

LOULIS MILLS SA
ANNUAL REPORT OF THE BOARD OF DIRECTORS
For the fiscal year from 1st January to 31st December 2016
(Pursuant to Law 3556/2007 and the applicable Hellenic Capital Market Commission provisions)

This report of the Board of Directors of LOULIS MILLS SA (hereinafter referred to as the "Company") has been prepared in accordance with current legislation and applicable Hellenic Capital Market Commission provisions and is referred to the Annual Financial Statements (Consolidated and Separate) of December 31, 2016 and for the year then ended. The LOULIS MILLS Group (hereinafter the "Group"), beyond the Company includes subsidiaries which the Company controls directly or indirectly. Consolidated and Separate Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

This report contains the financial report from January 1, 2016 to December 31, 2016, the planned growth and development, the important events that took place in 2016, the description of the principal risks and uncertainties for the next fiscal year, the Corporate Governance Statement, the Group's and Company's significant transactions with their connected parts the most important events that have been occurred until the date preparation of financial statements and every additional information that the legislation requires.

A. Financial Review 2016

The Group's **Turnover (Sales)** for the fiscal year 2016 amounted to €101.33 million, reduced by 3.46% compared to €104.96 million in 2015. At the same time the Company's turnover amounted to €96.53 million compared to €101.37 million in 2015, which is a reduction of 4.77%.

Regarding the sales per segment, we recognize an increase of 6.94% to the sold quantities of consumer products, which accounted for the current year to 23.1 thousand tones, while last year they were 21.6 thousand tones. This increase occurred with a rise in consumer sales products by 8.97%. On the contrary, there has been a reduction of 3.70% in the quantities of business products sold compared to the prior year, due to the decrease of sales to industrial customers and exports. This reduction led to an overall decrease in industrial product sales by 6.77%. The sales of mixings for bakery and pastry, which is a new activity for the Group, as it started in the first trimester of 2015, had total sales of € 5.35 million for 2016 compared with € 3.94 million in 2015, presenting a significant increase by 35.70%. Eventually, in the last four months of 2016, taking into concern the Group's new activity of training services, the first cycle of seminars on issues related to Bakery, Pastry, Food Technology, Marketing and Baker's Financial Management , took place with great success, performing total sales € 0.02 million.

The Group's **Cost of Sales** amounted to € 76.19 million, decreased by 10.35% compared to € 84.98 million in 2015. At the same time the Company's cost of sales amounted to € 72.72 million compared to € 82.17 million in 2015, which is a decrease of 11.50%. This reduction is attributed to the decrease of the acquisition cost of direct and indirect raw materials, as well as the energy. Subsequently, the Group's **Gross Profit** amounted to €25.14 million for the Group and €23.82 million for the Company, increased by 25.83% compared to € 19.98

million in 2015 for the Group and increased by 24.03% compared to €19.20 million in 2015 for the Company. While the ratio of cost of sales to sales from 19.03% in 2015 for the Group and 18.94% for the Company, increased to 24.81% in 2016 for the Group and to 24.67% for the Company. The rise of that ratio in the company resulted on the one hand from a decrease of cost of direct and indirect raw materials and energy and on the other hand from the retention of sold amounts.

The Group's **Administrative Expenses and Distribution Costs** amounted to € 18.55 million increased by 4.31% compared to the last year's corresponding period, while they increased as a percentage of sales amounted to 14.69% compared to 2015, when they amounted 13.91%. At the same time, the Company's administrative expenses and distribution costs amounted to € 17.42 million increased by 2.10% compared to € 17.06 million for 2015, while the Company's ratio of administrative expenses and distribution costs to sales increased to 14,57% for 2016, in contrast to 14.04% for 2015. The small increase of operating costs compared to the low levels of the prior period, combined with the keeping of the product transport costs in the same levels as in 2015 (after a percentage of sales remained slightly above 5% for both years), verifies the continuous efforts of the company to maintain at low levels its operating costs.

The Group's **Financial Expenses** amounted to € 2.64 million, increased by 17.72% compared to €2.24 million in the respective period of 2015, and increased as a percentage of sales from 2.13% to 2.60% . Correspondingly, the financial expenses of the Company amounted to € 2.55 million increased by 16.01% compared to the respective period of 2015. Although, the overall Group's and Company's borrowing decreased during the year, the financial expenses increased, due to two new loans (duration five years) amount to € 40,00 million, taking place in the year end 2016.

The **Total Depreciation** for the Group amounted to € 3.92 million and for the Company € 3, 91 million, compared to € 3.76 million for the Group and € 3.75 million for the Company in the prior year, presenting an increase of 4.34% and 4.13% respectively, while as a percentage of sales increased from 3.58% in the prior year to 4.41% for the Group and from 3.70% to 4.05% for the Company.

The Group's **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)** amounted to €11.23 million increased by 22.43% compared to €9.17 million in 2015 and also increased as a percentage of sales from 8.74% to 11.08%. At Company level EBITDA amounted to €11.04 million increased by 21.91% compared to €9.06 million for 2015, and increased as percentage sales from 8.93% to 11.44%.

Considering all the above, the Group's **Net Profit/ (Loss) before Tax** amounted to €4.64 million compared to €3.15 million in the prior year, representing an increase of 47.09%. As a percentage of sales it amounted to 4.58% from 3.00%. The Company's net profit/ (loss) before tax amounted to €4.59 million compared to €3.01 million in 2015, showing an increase of 52.25%. Similarly they are increased as a percentage of sales from 2.97% to 4.75%.

Income tax for the Group amounted to € 1.79 million compared to € 2.58 million for 2015 and for the Company amounted to € 1.69 million compared to € 2.43 million for 2015.

Following the above, the Group's **Net Income Statement after tax** amounted to € 2.85 million compared to € 0.58 million for 2015 and as a percentage of sales it amounted from 0.55% to 2.81% for 2016. Similarly, the Company's net profit after tax amounted to €2.90 million compared to €0.59 million in 2015, and as a percentage of sales it amounted to 0.58% compared to 3.00% in 2016.

The Group's loss attributable to **non-controlling interests** for the year 2016 amounted to €0.07 million compared to loss €0.05 million for 2015.

As a result of all the above, Group's **Net Profit after Taxes** to return to the Company's shareholders in 2016 amounted to a profit of € 2.78 million over profit € 0.62 million in the previous year.

For the fiscal year 2016, **operating cash flows** for the Group and the Company amounted to € 4.87 million and € 5.43 million, respectively, while the previous it amounted to € 7.35 million for the Group and € 8.50 million for the Company representing a decrease of 33.74% for the Group and 36.07% for the Company.

The **Investment Program** for both the Group and the Company for 2016 amounted to €1.91 million and €1.68 million, respectively, compared to € 2.52 million for the Group and € 1.76 million for the Company in the prior year. The decrease of the investments amounted to 24.21% for the Group and 4.52% for the Company, is mainly due to new investments in the first semester of 2015 and specifically the new investments of the company for the establishment of a new packaging line of consumer' products in the Industrial Unit Sourpi in Magnesia and the acquisition by the Group's subsidiary NUTRIBAKES S.A. of «KENFOOD» trademark.

The Group's **Total Net Borrowing** on December 31, 2016 amounted to €28.18 million compared to € 29.86 million on December 31, 2015, i.e. decrease of 5.63%, while the Company's total borrowings on December 31, 2016 amounted to €27.59 million compared to €29.95 million 31 December 2015, decreased by 7.88%.

In summary, the financial results of the Group and the Company for the years 2016, 2015 and 2014 are reflected through some key financial ratios and are compared against objectives set by the Company's management, based on the size of the company, the sector in which it operates, the conditions prevailing in the market and the average figures of the sector where data are available, as follows:

Basic Group's Ratios

		01.01.2016 31.12.2016		01.01.2015 31.12.2015		01.01.2014 31.12.2014		Target
1	Total Net Borrowing EBITDA	<u>22.180.140</u> 11.227.086	2,51	<u>29.862.699</u> 9.170.069	3,26	<u>33.210.895</u> 9.326.606	3,56	(≤4,00)
2	EBITDA Interest Paid	<u>11.227.086</u> 2.621.402	4,28	<u>9.170.069</u> 2.224.203	4,12	<u>9.326.606</u> 2.089.233	4,46	(≥4,00)
3	Non-Current Assets Total Net Borrowing	<u>97.459.451</u> 28.180.140	3,46	<u>99.207.707</u> 29.862.699	3,32	<u>101.389.263</u> 33.210.895	3,05	(≥2,50)
4	Total Net Borrowing Total Equity	<u>28.180.140</u> 90.880.088	0,31	<u>29.862.699</u> 88.731.884	0,34	<u>33.210.895</u> 90.292.344	0,37	(≤0,60)
5	Total Current Assets Total Current Liabilities	<u>68.280.665</u> 56.138.995	1,22	<u>67.223.561</u> 52.727.414	1,27	<u>62.736.696</u> 47.041.015	1,33	(≥1,00)
6	Total Liabilities Total Equity	<u>74.860.028</u> 90.880.088	0,82	<u>77.699.384</u> 88.731.884	0,88	<u>73.833.615</u> 90.292.344	0,82	(≤1,00)

