the Group and the Company measure the rights to use assets and amortise them on a straight-line basis over the term of the lease. Similarly, the Group measures the above lease liabilities and accrues them based on the recognition of the related interest and lease payments.

- Statement of Financial Position

Property, plant and equipment includes the following Right-of-Use Assets through leases under IFRS 16:

	MEANS OF TRANSPORT	MACHINERY & EQUIPMENT	OTHER EQUIPMENT	TOTAL
Opening balance before the application of IFRS 16	-	2.639.763	20.787	2.660.550
Effect of the application of IFRS 16	182.798	43.797	-	226.595
Opening balance after application of IFRS 16	182.798	2.683.560	20.787	2.887.145
Additions	25.447	37.783	-	63.231
Termination/termination of contracts	-	(100.273)	-	(100.273)
Depreciation	(63.554)	(113.054)	(6.236)	(182.844)
Balance at the end of the period	144.691	2.508.016	14.551	2.667.258

- Statement of results

The following amounts were recognised in the income statement:

	1.1-31.12.2019
Amortisation of rights to use assets	182.844
Interest on lease liabilities	77.961
Rental expenses from short-term contracts and low-value assets	56.306
Total amounts recognised in the Income Statement	317.111

In 2019 a positive impact on the Group's and the Company's EBITDA amounted to approximately €82 thousand, as under IAS 17 payments from operating leases were included in EBITDA, but after the application of IFRS 16 the amortization of right-of-use assets and interest on lease liabilities will not be included in the calculation of EBITDA. Finally, the Group's and the Company's cash flows from operating activities increased in the first half of 2019, and correspondingly cash flows from financing activities decreased by an amount of approximately €82 thousand, as payments of

principal and interest on lease liabilities will be classified as cash flows from financing activities.

5.2.5. Consolidation

Principles of Consolidation: The financial statements include the financial statements of the parent company PAPOUTSANIS ANONYMIHEMI INDUSTRIAL AND COMMERCIAL COMPANY OF COLLECTIVE GOODS and its subsidiaries. All subsidiaries (companies in which PAPOUTSANIS S.A. directly or indirectly holds more than half of the voting rights or has the right to exercise control over their operations) have been consolidated. Subsidiaries are consolidated from the date that PAPOUTSANIS S.A. acquires the right to exercise control over them and cease to be consolidated from the date that control ceases. Intercompany balances and transactions have been eliminated. Where necessary, the accounting policies of subsidiaries have been modified to ensure consistency with the accounting policies applied by the group. The following is an analysis of the subsidiaries that have been consolidated together with the relevant percentages of the participation of PAPOUTSANIS S.A. in each of them. Note that all the Group's subsidiaries have the same closing date of the Financial Statements. A change in the ownership interest in a subsidiary, without loss of control, is considered as a single transaction within equity.

Investments in Subsidiaries: Investments in subsidiaries in the corporate financial statements are carried at cost less any impairment losses, where appropriate.

Subsidiary	Year of establishment	%	Country
PAPOUTSANIS Sp. Z o.o.	2019	50%	Poland

During the first half of 2019, PAPOUTSANIS proceeded with the establishment of a subsidiary in Poland, under the name PAPOUTSANIS Sp. Z o.o. The shareholders of the new company, based in Warsaw, are Papoutsanis ABEE and the Polish soapmaker Betasoap Sp. Z o.o., with a 50% share each. PAPOUTSANIS Sp. Z o.o. is a related company of PAPOUTSANIS ABEE.

5.2.6. Information by sector

The segments are determined based on internal information received by the Company's management and are presented in the financial statements based on this internal classification. The Company has a single business segment, that of production (in Greece) and distribution of products to domestic and foreign markets.

5.2.7. Currency conversions

Functional and presentation currency

The company's financial statements are presented in euros, using the currency of the primary economic environment in which the company operates (referred to as the "functional currency").

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date are recognised in the income statement.

5.2.8. Tangible fixed assets

Owner-occupied property, plant and equipment (buildings, land) are valued at revalued value, which consists of the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value is determined after an appraisal by professional valuers and the positive difference is recorded in an equity account "Fair value reserve". The negative difference is recorded in the income statement to the extent that it does not offset a corresponding fair value reserve. Such estimates are made when there is market evidence of a change in fair value and at least every 5 years. The last estimate was made as at 31 December 2019. The result of this valuation was a decrease in the fair value of the Land by €27,682 and an increase in the fair value of the Buildings by €127,360.

Other items of property, plant and equipment (machinery, equipment, etc.) are stated at cost less accumulated depreciation and any impairment. Cost includes expenditure directly related to the acquisition of the tangible fixed assets. Subsequent expenditure is either included in the carrying amount of property, plant and equipment or, if deemed more appropriate, recognised as a separate asset only when it is considered probable that future economic benefits will flow to the company and provided that the cost of the asset can be measured reliably. The costs of repairs and maintenance are expensed in the income statement when incurred.

Finance charges arising from the borrowing of funds used to finance the acquisition of property, plant and equipment are capitalised over the period of time required to prepare and complete the asset for future use. Other categories of borrowing costs are recognised as expenses in the profit or loss for the year.

Land is not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method with equal annual charges

over the period of the expected useful life of the item so that the cost is written off at the end of the useful life. Residual values were estimated to be zero. The estimated useful lives of the major categories of fixed assets are as follows:

	Years
Industrial buildings	50-60
Machinery and mechanical equipment	10-30
Other mechanical installations and other mechanical equipment	2-7
Computer equipment and software	5-10
Means of transport of persons / cargo	10 / 8,3
Furniture and other equipment	10

The cost of subsequent expenditure is amortised over the expected useful life of each item. When a machine is composed of major components with different useful lives, the components are treated as separate items.

The residual values and useful lives of property, plant and equipment may be reviewed and adjusted, if necessary, at each balance sheet date.

When the depreciable amount of an item of property, plant and equipment exceeds its recoverable amount, the difference is recognised immediately as an expense in the income statement and the asset is carried at its recoverable amount.

Gains and losses on the sale of property, plant and equipment are determined by the difference between the proceeds and their depreciated value and are included in the income statement. In the event that property, plant and equipment measured at fair value is sold, the fair value reserves formed are transferred to retained earnings.

5.2.9. Intangible fixed assets

Research costs

Research costs are expensed as incurred.

Development costs

The costs of development projects (which mainly involve the design and testing of new or improved products) are recognised as intangible assets only when there is a probability of success of these projects, taking into account the degree of commercial and technological viability, and when the costs can be measured reliably. Other development costs are recognised as expenditure when incurred. Development costs of finite-lived assets that have been capitalised are amortised

from the start of commercial production of the products indicated using the straight-line method of depreciation in equal annual instalments over the expected useful life of the asset, which in any case may not exceed 10 years.

Computer software

Capitalised software licences are measured at cost less accumulated amortisation, less any accumulated impairment. Amortisation is calculated using the straight-line method over their useful lives, which cannot exceed 5 years. Expenditure required for the development or maintenance of software is recognised as an expense in the income statement as incurred.

5.2.10. Investment in real estate

The purpose of real estate investments is either rental or capital enhancement. They are measured at fair value with differences from previous measurement recorded in the income statement. No depreciation is charged. Due to the insignificant value of the Company's investment property, no fair value measurement is performed when it is assessed that it will not have an impact on the value of the property and the results of operations, applying the cost-benefit principle.

5.2.11. Impairment of non-financial assets

Assets with indefinite useful lives are not depreciated but are subject to impairment testing annually or more frequently when events or changes in circumstances indicate that their depreciable amount may not be recoverable. Fixed assets subject to depreciation are subject to impairment testing when there is an indication that their depreciable carrying amount may not be recovered.

Impairment losses are recognised immediately as an expense and are equal to the difference between the depreciated value and the recoverable amount of the underlying asset.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of calculating impairment, assets are categorised at the lowest level possible to link them to separately identifiable cash flows (cash-generating units).

5.2.12. Financial instruments

A. Financial Assets

Initial identification

Financial assets are classified, on initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the contractual characteristics of the cash flows of the financial asset and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financial component or for which the Company has applied the feasibility practice, the Company initially measures financial assets at fair value plus, in the case of a financial asset not measured through profit or loss, transaction costs.

Trade receivables that do not contain a significant financial component or for which the Company has applied the feasibility practice are measured at the transaction price determined in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through comprehensive income, it must generate cash flows that are "solely payments of principal and interest (SPPI)" on the principal. This assessment is referred to as the SPPI test and is considered at the financial asset level.

The Company's business model for managing financial assets refers to the way in which it manages its financial resources in order to generate cash flows. The business model determines whether the cash flows will be generated from the collection of contractual cash flows, sale of financial assets or both.

The purchase or sale of financial assets that require the delivery of assets within a time frame specified by regulation or market contract are recognised on the transaction date, i.e. the date on which the Company commits to purchase or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt securities)
- Financial assets at fair value through comprehensive income without recycling of cumulative gains and losses on remeasurement (equity instruments)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets that are required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired with the intention of selling or repurchasing them in the near future. Derivatives, including embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

(b) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met: a) the financial asset is held in a business model with the objective of holding financial assets to collect contractual cash flows and b) the contractual covenants of the financial asset generate cash flows at specified dates that are solely payments of principal and interest on the principal balance.

Financial assets at amortised cost are subsequently measured using the (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(c) Financial assets designated at fair value through comprehensive income (equity securities)

Upon initial recognition, the Company may elect to irrevocably classify its equity investments as equity securities designated at fair value through comprehensive income when they meet the definition of equity in accordance with IAS 32 Financial Instruments: Presentation, and are not held for trading. Classification is determined on a financial instrument-by-financial instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement when the right to receive payment has been established, unless the Company benefits from such income as a recovery of part of the cost of the financial asset, in which case such gains are recognised in the statement of comprehensive income. Equity instruments designated at fair value through comprehensive income are not subject to impairment testing.

