

Interim condensed
Financial Statements for

THREE MONTH PERIOD

1 January - 31 March 2020

KARELIA TOBACCO COMPANY INC

General Electronic Commercial Registry
(G,EM,I) 15082945000 (former
Commercial Registry for Societe Anonyme
10174/06/B/86/126) Athinon Str, 24100
Kalamata



Interim Statement of Profit or Loss and other Comprehensive Income for the period ended 31 March 2020

(Ποσά σε χιλιάδες Ευρώ)		Ο Όμιλος		Η Εταιρεία	
		31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Σημ.				
Turnover	7	246,454	225,169	172,252	161,835
Cost of sales		(216,033)	(199,976)	(143,191)	(137,617)
Gross Profit		30,421	25,193	29,061	24,218
Administrative expenses		(2,524)	(2,398)	(2,308)	(2,171)
Distribution costs		(4,627)	(3,859)	(4,355)	(3,538)
Other operating income		733	818	733	818
Results from operating activities		24,003	19,754	23,131	19,327
Financial income-net		(1,207)	86	(1,182)	108
Exchange differences		4,545	2,040	4,545	2,040
Net profit before tax		27,341	21,880	26,494	21,475
Income tax	14	(6,586)	(6,110)	(6,446)	(6,026)
Net profit for the period		20,755	15,770	20,048	15,449
Λοιπά συνολικά έσοδα					
Other Comprehensive Income					
Foreign currency translation differences – Foreign operations		(207)	252	0	0
Net profit/(loss) on Investments at fair value through other comprehensive income		0	68	0	68
Deferred tax		0	(19)	0	(19)
Total Comprehensive Income		20,548	16,071	20,048	15,498
Net profit attributable to:					
Shareholders of the Company		20,756	15,771	20,048	15,449
Minority interests		(1)	(1)	0	0
Total		20,755	15,770	20,048	15,449
Total Comprehensive income attributed to:					
Shareholders of the Company		20,549	16,072	20,048	15,498
Minority interests		(1)	(1)	0	0
Total		20,548	16,071	20,048	15,498
Basic and diluted earnings, per share, after tax (in absolute figures)		7.5199	5.7138	7.2638	5.5975

Interim Statement of Financial Position as at 31 March 2020

(Amounts in thousands of Euro)

		GROUP		COMPANY	
	Note	31.03.2020	31.12.2019	31.03.2020	31.12.2019
ASSETS					
Long-term assets					
Intangible assets		647	687	637	677
Tangible assets	8	83,700	85,457	83,491	85,211
Investments at amortized cost	11	48,717	35,037	48,717	35,037
Participations		0	0	1,094	1,053
Other non-current assets		35	35	32	32
Total long-term Assets		133,099	121,216	133,971	122,010
Current assets					
Stocks		79,094	64,674	67,260	59,256
Accounts receivables		17,637	25,644	20,041	19,988
Investments at fair value through P&L	10	41,642	105,960	41,642	105,960
Investments at amortized cost	11	19,628	22,364	19,628	22,364
Cash and cash equivalents	12	345,860	279,622	334,169	261,408
Total Current Assets		503,861	498,264	482,740	468,976
Total Assets		636,960	619,480	616,711	590,986
EQUITY AND LIABILITIES					
Equity					
Share capital		32,651	32,651	32,651	32,651
Share premium		34	34	34	34
Other reserves		108,654	108,654	108,608	108,608
Retained earnings		392,236	371,687	378,234	358,186
Equity attributable to shareholders of the Company		533,575	513,026	519,527	499,479
Minority interests		(11)	(10)	0	0
Total Equity		533,564	513,016	519,527	499,479
Liabilities					
Long-term liabilities					
Deferred taxes		5,279	5,444	5,378	5,506
Staff leaving benefits		3,870	3,847	3,785	3,762
Lessee lease liabilities due>1year		659	657	555	515
Total long-term liabilities		9,808	9,948	9,718	9,783
Current liabilities					
Suppliers and other payables		82,581	92,082	76,794	77,621
Current provisions for liabilities and expenses	15	152	152	152	152
Lessee lease liabilities due<=1year		311	311	215	215
Income taxes payables		10,544	3,971	10,305	3,736
Total Current Liabilities		93,588	96,516	87,466	81,724
Total Liabilities		103,396	106,464	97,184	91,507
Total Equity and Liabilities		636,960	619,480	616,711	590,986