Basic Company's Ratios

		01.01.2016 31.12.2016		01.01.2015 31.12.2015		01.01.2014 31.12.2014		Target
1	Total Net Borrowing EBITDA	<u>27.590.609</u> 11.039.252	2,50	<u>29.951.547</u> 9.055.417	3,31	<u>33.735.310</u> 9.588.604	3,52	(≤4,00)
2	EBITDA Interest Paid	<u>11.039.252</u> 2.533.131	4,36	<u>9.055.417</u> 2.181.235	4,15	<u>9.588.604</u> 2.087.461	4,59	(≥4,00)
3	Total Non-Current Assets Total Net Borrowing	<u>98.286.927</u> 27.590.609	3,56	<u>100.000.316</u> 29.951.547	3,34	<u>101.625.694</u> 33.735.310	3,01	(≥2,50)
4	Total Net Borrowing Total Equity	<u>27.590.609</u> 86.504.760	0,32	<u>29.951.547</u> 84.267.570	0,36	<u>33.735.310</u> 85.977.157	0,39	(≤0,60)
5	Total Current Assets Total Current Liabilities	<u>60.936.173</u> 52.368.211	1,16	<u>61.805.454</u> 50.938.748	1,21	<u>59.677.418</u> 46.850.355	1,27	(≥1,00)
6	Total Liabilities Total Equity	<u>72.718.340</u> 86.504.760	0,84	<u>77.538.200</u> 84.267.570	0,92	<u>75.325.955</u> 85.977.157	0,88	(≤1,00)

Note: For explanations and the calculation of the indicators see the Unit ESMA

B. Group's Companies and Branches

Name	Registered Office	Branches	% Parent's Holding	Relationship that dictated the consolidation
LOULIS MILLS S.A.	Sourpi, Magnesia	Athens, Kavala, Thessaloniki	-	Parent
LOULIS LOGISTICS SERVICES S.A.	Sourpi, Magnesia	-	99,67%	Direct
NUTRIBAKES S.A.	Keratsini, Attica	Thebes, Thessaloniki	70%	Direct
GREEK BAKING SCHOOL S.A.	Keratsini, Attica	-	99,67%	Direct
LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) Ltd.	Nicosia, Cyprus	-	100%	Direct
LAFCO LEADER ASIAN FOOD COMPANY Ltd.	Nicosia, Cyprus	-	100%	Direct
GRINCO HOLDINGS Ltd.	Nicosia, Cyprus	-	100%	Direct
LOULIS MEL- BULGARIA EAD	Sofia, Bulgaria	-	100%	Indirect

C. **Significant Events that took place during 2016**

The major events that took place in the year 2016 are as follows:

Establishment of a subsidiary, called "LOULIS-MEL – BULGARIA EAD"

On 23 February, 2016, was established in Bulgaria a new subsidiary, called "LOULIS-MEL – BULGARIA EAD ". The share capital is owned 100 %, from the company "LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) Ltd", which is 100% subsidiary of "LOULIS MILLS SA ".

The company "LOULIS- MEL – BULGARIA EAD "has founding capital BGN 50.000 and a basic purpose is the collection and the trade of cereals.

Information about the Member – State of origin

The Company after the amendment of Law 3556/2007 from Law 4374/2016 (FEK A' 50/01.04.2016), informed the investment public that the member-state of origin is Greece.

Acquisition in a subsidiary with brand name "LAFCO LEADER ASIAN FOOD COMPANY Ltd"

The Company now owns 100% the Company called "LAFCO LEADER ASIAN FOOD COMPANY Ltd", given the amount of € 1.600. As a result, the company participates 100 % in the company "GRINCO HOLDINGS Ltd" and particularly participates indirectly 60% through the company "LAFCO LEADER ASIAN FOOD COMPANY Ltd " and directly 40%.

Decisions of the Ordinary General Meeting of Shareholders of the Company

At the ordinary general meeting of shareholders the 23 July 2016, was represented 75.40% of the share capital and as a result there were present and voted shareholders or their representatives, who own 12.912.721 shares and 12.912.721 votes.

The ordinary general meeting of shareholders adopted the following decisions for the topics that are analyzed below, as they are represented based on the voting conclusions for every topic, that have been posted in the legal website of the Company in G.E.MI. (www.loulisgroup.com):

In the 1st topic, the financial statements of the company and the consolidated financial statements in accordance with international financial reporting standards were approved, for the fiscal year 01.01.2015 to 31.12.2015. The same general meeting decided, by percentage 75.40% of the share capital, not to distribute dividends to shareholders, after the approval of the reports of the Board of Directors and the Certified Auditors.

In the 2nd topic, the members of the Board of Directors and the Certified Auditors were absolved unanimously, from every right to compensate for the fiscal year 01.01.2015 to 31.12.2015, by percentage 75.40% and 12.912.721 votes.

In the 3rd topic, the Company "BDO Certified Public Accountants and Auditors SA" with registration number of SOEL 173, was selected by percentage 75.40% and votes 12.912.721 to set the ordinary Certified Accountant- Auditor and his alternate, for the audit of the Company's Financial Statements and the consolidated Financial Statements, in accordance with international financial reporting standards, for the fiscal year 01.01.2016 to 31.12.2016.

In the 4th topic, it was decided by 12.912.721 votes, 75.40% percentage, to pay remuneration to the members of the Board of Directors for the fiscal year 01.01.2015 to 31.12.2015.

In the 5th topic, it was pre-approved by 12.912.721 votes, 75.40% percentage, the amount that should be given for the next fiscal year, so as to cover the expenses of the representation of the members of the Board of Directors and the payment of the salaries and other fees for the members of the Board of Directors that are linked to an employment relationship.

In the 6th topic, it was adopted unanimously by 12.912.721 votes and 75.40% percentage, the increase of the company's share capital by €1.027.503,72 with an increase of the nominal value of each share at €0.06 with capitalization of the reserve "Difference From Share Issue Premium" and subsequently the simultaneous equal reduction of the share capital of the company at €1.027.503.72, with reduction of the nominal value of each share at €0.06, with the purpose of the capital return in cash to shareholders. In addition, the same ordinary general meeting has given the authorization to the Board of Directors to regulate all the procedural issues for the implementation and application of the current decision for the simultaneous increase and decrease of the Share Capital.

In the 7th topic, it was amended the fifth article of the Company's Statute by 12.912.721 votes and 75.40% of the share capital, according the decision above.

In the 8th topic, it was approved the provision of guarantees over the Company called " KENFOOD", to the ATTICA BANK, of a total amount of € 716.000, by 12.912.721 votes and percentage 75.40% of the share capital.

At the same general meeting and in accordance to what was decided in the first topic, the Company will not distribute dividends to the shareholders for the fiscal year 01.01.2015 to 31.12.2015, due to the general financial instability and uncertainty due to the general economic instability and uncertainty prevailing in the European zone, but also in the world, as well as for the Company's cash flow.

Distribution of dividend from the subsidiary "NUTRIBAKES S.A."

On June 30,2016, in the general meeting of the company "NUTRIBAKES S.A." , of which the Company owns the 70% of the share capital, it was approved the distribution of dividend to the shareholders of a total amount of € 121.615,2 (€2.28 per share) by 53.340 votes and percentage 100% of the share capital.

Capital return in cash to shareholders

On June 23, 2016, the general meeting of the company adopted the increase of the share capital by €1.027.503,72 with an increase of the nominal value of each share at €0.06 (from €0,94 to €1) with capitalization of the reserve "Difference From Share Issue Premium" and subsequently the simultaneous equal reduction of the share capital of the company at €1.027.503.72, with reduction of the nominal value of each share at €0.06 (from €1 to €0,94), with purpose of the capital return in cash to shareholders € 1.027.503,72, € 0,06 per share.

Following the increase and the simultaneous decrease mentioned above, the share capital remains € 16.097.558, 28, divided into 17.125.062 nominal shares, of an amount of € 0.94 per share.

On July 04, 2016, the Company was registered in the General Commercial Register (GEMI) under the registration number 688127 or the decision of the Listed Companies SA number 70410 / 04.07.2016 (ADR: 71ΔΔ465307-ΚΛΦ) and Athletics SA The Directorate of Companies and G.E.MI of the General Directorate of the General Secretariat of Commerce and Consumer Protection of the Ministry of Economy, Development and Tourism, approving the amendment of article 5 of the company's statute.

The Management Committee of Stock Markets on 14 July 2016 was informed of the equal increase and decrease of the nominal value of the company's shares and the return of capital in cash to the shareholders of the company amounting to euro 0,06 per share.

Following the above, as of July 18, 2016 the shares of the Company are traded on the Athens Stock Exchange, with the final nominal value of €0.94 per share and without the right to participate in the capital return in cash to the shareholders amounting to €0.06 per share. From the same date, the starting price of the

Company's shares on the Athens Stock Exchange will be formed in accordance with the Athens Stock Exchange Regulation in conjunction with the decision no. 26 of the Board of Directors of the ASE as applicable.

Beneficiaries of the capital return were the shareholders registered in the DSS archives. On July 19, 2016. The starting date of payment of the capital return was set on July 25, 2016 and was effected via the ALPHABANK bank.

Announce of the replacement of the Internal Auditor of the Company.