Impairment of financial assets

The Group measures the provision for losses on loans and advances to customers as an estimate of the present value of the cash flow shortfalls over the life of the loans and advances to customers. Cash flow shortfall is the difference between the cash flows due to the Group as contractually provided for and the cash flows the Group expects to receive.

The Group has adopted the simplified approach to the estimation of Expected Credit Losses ("ECL") for loans and advances to customers. At each reporting date, the Group measures the allowance for losses on loans and advances to customers at an amount equal to lifetime credit losses.

Stage 2: Measurement of LCI over the whole life - without credit impairment. If the financial asset has a significant increase in credit risk since initial recognition, but is

not yet impaired, it is classified in Stage 2 and measured at lifetime LCA, defined as the expected credit loss attributable to all possible credit events over its expected life.

Step 3: Measurement of LCI over the entire life of the assets - with credit impairment. If the financial asset is designated as credit impaired, it is transferred to Step 3 and measured at the LCA over its entire life.

IFRS 9 presumes that the credit risk of a financial asset has increased significantly after initial recognition when contractual payments are more than 30 days past due. However, this presumption may be rebutted if there is reasonable and supportable information that is available without undue cost or effort that demonstrates that the credit risk has not increased significantly since initial recognition despite the fact that contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when the borrower/debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realisation of collateral and pledges, registration of mortgages, etc. An objective presumption for a credit impaired financial asset is a delay in collection in excess of the days' delay set as a limit for each of them. The range of days set as a limit for the Group is between 30 and 180 days.

The following are the key inputs to the application of the Group's accounting policies in respect of the Group's LCI estimates:

- Exposure at default ("EAD"): represents the amount of the exposure at the reporting date.
- Probability of Default ("PD"): The probability of default is an estimate of the probability within the specified time horizon. The Group calculates PDs using historical data, assumptions and forward-looking estimates.
- Loss given default ("LGD"): represents the estimate of the loss that will be incurred at the date of default. LGD is calculated as the difference between the contractual cash flows of the instrument due and the expected future cash flows of the instrument expected to be received. The determination of Loss on Default also considers the effect of the recovery of expected cash flows arising from collateral held by the Group.

The Group holds collateral as a means of mitigating credit risk related to receivables from customers in respect of brood sales, for which the Group retains ownership of the biological assets sold.

The Group measures LIAs on a collective basis for portfolios of loans and advances to customers with similar credit characteristics. Specifically, the Group estimates LIAs by grouping exposures based on common risk characteristics and days past due. In addition, the Group assesses the expected credit losses associated with the Group's financial assets, taking into account forward-looking information. Forward-looking

information is incorporated into the LCA model by examining various internal and external sources of actual financial information and economic forecasts. The Group has developed a provisioning matrix based on historical credit loss experience, adjusted for future factors appropriate to the debtors, their credit insurance coverage and the economic environment. The Group recognises the related loss provision at each reporting date.

B. Financial Liabilities

Financial liabilities include trade and other payables, bank overdrafts, interest-bearing loans and credits and financial guarantee contracts.

(a) Recognition and measurement of financial liabilities

The Group recognises a financial liability in its statement of financial position when, and only when, it becomes a party to the financial instrument. On initial recognition, financial liabilities are recognised at fair value, and in the case of interest-bearing loans and borrowings, net of directly attributable transaction costs.

(b) Classification of non-derivative financial liabilities

After initial recognition, financial liabilities are measured as follows:

Financial liabilities measured at amortised cost:

All interest-bearing loans and borrowings are initially measured at fair value less directly attributable transaction costs to issue the financial liability. Subsequently they are measured at amortised cost using the effective interest rate method. Amortised cost is estimated taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are extinguished or impaired, as well as through the amortisation process.

Financial liabilities at fair value through profit or loss:

They include liabilities held for trading, acquired or incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of individually managed financial instruments that were held in common and for which there is documented evidence of a recent pattern of short-term profit-taking. Such liabilities are measured at fair value and gains or losses arising from changes in fair value are recognised in the income statement.

Financial guarantee contracts:

They include contracts that provide for specified payments by the issuer to compensate the holder for losses suffered as a result of the inability of a particular debtor to make payments in accordance with the original or modified terms of a

debt instrument. These contracts are initially recognized as a liability at fair value, adjusted for transaction costs directly related to its issuance. They are subsequently measured at the higher of the amount recognized under IAS 37 and the amount initially recognized, reduced by the accumulated amortization recognized under IFRS 15, where applicable.

F. Offsetting of financial instruments

Financial assets and liabilities are offset and presented net in the statement of financial position if there is a legal right to offset the amounts recognised and, in addition, there is an intention to settle the net amount, i.e. to settle assets and liabilities in parallel.

D. Cessation of recognition of financial assets and liabilities

Financial assets: Financial assets (or, where applicable, part of a financial asset or part of a group of financial assets) are derecognised when:

- The rights to the cash inflow have expired or
- The Group retains the right to receive cash flows from the asset but has also assumed an obligation to third parties to pay those cash flows without significant delay in the form of a transfer agreement.
- The Group has transferred the right to receive cash flows from the asset and at the same time either (a) has transferred substantially all the risks and rewards of ownership or (b) has not transferred substantially all the risks and rewards of ownership but has transferred control of the asset.

Where the Group has transferred the rights to receive cash inflows from the asset but has not transferred substantially all the risks and rewards of ownership or control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. A corresponding liability is also recognised.

A continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the initial balance of the asset and the maximum amount the Group may be required to pay.

Financial liabilities: A financial liability is derecognised when the associated liability is discharged, cancelled or expires. Where a financial liability is replaced by another from the same lender on substantially different terms, or where the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective current values is recognised in the income statement.

5.2.13. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of a recognised asset for a specified period of time in exchange for consideration.

Lease accounting by the lessee

The Group applies a single recognition and measurement approach for all leases (including short-term and low-value leases). The Group recognises lease liabilities for lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease term (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted based on any remeasurement of the lease liability. The cost of right-of-use assets comprises the amount of the lease liability recognised, the initial direct costs and any rentals paid at or before the commencement of the lease term, less any lease incentives received. Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and their useful lives.

If ownership of the leased asset is transferred to the Group or the Company at the end of the lease period or if its cost reflects the exercise of a purchase option, depreciation is calculated in accordance with the estimated useful life of the asset.

The Group and the Company have leasing contracts for machinery, vehicles and other equipment used in their activities. Lease contracts may contain both leasehold and non-leasehold elements. The Group has elected not to separate the non-lease elements of the contract from the lease elements and therefore treats each lease element and any related non-lease elements as a single lease.

Right-of-use assets are subject to impairment testing.

ii. Liabilities from leases

At the commencement date of the lease, the Group and the Company measure the lease liability at the present value of the lease payments to be made during the lease term. Lease payments consist of fixed rents (including substantially fixed rents) less any lease incentives receivable, floating rents which are dependent on an index or interest rate and amounts expected to be paid under residual value guarantees. The

Group and the Company use the Group's differential borrowing rate to discount the lease payments as the imputed lease rate cannot be readily determined.

After the commencement date of the lease, the amount of the lease liability is increased by interest on the liability and decreased by the payment of rentals. In addition, the carrying amount of the lease liability is remeasured if there are revaluations or amendments to the lease contract.

Accounting of the lease by the lessor

Leases in which the lessor does not transfer substantially all the economic benefits and risks of ownership of the leased asset are classified as operating leases. When assets are leased under operating leases, the asset is included in the statement of financial position on the basis of the nature of the asset. Rental income from operating leases is recognised in accordance with the terms of the lease using the straight-line method.

A lease that transfers substantially all the economic benefits and risks of ownership of the leased asset is classified as a finance lease.

Assets under finance lease are derecognised and the lessor recognises a receivable equal to the net investment in the lease. The lease receivable is discounted using the effective interest method and the carrying amount is adjusted accordingly. Rent receivable is increased on the basis of interest on the receivable and decreased as the rent is collected.

5.2.14. Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the amount of disposal costs.

The costs of finished products and work in progress are determined by the weighted cost method and consist of raw materials, direct labour costs and industrial overheads allocated on the basis of normal production capacity.

Appropriate provision shall be made for unusable, obsolete and very low-speed stocks if they exceed the prescribed level. Write-downs from book value to net realisable value and losses on inventories are expensed in the period to which the write-down or loss corresponds.

5.2.15. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, short-term investments of up to three months with a high degree of liquidity. Overdrafts are included in the balance sheet under short-term liabilities as borrowings.

5.2.16. Equity capital

Ordinary shares are included in equity. The direct costs of issuing new shares are shown in equity as a deduction, net of tax. When the Company purchases own shares, the amount paid, including any additional costs and net of income taxes, is shown as a deduction from equity in the form of own shares until such shares are cancelled or reissued. When those shares are subsequently sold or reissued, the value of any such transaction shall be included in equity.

5.2.17. Lending

Loans are initially recorded at fair value as amounts received less any direct transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Any difference between the amount received (net of related transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method. Loans are classified as current liabilities unless the company has the right to defer repayment of the liability for at least 12 months after the balance sheet date.

5.2.18. Current and deferred income tax

Current income tax is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates those items in tax returns that relate to situations in which the applicable tax laws are subject to differing interpretations and makes provisions where necessary on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is defined as the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the respective tax bases used in the computation of taxable profit, and is accounted for using the balance sheet based method of computation.