Interim Statement of Changes in Equity (Consolidated) for the period ended 31 March 2020

(Amounts in thousands of Euros)

Group

	Share Capital	Share Premium	Reserves	Retained earnings	Minority Interests	Total Equity
Balance as at 1 January 2019	32,651	34	105,516	333,573	(6)	471,768
Change in P&L and OCI						
Investments at fair value through other comprehensive income	0	0	68	0	0	68
Exchange differences	0	0	0	252	0	252
Deferred tax	0	0	(19)	0	0	(19)
Net profit for the period	0	0	0	15,771	(1)	15,770
	32,651	34	105,565	349,596	(7)	487,839
Transactions with Shareholders- Direct effect to Equity						
Transfer to Reserves	0	0	3,360	(3,360)	0	0
Balance as at 31 March 2019	32,651	34	108,925	346,236	(7)	487,839
Balance as at 1 January 2020	32,651	34	108,654	371,687	(10)	513,016
Change in P&L and OCI						
Exchange differences	0	0	0	(207)	0	(207)
Net profit for the period	0	0	0	20,756	(1)	20,755
Balance as at 31 March 2020	32,651	34	108,654	392,236	(11)	533,564

Interim Statement of Changes in Equity (Separate) for the period ended 31 March 2020

(Amounts in thousands of Euros)

Company

	Share Capital	Share Premium	Reserves	Retained earnings	Total Equity
Balance as at 1 January 2019	32,651	34	105,464	322,052	460,201
Change in P&L and OCI					
Investments at fair value through other comprehensive income	0	0	68	0	68
Deferred tax	0	0	(19)	0	(19)
Net profit for the period	0	0	0	15,449	15,449
	32,651	34	105,513	337,501	475,699
Transactions with Shareholders- Direct effect to Equity					
Transfer to Reserves	0	0	3,360	(3,360)	0
Balance as at 31 March 2019	32,651	34	108,873	334,141	475,699
Balance as at 1 January 2020	32,651	34	108,608	358,186	499,479
Change in P&L and OCI					
Net profit for the period	0	0	0	20,048	20,048
Balance as at 31 March 2020	32,651	34	108,608	378,234	519,527

Interim Statement of Cash Flows (Separate and Consolidated) for the period ended 31 March 2020

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Net cash flows from operating activities				
Profit for the year after taxes	20,755	15,770	20,048	15,449
Adjustments for:				
Income tax	6,586	6,110	6,446	6,026
Impairment of tangible assets	0	(293)	0	(293)
Depreciation of tangible assets	1,802	1,368	1,800	1,366
Amortization of intangible assets	40	13	40	13
Depreciation of lessee use rights to leased assets	100	82	65	55
Interest income	(1,076)	(442)	(1,076)	(437)
Interest expense	933	282	908	256
(Loss) on valuation of financial assets through P&L	0	(64)	0	(64)
Loss from sale of financial assets through P&L	979	1	979	1
Loss on valuation of available for sale financial assets	0	75	0	75
(Loss)/Profit on valuation of financial assets through P&L	0	(2,245)	0	(2,245)
(Profit) on the valuation of financial assets at amortized cost	(638)	0	(638)	0
	29,481	20,657	28,572	20,202
Changes in Working Capital				
Decrease in stocks	(14,420)	13,216	(8,004)	12,523
Decrease in accounts receivable	8,007	15,983	(53)	15,564
(Decrease) in liabilities	(9,668)	(17,428)	(785)	(16,758)
Increase in staff leaving benefits	23	53	23	52
	(16,058)	11,824	(8,819)	11,381
	13,423	32,481	19,753	31,583
Interest paid	(933)	(282)	(908)	(256)
Income tax paid	(172)	(271)	0	0
Net cash flows from operating activities	12,318	31,928	18,845	31,327
Cash flows from investment activities				
Acquisition of tangible assets	(75)	(6,563)	(75)	(6,561)
Acquisition of intangible assets	0	(10)	0	(10)
(Purchase) of financial assets available for sale	0	(14,069)	0	(14,069)
Sales of securities of financial assets through P&L	63,340	12,255	63,340	12,255
(Purchase) of financial assets at amortized cost	(10,307)	0	(10,307)	0
Capital increase of subsidiary	0	0	(41)	0
Interest received	1,076	442	1,076	437
Net cash inflows from investment activities	54,034	(7,945)	53,993	(7,948)
Cash flows from financing activities				
Minority interests		0		0
Lease payments	(100)	0	(63)	(53)
Dividends paid to shareholders of the Company	(14)	(23)	(14)	(23)
Net cash flows from financing activities	(114)	(23)	(77)	(76)
Net increase in cash and cash equivalents	66,238	23,960	72,761	23,303
Cash and cash equivalents at the beginning of the period	279,622	218,344	261,408	181,339
Cash and cash equivalents at the end of the period	345,860	242,304	334,169	204,642