As part of the obligations arising from the current legislation, the decisions of the Hellenic Capital Market Commission and the Athens Stock Exchange regulation, the Company announced that - pursuant to the meeting of the Board of Directors dated August 2, 2016 - , Mrs. Beatrice Koutsoukou, as the Internal Auditor in place of Mr. Gerasimos Nakas, who leaves this post due to retirement.

Establishment of a subsidiary under the name "LOULIS LOGISTICS SERVICES SOCIETE ANONYME"

On August 4, 2016, a subsidiary under the name "LOULIS LOGISTICS SERVICES SOCIETE ANONYME" was established with a 99, 67% participation of "LOULIS MILLS SA" and a founding capital of € 30.000. Its main purpose is to mediate for third parties the loading, unloading, storage, transport and distribution of products, as well as providing port facilities to third parties.

Acquisition of participation in a subsidiary under the name "GRINGO HOLDINGS Ltd"

The Company acquired 60% of the company "GRINCO HOLDINGS Ltd" for a price of €960 from its 100% subsidiary "LAFCO LEADER ASIAN FOOD COMPANY LTD". As a result, the Company directly participates 100% in the company "GRINCO HOLDINGS Ltd".

Participation in the Share Capital Increase of the company under the name "GREEK BAKING SCHOOL S.A."

On December 16, 2016, the Extraordinary General Meeting of the shareholders of the company under the name "GREEK BAKING SCHOOL S.A." in which the Company participates with 99,67% in its share capital, decided by 3.000 votes and 100% percentage of the share capital, the increase of the share capital by €15.000 by issuing 1.500 new nominal shares, €10 each and an issue price of €50 each, with preemptive rights of existing shareholders in order to facilitate the company to reach their goals and enrich its activities, as the seminars for 2016 have been completed and a new cycle of seminars is to be held for 2017. The funds raised from the share capital increase in cash amounting to €75.000 and allocated as follows: €15.000 (i.e. 1500 shares x €10 each) for the share capital increase and €60.000 (i.e. 1500 shares x €40 each) to the account "Reserves from share premium".

Signing of two syndicated loan agreements of € 30 million and € 10 million

According to article 16 par.3 of Law 3556/2007, the Company has announced that, pursuant to the decision of the Board of Directors dated 28.12.2016, two contracts of jointly secured syndicated bond loans amounting to €30 million and €10 million respectively, with "ALPHA BANK SA" coordinating and managing bank.

In the first bond loan of €30 million, bondholders are "ALPHA BANK S.A.", "EUROBANK ERGASIAS SA" and "NATIONAL BANK OF GREECE SA", while the second bond loan of €10 million bondholders are "EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)" and "ALPHA BANK S.A."

Both loans are of five years duration and their purpose is to refinance existing bank loans, as well as to finance general business purposes of the Company.

D. Predicted Course and Evolution

Management's goal is the development of the Company "LOULIS MILLS SA" through investment and innovation, with the goal of high quality products, excellent customer service and producing value for our people, partners, shareholders and society. Having set this as a strategic objective, in previous years, the Company has carried out significant investments in equipment and human resource, and lastly it developed its production process in order to produce products of the highest quality with respect and responsibility to the environment and the consumer.

For the next years the objectives remain high. In economic terms, the Management will continue to work with a view to maintaining the leading position of the company and preserve the positive results of recent years. Specifically, the goal for the next year is to further strengthen the company's position in the market by consolidating its existing market shares and also increasing the targeted ones. In addition, the purpose of the Management for 2017 is both to achieve business objectives and lay the foundations for long-term course, placing particular emphasis on the further development of the group in purchasing of mixtures and raw materials for bakery and pastry making and in using effectively synergies with the goal of better controlling the operating expenses and the cost of materials.

Main keystones and actions for 2017:

- Position in the market. Securing and maintaining its leading position in the market for flour and further development in the market of mixings.
- Operation and cost effectiveness. Ongoing making use of synergies to enhance the efficiency, effectiveness and cost savings.
- Human resource. Implementation of procedures that will promote the common working company culture in the new group's members and the continuation of the training of human resources.

- Management of quality and control. Maintaining high quality in production and continuation of the upgrading of the quality of management and control systems.

The foreseen course for 2017 depends largely on the increased uncertainty and volatility in the domestic market, but the strong capital structure of the Group, combined with its well-operating and organizational structures, gives management the ability to effectively manage any difficulties, which are likely to arise and continue uninterrupted the implementation of its strategic plan.

E. Principal risks and uncertainties for the next year

The Group's activities generate a number of financial risks, including interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the Group's fluctuations of financial markets and seeks to minimize potential adverse effects by such fluctuations on its financial performance. The group does not perform speculative transactions or transactions not related to trade, investment or borrowing activities.

The financial products used by the Group mainly consist of deposits at banks, contract loans, overdraft bank accounts, accounts receivable and accounts payable, dividends payable and liabilities arising from leasing contracts as well as financial derivatives.

So far, the global financial crisis has affected at the least possible the activity of the company, though because of the intensity of the phenomenon, the inability to estimate the duration of this and the general state of suffocation and lack of liquidity in the market, it is likely to occur further reducing in consumer demand that adversely could affect sales and profit margins in the industry. The fact that our products cover basic necessities, the company's minor financial exposure as well as the important qualitative and our product differentiation are the main tools it has to minimize the negative effects of the economic crisis.

The usual financial and other risks to which the company is exposed are market risks (*interest rates, liquidity risk, market prices, credit risk, inventories risk, risk of a reduction in demand due to a more general consumer depression*).

Exchange Rate Risk

The Group is active in Greece and Bulgaria since 2016 with all transactions and balances being in Euro and Bulgarian Lev, while the Company is only in Euro. The Group's management continuously monitors the foreign exchange risks that may arise and assesses the need for such measures, but at this time there is no such risk as the exchange rate between the two currencies is stable from 1 January 1999 (BGN 1.95583 = EUR 1).

Interest Rate Risk

The Company's Management constantly monitors the trends of interest rates and the company's financing needs. Limited risk of the change in rates comes mainly from long-term and short-term borrowings. The Group's policy is to keep the total of loans at variable interest rates. Since the company's borrowings is linked with the Euribor index, the significant reduction of the latter has a direct positive impact on financial cost of the Company.

Sensitivity analysis on interest rate changes

	Interest Rate Volatility	Impact on EBT Company	Effect on the Group's profit before tax
Amounts 2016	1.00%	-322.757	-342.680
	-1.00%	322.757	342,680
Amounts 2015	1.00%	-344.162	-356.314
	-1.00%	344.162	356.314

Credit Risk

The Group does not have a significant concentration of credit risk in some of its contracting parties, mainly due to the large number of customers and the dispersion of the Group's customer base.

The Group has adopted insurance policy towards credit risk which covers approximately 80% of the receivables. The Insurance Contract is non-negotiable and non-transferable. Specialized software applications are used by the relevant departments of the Company, in order to constantly monitor the credits given to customers, whereas the group companies proceed in additional credit insurance, when applicable. In case a possibility of non-collection of a receivable does arise the Company forms a provision for the relevant doubtful account. Sales are made to customers with adequately evaluated sales history and the Company's customer base is spread over a large number of small clients leading to a low credit risk.

Additionally, Group companies have an insurance policy that covers most of their claims. This policy is not sold or transferred. Clients deemed to be unreliable are reassessed at each reporting date and where there is a probability of non-recovery of these receivables, a provision for doubtful debts is formed.

Liquidity Risk

The Group has a strong capital structure and high liquidity ratio. The general liquidity of the company is high. Suggestively, we mention that the general liquidity ratio (current assets to current liabilities) is 1.22 for the Group and 1.16 for the Company.

With the appropriate combination of cash by operating cash flow and bank approved credit limits is achieved the prudent and sound management of liquidity. The companies of the group constantly monitor the coverage needs of total liabilities and the composition and maturity of the liabilities, by ensuring that secured bank credits are always available and ready to use, as well as to have sufficient cash as of prudent use of working capital. These unused, available and approved credits to the companies of the group are sufficient to cope with a possible cash shortage.

Risk of Inventory Impairment

The Group always ensures the all necessary measures have been taken in order to minimize the risk and potential damage due to inventory loss from natural disasters. At the same time, due to the high inventory turnover ratio (94 days for the Group and 97 days for the Company) and at the same time due to the inventory's long duration (expiry date), the risk of their depreciation is highly limited.

Decrease in demand due to the general consumer recession

The Group belongs to the food industry and the demand in this industry has a smaller reduction than others the Greek economy. However, the risk ahead and general conditions are expected to affect the Group's performances as the decline in demand is expected to intensify, if the general conditions of economic recession continue with the same intensity.

Risk of increases in the prices of raw materials

The dramatic fluctuations in prices of both imported and domestic raw materials for the last five years as well as the general economic crisis lead us to consider that this fluctuation will continue to exist in the price of the raw materials. Therefore, exposure to this risk is assessed high and for this reason the Group's Management has therefore taken the appropriate measures in order to limit exposure to this risk through special agreements with its suppliers, on the one hand, and by timely and corresponding adjusting of its pricing and commercial policy, on the other hand.

