

# Independent Auditor's Report

To the Shareholders of "LOULIS MILLS S.A."

## Report on the Audit of the Separate and Consolidated Financial Statements

### Opinion

We have audited the accompanying separate and consolidated financial statements of the Company "LOULIS MILLS S.A." (the Company), which comprise the separate and consolidated statement of financial position as at December 31, 2017, and the separate and consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company "LOULIS MILLS S.A." and its subsidiaries (the Group) as of December 31, 2017, and of their financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as incorporated in Greek Legislation. Our responsibilities, under those standards are described in the "Auditor's Responsibilities for the Audit of the separate and consolidated financial statements" section of our report. During our audit, we remained independent of the Company and the Group, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as incorporated in Greek legislation and the ethical requirements relevant to the audit of the separate and consolidated financial statements in Greece and we have fulfilled our responsibilities in accordance with the provisions of the currently enacted law and the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters and the related risks of material misstatement were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the Key audit matter

#### Valuation of inventories

As described in Notes 3.9, 4.4 and 7.5 of the 31 December 2017 financial statements, the inventories of the Group and the Company amounted to € 19.069.097 and € 17.903.856 respectively.

The Group and the Company value inventory at the lower of cost and net realizable value.

For the determination of the net realizable value the Management of the Company performs necessary estimates, based on the maturity of the inventories, their movement during reporting periods as well as any future liquidation plans. We consider valuation of inventories of the Group and the Company a key audit matter due to the significant amount of the inventories as well as the judgment and estimations involved by the Management for the determination of their net realizable value.

We performed a risk based approach and our audit includes, among others, the following elements:

- The understanding and the examination of the procedures designed by the Management regarding inventories.
- We attended physical inventory counting in the Company's warehouses and production facilities.
- The examination on a sample basis of inventories in order to verify the purchase and the production cost.
- We examined on a sample basis the available accounting records used to determine the net realizable value and the identification of obsolete stock.
- We evaluated the reasonableness of estimates and assumptions used by the Management for the valuation of inventories.
- We also assessed the adequacy and the appropriateness of the disclosures included in Note 7.5 of the financial statements.

## Recoverability of trade receivables

As described in Notes 4.5, and 7.6 of the 31 December 2017 financial statements, the trade receivables of the Group and the Company amounted to € 37.233.709 and € 35.743.880 respectively and the relevant accumulated impairment amounts to € 5.498.111 and € 5.498.111 respectively.

The Group and the Company, due to the significant credit risk of the business environment and after taking into account current data, recognize impairment for the trade receivables. Management evaluates trade receivables in order to estimate the amount of impairment by reviewing the maturity of the customers' balances, their credit history and the settlement of the subsequent payments, according to the applicable agreements.

Given the significance of the matter above and the level of the judgements and estimations that were required we consider recoverability of trade receivables a key audit matter.

We performed a risk based approach and our audit includes, among others, the following elements:

- We gained an understanding and examined the credit control procedures, designed by the Company, for providing credit to customers
- The evaluation of the assumptions and methodology used by the Company to determine the recoverability of the trade receivables or their classification as bad debts.
- The examination of the response letters received from legal advisors concerning the matters they dealt with through the year so as to identify indications of trade balances that may not be recoverable in the future.
- We received third party confirmation letters on a sample basis for the trade receivables and performed procedures subsequent to the financial statements date for collections against end year balances.
- The examination of the maturity of the year-end trade receivable balances and the existence of any debtors facing financial difficulty. Discussion with the Management and examination of the recent mail between the Company and its customers. Evaluation of the publicly available information.
- Recalculation of the impairment of trade receivables taking into consideration specific criteria for debtors, such as the maturity of the balances, significant amounts and high risk trade receivables.
- We also assessed the adequacy and the appropriateness of the disclosures included in Note 7.6 of the financial statements.

## Other Information

Management is responsible for the other information. The other information is included in the Board of Directors' Report, as referred to the "Report on other Legal and Regulatory Requirements" section, in the Declaration of the Board of Directors Representatives, but does not include the financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our 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 this other information, we are required to report that fact. We have nothing to report in this respect.

## Responsibilities of Management and Those Charged with Governance for the separate and consolidated Financial Statements

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

In preparing the separate and consolidated financial statements, Management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless, Management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the separate and consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements 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 of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as incorporated in Greek Legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs as incorporated in Greek Legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters.

## **Report on Other Legal and Regulatory Requirements**

### **1) Board of Directors' Report**

Taking into consideration that Management is responsible for the preparation of the Board of Directors' Report and the Corporate Governance Statement which is included therein, according to the provisions of paragraph 5 of article 2 of L. 4336/2015 (part B), we note that:

- a) The Board of Directors' Report includes the Corporate Governance Statement which provides the information required by Article 43bb of Codified Law 2190/1920.
- b) In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of articles 43a and 107A and of paragraph 1 (cases c' and d') of article 43bb of Codified Law 2190/1920 and its content is consistent with the accompanying separate and consolidated financial statements for the year ended 31/12/2017.
- c) Based on the knowledge we obtained during our audit about the company "**LOULIS MILLS S.A.**" and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

### **2) Additional Report to the Audit Committee**

Our audit opinion on the separate and the consolidated financial statements is consistent with our Additional Report to the Audit Committee of the Company, as referred to article 11 of EU Regulation 537/2014.

### **3) Provision of Non-Audit Services**

We have not provided to the Company and the Group any prohibited non-audit services.

### **Auditor's Appointment**

We were appointed as statutory auditors for the first time by the General Assembly of shareholders of the Company on 23/06/2014. Our appointment has been, since then, uninterrupted renewed by the Annual General Assembly of shareholders of the Company for 4 consecutive years.



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