1. Company Incorporation and Group activities

Karelia Tobacco Company Inc. (the "Company") is a Societe Anonyme, located in Greece, which was founded in 1962 and is specialized in the production and sale of tobacco industry products. The Company's seat is in Kalamata (Asprohoma-Athinon Avenue), its website address is www.karelia.gr and is listed on the Athens Stock Exchange.

The Financial Statements of the Company, for the year ended 31st December 2019, include the Separate and Consolidated Financial Statements.

The Company is managed by the Board of Directors composed of five members, elected by the Annual Shareholders General Assembly on 18 July 2018, The Board of Directors tenure expires on 17 July 2023, and its composition is as follows:

Executive Members

Efstathios G.Karelias – Vice chairman
Andreas G.Karelias – Managing Director

Non-Executive Members

Victoria-Margarita G.Karelia - Chairman
Vasilios Antonopoulos – Member
Robin Derlwyn Joy – Member

The General Assembly of Shareholders which was held on 18th July 2018 elected, Mr Dimitrios Leventakis - Tax Consultant-Economist, Mr. Robin Derlwyn Joy - Non Executive Member of the Board of Directors, and Prof. Vassilios G. Antonopoulos - Non Executive Member of the Board of Directors, as members of the Audit Committee, with a five-year term.

All amounts referred below are in thousand Euros, unless otherwise stated in the individual notes, and any differences in amounts are due to rounding.

The Consolidated Financial Statements include the Company and its subsidiaries (the "Group") as set out below:

Company	Location	Country	Percentage of shareholding	Consolidation Method
KARELIA TOBACCO COMPANY INC	Kalamata	Greece	Parent company	Full
MERIDIAN A.E.	Athens	Greece	99.54%	Full
KARELIA INVESTMENT INC	Kalamata	Greece	85.00%	Full
KARELIA TOBACCO COMPANY (UK) LTD	London	Great Britain	100.00%	Full
KARELIA BULGARIA EOOD	Sofia	Bulgaria	100.00%	Full
G.K. DISTRIBUTORS EOOD	Sofia	Bulgaria	100.00%	Full
KARELIA TÛTÛN VE TICARET A.Ş.	Istanbul	Turkey	97.00%	Full
KARELIA BELGIUM S.A.R.L.	Brussels	Belgium	85.00%	Full

All subsidiaries are incorporated in the Group with the full consolidation method.

The Separate and Consolidated Financial Statements (the "Financial Statements") have been approved for publication by the Board of Directors on **12 June 2020**.

The number of employees of the Company as of 31 March 2020 was 540 employees and for the Group 572 employees.

2. Basis of preparation of Financial Statements – Statement of Compliance

The Interim Separate and Consolidated Financial Statements (the "Financial Statements") for the period from 1 January to 31 March 2020, have been prepared in accordance with International Accounting Standard 34 concerning Interim Financial Statements. They do not contain all the information required for annual financial statements, and should be read in conjunction with the annual published Financial Statements for the year ended 31 December 2019, which have been posted via the internet in the above mentioned website address.

3. Basic Accounting Policies

General

In preparing these Financial Statements, the same accounting policies and methods of computation used for the year ended 31 December 2019 were applied. Analysis of the accounting policies is provided in the Notes to the Annual Financial Statements for the year ended 31 December 2019 which have been posted, at the above mentioned Company's website.

4. Critical accounting estimates and assumptions in applying accounting policies

In preparing these Financial Statements, the significant assumptions that have been adopted by the Management in applying the accounting policies are the same as those which have been adopted for the published annual Financial Statements for the fiscal year which ended on 31 December 2019.

5. Other Information

- Major extraordinary events have occurred during the period 1 January - 31 March 2020 which affect the Financial Statements.

During FY 2019, our Company achieved once again cigarette and fine cut tobacco volume and market share increases in both the Greek domestic market as well as in most of its international markets.