Risks from the impose of capital controls in Greece

In the context of the economic environment created by the imposition of capital controls in Greece on 28th June 2015, risks arise the most important of which is related with the liquidity of the financial system and the collection of receivables, the asset impairment, the revenue recognition, the serving its existing debt liabilities and/or to satisfy these terms and financial ratios, in recoverability of deferred tax benefits, in valuation of their financial instruments, to the adequacy of predictions and continued unrestricted business activity.

The Group's activity in Greece continues without interruption. However, the management is not able to accurately predict possible developments in the Greek economy and the effect it will have on the Group's activities. Despite this, based on the management's estimation and assuming that capital controls would be lifted within the second half of 2016 and that the agreed terms and conditions of the third rescue program will be implemented, no significant negative impact is expected in the activities of Group in Greece over the medium to longer term. Therefore, the management has concluded that no additional impairment provisions of financial and non-financial assets of the Group are needed at 31 December 2016.

In this uncertain economic environment, the management constantly evaluates the conditions and potential future impacts, in order to ensure that all necessary actions and initiatives for minimizing any impact on domestic activities of the group have been made.

F. ALTERNATIVE PERFORMANCE MEASUREMENTS

According to the ESMA / 2015 / 1415el Alternative Performance Measurement Indicators (ESMA) Guidelines, an Alternative Performance Measurement Indicator (EMMA) is a financial measure for the historical or future financial performance of the ESMA, financial position or cash flows, which is not defined or provided in the current Financial Reporting Framework (IFRS). ESMA typically arise from or are based on financial statements prepared in accordance with the current Financial Reporting Framework (IFRS), primarily with the addition or deduction of amounts from the figures presented in the financial statements.

The Group uses to a limited extent Alternative Performance Measurement Indicators (EMMA) when publishing its financial performance, in order to understand better the Group's operating results and financial position.

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)

The indicator Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) ,which aims to a better analysis of the Group's and Company's results, is estimated as follows: Profit/(Loss) before tax, as adjusted by the addition of "Financial Expenses" and "Depreciation", without including the items "Financial Income" and "Fair Value valuation of bonds and participations". The margin of this indicator is calculated as the ratio of the "Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)" with the total of "Sales".

	Group		Company	
	2016	2015	2016	2015
Sales	101.330.254	104.962.287	96.536.741	101.371.750
Profit/(Loss) before tax	4.638.036	3.153.123	4.586.228	3.012.237
Fair Value valuation of bonds and participations	102.570	102.045	102.570	102.045
Financial Income	(68.774)	(80.449)	(106.264)	(8.898)
Financial Expenses	2.635.747	2.238.943	2.547.476	2.195.975
Depreciation	3.919.507	3.756.407	3.909.242	3.754.058
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	11.227.086	9.170.069	11.039.252	9.055.417
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	11,08%	8,74%	11,44%	8,93%

Earnings before Interest and Tax (EBIT)

The indicator Earnings before Interest and Tax (EBIT) ,which serves the better analysis of the Group's and Company's results, is estimated as follows : Profit/(Loss) before tax, as adjusted by the inclusion of "Financial Expenses" , without taking into account the items "Financial Income" and "Fair Value valuation of bonds and participations". The margin of this indicator is calculated as the ratio of the "Earnings before Interest and Tax (EBIT)" with the total of "Sales".

	Group		Company	
	2016	2015	2016	2015
Sales	101.330.254	104.962.287	96.536.741	101.371.750
Profit/(Loss) before tax	4.638.036	3.153.123	4.586.228	3.012.237
Fair Value valuation of bonds and participations	102.570	102.045	102.570	102.045
Financial Income	(68.774)	(80.449)	(106.264)	(8.898)
Financial Expenses	2.635.747	2.238.943	2.547.476	2.195.975
Earnings before Interest and Tax (EBIT)	7.307.579	5.413.662	7.130.010	5.301.359
Earnings before Interest and Tax (EBIT)	7,21%	5,16%	7,39%	5,23%

Total Net Borrowing

The "Total Net Borrowing" is one ESMA that the Management uses so as to evaluate the capital structure of the Group and the Company. It is estimated as the sum of the items "Long-term Borrowing Liabilities "and "Short-term Borrowing Liabilities", minus the item "Cash and cash equivalents".

	Group		Company	
	2016	2015	2016	2015
Long-term Borrowing Liabilities	533.299	6.000.000	533.299	6.000.000
Short-term Borrowing Liabilities	33.734.678	29.631.400	31.742.392	28.416.173
Cash and cash equivalents	(6.087.837)	(5.768.701)	(4.685.082)	(4.464.626)
Total Net Borrowing	28.180.140	29.862.699	27.590.609	29.951.547

G. Corporate governance statement

Introduction

LOULIS MILLS SA is committed and adheres to standards of corporate governance. Within this context, the Company has implemented the principles set out by the Corporate Governance Code introduced by the Hellenic Federation of Enterprises (SEV) with some exceptions, but always in accordance with the current legislation. The code can be found at the following Web address:

<http://www.helex.gr/el/web/guest/esed-hellenic-cgc>

1. Internal Audit and Risk Management

1.1 Main features of Internal Audit

Internal audit is performed by the independent Internal Auditing department, which follows written operation regulations (the Internal Auditing Charter).

Please note that the audit on which basis the relevant report is prepared and carried out within the regulatory framework in line with Law 3016/2002, as in force, is specifically in accordance with articles 7 and 8 of the same Law, and also based upon the provisions of the Resolution 5/204/2000 of the Board of Directors of the Hellenic Capital Market Commission (HCMC), as amended by HCMC Board of Directors decision Nr. 3/348/19.7.2005.

During the audit procedure, the internal audit department is informed about all the Company's necessary journals, documents, files, bank accounts and portfolios and requests Manager's absolute and continual cooperation, in order to get provided with all the requested information and data for the purpose of receiving a reasonable assurance on management's part in order to prepare a Report that is free of essential misstatements with respect to the information and conclusions contained therein. The internal audit does not contain any assessment regarding the suitability of the accounting policies that were implemented, as well as the reasonableness of the assessments that were made by Management, since these constitute objective of the audit carried out by the Company's statutory auditor.

Internal Audit has to assess the general level and the operating procedures contained in the internal audit system. Certain audit areas – fields are selected during every audit period, while the audit and the examination of the operation and organisation of the Company's Board of Directors and the operation of the 2 main Departments that are operating on the basis of the provisions pursuant to Law 3016/2002, namely the Department for Servicing Shareholders and the Corporate Announcements Department are being conducted on a fixed and permanent basis.

1.2 Managing the company's risks in relation to the procedure for preparing the Financial Statements

The company has developed and applies policies and procedures in the preparation of the financial statements to ensure their credibility and compliance with legislation and regulations that govern their preparation and disclosure.

These procedures are related to the proper audit and recording of revenue and expenditure, as well as monitoring of the situation and the value of its assets. The policies and procedures that have been implemented are evaluated and readjusted in case they are inadequate or where it is necessary due to changes in the current legislation.

At the end of each accounting period, the company's accounting department undertakes the actions that are required for the preparation of the financial statements according to the law.

The policies and procedures implemented, which relate to the preparation of the Financial Statements, are:

- Procedures for closing periods that include the time limits for submission, competencies, classification and analysis of the accounts and updates for the necessary disclosures;
 - Agreement between the balances in the Customers and Suppliers accounts, as well as the Company's sundry receivables and liabilities, at regular intervals;
- Procedures that ensure that the transactions are recognised in accordance with the International Financial Reporting Standards;
- Agreement between the bank accounts and borrowing accounts kept by the Company at approved Banks on a monthly basis;
- Audit and agreement between cheques receivable and cheques payable;
- Carrying out forecasts on the Company's receivables and liabilities in cases where the supporting documents have not yet been produced;
- Carrying out a physical inventory and auditing of the imports – exports on a monthly basis;
- Procedure for auditing the agreement between sales and the documents issued;
- The existence of policies and procedures for sectors such as significant purchases, payment and collection procedures, managing inventories, etc.
- The implementation of procedures for entries being made by various people within the context of segregation of duties;
- Approvals and procedures for the correct entry of the Company's Expenses into the accounts of the applied accounting plan and the correct cost centre;
- Procedures for approving purchases, entering and monitoring assets and carrying out the proper depreciation;
- Procedures for monitoring and managing staff and the liabilities arising from the payroll;
- Procedures that ensure the proper use of the accounting policies implemented by the Company and that access and changes made to it through the Company's information system are only carried out by authorised users in specific areas of responsibility.

The information system that is used by the Company is continually being developed and upgraded in close cooperation with recognised IT Company, so that it is adapted to its continuously growing and specialised needs for the purpose of supporting the Company's Non-Current goals and prospects.

2 General Meeting of Shareholders

2.1 General Meeting and its main authorities:

The General Meeting is the supreme body of the Company, and may decide for each corporate case and rule on all matters submitted to it. The role, powers, convening, participation, the ordinary and extraordinary quorum and majority of runners, the Bureau, the agenda and the general operation of the General Meeting of Shareholders of the Company are described in the statutes of the company, as it has been updated on the basis of the provisions of law 2190/1920, as amended (having integrated the Law 3884/2010 concerning minority rights).