Deferred income tax is not provided if it arises from the initial recognition of an asset or liability in a transaction other than a business combination and, at the time of the transaction, it affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences will be utilised. Deferred tax liabilities are always recognised.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the deferred tax assets become due and payable.

Deferred tax is charged or credited to profit or loss unless it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is accounted for directly in other comprehensive income.

5.2.19. Staff benefits

(a) Short-term benefits

Short-term employee benefits in cash and in kind are recognised as an expense when they are earned.

(b) Post-employment benefits

Post-employment benefits include both defined contribution plans and defined benefit plans.

The accrued cost of defined contribution plans is recognised as an expense in the period to which it relates.

Liabilities arising from defined benefit plans for employees are measured at the discounted value of future employee benefits that have become accrued at the balance sheet date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from empirical adjustments and from changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

Past service costs are recognised directly in profit or loss.

(c) Termination benefits

Termination benefits are payable when the enterprise either terminates the employment of employees before retirement or following an employee's decision to accept an offer of benefits in exchange for termination of employment. An entity recognises termination benefits as a liability and an expense on the earlier of (a) when the entity can no longer withdraw the offer of those benefits and (b) when the entity recognises restructuring costs within the scope of IAS 37 that involve the payment of termination benefits. Termination benefits payable 12 months after the balance sheet date are discounted.

5.2.20. Provisions

Provisions are recognised when: a) there is a present legal or constructive obligation arising from past events; b) it is probable that an outflow of resources will be required to settle the obligation; and c) the amount required can be reliably estimated. Future losses associated with the company's current operations are not recorded as provisions.

Where there are a number of similar liabilities, the likelihood that an outflow will be required on liquidation is determined by considering the liability category as a whole. A provision is recognised even if the probability of an outflow in respect of any item included in the same class of liabilities may be remote. In those cases where the enterprise expects a provision to be covered by a third party, such as in the case of insurance policies, the coverage is recognised as a separate asset but only when the coverage is substantially assured.

Provisions are calculated at the present value of the expenditure that, based on management's best estimate, is required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current reasonable estimates of the time value of money relating to the specific obligation.

5.2.21. Grants

Government grants are recognised at fair value when it is expected with certainty that the grant will be received and the company will comply with all stipulated conditions.

Government grants relating to costs are deferred and recognised in profit or loss to match the costs they are intended to compensate.

Government grants related to the purchase of property, plant and equipment are included in long-term liabilities as deferred government grants and are transferred as income (credited) to the income statement on a straight-line basis over the expected useful lives of the related assets.

5.2.22. Revenue recognition

Although IFRS 15 does not introduce any material differences from the Company's current accounting policies, the corresponding accounting policy was formulated as follows:

An entity recognises revenue when a contractual obligation to a customer is discharged by the delivery of goods or provision of services (which is the time when control of the goods or services passes to the customer). If a contract contains more than one contractual obligation, the total contract value is allocated to the individual obligations based on the individual sales values. The amount of revenue recognised is the amount allocated to the relevant contractual obligation that has been fulfilled, based on the consideration that the entity expects to receive under the terms of the

contract. Any variable consideration is included in the amount of revenue recognised to the extent that it is not significantly probable that this amount will be offset in the future.

Rights to future discounts based on sales volume are assessed by the company to determine whether they are material rights that the customer would not have acquired had the customer not entered into the contract. For all such rights, the Company assesses the likelihood of their exercise and then the portion of revenue attributable to that right is recognised when the right is either exercised or expires.

In accordance with the requirements of the new standard, the company concluded that future volume discounts create an entitlement for which provision should be made and recognised at the time of exercise or expiry. The company provides volume discounts to customers based on the limits set out in the contracts between them. All such discounts are accounted for within the financial year and therefore the application of the new standard has no impact on the annual consolidated financial statements.

Furthermore, the company concluded that the transfer of control of the products to the customer takes place at a specific time when the customer receives the goods, as that is when the customer is able to receive the benefits of the specific products.

5.2.23. Borrowing costs

Net financing costs consist of accrued interest on borrowings, calculated using the effective interest method.

Finance charges arising from the borrowing of funds used to finance the acquisition of property, plant and equipment are capitalised over the period of time required to prepare and complete the asset for future use. Other categories of borrowing costs are recognised as expenses in the profit or loss for the year.

5.2.24. Dividends

Dividends are recognised as income when the right to receive them has been established.

5.2.25. Dividend distribution

Dividends are recognised in the financial statements in the period in which they are approved by the General Meeting of Shareholders.

5.2.26. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the parent company by the weighted average number of ordinary

shares outstanding during each year, excluding the average number of ordinary shares acquired as own shares.

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the parent (after deducting interest on convertible shares, net of tax) by the weighted average number of shares outstanding during the year (adjusted for the effect of diluted convertible shares).

The weighted average number of ordinary shares outstanding during the accounting period and for all periods presented is adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources.

5.2.27. Comparative figures and roundings

Differences presented between the amounts in the financial statements and the corresponding amounts in the notes are due to rounding of decimal amounts to the nearest whole unit. In addition, where necessary, comparative figures for previous years are reclassified to conform to the current year's figures, with appropriate disclosure.

5.3. Financial risk management

The company has no material financial assets traded in active markets, except for possible temporary holding of own shares.

5.3.1. Financial risk factors

The company is exposed to financial risks such as market risk (foreign exchange rate risk, cash flow risk and fair value risk from changes in interest rates and price risk), credit risk and liquidity risk.

(a) Market risk

Exchange rate risk

The Company has foreign currency transactions to a limited extent. There are no significant assets and liabilities in currencies other than the euro. Therefore, there are no circumstances that could expose it to high currency risk.

Interest rate risk

The financial cost of all the company's bank borrowings is variable based on euribor. Bank borrowings are exclusively in euros. Management believes that there are no significant risks from a possible change in interest rates and the impact on the company's credit rating from borrowing costs is limited.

The Company's revenues and operating cash flows are largely independent of interest rate fluctuations in the market because the Company has no other interest-bearing assets.

Exposure to risks arising from fluctuations in interest rates on borrowings is limited as cash flow risk from changes in floating interest rates.

The company's approach consists of a continuous review of interest rate trends, and the duration of funding needs.

The table below shows the sensitivity of the result for the year and equity to a reasonable change in interest rates of 0.5%. Changes in interest rates are estimated to be on a reasonable basis relative to recent market conditions.

	<u>2019</u>	<u>2018</u>
Sensitivity of result	48.000	45.256

Risk of price variation

The main raw materials used in production are vegetable oils, their chemical derivatives and animal fat. Various types of plastics are used in the production of packaging. The price of these varies according to supply and demand on the world market, as most of them are traded products. Due to increased competition in the industry, any increases in international and domestic raw material prices are not easily passed on to the final price of the products, which carries the risk of adversely affecting the Company's results. To this end, the Company, annually, seeks and ultimately uses the supplier that ensures the best price, reducing the risk of dependence. No derivatives are used to hedge this risk.

(b) Credit risk

Credit risk arises mainly from receivables from customers. To address this risk, the Company continuously monitors the financial situation of its debtors and takes the necessary actions (credit insurance, legal actions) based on its credit policy to reduce this risk.

Most of the active customers are covered by credit insurance which covers 80% or 90% of the claim.

The table below shows the breakdown of trade receivables after estimation of expected credit losses:

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
Balance within the credit period	3.860.722	3.116.188
Balance beyond the credit period	228.231	781.410

Total	4.088.953	3.897.598
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The movement in the provision for impaired trade receivables is presented below:

Balance 31.12.2018	(1.305.311)
Use of provision for deletion	-
New provision in the use	(125.605)
Balance 31.12.2019	(1.430.916)

(c) Liquidity risk

Liquidity risk - cash flow risk

Liquidity risk management includes ensuring the availability of sufficient cash and cash equivalents and ensuring creditworthiness through the availability of adequate credit limits from the cooperating banks.

According to the present Financial Statements as at 31.12.2019, the company has positive working capital, positive operating cash flows and significant cash resources. Therefore, no significant liquidity risk is foreseen.

Liquidity needs are monitored by the Company on a daily and weekly basis, as well as on a 6-month rolling period.

[¶]The maturity of financial liabilities based on estimated undiscounted contractual outflows as of December 31, 2019 and 2018, respectively, is as follows:

GROUP	2019			
	Short-term		Long-term	
	within 6 months	6 to 12 months	1 to 5 years	more than 5 years
Lending	887.056	887.056	5.008.378	-
Finance lease liabilities	247.296	239.882	883.645	-
Trade and other payables	6.444.728	62.575	-	-
	7.579.080	1.189.513	5.892.022	-

GROUP	2018			
	Short-term		Long-term	
	within 6 months	6 to 12 months	1 to 5 years	more than 5 years
Lending	1.352.804	1.352.804	5.264.276	-
Finance lease liabilities	229.463	212.578	1.155.694	-
Trade and other payables	6.146.083	-	-	-
	7.728.351	1.565.382	6.419.970	-

COMPANY	2019			
	Short-term		Long-term	
	within 6 months	6 to 12 months	1 to 5 years	more than 5 years
Lending	887.056	887.056	5.008.378	-
Finance lease liabilities	247.296	239.882	883.645	-
Trade and other payables	6.368.505	62.575	-	-
	7.502.857	1.189.513	5.892.022	-

COMPANY	2018			
	Short-term		Long-term	
	within 6 months	6 to 12 months	1 to 5 years	more than 5 years
Lending	1.352.804	1.352.804	5.264.276	-
Finance lease liabilities	229.463	212.578	1.155.694	-
Trade and other payables	6.146.083	-	-	-
	7.728.351	1.565.382	6.419.970	-

The expected timing of collection from customers that are not impaired is presented in the following table (prior year balances are presented restated after the retrospective application of IFRS 9):

	Group		company	
	2019	2018	2019	2018
Less than 6 months	3.860.721	3.768.150	3.860.721	3.768.150
Between 6 months and 1 year	228.231	129.448	228.231	129.448
	4.088.953	3.897.598	4.088.953	3.897.598

5.3.2. Determination of fair values

The company uses the following hierarchy for the determination and disclosures of fair values of financial assets, based on the valuation method used:

Level 1: fair values are determined by reference to published active market transaction prices.