We are very satisfied by the sales volume increase in Greece and abroad, the restraint in production costs despite the adverse consequences of the implementation of tracking and tracing. We are very satisfied by the sales volume increase in Greece and abroad and the restraint in production costs, despite the adverse effects of the implementation of tracking and tracing legislation. This pleasing performance, resulting in high profitability and the strengthening of our cash reserves, has enabled the continuous upgrade of our production operations through our undiminished investment program as well as allowing us to maintain our highly rewarding dividend policy for our shareholders.

Consequently, the prospects for FY 2020 looked very positive, something which was also verified by our performance during the first three months of the current year. However, the spread of the coronavirus pandemic and the significant measures adopted by all governments in an effort to limit its spread shall undoubtedly have an impact on our Company as well.

For that reason, we are obliged to be realistic and conservative on the short-term consequences of the situation we are experiencing. According to the assessments by most economic agents, the world economy is probably heading towards its worst recession ever. In this respect, any forecast, at this moment in time is highly unreliable.

COVID-19

Our top priority was and is the health of our employees and our partners. As early as February we undertook measures to protect our employees, safeguard operations continuity and adapt, as quickly and as efficiently as possible, to the new unprecedented environment which was becoming evident in our social and economic lives.

Among others:

- All business trips abroad were cancelled; furthermore, we cancelled our participation in international industry exhibitions where our company was scheduled to participate either as an exhibitor or as visitor.
- For the small number of employees belonging to higher risk groups, our company decided their staying at home for as long as necessary.
- Where possible, company employees are working in rotation from home via remote electronic access.
- In order to avoid disruptions in production, we gave particular emphasis in providing ample information to our employees about the safety measures imposed, both at individual and team level. Among others, we reduced the duration of each shift by 30 minutes, so as to mitigate congestion at arrival to and departure from the factory. At the same time, we undertook weekly disinfection programs for all our premises.
- In both our shipments of ready-made goods to our international markets and transportation of raw materials to our factory, we redesigned routes so as to avoid passing through countries of higher virus load, a decision which causes a small increase in the procurement prices of some materials and in the transportation costs of our shipments to our international markets.

- The Board of Directors, recognizing the social responsibility of the Company and its duty to contribute in the national effort to fight the pandemic, decided in March 2020 to order and donate to the Greek National Health Service 50 fully equipped ICU bed stations.

We have no doubt that this unprecedented business environment will impact our company. At the time of drafting this analysis, the effect of the pandemic in our business activities appear to be somehow mild, nevertheless, the world economic recession is expected to leave its mark on our company as well.

In more detail, the reduction in disposable income, together with the constraints in the free movement of people, are expected to further reduce the consumption of tobacco products. We cannot exclude the possibility of a 10%-15% contraction in the various domestic markets we operate in, including the Greek market, at least for as long as such measures to fight the Covid-19 pandemic are in place.

Furthermore, it is still unclear when easing in national lockdowns will take place and when international travelling will be resumed. As of March 2020, we are facing closures in Duty Free outlets operating in international airports, harbors and marinas, while most border outlets have either suspended their operations, or are operating with various degrees of disruptions. In accordance with FY 2019 data, the share of our Duty-Free business in our total sales volume is approximately 16%. We have calculated that every month of suspension in their operations causes our Company a loss of profitability in the range of EUR 1.4 million.

With regards to receivables from customers, it must be noted that all receivables recorded on 31.12.2019 have been collected during the first quarter of 2020. However, for receivables created during the first months of 2020, it is anticipated that an amount equal to approximately EUR 5 million could be delayed in its payment beyond the agreed payment dates, especially from Duty-Free operators due to the reasons outlined above.

Considering the economic strength of the Company combined with the spread and diversity of our international markets, the strength of our brands and the commitment of our employees, we believe that any consequences of the Covid-19 pandemic are manageable and can be absorbed without jeopardizing, at the slightest, the sustainability of our Company as a going concern.

In the longer term, it our belief that the careful and prudent management of resources that has always been the company's policy will put us in a strong position to prosper as the world recovers from this exceptionally difficult time

Prenotation for mortgages amounting to Euro 71,733 thousand on the Company's property, plant and equipment have been pledged as guarantee to the Greek State for Special Consumption Taxes deferment.

Finally, we note that there is no seasonality in the production and in the operations of the Company.