In particular, the General Meeting is exclusively responsible to decide on:

- a) Amendments to the Articles of Association, as they considered, however, the increases or reductions in the capital. The amending statute decisions are valid, if not prohibited by an explicit provision of the Statute,
- b) Electing Board members and Auditors,
- c) Approval of the company's balance sheet,
- d) Distribution of annual profits,
- e) Merge, split, convert, revival, extension of duration, or dissolution of the company and
- f) Appointing liquidators.

Within the provisions of the aforementioned paragraph the followings are not included: a) increases decided in accordance with paragraphs 1 and 14 of article 13 of codified law 2190/1920 by the Board of Directors, as well as increases imposed by provisions of other laws, b) the amendment of the statutes of the Board of Directors in accordance with paragraph 5 of article 11, paragraph 2 of article 13 and paragraph 13 of article 13 and paragraph 4 of article 17B of codified law 2190/1920, c) the appointment of the first Statute Governing Board, d) the election against the Statute, in accordance with paragraph 7 of article 18 of codified law 2190/1920, replacing the resigned ones, deceased or losing their status in any other way, e) absorption of according to article 78 of law 2190/1920 limited company from another company that owns 100% of its shares and f) possibility of profit distribution or optional provisions within the current fiscal year by decision of the Board, if it has no authorization of the General Meeting.

The decisions of the General Meeting are binding for the shareholders who are absent or disagree.

The General Meeting of Shareholders shall be convened by the Board of Directors at all times and regularly convenes at the registered office of the Company or to another district of Municipality within the county of the registered office of the Company or other adjacent municipality of the registered office of the Company, at least once per fiscal year and always within the first six months of the end of each fiscal year. The General Meeting can meet and at the district of the municipality where it is located the headquarters of the Athens Stock Exchange.

The Board of Directors may convene an extraordinary meeting of the General Meeting of shareholders when appropriate or if requested by shareholders representing over law and the statutes required percentage.

The General Meeting, with the exception of repetitive meetings and those assimilated, convened at least twenty (20) days before the date set for the meeting. It is clarified that non-working days are also counted. The day of publication of the invitation and the day of the meeting are not counted.

At the invitation of the shareholders in General Meeting, should be determined the date, the hour and the venue where the Meeting will be held, the agenda issues, shareholders who are entitled to participate, as well as precise instructions about the procedure in which shareholders will be able to participate in the meeting and to exercise their rights in person or through a representative or possibly remotely.

The convocation at shareholders meeting is not required when present or represented shareholders represent the entire share capital and none of them counters in actuality and in decision-making.

The General Meeting is to meet quorum and valid for agenda topics when they are present or are represented in that shareholders representing one fifth (1/5) of the paid-up share capital.

If this quorum is not reached the General Meeting shall meet and meet again within twenty (20) days from the day of the meeting that was aborted after invited shareholders before ten (10) days. Repeat this Meeting meets valid for threads of the original agenda for any part of the subscribed capital represented therein.

The decisions of the General Meeting are taken by absolute majority of votes represented therein.

In the case of decisions taken by the General Meeting concerning restrictively: a) change of nationality of the company, b) extend, merge, split, convert, revival or dissolution of the company, c) change of the object (purpose) of the company, d) increase of the share capital, which is not provided in the Statute, in accordance with paragraphs 1 and 2 of article 13 of codified law 2190/1920 unless required by law or is made by the capitalization of reserves, e) reduction of share capital, unless made in accordance with paragraph 6 of article 16 of law 2190/1920, f) change the way of distribution of profits, g) increase the liabilities of the shareholders, h) conversion of registered shares of the company in anonymous or anonymous nominal, i) provision or renewal of authority to the Board of Directors to increase the share capital in accordance with article 13 paragraph 1 of law 2190/1920, the General Meeting shall form quorum, meet valid and can take legitimate decisions on the agenda when present or represented in that shareholders up to two thirds (2/3) of the paid-up share capital.

The General Meeting is chaired temporarily, and until the election of president by the General Meeting, the Chairman of the Board of Directors or his Deputy, or they are not presented, by another member of the Board of Directors, or if not attend any Board Member, a person who is elected from the Meeting. The interim President shall appoint a temporary secretary who will count the votes. After the declaration of the list of the shareholders present as final, the General Meeting will proceed to the election of a President and a secretary, who will count the votes.

The discussions and decisions of the General Meeting are limited to matters which are on the agenda. Procedures for hearing and decision of the General Meeting are recorded in summary form in a special minute book and shall be signed by the Chairman and the secretary. The President of the General Meeting, on request of the shareholders, is obliged to record an accurate summary of the opinions expressed by those shareholders on the Company's record. The minutes should also include the list of shareholders who were present or represented at the meeting, as well as the number of shareholders and their vote. In case one (1) only shareholder is present at General Meeting, it is mandatory the presence of a notary, who subscribes to the minutes of the meeting.

2.2 Rights of the shareholders and method for exercising these rights

2.2.1 Rights of participating and voting

The shareholders shall only exercise their rights, in relation to the Company's management, at the General Assemblies and in accordance with the provisions of the law and the Articles of Association. Every share represents one vote at the General Meeting, subject to the provisions of the article 16 pursuant to Codified Law 2190/1920, as in force.

Anyone that appears as a shareholder on the records of the intangible Securities System of the Company that is managed by the "Hellenic Exchange SA" (HESA), which keeps the Company's securities (shares), may participate at the General Meeting. The verification of the shareholder status is made with the submission of the relevant written certification that is issued by the hereinabove body or alternatively through the direct online connection between the Company and the records of the mentioned above body. The shareholder's capacity must exist upon the record date, namely at the beginning of the fifth (5th) day prior to the convening of the General Meeting, and the relevant certification or online certification regarding the shareholder capacity must have been received by the Company at the latest on the third (3rd) day prior to the convening of the General Meeting.

For the Company, the right to participate and vote at the General Meeting is only exercised by the person holding the shareholder's capacity upon the corresponding record date. In case of non-compliance with the provisions under article 28 (a) pursuant to Codified Law 2190/1920, the aforementioned shareholder may only participate in the General Assemble after it has received its permission.

It is noted that the exercise of the mentioned above rights (participation and voting) does not require the blocking of the holder's shares or the application of any other equivalent procedure, which restricts the capacity to sell and transfer these shares during the intervening period between the record date and the date of the General Meeting.

The shareholders may participate and vote at the General Meeting in person or via representatives. Every shareholder may appoint up to three (3) representatives. Legal entities may participate in the General Assemble by appointing up to three (3) natural persons as their representatives. Nevertheless, if the shareholder holds the Company's shares, which appear on more than one security accounts, this restriction does not prevent the shareholder from appointing different representatives for the shares that appear on each securities account in

relating to the General Meeting. A representative that is acting for more than one shareholder may vote differently for each shareholder. The shareholder's representative is required to notify the Company prior to the commencement of the General Meeting about every specific event that may be useful for the shareholders to evaluate the risk of the representative serving other interests apart from the interests of the represented shareholder. Within the definition of this paragraph, a conflict of interest may arise specifically where the representative:

a) Is a shareholder that is exercising control over the Company or another legal person or entity that is controlled by that shareholder

b) Is a member of the Board of Directors or the Company's general management or a shareholder exercising control over the Company or shareholder of another legal person or entity that is controlled by a shareholder that is exercising control over the Company

c) Is the Company's employee or Chartered Auditor or a shareholder that is exercising control over the Company or shareholder of another legal person or entity that is controlled by a shareholder that is exercising control over the Company

d) Is the spouse or a relative of 1st degree to one of the natural persons that subject to cases (a) to (c).

The appointment and revocation of the shareholder's representative shall be made in writing and communicated to the Company in the same way at least three (3) days prior to the date of the General Meeting.

2.2.2 Other rights of the shareholders

Ten (10) days prior to the Regular General Meeting every shareholder may receive copies of the Company's annual financial statements and reports by the Board of Directors and the Auditors. These documents must have been timely submitted in the Company's offices by the Board of Directors.

On request of the shareholders that represent one-twentieth (1/20th) of the paid up share capital the Board of Directors is obliged to convene an Extraordinary General Assemble of the shareholders, by appointing its meeting date, which cannot be later than forty-five (45) days after the date upon which the request was submitted upon the Chairman of the Board of Directors. The application shall contain the objective of the agenda. Where the General Meeting is not convened by the Board of Directors within twenty (20) days from the submission of the relevant request, the meeting shall be convened by the petitioning shareholders at the Company's expense, by a resolution of the Single Member Court of First Instance where the Company's registered offices are based, which shall be issued under the interim relief proceedings. This decision shall specify the place and time for the meeting, as well as the agenda.

An application by shareholders that represent one-twentieth (1/20th) of the paid up share capital shall compel the Board of Directors to enter additional matters on the agenda for the General Assemble that has already been convened, where the relevant application is received by the Board of Directors at least fifteen (15)

days prior to the General Assemble. The additional matters must be disclosed or notified at the responsibility of the Board of Directors in accordance with article 26 pursuant to Codified Law 2190/1920, at least seven (7) days prior to the General Assemble. Where these matters are not disclosed, the petitioning shareholders are entitled to request the adjournment of the General Assemble in accordance with paragraph 3 under article 39 pursuant to Codified Law 2190/1920 and to personally proceed with the publication in accordance with the determinations in the previous section, at the Company's expense.