Level 2: fair values are determined using measurement techniques for which all parameters that have a significant effect on the recorded fair value are supported by observable market transaction prices (directly or indirectly).

Level 3: fair values are determined using measurement techniques for which the parameters that have a significant effect on the recorded fair value are not supported by observable market transaction prices.

There were no financial assets and liabilities measured at fair value as at 31 December 2019 and 31 December 2018.

The carrying amounts of the following financial assets and liabilities approximate their fair values due to their short-term maturity:

- Trade receivables
- Cash and cash equivalents
- Suppliers and other liabilities

5.4. Significant accounting estimates and judgements made by management

Management's estimates and judgments are continually reviewed and are based on historical data and expectations of future events that are believed to be reasonable under current circumstances.

5.4.1. Significant accounting estimates and assumptions

The company makes estimates and assumptions, mainly related to the determination of the useful life of fixed assets, the need to reassess the fair value of real estate, the determination of the fair value of investment property, the determination of the recoverable amount of receivables, the recognition of contingent liabilities and the impairment testing of assets. Estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next 12 months are as follows:

Income tax

The company's tax returns have either been examined by the tax authorities, or have been audited in accordance with Article 82 par. 5 of Law 2238/1994 as amended and in force with article 65a of Law 4174/2013 and the company has received tax compliance reports from an Independent Certified Public Accountant with an "unqualified" conclusion.

Of the former subsidiaries, only the period from 01.01.2014 to 30.06.2014 of the company PLIAS TRADE SA, which was merged by PAPOUTSANIS S.A. in accordance with the provisions of Law 2166/1993 with a transformation balance sheet on 30 June 2014, remains unaudited.

It is also noted that for the financial year 2019 the tax audit of the company by independent chartered accountants is in progress.

Management believes that there is no need to make a provision in its Financial Statements to cover any differences arising from tax audits.

On the basis of the business plan and the budget for the next financial year, it is reasonably estimated that the amount of the company's accumulated tax losses, which can be offset against tax profits for the next financial year, amounts to EUR

568 thousand. Consequently, the amount of tax due on these losses will not be paid and has been recognised as a tax receivable, which has offset corresponding tax liabilities.

Provisions for litigation or arbitration

Management makes corresponding provisions for pending litigation when it estimates that the outcome of the case will be against the Company.

Due to the uncertain nature of litigation, the ultimate outcome or final settlement costs of cases may differ significantly from initial estimates.

5.4.2. Management's judgements about the application of accounting policies at each balance sheet date.

It is done for all current assets and in particular:

Estimation of recoverable value of receivables, for impairment to their recoverable amount.

Estimation of the recoverable value of inventories from use or sale, for impairment to their recoverable amount.

Provision for expected credit losses

For the determination of expected credit losses and the related provision for doubtful debts, the Group follows the general model as detailed in paragraph 5.2.12 of the accounting policies. The information required both to determine whether there is a significant deterioration in credit risk after initial recognition and to determine the stage to which each financial asset falls and to calculate the impairment provision is based on historical and prospective data and involves significant estimates. Past experience and estimates for the future may not be indicative of the actual amount of a default when an event occurs.

Deferred tax assets on tax losses and recoverability of deferred tax assets

A deferred tax asset is recognised for all unused tax losses to the extent that it is probable that sufficient taxable profit will be available to offset those tax losses. In determining the amount of deferred tax asset that can be recognized, significant judgments and estimates are required by the Group and Company management, which are based on future taxable profits in conjunction with future tax strategies to be pursued. In addition, at each reporting date of the Financial Statements, the Group and the Company assesses the recognition of deferred tax assets (recoverability assessment).

The deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of some or all of that deferred tax asset to be realised.

Contingencies/ Uncertain outcome of pending litigation

The Group and the Company are involved in legal claims and damages in the ordinary course of business. The Group and the Company review pending litigation at each date of the Statement of Financial Position and make provisions for litigation against the Group based on information from the law firms with which they work, which is derived from recent developments in the cases they are managing. Management is of the opinion that any settlements would not further affect the financial position of the Company and the Group as at 31 December 2019. However, the determination of contingent liabilities related to litigation claims and demands is a complex process involving judgments about potential consequences and interpretations of laws and regulations. Changes in judgments or interpretations are likely to result in an increase or decrease in the Company's and the Group's contingent liabilities in the future.

Useful life of depreciable assets (depreciation rates)

Management considers the useful lives of depreciable assets in each year. As of December 31, 2019, the Company's management estimates that the useful lives represent the expected useful lives of the assets. Depreciable balances are discussed in the notes to the financial statements. Realized results, however, are likely to differ due to technical obsolescence, particularly with respect to software and computer equipment.

Impairment of tangible fixed assets and participations

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To calculate the value in use, management estimates the future cash flows from the asset or cash-generating unit and selects the appropriate discount rate to calculate the present value of future cash flows. Alternatively, it shall select another fair value method that it considers to be a reliable reflection of the recoverable amount of the property, plant and equipment at the end of the period.

The carrying amounts of equity investments are reassessed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable.

Provision for staff termination indemnities

Employee benefit obligations are calculated using actuarial methods which require management to estimate certain parameters such as discount rates, future employee salary growth rates, future employee separation rates and other factors such as the inflation rate. The Group's management makes best estimates of these parameters on an annual basis whenever an actuarial study is performed. Further details are included in note 5.2.19.

Consolidation of a subsidiary in which the group holds a non-majority of the voting rights

The Group estimates that it controls the Subsidiary PAPOUTSANIS Sp. Z o.o. , even though it holds 50% of the voting rights, based on the conditions prescribed in IFRS 10. In particular, the Group, based on its existing rights and the fact that it has signed agreements with the other shareholder, considers that it has the ability to direct the activities that significantly affect the performance of the company, i.e. relevant activities. The above requirements of IFRS 10 set out the context in which this Subsidiary is consolidated.

5.4.2 Management's judgements about the application of accounting policies at each balance sheet date.

It is done for all current assets and in particular:

Estimation of recoverable value of receivables, for impairment to their recoverable amount.

Estimation of the recoverable value of inventories from use or sale, for impairment to their recoverable amount.

5.4.3 Information by sector

The Company has a single business sector, that of production (in Greece) and distribution of products to domestic and foreign markets.

All of the Company's non-current assets are located in Greece.

Information by sector

The Company has a single business segment, that of production (in Greece) and distribution of products to domestic and foreign markets, while PAPOUTSANIS Sp. Z o.o. has a single business segment, that of marketing (in Poland) and distribution of products to Polish and foreign markets.

The sales of the company and the group, for the closed and the previous financial year, at the level of geographical origin of customers are presented in the following table:

	GROUP				COMPANY			
	2019		2018		2019		2018	
Domestic Sales	15.644.796	51,0%	14.203.046	58,6%	15.644.796	51,0%	14.203.046	58,6%
Foreign sales	15.022.331	49,0%	10.037.663	41,4%	15.037.692	49,0%	10.037.663	41,4%
Total sales	30.667.128	100%	24.240.709	100%	30.682.488	100%	24.240.709	100%

All of the Company's non-current assets are located in Greece.

The Group, for the year ended 31.12.2019, had three significant customers. The first represented sales of EUR 3.4 million (11.1% of total sales), the second represented sales of EUR 3.3 million (10.8% of total sales) and the third represented sales of EUR 3.05 million (9.9% of total sales). Each of the other customers represented less than 10% of the Company's sales.

6. Explanatory notes to the items in the Financial Statements

6.1. Tangible fixed assets

Buildings - Land

The Residual Replacement Cost method in combination with the Comparables or Property Market method has been used to determine the fair value of the properties to be valued. Under this method, the fair value of land and the replacement cost of the buildings was calculated separately, diluted by a selected factor representing their operational and technological depreciation. The sum of the two separate values (fair value of the land plus depreciated replacement cost of the buildings) is the fair value of the property. The comparables or real estate market method was used to determine the fair value of the land.

