ANNUAL FINANCIAL REPORT

For the period from 1 January 2017 to 31 December 2017

Pursuant to Article 4 of Law 3556/2007 and the
executive decisions by the Board of Directors of the Capital Market Commission

KARATZI S.A.
Industrial & Hotel Enterprises
Industrial Area
71110 Heraklion, Crete
S.A. Companies Registration No 11396/06/B/86/89
General Commerce Registry no 77088427000
www.karatzis.gr

Company & Group General Information

Company Name
KARATZIS S.A. - INDUSTRIAL & HOTEL ENTEPRISES

Registry Number of S.A.s:	11396/06/B/86/89
Number in General Commercial Register:	077088427000
Supervising Authority:	Ministry of Finance, Development & Tourism
Website:	www.karatzis.com
E-mail Address:	hellasnet@karatzis.gr
Ticker Symbol in ATHEX OASIS:	KARTZ
ATHEX Listing Date:	September 2000

Board of Directors

Executive Members	Non executive members
Antonios M. Karatzis - Chairman and CEO	
Karatzi S. Athina - Vice Chairman	Eleftherios k. Antonakakis
Maria M. Karatzi - CEO	Fanourios M. Zampetakis - independent
Konstantinos L. Archontakis	Iason E. Papastefanakis - independent
Ilias A. Kalathas	Georgios V. Veneris - independent

Activity:	Industrial products and services, packaging materials, hotelieer enterprises, energy production
VAT Number - Tax Authority:	EL 094113381 - Public Tax Authority of Heraklion
Foundation Year:	1979
Address:	Stelios Kazantzidis street & 2A Vosporos street, Heraklion, 71601 Heraklion Crete
Tel:	+30 28210 382900

Subsidiaries:

MESH PACK	**CROPPY SOLUTIONS S.L.**
Ing.-A.-Rudow-Strasse 1	Montero Calvo 3
D-38486 Kusey	47001, Valladolid
Germany	Spain
Karatzis Russia Ltd	**Karatzis Italia Srl**
350037, Krasnodar City	Via Antonio Stradivari, 4, 20131
Region Krasnodarsky, Russia	Milan, Italy
KARATZIS INDUSTRIAL & HOTELIER ENTERPRISES SA & Co	**KEN S.A.**
Heraklion Industrial Zone, P.O. Box 1490,	6, Kazantzidi Avenue
ZIP Code: 71601, Heraklion Crete Greece	ZIP Code:71601, Heraklion Crete

Affliates:

ZEUS PACKAGING AGRI LTD
Aspect One / Gunnels Wood Road
Stevenage / Hertfordshire
SG1 2DG
UK

Contents

(Any difference in totals is due to rounding up or down)

This Annual Financial Report is drafted pursuant to Article 5 of Law 3559/2007 and the decision issued thereto by the Board of Directors of the Capital Market Committee with number 7/448/11.10.2007, as well as the legal requirements in force of article 43a and 107a and paragraph 1 (cases c and d) of article 43bb of Law 2190/1920 and includes:

(A) the declaration of the BoD members,
(B) the audit report of the Chartered Accountant Auditors,
(C) the annual report of the Board of Directors,
(D) the annual financial statements for fiscal year 2017 (1 January – 31 December 2017),
(E) explanations on the financial statements for fiscal year 2017 (1 January – 31 December 2017),
(F) data and information for the period starting from 1 January and ending on 31 December 2017.

It is certified that the attached Annual Financial Statements are those approved by the Board of Directors of ***KARATZIS S.A.*** on the 25th of April 2018 and have been posted on the internet at www.karatzis.com as well as on the site of the Athens Exchange, where they will remain at the disposal of the investors for a time period of at least five (5) years from the date these statements were drafted and published.
Note that the summarised financial statements and information arising from the annual financial statements aim at providing the reader with a general update on the company's financial situation and results, but they do not provide a complete overview of the financial position, financial performance and cash flows of the Company and the Group, pursuant to the International Financial Reporting Standards.

The Chairman of the Board and CEO

Antonios Karatzis

A. Statements of the Representatives of the Board of Directors

(pursuant to Article 5, paragraph 2 of Law 3556/2007)

The members of the Board of Directors of KARATZI S.A. are:

1. Antonios Karatzis, son of Miltiadis, Chairman of the Board of Directors and CEO,
2. Maria Karatzi, daughter of Miltiadis, CEO
3. Konstantinos Archontakis, son of Leonidas, Member of the BoD

under our above-mentioned capacity, and as appointed by the BoD of the company trading under the name 'KARATZIS Industrial & Hotel Enterprises S.A.' (hereafter "**the Company**"), we hereby declare and certify that to the best of our knowledge:

(a) the annual financial statements of the Company and the Group for the fiscal year 2017 (1 January - 31 December 2017), which have been drafted according to the applicable accounting standards, provide a true overview of the Company's assets and liabilities, equity and results, as well as of the companies included in the consolidation taken as a whole,
(b) the annual report of the Company's Board of Directors provides a true overview of the Company's progress, performance and position, as well as the enterprises included in the consolidation as a whole, including a description of the major risks and uncertainties they face.

Heraklion, 25 April 2018

The Signatories

The Chairman of the BoD and CEO	**The Members appointed by the BoD**	
Antonios Karatzis	**Maria Karatzis**	**Konstantinos Archontakis**
ID no X 357305	**ID no AM 456332**	**ID no AN 464624**

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[Translation from the original text in Greek]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "KARATZIS 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 ''KARATZIS S.A.'' (the Company) and its subsidiaries (the Group), which comprise the separate and consolidated statement of financial position as of 31 December 2017, the separate and consolidated income statements, statements of changes in equity and statements of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects the separate and consolidated financial position of the Company and the Group as at 31 December 2017, their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as incorporated in Greek Law. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as incorporated in Greek Law, together with the ethical requirements that are relevant to the audit of the separate and consolidated financial statements in Greece, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 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 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
Inventory not stated at the lower cost of market	
As at 31/12/2017, the Group presents in its Financial Statements inventory amounting to € 25.6 million (Company: € 22.1 million) which constitute 12.9% of the Total Assets of the Group (Company: 12.4%). Inventories are designated at the lower value between the acquisition cost and the net realizable value. The net realizable value is estimated based on the inventories' current sale prices, in the context of normal business activity, less any sales costs. The provision for impairment of inventories is formed based on the management's estimates of the actual situation and the possibility of using the inventories, if deemed necessary. Thus, this matter is considered key to our audit because of the significant amounts (inventories are one of the main assets of the Group), as well as due to the estimates and judgments that management applies for the determination of the net realizable value. The disclosures of the Company and the Group regarding their accounting policies and the estimates and assumptions used in the valuation of inventories are included in notes 2.8 and 9 of the consolidated financial statements.	Our audit procedures in relation to the Inventory valuation include: • Recording procedures and internal control for inventory management designed by the Company's Management with regard to inventories. • Inspection of the physical inventory in all the warehouses and factories of the Company (nine locations). • Examination of a sample inventory in order to test the correct determination of the acquisition cost of purchased inventories according to the purchase invoices and on the other hand, to examine the correct allocation of production costs and purchase costs to the finished inventories. • Examining the completeness of the valuation by comparing the net realizable value with the acquisition cost of inventories. • Examining the inventory trial balance with the use of data analysis software for identifying idle and slow-moving inventories. Furthermore we assessed the adequacy and appropriateness of the disclosures in the financial statements.
Revenue recognition	
The turnover of the Group was 100.5 million euro for the year 2017 and 70.4 million euro of the Company. The Group's revenues come from diversified segments of activity. Their recognition is considered key in our audit as it involves complexity due to the volume of transactions executed daily, the use of information systems as well as management's judgments and estimations, which pose a certain degree of uncertainty. In particular, the Group's revenue related to the retail sale of electricity is determined through information systems and includes judgments and calculations in areas such as unbilled customer receipts. Provided that the turnover is deemed to be a high risk area of the financial statements, we consider this to be one of the most significance matter. Reference is made to Notes 2.17 and 3 of the consolidated financial statements.	Our audit procedures in relation to revenue recognition include: • We validated the appropriateness of the Group's revenue recognition policies and assessed their compliance with applicable accounting standards (IFRS). • We tested the relevant internal controls of the applicable information systems used to ensure the completeness, accuracy and timing of revenue recognized. • We examined the correct transfer of data from the individual IT systems to the general accounting balance. • We evaluated the assumptions for recognizing unbilled revenues for the year ended 31 December 2017. • In the above procedures, we used an IT specialist, where deemed necessary. • In addition to the tests of controls, we performed substantive procedures on revenues, such as vouching, examination of contracts and journal entries, as well as analytical procedures. Furthermore we assessed the adequacy and appropriateness of the disclosures in the financial statements.

Other information

Management is responsible for the other information. The other information, included in the Annual Report, comprises of the Board of Directors Report (for which reference is also made in section “Report on Other Legal and Regulatory Requirements”), the Statements of the Members of the Board of Directors 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 do 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 regard.

Responsibilities of the 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 the 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/or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and 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 Law, 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 Law, 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 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/or 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 group audit. 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 Corporate Governance Statement that is included therein, according to the provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we report that:

a) The Board of Directors' Report includes a Corporate Governance Statement that contains 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 legal requirements of articles 43a and 107A, and paragraph 1 (c and d) of article 43bb of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31 December 2017.

c) Based on the knowledge and understanding concerning the Company and its environment, gained during our audit, we have not identified information included in the Board of Directors' report that contains a material misstatement.

2. Additional Report to the Audit Committee

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

3. Provision of Non-audit Services

We have not provided to Group any prohibited non-audit services pursuant to Article 5 of the EU Regulation 537/2014.

The permitted non-audit services that we have provided to Group during the year ended 31 December 2017 have been disclosed in the Note 41 of the consolidated financial statements.

4. Appointment of the Auditor

We were first appointed as auditors by the General Shareholders' Assembly held on 30/05/2011. Since then, our appointment has been continuously renewed for a total period of seven (7) years based on the annual decisions of the General Shareholders' Assembly.

Heraklion, April 25th 2018
The Certified Public Accountant

Konstantinos Emm. Antonakakis
Institute of CPA (SOEL) Reg. No. 22 781

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Ζεφύρου 56, 17564 Παλαιό Φάληρο
Α.Μ. ΣΟΕΛ 127

C. Annual Report of the Board of Directors

The following Annual Report of the Board of Directors (hereafter for brevity '**the Report**'), pertains to the fiscal year 2017 (1 January 2017 - 30 December 2017). The Report was drafted and conforms to the relevant provisions of Law 3556/2007, as well as the relevant decisions of the Hellenic Capital Market Commission and especially Decision no 7/448/11.10.2007 of the Hellenic Capital Market Commission BoD as well as the legal requirements in force of articles 43a and 107a and paragraph 1 (cases c and d) of article 43bb of Codified Law 4190/1920.

This Report includes all the important individual sections and paragraphs, that are necessary according to the above mentioned legal framework and provides a true overview of the relevant information required by law, in order to provide a material and documented update regarding the activities of the Company 'KARATZIS Industrial & Hotel Enterprises SA' (hereafter called for brevity **'the Company**' or '**KARATZIS**'), as well as of the KARATZIS Group in which the following subsidiaries and affiliates are also included:

S.N.	Company Name	Country of Incorporation	Activity	Consolidation method	Percentage
1	MESH PACK GMBH	Gernamy	Production and trade of packaging materials	Full	100%
2.	STELLA POLARIS CRETA SA	Greece	Hotel & tourism enterprises	Full*	100%
3.	CROPPY SOLUTIONS SL	Spain	Trade of packaging materials	Full	90%
4.	KARATZIS INDUSTRIAL & HOTEL ENTERPRISES SA & Co	Greece	Renewable sources of energy	Full	99%
5.	KEN S.A.	Greece	Commercial trade of electric energy	Full	100%
6.	KARATZIS RUSSIA LTD	Russia	Trade of packaging materials	Full	90%
7.	KARATZIS ITALIA SRL	Italy	Trade of packaging materials	Full	51%
8.	KARATZIS ROMANIA SRL	Romania	Production and trade of packaging materials	Full**	100%
9.	ZEUS PACKAGING AGRI LTD	U.K.	Trade of packaging materials	Net worth	50%

* up to 27.7.2017

** up to 22.11.2017

Given that the Company also drafts consolidated financial statements, this report is unified with main reference points the Company's consolidated financial data of the Company and its related companies. This report also contains reference to individual (not consolidated) financial data of the Company only at the points where it is deemed advisable or necessary for the optimum comprehension of its contents. The report is included as such along with the Company financial statements and all legally required data and declarations in the annual financial report for the fiscal year 2017.

The chapters of the report and their contents are as follows:

CHAPTER A. Brief Description of the Business Model
CHAPTER B. Important events of fiscal year 2017
CHAPTER C. Company and Group progress and performance
CHAPTER D. Main risks and uncertainties
CHAPTER E. Other Non-Financial Information
CHAPTER F. Important transactions with related parties
CHAPTER G. Corporate Governance Declaration of Law 3873/2010
CHAPTER H. Explanatory report regarding the information of Article 4, paragraph 7, Law 3556/2007
CHAPTER I. Data and estimates regarding the progress of group activities

CHAPTER J. Distribution Proposal for the Profits of 2017

CHAPTER A: Brief description of the business model

KARATZI Group constitutes of:

- The parent company KARATZI SA (industry sector, tourism sector and electric energy production from RES sector)
- The subsidiary MESH PACK GmbH (Production and trade of packaging materials – industry sector),
- The subsidiary KARATZI INDUSTRIAL AND HOTELS ENTERPRISES SA & CO. (electric energy production from RES - electric energy production sector),
- The subsidiary CROPPY SOLUTIONS S.L. (Trading of packaging materials – industry sector),
- The subsidiary KEN SA (sale of electric energy – electric energy sale sector),
- The subsidiary KARATZI ITALIA Srl (Trade of packaging materials – industry sector),
- The subsidiary KARATZIS RUSSIA Ltd (Trade of packaging materials – industry sector) and
- The affiliate ZEUS PACKAGING AGRI LTD (Trade of packaging materials – industry sector).

KARATZI Group SA was established in 1974 and is active in diversified sectors by pursuing variety in its portfolio. Industrial activities, hotel services (tourism sector), electric energy production via photovoltaic stations as well as the trade of electric energy form the main activities of the Group.

The basic pillars of the Group's medium-term Growth Strategy are the following:

- Development of the Group's commercial presence in international markets, through new business deals or acquisitions and mainly through a network of subsidiaries.
- Focusing on research and development to produce innovative products with high added value.
- Continuous enhancement and modernization of the Group's production base with selected capital investments.
- Increase the efficiency of production facilities by adopting innovative production methods.
- Expansion of the Group's presence in the field of wind energy in Greece.
- Optimization of production costs and operating costs of the Group's companies.

- Maintaining and further improving the Group's financial standing through careful debt management and strict control of working capital.
- Maintain high-level facilities and services in the tourism sector, within the context of planned renovation and new investment projects.
- The enhancement of the position of the Group in the energy trading sector so that in the coming years it will be included in the country's leading providers.

Industry

Basic activity of the company began in 1974 with the manufacturing of nets materials, dominating the Greek market in the field and holding one of the top positions in the global market with all its activity being exported. The Group has three factories in Greece (Melidochori, Heraklion Industrial Area, Larissa) and one in Germany (Kusey) with a total annual production capacity of more than 25,000 tons, while it is also present in other countries such as Spain, Italy, the United Kingdom and Russia. Karatzi Group in its production units, produces raschel bags, crop baling, tubular nets, pallet netwraps, Christmas tree netting, display bags, meat processing nets, shade nets, as well as nets for the agricultural and livestock sectors and the construction industry, covering a wide range of needs.

Tourism

The company has been active in the tourism industry since the early 1980s. In 1985 the Group inaugurated a privately owned 5-star all-inclusive hotel, NANA BEACH, with a capacity of 1,400 beds, located on the Hersonisos of Crete. The hotel has 500 rooms, bungalows and suites. The company cooperates with major travel agencies abroad and offers high quality hospitality services to Greek and foreign visitors.

In April 2018, NANA PRINCESS, will commence its operations. NANA PRINCESS is a second privately-owned 5-star hotel, also located in the Hersonisos of Heraklion, possessing 112 luxurious rooms and suites.

Production of Electric Energy

With a strong sense of social responsibility and distinguishing the importance of protecting the environment, the Group could only invest in renewable energy, one of the fastest growing business sectors in the Greek and international economy. KARATZI Group is activated in the field of electricity production since 2010, with the construction of photovoltaic parks in Katerini, Larisa, Viotia, Kefalonia and Heraklion, with a total installed capacity of 15 MW.

The electricity produced is then sold to administrators of electric energy distribution to Interconnected Areas (OEM) and Non-Interconnected Islands (HEDNO).

Sale of Electric Energy

With the establishment of the Group's subsidiary, KEN SA, the Group added an additional sector to its portfolio, having distinguished the growth prospects of this particular sector. The Group's newly established subsidiary, since the first months of operations, has exhibited significant dynamics, with subscribers increasing constantly. With competitive charges, significant discounts and reliable high-quality services to residential and corporate customers, KEN aims to consolidate its presence in the Greek market by winning a position among the country's top 5 providers and becoming the No.1 Medium Voltage provider.

CHAPTER B: Important events of fiscal year 2017

KEN Activity : Within FY 2017 KEN became active in the electric energy trade sector. In the first year of operation, the expansion of the sales network was emphasized as well as its establishment in the market. The result is considered satisfactory as the above objectives have been largely served, along with achieving profotability.
KEN as a licensed power supply company also has the power to trade energy with the 5 interconnections of Greece with its neighbors. In 2017, the company completed its enrollment in SEECAO, ESO, IPTO, for energy trading with Albania, FYROM, Bulgaria and Turkey.
Additionally, in 2017, the company acquired license regarding the trade of natural gas.

Transfer of Administration Offices to the new Building on Kazantzidis Street: In 2014, the company bought an incomplete real estate 737 sq.m. on a plot of 892 sq.m., in order to relocate its administrative services. The completion and expansion of this building was concluded on April 2017 and all of the Group's administrative services were transferred there. This relocation freed additional space at the factory in the Heraklion Industrial Area, where an investment of € 3.5 million is planned for building installations and mechanical equipment to support the production process.

Sale of Stella Polaris Kreta SA to TUI AG: On 27.7.2017 the sale of subsidiary STELLA POLARIS KRETA SA based in Heraklion, Crete, to TUI AG, which is based in Germany, was completed. The subsidiary, in which KARATZI SA was the sole shareholder, was inactive. From the proceeds of the sale, the management of the Group deems that its current and future investment plans will be further strengthened.

Developments in the construction of Nana Princess: The new luxury hotel in Drapanos Hersonisos, Nana Princess, is in an advanced construction stage and will start operating in 2018. The new unit will feature 112 luxurious rooms, suites and villas along with world-class leisure and entertainment facilities, which include indoor and outdoor pools in the rooms, state-of-the-art spa and fitness center as well as six different restaurant and bar areas.

Dissolution of the subsidiary company in Romania KARATZIS SRL: In November 2017 the parent company dissolved its Romanian subsidiary KARATZIS SRL. The subsidiary remained inactive during its one-year operation.

Hearing of judicial dispute: On 19/9/2017 the lawsuit of the parent company against the Greek State, no. 25496/2013 was heard. With this lawsuit the parent company is requesting an amount of EUR 3 million, which relates to interest on the unduly paid amount of subsidized investment. The grant was recovered from 54490 / NN 365 / N. 1892/90 / 24.7.2001 of the Deputy Minister of National Economy and was canceled by virtue of decision 3582/2010 of the CoE.
The company's management believes the decision will be issued in 2018 and is optimistic about the positive outcome of the case.

Ordinary General Meeting of the Company's Shareholders: The Ordinary General Meeting held on 17/06/2017 with a quorum of 85,288% (out of 14,679,792 shares represented 12,520,134), made the following decisions:

1) Unanimously approved the annual financial statements for the financial year 1/1/2016 to 31/12/2016 and the relevant reports of the Board of Directors and the auditors.

2) Unanimously, approved the distribution of 2016 dividend profits proposed by the Board of Directors, which provides for the distribution of a dividend of € 0.07 per share.
3) Unanimously, approved the discharge of the Board of Directors and the Auditors from any liability for compensation for the Annual Financial Statements and the management of the financial year 2016.
4) Establishment of a special reserve from retained earnings to cover its own participation in the company's investment plans amounting to € 298,899.93.
5) Unanimously, approved the remuneration of Board of Directors members for the year 2016 and pre-approved the fees for the fiscal year from 1/1/2017 to 31/12/2017.
6) Unanimously decided to elect a new nine-member Board of Directors due to the expiry of its term of office and appointed its term of office to five years.
7) Unanimously elected the members of the Audit Committee according to article 44 of Law 4449/2017.
8) Unanimously, the members elected the audit company "Grant Thorton S.A." for the regular and tax audit of the fiscal year 1/1/2017 to 31/12/2017 and fixed their remuneration.
9) Other issues

Formation of a new Board of Directors: On 20 June 2017 the new Board of Directors of KARATZI SA was set up as follows:

1. Antonios Karatzis of Miltiadis - Chairman of the Board & CEO
2. Athena Karatzi of Charilaos - Vice Chairman of the Board of Directors
3. Maria Karatzi of Miltiadis - CEO
4. Konstantinos Archontakis of Leonidas - Executive member of the Board of Directors
5. Ilias Kalathas of Anastasios - Executive member of the Board of Directors
6. Eleftherios Antonakakis of Constantinos - Non-executive member of the Board of Directors
7. Iasonas Papastefakakis of Emmanouil - Independent non-executive member of the Board of Directors
8. Fanourios Zambetakis of Michael - Independent non-executive member of the Board of Directors
9. Georgios Veneris of Vasilios - Independent non-executive member of the Board of Directors

The term of the above Board of Directors will be five years in accordance with the provision of Article 20 § 3 of the Articles of Association and as such will expire on 17 June 2022 and will be extended until the Ordinary General Meeting of the ending year

CHAPTER C. Company and Group progress and performance

For the assessment of financial data and changes, we note the significant impact of the operation of KEN on the consolidated financial position and results for the year 2017. Indicative, the turnover of KEN in 2017 amounted to € 18 million (2016: zero) and its total assets amounted to € 10.8 million (2016: € 844 thousand).