6. Information per Segment

The Group is regarded as one operating segment that manufactures and sells tobacco products (cigarettes, hand rolling tobacco and cigars), Production of cigarettes and hand rolling tobacco is performed exclusively in Greece, where a significant majority of the Group's fixed assets are located.

7. Turnover

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
International sales(*)	43,388	38,648	42,488	37,412
Domestic sales (net) (*)	11,742	11,162	11,698	11,141
Excise tax and V.A.T.	191,324	175,359	118,066	113,282
Total	246,454	225,169	172,252	161,835

The analysis of International Sales is as follows:

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Continent				
European Union countries	14,488	13,372	13,588	12,136
Other European countries	6,208	6,948	6,208	6,948
Africa	14,644	15,066	14,644	15,066
Asia	8,048	3,262	8,048	3,262
Total	43,388	38,648	42,488	37,412

(*)The Group pays listing and merchandising fees to customers. Under IFRS 15, these listing/merchandising fees which derive from contractual obligations, are not treated as an expense for a separate service, but are deducted directly from net sales revenue. These 1/1-31/3/2020 fees, together with the promotional incentives paid to customers, amount to EUR 439 thousand for the Group and 360 thousand for the Company.

There is no customer with credit facilities generating more than 5% of the Company's gross turnover.

8. Tangible Assets

Group

(Amounts in thousands of Euros)	Land	Buildings & Installations	Plant & equipment	Motor vehicles	Fixture & fittings	Total
2019						
Cost						
Balance 01.01.2019	6,130	19,228	142,973	1,824	6,055	176,210
Right-of-use assets -IFRS 16						
01.01.2019	0	116	0	816	0	932
Additions	0	166	8,456	240	227	9,089
Disposals-Transfers	0	0	(71)	0	0	(71)
Right-of-use assets -IFRS 16						
Impairment	0	(23)	0	(15)	0	(38)
Impairment of tangible assets	0	0	(1,372)	0	0	(1,372)
Balance 31.12.2019	6,130	19,487	149,986	2,865	6,282	184,750
Accumulated depreciation						
Balance 01.01.2019	0	11,835	75,205	1,716	5,340	94,096
Depreciation for the year	0	349	5,561	24	181	6,115
Amortization of right of use - IFRS 16	0	58	0	286	0	344
Impairment of tangible assets	0	0	(1,262)	0	0	(1,262)
Balance 31.12.2019	0	12,242	79,504	2,026	5,521	99,293
Net book value as at 31.12.2019	6,130	7,245	70,482	839	761	85,457
2020						
Cost						
Balance 01.01.2020	6,130	19,487	149,986	2,865	6,282	184,750
Additions	0	0	28	8	6	42
Right-of-use assets -IFRS 16	0	0	0	102	0	102
Balance 31.03.2020	6,130	19,487	150,014	2,975	6,288	184,894
Accumulated depreciation						
Balance 01.01.2020	0	12,242	79,504	2,026	5,521	99,293
Depreciation for the period	0	87	1,662	6	46	1,801
Depreciation for the Right-of-use assets		12	0	88	0	100
Balance 31.03.2020	0	12,341	81,166	2,120	5,567	101,194
Net book value as at 31.03.2020	6,130	7,146	68,848	855	721	83,700

Company

(Amounts in thousands of Euros)	Land	Buildings & Installations	Plant & equipment	Motor vehicles	Fixture & fittings	Total
2019						
Cost						
Balance as at 01.01.2019	6,130	19,221	142,973	1,704	5,772	175,800
Right-of-use assets -IFRS 16 01.01.2019	0	17	0	666	0	683
Additions	0	64	8,456	219	217	8,956
Disposals-Transfers	0	0	(71)	0	0	(71)
Right-of-use assets -IFRS 16 Impairment	0	0	0	(15)	0	(15)
Impairment of tangible assets	0	0	(1,372)	0	0	(1,372)
Balance 31.12.2019	6,130	19,302	149,986	2,574	5,989	183,981
Accumulated depreciation						
Balance 01.01.2019	0	11,829	75,205	1,604	5,062	93,700
Depreciation for the year	0	349	5,561	23	175	6,108
Disposals-Transfers	0	0	0	0	0	0
Amortization of right of use - IFRS 16	0	13	0	211	0	224
Impairment of tangible assets	0	0	(1,262)	0	0	(1,262)
Balance 31.12.2019	0	12,191	79,504	1,838	5,237	98,770
Net book value as at 31.12.2019	6,130	7,111	70,482	736	752	85,211
2020						
Cost						
Balance as at 01.01.2020	6,130	19,302	149,986	2,574	5,989	183,981
Additions	0	0	28	8	6	42
Right-of-use assets -IFRS 16	0	0	0	102	0	102
Balance 31.03.2020	6,130	19,302	150,014	2,684	5,995	184,125
Accumulated depreciation						
Balance 01.01.2020	0	12,191	79,504	1,838	5,237	98,770
Depreciation for the year	0	87	1,662	6	45	1,800
Depreciation for the Right-of-use assets	0	5	0	59	0	64
Balance 31.03.2020	0	12,283	81,166	1,903	5,282	100,634
Net book value as at 31.03.2020	6,130	7,019	68,848	781	713	83,491