An application by shareholders that represent one-twentieth ($1/20^{\text{th}}$) of the paid up share capital shall compel the Board of Directors to make available to the shareholders, in accordance with the determinations under article 27, paragraph 3 pursuant to Codified Law 2190/1920, at least six (6) days prior to the date of the General Meeting, drafts of resolutions on matters that have been included in the initial or the revised agenda, where the relevant application has been received by the Board of Directors at least seven (7) days prior to the date of the General Meeting.

Further to an application by any whatsoever shareholder that is submitted to the Company at least five (5) clear days prior to the General Meeting, the Board of Directors is required to provide the General Meeting with the required specific information concerning the affairs of the Company, to the extent that this is useful for making an actual assessment of the matters on the agenda.

An application by shareholder/s that represent one-twentieth ($1/20^{\text{th}}$) of the paid up share capital shall compel the Chairman of the Meeting to defer the passing of resolutions on only one occasion on all or specific matters by the Extraordinary or Regular General Meeting, by appointing a date for continuing the meeting for passing those resolutions that are specified in the application by the shareholders, which cannot however be greater than thirty (30) days after the date of adjournment. The General Meeting after an adjournment constitutes a continuation of the previous meeting and it is not necessary to repeat the formalities for publishing the invitation to the shareholders, wherein new shareholders may also participate therein in observation of the provisions under articles 27, paragraph 2 and 28 pursuant to Codified Law 2190/1920.

An application by shareholders that represent one-twentieth ($1/20^{\text{th}}$) of the paid up share capital, which must be submitted to the Company five (5) clear days prior to the regular General Meeting, shall compel the Board of Directors to disclose to the General Meeting the amounts that have been paid under any whatsoever causes by the Company over the last two-year period to members of the Board of Directors or Managers or its other employees, as well as every other agreement that has been concluded by the Company under any whatsoever reasons with the same persons. Furthermore, an application by any whatsoever shareholder that is submitted in accordance with the hereinabove shall compel the Board of Directors to provide specific information that is requested offered in relation to the Company's affairs to the extent that this is useful for actually assessing the matters on the agenda. The Board of Directors may refuse to provide the information that is requested from it upon reasonable causes, by recording the relevant justification in the Minutes. Such grounds may in accordance with the circumstances be the representation of the petitioning shareholders on the Board of Directors, in accordance with paragraphs 3 or 6 under article 18 pursuant to Codified Law 2190/1920.

At request by the shareholders that represent one-fifth (1/5th) of the paid up share capital, which must be submitted to the Company within the time limit under the mentioned in the previous paragraph, the Board of Directors shall compel to provide information to the General Meeting in relation to the course of the corporate affairs and the Company's assets position. The Board of Directors may refuse to provide the information that is requested from it upon reasonable causes, by recording the relevant justification in the Minutes. Such grounds may in accordance with the circumstances be the representation of the petitioning shareholders on the Board of Directors, in accordance with paragraphs 3 or 6 under article 18 pursuant to Codified Law 2190/1920, where the corresponding members of the Board of Directors have received the relevant information in an adequate manner.

In the case of an application by shareholders that represent one-twentieth (1/20th) of the paid up share capital, resolutions upon any whatsoever matter on the agenda of the General Meeting shall be passed with a roll call.

The Company's shareholders that represent one-twentieth (1/20th) of the paid up share capital have the right to request an audit of the Company from the Single Member Court of First Instance in the region where the Company is based, which shall adjudicate the matter on the basis of ex parte proceedings. The Audit shall be ordered where actions are conjectured that violate the provisions in the law or the Articles of Association or the resolutions by the General Assemble.

The Company's shareholders that represent one-fifth (1/5th) of the paid up share capital have the right to request an audit of the Company from the competent Court in the previous paragraph, where it is believed from the whole course of the corporate affairs that the Management of the corporate affairs is not being carried out as dictated by sound and prudent Management. This provision shall not be implemented on those occasions where the minority requesting the Audit is represented on the Company's Board of Directors.

3 Board of Directors

The Board of Directors manage the Company as a collective body, taking its decisions in accordance with the current SA legislation, the stock exchange legislation, the regulatory provisions of the ASE and the supervising authorities. The members of the Board of Directors shall acquire all relevant information regarding the operation of the Company. Moreover they must exercise the general administration and management of corporate affairs, to best interests of the company and its shareholders.

The Board of Directors (BoD) shall primarily formulate the strategy and development policy, and also supervise and control the management of the Company's assets. The composition and properties of the members of the Board of Directors shall be determined by the Law and the Company's Articles of Association. The foremost obligation and duty of the members is to constantly reinforce the Company's long-term economic value and to promote the general corporate interest.

3.1 Composition and function of the Board of Directors

According to article 17 of Articles of Association Company's BoD in accordance with article 17 in its Articles of Association shall be comprised of five (5) to seven (7) members that are natural or legal persons, which are elected by the General Assemble of the shareholders by an absolute majority of the votes that are represented at the General Assemble. The members of the Board of Directors may be re-elected and freely revoked.

The term of the members on the Board of Directors shall be for a period of 4 years commencing from the meeting date of the General Assemble that elected the board and shall be extended until the expiry of the time limit, within which the immediately next regular General Assemble must convene. The specific article in the Articles of Association has been amended and the term for the members of the Board of Directors shall be for four years.

The Board of Directors shall meet upon every occasion required under the law, the Articles of Association or the Company's needs, further to an invitation by its Chairman or his/her deputy at the Company's registered offices or the Company's branch at Keratsini (1 Spetson Street). The invitation must necessarily State with clarity the matters on the agenda, alternatively the passing of resolutions shall only be permitted where all of the members on the Board of Directors are present or represented and no one has objected to the passing of resolutions.

The Board of Directors may validly convene outside its registered offices in any other domestic or foreign location, where all its members are present or represented at that meeting and no one has objected to holding the meeting and passing resolutions.

The Board of Directors may convene via teleconferencing. In that case the invitation to the members on the Board of Director shall include the necessary information regarding their participation at the meeting. The Chairman or his/her lawful deputy shall chair the meetings by the Board of Directors.

The Board of Directors shall be in quorum and validly convened where one half plus one of the directors are present or represented, however the number of the directors present can under no circumstances be less than three (3).

An absolute majority of the directors present and represented is required for the valid passing of resolutions by the Board of Directors.

A director that is absent may be represented by another director through a simple letter or Telegraph that is addressed to the Chairman of the Board of Directors. Every director may only represent one other director and it is furthermore necessary that at least three members are present at every meeting.

The discussions and resolutions by the Board of Directors shall be entered in a précis form into a special Journal that may also be kept on a computerised system. Further to an application by the member of the Board of Directors, the Chairman is required to enter a precise summary of his/her opinion in the Minutes. A list of the members of the Board of Directors that were present or represented at the meeting shall also be entered into this Journal. The minutes of the Board of Directors shall be signed by the Chairman or Vice- Chairman (where one has

been elected) or where a Vice- Chairman has not been elected then by the Managing Director. Copies of the Minutes shall be officially issued by these persons, without requiring any other ratification.

The Board of Directors has the right to transfer its authorities on every occasion by its specific resolution, which shall be entered into the Minutes, (excluding those in the forest that require collective action) on specific and individually determined matters to one or more members of the Board of Directors or to other persons that shall act alone or collectively. The Board of Directors may also assign the Company's internal audit to one or more persons that are not its members and to members of the Board of Directors where it is not prohibited by the law. These persons may further assign the exercise of the authorities that have been assigned to them or a section thereof to other members or third parties, where this is provided in the resolutions of the Board of Directors.

a) Where a director's position is vacated due to death, resignation or under any whatsoever other cause, the remaining members on the Board of Directors, which must be at least three (3), may elect a replacement director. The term of the replacement director shall expire upon the date that the term of the director being replaced would have expired. The resolution with the election shall be submitted to the publication requirements under article 7 (b) pursuant to Codified Law 2190/1920 and shall be announced by the Board of Directors at the immediately next General Assemble, which may replace the elected members, even where the relevant matter has not been entered on the agenda.

b) In the hereinabove case of resignation, death, or loss of the capacity as a member of the Board of Directors in any whatsoever manner, the remaining members may continue managing and representing the Company without replacing the missing members in accordance with the hereinabove upon the condition that their number exceeds one half of the members that were prior to the onset of the above events. In every case, these members are not permitted to be less than three (3).

c) In every case, the remaining members of the Board of Directors, regardless of their number, may proceed with convening a General Assemble for the exclusive purpose of electing a new Board of Directors.

3.2 Information concerning the members of the Board of Directors

The Company's current Board of Directors is comprised of six (6) members, in respect of which three (3) are executive, two (2) are non-executive and independent, while one (1) member is non-executive and dependent and their term is for a period of four years (4 years) that end of 28/06/2017.

Specifically:

Mr Nikolaos Loulis, son of Konstantinos, Chairman of the Board of Directors – Executive Member
Mr Nikolaos Fotopoulos, son of Spyridon, Vice- Chairman of the Board of Directors and Managing Director – Executive Member
Mr Konstantinos Dimopoulos, son of Nikolaos, Member of the Board of Directors – Executive Member
Mr Khedaim Abdulla Saeed Faris Alderei, son of Abdulla, Member of the Board of Directors – Non-Executive Member
Mr Georgios Mourelatos, son of Apostolos, Member of the Board of Directors – Independent Non-Executive Member

Mr Christos Tsitsigiannis, son of Georgios, Member of the Board of Directors – Independent Non-Executive Member

The Board of Directors was convened on twenty-one (21) occasions during 2016 and after having confirmed the legal quorum had been attained members were present in person or represented at the meetings.