Turnover: Consolidated sales during the fiscal year amounted to 100.483 thousand euro compared to 77.611 thousand euro during previous fiscal year, recording an increase of 29,5%. The sales increase was generated mainly from the energy sector by 16.984 thousand euro or 274,7% due to the financial contribution of the subsidiary KEN S.A.. The hotel operation sector showed a small increase by 821 thousand euro or 7,3%.

Sales	THE GROUP		Change	
	1.1-31.12.2017	1.1-31.12.2016	€	%
Industrial Activity	65.316.419	60.249.754	5.066.664	8,4%
Hotel	11.998.726	11.177.696	821.030	7,3%
Energy	23.167.716	6.183.381	16.984.335	274,7%
Total	**100.482.861**	**77.610.832**	**22.872.030**	**29,5%**

Sales	THE COMPANY		Change	
	1.1-31.12.2017	1.1-31.12.2016	€	%
Industrial Activity	54.113.397	50.378.564	3.734.833	7,4%
Hotel	11.998.726	11.177.696	821.030	7,3%
Energy	4.318.946	4.296.960	21.985	0,5%
Total	**70.431.069**	**65.853.220**	**4.577.848**	**7,0%**

Gross profits: The group's gross profits amounted to 26.152 thousand euro compared to 21.087 thousand euro of last year, recording a 24% increase. The increase of gross results is due to the improvement of the energy sector sales and gross profits.

Gross Profit	THE GROUP		Change	
	1.1-31.12.2017	1.1-31.12.2016	€	%
Industrial Activity	16.187.069	14.337.938	1.849.132	12,9%
Hotel	3.138.955	2.680.764	458.191	17,1%
Energy	6.826.226	4.068.772	2.757.454	67,8%
Total	**26.152.250**	**21.087.473**	**5.064.777**	**24,0%**

Gross Profit	THE COMPANY		Change	
	1.1-31.12.2017	1.1-31.12.2016	€	%
Industrial Activity	14.963.378	13.000.115	1.963.263	15,1%
Hotel	3.136.727	2.639.145	497.582	18,9%
Energy production (photovoltaic)	3.031.331	2.985.688	45.643	1,5%
Total	**21.131.436**	**18.624.948**	**2.506.488**	**13,5%**

Gross Margin	THE GROUP		THE COMPANY	
	1.1-31.12.2017	1.1-31.12.2016	1.1-31.12.2017	1.1-31.12.2016
Industrial Activity	25%	24%	28%	26%
Hotel	26%	24%	26%	24%
Energy	29%	66%	70%	69%
Total	**26%**	**27%**	**30%**	**28%**

Selling and Administrative Expenses: Selling and administrative expenses amounted to 10.437 thousand euro for the group and 7.281 thousand euro for the company. As a percentage of sales they increased from 9.6% in 2016 to 10.4% of group’s consolidated turnover and from 9,3% to 10,3% for the company.

Selling & Distribution Expenses	THE GROUP		THE COMPANY	
	1.1-31.12.2017	1.1-31.12.2016	1.1-31.12.2017	1.1-31.12.2016
Salaries	2.501.333	1.769.986	1.352.912	1.244.770
Trasportation and other expenses	4.433.465	3.759.881	3.766.657	3.066.964
Depreciation	348.575	226.116	238.952	142.319
Other expenses	3.153.468	1.702.625	1.922.240	1.685.399
Total	**10.436.841**	**7.458.608**	**7.280.762**	**6.139.453**

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA): During 2017, group EBIDTA amounted, to 21.284 thousand euro compared to 19.944 thousand euro, during the corresponding period of the previous year, displaying a 6,72% increase, which is due to the improvement of the results of the industrial sector as well as of the energy sector.

Profit / (loss) before taxes: The consolidated profits before taxes amounted to 24,139 thousand euro compared to 11,994 thousand euro regarding the previous fiscal year. The increase is due mainly to the investment results from the sale of the subsidiary STELLA POLARIS KRETA SA which are presented in the discontinued operations, as well as to the increase in gross profits of the energy and industrial sectors.

Profit after taxes: Profits after taxes for the Group as at 31 December 2017 amounted to 16.644 thousand euro compared to 8.439 thousand euro during the respective period last year.

Cash flows: Net cash flows from operations formed at 14.173 thousand euro for the group and 14.838 thousand euro for the company. The accomplishment of powerful operational cash flows contributed to the further reduction of the group's bank debt and to the uninterrupted financing of its investment plans.

Main data on financial position:

- The acquisition cost of the group's assets for the current year shaped at 182.764 thousand euro versus 174.219 thousand euro during 2016. Realized investments amounted 13.9 million euro, concerning mostly the hotel sector, while with the sale of the participation in the company STELLA POLARIS KRETA SA. the Group's plots value fell by approximately 5.4 million. Depreciation increased by 303 thousand euros compared to the previous year, due to the Group's increased investments in the last two years.
- Inventories formed at 25.632 thousand euro from 25.585 thousand euro in 2016, marking a small increase of 0,2%. The policy of increasing inventories constitutes a Management decision for the readjustment of safety stocks and order servicing. Furthermore, part of the increase of the inventory of raw materials is due to the production capacity increase of the plant located in Heraklion Industrial Zone and to the fulfilment of the production process needs.
- The group's trade receivables increased to 15.188 thousand euro compared to 11.592 thousand euro during the previous year or by 31%. This increase is attributed to the increase in the industry sector sales as well as to the contribution of the energy sector due to the substantial activation of the subsidiary KEN in 2017.
- The company's other current assets amounted to 7.003 thousand euro versus 4.300 thousand euro during the previous fiscal year. This increase is mainly due to the increase in the income tax prepayment of the previous fiscal year.
- The Group's trade payables amounted to 10.971 thousand euro from 6.347 thousand euro mainly due to the investment plan of the new hotel, which is now in progress.

- The group's net debt amounts to 1.568 thousand euro from 16.562 thousand euro. The decrease is due to loan repayments, realized from the Group's operational cash flows and in the increase in cash achieved from the sale non-current assets.

Financial indicators: Both the financial balance and performance indicators of the Group, are evaluated as particularly positive and are generally improved in comparison with the previous year. The significant increase of the working capital is also due to the sale of the subsidiary STELLA POLARIS KRETA SA.

Current Ratio (Current Assets / Short-term Liabilities)	2.17	1.54
Working Capital (Current Assets - Short -term Liabilities)	48,635,853	21,782,693
Average Inventory Period (Avg Inventory / Cost of goods sold)*365	161 days	154 days
Average Collection Period (Avg trade debtors / Sales)*365	49 days	47 days
Average Payment Period (Avg. Trade Creditors / Cost of goods sold)*365	55 days	37 days
Total Liabilities / Equity	57.9%	52.1%
Bank Liabilities / Equity	30.6%	33.2%

	31/12/2017	31/12/2016
EBITDA	21.284.363	19.943.957
Sales	100.482.861	77.610.832
EBITDA / Sales	21,2%	25,7%
Interest coverage (EBITDA / Financial results)	13,00	10,52

Definitions and agreement of the Alternative Indicators for Performance Measurement ("AIPM")

Alternative Indicators for Performance Measurement ("AIPM"):

These adjusted indicators are calculated using combinations of accounts from the financial statements and/or by subtracting from the financial indicators, which have been calculated using accounts from the annual financial statements, external or non-recurring events, in order for these indicators to become comparable throughout the fiscal years.

For the description of the Group's performance, the management evaluates EBITDA and leverage ratio.

EBITDA: EBIDTA represents an indicator depicting the operational profitability of the Group and is calculated as follows: Income before tax minus results from investments minus net financial cost the depreciation minus the proportion of the amortization of grants within the year.

EBITDA calculation	31/12/2017
Total Debt	24.139.256
Minus	-9.282.725
Depreciation	6.619.647
Amortization of grants	-191.816
EBITDA	**21.284.363**

Leverage ratio: This indicator is calculated by dividing net debt with total capital employed. As "net debt" is provided the sum loan obligations (long term and short term) minus cash and cash equivalents while "total capital employed" is the sum of owners' equity plus net debt.

	THE GROUP	
	1.1-31.12.2017	1.1-31.12.2016
Total Debt	38.382.356	36.599.084
Minus: Cash	36.814.001	20.037.526
Net Debt (a)	1.568.356	16.561.558
Total Equity	125.634.411	110.394.093
Total Capital Employed (b)	**127.202.766**	**126.955.651**
Leverage Ratio (a) / (b)	**1%**	**13%**

CHAPTER D. Main risks and uncertainties

Interest rate risk: The Group debt obligations are directly or indirectly linked to Euribor, therefore, interest risk exists and is proportional to the debt level. A change of the interest rate by +/- 100 basis points (+/-1%), ceteris paribus, is expected to modify the financial cost by 384 thousand euro annually. The Company and the Group do not use financial derivative products for hedging. For the fiscal year that ended on 31 December 2017, the Group's average annual interest rate was approximately 4,3% compared to 5,2 % during the previous year.

Credit risk: The financial standing of the customers is continuously monitored by the Group's companies. Where appropriate, additional insurance coverage is required as a guarantee for the credit. A dedicated IT application controls the amount of credit provision as well as the credit limits of the accounts. It is noted that due to the Company's export nature, there are no significant credit risk concentrations in Greece (except for the case described below, customer A), while for international customers the Company has insured credits, covering 80% of the value of the orders.

In the industry sector, there is a concentration of Group receivables regarding 3 customers, as follows:

	BALANCE	RATE
Client A	933.991	6%
Client B	907.241	6%
Client C	1.055.578	7%
	2.896.809	**19%**

In the Energy sector there is a concentration of receivables regarding the customer "Electricity Market Operator SA". These receivables as at 31.12.2017 amounted to 2.7m. euro compared to 4.3m. euro in the previous year and represent 18% of the Group's trade receivables.

In addition, the risk of the counter party is high, due to the size of the receivables, and it is statistically expected that credit losses will be incurred to a large number of customers regardless of the effectiveness of the policies implemented by the subsidiary KEN.

Liquidity risk: There is no liquidity risk since the existence of the required cash and cash equivalents is ensured through the positive operational cash flows and the approved bank credit facilities. The Group's cash as at 31 December 2017, amounted to 36.814 thousand euro, whereas the Group's net working capital as at 31 December 2017 amounted to 48.636 thousand euro compared to 21.783 thousand euro during the previous fiscal year, while the current ratio rose to 2,17 from 1,54.

Raw material price fluctuation risk: The Group is exposed to price fluctuation risk for polyethylene (PE), which is its main industrial raw material. As an oil derivative (ethylene) its price depends on oil prices as well as on the internationally shaped demand and supply for product. To manage this risk, the Group monitors polyethylene prices on a daily basis, and is in on-going negotiations with the suppliers in order to limit the raw material price fluctuations. This is achieved through the rational management of the raw material stock in relation to customers' orders. Additionally, the Group has included the polyethylene price fluctuations in its agreements with important customers, when calculating product prices. A 5% increase in polyethylene price, ceteris paribus, results in an annual increase of 1,461 thousand euro in the consumption cost, or an overall increase of industrial production cost by approximately 2,88 %, approximately.

Exchange rate risk: There is no significant exchange rate risk from trade transactions for the group and the parent company as most transactions are settled in euro. Foreign exchange risk is limited to the conversion of the financial position of the subsidiary Karatzis Russia, as well as the incorporation of the results of the associate Zeus Packaging Agri Ltd.

Contractual & Regulatory risk: The Company is exposed to risks deriving from the nature of its activity and its operation within the state supervised energy market as well as from the participation of the subsidiary KEN in auctions regarding the purchase of electric energy (NOME).

Competition – Market conditions: The Greek energy market is governed by European legislation, according to which enterprises are not allowed to sell more than 50% of the energy produced and / or imported to Greece until 2020. PPC, as a natural monopoly, still holds the vast share of the Greek market, while it still controls the marginal system prices, with which energy is sold to the other suppliers. The number of available licenses in the Greek energy market is still limited. KEN in the first year of its operation achieved significant growth rates and is included among the largest alternative providers.

Macroeconomic conditions in Greece – Capital controls

The Legislative Content Act of 28.06.2015 (Government Gazette 65 A' / 28.06.2015) declared a bank holiday while at the same time capital controls were imposed. Although the bank holiday expired on 20.07.2015, capital controls remain in place, but are gradually being normalized.

The management deems the Group's operation is adjusted without essential repercussions arising from capital controls. Specifically:

i. No impact is expected on the Group's turnover since the Group's sales (industry and hotel sector) concern mainly sales abroad (EU and third countries).
ii. The Company and the Group have ensured adequate liquidity, as to service the uninterrupted catering of the industry with raw materials, since there are deposits in euro in a financial institution abroad.
iii. The Group's collections and payments are up to day smoothly settled.

However, macroeconomic variables to the extent that they affect the disposable income of households and businesses, that is to say, consumers of energy, influence in the same direction the cash flows and the income of the subsidiary KEN and consequently of the Group.

CHAPTER E. Other non-financial information

I. ENVIRONMENT:

The Group applies strict, environmentally responsible guidelines in all phases of our production to reduce the Environmental Footprint (PEF), while it is simultaneously educating its workforce on the proper use of natural resources, energy and water consumption, as well as and waste management. It promotes recycling by recycling all production waste in each production unit. The headquarters of the company are part of the local community paper recycling program. Finally, the Group has applied the EN ISO 14001: 2004 environmental standard.

We provide practical support to institutions and organizations active in the protection of the environment, biodiversity and natural heritage such as:

- the Hellenic Society for the Protection of Nature
- the Foundation for Environmental Education. The Blue Flag Program
- the ARCHELON club
- the Legambiente ecological team

The Green Key Program

Green Key is a voluntary ecological quality label for tourist facilities which promote sustainable tourism development and which aims to help reduce climate change by awarding and advising on facilities that take proper initiatives. The Green Key was launched in Denmark in 1994 and was adopted by the Environmental Education Foundation in 2002. Since then, it has spread to 12 countries and continues to expand. The Green Key educates and empowers tour operators, including businesses, authorities, visitors and local communities, to change unsustainable behaviours and to make a significant contribution to protecting the environment.

II. LOCAL COMMUNITY:

Respect for community

The Group supports various programs of noble purpose, events and initiatives, trying to add our share of responsibility to issues related to education, environmental protection, culture, sports and the work of Non-Governmental Organizations.

We consider our participation in various public organizations, citizens' organizations and initiative associations organizations, as an ongoing voluntary collaboration. The Group's contribution focuses mainly on developing cooperation, exchanging information, resources and skills, while at the same time is facilitating the awareness of support for less favoured social groups, the promotion of culture and sports, the protection of the environment and the upgrading of equal opportunities in a wide variety of fields. KARATZI Group is an active supporter of the work of distinguished institutions (Action Aid, Medecins sans Frontiers, Cretan Animal Welfare Group, MERIMNA, 18 & above, Hellenic Red Cross, Hellenic Cancer Society etc.).

III. LABOR:

We are proud that our Group is considered to be a source for the enhancement of employment and economic growth in the communities in which we operate. Our strategy regarding hiring local people and using local businesses in our day-to-day activities is part of the strong network of long-term partnerships that underline our business success and constitute a cornerstone of our investment in society.

The Group's approach to issues related to labor and respect to human rights, emphasizes the following areas:

- Health and safety

- Staff selection, recruitment procedures, non-discrimination in the workplace
- Continuous employee training
- Development of evaluation & reward systems

CHAPTER F. Important transactions with related parties

The companies related with KARATZIS S.A. are the following:

Subsidiaries

- MESHPACK GMBH with headquarters in Kusey, Germany, a subsidiary which is wholly owned by KARATZIS S.A.
- STELLA POLARIS CRETA S.A. with headquarters in the Heraklion Industrial Zone, a subsidiary which is wholly owned by KARATZIS S.A. (up to 27.7.2017).
- CROPPY SOLUTIONS S.L. with headquarters in Valladolid, Spain, a subsidiary which is owned by KARATZIS S.A by 90%.
- KARATZIS INDUSTRIAL & HOTEL ENTERPRISES SA & Co with headquarters in the Heraklion Industrial Zone, a subsidiary which is owned by KARATZIS S.A. by 99,99%.
- KEN PRODUCTION AND TRADE OF ENERGY PRODUCTS SA, with headquarters in Heraklion Crete which is wholly owned by KARATZIS S.A.
- KARATZIS ITALIA SRL, with headquarters in Milan Italy, owned by KARATZIS S.A. by 51%.
- KARATZIS RUSSIA LTD, with headquarters in Krasndar Russia, wholly owned by KARATZIS S.A.
- KARATZIS ROMANIA LTD, headquartered in Brasov Romania, wholly owned by KARATZIS S.A. (up to 22.11.2017)

Affiliates

- ZEUS PACKAGING AGRI LTD, with headquarters in U.K., an affiliate in which KARATZIS S.A. owns a 50% stake.

Other related parties

- PLUSPACK S.A., with headquarters in the Heraklion Industrial Zone, in which Antonios Karatzis (Chairman of the BoD, CEO and main shareholder of KARATZIS S.A.) and Maria Karatzi (CEO and main shareholder of KARATZIS S.A.) are basic shareholders and members of the board.
- AK GRAFF S.A., with headquarters in the Heraklion Industrial Zone, in which major shareholder and member of the board is Antonios Karatzis (Chairman of the BoD, CEO and main shareholder of KARATZIS S.A.).
- SPAREAL PCC, based in Nea Alikarnassos, Heraklion, in which the major shareholder and member of the Board of Directors is Antonios Karatzis (Chairman of the BoD, Managing Director and major shareholder of KARATZIS SA)
- K. PERANTONAKIS Sole Proprietorship LTD, with headquarters in Heraklion, Crete, owned and managed by Konstantinos Perantonakis, non-executive member of KARATZIS S.A.
- ANTONAKAKIS S.A., with headquarters in Heraklion, Crete, the Managing Director of which is Eleftherios Antonakakis, non-executive member of KARATZIS S.A.
- INDUSTRIAL COMMERCIAL CENTRE I.C.C. LTD, with headquarters in Heraklion, Crete, the chairman of the BoD of which is Eleftherios Antonakakis, non-executive member of KARATZIS S.A.

All transactions by the related parties for the fiscal year 2017, as well as the balances of receivables and liabilities as at 31 December 2017, are presented below (amounts expressed in Euro):

Company	Sales	Purchases / Expenses	Receivables	Liabilities
MESHPACK	463.608	10.068	247.022	2.720
STELLA POLARIS	-	-	50.460	-
CROPPY SOLUTIONS	725.284	-	209.130	-
KARATZIS RUS LTD	441.240	-	27.048	-
KARATZIS ITALIA	1.784.996	-	2.899.632	125.000
KARATZIS ENERGY	-	-	-	-
KEN SA	11.728	1.051.393	-	245.130
ZEUS PACKAGING AGRI LTD	1.327.574	-	17.520	-
Other related parties	443.095	443.849	105.985	-
		Compensation	**Receivables**	**Liabilities**
BoD members and Directors		976.102	11.037	4.656

Group	Sales	Purchases / Expenses	Receivables	Liabilities
Other related parties	1.998.914	443.849	155.005	-
		Compensation	**Receivables**	**Liabilities**
BoD members and Directors		1.195.680	11.037	4.656

More specifically, and in order to specify precisely the above transactions, the following are hereby clarified:

- The income of KARATZIS S.A. from MESHPACK GMBH was generated from the sale of products, which amounted to 463,6 thousand euro.
  The income of MESHPACK GMBH from KARATZIS S.A. was generated mostly from the sale of products.
- The income of KARATZIS S.A. from CROPPY SOLUTIONS S.L. concerns product sales of 725 thousand euro.
- The income of KARATZIS S.A. from KARATZIS ITALIA SRL pertain to the sale of products amounting to 1.705 thousand euro, the invoicing of sales expenses of € 52 thousand euro and interest income of € 28 thousand.
- The income of KARATZIS S.A. from KARATZIS RUSSIA LTD pertain to the sale of products amounting to 441 thousand euro.
- The income of KARATZIS S.A. from ZEUS PACKAGING AGRI LTD concern income from the sale of industry products.
- The income of KARATZIS S.A. from PLUSPACK S.A. (other related parties) was generated from the sale of scrap, while the expenses concern procurement of products produced by PLUSPACK S.A. (plastic garbage bags).

CHAPTER G. Corporate Governance Declaration of Law 3873/2010

I. Reference to Corporate Governance Code, which the company is subject or which it has voluntarily decided to apply, and the place where the relevant text is available.

According to decision no 09/19.03.2012 issued by the BoD, the company has adopted a Corporate Governance Code, which is posted on the company's site at: CORPORATE GOVERNANCE CODE

The corporate governance code of KARATZIS S.A. focuses on the implementation of optimum governance practices, in order to achieve the company's long-term goals on growth and profitability, as well as the satisfaction and information of all stakeholders regarding the environment in which the company is governed and controlled.

The company's Corporate Governance Code follows legislation, as established by several Laws, such as Law 3016/2002 'On corporate governance, remuneration issues and other provisions', which specifies the definitions and requires the existence of executive and non-executive members of the Board of Directors, as well as the drafting of an internal operation regulation by the Board of Directors, Law 3693/2008' 'Harmonisation of Greek legislation with Directive 2006/43/EC on statutory audits on annual and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and the repealing of Council Directive 84/253/EEC and other provisions', which requires the establishment of an audit committee, Law 3873/2010 'Incorporation into the Greek legal order the Directive 2006/46/EC of the European Parliament and of the Council regarding the annual and consolidated accounts of certain types of companies and Directive 2007/63/EC of the European Parliament and of the Council as regards the requirement of an independent expert's report on the occasion of merger or division of public limited liability companies' which outlines the obligation to include a summary in the corporate governance declaration of the BoD's annual report and the main sections that the said report must include.

II. Reference to practices applied by the company beyond the requirements under national law and the place where they have been published.

The company is applying the minimum requirements of Greek legislation that forms the Greek corporate governance framework. The said minimum requirements have been incorporate in the Corporate Governance Code that has been adopted.

III. Description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.

The main features of the internal control and risk management systems applied by the Company in relation to the financial reporting process are as follows:

- The financial department has been staffed with adequate personnel, well trained in their field of expertise and who are provided constant training depending on the company's needs.
- Existence of recorded and updated procedures regarding the identification of financial events and their recording in the company's books, pursuant to the provisions of the International Financial Reporting Standards.
- Existence of software safety procedures. Access to authorised users through personal passwords, only to application relevant to their field of work.