The Group's and the Company's property, plant and equipment are analysed as follows:

	31.12.2019	31.12.2018
Tangible fixed assets	25.154.677	24.155.050
Leased Fixed assets	2.667.260	2.660.549
	27.821.937	26.815.600

Analysis of Own Fixed Assets

	Grounds & Land	Buildings & Building Facilities	Machinery and Mechanical Installations	Other equipment	Fixed assets under execution	TOTAL
<u>Acquisition or valuation value</u>						
On 1 January 2018	1.500.028	5.255.532	30.192.099	1.826.956	771.118	39.545.730
Additions	-	42.856	269.427	82.489	250.612	645.384
Transfers from under way	-	-	803.417	-	(803.417)	-
As at 31 December 2018	1.500.028	5.298.388	31.264.944	1.909.445	218.313	40.191.115
On 1 January 2019	1.500.028	5.298.388	31.264.944	1.909.445	218.313	40.191.115
Additions	-	148.482	1.239.480	272.795	312.011	1.972.767
Value adjustment	(27.681,65)	127.360	-	-	-	99.678
Transfers from under way	-	-	515.338	-	(524.752)	(9.414)
Withdrawal	-	-	(1.950.480)	(140.240)	-	(2.090.720)
Transfer from leased	-	-	131.639	-	-	131.639
As at 31 December 2019	1.472.346	5.574.230	31.200.921	2.042.000,21	5.572	40.295.066

	Grounds & Land	Buildings & Building Facilities	Machinery and Mechanical Installations	Other equipment	Fixed assets under execution	TOTAL
<u>Accumulated depreciation</u>						
On 1 January 2018	-	198.524	13.076.357	1.709.970	-	14.984.851
Depreciation and amortisation for the year	-	100.521	917.596	33.099	-	1.051.216
As at 31 December 2018	-	299.045	13.993.953	1.743.070	-	16.036.067
<hr/>						
On 1 January 2019	-	299.045	13.993.953	1.743.070	-	16.036.067
Depreciation and amortisation for the year	-	102.724	956.803	102.155	-	1.161.682
Depreciation carried forward from retirement of fixed assets	-	-	(1.950.029)	(140.239)	-	-2.090.269
Depreciation carried forward from leased assets	-	-	32.909	-	-	32.909
As at 31 December 2019	-	401.769	13.033.636	1.704.985	-	15.140.390
<hr/>						
<u>Depreciable Value</u>						
As at 31 December 2018	1.500.028	4.999.343	17.270.991	166.376	218.313	24.155.050
As at 31 December 2019	1.472.346	5.172.461	18.167.285	337.015	5.571	25.154.678

α) As at 31.12.2019, registered mortgages on owner-occupied properties amounted to €9,200,000, which were provided to secure bond loans, which as at 31.12.2019 had been fully repaid.

At the date of adoption of the financial statements, the mortgage amount of EUR 7 200 000 had been released.

There remains a first mortgage lien of € 2.000.000 on land to secure working capital.

b) Management reassessed the fair value of its owner-occupied properties as at 31 December 2019.

An analysis of the historical cost of owner-occupied land and buildings and changes in their fair value, according to the valuation performed, is disclosed in note 6.9.

Analysis of leased assets (held under finance leases)

Leased assets relate to machinery and computers and are broken down as follows:

	MEANS OF TRANSPORT	MACHINERY & EQUIPMENT	OTHER EQUIPMENT	TOTAL
<u>Acquisition or valuation value</u>				
On 1 January 2018	-	834.797	31.180	865.977
Additions	-	1.951.011		1.951.011
As at 31 December 2018	-	2.785.808	31.180	2.816.988
On 1 January 2019	-	2.785.808	31.180	2.816.988
Change in accounting policy	182.798	43.797	-	226.595
Additions	25.447	37.783	-	63.230
Transfer to own property	-	(131.639)	-	(131.639)
As at 31 December 2019	208.245	2.735.749	31.180	2.975.174
<u>Accumulated depreciation</u>				
On 1 January 2018	-	66.729	4.157	70.886
Depreciation and amortisation for the year	-	79.316	6.236	85.552
As at 31 December 2018	-	146.045	10.393	156.439
On 1 January 2019	-	146.045	10.393	156.438
Depreciation and amortisation for the year	63.554	113.054	6.236	182.844
Transfer to own property	-	(31.366)	-	(31.366)
As at 31 December 2019	63.554	227.733	16.629	307.916
<u>Depreciable Value</u>				
As at 31 December 2018	-	2.639.763	20.787	2.660.550
As at 31 December 2019	144.692	2.508.016	14.551	2.667.259

6.2. Investment in real estate

The investments in real estate relate to agricultural land with a ground floor house owned by the Company (in Evia), with a fair value of EUR 226,707.20. In the 2019 financial year there was a decrease in fair value of €8,293 recognised in the results (other expenses).

Change analysis

	Value of fixed assets (Historical costs)	Valuation Value 31.12.2019	Valuation difference previous uses	Valuation difference 31.12.2019
Investment in real estate	262.000	(226.707)	(27.000)	(8.293)

6.3. Intangible assets

Intangible assets relate to purchased computer software and new product development costs. They are analysed as follows:

	Computer software	Development costs	Total
<u>Acquisition or valuation value</u>			
On 1 January 2018	1.876.600	231.797	2.108.397
Additions	139.243	10000	149.243
As at 31 December 2018	2.015.843	241.797	2.257.640
On 1 January 2019	2.015.843	241.797	2.257.640
Additions	30.450	9.900	40.350
As at 31 December 2019	2.046.293	251.697	2.297.990
<u>Accumulated depreciation</u>			
On 1 January 2018	1.807.217	224.914	2.032.132
Depreciation and amortisation for the year	38.285	1.605	39.890
As at 31 December 2018	1.845.502	226.519	2.072.022
On 1 January 2019	1.845.502	226.519	2.072.022
Depreciation and amortisation for the year	45.724	2.365	48.089
As at 31 December 2019	1.891.227	228.884	2.120.111
<u>Depreciable Value</u>			
As at 31 December 2018	170.341	15.278	185.617
As at 31 December 2019	155.066	22.813	177.878

6.4. Long-term receivables

They relate to long-term guarantees and other receivables and their movement during the financial years 2019 and 2018 in the company and the group was as follows:

GROUP	Guarantees	Other receivables	Total
Balance 01.01.2018	23.327	36.567	59.894
In-use repayments of guarantees	(4.122)	-	(4.122)
Granting of guarantees in use	2.063	-	2.063
Receivables from customers (from sale of assets)	-	(36.567)	(36.567)
Balance 31.12.2018	21.268	-	21.268
Balance 01.01.2019	21.268	-	21.268
In-use repayments of guarantees	(6.155)	-	(6.155)
Granting of guarantees in use	1.763	-	1.763
Receivables from customers (from sale of assets)	-	-	-
Other	-	921	921
Balance 31.12.2019	16.876	921	17.797

COMPANY	Guarantees	Other receivables	Total
Balance 01.01.2018	23.327	36.567	59.894
In-use repayments of guarantees	(4.122)	-	(4.122)
Granting of guarantees in use	2.063	-	2.063
Receivables from customers (from sale of assets)	-	(36.567)	(36.567)
Balance 31.12.2018	21.268	-	21.268
Balance 01.01.2019	21.268	-	21.268
In-use repayments of guarantees	(6.155)	-	(6.155)
Granting of guarantees in use	1.763	-	1.763
Receivables from customers (from sale of assets)	-	-	-
Balance 31.12.2019	16.876	-	16.876

6.5. Inventories

	GROUP		COMPANY	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Raw and auxiliary materials	1.837.434	2.084.884	1.837.434	2.084.884
Merchandise	143.002	99.118	120.266	99.118
Ready products	1.960.371	2.312.392	1.960.371	2.312.392
Devaluation projections	(70.000)	(70.000)	(70.000)	(70.000)
	3.870.807	4.426.394	3.848.071	4.426.394

6.6. Trade and other receivables

Analysis and measurement of trade receivables

31.12.2018	Balances of claims - Time overdue of balances				Total
	Current receivables			Receivables beyond one year for which a provision for doubtful debts has been made	
	Without delay	1-180 days	more than 180 days		
Trade receivables	3.139.181	637.370	186.977	1.239.381	5.202.909
Loss rate	0,7%	2,2%	15,5%	100,0%	
Estimated credit losses	(22.994)	(13.984)	(28.952)	(1.239.381)	(1.305.311)
Balance (net) of receivables from customers 31.12.2018	3.116.188	623.386	158.025	-	3.897.598

Change in estimated credit losses recognised in profit or loss before tax

16.122

31.12.2019	Balances of claims - Time overdue of balances				Total
	Current receivables			Bad debts (balances from previous years)	
	Without delay	1-180 days	more than 180 days		
Trade receivables	3.882.560	237.161	151.214	1.248.934	5.519.869
Loss rate	0,6%	3,8%	100,0%	100,0%	
Estimated credit losses	(21.839)	(8.930)	(151.214)	(1.248.934)	(1.430.916)
Balance (net) of receivables from customers 31.12.2019	3.860.722	228.231	-	-	4.088.953

Change in estimated credit losses recognised in profit or loss before tax

(125.605)

Other receivables (current item)

Analysis:

	GROUP		COMPANY	
	31-Dec-19	31.12.2018	31-Dec-19	31.12.2018
Other deductions (Greek State)	17.183	17.174	17.183	17.174
Use VAT claim	13.936	714.718	13.936	714.718
Advances	470.008	29.404	470.008	29.404
Debtors	37.793	36.616	37.793	36.616
Other receivables	115.374	39.318	76.487	39.318
Less: Provisions for other doubtful receivables	(4.679)	(4.679)	(4.679)	(4.679)
Total other receivables	649.616	832.550	610.728	832.550

6.7. Cash and cash equivalents

Cash and cash equivalents represent cash and bank deposits.