Brief resumes of the members of the Board of Directors are presented below:

Mr Nikolaos Loulis, son of Konstantinos , Chairman of the Board of Directors – Executive Member

Born in 1986 at Volos; Studied at the Business Administration Department of the Boston College where he majored in accounting, costing and the financial sector; graduated in 2008; since August 2009 he has studied at the Special School for Technical Mills in Switzerland from where he received his diploma in February 2010; speaks English and German.

Mr Nikolaos Fotopoulos, son of Spyridon, Vice- Chairman of the Board of Directors and Managing Director – Executive Member

Born in 1960; Graduated in 1983 from the Tertiary Faculty of Economics and Commercial Sciences in Athens and holds an MBA from University Mannheim in Germany (1986). In 1992 he was appointed as the Officer in Charge of the Athens branch at the "KYLINDROMYLOS LOULI SA" Company and in 1986 he became the Chief Financial Officer of that Company. Between 1999 and 2004 he served as the Chairman \ and Managing Director of the "SAINT GEORGE MILLS SA" Company (a subsidiary of "LOULIS MILLS SA").

Mr Konstantinos Dimopoulos, son of Nikolaos, Member of the Board of Directors – Executive Member

Born in 1929; held various positions between 1954 and 1988 at the "SAINT GEORGE MILLS SA" Company (1967-1974: Manager of the Thessaloniki branch, 1974-1982: Athens Sales Manager, 1982-1988: Attica Sales Manager). Between 1991 and 2004 he was a member of the Board of Directors for "SAINT GEORGE MILLS SA"

Mr Khedaim Abdulla Saeed Faris Alderei, the son of Abdulla, Member of the Board of Directors – Non-Executive Member

Is a member of the Royal family and government of the United Arab Emirates; he has studied in the USA and Lebanon; He has served as the Deputy Foreign Minister for the United Arab Emirates and has held other senior government positions; he was also the Managing Director of the A/Y Sheikh Hamdan Bin Zayed Al Nahyan Enterprises.

Mr Georgios Mourelatos, son of Apostolos, Member of the Board of Directors – Independent Non-Executive Member

He was born in Patras in 1954; he studied Political and Economic Sciences in Athens; during his career to date in both the Banking and the Food Sector, he has served in middle management and senior positions of

responsibility as the Senior Officer of the Central Treasury Management in the Banking Sector, General Manager at SAINT GEORGE MILLS as well as the General Manager of LOULIS GROUP of Companies. He is currently employed as a consultant – internal associate at Eurobank.

Mr Christos Tsitsigiannis, son of Georgios, Member of the Board of Directors – Independent Non-Executive Member

He was born in Volos in 1969. He is a graduate of the Faculty of Technical Mills in Braunschweig Germany (1988 until 1990). He has managed the G. Tsitsigiannis & Associates G.P. Kyliindromyloi Enterprise since 1992.

4. Audit Committee

The Company in full compliance of the Provisions and requirements under Law 3693/2008 appointed the Audit Committee at the annual Regular General Assemble of the shareholders that took place on 26 June 2014, which is comprised of the following non-executive members on the Company's Board of Directors:

1) **Mr Georgios Mourelatos, son of Apostolos**, Independent Non-Executive Member of the Company's Board of Directors

2) **Mr Khedaim Abdulla Saeed Faris Alderei, son of Abdulla**, Non-Executive Member of the Company's Board of Directors

3) **Mr Christos Tsitsigiannis, son of Georgios**, Independent Non-Executive Member of the Company's Board of Directors.

The responsibilities and duties of the Audit Committee consist of:

- a) Monitoring the financial reporting processes;
- b) Monitoring the effective operation of the internal audit system and the risk management system, as well as monitoring the proper functioning of the Company's internal auditing department;
- c) Monitoring the course of the statutory audit in respect of the Company's financial statements; and
- d) Reviewing and monitoring issues relating to the existence and maintenance of objectivity and independence by the statutory auditor or auditing firm, especially in relation to the provision of other services by the statutory auditor or auditing firm to the Company.

The recommendation by the Company's Management Body to the General Assemble regarding the appointment of the statutory auditor or auditing firm occurs further to the recommendation by the Audit Committee.

The mission of the Audit Committee is to ensure the effectiveness and efficiency of the corporate operations, auditing the credibility of the financial reporting that is provided to investors and the Company's

shareholders, the Company's compliance to the current legislative and regulatory framework, safeguarding the Company's investments and assets and identifying and addressing the most significant risks.

It is clarified that the Company's Statutory Auditor that carries out the audit of the annual and interim financial statements does not provide other types of non-auditing services to the Company and is not associated in any whatsoever other way to the Company, which accordingly ensures the objectivity, impartiality, and independence of his/her services.

4.1 Audit Committee Activities

4.1.1 Meetings and participation

The Committee convened on three (3) occasions during 2016. These meetings were scheduled to coincide with the procedures of publishing the Company's Financial Statements.

The internal auditor of the Company and the statutory auditor, Mr. Antonios Anastasopoulos had the opportunity to discuss issues with the Audit Committee without the presence of members of the executive management.

4.1.2 Overview of financial results

The Audit Committee supervises and evaluates the procedures for preparing the Company's periodical and annual Financial Statements in accordance with the applicable accounting standards and examines the reports by the external auditors in relation to deviations from the current accounting practices and audit standards. The Audit Committee specifically re-examined the main evaluations and judgements that significantly affect the financial results, the main issues pertaining to disclosure and presentation, in order to ensure the completeness, clarity and adequacy of the information disclosed in the Financial Statements, prior to their submission to the Board of Directors.

4.1.3 External audit

Independence

The Audit Committee is responsible for developing, implementing and auditing the Company's procedures in relation to the external audit. These procedures have been designed with a view to ensuring the independence and objectivity of the external auditors and regulating the appropriate framework for the movement of staff from the Auditing Company to the Company's branches. They also define the actions required where non-auditing services are employed by the external auditor.

In principal, the external auditors are precluded from providing consulting services and cannot be employed at LOULIS MILLS SA in a non-auditing capacity, unless there are compelling reasons. Any whatsoever recommendation for engaging external auditors in non-auditing activities must be approved by the Audit Committee prior to their placement

The Audit Committee annually receives a confirmation from the statutory auditor in relation to the independence and objectivity of the external auditors, as required on the basis of the professional standards and regulatory provisions, as well as confirmation regarding senior Management's compliance with the Company's instructions regarding the engagement of former external auditors by the Company or their employment in non-auditing projects.

Effectiveness and redefining

The Audit Committee has undertaken the annual review of the experience, available resources and the independence of the external auditors, as well as the evaluation of the effectiveness of the auditing procedures that was applied to:

A. The review and approval of the auditing planned by the statutory auditor regarding the financial statements for the 2014 Management Year, the conditions contained in the auditing agreement and the preferred auditing fees;

B. Conducting interviews with Management and other management executives, as well as the statutory auditor with respect to ensuring the independence, objectivity and integrity of the external auditors and defining the strategic audit and cooperation with the Company; and

C. Receiving information that is provided by the statutory auditor with respect to their procedures that ensure their independence and the quality of the audit.

In relation to the recommendation to the Board of Directors for renewing the cooperation for one year with the statutory auditor, the Audit Committee took his term as an auditor into account and examined the need to conduct a full bidding process. There were no contractual obligations that would restrict the decision by the Audit Committee in relation to the selection of the external auditors.

4.1.4 Internal audit

During 2016 the Audit Committee:

A. Reviewed the results of the audits that were carried out by the Internal Audit Department and examined Management's responses on the issues that were highlighted, which inter alia also included the implementation of any recommendations made;

B. Reviewed and approved the internal audit plan for 2017, including the proposed audit approach, the extent of coverage and allocation of resources;

C. Reviewed the effectiveness of the internal audit, by taking into account the views of the Board of Directors and other senior management executives on issues such as independence, adequacy of resources and vocational training, strategy, planning and the methodology for the internal audit; and

D. Reviewed the regular reports that relate to audit system issues of major significance, as well as the details for any remedial action that has been taken.

The Internal Audit Department constitutes an independent operation that ensures that all operations of the Company are carried out in accordance with the corporate objectives, the policies and procedures. Specifically, the Internal Audit aims to ensure the credibility and stability of the internal systems for financial audit throughout the entire spectrum of the Company's activities.

The Internal Auditor acts in accordance with the International Standards pertaining to the Professional Practice of Internal Auditing and the Company's policies and procedures and reports directly to the Board of Directors Audit Committee.