- Adoption of a single financial reporting method by the group's companies and dispatch of monthly financial information by the subsidiaries.
- Regular communication between the Independent Chartered accountants and Management.
- Regular meetings are carried out to confirm and record important estimates that may affect the financial statements.
- Existence of risk management methodology and documentation of its implementation, as well as the presentation of risk management results to the company's senior management.
- Annual evaluation of the internal control and risk management system adopted in order to issue the financial statements by the BoD, upon recommendation by the Audit Committee.

IV. Information required by Article 10(1), points (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids where the company is subject to that Directive.

No takeover bids or public offerings were made during this fiscal year.

V. Information on the operation of the shareholder meeting and its key powers, and a description of shareholders' rights and how they can be exercised.

The Company's general shareholders Meeting is convened pursuant to the respective provisions of Law 2190/1920 as in force, as well as the special practices of the Company's Corporate Governance Code.
The method in which the general shareholder meeting operates, its key powers as well as the shareholder rights and how they are exercised are listed in Articles 10-19 of the Company's Statute, which is posted on the company site at: http://www.karatzis.com/upload_images/Investors/corporate%20governance/statute.pdf

VI. The composition and operation of the Board of Directors and any other company administrative, management or supervisory bodies or committees.

The Board of Directors and its independent members have been elected under the minute 20/20.06.2017 as follows:
Executive Members of the BoD
1. Antonios Karatzis, son of Miltiadis – BoD Chairman & Chief Executive Officer
2. Athina Miltiadis Karatzis – BoD Vice-Chairman
3. Maria Karantzis, daughter of Miltiadis – Chief Executive Officer,
4. Konstantinos Archodakis, son of Leonidas – Executive Member
5. Ilias Kalathas, son of Anastasios – Executive Member

Non-Executive Members of the BoD
6. Eleftherios Antonakakis, son of Konstantinos – Non-executive member
7. Iason Papastefanakis, son of Emmanouil – Independent non-executive member
8. Fanourios Zampetakis, son of Michael – Independent non-executive member
9. Georgios Veneris, son of Vasileios – Independent non-executive member

The term of the above Board of Directors will be five years in accordance with the provision of Article 20 § 3 of the Articles of Association and as such will expire on 17 June 2022 and will be extended until the Ordinary General Meeting of the year of exit.

Brief CVs of the BoD members are posted on the Company's site www.karatzis.com.

The BoD must exercise its leadership in an effective manner and manage corporate affairs to the benefit of the company and its shareholders, guaranteeing that Management is applying the company's strategy. It must also guarantee a fair and equal treatment of all shareholders, including minority and foreign shareholders.
While exercising their duties, the BoD must take into consideration the members who have vested interest in the company, such as customers, creditors, employees and social groups affected by the company's operation, to the extent that it does not conflict with the company's interest. The BoD's main non-granted responsibilities (in the sense that such decision-making requires the prior consent of the BoD or in case of an emergency a renewed ratification by the BoD), should include:

- The approval of long-term strategy and operational goals of the company,
- The approval of the annual budget and business plan, as well as decision-making for major capital expenses, takeovers and sales,
- The option, when necessary, to replace the company's executive authority, as well as supervise its succession planning,
- Control over senior management performance and harmonisation of senior management remuneration with the long-term interests of the company and its shareholders,
- Guarantee the reliability of the company's financial statements and information, financial information systems, and data and information that become public, as well as ensure the effectiveness of the internal audit and risk management systems,
- Alertness, regarding existing and potential conflicts of interest between the company, on the one hand, and its Management, BoD members or main shareholders on the other (including shareholders with direct or indirect power to form or affect the BoD's composition and behaviour), as well as the appropriate treatment of such conflicts; to that purpose the BoD should adopt a transaction supervision process that is based on transparency and protecting its corporate interests,
- Guarantee the existence of an effective corporate regulatory compliance procedure,
- Responsibility of making the respective decisions and monitoring the effectiveness of the company's management system, including decision-making procedures and appointment of powers and responsibilities to other executives, and
- Expression, dissemination and application of the company's basic values and principles that govern its relations with all parties, whose interests are associated with those of the company.

The remuneration of the BoD members is approved by the Annual Ordinary Shareholders Meeting, which also pre-approves the remuneration for the next fiscal year.
The BoD should convene with the necessary frequency so that it can exercise its duties effectively. The information provided to the BoD by the Management should be up-to-date so that it has the ability to react effectively to the responsibilities derived from its duties. Specific operation regulations for the BoD do not exist as the provisions in the Company's statute (Articles 20 – 28) are deemed adequate for the BoD's organisation and operation.

For fiscal year 2017, the Company's BoD convened 48 times.

The BoD operations are supported by the Audit Committee, which is appointed during the General Shareholders Meeting (Article 37, Law 3693/2008) and indicatively has the following obligations:

- To monitor the financial information procedure,
- To monitor the effective operation of the internal control and risk management systems, as well as to monitor the proper operation of the internal auditors' unit of the entity under control,
- To monitor the progress of the mandatory audit of company and consolidated financial statements,
- To review and monitor matters relevant to the existence and preservation of the objectivity and independence of the statutory auditor or auditing firm, especially when the entity under control is provided other services by the statutory auditor or auditing firm.

The Audit Committee consists of: Iason Papastefanakis, son of Emmanouil (chairman) Eleftherios Antonakakis, son of Konstantinos, Alexandros Kotsifakis son of Panagiotis. For fiscal year 2017, the committee convened twice, and all its members were present.

VII. Deviations from the Corporate Governance Code and explanations. Special provisions of the Code not applied by the Company and explanation why they were not applied.

First of all, through this declaration the Company confirms that it is applying precisely, and without deviation, the provisions set out by Greek legislation (Codified Law 2190/1920, Law 3016/2002 and Law 3693/2008), which describe the minimum requirements that must be met by any Greek Corporate Governance Code (GCGC), applied by a Company, whose shares are listed in an organised market. The said minimum requirements are incorporated in the Greek Corporate Governance Code which was adopted by the company by BoD Decision no 09/19.03.2012. Currently there are certain deviations (including non-application) for which deviations there is a short analysis as well as an explanation of the reasons why these deviations exist.

Specifically:

- Regarding the BoD's role and duties:

a) The Board of Directors has not documented the roles of the BoD and Managements (in its statute and internal regulation or other internal documents) – A.I (1.1.)

b) A clear policy has not been adopted regarding the assignment of powers from the BoD to management, including a list of issues for which the BoD must take decisions. - A.I (1.1)

c) No committees for the remuneration of BoD members and senior executives, as well as the submission of BoD candidacies have been established – A.I (1.2)

- Regarding the BoD Chairman's role and necessary capacities:

a) The BoD does not appoint an independent Vice-Chairman if the Chairman and the CEO is the same person, or in the event of an Executive Chairman. - A.III (3.3)

b) She/he do not specify the duties of the independent Vice-Chairman – A.III (3.4a)

- Regarding the duties and behaviour of BoD members

The BoD has not adopted any policies governing conflict of interest issues between its members or persons to whom the BoD has delegated some of its powers and the company and its subsidiaries or any policies regarding information confidentiality in the framework of the company's internal regulations. Also, they have not adopted procedures that provide early warning and adequate disclosure to the BoD on conflict of interest between its members for transactions between related parties or other contingent conflict of interest with the company or its subsidiaries – A.IV (4.2)

- Regarding the nomination of candidate BoD members:

The Company has not deemed necessary the creation of a committee that will nominate candidate BoD members A.V (5.4, 5.5, 5.6, 5.7, 5.8)

- Regarding the BoD's operation in general:

a) The BoD does not have a specific operation regulation, nor has it adopted a meeting calendar or 12-month action plan A.VI (6.1)

b) We do not have any introductory programs for new BoD members or non-stop education programs A.VI (6.5)

c) The BoD does not provide regular information on business developments and important risks, understanding of legislation and market environment, through contacts with the company's executives. A.VI (6.6)

- Regarding the BoD's evaluation:

a) There is no evaluation procedure for the BoD as a collective body every two years in order to take measures to deal with failures, as well as personal evaluation of the Chairman – A.VII (7.1)

b) The non-executive BoD members do not convene regularly without the presence of the executive members, in order to evaluate the performance of the latter and to determine their remuneration. - A.VII (7.2).

- Regarding the Internal Audit System:

a) The audit committee does not convene 4 times a year as stipulated – B.I (1.6).

b) The Audit Committee's duties are not specified in writing in its operating regulations – B.I (1.7)

- Regarding the level and structure of remuneration:

No committee on BoD member remuneration has been established, nor is there a competent body that undertakes such duties – C.I (1.6 & 1.7).

CHAPTER H. Explanatory report regarding the information of Article 4, paragraph 7, Law 3556/2007

a. Company share capital structure

The share capital of KARATZI S.A. currently amounts to 24,662,051 euro, which is fully paid and divided into 14,679,792 common registered shares with a nominal value of 1.68 euro each. All company shares are listed in the Athens Exchange.

b. Restrictions to company share transfers.

There are no limitations governing company share transfers.

c. Significant direct and indirect shareholdings within the meaning of Articles 9 to 11 of Law 3556/2007.

The important direct or indirect participation in the company's share capital as defined in the provisions of Articles 9 to 11 of Law 3556/2007, as at 31 December 2017 are as follows:

S/N	SHAREHOLDER'S NAME	NUMBER OF SHARES	PERCENT
1	Antonios Karatzis, son of Miltiadis	6,480,204	44.14%
2	Maria Karatzis, daughter of Militiadis	5,643,204	38.44%

d. Shares granting special control rights.

There are no shares that grant special control rights.

e. Restrictions on the right to vote.

The company's statute does impose any restrictions on the right to vote.

f. Agreements between shareholders that are known to the company, which may result in restrictions on share transfers or voting rights.

To the company's knowledge there are no agreements between shareholders, which impose restrictions on share transfers or the right to vote.

g. Rules governing the appointment and replacement of BoD members and the amendment of the Stature that are different from those stipulated in Codified Law 2190/1920.

The rules on the appointment and replacement of company BoD members and the amendment of the company's Statute are not different from those stipulated in Codified Law 2190/1920.

h. The responsibility of the Board of Directors or certain of its members to issue new shares or purchase own shares pursuant to Article 16 of Codified Law 2190/1290.

The BoD is responsible for share capital increases through the issuance of new shares, as per the provisions and restrictions of Article 13 of Codified Law 2190/20.

The Board of Directors or certain members of the Board of Directors do not have special responsibilities regarding the purchase of own shares, pursuant to Article 16 of Codified Law 2190/1290.

i. Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company, following a public offering and the effects thereof.

No such significant agreement exists, to which the company is a party, and which takes effect, alters or terminates upon change of control of the company, following a public offering.

j. Any agreement between the company and its BoD members or employees providing for compensation, if they resign or are made redundant, without valid reason, or if their employment ceases because of a public offering.

There are no agreements between the company and its BoD members or employees providing for compensation, if they resign or are made redundant, without valid reason, or if their employment ceases because of a public offering.

CHAPTER I. Data and estimates regarding the progress of group activities

- The group's industrial activity is expected to grow by 5%. Regarding the investment in the Heraklion Industrial Area factory, the Group in December 2017, bought from HBIG an adjacent plot, in order to secure the required building factor.
  Within 2018, the licensing procedure for the expansion of the production and storage facilities of the Heraklion Industrial Zone factory, will begin and are expected to be completed within three years.
- In 2018, Nana Beach Hotel's turnover is expected to increase by 10%. After the end of the tourist season a partial renovation of the hotel is scheduled with a total budget of € 1.5 million.
  The new luxury hotel, Nana Princess, will welcome its first guests in May 2018. The positive impact during the hotel presentations creates an additional incentive to provide high-quality services, upgrading the group's produced tourist product as a whole. The operation of the new hotel will contribute substantially to the increase in the turnover of the hotel sector. The immediate plans of the company include new investments in tourism, with the acquisition or construction of new hotels.
- With regards to the sales of the photovoltaics sector for 2018, stabilization in the produced energy units and sales respectively is expected. Any volatility of sales depends on weather conditions (level of sunshine). The group has submitted to RAE applications for 2 licences regarding the production of electric energy from wind farms, with a capacity of 3 MW each.
  In addition, the Group intends to participate in the tender procedures scheduled for the 2018-2020 triennial concerning the "Participation in the new support scheme for electric energy production plants from renewable sources", in order to obtain new licenses for the production of electric energy from RES. The Group aims, within the next three years, to complete the licensing and sale contract, according to the new legislation, regarding the development of RES production stations, with a total installed capacity of 100MW.
- KEN has become widely known to the consumers. The increase in connections continues at a satisfactory pace. Already, KEN counts around 28,000 active connections and is expected to reach 50,000 active connections by the end of the year. Very soon, the registration at JAO (Office of Allocation of Transfer Rights in the Interconnection of Greece and Italy) will be completed. The registrations in GME (Italy Energy Exchange) and EEX (Germany Energy Exchange) are expected to be completed before the end of the first six months of 2018. KEN has already commenced to trade sizeable volumes of electric energy in the wholesale market as both an importer and an exporter. In addition, it is expected the beginning of the transactions via a third party in IBEX (Bulgaria Energy Exchange). KEN’s goal is to further develop the transactions’ volumes in the wholesale market in short-term, medium-term and long-term horizon and to increase its profitability in this activity by exploiting prices imbalances among different markets.
- The subsidiary KARATZIS ITALIA SRL, presented in 2017 increased financial needs. In order to achieve its capital enhancement, KARATZI SA decided to capitalize € 600 thousand out of the total € 1 million that it had granted as a long-term loan.

CHAPTER J. Profit Distribution Proposal

The part of the profits of FY 2017, intended to form tactical reserve and for the formation of other reserves, are presented in the following table.
The decision regarding the distribution of dividend for FY 2017, will be taken during the annual shareholders' meeting. In case that a dividend is distributed, the amount will be deducted from retained earnings.

	2017
Total Comprehensive Income after Tax	**15.845.770,03**
Statutory reserve	792.288,50
Formation of Reserves:	
Reserve to cover own participation Law 3299/2004	114.287,89
Balance of Retained Earnings	**14.939.193,64**

Heraklion**, 25 April 2018**

The Board of Directors

The Chairman of the BoD and CEO
Antonios Karatzis

D. Annual Financial Statements for the period from 1 January to 31 December 2017

STATEMENT OF FINANCIAL POSITION (consolidated and parent company)

Amounts in euro

	Note	The Group		The Company	
Assets		31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non current assets					
Property, plant and equipment	5	105.629.946	103.601.471	93.193.187	85.275.437
Intangible fixed assets	4	1.572.488	1.605.494	226.451	235.717
Investments in subsidiaries	6	-	-	9.717.159	14.773.120
Investments in affiliates	7	344.157	282.828	125	125
Deferred tax receivables	18	332.173	316.473	-	-
Other non current assets	8	232.640	244.215	472.499	553.112
		108.111.403	**106.050.481**	**103.609.420**	**100.837.512**
Current Assets					
Inventory	9	25.631.516	25.585.282	25.056.879	22.452.355
Trade receivables	10	15.187.836	11.591.984	10.088.140	8.884.473
Other current assets	11	10.482.873	4.331.491	6.582.006	4.048.523
Prepayments	12	2.075.316	309.423	390.636	221.278
Financial assets carried at fair value	13	30.049	30.504	30.000	30.000
Cash and cash equivalents	14	36.814.001	20.037.526	34.657.644	18.679.819
		90.221.591	**61.886.210**	**73.805.306**	**54.316.448**
Total Assets		**198.332.994**	**167.936.691**	**177.414.726**	**155.153.960**
Equity & Liabilities					
Equity					
Share capital	15	24.662.051	24.662.051	24.662.051	24.662.051
Other reserves	16	62.964.675	64.704.642	62.798.473	61.997.235
Retained earnings		38.173.996	20.942.249	33.467.914	19.450.968
Equity attributable to shareholders of the parent		125.800.722	110.308.941	120.928.438	106.110.254
Non controlling interests		(166.311)	85.152	-	-
Equity		**125.634.411**	**110.394.093**	**120.928.438**	**106.110.254**
Non current liabilities					
Long term debt	17	22.414.411	8.851.013	19.749.540	3.994.963
Deferred tax liability	18	5.019.906	5.314.016	4.612.682	5.365.648
Other provisions	19	637.400	518.200	600.000	480.000
Financial contracts		32.722	-	-	-
Employee benefits	20	914.164	841.687	894.521	838.138
Other non current liabilities	21	2.094.241	1.914.165	1.049.115	1.163.785
Total non Current Liabilities		**31.112.845**	**17.439.081**	**26.905.858**	**11.842.534**
Current Liabilities					
Trade and other payables	22	10.970.558	6.347.475	9.530.678	5.745.315
Short term debt	17	13.747.231	26.865.015	9.336.452	25.987.529
Current portion of long term debt	17	2.220.714	883.056	1.489.173	280.563
Current portion of financial contracts		9.343	-	-	-
Tax liabilities	23	8.356.914	4.478.159	7.771.867	3.984.437
Other current liabilities	24	6.280.978	1.529.812	1.452.258	1.203.329
Total Current Liabilities		**41.585.738**	**40.103.517**	**29.580.429**	**37.201.172**
Total Liabilities		**72.698.583**	**57.542.598**	**56.486.287**	**49.043.706**
Total Equity and Liabilities		**198.332.994**	**167.936.691**	**177.414.726**	**155.153.960**

STATEMENT OF COMPREHENSIVE INCOME
(consolidated and parent company)

Amounts in euro

	Note	THE GROUP						THE COMPANY			
		1/1 - 31/12/2017			1/1 - 31/12/2016			1/1 - 31/12/2017			1/1 - 31/12/2016
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations
Sales	3	100,482,861	-	100,482,861	77,610,832	-	77,610,832	70,431,069	-	70,431,069	65,853,220
Cost of Sales	25	(74,330,611)	-	(74,330,611)	(56,523,358)	-	(56,523,358)	(49,299,632)	-	(49,299,632)	(47,228,272)
Gross Profit		**26,152,250**	**-**	**26,152,250**	**21,087,473**	**-**	**21,087,473**	**21,131,436**	**-**	**21,131,436**	**18,624,948**
Administrative expenses	25	(3,367,079)	(7,322)	(3,374,401)	(2,942,088)	(52,574)	(2,994,662)	(2,791,540)	-	(2,791,540)	(2,574,971)
Distribution expenses	25	(7,062,440)	-	(7,062,440)	(4,463,946)	-	(4,463,946)	(4,489,222)	-	(4,489,222)	(3,564,482)
Other income	26	452,001	-	452,001	390,987	38,914	429,901	302,890	-	302,890	238,195
Other expenses	26	(1,310,879)	-	(1,310,879)	(229,998)	-	(367,593)	(1,122,462)	-	(1,122,462)	(177,035)
Earnings before interest and taxes		**14,863,853**	**(7,322)**	**14,856,531**	**13,842,428**	**(13,659)**	**13,828,769**	**13,031,103**	**-**	**13,031,103**	**12,546,655**
Profit (Loss) from affiliate firms	7	73,915	-	73,915	54,919	-	54,919	-	-	-	-
Investment results	27	9,817	10,836,377	10,846,194	5,333	-	5,333	24,229	10,836,377	10,860,606	11,248
Financial income	28	14,410	-	14,410	4,199	-	4,199	28,050	-	28,050	13,972
Financial expenses	28	(1,651,793)	-	(1,651,793)	(1,899,102)	(163)	(1,899,265)	(1,333,117)	-	(1,333,117)	(1,547,482)
Revenue from recovered grant		**13,310,201**	**10,829,055**	**24,139,256**	**12,007,777**	**(13,822)**	**11,993,955**	**11,750,265**	**10,836,377**	**22,586,641**	**11,024,394**
Earnings before taxes											
Deferred tax	18	310,029	-	310,029	272,830	-	272,830	752,966	-	752,966	299,334
Provision for tax art. 72/I 4172	29	(4,662,340)	(3,142,549)	(7,804,889)	(3,828,218)	-	(3,828,218)	(4,351,288)	(3,142,549)	(7,493,837)	(3,547,051)
Income tax		**8,957,891**	**7,686,506**	**16,644,396**	**8,452,389**	**(13,822)**	**8,438,567**	**8,151,943**	**7,693,827**	**15,845,770**	**7,776,677**
Profit after taxes (A)											
Group consolidation differences	7	(26,070)	-	(26,070)	(5,347)	-	(5,347)	-	-	-	-
Actuarial income (expenses) to the statement of comprehensive income	20	-	-	-	(3,605)	-	(3,605)	-	-	-	(3,605)
Deferred taxation on comprehensive income		-	-	-	(1,045)	-	(1,045)	-	-	-	(1,045)
Other Comprehensive Income (B)	30	**(26,070)**	**-**	**(26,070)**	**(9,997)**	**-**	**(9,997)**	**-**	**-**	**-**	**(4,650)**
Total comprehensive income after taxes(A+B)		**8,931,821**	**7,686,506**	**16,618,327**	**8,442,392**	**(13,822)**	**8,428,570**	**8,151,943**	**7,693,827**	**15,845,770**	**7,772,026**
Profit attributable to:											
Shareholders of the parent company		9,226,296	7,686,506	16,912,802	8,452,771	(13,822)	8,438,950	8,151,943	7,693,827	15,845,770	7,776,677
Non controlling interests		(268,406)	-	(268,406)	(382)	-	(382)	-	-	-	-
Total comprehensive income attributable to:											
Shareholders of the parent company		9,200,227	7,686,506	16,886,733	8,442,774	(13,822)	8,428,952	8,151,943	7,693,827	15,845,770	7,772,026
Non controlling interests		(268,406)	-	(268,406)	(382)	-	(382)	-	-	-	-
Number of shares		14,679,792	14,679,792	14,679,792	14,679,792	14,679,792	14,679,792	14,679,792	14,679,792	14,679,792	14,679,792
Basic earnings per share in €	32	0.6102	0.5236	1.1338	0.5758	(0.0009)	0.5748	0.5553	0.5241	1.0794	0.5298
Summary of result of the period											
Earnings before interest and taxes		**14,863,853**	**(7,322)**	**14,856,531**	**13,842,428**	**(13,659)**	**13,828,769**	**13,031,103**	**-**	**13,031,103**	**12,546,655**
Earnings before interest, taxes, depreciation and amortization		**21,291,684**	**(7,322)**	**21,284,363**	**19,957,616**	**(13,659)**	**19,943,957**	**18,487,601**	**-**	**18,487,601**	**17,686,681**