Land is not depreciated. Depreciation on the other tangible assets is calculated using the straight-line method over their estimated useful lives, as follows:

Buildings and installations

Electrical – Electronic - Air conditioning installations

Machinery for tobacco processing- Steam generating equipment

Machinery for cigarette makers, packers, filter makers

Motor vehicles

Computer equipment

Years

60

3 - 15

16 - 24

8 - 35

5 - 7

3 - 5

Note that the majority of the machinery is fully depreciated over 25 years.

The estimation of the machinery useful lives was based on past data (usage of machinery of similar type), as well as on past Company experience acquired over 100+ years of operations, along with the evaluation of the future conditions and trends of the markets. There is no change from the previous financial year.

There is no need for impairment, in the current fiscal year, since the tangible assets are measured at cost and due to the Company's strong profitability generated from them, they have high value in use.

Prenotation for mortgages amounting to EUR 71,733 thousand on the Company's property, plant and equipment have been pledged as guarantee to the Greek State for Excise Taxes deferment.

9. Earnings per share, after tax

Earnings per share after taxes, are calculated by dividing profit after tax attributable to shareholders by the weighted average number of shares in circulation during the reporting period, in accordance with the analysis below:

(Amounts in thousands of Euros)	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Net profit, after tax	20,755	15,770	20,048	15,449
Attributed to:				
Company's shareholders	20,756	15,771	20,048	15,449
Minority interests	(1)	(1)	0	0
Weighted average number of shares	2,760,000	2,760,000	2,760,000	2,760,000
Basic earnings per share (in absolute figures)	7.5199	5.7138	7.2638	5.5975
Diluted earnings per share (in absolute figures)	7.5199	5.7138	7.2638	5.5975

10. Investments at fair value through P&L

(Amounts in thousands of Euros)	Group		Company	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Listed Shares	3	10	3	10
Mutual Funds and Money Market Certificates listed	41,639	105,950	41,639	105,950
	41,642	105,960	41,642	105,960

11. Investments measured at amortized cost

(Amounts in thousands of Euros)	Group		Company	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Corporate Bonds	35,195	20,457	35,195	20,457
Financial Bonds	17,558	17,283	17,558	17,283
Government bonds	15,592	19,661	15,592	19,661
	68,345	57,401	68,345	57,401

12. Cash and cash equivalents

(Amounts in thousands of Euros)	Group		Company	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Cash in hand	16	19	13	17
Sight and time deposits	345,844	279,603	334,156	261,391
	345,860	279,622	334,169	261,408

13. Contingencies – Commitments – Subsequent Events

The Group has contingent liabilities relating to the Greek State, the Bulgarian State and United Kingdom HMRC, to banks for other guarantees and for other matters, such as legal cases arising from the Group's ordinary business activities. These cases are not expected to have a material effect on the Financial Statements. More specifically:

(a) The Company has granted Bank Letters of Guarantee to the Greek State, as security in respect to the amount of the Excise Tax, relating to goods in transit, which are under suspension of duty. On 31 March 2020, the value of these Bank Letters of Guarantee was EUR 185,579 thousand, while on 31 March 2019 their value was EUR 184,776 thousand. Prenotation for mortgages amounting to EUR 71,733 thousand on the Company's property, plant and equipment have been pledged as guarantee to the Greek State for Excise Taxes deferment.