	GROUP		COMPANY	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Checkout	1.471	70	1.471	70
Sight deposits in Euro	2.545.042	2.807.315	2.545.042	2.807.315
Sight deposits in foreign currency	104.144	133.190	93.299	133.190
	2.650.657	2.940.575	2.639.812	2.940.575

6.8. Share Capital and Own Shares

6.8.1. Analysis of share capital and share premium

Group and Company:

		Share capital	Own Shares	Share premium
Balance 01.01.2018		15.747.184	(108.917)	31.953.519
Cancellation of Own Shares	(1)	(173.770)	108.917	-
Increase in share capital	(3)	17.331.703	-	(17.331.703)
Share capital increase expenses	(3)	-	-	(190.649)
Reduction of share capital by offsetting losses	(4)	(17.331.703)	-	-
Return of Share Capital	(5)	(251.184)	-	-
Balance 31.12.2018		15.322.230	-	14.431.168
Balance 01.01.2019		15.322.230	-	14.431.168
Return of Share Capital	(6)	(502.368)	-	-
Balance 31.12.2019		14.819.862	-	14.431.168

On 6.6.2018, the decisions of 6.6.2018 of the General Secretariat of Commerce and Consumer Protection (Department of Supervision of Listed Companies) with numbers 60320, 60374 and 60376 were registered in the General Commercial Register (G.E.M.I.), approving the amendment of article 3 (share capital) of the Articles of Association, in accordance with the decision of the Extraordinary General Meeting of the company's shareholders of 3.5.2018. The amendment to Article 3 concerns the following changes, which have been reflected in their entirety in these financial statements:

1. Reduction of share capital by 173.770,19€ with the cancellation of 560.549 own shares.
2. Increase of the nominal value of the shares from €0.31 to €0.62 by combining the old shares (reverse split 2:1) and reduction of the total number of existing shares from 50,236,820 to 25,118,410

3. Increase of the share capital by 17.331.702,90€ with capitalization of part of the share capital by increasing the nominal value of the shares from 0,62€ to 1,31€.
4. Reduction of share capital for loss compensation by 17.331.702,90€ with a reduction of the nominal value of the shares from 1,31€ to 0,62€.
5. Reduction of share capital by 251.184,10€ with a reduction of the nominal value of the shares from 0,62€ to 0,61€ per share in order to return the capital in cash to the shareholders.

On 22.05.2019, the decision of 22.05.2019 of the General Secretariat of Commerce and Consumer Protection (Department of Supervision of Listed Companies) with number 1544006 was registered in the General Commercial Register (G.E.M.I.), approving the amendment of article 3 (share capital) of the Articles of Association, in accordance with the decision of the Extraordinary General Meeting of the company's shareholders of 18.04.2019. This amendment concerns the following change, which has been reflected in these financial statements:

6. Reduction of share capital by 502.368,20€ to 14.819.861,90€, with a reduction of the nominal value of the total 25.118.410 shares of the Company from 0,61€ to 0,59€, in order to return capital in cash to the shareholders and corresponding amendment of article 3 of the Company's Articles of Association

The Company's shares are listed on the main market of the Athens Stock Exchange.

Capital management policies and procedures

The company considers the total Equity as shown in the financial statements as Capital.

The Company's objectives in terms of capital management are to maintain positive Equity and to ensure that the capital requirements imposed by legislation are met.

6.8.2. Own shares

The Company did not acquire any own shares in 2019, nor does it hold any own shares.

In 2018, 560,549 own shares with a total acquisition value of €108,916.83 were cancelled by the decision of the Extraordinary General Meeting of 3 May 2018.

6.9. Fair value reserves

The fair value reserves derive from the valuation of the properties by independent professional valuers carried out on 31.12.2019 and are analysed as follows:

Analysis of Changes in Fair Value in Use.

Fair value reserves	31.12.2019	31.12.2018
Balances at the beginning of the period	1.479.307	1.479.307
Balances at the end of the financial year	1.551.930	1.479.307

Fair Value Reserve Analysis:

	DEPRECIATED VALUE OF FIXED ASSETS BEFORE VALUATION	EVALUATION VALUE	FAIR VALUE RESERVE BEFORE VALUATION	CHANGE IN FAIR VALUE	FAIR VALUE RESERVE AFTER VALUATION	DEFERRED TAX	BLESSING RESERVE
BUILDINGS	5.045.137	5.172.497	1.456.725	127.360	1.584.084	(411.521)	1.172.564
HOUSEHOLDS	1.500.028	1.472.346	626.806	-27.682	599.124	(219.758)	379.366
TOTAL	6.545.165	6.644.843	2.083.531	99.678	2.183.208	(631.278)	1.551.930

6.10. Other reserves

Other reserves are broken down as follows:

	Regular reserve	Tax-free reserves	Other reserves	Total
Balance at 1 January 2018	46.127	150.155	20.918	217.200
Balance at 31 December 2018	46.127	150.155	20.918	217.200
Balance at 1 January 2019	46.127	150.155	20.918	217.200
Balance at 31 December 2019	46.127	150.155	20.918	217.200

(a) Regular reserve

The ordinary reserve is formed compulsorily, in accordance with the provisions of Law 4548/2018 (similarly with the previous provisions of Law 2190/20), to cover any losses of the company. The amount consists of 5% of the profit for the financial year, after deduction of income tax, up to 1/3 of the share capital.

(b) Tax-free reserves

Tax-free reserves are formed on the basis of development laws, from net profits. These amounts are tax-exempt, they are not subject to income tax because they are formed for the creation of fixed investments.

(c) Other reserves

These reserves are formed by withholding taxed profits, following a decision of the General Meeting. Their main purpose is to strengthen the liquidity of the company.

6.11. Loans

The fair value of the loans does not differ significantly from the carrying amount, as the loans are variable rate loans.

The loans of the Group and the Company are analysed as follows:

	31.12.2019	31.12.2018
Long term		
Bank loans	5.008.378	5.001.460
Liabilities arising from finance leases	883.645	1.155.694
Non-bank loans	-	262.816
Total	5.892.022	6.419.970
Short term		
Bank loans	1.301.295	1.593.214
Short-term portion of long-term bank loans	210.000	1.112.394
Liabilities arising from finance leases	487.178	442.041
Non-bank loans	262.816	-
Total	2.261.290	3.147.650
Total loans	8.153.312	9.567.619

The average cost of bank borrowings (interest and expenses on bank loans and leases / average monthly bank borrowings) was 4.1% in fiscal 2019 and 4.8% in fiscal 2018.

The bank loans are secured by mortgages and pledges as disclosed in note 6.1.

6.12. Deferred tax

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities arise from the same taxation authority.

The offsetting of deferred assets and liabilities gives rise to deferred tax liabilities payable after recovery of the accumulated tax losses. Under current tax legislation, tax losses for each year are offset against taxable profits for the following five years

in order to calculate the amount of income tax payable on the difference, after the offset. There are deferred tax assets due to the existence of accumulated tax losses arising in fiscal year 2015 that may offset profits in fiscal year 2020.

The provisions of Law 4646/2019 (Government Gazette A' 201/12.12.2019) amended Article 58 of the Tax Code (Law 4172/2013).

The new provisions set a fixed tax rate of 24% for business profits earned by legal persons and legal entities, starting with the reduction for the income of the 2019 tax year.

Regarding the rates at which deferred taxes will be calculated, we note that the paragraph of IAS 12 "Income Taxes" states that:

"Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply in the period in which the asset or liability is settled, taking into account tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date."

Accordingly, deferred taxes have been calculated using the new tax rates that will apply in the year in which the asset or liability is expected to be settled. This revaluation of all tax liabilities based on the new tax rates resulted in an increase in these liabilities of € 510,252.47, of which € 507,992 was charged to income tax and € 2,260 was charged directly to equity.

The total change in deferred income tax (liabilities) is as follows:

	31.12.2019	31.12.2018
Opening balance	(2.769.308)	(2.881.230)
Debit/(credit) to profit and loss account	(507.992)	43.018
Debit/(credit) directly to other comprehensive income	2.260	68.904
Balance at the end of the financial year	(3.279.561)	(2.769.308)

The balances and changes in deferred tax assets and liabilities during the financial year, excluding the offsetting of balances, are as follows:

Deferred tax assets:

	Valuation of inventories	government grants	Provision for employees' compensation	Tax losses	Investment in real estate	Multiannual depreciation expenses	Bad debts IFRS 9	Provisions	Operating leases	Transitional accounts	Total
Balance 1 January 2018	65.121	264.563	175.747	924.451	7.830	2.978	-	6.864	-	6.626	1.454.178
Debit/(credit) to the profit and loss account	(23.901)	(51.862)	(11.870)	(321.451)	(1.080)	(1.887)	(4.030)	38.673	-	(1.658)	(379.065)
Debit/(credit) to other comprehensive income	-	-	15.654	-	-	-	53.250	-	-	-	68.904
Balance at 31 December 2018	41.220	212.701	179.531	603.000	6.750	1.091	49.220	45.537	-	4.968	1.144.017
Balance 1 January 2019	41.220	212.701	179.531	603.000	6.750	1.091	49.220	45.537		4.968	1.144.017
Debit/(credit) to the profit and loss account	(13.046)	(31.559)	(16.135)	(466.696)	1.990	(711)	(1.121)	(45.537)	958	(4.968)	(576.825)
Debit/(credit) to other comprehensive income	-	-	26.924	-	(270)	-	(2.130)	-	-	-	24.524
Balance 31 December 2019	28.174	181.142	190.320	136.304	8.470	380	45.968	-	958	-	591.716

Deferred tax liabilities:

	Own-use properties	Tangible fixed assets	Tangible fixed assets (leased)	Transitional accounts	Total
Balance 1 January 2018	1.209.139	3.099.994	23.955	2.320	4.335.408
Debit/(credit) to the profit and loss account	(285.845)	(168.668)	34.750	(2.320)	(422.083)
Balance at 31 December 2018	923.294	2.931.326	58.705	-	3.913.325
Balance 1 January 2019	923.294	2.931.326	58.705	-	3.913.325
Debit/(credit) to the profit and loss account	6.413	(89.761)	19.721	-	(63.627)
Debit/(credit) to other comprehensive income	21.578	-	-	-	21.578
Balance 31 December 2019	951.285	2.841.565	78.426	-	3.871.276

Deferred tax	2019	2018
Balance of tax receivables	591.716	1.144.017
Balance of tax liabilities	(3.871.276)	(3.913.325)
Net balance	(3.279.561)	(2.769.308)

6.13. Provisions for employee benefits

The plan in force is the contractual obligation to provide benefits in the form of a lump sum in the event of retirement, depending on the length of service, based on the current legislation (Law 2112/20, as amended and in force until Law 4093/The company's obligation to the persons it employs, for the future payment of benefits, is measured and reflected on the basis of the accrued right expected to be paid by each employee at the balance sheet date, discounted to its present value, in relation to the expected time of payment. The above liability has been calculated by certified actuaries at the end of the financial year as follows:

Balance sheet as at 31 December	2019	2018
Present value of unfunded liabilities	792.994	712.120
Unrecognised actuarial gains / (losses)	-	-
Net liability recognised in the balance sheet	792.994	712.120

Statement of results	2019	2018
Current employment costs	40.704	34.905
Interest on the obligation	11.323	9.090
Recognition of past service cost due to modifications	-	-
Normal expenditure in the profit and loss account	52.027	43.995
Cost of curtailments/settlements/termination of service	65.552	24.542
Total expense in the profit and loss account	117.579	68.537

Changes in the net liability recognised in the balance sheet	2019	2018
Net liability at the beginning of the year	712.120	606.021
Total expenditure recognised in the profit and loss account	117.579	68.537
Actuarial (gains)/losses	105.312	62.614
Benefits paid by the employer	(142.017)	(25.052)
Net liability at the end of the year	792.994	712.120

Balance sheet	31-Dec-19	31-Dec-18
Present value of the liability at the beginning of the period	712.120	606.021
Current employment costs	40.704	34.905
Interest cost	11.323	9.090
Costs of Curtailment / Settlement / Termination of Employment Effect	65.552	24.542
Less compensation paid	(142.017)	(25.052)
Actuarial loss / (gain)	105.312	62.614
Present value of the liability at the end of the period	792.994	712.120

The main actuarial assumptions used are as follows:

	31.12.2019	31.12.2018
1. Increase in annual salary taken into account for the compensation of Law 2112/20	2,00%	2,00%
2. Discount rate	0,95%	1,59%
3. Average annual long-term inflation growth rate	1,50%	1,50%
4. Amount of compensation	Application of the legislative provisions of Law 2112/20 Law 3198/55 and 4093/2012, for the provision of a lump sum based on a percentage of the applicable scale.	
5. Actuarial valuation method	The Projected Unit Credit Method was used.	

6.14. Provisions

	GROUP		COMPANY	
	1.1 - 31.12.2019	1.1 - 31.12.2018	1.1 - 31.12.2019	1.1 - 31.12.2018
Long-term provisions	175.142	175.142	175.142	175.142
Short-term provisions	-	-	-	-
	175.142	175.142	175.142	175.142

They relate to provisions for possible losses from litigation, labour and other disputes that will be finalised in subsequent financial years.

6.15. Asset grants

These grants are recognised as income along with the depreciation of the assets - mainly machinery - that were subsidised.

Government grants recognised in liabilities as deferred income relate to:

(a) Investments made during the period from 1999 to 2006 and subsidised under Law 2601/1998.

(b) Grant for an investment programme under Law 3299/2004, concerning investments made during the period from 2008 to 2012.

By the decision of the Deputy Minister of Development & Tourism of the Ministry of Development & Tourism of the Republic of Cyprus, No 77887/24.12.2014

Competitiveness, the final disbursement of the grant amount of the investment programme of Law 3299/2004, concerning investments made during the period from 2008 to 2012, was approved. The final disbursement took place on 3rd September 2015.

(c) With the decision of the Development Management Authority of Central Greece and Thessaly with protocol number 962/31.03.2016, the final disbursement of the grant of the investment programme "EXTRACTION - COMPETITIVENESS OF BUSINESSES II" was approved, concerning investments made during the period from 2013 to 2014. The grant amounted to 48.970 € and was received in the financial year 2016.

(d) With the decision of the Development Management Authority of Central Greece and Thessaly with protocol number 3355/22.11.2016, the final disbursement of the grant of the investment programme "ENICHYSI M.M.E. OPERATING IN THE MANUFACTURING-TOURISM-COMMERCE & MANUFACTURING-TOURISM-COMMERCIAL SECTORS SERVICES" concerning investments carried out in the period from 2013 to 2015. The grant amounted to €37,438.80 and was received in the 2017 financial year.

The movement within the fiscal years 2019 and 2018 of the grants account to be recognized as revenue in future years was as follows:

	Group and Company
Balance 1.1.2018	1.746.984
Receipt of a grant	
Revenue recognised in the year	(128.111)
Balance 31.12.2018	1.618.873
Balance 1.1.2019	1.618.873
Receipt of grant	
Revenue recognised in the year	(125.339)
Balance 31.12.2019	1.493.534
Long-term balance of grants	1.368.385
Short-term balance of grants	125.149
Balance	1.493.534

6.16. Suppliers and other liabilities

Trade and other payables are analysed as follows:

	GROUP		COMPANY	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Suppliers (open balances)	5.342.069	5.300.899	5.282.709	5.300.899
Suppliers (Cheques payable)	64.155	181.052	64.155	181.052
Total Suppliers	5.406.224	5.481.951	5.346.863	5.481.951
Various creditors	321.221	160.228	304.358	160.228
Tax-tax liabilities	267.782	130.290	267.782	130.290
Insurance funds	200.563	173.211	200.563	173.211
Customer credit balances	71.140	117.417	71.140	117.417
Transitional liability accounts	240.373	82.986	240.373	82.986
Total Other liabilities	1.101.079	664.132	1.084.216	664.132
Total suppliers and other liabilities	6.507.303	6.146.083	6.431.080	6.146.083

6.17. Sales

The turnover (sales) is analysed as follows:

	GROUP		COMPANY	
	1.1 - 31.12.2019	1.1 - 31.12.2018	1.1 - 31.12.2019	1.1 - 31.12.2018
Sales of goods	471.773	344.405	487.134	344.405
Product sales	30.091.569	23.760.523	30.091.569	23.760.523
Sales of other inventories	103.785	119.782	103.785	119.782
Service provision	-	16.000	-	16.000
Total	30.667.128	24.240.709	30.682.488	24.240.709

6.18. Cost of sales

The cost of sales is broken down as follows:

	GROUP		COMPANY	
	1.1 - 31.12.2019	1.1 - 31.12.2018	1.1 - 31.12.2019	1.1 - 31.12.2018
Cost of goods	230.781	197.852	253.521	197.852
Cost of products	21.626.313	17.334.279	21.626.313	17.334.279
Total	21.857.094	17.532.131	21.879.833	17.532.131

6.19. Other Operating Income

Other revenues for fiscal 2019 and 2018 are detailed below:

GROUP COMPANY

	2019	2018	2019	2018
Costs to be recovered	299.334	225.902	299.593	225.902
Exchange rate differences - income	-	45.726	-	45.726
Revenue from Previous Uses	2.009	-	2.009	-
Gains on sale of assets	45	-	45	-
Revenue from the amortisation of subsidies	125.339	128.111	125.339	128.111
Income from reduction of provision for doubtful accounts IFRS 9	-	16.122	-	16.122
Other	23.406	20.731	23.406	20.731
	450.133	436.591	450.392	436.591

6.20. Expenses per item

The expenses for the fiscal years 2019 and 2018, which are allocated in the statement of comprehensive income to cost of sales, selling expenses, selling expenses, administrative expenses and research and development expenses, are broken down by type as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
Purchases and changes in inventories	16.396.360	12.795.275	16.419.100	12.795.275
Staff remuneration & expenses	5.042.850	4.255.989	5.008.282	4.255.989
Third party fees & expenses	1.503.028	1.232.259	1.480.181	1.232.259
Third party benefits	1.592.394	1.297.762	1.588.243	1.297.762
Taxes - fees	194.243	171.254	192.106	171.254
Miscellaneous expenses	2.024.911	1.654.942	2.024.924	1.654.942
Depreciation	1.392.624	1.176.658	1.392.624	1.176.658
Operating provisions	106.256	68.537	106.256	68.537
	28.252.665	22.652.676	28.211.715	22.652.676

6.21. Other Operating Expenses

Other Operating expenses for the years ended December 31, 2019 and 2018 are

detailed below:

	GROUP		COMPANY	
	2019	2018	2019	2018
Exchange rate differences Expenses	3.715	-	3.715	-
Fines - taxes - fees	4.886	5.867	4.886	5.867
Interest on late payments	1.227	500	1.227	500
Expenses of previous years	28.130	18.655	28.130	18.655
Losses on sale of assets	287	-	287	-
Provision for doubtful debts	125.605	-	125.605	-
Provision for litigation and future liabilities	-	150.000	-	150.000
Losses from destruction of inventories	222.810	158.300	222.810	158.300
Impairment of investments in real estate	8.293	-	8.293	-
Other extraordinary expenses	16.809	788	4.951	788
	411.762	334.110	399.904	334.110

6.22. Financial costs - net

The net financial costs for the years 2019 and 2018 include:

	GROUP		COMPANY	
	1.1 - 31.12.2019	1.1 - 31.12.2018	1.1 - 31.12.2019	1.1 - 31.12.2018
Interest income	(332)	(176)	(236)	(176)
Interest - expenses on bank loans	322.228	398.219	322.228	398.219
Interest on financial leasing	77.961	93.090	77.961	93.090
Expenses for assignment of receivables *	125.070	86.564	125.070	86.564
Banking & other expenses	72.743	50.534	72.743	50.534
Net financial expenses	597.671	628.232	597.766	628.232

(*) Refers to charges for the assignment of customer receivables (without risk transfer) to trade receivables agencies.

The average cost of bank borrowings (interest and expenses on bank loans and leases / average monthly bank borrowings) was 4.1% in fiscal 2019 and 4.8% in fiscal 2018.