STATEMENT OF CHANGES IN EQUITY (THE GROUP)

	Note	Consolidated Attributable to the shareholders of the parent						
		Share capital	Share premium	Total reserves	Retained earnings	Total	Non controlling interests	Total equity
Opening balance January 1, 2017		**24.662.051**	**19.993.151**	**44.711.490**	**20.942.249**	**110.308.941**	**85.152**	**110.394.093**
Total comprehensive income for the period(cont. oper.)					9.200.227	9.200.227	(268.406)	8.931.821
Total comprehensive income for the period(discon. oper.)	38				7.686.506	7.686.506	-	7.686.506
Formation of reserves	16			986.328	(986.328)	-		-
Payment of dividends / Distribution of reserves					(1.027.585)	(1.027.585)		(1.027.585)
Other changes				(2.726.294)	2.358.927	(367.367)	16.943	(350.424)
Total changes for the period		-	-	(1.739.966)	17.231.747	15.491.781	(251.463)	15.240.318
Closing balance December 31, 2017		**24.662.051**	**19.993.151**	**42.971.524**	**38.173.996**	**125.800.722**	**(166.311)**	**125.634.411**

Previous period

	Note	Consolidated Attributable to the shareholders of the parent						
		Share capital	Share premium	Total reserves	Retained earnings	Total	Non controlling interests	Total equity
Opening balance January 1, 2016		**24.662.051**	**19.993.151**	**44.280.104**	**12.944.683**	**101.879.989**	**36.534**	**101.916.524**
Total comprehensive income for the period(cont. oper.)					8.442.774	**8.442.774**	(382)	8.442.392
Total comprehensive income for the period(discon. oper.)	38				(13.822)	**(13.822)**	-	(13.822)
Formation of reserves	16			431.386	(431.386)	**-**	-	-
Other changes			-	-	-	**-**	49.000	49.000
Total changes for the period		-	-	431.386	7.997.566	**8.428.952**	48.618	8.477.570
Closing balance December 31, 2016		**24.662.051**	**19.993.151**	**44.711.490**	**20.942.249**	**110.308.941**	**85.152**	**110.394.093**

STATEMENT OF CHANGES IN EQUITY (THE COMPANY)

	Note	The Company				
		Share capital	Share premium	Total reserves	Retained earnings	Total equity
Opening balance January 1, 2017		**24.662.051**	**19.993.151**	**42.004.084**	**19.450.968**	**106.110.254**
Total comprehensive income for the period(cont. oper.)		-	-	-	8.151.943	8.151.943
Total comprehensive income for the period(discon. oper.)	38				7.693.827	7.693.827
Formation of reserves				801.238	(801.238)	-
Payment of dividends / Distribution of reserves		-	-	-	(1.027.585)	(1.027.585)
Other changes		-	-	-	-	-
Total changes for the period		-	-	801.238	14.016.946	14.818.185
Closing balance December 31, 2017		**24.662.051**	**19.993.151**	**42.805.322**	**33.467.914**	**120.928.438**

Previous period

	Note	The Company				
		Share capital	Share premium	Total reserves	Retained earnings	Total equity
Opening balance January 1, 2016		**24.662.051**	**19.993.151**	**41.636.313**	**12.046.713**	**98.338.228**
Total comprehensive income for the period		**-**	**-**	-	7.772.026	7.772.026
Formation of reserves		-	-	367.771	(367.771)	-
Total changes for the period		-	-	367.771	7.404.256	7.772.026
Closing balance December 31, 2016		**24.662.051**	**19.993.151**	**42.004.084**	**19.450.968**	**106.110.254**

CASH FLOW STATEMENT (consolidated and parent company)

Amounts in Euro

Indirect Method		The Group 1/1 - 31/12/2017	The Group 1/1 - 31/12/2016	The Company 1/1 - 31/12/2017	The Company 1/1 - 31/12/2016
Operating Activities					
Profit before tax (continuing operations)		13.310.201	12.007.777	11.750.265	11.024.394
Profit before tax (discontinued operations)		10.829.055	(13.822)	10.836.377	-
Plus: Adjustments for:					
Depreciation and amortization		6.619.647	6.316.448	5.570.786	5.253.762
Provisions and provision reversals		1.294.236	143.644	1.115.787	138.395
Investment results		(97.215)	(38.500)	(24.229)	(11.248)
Financial results		1.609.342	1.895.066	1.305.067	1.533.510
Other non-cash expenses / (revenues)		(191.696)	(240.826)	(114.168)	(113.169)
Operating cash flows before changes in the working		33.373.571	20.069.787	30.439.884	17.825.644
Plus: Adjustments for changes in the working capital					
Decrease / (increase) in inventories		(346.235)	(5.367.435)	95.477	(4.931.588)
Decrease / (increase) in receivables		(12.735.129)	(4.286.754)	(2.865.217)	(3.459.766)
Increase / (decrease) in liabilities (except loans)		10.282.084	1.513.183	4.033.190	1.390.505
		30.574.291	11.928.782	30.703.334	10.824.795
Less:					
Interest and similar expenses paid		1.641.197	1.887.467	1.322.521	1.535.684
Taxes paid		3.925.248	3.129.023	3.706.407	2.956.361
Operating cash flows from discontinued operations		10.835.249	-	10.836.377	-
Net cash flows from operating activities	**(a)**	**14.172.597**	**6.912.293**	**14.838.029**	**6.332.749**
Investing Activities					
Acquisition of subsidiaries, affiliates and other investments		-	-	-	(874.145)
Purchase of tangible and intangible assets		(14.017.968)	(6.645.946)	(13.509.492)	(6.351.839)
Proceeds from sale of tangible and intangible assets		55.378	23.574	55.378	33.210
Proceeds from the sale of securities and other investments		15.800.000	-	15.800.000	-
Interest received		42.451	4.199	28.050	13.972
Other inflows (outflows) not included in the working capital		(28.651)	(70.137)	(519.387)	(457.069)
Net cash flows from investing activities	**(b)**	**1.851.211**	**(6.688.311)**	**1.854.549**	**(7.635.871)**
Financing activities					
Proceeds from bank loans		44.262.276	36.303.588	41.302.327	35.875.224
Repayments of bank loans		(42.479.004)	(35.885.722)	(40.990.217)	(34.516.796)
Dividends paid		(1.026.864)	-	(1.026.864)	-
Payment of share capital		-	49.000	-	-
Net cash flows from financing activities	**(c)**	**756.408**	**466.866**	**(714.754)**	**1.358.428**
Net increase / (decrease) in cash and cash equivalents of the period (a) + (b) + (c)		**16.780.215**	**690.848**	**15.977.825**	**55.306**
Cash and cash equivalents at the beginning of		**20.037.526**	**19.346.678**	**18.679.819**	**18.624.513**
Cash equivalents from discontinued operations		**3.741**	**-**	**-**	**-**
Cash and cash equivalents at the end of the year		**36.817.741**	**20.037.526**	**34.657.644**	**18.679.819**

E. Explanations for the details included in the financial statements

1. General information concerning the Company and the Group

"KARATZIS S.A. INDUSTRIAL & HOTEL ENTERPRISES" with the distinctive title "KARATZIS S.A." (hereinafter the "Company" or the "Parent") together with its subsidiaries (hereinafter the "Group") conduct business activities in the following fields: a) the production of polymer and synthetic fibres for agricultural, construction and industrial use, b) the exploitation of a 1st class hotel complex, and c) the production of electric energy from photovoltaic parks d) the sale of electric energy.

The Company's registered office is situated in Melidochori, Monofatsio, in the Municipality of Archanes – Asterousia, in the Prefecture of Heraklion, while its headquarters are located on A Street in the Industrial Zone of Heraklion.

The shares of the parent company are listed on the Athens Stock Exchange and the company is classified as a small to medium capitalisation enterprise.

The annual financial statements of the company and the group for the period from 1 January 2017 to 31 December 2017 were approved upon the decision of the Board of Directors on 25 April 2018.

The subsidiaries, which were included in the Group's attached consolidated financial statements, are listed in note 2.2. The amounts stated in the explanations are expressed in euro, unless stated otherwise. Any differences in the amounts or totals are due to the rounding off of values.

2. Basis of preparation for the annual Financial Statements

The financial principles used for the preparation and the presentation of these financial statements conform to those used for the drafting of the annual financial statements for the year which ended on 31 December 2016.

The company first adopted the IFRS for the drafting of its financial statements in the fiscal year that ended on 31 December 2005. The company has chosen its bookkeeping procedures pursuant to the IFRS and to present differences for the adaptation of accounts according to Greek Accounting Standards. No Standards have been applied before the effective date of their application.

The financial statements have been prepared pursuant to the cost principle, except for the intangible assets of the group and the tangible fixed assets of the parent company. As far as the intangible assets are concerned, the fair value method has been applied since 30 June 2008. Regarding the tangible fixed assets of the parent company, after the IFRS were adopted for the first time, pursuant to IFRS 1, the deemed cost was considered the acquisition cost.

The preparation of the financial statements pursuant to generally accepted accounting principles requires the use of estimates and assumptions that affect the balance amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of their preparation, as well as the reported income and expenses during the fiscal years under review. Although these estimates are based, to the furthest extent, on the Management's knowledge, actual results may ultimately differ from the said estimates.

2.1. New accounting standards and IFRIC Interpretations

The Group has adopted all the new standards and interpretations, the applications of which were rendered mandatory for the periods beginning on 1 January 2017. Paragraph 2.1.1 presents the standards adopted since 1 January 2017. Paragraph 2.1.2 presents the standards, amendments and interpretations which are either not effective or have not yet been adopted by the EU.

2.1.1. Principles, New Standards, Interpretations, revisions and amendments to existing Standards that are effective and have been adopted by the European Union

The following amendments and interpretations of the IFRS have been issued by the International Accounting Standards Board (IASB) and the Interpretation Committee, and their application is mandatory from or after 01/01/2017. The most important new standards and interpretations are the following:

- Amendments to IAS 7 "Disclosure Initiative" (effective for annual periods beginning on or after 01/01/2017)

In January 2016, the IASB issued limited-purpose amendments to IAS 7. The purpose of these amendments is to make it possible for users of financial statements to assess changes in liabilities arising from financial activities. The amendments require entities to provide disclosures that will enable investors to assess changes in liabilities arising from financial activities, including changes in cash flows and non-cash changes. These amendments have no impact on the consolidated financial statements.

- Amendments to IAS 12 "Recognition of Deferred Tax Receivable for Not Realized Losses" (effective for annual periods beginning on or after 01/01/2017)

In January 2016, the IASB issued limited-purpose amendments to IAS 12. The purpose of these amendments is to clarify the accounting treatment of deferred tax receivables for not realized losses on debit securities measured at fair value. These amendments have no impact on the consolidated financial statements.

- Annual Improvements to IFRSs - Cycle 2014-2016 (effective for annual periods beginning on or after 01/01/2017)

In December 2016, the IASB issued the "Annual Improvements to IFRS - Cycle 2014-2016", which consists of a series of amendments to some Standards and is part of the program for annual improvements to the IFRS. The amendment included in this cycle, that is effective for annual periods beginning on or after 1 January 2017 is as follows: IFRS 12: Clarification of the Scope of the Standard. The amendment has no impact on the consolidated financial statements. The other amendments included in this cycle that are applicable for annual periods beginning on or after 1 January 2018 are being analysed in the following section.

2.1.2. New Standards, Interpretations, revisions and amendments to existing Standards that are not effective or have not been adopted by the European Union yet

The following new Standards, interpretations and standard revisions have been published but they are either not effective or have not been adopted by the European Union yet:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 01/01/2018).

In July 2014, the IASB issued the final version of IFRS 9. The improvements introduced by the new Standard include the creation of a reasonable model for classification and measurement, a single predictive model for impairment "expected losses", and also one essentially reformed approach for hedging accounting. The Company will examine the impact of all of the above in its Financial Statements, although it is not expected to have any. The above have been adopted by the European Union and entered into force on 01/01/2018.

The Group will apply since 01.01.2018 the simplified approach for estimating the expected credit losses from trade receivables. According to paragraph 5.5.17 of IFRS 9, an entity measures the expected credit losses of a financial instrument in a manner that reflects:

- an impartial and probability-weighted amount determined by evaluating a range of possible outcomes

- the timeless value of money and
- reasonable and reliable information which is available at the balance sheet date without undue cost or effort and relates to past events, current circumstances and predictions of the future economic conditions.

Thus, the Group for the measurement of credit losses and the formation of provisions will develop the simplified forecast model based on historical default rates over the life of the trade receivables and will be adjusted for future estimates.

- IFRS 15 "Revenue from Contracts with Customers" (applicable for annual periods beginning on or after 01/01/2018).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (applicable for annual periods beginning on or after 01/01/2018)
- Amendments to IFRS 4: "Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 01/01/2018)
- IFRS 16 "Leases" (applicable for annual periods beginning on or after 01/01/2019)
- Annual Improvements to IFRSs - Cycle 2014-2016 (effective for annual periods beginning on or after 01/01/2018)
- Amendment to IFRS 2 "Classification and measurement of share-based Payment Transactions" (effective for annual periods beginning on or after 01/01/2018)
- Amendments to IAS 40 "Transfers of Property Investments from or to Other Categories" (effective for annual periods beginning on or after 01/01/2018)
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 01/01/2018)
- Amendments to IAS 28 "Long-term Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 01/01/2019)
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 01/01/2019)
- Annual Improvements to IFRSs - Cycle 2015-2017 (effective for annual periods beginning on or after 01/01/2019)
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 01/01/2019)
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 01/01/2019)
- Revision of the Conceptual Framework of Financial Reporting (effective for annual periods beginning on or after 01/01/2020)
- Amendments to the References of the Conceptual Framework of Financial Reporting (effective for annual periods beginning on or after 01/01/2020)
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 01/01/2021)

The Company and the Group do not intend to proceed with the early application of any Standard or Interpretation. Based on the accounting policies that are followed, the Management does <u>not expect substantial effects</u> on both the group and company's financial statements from the application of the above-mentioned Standards and Interpretations as and when they become effective.

2.2. Group Structure

The consolidated financial statements are comprised of the financial statements of the Parent company and its subsidiaries. The following table presents the companies included in the consolidated financial statements for the period from 1 January 2017 to 31 December 2017.

S.N.	Company Name	Country of Incorporation	Activity	Consolidation method	Percentage
1.	KARATZI S.A.	Greece	Plastic & elastic nets, Hotel Enterprises, Energy Production through renewable sources	Parent Company	
2.	MESH PACK GMBH	Gernamy	Raschel bags, packaging nets	Full	100%
3.	STELLA POLARIS CRETA SA	Greece	Hotel & tourism enterprises	Full*	100%
4.	CROPPY SOLUTIONS SL	Spain	Trade of packaging materials	Full	90%
5.	KARATZIS INDUSTRIAL & HOTEL ENTERPRISES SA & Co	Greece	Electric Power Production	Full	99%
6.	KEN S.A.	Greece	Commercial trade of electric energy	Full	100%
7.	KARATZIS RUSSIA LTD	Russia	Trade of packaging materials	Full	90%
8.	KARATZIS ITALIA SRL	Italy	Trade of packaging materials	Full	51%
9.	KARATZIS ROMANIA SRL	Romania	Production and trade of packaging materials	Full**	100%
10.	ZEUS PACKAGING AGRI LTD	U.K.	Trade of packaging materials	Net worth	50%

**up to 27.7.2017*
***up to 22.11.2017*

The financial information of STELLA POLARIS KRETA SA is reflected in the discontinued operations of the Company and the Group. Its total income and cash flows have been consolidated up to 27.07.2017 due to the sale of that subsidiary.

The financial information of Karatzis Romania SRL are shown in the discontinued operations of the Company and the Group. Its total income and cash flows have been consolidated until 22.11.2017 due to the deletion of that subsidiary from the Companies Register of Romania.

The subsidiaries' accounting policies have been changed, in order to ensure consistency with the policies adopted by the Group.

2.3. Consolidation

The attached consolidated financial statements include the financial statements of the parent company as well as the financial statements of all the subsidiaries, in which KARATZIS S.A. has the ability to exercise control. The control is valid when through direct or indirect possession of percentages of the share capital, the parent company holds the majority of the voting rights or has the power to exercise control over the Boards of Directors of the subsidiaries. The subsidiaries are being consolidated since the date that the dominant control is being transferred to the parent company and cease to be consolidated from the day that the control stops to exist. The accounting method of acquisition is used for the incorporation of the acquired subsidiaries. The cost of an acquisition is calculated as the sum of the fair values during the date of the transaction on the assets of the subsidiary, the issued shares and the existing liabilities of any cost related to the acquisition. The acquired assets and the liabilities are being registered initially in their fair value, independently of how much the minority percentage is. The difference between the acquisition cost and the fair value of the purchased assets and the liabilities assumed is being registered as goodwill. If the acquisition cost is smaller than the fair value, then the negative goodwill that occurs is being immediately recognized in the statement of comprehensive income. The goodwill arising from acquiring subsidiaries, affiliates and joint ventures is being shown in the intangible assets and is not depreciable but is subject to control for impairment on an annual basis. In the case of a contingent participation sale in order to calculate profits / (losses) the goodwill, if any, is taken under consideration. All the intercompany transactions and balances have been eliminated in the attached consolidated financial statements. Wherever required, the accounting principles of the subsidiaries have been amended in order to ensure for consistency with the accounting principles adopted by the Group. All the subsidiaries draft their financial statements for the same period and the same date as the parent company does.

Participations in subsidiary companies: The participations of the parent company in its subsidiaries, in the company financial statements, are being valued in acquisition cost minus accumulated impairment losses, if any. The non-controlling interests represent the percentage of profits / (losses) and equity not proportioning to the Group and are distinctly presented in the consolidated financial statements. In the case of minority rights acquisition from the company, the difference between the price of the acquisition and the book value of the acquired company's equity is being recognized as goodwill.

Participations in affiliates: The participations of KARATZI S.A. in other companies, in which it exercises dominant control and are not subsidiaries, are being depicted under the net worth method and initially they are registered in acquisition cost, including goodwill, if any, which is being recognized during the acquisition. According to the method of net worth, profits / (losses) arising after the acquisition are recognized in the statement of comprehensive income, while amounts that are directly registered in the affiliate's equity, are recognized directly in the Group's equity. The participations in affiliates in the company's financial statements are valuated in acquisition cost minus contingent impairment losses. For the participations with indications of a need for permanent reduction of their value, their recoverable value is determined and the impairment loss, if any, is registered in fiscal year's results.

2.4. Conversion of foreign currencies

a) Currency measurement and reporting

The Group's measurement and reporting currency from 1 January 2002 is the euro. The financial statements are presented in euro; the explanations and the notes on the financial statements are presented in euro, unless stated otherwise.

b) Transactions and balances

Foreign currency transactions are converted into euro based on the exchange rates, which are in effect on the dates of the transactions. Amounts receivable and payable in a foreign currency, as at the date that the financial statements are drafted, are adjusted in order to reflect the prevailing exchange rates on the drafting date. Profits and losses arising from such transactions (and from the conversion of assets and liabilities expressed in foreign currency) are recognised in the profit and loss statement, except in cases when they are recorded in equity as recognised cash flow hedges.

2.5. Tangible fixed assets

The tangible fixed assets of the parent company were designated based on estimates. More specifically, land, buildings, machinery and other equipment were designated at the deemed cost. The cost method was applied to foreign subsidiaries, as the values of the tangible assets express their fair value.

Repairs and maintenance works are recorded in the expenses made during the financial period. Significant subsequent additions and improvements are capitalised at the cost value of the relevant fixed assets if they increase the useful life and the production capacity of the fixed asset or reduce its operating cost.

Land plots are not depreciated. The depreciation of the remainder of the tangible assets is measured using the straight-line depreciation method for the industrial and the energy sector, and the units-of-production method (namely per night) for the hotel sector.

The useful life of the fixed assets in the industrial sector is as follows:

- Buildings 25 years
- Machinery 15 years
- Transportation equipment 5 years
- Other equipment 3 - 15 years

The useful life of the photovoltaic stations is defined by the duration of each production licence minus the time period between the issuance of the licence and the commencement of each park's operation.

For the other fixed tangible assets of the energy sector, are applied the policies of the rest of the industrial operations. Therefore, the useful life of the fixed assets of the energy sector is as follows:

- Machinery 20 - 25 years
- Other equipment 3 - 15 years

The units-of-production (nights) based on which the hotel sector's fixed assets depreciate are as follows:

- Buildings 6,300,000
- Machinery 900,000
- Transportation equipment 900,000
- Other equipment 540,000 - 1,800,000

When a machine consists of large components with different useful lives, the components are considered as separate items.

The residual values and useful lives of the tangible assets are subject to review in each annual balance sheet. When book values and the useful lives of tangible assets exceed their recoverable value, the differences (impairment) are recorded as expenses in the profit or loss statement.

During the withdrawal or the sale of a property asset, the relevant cost and accumulated depreciations are written off from the corresponding accounts at the time of withdrawal or the sale. The relevant profit or loss is then recorded in the profit and loss account.

2.6. Intangible assets

a) Trademarks

Concerns the acquisition of a third-party trademarks from the parent company. They are being depreciated according to the straight – line method and their useful life is set to 10 years.

b) Clientele

This pertains to the acquisition cost of a third company's client list from the subsidiary Mesh Pack GmbH. It is amortised through the straight-line method whereby its useful life has been set to 5 years.

c) Software and programs

This pertains to the software acquisition cost, as well as to every expense that arises in order to put the said software into operation. Expenses pertaining to the support or expansion of the software's performance, beyond the initial specifications, are recognised as capital expenses and are added to the initial cost of the software. The cost of the software's acquisition and development is recognised as an intangible asset and is amortised by using the straight-line method and has a useful life of 3 to 10 years for the industrial sector and with the method of unit-of-production for the hotel sector.

d) Production licences from photovoltaic parks

This pertains to the cost of purchasing an electric energy from a photovoltaic station production licence. The cost of the Licence is amortised based on the estimated useful life of the photovoltaic elements of the Park, which is 25 years.