H. Significant transactions between the Company and Related Parties

The cumulative amounts for sales and purchases from the beginning of the fiscal year and the balances of the company's receivables and liabilities at the end of the current year, which have resulted from its transactions with related parties, as per IAS 24, are as follows:

Significant Transactions with Related Parties

	Group- 2016			
	Sales of Good and Services	Purchases of Goods and Services	Receivables	Liabilities
Associates	0	0	0	0
Executives and Members of the Management	0	0	2.616	275
Total:	0	0	2.616	275

	Company - 2016			
	Sales of Good and Services	Purchases of Goods and Services	Receivables	Liabilities
Nutribakes S.A.	30.245	582.391	257.165	0
Greek Baking School S.A.	9.477	0	20.000	0
Loulis Logistics Services S.A.	200	0	0	0
Grinco Holdings Ltd.	0	0	0	0
Lafco Leader Asian Food Company Ltd.	0	0	0	0
Loulis International Foods Enterprises (Bulgaria) Ltd.	0	0	0	1.683.000
Loulis Mel-Bulgaria EAD	0	907.722	187.372	0
Associates	0	0	0	0
Executives and Members of the Management	0	0	0	275
Total:	39.922	1.490.113	464.537	1.683.275

Significant Transactions with Related Parties

Group - 2015

	Sales of Good and Services	Purchases of Goods and Services	Receivables	Liabilities
Associates	0	0	125.347	0
Executives and Members of the Management	0	0	1.502	0
Adam:	0	0	126.849	0

	Company - 2015			
	Sales of Good and Services	Purchases of Goods and Services	Receivables	Liabilities
Nutribakes S.A.	11.725	346.015	203.675	1
Greek Baking School S.A.	6.650	0	0	0
Loulis Logistics Services S.A.	0	0	0	0
Grinco Holdings Ltd.	0	0	0	0
Lafco Leader Asian Food Company Ltd.	0	0	0	0
Loulis International Foods Enterprises (Bulgaria) Ltd.	0	0	0	1.683.000
Loulis Mel-Bulgaria EAD	0	0	0	0
Associates	0	0	120.790	0
Executives and Members of the Management	0	0	0	0
Adam:	18.375	346.015	324.465	1.683.001

Fees of Executives and Members of the Management

	Group		Company	
	2016	2015	2016	2015
Salaries and Other Fees	746.061	745.160	702.824	655.981
Total:	746.061	745.160	702.824	655.981

There are no other significant transactions with the associated companies for 2016.

I. Events that have occurred up to the date of preparing the Financial Statements

The major events that took place subsequently on 31 December 2016 are as follows:

End of share buyback program

On January 8, 2017 completed / ended the share buyback program. The program was approved in accordance with Article 16 of Law 2190/1920 and No. 2273/2003 Regulation of the European Commission and by the Extraordinary General Meeting of January 8, 2015. The Extraordinary General Meeting decided, inter alia, the acquisition by the Company, through the Athens Stock Exchange and within a period of twenty-four (24) months from the date of the decision, a maximum of 1.712.506 common registered shares corresponding to 10% of the Company's total shares, with a minimum price of one euro (€ 1) and maximum price of five euros (5 €) per share.

During the program and in the implementation of the decision of the Extraordinary General Meeting of Shareholders, the Company purchased a total of 4.782 own common registered shares with an average purchase price of €1.9254 per share, which corresponds to a rate of 0.028 % of the share capital.

Business Developments of a subsidiary of the Group under the name "NUTRIBAKES S.A."

Following the 6 February 2015 preliminary transfer contract of shares between "NUTRIBAKES S.A." by 70% of its subsidiary "LOULIS MILLS S.A." and the shareholders of "KENFOOD TROFOGNOSIA SA", the Board of Directors of "NUTRIBAKES SA" decided on February 6, 2017, the merge by absorption of the company "KENFOOD TROFOGNOSIA S.A.", in accordance with the provisions of articles 68-77a of the Law 2190/1920 and No. 54 of Law 4172/2013. The transformation balance sheet will be prepared by 31 December 2016.

Bond Loan Disbursement

Pursuant to the decision of the Board of Directors of 28 December 2016, two contracts of jointly secured syndicated bond loans amounting to €30 million and € 10 million respectively were signed with ALPHA BANK SA, as the coordinating and managing bank. Over the Company's fixed assets mortgages and advance notices were signed for a total amount of € 48 million to secure these syndicated bond loans. Both loans are of five years duration and their purpose is to refinance existing bank loans, as well as to finance general business purposes of the Company. Specifically, the first bond loan of € 30 million was disbursed in two series of bonds. The First Bond Series was up to a maximum of €20 million and on February 20, 2017 was fully disbursed and used to refinance the Company's existing bank borrowing. The Second Bond Series was up to a maximum of € 10 million and bonds of € 5 million were issued on 20 February 2017 and € 1 million on 3 April 2017 leaving a balance for disbursement of € 4 million. The bonds issued under the Second Bond Series were used to achieve the general business purposes of the Issuer. The second bond loan amounting to € 10 million was disbursed entirely on 20 February 2017 and an amount of € 7 million was used to refinance existing Company borrowing and an amount of € 3 million to meet the General Business Purposes of the Issuer.

There are no other significant events subsequent to 31 December 2016 and until the date of preparation of the Financial Statements, which must be disclosed in these Financial Statements.

J. Information pursuant to Article 16 of Law 2190/1920 for acquired own shares (treasury shares)

The company, in accordance with the article 16 of Law 2190/1920 as amended and applies, to perform decisions of the extraordinary general Meeting of shareholders dated 8 January 2015 and of its Board of Directors (meeting of 15 January 2015), proceeded, in 2015, in the purchase of 4.782 own shares through the member A.S.E., PIRAEUS SECURITIES with average purchase price € 1.9254 per share. The total price for all the 4.782 own shares purchased totaled € 9.207.

As a result of the above, the total number of own shares held by the company on 31 December 2016 were 4.782 shares at an average cost of € 1.9254 representing 0.028% of the share capital.

KA. Corporate Social Responsibility

This Explanatory Report of the Board of Directors to the Annual General Meeting of shareholders includes detailed information in accordance with the provisions of paragraph 1 of article 11a pursuant to Law 3371/2005 as in force.

1. Share Capital Structure. The Company's share capital amounts €16.097.558, 28, divided into 17.125.062 shares with the nominal value of €0.94. All shares are ordinary, registered, voting shares, listed for trading on the Athens Exchange and significantly in the Mid Cap class.

2. Restrictions on the transfer of Company's shares. There are no limitations in the Articles of Association regarding transferring company shares, except those provided by Law.

3. Significant direct or indirect participations according to articles 9-11 of Law 3556/2007. On settlement date 20/03/2016 Mr. Loulis Nicholas holds 48,46%, Ms. Evangelia Louli holds 6.86%, and AGRICULTURE DAHRA AL SPAIN SLU 20% of the share capital of the company. There is no other natural or legal person that owns more than 5% of the share capital.

4. Holders any type of share granting special rights of control. There are no holders of shares, pursuant to provisions in the Articles of the Association, granting special control rights.

5. Restrictions on voting rights. There are no limitations in the Articles of Association regarding voting rights and the deadlines to exercise the right to vote, except those provided by Law.

6. Agreements between Company shareholders. The Company is not aware of any agreements between its shareholders which might result in restrictions on the transfer of its shares or the exercise of voting rights.

7. Rules of appointment and replacement of members of the Board of Directors and amendment of Articles of Association which are differentiated from the ones stipulated in Codified Law 2190/1920. The rules provided for by the Company Association regarding the appointment and replacement of its Board members as well as the amendment of its Articles do not differ from the provisions of Codified Law 2190/1920 and its amendments.

8. Responsibility of the Board of Directors or specific Board members to issue new shares or purchase own shares. According to the provisions of article 6 of Company's Articles of Association, by decision of General Meeting, in accordance to publicity formalities of Article 7b of Law 2190/1920, as applicable, may be assigned to the Board of Directors may, with the decision that will be taken by a majority of two thirds (2/3) of all members, to increase the share capital by issuing new shares. The amount of the increases cannot exceed the amount of the share capital paid at the date of the relevant decision of the General Meeting.

In accordance with the provisions of Article 16 of Codified Law 2190/1920 and its amendments, the Boards of companies listed on the Athens Stock Exchange may only be authorized to increase company capital through the issue of new shares and to acquire up to 10% of their total number of shares through the Athens Stock Exchange for a specific time period following a decision of the General Assemble of their shareholders. The Company Charter does not make any provisions for this matter that differ from pertinent legislation. The competence of the Board of directors or some of its members to issue new shares or buying back shares.

9. Important agreements made by the Company, which will come into effect, be amended or expire upon any changes in the Company's control following a public offer and the results of this agreement. There are no such agreements outstanding.

10. Agreements that the Company has entered with its Board members or its personnel, providing for compensation in case of resignation or release from duties without substantiated reason or in case of termination of their term or employment due to a public offer. There are no agreements between the Company and members of its Board of Directors or its personnel, which provide for the payment of compensation in the event of resignation or termination of employment without reasonable grounds, or termination of term of office, or employment due to takeover bid, except as provided by Law.

KB Corporate Social Responsibility

The 3rd edition of the Corporate Social Responsibility Report by Loulis Mills AE, based on the Global Reporting Initiative (GRI) guidelines and more specifically on the new G4, will be accessible to the public and posted on the Internet.

The Chairman of the Board of Directors

Nikolaos Loulis

Sourpi, Magnesia 21 April 2017

The Board of Directors