6.23. Income taxes

	Group		Company	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Profit before tax	1.855.162	1.062.282	1.923.495	1.062.282
Tax rate	24,00%	29,00%	24,00%	29,00%
Income tax (based on the applicable tax rate)	445.239	308.062	461.639	308.062
Actual Tax (Tax Base)	347.000	105.548	347.000	105.548
Decrease in current tax due to offsetting of tax losses of previous years	(347.000)	(105.548)	(347.000)	(105.548)
Loss of a subsidiary for which no deferred income tax was recognised.	16.400	-	-	-
Adjustment of the estimate for losses from prior periods for which a tax asset is recognised	391.696	286.451	391.696	286.451
Adjustment (reduction) of deferred taxes due to change of tax rates for the following years.	(82.759)	(481.998)	(82.759)	(481.998)
Tax on deferred income tax	(262.584)	(155.532)	(262.584)	(155.532)
	507.992	(43.018)	507.992	(43.018)
Tax reported in the Income Statement	507.992	(43.018)	507.992	(43.018)

6.24. Earnings per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

	GROUP		COMPANY	
	01.01-31.12.2019	01.01-31.12.2018	01.01-31.12.2019	01.01-31.12.2018
Profit attributable to owners of the parent company	1.381.336	1.105.300	1.415.503	1.105.300
Weighted average number of shares	25.118.410	35.817.976	25.118.410	35.817.976
Basic earnings per share	0,0550	0,0309	0,0564	0,0309

6.25. Remuneration and expenses to employees

The number of employees and their costs charged to the results in fiscal years 2019 and 2018 were:

	GROUP		COMPANY	
	01.01.- 31.12.2019	01.01.- 31.12.2018	01.01.- 31.12.2019	01.01.- 31.12.2018
Average number of people	138	120	137	120
Persons at the end of the period	142	129	141	129
Regular Remuneration	4.890.130	4.136.895	4.855.562	4.136.895
Fringe benefits & staff costs	152.720	119.094	152.720	119.094
Total cost	5.042.850	4.255.989	5.008.282	4.255.989

6.26. Depreciation

The depreciation of property, plant and equipment and intangible assets in fiscal years 2019 and 2018, discussed in notes 6.1 and 6.3, as well as the depreciation of grants discussed in note 6.16, are summarized as follows:

	GROUP		COMPANY	
	01.01.- 31.12.2019	01.01.- 31.12.2018	01.01.- 31.12.2019	01.01.- 31.12.2018
Depreciation of fixed assets	1.392.616	1.176.658	1.392.616	1.176.658
Amortisation of grants	(125.339)	(128.111)	(125.339)	(128.111)

6.27. Contingent liabilities

For contingent liabilities from tax audits of unaudited financial years, please refer to note 5.4.1.

Pending court cases:

- The Company has brought an appeal against the decision of the Head of the Greek National Organisation for Animal Health (EOF) No. 56960/2009, by which the amount of EUR 204,928.97 was imposed on the Company as outstanding contributions and differences in contributions of 1% (on sales of cosmetic products pursuant to article 11 par. 1(g) of Law 1316/1983), EUR 408,833.99 as interest on arrears (pursuant to Article 11(5) of Law 1316/1983) and EUR 81,971.57 as fines (pursuant to Article 11(3)^α of Law 1316/1983), i.e. a total amount of EUR 695,734.53 in the Action brought on 27.10.2009 under the general number 41240/2009 before the Athens Administrative Court of First Instance. The appeal with case no. 41240/2009 before the Athens Administrative Court of First Instance was heard on 29.09.2016 (adjourned from 09.06.2016), and the decision of the 19^{ου} Chamber, no. 5492/2017, was issued, by which the case was referred to the Athens Administrative Court of Appeal. The trial date of the case was initially set for 07.06.2018 before the 6^{ου} division, when the case was heard. Further, the hearing of the case was rescheduled for 19.09.2019, due to a change of

judge-arbitrator. Thereafter, order A439/31-1-2020 was passed which again adjourned the hearing of the case to the hearing date of June 4, 2020.

Against the above decision of the Head of the EOF, the Application for Suspension for the suspension of the execution of the tax imposed was filed on 27.10.2009 and the decision of the Athens Administrative Court of First Instance No. 1145/2010 was issued, suspending the execution - payment of 2/3 of the above imposed amount, i.e. the amount of 463,823.02 euros, until the decision on the Appeal. The original amount of the tax was confirmed in cash by means of cash confirmation No 9133/2009 issued by the Tax Office of Chalkida. The company brought an appeal against the above cash statement before the Athens Administrative Court of First Instance, dated 29.10.2009 and with the general number 1477/2009, which was referred to the Chalkida Administrative Court of First Instance. Against the above cash statement, the company also filed a Suspension Application of 27.10.2009 for the suspension of the execution of the cash statement and the provisional order of 04.11.2009 for the suspension of the execution of 95% of the fine (i.e. the amount of €695,734.53) was issued until the decision on the Suspension. Subsequently, on the aforementioned Suspension Application, the decision of the Administrative Court of First Instance of Chalkida, No. 44/2011, was finally issued, by virtue of which the enforceability of the cash confirmation of the Tax Office of Chalkida against the Company was suspended by 70% and until the discussion of the Appeal. The hearing of the Opposition was scheduled for 22.02.2012 and was postponed (due to the absence of lawyers on 22.02.2012) to 21.03.2012 and then to 20.06.2012, when the decision 453/2012 of the Administrative Court of First Instance of Chalkida was discussed and issued, which accepted the Opposition and annulled the cash confirmation no. 9133/2009. The Greek State (DOU Chalkida) filed an appeal against the decision of the Single Administrative Court of First Instance of Chalkida No. 453/2012, under ABEM 32/14, before the Administrative Court of Appeal of Piraeus, which was heard on 07.06.2017 (adjourned from 02.12.2015, 09.03.2016 and 01.03.2017) and the decision 3379/2017 was issued, rejecting the appeal of the Greek State (DOU Chalkida), which was heard on 07.06.2017 (adjourned from 02.12.2015, 09.03.2016 and 01.03.2017). State. In this decision, the Hellenic State did not proceed to file an appeal. The assessment of the Company's management, which is based on the assessment of the lawyers handling the case, is that no additional burden will arise from this case.

- Lawsuits have been brought by former employees of the company, who are seeking recognition of the invalidity of the termination of their employment contract and claiming wages and moral damages totalling EUR 290 thousand. The court recognised the invalidity of the termination of their employment contract by declaring the judgment provisionally enforceable and ordering

the company to pay the sum of €118 000. The company has appealed against the abovementioned judgments. The Company's management's assessment, which is based on the assessment of the lawyer handling these cases, is that the outcome of these cases will be positive. The Company has already charged, for the above cases, an amount of €129 thousand to its net position from previous years and has made a supplementary provision in fiscal 2018 of €150 thousand, which we believe is sufficient to cover the possible final charge for these cases.

- There are disputes of the Company against third parties. Any benefit arising will be recognised in the results of the Company when realised.

There are no other disputes in dispute or under arbitration.

Apart from the above, there are no other contingent liabilities.

6.28. Transactions with related parties

α) Intercompany transactions

Inter-company trade was carried out as follows:

Intercompany Transactions in 2019 (amounts in €)		PURCHASING COMPANY	
		SHOEPANIS AVEE	PAPOUTSANIS Sp. Z o.o.
SELLING COMPANY	SHOEPANIS AVEE		46.562,36
	PAPOUTSANIS S.P. Z o.o.	-	

There were no intercompany commercial transactions in 2018.

b) Intercompany balances

On 31.12.2019 the Subsidiary Company PAPOUTSANIS Sp. Z o.o. had a liability to the Parent Company in the amount of € 46.562,36.

c) Transactions with key management personnel and members of the Management

GROUP

COMPANY

	1.1- 31.12.2019	1.1- 31.12.2018	1.1- 31.12.2019	1.1- 31.12.2018
Remuneration of executive members of the Board of Directors and managers (based on a special employment relationship)	922.226	696.588	922.226	696.588
Fees of a law firm controlled by a related party of an executive member of the Board of Directors.	37.000	47.500	37.000	47.500
Remuneration of non-executive members of the Board of Directors	38.400	38.400	38.400	38.400
	997.626	782.488	997.626	782.488

(d) Claims and liabilities with directors and members of management.

	GROUP		COMPANY	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Liabilities to directors and senior management arising from assigned accounts	1.408	1.519	1.408	1.519
Liabilities to directors and members of the management (from remuneration)	50.051	7.300	50.051	7.300

ε) Balance with shareholders

The shareholder Tanaca Holdings Ltd, granted a loan to the Company in 2010 for an amount of €1,228,000, the majority of which was repaid in 2010. In 2013 an amount of €265,184 was repaid. The balance of the loan amounts to €262,816 as at 31 December 2019.

Related party transactions are entered into on terms equivalent to those prevailing in purely commercial transactions.

6.29. Events after the Balance Sheet date

In March, the World Health Organization declared Covid-19 a pandemic.

By the Extraordinary General Meeting of the Company's shareholders held on 27.02.2020

It was decided to reduce the share capital by 753,552.30€ to 14,066,309.60€, by reducing the nominal value of all 25,118,410 shares of the Company from 0.59€ to 0.56€, in order to return the capital in cash to the shareholders.

It was also resolved to authorize the Board of Directors to establish within one (1) year a share offering program pursuant to article 113 par. 4 of Law 113 (4). 4548/2018 under whatever conditions within the framework of the law it deems appropriate, with rights corresponding to a maximum of 250,000 shares to be issued through a capital increase.

Vathi Avlida, 18 March 2020

The Chairman of the Board of Directors

Georgios Gatzaros

The Chief Executive Officer

Menelaos Tassopoulos

The Chief Financial Officer & Board Member

Mary Iskalatian

Head of Accounting

Alexander Georgiades