2.7. Property asset impairment

Tangible assets and other non-current assets are reviewed for potential impairment losses whenever events or changes in circumstances indicate that their book value may not be recoverable. If, at any time, the book value of an asset exceeds its recoverable amount, the respective impairment loss is registered in the profit and loss account. The recoverable value of an asset is the estimated net sale price or the value in use, whichever amount is the largest. The net sale value is defined as the possible proceeds from the sale of an asset between knowledgeable, willing parties in an arm's length transaction, upon subtracting any additional direct cost for its disposition, while its value in use is the current value of the estimated future cash flows expected to be realised from the continuous use of an asset, as well as from its disposition at the end of its useful life. In the event that the evaluation of the recoverable amount of an asset, for which there is an indication of impairment, is not possible, the recoverable amount for the cash flow producing unit in which the asset belongs to, shall be specified.

A reversal entry for an impairment loss with respect to the value of assets recognised in previous years shall only take place only if there are strong indications that this impairment no longer exists or has been reduced. In these cases, the above reversal entry shall be considered as income.

2.8. Inventories

Inventories are designated at the lower value between the acquisition cost and the net realisable value. The cost is specified by using the weighted average cost method. The cost of the finished products, as well as semi-finished inventories, includes the cost of the materials, the direct labour cost and the general common production cost percentage. The borrowing cost is not included in the acquisition cost for the inventories. The net realisable value is estimated based on the inventories' current sale prices, in the context of normal business activity, less any sales costs.

2.9. Receivables from customers

Initially, receivables from customers are recorded at fair value and are then subsequently designated at unamortised cost using the effective interest rate less impairment losses. Impairment losses (losses from bad debts) are recognised when there is an objective indication that the group is not able to collect all of the amounts due based on the contractual terms. The amount pertaining to the impairment loss is the difference between the book value of the receivables and the current value of the estimated future cash flows, discounted at the effective interest rate. The impairment loss amount is recorded as an expense in the profit and loss account.

2.10. Cash and cash equivalents

Cash and cash equivalents include cash, deposits and time deposits, in both euro and foreign currencies. Deposits in foreign currency pertain mostly to USD.

2.11. Share Capital

The company's share capital consists of common shares and is classified as shareholders' equity. On 31 December 2017, the share capital amounted to EUR 24,662,050.56 and was divided into 14,679,792 common registered shared with a nominal value of EUR 1,68 each.
No portion of the covered share capital has been paid up yet; a number or total nominal value and type of shares have not been fully paid up either.

2.12. Loans

Loans are initially recorded at fair value less any direct cost for the realisation of the transaction. They are subsequently designated at unamortised cost by using the effective interest rate.
The group’s Management considers that the interest that is paid in relation to the loans entered into, are equal to the market’s current reasonable interest rates; consequently, there is no need for any adjustment regarding the value in which these obligations are presented.
Any difference between the provision (less the acquisition costs) and the repayment value is recognised in the profit and loss statement throughout the duration of the loans.

2.13. Leases

Leases, which transfer all the risks and the benefits accompanying the ownership of the leased asset to the Group, are recorded upon the commencement of the leasing as a property asset at an amount equal to the actual value of the leased property. If it is lower, it is recorded as equal to the current value of the minimum leases. The leases are allocated to the financial expenses thereby reducing the unpaid liability, so that a fixed periodic interest rate prevails over the remaining balance of the liability. Financial expenses are debited directly in the profit and loss.
Leased property assets are amortised based on the useful life of the property asset. The acquisition value has been defined as the total value of the leases less financial expenses, which encumbers the profit and loss statement in each fiscal period.
Leases, where the lessor substantially maintains all the benefits and risks that arise from the ownership of the property asset are classified as operational leases. Lease payments, for operational leases are classified as expenses in the profit and loss statement, on a systematic basis, during the leasing period.

2.14. Income tax (current and deferred)

Current and deferred income taxes are calculated based on the relevant items in the financial statements for each company included in the consolidation pursuant to the taxation laws applicable in Greece and in the other countries in which the foreign subsidiaries are registered. The current income tax pertaining to the tax payable on the taxable revenues of the Group’s companies as reformed pursuant to the requirements of the tax law is calculated based on

the applicable tax rate. The current tax assets and liabilities are designated at the amount, which is expected to be paid to the tax authorities (or to be recovered from them) through the use of the tax rates (and tax laws), which have been established up to the Balance sheet date.
Deferred tax is calculated by using the liability method with respect to all temporary tax differences as at the balance sheet date between the tax basis and the book value of the property assets and liabilities.
The expected tax effects from the temporary tax differences are specified through the tax rates that are expected to apply during the period of the recovery of assets and the settlement of liabilities. They are presented either as future (deferred) tax liabilities or as deferred tax receivables.
Deferred tax receivables are recorded for all deductible temporary tax differences and transferred tax losses, up to the estimated extent of potentially available future taxable profits against which the deductible temporary difference can be utilised. The book value of the deferred tax receivables is reviewed on each balance sheet date and is decreased to a level up to which it is likely that the taxable profit will not be adequate to cover part, or all, of the deferred tax receivables.

2.15. Employee Benefits

IAS 19 distinguishes the benefits after retirement into Predetermined Allowance and Predetermined Contribution. The Predetermined Contribution plans are accounted as an expense in the profit and loss statement of each period and it is equal to the contribution paid by the employer. The accounting treatment of the Predetermined Allowance plans includes an actuarial valuation, because the standard claims to allocate their cost in the working period of each employee. The compensations of Law 2112/20, as they were amended by Law 4093/12, are classified as Predetermined Allowance for the purpose of IAS 19. The actuarial method followed is the Projected Unit Credit Method. The amended IAS 19 is now imposing:

- The immediate recognition of actuarial profits / (losses) in other comprehensive income and their definite exception from the fiscal year's results.
- The non-recognition plus the expected returns of the program's investments in the fiscal year's results as well as the recognition of the relative interest on the net liability / (receivable) of the allowance, calculated based on the discounting interest rate, which is used for measuring the liability of Predetermined Allowances.
- The recognition of the cost of previous experience in the fiscal year's results, the earlier from the dates of the program's amendment or when it is recognized the relative restructuring or terminal allowance.
- Other alternations including new disclosures, like quantitative sensitivity analysis.

2.16. Provisions for risks and expenses

Provisions are made when the Group has a present legal or presumed obligation resulting from previous events and there is a possibility that a resource outflow shall be required in order for the obligation to be settled and for a reliable estimation on the amount to be made.
The group recognises a provision for detrimental contracts when the expected benefits, arising from the contract, are lower than the inevitable liability cost in the context of the contract.
Provisions are reviewed at the end of each fiscal period and are adjusted in order to reflect the best possible estimates an, are discounted at a pre-tax discount rate where necessary.
Contingent liabilities are not recorded in the financial statements but are disclosed, unless the likelihood of an outflow of resources incorporating economic benefits is minimal. Contingent receivables are not recorded in the financial statements but are disclosed when the inflow of financial benefits is likely.

2.17. Income recognition

Income includes the fair value arising from the sales of goods and provision of services, net of tax recoveries, credits and returns. Inter-Company income within the Group is written-off entirely. Income recognition is carried out as follows:

(a) Sales of goods: Sales of goods are recognised when the Group delivers the goods to the client, the goods are accepted by them and the payment of the receivables is fairly guaranteed.

(b) Services rendered: Income from the provision of services is calculated based on the completion stage of the service in relation to its estimated total cost.

(c) Revenues from the sale of electric energy: Revenues from electricity retail sales are recognized during the period in which electricity is delivered to customers (accrual principle) and is measured monthly according to measurements of IPTO for medium voltage customers and estimates based on historical consumption that the Hellenic Electricity Distribution Network Operator (ΔΕΔΔΗΕ) announces for Low Voltage (LV) customers. According to these measurements provided by OEM and the forecasts of the HEDNO, including the consumption per unit and in combination with the contractual terms, each customer receives a monthly bill per consumption meter. For low-voltage customers, the bills are an "up front" (prepayment) and are accounted for as "accrued revenue" until HEDNO sends the actual consumption of the period. Then, a clearing bill is issued. During the preparation of the financial statements, as income are considered realized sales of electric energy independently of the time of issue of the bills.

(d) Revenues from cross-border electricity trade: The group sells both in the domestic market and abroad. Revenues from these sales are recognized when the Group delivers the goods to the customers, the goods are accepted by them and the collection of the receivable is fairly assured.

(e) Rents from leased properties: Rents are accounted for as income when the right to collect the rent is vested based on the pre-agreed date.

(f) Interest Income: Income from interest is recognised proportionately, based on time and with the use of effective interest rate. When the receivables are impaired, their book value is reduced to their recoverable amount, which is the present value of the expected future cash flows discounted at the original effective interest rate, and allocates the discount as interest income.

2.18. Government grants related to depreciable assets

These pertain to assistance from the government in the form of a transfer of financial resources for the purchase, manufacture or acquisition of assets. Upon collection (provided that it has been proven that the relevant terms of the grant are met), they are recorded in liabilities as deferred income. Income is recognised on a systematic basis during the useful life of the assets, depending on their depreciation.

2.19. Dividend distribution

The distribution of dividends to the parent company's shareholders is recorded as a liability in the financial statements when the said distribution is approved at the General Meeting of Shareholders.

2.20. Related parties' disclosures

Two parties are considered as related if the one has the ability to control the other or exercise a material influence over it with respect to financial and business decisions. More specifically, the following fall under the category of related parties:

a) Businesses which directly or indirectly control or are controlled by the Company,
b) Affiliates, which are not subsidiaries, upon which however, the Company exercises a material influence,
c) Individuals and their close relatives who directly or indirectly possess voting rights within the Company, thus providing them with the ability to exercise a material influence on it,
d) Executives of the Company, members of the board and persons closely related to them, and
e) Businesses owned by members of the board or major shareholders of the Company, as well as businesses having common executives with the Company.

2.21. Investments and other (primary) financial assets

Financial assets that are regulated by and fall under the scope of IAS 39 are classified depending on both their nature and characteristics in one of the following categories:

(i) Available-for-sale investments, (ii) Loans and receivables, (iii) Financial assets at fair value through the profit and loss statement and (iv) Held-to-maturity investments. They are initially recognised at acquisition cost representing their fair value, plus, in some cases, direct acquisition transaction costs. The classification of the above financial assets is carried out through initial recognition, and where possible, is re-examined and reviewed periodically.

(i) Available-for-sale financial assets: Financial assets that cannot be classified in any of the above categories are characterised and classified as available-for-sale investments. After their initial recognition, available-for-sale investments are designated at fair value and any arising gain or loss is recorded in other comprehensive income. Upon the sale or write-off or impairment of the investment, any accumulated gains or losses are included in the profit and loss statement.

(ii) Loans and Receivables: Loans and receivables arising from the Group's operations, (which also exceed the normal credit limits) are designated at unamortised cost based on the effective interest rate method. Gains and losses are recorded in the profit and loss account when the relevant items are deleted or impaired, as well as through the amortisation process.

(iii) Financial assets at fair value through profit or loss: Pertains to the trading portfolio and includes investments that are acquired so that they can be liquidated in the near future. Gains or losses from the valuation of such assets are recorded in the profit and loss statement.

(iv) Held-to-maturity investments: Financial assets with determinable payments and a fixed maturity are classified as held-to-maturity when the company has both the intention as well as the ability to hold them to maturity. Investments held for an indefinite or a fixed period of time cannot be classified in this category. Held-to-maturity investments are designated, after the initial recognition, at unamortised cost on the basis on the effective interest rate method. Gains and losses are recorded in the profit and loss when the relevant items are deleted or impaired, as well as through the amortisation process.

The current value of the said investments traded in a regulated market arises from the respective market value of the investment as at the closing date. As far as the investments, which are not traded in an active market, are concerned, the fair value is designated based on relevant valuation techniques. These techniques are based on recent arm's length transactions of similar investments, with reference to the market value of another investment possessing characteristics that are similar to those of the investment being valued, by using discounted cash flow analysis and investment valuation models.

2.22. Determination of the fair value of financial instruments

Fair value is defined as the price at which an asset (be it financial or not) will be sold or the price paid for the transfer of a liability (financial or not) in the context of a regular transaction between market participants as at the measurement date. In measuring the fair value, it is assumed that the transaction for the sale of the asset or the transfer of the liability takes place either: (i) in the main market for the asset or the liability, or (ii) in the absence of a main market, in the most advantageous market for the asset or the obligation. A financial instrument is regarded as negotiable in a main active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An entity does not have to exhaustively investigate all potential markets in order to find the main market or, in the absence of a main market, the most advantageous market, but has to take into consideration all information that is reasonably available. In the absence of relevant evidence to the contrary, the market in which an entity would regularly conduct a transaction for the sale of the asset or the transfer of the obligation is considered to be the main market, or in the absence of a main market, the most advantageous market. If there is a main market for the asset or the obligation, the measurement of the fair value represents the price at the said market (whether this price is readily observable or estimated by using another valuation technique), even if the price in a different market may be more advantageous as at the measurement date. IFRS 13 sets the hierarchy of valuation models with respect to the objectiveness of the information used in those models (observable inputs or not). Observable inputs are based on market data and are derived from independent sources, while non-observable inputs refer to assumptions made by Management. The Group and the Company calculate the fair value of the financial instruments based on a relevant framework which classifies the financial assets pursuant to a three-level hierarchy, according to data used for their valuation, as described below:

Level 1: Investments designated at fair value based on quoted (non-adjusted) prices in active markets for similar assets or obligations.

Level 2: Investments designated at fair value based on valuation models in which all the data that significantly influences the fair value is based on (whether directly or indirectly) observable market data.

Level 3: Investments designated at fair value based on valuation models in which all the data that significantly influences the fair value is not based on observable market data.

3. Operating Segments

An operating segment engages in business activities from which it may earn revenues and incur expenses. Its operating results are regularly reviewed by the entity's management in order to make business decisions. The reported information pertains to the information used internally by management to assess the performance of the operating segments. The Group engages in industrial production, the provision of hotel services and in the sector of energy production and commercial trade.

As far as its industrial activity is concerned, operational production units amounted to three in Greece and one in Germany, in addition to three commercial enterprises located in Spain, Italy and Russia. There is also a commercial enterprise in the U.K., whose results appear in the investment results of the industrial sector.

Hotel activity constitutes another operating segment, which comprises of the hotel of the parent company and STELLA POLARIS S.A. (up to 27.07.2017).

Furthermore, the Group engages in the production of energy from photovoltaic stations, which is considered a separate operating segment. The Group has P/V stations which are owned by the parent company with a combined capacity of 8.24 MW (three P/V stations installed on the rooftops of the plants in the Heraklion prefecture with a capacity of 80 KW each, four P/V stations in the Thiva area with a combined capacity of 7 MW, one P/V station with a capacity of 1 MW installed on the rooftop of the plant in Larisa, six P/V stations in Cephalonia with a capacity of 100 KW each) and the P/V station of the subsidiary KARATZIS INDUSTRIAL & HOTEL ENTERPRISES S.A. & Co in the prefecture of Pieria with a capacity of 5.5 MW. In addition, with the beginning of operations of KEN, the energy sector is also expanding in the field of electricity distribution. With the decision MF&D/RAE 413/11.3.2016 the company received a licence for the supply of electric energy with registration number AD-03561, and total power of 300MW. In addition, with decision MF&D/RAE 883/2017 the company received a Natural Gas License.

The sales, profit and loss, as well as the assets and the liabilities of the Group's operating segments are as follows:

31/12/2017

THE GROUP (amounts in €)	Industry	Hotel	Energy	Total
Sales	68.612.338	11.998.726	24.300.350	104.911.414
Minus: Intercompany sales	(3.295.919)	-	(1.132.634)	(4.428.553)
Sales to Third Parties	**65.316.419**	**11.998.726**	**23.167.716**	**100.482.861**
Gross Profit	**16.187.069**	**3.138.955**	**6.826.226**	**26.152.250**
Administrative expenses	(2.485.221)	(481.107)	(408.073)	(3.374.401)
Distribution expenses	(5.556.324)	(1.085)	(1.505.032)	(7.062.440)
Other income	270.878	125.518	55.605	452.001
Other expenses	(578.594)	(129.754)	(602.531)	1.310.879
Operating and extraordinary results	**7.837.809**	**2.652.527**	**4.366.195**	**14.856.531**
Profit (Loss) from affiliate firms	73.915	-	-	73.915
Investment results	4.245	10.840.473	1.475	10.846.194
Financial income	840	3	13.567	14.410
Financial expenses	(741.251)	(454.962)	(455.580)	(1.651.793)
Earnigns before taxes	**7.175.558**	**13.038.041**	**3.925.657**	**24.139.256**
Deferred tax	373.755	201.640	(265.366)	310.029
Income tax	(2.302.614)	(4.330.665)	1.171.610	(7.804.889)
Profit after taxes	**5.246.699**	**8.909.016**	**2.488.681**	**16.644.396**
Fixed assets additions	3.041.788	10.599.922	352.393	**13.994.104**
Fixed assets depreciation and amortization	3.373.023	1.773.619	1.473.005	**6.619.647**

Previous year (2016)

THE GROUP (amounts in €)	Industry	Hotel	Energy	Total
Sales	62.869.300	11.177.696	6.183.381	80.230.378
Minus: Intercompany sales	(2.619.546)	-	-	(2.619.546)
Sales to Third Parties	**60.249.754**	**11.177.696**	**6.183.381**	**77.610.832**
Gross Profit	**14.337.938**	**2.680.764**	**4.068.772**	**21.087.473**
Administrative expenses	(2.257.005)	(489.640)	(248.016)	(2.994.662)
Distribution expenses	(4.446.952)	(3.417)	(13.577)	(4.463.946)
Other income	274.232	160.774	(5.105)	429.901
Other expenses	(100.050)	(127.557)	(2.390)	(229.998)
Operating and extraordinary results	**7.808.162**	**2.220.924**	**3.799.684**	**13.828.769**
Profit (Loss) from affiliate firms	54.919	-	-	54.919
Investment results	3.389	1.404	540	5.333
Financial income	(2.499)	3.571	3.126	4.199
Financial expenses	(943.831)	(395.721)	(559.713)	(1.899.265)
Earnigns before taxes	**6.920.140**	**1.830.178**	**3.243.637**	**11.993.955**
Deferred tax	215.144	145.761	(88.075)	272.830
Income tax	(2.231.808)	(579.908)	(1.016.502)	(3.828.218)
Profit after taxes	**4.903.476**	**1.396.030**	**2.139.060**	**8.438.567**
Fixed assets additions	5.641.092	954.182	50.673	**6.645.946**
Fixed assets depreciation and amortization	3.317.006	1.642.712	1.356.730	**6.316.448**

Note: The fixed assets additions include and non-cash-generating transactions, while in the cash flows table adjustments have been made for non-cash figures.

The geographic allocation of Group sales for the fiscal year 2017 is as follows:

Geographic allocation of Group's sales	2017	2016
Greece industrial activity	2.402.595	2.701.323
Greece hotel activity	239.975	176.882
Greece energy production	22.064.991	6.183.381
Total Domestic Sales	**24.707.561**	**9.061.586**
European Union	53.452.354	49.974.209
Other countries	9.461.470	7.574.223
Total Industrial Activity Abroad	**62.913.824**	**57.548.432**
Hotel Activity	**11.758.752**	**11.000.814**
European Union	97.209	0
Other countries	1.005.516	0
Total Sales of Eelectric Power Abroad	**1.102.725**	**0**
Total Sales Abroad	**75.775.301**	**68.549.246**
Total Consolidated Sales	**100.482.861**	**77.610.832**

The geographic allocation of the parent Company's sales for the fiscal year 2017 is as follows:

Geographic allocation of Company's sales	2017	2016
Greece industrial activity	2.402.595	2.804.212
Greece hotel activity	239.975	176.882
Greece energy production	4.318.946	4.296.960
Total Domestic Sales	**6.961.515**	**7.278.054**
European Union	42.903.097	40.046.866
Other countries	8.807.705	7.527.486
Total Industrial Activity Abroad	**51.710.802**	**47.574.352**
Hotel Activity	**11.758.752**	**11.000.814**
Total Sales Abroad	**63.469.553**	**58.575.166**
Total Sales of the Parent Company	**70.431.069**	**65.853.220**

The Group's financial position for the fiscal year 2017 is as follows:

31/12/2017

THE GROUP (amounts in €)	Industry	Hotel	Solar Power	Total
Intangible fixed assets	191.712	50.427	1.330.349	1.572.488
Tangible fixed assets	28.481.152	51.929.859	25.218.934	105.629.946
Inventories	25.430.813	200.704	-	25.631.516
Trade receivables	8.115.295	422.576	6.649.966	15.187.836
Other assets	16.832.553	23.818.303	9.316.194	49.967.051
Participations	344.157	-	-	344.157
Total Assets	**79.395.682**	**76.421.868**	**42.515.444**	**198.332.994**
Total Liabilites	30.288.180	28.184.632	14.225.770	72.698.583
Equity attributable to shareholder:	**49.273.878**	**48.237.236**	**28.289.608**	**125.800.722**
Non controlling interests	(166.376)	-	65	(166.311)
Equity	**49.107.502**	**48.237.236**	**28.289.673**	**125.634.411**

The financial position for the previous fiscal year is analysed as follows:

Previous Year (31/12/2016)

THE GROUP (amounts in €)	Industry	Hotel	Solar Power	Total
Intangible fixed assets	215.739	31.327	1.358.427	1.605.494
Tangible fixed assets	30.296.898	46.856.805	26.447.768	103.601.471
Inventories	25.530.073	55.209	-	25.585.282
Trade receivables	7.014.870	249.924	4.327.190	11.591.984
Other assets	14.139.730	5.641.267	5.488.635	25.269.632
Participations	282.828	-	-	282.828
Total Assets	**77.480.139**	**52.834.532**	**37.622.020**	**167.936.691**
Total Liabilites	33.264.554	13.370.605	10.907.439	57.542.598
Equity attributable to shareholder:	**44.130.438**	**39.463.927**	**26.714.576**	**110.308.941**
Non controlling interests	85.146	-	6	85.152
Equity	**44.215.585**	**39.463.927**	**26.714.581**	**110.394.093**

