



ANNUAL REPORT OF THE BOARD OF DIRECTORS

of the company

“PAPAPANAGIOTOU SA – ‘DROMEAS’, INDUSTRIAL COMPANY AND AGENCY”

ARMA 114008152000

on the consolidated and corporate Financial Statements of the financial year 2016 (1

January to 31 December 2016)

On this report are briefly described the financial information of the group, namely the parent company “Papapanagiotou SA – DROMEAS”, the “DROMEAS BG EAD” Bulgaria (100% subsidiary), and the “KEM SA” (production of molds and plastic parts, 92.54% subsidiary), for the financial year under review, the important facts that occurred during that period and their effects. In addition, are described the main risks and uncertainties that might encounter the group’s companies during the next period (1st semester of the financial year 2017) and at the end are quoted the important transactions concluded between the issuer and the people connected to him.

I. PERFORMANCE AND FINACIALS

The continuity of the economic crisis to the country since 2009, which, in general, aggravated the demand of furniture products in the internal market, specifically of the office furniture, didn't show any substantial improvement during 2016 either. The political developments continue to intensify the insecurity and the anxiety in the internal market, and also the liquidity problems of the banking sector. This year, in relation to 2015, showed a slight progress on the image of the country, since the constant postponements of the 1st and 2nd evaluation didn't help the total reverse of the climate and the stabilization of the economy for a perspective of growth. Particularly sensitive to the economical insecurity are primarily the sectors of long lasting products, which results to further reduction of their working cycle. The only companies that despite the negative climate in the internal market achieve to



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increase their sales and improve their results are those that achieved to increase their export orientation, among which is our company.

Our company, even though it is the only one operating industrial manufacturing unit of the sector in the country, suffers the consequences of the prolonged recession. Since 2009, after completing the last productive investment project, we turned to the external markets emphasizing on Central Europe. Thus, on this national and international context, given the circumstances of the sector, during the previous year, the company achieved a significant increase of its sales with relevant positive results before interest, taxed, depreciation and amortization, which allowed its servicing and offered the opportunity to be more optimistic about the future. This, along with the perspectives opened through the participation in big international tendering procedures, which awarded in 2015, the new tendering procedures that awarded in 2016 and through the development of business-to-business cooperation, which will shape a network of permanent and continuing marketing of DROMEAS products to the mature market of Central Europe and other, is very encouraging and the results will be visible in the near future.

WORKING CYCLE

Overall the group showed a significant increase of the working cycle by 52,72% (13.804 thousand € compared to 9.040 thousand €) and the company 49,36% (13.450 thousand € compared to 9.005 thousand €) in the financial year 2016 compared to that of the financial year 2015.

COST OF SALES

The cost of sales of the group, compared to that of the previous financial year, decreased from 54,6% of the working cycle to 49,9%, and the company's, from 57,4% to 50,8%.

RESULTS BEFORE TAXES

The results before taxes of the financial year of the parenting company showed a significant improvement compared to the previous financial year, since they concluded positive by 91 thousand € compared to the negative by 1.938 thousand € of the financial year 2015.



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The results before taxes of the group concluded positive by 91 thousand € compared to the loss of 1.941 thousand € of the financial year 2015, influenced accordingly from the significant increase of sales, primarily of the parenting company, as it is described above.

RESULTS AFTER TAXES (DEFERRED)

The results after the deferred taxes concluded negative by 69 thousand € significantly improved compared to the previous financial year, which had loss of 2.121 thousand €. This is due the same reasons that formed the positive result before taxes that are mentioned above.

The group, after the taxes, resulted negative by 77 thousand €, compared to the loss of 2.151 thousand € of the financial year 2015.

LOANING

A main concern of the Administration is to reduce as far as possible the capital of banking loaning in order to curtail the relevant financial cost, which servicing is way harder than the one of our international competitors. This year, the total financing was equivalent to the previous year.

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The indicator of the economic structure of the consolidated own funds to the consolidated foreign funds was for the financial year 2016 : 0,75 , and for the financial year 2015 : 0,77 , which is considered by the Administration in economic and technical terms of the current economic situation highly satisfactory.

The indicator of the economic structure of the consolidated own funds to the consolidated assets was for the financial year 2016 : 0,68 , and for the financial year 2015 : 0,66 , which is considered by the Administration in economic and technical terms of the current economic situation satisfactory.

The current ratio (Aggregated Current Assets to current liabilities) was for the financial year 2016 : 3,49 , and for the financial year 2015 : 3,61 , which for both financial years is considered by the Administration in economic and technical terms also highly satisfactory.



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