4. Intangible fixed assets

The statement of intangible fixed assets for the fiscal year 2017 for the Group is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2016	Additions of period	Sales 2017	Disposals 2017	Total 31/12/2017
Trademarks	123.200	7.900	-	-	131.100
Client List	421.906	-	-	-	421.906
Software	670.858	96.669	-	-	767.527
Licence for energy production	1.665.124	-	-	-	1.665.124
Total	**2.881.088**	**104.569**	**-**	**-**	**2.985.657**

b) AMORTIZATION FIXED ASSETS CATEGORY	Total 31/12/2016	Amortization of period	Amortization of sales 2017	Disposals of amortization 2017	Total 31/12/2017
Trademarks	1.072	14.927	-	-	15.999
Client List	441.301	-	-	(19.396)	421.905
Software	501.403	50.251	-	19.396	571.050
Licence for energy production	331.818	72.397	-	-	404.215
Total	**1.275.594**	**137.575**	**-**	**-**	**1.413.169**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2016				Balance 31/12/2017
Trademarks	122.128				115.101
Client List	(19.395)				1
Software	169.455				196.477
Licence for energy production	1.333.305				1.260.909
Total	**1.605.494**	**-**	**-**	**-**	**1.572.488**

	Balance 31/12/2016	Additions of period	Transfers	Balance 31/12/2016
Prepayments	-	-	-	-
Grand Total	**1.605.494**			**1.572.488**

The statement of the intangible fixed assets for the fiscal year 2016 for the Group is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2015	Additions of period	Sales 2016	Disposals 2016	Total 31/12/2016
Trademarks	-	123.200	-	-	123.200
Client List	421.906	-	-	-	421.906
Software	647.943	22.915	-	-	670.858
Licence for energy production	1.665.124	-	-	-	1.665.124
Total	**2.734.973**	**146.115**	**-**	**-**	**2.881.088**

b) AMORTIZATION FIXED ASSETS CATEGORY	Total 31/12/2015	Amortization of period	Amortization of sales 2016	Disposals of amortization 2016	Total 31/12/2016
Trademarks	-	1.072	-	-	1.072
Client List	421.905	19.396	-	-	441.301
Software	472.859	28.544	-	-	501.403
Licence for energy production	259.421	72.397	-	-	331.818
Total	**1.154.186**	**121.408**	**-**	**-**	**1.275.594**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2015				Balance 31/12/2016
Trademarks	-				122.128
Client List	1				(19.395)
Software	175.084				169.455
Licence for energy production	1.405.702				1.333.305
Total	**1.580.787**	**-**	**-**	**-**	**1.605.494**

	Balance 31/12/2015	Additions of period		Transfers	Balance 31/12/2016
Prepayments	-	-		-	-
Grand Total	**1.580.787**				**1.605.494**

The statement of the intangible fixed assets for the fiscal year 2017 for the company is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2016	Additions of period	Sales 2017	Disposals 2017	Total 31/12/2017
Trademarks	116.000	-	-	-	116.000
Software	508.783	29.742	-	-	538.524
Total	**624.783**	**29.742**	**-**	**-**	**654.524**

b) AMORTIZATION FIXED ASSETS CATEGORY	Total 31/12/2016	Amortization of period	Amortization of sales 2017	Disposals of amortization 2017	Total 31/12/2017
Trademarks	967	11.600	-	-	12.567
Software	388.099	27.408	-	-	415.507
Total	**389.066**	**39.008**	**-**	**-**	**428.074**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2016				Balance 31/12/2017
Trademarks	115.033				103.433
Software	120.684				123.018
Total	**235.717**				**226.451**

	Balance 31/12/2016	Additions of period		Transfers	Balance 31/12/2017
Prepayments	-				-
Grand Total	**235.717**				**226.451**

The statement of the intangible fixed assets for the fiscal year 2016 for the company is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2015	Additions of period	Sales 2016	Disposals 2016	Total 31/12/2016
Trademarks	-	116.000	-	-	116.000
Software	499.998	8.785	-	-	508.783
Total	**499.998**	**124.785**	**-**	**-**	**624.783**

b) AMORTIZATION FIXED ASSETS CATEGORY	Total 31/12/2015	Amortization of period	Amortization of sales 2016	Disposals of amortization 2016	Total 31/12/2016
Trademarks	-	967	-	-	967
Software	360.635	27.464	-	-	388.099
Total	**360.635**	**28.430**	**-**	**-**	**389.066**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2015	Balance 31/12/2016
Trademarks	-	115.033
Software	139.362	120.684
Total	**139.362**	**235.717**

	Balance 31/12/2015	Additions of period	Transfers	Balance 31/12/2016
Prepayments	-			-
Grand Total	**139.362**			**235.717**

5. Tangible fixed assets

The statement of the tangible fixed assets for the fiscal year 2016 for the **Group** is broken down as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2016	Additions of period	Sales 2017	Disposals 2017	Exchange difference	Total 31/12/2017
Land	26.362.326	275.542	-	5.353.807	-	21.284.061
Buildings - Buildings Installations	47.893.009	3.799.532	-	-	-	51.692.541
Machinery - Technical Installations	83.396.782	561.881	-	-	-	83.958.663
Transportation Equipment	1.030.268	209.647	71.545	-	-	1.168.370
Furniture and Fixtures	8.906.643	804.703	7.439	11.411	(241)	9.692.256
Total	**167.589.028**	**5.651.305**	**78.984**	**5.365.218**	**(241)**	**167.795.890**

b) DEPRECIATION FIXED ASSETS CATEGORY	Total 31/12/2016	Depreciation of period	Depreciation of sales 2016	Disposals of Depreciation 2016		Total 31/12/2017
Buildings - Buildings Installations	17.962.319	1.953.244	-	-		19.915.563
Machinery - Technical Installations	42.076.993	3.885.052	-	-		45.962.045
Transportation Equipment	673.668	94.319	53.652	-		714.336
Furniture and Fixtures	7.023.732	549.456	4.746	11.411	(56)	7.556.975
Total	**67.736.713**	**6.482.072**	**58.397**	**11.411**	**(56)**	**74.148.919**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2016	Total 31/12/2017
Land	26.362.326	21.284.061
Buildings - Buildings Installations	29.930.690	31.776.978
Machinery - Technical Installations	41.319.789	37.996.618
Transportation Equipment	356.599	454.033
Furniture and Fixtures	1.882.911	2.135.281
Total	**99.852.315**	**93.646.970**

	Balance 31/12/2016	Additions of period	Transfers	Balance 31/12/2017
Under contruction	3.037.299	7.406.231	555.578	9.887.952
Prepayments	711.857	1.969.962	710.898	1.970.921
Orders of assets from abroad	-	861.004	736.901	124.103
Grand Total	**103.601.471**			**105.629.946**

Additions of the year mainly concern machinery for the modernization of the parent company's mechanical equipment, as well as the new administration building of the parent company. Assets under construction include the semi-finished 5* hotel Nana Princess.

The statement of the tangible fixed assets for the fiscal year 2016 for the **Group** is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2015	Additions of period	Sales 2016	Disposals 2016	Total 31/12/2016
Land	26.101.422	260.904	-	-	26.362.326
Buildings - Buildings Installations	47.216.978	676.030	-	-	47.893.009
Machinery - Technical Installations	80.703.026	2.693.756	-	-	83.396.782
Transportation Equipment	916.840	183.349	69.922	-	1.030.268
Furniture and Fixtures	8.571.019	359.786	-	24.162	8.906.643
Total	**163.509.286**	**4.173.825**	**69.922**	**24.162**	**167.589.028**

b) DEPRECIATION FIXED ASSETS CATEGORY	Total 31/12/2015	Depreciation of period	Depreciation of sales 2016	Disposals of Depreciation 2016	Total 31/12/2016
Buildings - Buildings Installations	16.134.631	1.827.688	-	-	17.962.319
Machinery - Technical Installations	38.255.673	3.821.320	-	-	42.076.993
Transportation Equipment	655.723	69.991	52.045	-	673.668
Furniture and Fixtures	6.571.851	476.041	-	24.161	7.023.732
Total	**61.617.878**	**6.195.040**	**52.045**	**24.161**	**67.736.713**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2015	Total 31/12/2016
Land	26.101.422	26.362.326
Buildings - Buildings Installations	31.082.347	29.930.690
Machinery - Technical Installations	42.447.354	41.319.789
Transportation Equipment	261.117	356.599
Furniture and Fixtures	1.999.168	1.882.911
Total	**101.891.408**	**99.852.315**

	Balance 31/12/2015	Additions of period	Transfers	Balance 31/12/2016
Under contruction	1.320.177	2.727.140	1.010.018	3.037.299
Prepayments	102.973	710.898	102.014	711.857
Orders of assets from abroad	-			-
Grand Total	**103.314.558**			**103.601.471**

The statement of the tangible fixed assets for the fiscal year 2017 for the **Company** is as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2016	Additions of period	Sales 2017	Disposals 2017	Transfers	Total 31/12/2017
Land	20.886.228	275.542			-	21.161.769
Buildings - Buildings Installations	43.950.999	11.798			3.725.177	47.687.975
Machinery - Technical Installations	61.496.853	141.638			51.462	61.689.953
Transportation Equipment	934.806	142.751	72.002		-	1.005.555
Furniture and Fixtures	8.290.510	111.496	7.439		538.404	8.932.972
Total	**135.559.397**	**683.224**	**79.441**	**-**	**4.315.043**	**140.478.224**

b) DEPRECIATION FIXED ASSETS CATEGORY	Total 31/12/2016	Depreciation of period	Depreciation of sales 2017	Disposals of Depreciation 2017	Total 31/12/2017
Buildings - Buildings Installations	16.253.321	1.787.991			18.041.312
Machinery - Technical Installations	30.324.743	3.178.491			33.503.234
Transportation Equipment	633.944	74.808	44.473		664.279
Furniture and Fixtures	6.514.826	490.488	4.746		7.000.568
Total	**53.726.834**	**5.531.778**	**49.218**	**-**	**59.209.393**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2016	Total 31/12/2017
Land	20.886.228	21.161.769
Buildings - Buildings Installations	27.697.678	29.646.663
Machinery - Technical Installations	31.172.111	28.186.719
Transportation Equipment	300.863	341.276
Furniture and Fixtures	1.775.685	1.932.404
Total	**81.832.563**	**81.268.830**

	Balance 31/12/2016	Additions of period	Transfers	Balance 31/12/2016
Under contruction	2.731.976	11.413.359	4.315.043	9.830.292
Prepayments	710.898	1.938.598	710.898	1.938.598
Orders of assets from abroad	-	155.467	-	155.467
Grand Total	**85.275.437**			**93.193.187**

The Company's assets under construction on 31.12.2016 mainly concern investments of the new hotel.

The statement of the tangible fixed assets for the fiscal year 2016 for the **Company** is broken down as follows:

a) ACQUISITION COST FIXED ASSETS CATEGORY	Total 31/12/2015	Additions of period	Sales 2016	Disposals 2016	Total 31/12/2016
Land	20.625.323	260.904	-	-	20.886.228
Buildings - Buildings Installations	43.274.969	676.030	-	-	43.950.999
Machinery - Technical Installations	58.947.122	2.576.963	27.232	-	61.496.853
Transportation Equipment	839.179	165.549	69.922	-	934.806
Furniture and Fixtures	7.985.450	305.061	-	-	8.290.510
Total	**131.672.043**	**3.984.508**	**97.154**	**-**	**135.559.397**

b) DEPRECIATION FIXED ASSETS CATEGORY	Total 31/12/2015	Depreciation of period	Depreciation of sales 2016	Disposals of Depreciation 2016	Total 31/12/2016
Buildings - Buildings Installations	14.584.421	1.668.901	-		16.253.321
Machinery - Technical Installations	27.285.808	3.062.083	19.970	3.177	30.324.743
Transportation Equipment	626.806	59.183	49.338	2.707	633.944
Furniture and Fixtures	6.079.660	435.166	-		6.514.826
Total	**48.576.694**	**5.225.332**	**69.308**	**5.884**	**53.726.834**

c) NET VALUE FIXED ASSETS CATEGORY	Balance 31/12/2015	Total 31/12/2016
Land	20.625.323	20.886.228
Buildings - Buildings Installations	28.690.548	27.697.678
Machinery - Technical Installations	31.661.315	31.172.111
Transportation Equipment	212.373	300.863
Furniture and Fixtures	1.905.790	1.775.685
Total	**83.095.349**	**81.832.563**

	Balance 31/12/2015	Additions of period	Transfers	Balance 31/12/2016
Under contruction	1.098.314	2.548.103	914.441	2.731.976
Prepayments	102.014	710.898	102.014	710.898
Orders of assets from abroad	-	-	-	-
Grand Total	**84.295.677**			**85.275.437**

6. Investments in subsidiaries

The statement of the item for the fiscal year was as follows:

	31/12/2017	31/12/2016
Acquisition cost 31.12.2016	**15.878.487**	**15.004.342**
Share capital payment KARATZIS ITALIA	-	51.000
Share capital payment KEN A.E.	-	600.000
Share capital payment KARATZIS Russia	-	164.015
Share capital payment KARATZIS Romania	(2.338)	2.338
Divestment sale of Stella Polaris	(4.963.623)	-
Share capital increase Stella Polaris	-	16.792
Amount intended for share capital increase Stella Polaris	(40.000)	40.000
Acquisition cost 31.12.2017	**10.872.526**	**15.878.487**
Impairment provisions 31.12.2015	(1.105.367)	(1.105.367)
Impairment provisions for the year	(50.000)	-
Balance 31.12.2017	**9.717.159**	**14.773.120**

On 27.7.2017 the parent company's stake in the subsidiary STELLA POLARIS KRETA SA, headquartered in Heraklion Crete, was sold at TUI AG. The subsidiary, in which KARATZI SA participated with a 100% stake, was inactive and owned only one asset (plot of land) which accounted for 3% of the Group's assets. The gain from this transaction was recorded in the investment results from discontinued operations. The total aggregate income and the cash flows of the subsidiary have been consolidated up to 27.07.2017 and are presented in the discontinued operations of the Company and the Group (see also note 38 below).

On 22.11.2017, the inactive subsidiary Karatzis Romania was removed from the companies register of Romania. The company had no assets. The cash flows of the subsidiary have been consolidated up to 22.11.2017 and are presented in the discontinued operations of the Company and the Group.
In addition to the above, during FY 2017 there were no other changes in investments in subsidiaries.

7. Investments in affiliates

In the first half of 2014, ZEUS PACKAGING AGRI LTD was established in the United Kingdom, with an initial capital was £100. Half of the company's capital was covered by KARATZI SA, while the other half by a UK-based company. The established company is purely commercial and is mainly addressing itsself to the UK market. The company was consolidated for the first time in the financial statements of the first half of 2014 under the equity method.

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Acquisition cost 31.12.2016	282.828	255.056	125	125
Results of the affiliate for the year	61.329	27.773	-	-
Acquisition cost 31.12.2017	**344.157**	**282.828**	**125**	**125**
Balance 31.12.2017	**344.157**	**282.828**	**125**	**125**

The financial statements of the affiliate firm for the fiscal year 2017 are presented in the following tables:

STATEMENT OF FINANCIAL POSITION

ASSETS		
Current Assets	**31/12/2017**	**31/12/2016**
Inventories	770.066	276.163
Trade receivables	71.631	241.033
Other current assets	113	117
Cash and cash equivalents	190.551	209.284
Total Assets	**1.032.361**	**726.597**
LIABILITIES		
Equity		
Share capital	121	121
Other reserves	398.738	455.699
Retained earnings	292.245	109.838
Total Equity (a)	**691.104**	**565.657**
Short term liabilites		
Trade and other creditors	1.041	24.053
Tax Liabilites	54.932	99.403
Other short liabilities	285.285	37.484
Total Liabilities (b)	**341.258**	**160.940**
Total Equity & Liabilities (a + b)	**1.032.361**	**726.597**

STATEMENT OF COMPREHENSIVE INCOME

	31/12/2017	31/12/2016
Sales	4.404.538	5.885.314
Cost of goods sold	-4.034.562	-5.543.811
Gross Profit	**369.976**	**341.503**
Administrative expenses	-146.702	-134.928
Distribution expenses	-75.444	-69.389
Earnings before interest and taxes	**147.830**	**137.186**
Financial results	0	0
Earnings before taxes	**147.830**	**137.186**
Minus: Income tax	0	-27.349
Earnings after taxes (A)	**147.830**	**109.838**

8. Non-current assets

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Guarantees	214.338	225.300	55.592	35.592
Other long term receivables	18.302	18.915	1.016.907	517.520
Other non current assets	-	-	(600.000)	-
Total	**232.640**	**244.215**	**472.499**	**553.112**

The other receivables impairment provision relates to a receivable of the subsidiary KARATZIS Italia Srl, which recorded losses during FY 2017.

9. Inventories

The group and Company's inventories are broken down as follows:

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Goods	955.080	3.136.886	3.314	3.959
Finished and semi finished goods	12.160.116	9.856.066	10.245.137	9.856.066
By-products and residues	10.657	7.661	10.657	7.661
Raw and auxiliary materials - packaging materials	9.190.479	10.483.448	8.482.587	10.483.448
Consumables	220.220	331.719	220.220	331.719
Packaging materials	4.341	4.114	4.341	4.114
Orders of stocks	3.540.622	1.915.388	3.540.622	1.915.388
Impairment provisions	(450.000)	(150.000)	(450.000)	(150.000)
Total	**25.631.516**	**25.585.282**	**22.056.879**	**22.452.355**

10. Trade debtors

Receivables from trade debtors are short-term. No discount is required as at the balance sheet date.

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Trade receivables	15.691.538	11.557.449	9.739.687	8.744.238
Cheques receivable	1.655.702	1.447.483	1.655.702	1.447.483
Minus: Provisions	2.159.404	1.412.949	1.307.249	1.307.249
	15.187.836	**11.591.984**	**10.088.140**	**8.884.473**

The maturity of the company and group's trade receivables as at 31 December 2017 is as follows:

	KARATZI S.A.	SUBSIDIARIES	THE GROUP
up to 90 days	3.089.902	4.696.418	7.786.320
90 to 180 days	4.384.608	987.464	5.372.072
180 to 240 days	455.064	15.513	470.577
240 + days	176.571	-	176.571
Impaired	3.289.244	252.455	3.541.699
	11.395.389	**5.951.851**	**17.347.240**
Provisions	(1.307.249)	(852.155)	(2.159.404)
Balance of trade receivables	**10.088.140**	**5.099.696**	**15.187.836**

The balance of provisions for the Group and the Company was as follows:

	THE GROUP	THE COMPANY
	31/12/2017	31/12/2017
Provisions 31.12.2016	1.412.949	1.307.249
Provisions 2017	746.455	-
Provisions 31.12.2017	**2.159.404**	**1.307.249**

Regarding provisions formed within FY 2017, an amount of € 600 thousand concerns the subsidiary KEN SA.

11. Other current assets

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Greek State	6.553.751	4.117.686	5.732.733	3.902.643
Receivables from affiliate firms	92.673	44.886	92.673	44.886
Accrued income	3.024.225	44.925	1	42.976
Receivables from public sector abroad	1.618	3.856	-	-
Incoming remittances	690.000	-	690.000	-
Other receivables	120.605	120.140	66.599	58.019
Total	**10.482.873**	**4.331.491**	**6.582.006**	**4.048.523**

Receivables from the Greek State pertain mostly to an income tax advance payment, amounting to 3.7 million euro in total for the company and 3.9 million euro for the group, as well as a VAT refund amounting to 2.142 thousand euro for the company and the group.

Accrued income relates to accrued income from accounts of electric energy consumers, which were issued in the following year.

12. Prepayments

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Deferred expenses	1.643.346	173.025	165.254	139.993
Other prepayments	431.970	136.398	225.382	81.284
Total	**2.075.316**	**309.423**	**390.636**	**221.278**

Deferred expenses relate mainly to sales commissions of KEN SA, as well as NOME advances to be depreciated.

13. Investments held for trading

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Investments held for trading	30.049	30.504	30.000	30.000
Total	**30.049**	**30.504**	**30.000**	**30.000**

Investments held for trading concern shares of the Pancretan Co-operative Bank.

14. Cash

The company's cash includes cash and demand deposits in euro and foreign currencies (mostly USD), as well as time deposits expressed in euro.

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cash	45.637	44.960	25.345	44.960
Sight deposits in euro	1.589.776	1.061.319	361.063	444.993
Sight deposits in euro in financial institutions abroad	35.111.355	18.837.822	34.269.305	18.187.698
Time and sight deposits in foreing currency	67.233	93.425	1.932	2.168
Total	**36.814.001**	**20.037.526**	**34.657.644**	**18.679.819**

Time deposits pertain mostly to deposits expressed in euro held in credit institutions in Switzerland, with an high credit rating (Fitch, A+). The effective rate for short-term bank deposits forms approximately to 0.04% for the Group and to 0.08% for the company.

15. Share capital

The company's share capital amounts to 24,662,050.56 euro, divided into 14,679,792 common registered shares, with a nominal value of EUR 1.68 each.

16. Reserves

The reserves arising from tax laws, were created based on the provisions of the taxation law which either provides the possibility of deferring the taxation of certain revenues up until their distribution to the shareholders, or provides tax reliefs as an incentive for making investments. The management does not intend to implement a policy regarding the distribution or capitalisation of tax-free reserves imminently, and as a result, has not recognised any deferred tax liabilities in the company's financial statements.

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Share premium	19.993.151	19.993.151	19.993.151	19.993.151
Statutory reserve	1.888.562	1.563.577	1.888.562	1.499.961
Other reserves (taxed)	9.973.045	9.425.440	9.806.843	9.507.943
Tax free reserves under development laws	12.019.216	11.905.479	12.019.216	11.905.479
Other tax free reserves	2.383.170	2.383.170	2.383.170	2.383.170
Reserves under IFRS 1 first time adoption	16.707.531	19.433.825	16.707.531	16.707.531
Total	**62.964.675**	**64.704.642**	**62.798.473**	**61.997.235**

The change in the IFRS 1 first-time adoption reserve, concerns the termination of consolidation of STELLA POLARIS KRETA SA.

17. Loans and existing liens

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Long Term Debt				
Long Term Debt	22.414.411	8.851.013	19.749.540	3.994.963
Short Term Debt				
Bank loans	13.747.231	26.865.015	9.336.452	25.987.529
Long term debt payable within the next 12 months	2.220.714	883.056	1.489.173	280.563
	15.967.945	**27.748.071**	**10.825.625**	**26.268.092**
Total Debt	**38.382.356**	**36.599.084**	**30.575.165**	**30.263.055**

Maturity: The maturities of the long-term bank borrowings are as follows:

Long term debts payable in	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
From 1 to 2 years	8.548.995	1.658.338	7.927.560	663.627
From 2 to 5 years	9.193.151	6.535.896	7.516.340	3.297.002
More than 5 years	4.672.265	656.779	4.305.640	34.334
TOTAL	**22.414.411**	**8.851.013**	**19.749.540**	**3.994.963**

Collaterals: The subsidiary Mesh Pack GMBH Germany's real estate properties bear mortgages and underwritings amounting to 1,578 thousand euro in total. On top of that, its receivables and inventories have been pledged up to the amount of 56 thousand euro. KARATZIS ENERGIAKI's mechanical equipment has been pledged for the amount of EUR 5,233 thousand. In order to secure a long-term loan agreement, the product from the future collection of the subsidy related to the investment of the new hotel of the parent company, has been assigned. There are no mortgages and underwritings on the real estate property of the other subsidiaries.

Furthermore, the Company and the Group have pledged their receivables from the Operator of the Electricity Market S.A. (OEM) and the Hellenic Electricity Distribution Network Operator S.A. (HEDNO) arising from the sale of electrical energy, as a collateral made out to banking institutions regarding their respective long-term debt and any future excessive borrowings.

The long-term and short-term loans of the Company and the Group include covenants, regarding the maintenance of satisfactory capital adequacy and liquidity.

The parent company has provided a corporate guarantee in favour of "KEN S.A." amounting 6 million euro and in favour of "KARATZIS ENERGY" amounting 12.6 million euro.

Letters of guarantee of indefinite duration, b' class: 67,000 euro

Letters of guarantee of indefinite duration, c' class: 27,000 euro

18. Deferred tax liability

Deferred tax assets and liabilities are offset when there is an applicable legal right to offset current tax assets against current tax liabilities and when the deferred income taxes pertain to the same tax authority. The changes to deferred tax assets and liabilities during the fiscal period, without taking into consideration the offsetting of the balances within the same tax authority, are the following:

RECEIVABLES

Deferred tax receivables / Spanish tax authority	Balance 31/12/2016	Debit / (Credit) of the year Results	Debit / (Credit) of the year Equity	Balance 31/12/2017
Asset depreciation	1.125	4.125	-	5.250
Total (a)	**1.125**	**4.125**	**-**	**5.250**

Deferred tax receivables / Russian tax authority	Balance 31/12/2016	Debit / (Credit) of the year Results	Debit / (Credit) of the year Equity	Balance 31/12/2017
Asset depreciation	3.051	(749)	-	2.302
Total (b)	**3.051**	**(749)**	**-**	**2.302**

Deferred tax receivables / German tax authority	Balance 31/12/2016	Debit / (Credit) of the year Results	Debit / (Credit) of the year Equity	Balance 31/12/2017
Tax losses and depreciation of intangible assets	312.297	12.324	-	324.621
Total (c)	**312.297**	**12.324**	**-**	**324.621**
Total deferred tax receivables (a + b + c)	**316.473**	**15.700**	**-**	**332.173**

LIABILITES

Deferred Tax Liabilities / Greek tax authority	Balance	Debit / (Credit) of the year		Balance
	31/12/2016	Results	Equity	31/12/2017
Provisions	320.159	281.150	-	601.310
Asset depreciation	(5.725.796)	500.207	-	(5.225.589)
Long term debt (effective rate)	57.780	(58.156)	-	(376)
Other	(27.901)	27.901	-	-
Energy sector solidarity contribution	34.647	(34.647)	-	-
Deferred income (expenses)	-	(422.346)	-	(422.346)
Deductible tax losses	27.094	-	-	27.094
Total	**(5.314.016)**	**294.110**	**-**	**(5.019.906)**

	THE GROUP	
	FY 2017	FY 2016
Balance at the beginning of the year, January 1	5.314.016	(5.588.056)
Debit / (Credit) income statement	294.110	275.085
Balance at the end of the year, December 31	**(5.019.906)**	**(5.314.016)**
Liabilities	(5.020.951)	(5.365.648)
Receivables	1.045	51.632
Total	**(5.019.906)**	**(5.314.016)**

The tax rate, which was used for the calculation of the deferred tax arising from temporary differences between the taxation and the accounting basis, is set at 29% for Greece.

19. Provisions

The parent company has made provisions for unaudited fiscal years amounting to 120 thousand euro and another 480 thousand euro for extraordinary events.

The subsidiary company Mesh Pack GmbH has formed, on a cumulative basis, other provisions amounting to 37,4 thousand euro pertaining to guarantees for products sold.

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Provisions for tax audits	120.000	120.000	120.000	120.000
Other provisions	517.400	398.200	480.000	360.000
TOTAL	**637.400**	**518.200**	**600.000**	**480.000**

20. Employee benefits

The company's liability towards persons who are employed in Greece with respect to the future provision of benefits-compensations depending on how many years they have worked at the company, is measured and presented on the basis of the accrued benefit which is expected to be paid for each employee, discounted at its current value as at the balance sheet date, in relation to the estimated timing of the payment.

Change in the present value of the liability	THE GROUP 31/12/2017	THE GROUP 31/12/2016	THE COMPANY 31/12/2017	THE COMPANY 31/12/2016
Present value of the liability in the beginning of the period	838.138	804.340	838.138	804.340
Cost of current service	45.787	39.178	45.787	39.178
Interest cost	10.596	11.798	10.596	11.798
Benefits paid by the employer	-	(68.578)	-	(68.578)
Cost of cuts / settlements / termination of service	-	31.058	-	31.058
Cost of previous service during the period	-	16.737	-	16.737
Actuarial loss (profit) - assumptions	-	39.001	-	39.001
Actuarial loss (profit) - experience of period	-	(35.396)	-	(35.396)
Present value of the obligation at the end of the period	**894.521**	**838.138**	**894.521**	**838.138**

Change in net liability	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net liability at the beginning of the period	838.138	804.340	838.138	804.340
Benefits paid by the employer	-	(68.578)	-	(68.578)
Expense recognized in income statement	76.026	102.320	56.383	98.771
Total amount recognized in equity	-	3.605	-	3.605
Net liability at the end of the period	**914.164**	**841.687**	**894.521**	**838.138**
Adjustment of actuarial loss	-	-	-	-
Net liability at the end of the period	**914.164**	**841.687**	**894.521**	**838.138**

Expense recognized in the income statement	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cost of current service	65.430	42.727	45.787	39.178
Interest cost	10.596	11.798	10.596	11.798
Cost of prior service during the period	-	16.737	-	16.737
Cost cuts	-	31.058	-	31.058
Total	**76.026**	**102.320**	**56.383**	**98.771**

Expense recognized in comprehensive income statement	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Adjustment in obligations from change in assumptions	-	39.001	-	39.001
Experiential adjustments in obligations	-	(35.396)	-	(35.396)
Total	**-**	**3.605**	**-**	**3.605**

The principal actuarial assumptions used are the following:

Assumptions of Actuarial Study	
Discount interest rate	1.3%
Future salary increases from 2018 and henceforth:	2.0%
Expected remaining working life	15.29

Compensation obligations for the Group's employees include € 13,101.19 of KEN S.A. and € 6,542.00 of Karatzis Italia Srl.

21. Other long-term liabilities

	THE GROUP 31/12/2017	THE GROUP 31/12/2016	THE COMPANY 31/12/2017	THE COMPANY 31/12/2016
Deferred income of government grants	1.721.967	1.914.165	1.049.115	1.163.785
Guarantees	372.275	-	-	-
Total	**2.094.242**	**1.914.165**	**1.049.115**	**1.163.785**

The above liabilities pertain mostly to investment grants of the Law 3299/2004 and grants of the subsidiary Meshpack Gmbh. Customer guarantees involve the long-term part of retail customers' guarantees of KEN S.A.

22. Trade and other creditors

	THE GROUP 31/12/2017	THE GROUP 31/12/2016	THE COMPANY 31/12/2017	THE COMPANY 31/12/2016
Suppliers	6.554.615	3.943.139	5.156.360	3.340.979
Post dated cheques and notes payables	4.415.943	2.404.336	4.374.319	2.404.336
Total	**10.970.558**	**6.347.475**	**9.530.678**	**5.745.315**

23. Liabilities from taxes – fees

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Salaried services tax	193.759	254.464	170.828	228.258
Other taxes and fees	358.267	284.954	107.202	98.604
Income tax of the year	7.804.889	3.938.741	7.493.837	3.657.574
Total	**8.356.914**	**4.478.159**	**7.771.867**	**3.984.437**

24. Other short-term liabilities

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Employees' remuneration	467.475	443.701	342.151	356.394
Social security contribution	477.414	394.985	448.018	394.985
Fiscal correction of grant under law3299/2004	146.610	146.610	146.610	146.610
Accrued expenses	328.465	158.061	314.961	157.519
Prepayments from customers	136.570	110.338	136.570	110.338
Short-term provisions	127.127	-	-	-
Purchases under settlement	2.169.780	-	-	-
Third party fees	1.625.025	-	-	-
Dividends payable	2.184	-	2.184	-
Other short term liabilities	800.328	276.117	61.764	37.483
Total	**6.280.978**	**1.529.812**	**1.452.258**	**1.203.329**

The purchases under settlement are related to accrued expenses and charges, regarding the electric energy market.

Third-party fees refer to deduction in favor of municipalities etc., arising from consumer accounts.

25. Cost of Sales & Operating expenses

1.1 - 31.12.2017			THE GROUP		
DESCRIPTION	INDUSTRY COST OF SALES	HOTEL COST OF SALES	ENERGY COST OF SALES	DISTRIBUTION	ADMINISTRATION
Consumption of raw and auxiliary materials - inventory alteration	35,931,015	2,103,378	14,267,047	-	-
Direct labor and other operating costs	10,110,808	5,013,229	647,821	6,899,729	3,174,779
Depreciation	3,087,527	1,743,164	1,426,623	162,712	199,622
TOTAL	**49,129,349**	**8,859,771**	**16,341,491**	**7,062,440**	**3,374,401**

1.1 - 31.12.2017			THE COMPANY		
DESCRIPTION	INDUSTRY COST OF SALES	HOTEL COST OF SALES	ENERGY COST OF SALES	DISTRIBUTION	ADMINISTRATION
Consumption of raw and auxiliary materials - inventory alteration	27,998,412	2,103,378	-	-	-
Direct labor and other operating costs	8,406,928	5,015,457	443,623	4,429,033	2,612,776
Depreciation	2,744,678	1,743,164	843,991	60,189	178,763
TOTAL	**39,150,019**	**8,861,999**	**1,287,614**	**4,489,222**	**2,791,540**

Previous fiscal year

1.1 - 31.12.2016			THE GROUP		
DESCRIPTION	INDUSTRY COST OF SALES	HOTEL COST OF SALES	ENERGY COST OF SALES	DISTRIBUTION	ADMINISTRATION
Consumption of raw and auxiliary materials - inventory alteration	31,794,806	1,849,237	-	-	-
Direct labor and other operating costs	11,091,042	5,004,983	688,144	4,340,856	2,891,636
Depreciation	3,025,970	1,642,712	1,426,465	123,090	103,026
TOTAL	**45,911,817**	**8,496,932**	**2,114,609**	**4,463,946**	**2,994,662**

1.1 - 31.12.2016			THE COMPANY		
DESCRIPTION	INDUSTRY COST OF SALES	HOTEL COST OF SALES	ENERGY COST OF SALES	DISTRIBUTION	ADMINISTRATION
Consumption of raw and auxiliary materials - inventory alteration	26,534,556	1,849,237	-	-	-
Direct labor and other operating costs	8,260,755	5,004,983	467,297	3,514,926	2,482,207
Depreciation	2,624,755	1,642,712	843,976	49,556	92,764
TOTAL	**37,420,066**	**8,496,932**	**1,311,273**	**3,564,482**	**2,574,971**

26. Other income & expenses

The other income of the company and the group are broken down as follows:

	THE GROUP		THE COMPANY	
	1/1/2017-31/12/2017	1/1/2016-31/12/2016	1/1/2017-31/12/2017	1/1/2016-31/12/2016
Rents	70.570	66.483	70.570	66.483
Other income of sequential activities	51.285	38.679	51.285	38.679
Grants attributable to the fiscal year	191.816	201.260	114.288	113.737
Foreing exchange differences	19.139	1.984	19.139	1.984
Other extraordinary and non operating income	97.955	14.666	31.474	4.640
Other extraordinary profit	1.686	0	1.686	0
Revenue from unused provisions	5.102	56.485	-	-
Income from previous years	14.447	50.344	14.447	12.672
TOTAL	**452.001**	**429.901**	**302.890**	**238.195**

Other expenses of the company and the group are broken down as follows:

	THE GROUP		THE COMPANY	
	1/1/2017-31/12/2017	1/1/2016-31/12/2016	1/1/2017-31/12/2017	1/1/2016-31/12/2016
Other provisions	120.000	120.000	120.000	120.000
Provision for impairment of inventories	301.428	-	300.000	-
Provision for impairment of participations	-	-	50.000	-
Provision for impairment of non-current assets	-	-	600.000	-
Doubtful receivables provisions	688.300	-	-	-
Foreing exchange differences	8.573	4.804	-	4.804
Doubtful receivables write off	10.032	-	-	-
Other fines and increments	14.726	37.694	14.726	37.694
Other extraordinary and non operating losses	136.064	381	5.980	381
Other extraordinary losses	120	568	120	568
Expenses of previous years	31.636	66.551	31.636	13.588
TOTAL	**1.310.879**	**229.998**	**1.122.462**	**177.035**

27. Investment results

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Results from the sale of stocks and securities	-	-	-	-
Results from the sale of subsidiaries	10.836.377	-	10.836.377	-
Results from the write off of subsidiaries	(927)	-	(927)	-
Results from the disposal of fixed assets	25.155	5.333	25.155	11.248
Results from the write off of fixed assets	(14.412)	-	-	-
Total	**10.846.194**	**5.333**	**10.860.606**	**11.248**
Results of integration of affiliated companies	73.915	54.919		
	10.920.108	**60.252**	**10.860.806**	**11.248**

The investment results of the company and the group include profit from the sale of the subsidiary STELLA POLARIS CRETA SA, which is presented in the discontinued operations, as well as results from the sale of fixed assets.

28. Financial income and expenses

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Interest expenses				
- Long term debt	572.928	643.090	339.781	302.849
- Other bank loans	918.256	1.161.238	868.923	1.149.696
- Commissions and other bank expenses	160.609	94.937	124.413	94.937
- Tax difference from interest earned abroad	-	-	-	-
Total	**1.651.793**	**1.899.265**	**1.333.117**	**1.547.482**
Interest on deposits	882	1.007	8	30
Interest on customers	13.528	3.192	-	3.192
Interest on a subsidiary	-	-	28.042	10.750
Total	**14.410**	**4.199**	**28.050**	**13.972**
Net Financial Result	**(1.637.384)**	**(1.895.066)**	**(1.305.067)**	**(1.533.510)**

29. Taxation

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Deferred tax expense / (income)	310.029	272.830	752.966	299.334
Income tax of previous year	-	110.524	-	110.524
Income tax expense (income)	(7.804.889)	(3.938.741)	(7.493.837)	(3.657.574)
Total tax in comprehensive income statement	**(7.494.860)**	**(3.555.388)**	**(6.740.871)**	**(3.247.717)**
Deferred tax debit (credit)				
Equity	-	(1.045)	-	(1.045)
Effect of exchange differences	(219)	-	-	-
Change in dereffed tax liabilities	309.810	271.785	752.966	298.288

	THE GROUP Amounts in euro		KARATZI S.A. Amounts in euro	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Tax of the fiscal year	7.804.889	3.938.741	7.493.837	3.657.574
Tax of the previous year	-	(110.524)	-	(110.524)
Deferred tax	(310.029)	(271.785)	(752.966)	(298.288)
Income tax provisions	-	-	-	-
Total	**7.494.860**	**3.556.433**	**6.740.871**	**3.248.762**
Expected tax expense	7.081.489	3.478.247	6.550.126	3.197.074
Profit / (Loss) before tax	**24.139.256**	**11.993.955**	**22.586.641**	**11.024.394**
-minus: temporary differences in income	2.399.643	-	-	-
-plus: temporary difference in expenses	4.160.515	979.953	2.582.473	1.157.946
Adjustments to tax expenses not deductible for tax purposes				
- Non deductible expenses	705.039	607.959	671.705	429.985
	26.605.168	**13.581.866**	**25.840.819**	**12.612.325**
Tax rate	29%	29%	29%	29%
Attributable income tax	**7.804.889**	**3.938.741**	**7.493.837**	**3.657.574**
Adjustments to the tax for changes in the tax rate	(310.029)	(271.785)	(752.966)	(298.288)
Income tax of previous year	-	(110.524)	-	(110.524)
Actual tax expense	**7.494.860**	**3.556.433**	**6.740.871**	**3.248.762**

30. Other total comprehensive income

Other total comprehensive income for the previous year 2016 relates to actuarial losses and foreign exchange consolidation differences of the Group, while other total comprehensive income for the year 2017 relates to Group's foreign exchange consolidation differences.

31. Number of employees and payroll cost

The number of employees on 31 December 2017 and 31 December 2016 as well as the salary cost for the respective periods, both for the Group and the Company are as follows:

	THE GROUP		THE COMPANY	
	1/1 - 31/12/2017	1/1 - 31/12/2016	1/1 - 31/12/2017	1/1 - 31/12/2016
Permanent employees	442	158	329	78
Seasonal employees	22	248	22	248
Total	**464**	**406**	**351**	**326**
Personnel cost	**12.966.298**	**11.860.358**	**9.910.892**	**9.533.968**

It must be noted that during the fiscal year 2017, the Group employed approximately 181 people as seasonal employees in the hotel sector.

32. Earnings per share – Average weighted number of shares

For 2017, the average weighted number of shares is 14,679,792 (Average weighted number of shares for 2016: 14,679,792). Based on the average weighted number of shares, the earnings per share are as follows:

	THE GROUP		THE COMPANY	
Earnings per share	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit / (Loss) attributable to the shareholders of the parent company	16.912.802	8.438.949	15.845.770	7.776.677
Weighted average number of share	14.679.792	14.679.792	14.679.792	14.679.792
Basic earnings per share	1,1521	0,5749	1,0794	0,5298

	THE GROUP		THE COMPANY	
Earnings per share (Contin. Oper.)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit / (Loss) attributable to the shareholders of the parent company	7.686.506	8.452.771	7.693.827	-
Weighted average number of share	14.679.792	14.679.792	14.679.792	14.679.792
Basic earnings per share	0,5236	0,5758	0,5241	-

	THE GROUP		THE COMPANY	
Earnings per share(Discontin. Oper.)	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit / (Loss) attributable to the shareholders of the parent company	9.226.296	(13.822)	8.151.943	7.776.677
Weighted average number of share	14.679.792	14.679.792	14.679.792	14.679.792
Basic earnings per share	0,6285	(0,0009)	0,5553	0,5298

33. Unaudited fiscal years

Company name	Unaudited fiscal years
Karatzis S.A.	-
Mesh Pack GMBH	2015 - 2017
Croppy Solutions SL	2014 - 2017

Karatzis S.A. & Co (Energy)	2011 - 2017
KEN SA	2016 - 2017
Karatzis Italia SRL	2016 - 2017
Karatzis Russia Ltd	2016 - 2017

The tax audit for the fiscal year 2017 for KARATZI S.A. and for KEN S.A. is currently being performed pursuant to Article 65a of Law 4174/13. The tax compliance report is expected to be granted after the publication of the financial statements; however, the Company and the Group do not expect any significant tax liabilities to arise.
The parent company's fiscal years 2011 to 2016 as well as FY 2016 of the subsidiary's KEN 2016 have been audited by the legal auditors in accordance with the provisions of article 82 of Law 2238/1994 and 65A of Law 4174/2013. For these years, "Unqualified" Tax Compliance Reports have been issued. The finalization of these audits is carried out in accordance with the CMC 1034/2016 and the provisions of Law 4174/13.

34. Seasonality of business activity

Due to the seasonal nature of the hotel business of the company, as well as the photovoltaic parks business, there is a significant variation in the profit or loss statement of the Company and the Group between quarters.

- The hotel business activity begins on the second quarter of each fiscal year. The operating results for the said period usually result in loss, due to the low prices charged per night. The solar park activity is also accelerated during the same quarter.
- The hotel business activity improves significantly during the third quarter due to the high prices charged per night. During the same period the solar parks activity peaks, due to the long sunshine duration.
- The hotel business activity declines during the fourth quarter due to the decrease in the prices charged per night. Furthermore, the proceeds from the sale of energy from solar parks decline due to the deteriorating weather conditions.

35. Disputes under litigation or arbitration

The trial of the lawsuit numbered 25496/2013 of the company against the Greek State took place September 19, 2017. According to this lawsuit, the company claims the amount of 3 million euro, which concerns interest for the unduly paid grant amount of a realized investment. The return of the grant was ordered by a decision of the Deputy Minister of Finance numbered 54490/NN 365/N. 1892/90/24.7.2001 and was cancelled by the decision of the Council of State numbered 3582/2010. The company's management deems that the decision will be issued within 2018 and is optimistic about the positive outcome of the case.
Beyond the above, there are no other litigation or under arbitration disputes for the company and/or the Group.

36. Related parties' transactions

Company	Sales	Purchases / Expenses	Receivables	Liabilities
MESHPACK	463.608	10.068	247.022	2.720
STELLA POLARIS	-	-	50.460	-
CROPPY SOLUTIONS	725.284	-	209.130	-
KARATZIS RUS LTD	441.240	-	27.048	-
KARATZIS ITALIA	1.784.996	-	2.899.632	125.000
KARATZIS ENERGY	-	-	-	-
KEN SA	11.728	1.051.393	-	245.130
ZEUS PACKAGING AGRI LTD	1.327.574	-	17.520	-
Other related parties	443.095	443.849	105.985	-
		Compensation	Receivables	Liabilities
BoD members and Directors		976.102	11.037	4.656

Group	Sales	Purchases / Expenses	Receivables	Liabilities
Other related parties	1.998.914	443.849	155.005	-
		Compensation	Receivables	Liabilities
BoD members and Directors		1.195.680	11.037	4.656

37. Change in accounting assumptions

No change in accounting methods or accounting assessments has taken place.

38. Sale of subsidiary - Discontinued operations

On 27.7.2017 the parent company's stake in the subsidiary STELLA POLARIS CRETA SA, headquartered in Heraklion was sold at TUI AG. The subsidiary, in which KARATZI SA participated with a 100% stake, was inactive and owned only one asset (plot of land), which accounted for 3% of the Group's assets. The gain from this transaction was recorded in the investment results from discontinued operations. The total income and the cash flows of the subsidiary have been consolidated up to 27.07.2017 and are presented in the discontinued operations of the Company and the Group.

Income from the sale of a subsidiary	**15.800.000,00**
Minus:	
Proportion to the parent's balance sheet	4.963.623,42
Group profit from the sale	**10.836.376,58**

On 22 November 2017, the inactive subsidiary Karatzis Romania was removed from the companies register of Romania. The company had no assets. The cash flows of the subsidiary have been consolidated up to 22.11.2017 and are presented in the discontinued operations of the Company and the Group.

39. Treasury shares

At the end of the current period, the parent company, the subsidiaries and the associate companies did not own any shares of KARATZI S.A.

40. Approval of the financial statements by the BoD

The financial statements for the period from 1 January 2017 to 31 December 2017 were approved by the Board of Directors of "KARATZI S.A." on April 25, 2018.

41. Fees of legal auditors

The total fees paid to the certified auditors-accountants for the mandatory audit of the annual accounts for the fiscal year 2017 amounted to 61,000 euro for the Group. In addition, a company of the network of the certified auditors-accountants, invoiced an amount of €4.500, regarding non-audit services as per the provisions of regulation EE537/2014.

42. Financial risk management

42.1. Financial risk factors

Interest rate risk: The Group debt obligations are directly or indirectly linked to Euribor, therefore, the existing interest risk is proportional to the debt size. The Company and the Group do not use financial derivative products for hedging purposes. The encumbrance of the Group's operating results for the fiscal year and equity, ceteris paribus, from changes to the base interest rate are as follows:

	The Group	
Interest rate sensitivity analysis	**31/12/17**	**31/12/16**
Debt Risk / Amount	38.382	36.599
Change in base interest rate	Change in interest expense	
±1%	+/- 384	+/- 366
±2%	+/- 768	+/- 732

amounts in thousand euro

Credit risk: The customers' financial situation is continuously monitored by the Group's companies. Wherever deemed necessary, additional insurance coverage is required as a credit guarantee. A special software application checks the level of credit granting, as well as the credit limits of the account. For special credit risks, provisions are made for impairment losses. It is noted that due to the Company's export character, there isn't any significant concentration of credit risk in Greece (except for the case analysed below, client A), whereas for the foreign customers, the Company has taken out credit insurance policies covering 80% of the value of the orders. The maximum exposure to credit risk as at the date of the balance sheet pertains to the fair value of each financial asset category, as presented below.

Current Assets	31/12/2017	31/12/2016
Trade receivables	15.187.836	11.591.984
Other receivables	12.588.238	4.671.419
Cash and cash equivalents	36.814.001	20.037.526
Total	**64.590.075**	**36.300.929**

- In the industry sector there is a concentration of receivables regarding the Group, from the three following customers:

	BALANCE	RATE
Client A	933.991	6%
Client B	907.241	6%
Client C	1.055.578	7%
	2.896.809	**19%**

- In the Energy sector, there is a concentration of receivables from the customer Operator of the Electricity Market S.A. (OEM). These receivables as at 31.12.2017 amounted to € 2.7 million compared to € 4.3 million in the previous year and accounted for 18% of the Group's trade receivables. In addition, counterparty risk is high due to the size of the receivables, while it is statistically expected that credit losses will occur on a broad customer base regardless of the effectiveness of the policies implemented by the subsidiary KEN.
- Other receivables pertain mostly to receivables from the Greek State for prepaid taxes, and as such, they carry limited credit risk.
- As far as cash is concerned, the amount of 35.1 million euro pertain to deposits expressed in euro held in credit institutions abroad.

Liquidity risk: There is no liquidity risk, as the availability of the necessary cash reserves is ensured by positive operating cash flows and the approved banking credit lines. The Group's assets as at 31.12.2017 amounted to € 36,814 thousand, the Group's net working capital as at 31.12.2017 formed at 48,636 thousand euro versus 21.783 thousand euro while the current ratio rose to 2.17 from 1.54.

Raw material price fluctuation risk: The Group is exposed to price fluctuation risk for polyethylene (PE), which is its main industrial raw material. It is a petroleum by-product (ethylene) and its price is affected by oil prices. To manage this risk, the Group monitors polyethylene prices on a daily basis, and is in on-going negotiations with the suppliers in order to limit the raw material price fluctuations. This is achieved through the rational management of the raw material stock in relation to customers' orders. Additionally, in its agreements with important clients, the Group has included the polyethylene price fluctuations in the calculation of product prices. A 5% increase in polyethylene price, ceteris paribus, results in an annual increase of 1,461 thousand euro in the consumption cost, or an overall increase of industrial production cost by 2.88%, approximately.

Electric energy price fluctuation risk: Subsidiary company KEN participates in electric energy auctions program for the year 2017, according to article 138 par. 1 of Law 4389/2016, as it is currently applicable (NOME). This auctions' process due to its nature entails a price risk and a cash flow risk.

Currency risk: There is no significant currency risk from business transactions for the Group and the parent company, as most transactions are settled in euro. Foreign exchange risk is limited to the conversion of the financial position of the subsidiary Karatzis Russia, as well as the consolidation of the associate Zeus Packaging Agri Ltd.

42.2. Financial instruments

The Group uses the following hierarchy for the determination and disclosure of the fair value of the financial instruments per valuation technique, pursuant to the revised IRFS 7 "Financial Instruments: disclosures".

Level 1: Investments designated at fair value based on quoted (non-adjusted) prices in active markets for similar assets or liabilities.

Level 2: Investments designated at fair value based on valuation models in which all inputs influencing significantly the fair value are based on (whether directly or indirectly) observable market data.

Level 3: Investments designated at fair value based on valuation models in which all inputs influencing significantly the fair value are not based on observable market data.

The Group, pursuant to the requirements of IAS 39 "Financial instruments: Recognition and Measurement", at the end of each reporting period of the financial statements performs the required calculations regarding the determination of the fair value of the financial instruments.

The book value of the following financial assets and liabilities is considered to be a reasonable approximation of their fair value:

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

The financial assets, as well as the financial liabilities as at the date of the financial statement can be classified per fair value hierarchy, as follows:

Current Assets	31/12/2017	31/12/2016	Fair value hierarchy
Trade receivables	15.187.836	11.591.984	Level 3
Other receivables	12.588.238	4.671.419	Level 3
Cash and cash equivalents	36.814.001	20.037.526	Level 3
Total	**64.590.075**	**36.300.929**	

Long term liabilities	31/12/2017	31/12/2016	
Debt			
Financial liabilities			
Assigned at amortized cost	22.447.133	8.851.013	Level 2
Total (a)	**22.447.133**	**8.851.013**	
Short term liabilities	**31/12/2017**	**31/12/2016**	
Debt			
Financial liabilities			
Assigned at amortized cost	15.977.288	27.748.071	Level 2
Trade and other payables			
Financial liabilities			
Assigned at amortized cost	25.608.450	12.355.446	Level 3
Total (b)	**41.585.738**	**40.103.517**	
Total Liabilities (a+b)	**64.032.871**	**48.954.530**	

42.3. Capital management policies and procedures

The Group's main target is to effectively manage its capitals so as to maintain its high credit rating in the market for the purpose of receiving financing under favourable terms in order to ensure its uninterrupted operation in the future, as well as the satisfactory distribution of dividends to the shareholders. The Group's policy pertains to the maintenance of high level solvency, and in the context of its capital structure adjustment, the Group is able to adjust the amount of payable dividends, return capital to the shareholders, issue new shares or sell assets in order to reduce debt. The Group audits and monitors its capital adequacy based on the leverage ratio, which is calculated by dividing net debt by the total employed capital. Net debt refers to the total of debt liabilities (long-term and short-term) minus cash, while total employed capital refers to the sum of equity plus net debt. The management aims at maintaining the leverage ratio at a level **lower than 40%.**

	THE GROUP	
	31/12/2017	31/12/2016
Total Debt	38.382.356	36.599.084
Minus: Cash	36.814.001	20.037.526
Net Debt (a)	1.568.356	16.561.558
Total Equity	125.634.411	110.394.093
Total Capital Employed (b)	**127.202.766**	**126.955.651**
Leverage Ratio (a) / (b)	**1%**	**13%**

43. Commitments and contractual obligations

Operational leases: As at 31 December 2017, the Group's companies had entered into operational leasing agreements pertaining mostly to leasing of industrial buildings and plots for solar parks with various expiration dates. The minimum future payable rents based on operational leasing agreements as at 31 December 2017, are as follows:

Operating leases	The Group		The Company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Within the next year	385.131	304.270	303.361	245.092
From 2 to 5 years	708.026	598.777	348.477	335.654
From the 5th year onwards	1.794.148	2.053.962	888.249	1.065.764
TOTAL	**2.887.305**	**2.957.009**	**1.540.087**	**1.646.510**

Capital commitments: Both the Company and the Group have no capital commitments as at 31 December 2017.

Other commitments: There are commitments of the Group that come under investment plans subsidized by the Greek or the German State, as well as liabilities arising from contracts entered into with the Operator of the Electricity Market S.A. (OEM) and the Hellenic Electricity Distribution Network Operator S.A. (HEDNO) for the sale of electrical energy.

44. Subsequent events

There are no subsequent events to the financial statements, which involve the Group or the Company and to which the International Financial Reference Standards impose reporting.

Heraklion, 25 April 2018

THE CHAIRMAN OF THE BoD & CEO	**THE VICE-CHAIRMAN OF THE BoD**	**THE CHIEF EXECUTIVE OFFICER**	**THE GENERAL MANAGER**	**THE DIRECTOR OF THE ACCOUNTING DEPARTMENT**
ANTONIOS KARATZIS	**ATHINA KARATZI**	**MARIA KARATZI**	**KONSTANTINOS ARHONTAKIS**	**NIKOLAOS AMONAHAKIS**
ID Card No. X 357305	**ID Card No. I 990606**	**ID Card No. AM 456332**	**ID Card No. AN 464624**	**Accountant Reg. No. OEE 0065793/A'**

F. Internet website where the annual financial statements of the companies included in the consolidated financial statements for the fiscal year of 2017 are posted.

The annual financial statement for the fiscal year 2017, the audit report of the certified accountant-auditor and the reports of the Board of Directors of the companies incorporated in the consolidated financial statements of KARATZI S.A. are posted on the website of the parent company (http://www.karatzis.gr).

G. Figures and information for the period from 1 January 2017 to 31 December 2017

KARATZIS S.A.

INDUSTRIAL AND HOTEL ENTEPRISES

FIGURES AND INFORMATION for the period from 1st of January 2017 to 31st of December 2017

(Issued in accordance with the C.L. 2190/20 art. 135 for companies that issue annual financial statements, consolidated or not, according to the I.F.R.S.)

The financial statements illustrated below aim to provide general information about the financial position and results of KARATZIS S.A. and the GROUP. We advise therefore the reader before he proceeds with any kind of financial choice or other transaction with the company or the group to refer to the website address of the issuer, where the annual consolidated and company financial statements as well as the auditor's report are available.

COMPANY'S DATA

Address of the Company:	Municipality of Archanes-Asterousia, Melidochori Monofatsi, Heraklion Crete	Board of Directors:	
Registry Number of Sas:	11396/06/B/86/89	Antonios M. Karatzis - Chairman & CEO, Executive Member	Eleutherios K. Antonakakis - Non-Executive Member
Number in General Commercial Register:	77088427000	Athina S. Karatzi - Vice Chairman, Executive Member	Iason E. Papastefanakis - Independent Non-Executive Member
Supervisor Authority:	Ministry of Economy, Development & Tourism	Maria M. Karatzi - CEO, Executive Member	Fanourios M. Zampetakis - Independent Non-Executive Member
	G.R. of Commerce & Consumer Protection	Konstantinos L. Archontakis, Executive Member	Veneris V. Georgios - Independent Non-Executive Member
Date of approval of the financial statements:	April 25, 2018	Ilias A. Kalathas, Executive Member	
Certified Chartered Auditor:	Konstantinos Emm. Antonakakis - Reg. No. in Body of C.A-A. 22781		
Audit firm:	Grant Thornton S.A. - Reg. No. in Body of C.A-A. 127		
Type of auditors' review:	Unqualified	Web site:	www.karatzis.gr

STATEMENT OF COMPREHENSIVE INCOME (group and company)
amounts in th. €

	THE GROUP						THE COMPANY			
	1/1 - 31/12/2017			1/1 - 31/12/2016			1/1 - 31/12/2017			1/1 - 31/12/2016
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations
Turnover	100,483	-	100,483	77,611	-	77,611	70,431	-	70,431	65,853
Gross profits/(losses)	26,152	-	26,152	21,087	-	21,087	21,131	-	21,131	18,625
Profits/(losses) before taxes, financial and investment results	14,864	(7)	14,857	13,842	(14)	13,829	13,031	-	13,031	12,547
Profits/(losses) before taxes	13,310	10,829	24,139	12,008	(14)	11,994	11,750	10,836	22,587	11,024
Profits/(losses) after taxes (A)	8,958	7,687	16,644	8,452	(14)	8,439	8,152	8,416	16,568	7,777
Distributed:									-	
Owners of parent company	9,226	7,687	16,913	8,453	(14)	8,439	8,152	7,694	15,846	7,777
Non-controlling interests	(268)	-	(268)	-	-	-	-	-	-	-
Other comprehensive post-tax income (B)	(26)	-	(26)	(10)	-	(10)	-	-	-	(5)
Total revenue after taxes (A)+(B)	8,932	7,687	16,618	8,442	(14)	8,429	8,152	7,694	15,846	7,772
Distributed:										
Owners of parent company	9,200	7,687	16,887	8,443	(14)	8,429	8,152	7,694	15,846	7,772
Non-controlling interests	(268)	-	(268)	-	-	-	-	-	-	-
Profit after taxes per share (€)	0.6102	0.5236	1.1338	0.5798	(0.0009)	0.5748	0.5553	0.5241	1.0794	0.5298
Profits/(losses) before taxes, financial investment results and total depreciations	21,292	(7)	21,284	19,958	(14)	19,944	18,488	-	18,488	17,687

STATEMENT OF FINANCIAL POSITION (group and company)
amounts in th. €

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
ASSETS				
Property, plant and equipment	105,630	103,601	93,193	85,275
Intangible assets	1,572	1,605	226	236
Other non current assets	909	844	10,190	15,326
Inventories	25,632	25,585	22,057	22,452
Trade receivables	15,188	11,592	10,088	8,884
Other current assets	12,588	4,671	7,003	4,300
Cash and cash equivalents	36,814	20,038	34,658	18,680
TOTAL ASSETS	198,333	167,937	177,415	155,154
EQUITY AND LIABILITIES				
Share capital	24,662	24,662	24,662	24,662
Other equity components	101,139	85,647	96,266	81,448
Total equity attributable to owners of the parent (a)	125,801	110,309	120,928	106,110
Non-controlling interests in equity (b)	(166)	85	-	-
Total equity (c) = (a) + (b)	125,634	110,394	120,928	106,110
Long term interest bearing loans and liabilities	22,447	8,851	19,750	3,995
Deferred tax liabilities	5,020	5,314	4,613	5,366
Provisions and other long term liabilities	3,646	3,274	2,544	2,482
Short term bank borrowings	15,977	27,748	10,826	26,268
Other short term liabilities	25,608	12,355	18,755	10,933
Total liabilities (d)	72,699	57,543	56,486	49,044
TOTAL EQUITY AND LIABILITIES (c) + (d)	198,333	167,937	177,415	155,154

STATEMENT OF CHANGES IN EQUITY (group and company)
amounts in th. €

	THE GROUP		THE COMPANY	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equity at the beginning of the year (01/01/2017 & 01/01/2016 respectively)	110,394	101,917	106,110	98,338
Total comprehensive income after taxes (contin. oper.)	8,932	8,442	8,152	7,772
Total comprehensive income after taxes (discontin. oper.)	7,687	(14)	7,694	-
Distributed dividends	(1,028)	-	(1,028)	-
Payment of founding share capital	-	49	-	-
Other subsidiary sales effects	(350)	-	-	-
Equity at the end of the year (31/12/2017 & 31/12/2016 respectively)	125,634	110,394	120,928	106,110

STATEMENT OF CASH FLOWS (group and company)
amounts in th. €

Indirect Method	THE GROUP 01/01-31/12/17	THE GROUP 01/01-31/12/16	THE COMPANY 01/01-31/12/17	THE COMPANY 01/01-31/12/16
Operating Activities				
Earnings (Losses) before taxes (contin. oper.)	13,310	12,008	11,750	11,024
Earnings (Losses) before taxes (discontin. oper.)	10,829	(14)	10,836	-
Plus: Adjustments for:				
Depreciation	6,620	6,316	5,571	5,254
Provisions	1,294	144	1,116	138
Investment results	(97)	(39)	(24)	(11)
Financial Results	1,609	1,895	1,305	1,534
Other non cash expenses (income)	(892)	(241)	(114)	(113)
Plus (minus) adjustments for changes in working capital accounts				
Decrease / (increase) in inventories	(346)	(5,367)	95	(4,932)
Decrease / (increase) in receivables	(12,735)	(4,287)	(3,865)	(3,460)
Increase / (decrease) in liabilities (except for banks)	10,282	1,513	4,033	1,391
	30,574	11,929	30,703	10,825
Minus:				
Interest paid	1,641	1,887	1,323	1,536
Taxes paid	3,925	3,129	3,706	2,956
Operating flows from discontinued operations	10,835	-	10,836	-
Total cash inflows (outflows) from operating activities (a)	14,733	6,912	14,838	6,333
Investing Activities				
Acquisition of subsidiaries, affiliated companies, joint ventures and other investments	-	-	-	(874)
Purchase of tangible and intangible fixed assets	(14,018)	(6,646)	(13,509)	(6,352)
Proceeds from sale of tangible and intangible assets	55	24	55	33
Proceeds from sales of securities and other investments	15,800	-	15,800	-
Interest received	42	4	28	14
Dividends received	-	-	-	-
Other cash inflows (outflows) not included in working capital	(29)	(70)	(519)	(457)
Investment flows from discontinued operations	0	0	0	0
Total cash inflows (outflows) from investing activities (b)	1,851	(6,688)	1,855	(7,636)
Financing Activities				
Proceeds from bank borrowings	44,262	36,304	41,302	35,875
Repayments of bank borrowings	(42,479)	(35,886)	(40,990)	(34,517)
Payment of founding share capital	(1,027)	49	(1,027)	-
Total cash inflows (outflows) from financing activities (c)	756	467	(715)	1,358
Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)	16,780	691	15,978	55
Cash and cash equivalents at the beginning of the period (continuing operations)	20,038	19,347	18,680	18,625
Cash and cash equivalents at the beginning of the period (discontinued operations)	4	-	-	-
Cash and cash equivalents at the end of the period	36,814	20,038	34,658	18,680

ADDITIONAL DATA AND INFORMATION

1. The accounting principles adopted in the preparation of the financial statements are consistent with those adopted for the financial statements of 31/12/2017.
2. The companies that are included in the consolidated financial statements as well as their country of incorporation, the percentage of the parent company and the method of consolidation, are mentioned in note 2.2 of the annual financial report.
3. The company and its subsidiaries do not hold any own shares.
4. The financial statements of the parent company are included solely in the consolidated financial statements presented above.
5. Information concerning the unaudited by tax authorities fiscal years of the Group's companies are presented in note 33 of the financial statements.
6. On 28/7/2017 the company's stake in STELLA POLARIS CRETA SA was sold to the tourist agency TUI AG for a price of 15.8m. €. The results from this transaction are presented in the results from discontinued operations as figures of the STATEMENT OF COMPREHENSIVE INCOME above (note 38 of the financial statements).
7. The number of employees as at 31/12/2017 and 31/12/2016 was 351 and 326 employees for the Company and 464 and 406 employees for the Group respectively.
8. Provisions formed as at 31/12/2017 amount to (amounts in th. €) :

	Group	Company
Provisions for litigations	-	-
Provisions for tax obligations regarding unaudited fiscal years	120	120
Other provisions	517	480

9. Other comprehensive income after tax relates to consolidation foreign exchange difference of the Group.
10. The Group's assets are subject to liens amounting to € 7.416 thousand.
11. There are no litigation or under arbitration disputes or decisions of judicial or arbitration bodies that have or are likely to have a material effect on the financial position of the Company or the
12. The company has filed a lawsuit against the Greek State requesting an amount of €3 million, which relates to the interest on the unduly paid grant amount of an implemented investment (note 35 of the financial statements).
13. Transactions and balances with related parties (IAS 24) for the period 01/01 to 31/12/2017 are as follows (amounts in thousand €):

	Group	Company
a) Revenues	1,999	5,198
b) Expenses	444	1,505
c) Receivables from related parties	155	3,557
d) Liabilities to related parties	-	373
e) Remuneration & expenses of Managing Directors & BoD members	1,196	976
f) Receivables from Managing Directors & BoD members	11	11
g) Liabilities to Managerial Executives & BoD members	5	5

Iraklion, April 25, 2018

THE PRESIDENT OF THE B.o.D. & CEO	THE VICE PRESIDENT	THE CHIEF EXECUTIVE OFFICER	THE GENERAL MANAGER	THE DIRECTOR OF THE ACCOUNTING DEPARTMENT
ANTONIOS KARATZIS	ATHINA KARATZI	MARIA KARATZI	KONSTANTINOS ARHONTAKIS	NIKOLAOS AMORACHAKIS
ID Card No. X 357305	ID Card No. AK 475716	ID Card No. AM 456332	ID Card No. AH 464624	Accountant Reg. No. O.E.E. 0065793/A'