(b) Subsidiary KARELIA BULGARIA EOOD has granted Bank Letters of Guarantee to the Bulgarian State as security for Excise Tax deferment. The value of these Bank Letters of Guarantee on 31st March 2020 was EUR 43,250 thousand compared to EUR 32,600 thousand on 31 March 2019.

(c) In order for the Bulgarian bank SOCIETE GENERALE EXPRESS to issue the necessary bank guarantees as required by Bulgarian customs, in favour of our subsidiary KARELIA BULGARIA EOOD, and which are described in paragraph (b), they had received on 31.03.2020 collateral bank guarantees of equal amount from CREDIT SUISSE AG, to which the company had pledged cash of an amount equal to EUR 45.500 thousand.

(d) Subsidiary KARELIA TOBACCO COMPANY (UK) LTD has granted Bank Letters of Guarantee to the United Kingdom HMRC as security for Excise Tax deferment. The value of these Bank Letters of Guarantee on 31st March 2020 was GBP 400 thousand compared to GBP 300 thousand on 31 March 2019.

(e) The Kalamata customs office, under the No 157/2012/17.01.2013 Assessment Act, assessed against the Company additional Excise Duty for EUR 343 thousand, as the difference between the tobacco excise duty which was declared and paid and the corresponding excise duty deriving from the amendment of the provisions of L.2960/2001 «National Customs Codes» of article 1 of L.2960/2001. Against this Act, the Company filed a legal recourse in front the Tripoli Administrative Court of First Instance in 2013 and formed a provision. Finally, the Company filed an annulment petition with the Council of State for acts of assessments of Excise Duty amounting to EUR 4,681 thousand, which the Company paid during January 2011 to the Greek State. This amount has been recorded as an expense in a previous Financial Year.

(f) During the first six-month period of 2015, the Company paid to the Kalamata Tax Authorities an amount of EUR 3,059 thousand relating to tax on non-taxable reserves from the profits of FY 2003. These non-taxable reserves were created in accordance with Law 3220 / 2004. In accordance with article 107, paragraph 1 of the EU Treaty, these reserves have been considered as unlawful state aid which must be recovered by the Greek State, in accordance with Law 4099/2012 and Ministry of Finance Directive 1231/2013. Against this ruling, the Company filed, on 23 June 2015, a legal recourse in front of the Administrative Court of Tripoli, which was discussed, on 14 March 2017. The appeal was accepted by the court, and by virtue of its decision No 433/2017, this amount was returned to the Company on 31 July 2018. The Greek Tax Authorities have appealed against this Act.

(g) In November of 2016, the Company paid to the Kalamata Tax Authorities an amount of EUR 667 thousand relating to tax on non-taxable reserves from the profits of FY 2004. These non-taxable reserves were created in accordance with Law 3220 / 2004. In accordance with article 107, paragraph 1 of the EU Treaty, these reserves have been considered to amount to unlawful state aid which must be recovered by the Greek State, in accordance with Law 4099/2012 and Ministry of Finance Directive 1231/2013. Against this ruling, the Company filed, on 20 April 2017, a legal recourse in front of the Administrative Court of Tripoli, which, with its Decision No 500/2018 accepted the company's appeal; subsequently, this provision was reversed in FY 2018. The Greek Tax Authorities reserve the right to appeal against this Court ruling.

(h) In March 2016, the Hellenic Capital Market Commission, charged the Company with EUR 748 thousand for 2016, as per the official document "Notice of Account Fees". Against the aforementioned act, the Company submitted an annulment petition to the Athens Administrative Court of Appeal.

In November 2016, the Hellenic Capital Market Commission affirmed to the Tax Authorities, the amount due by the Company of EUR 1,991 thousand, relating to contributions for the fiscal years 2014, 2015, and 2016. Against the aforementioned acts, the Company submitted an annulment petition to the Athens Administrative Court of Appeal for the contributions relating to the fiscal years 2014, 2015 and 2016.

The Company paid the total amount of EUR 1,991 thousand in December 2016 and recognized an equal receivable amount from the Greek State. In respect of this receivable, the Company formed an equal doubtful debt provision in 2016, as the outcome of the case is uncertain. The account "Litigated Duties" in 2016 relates to this provision.

In March 2017, the Hellenic Capital Market Commission, charged the Company with EUR 388 thousand for the fiscal year 2017, as per the official document "Notice of Account Fees". Against the aforementioned act, the Company submitted an annulment petition to the Athens Administrative Court of Appeal. The Company formed a provision.

The Court of Appeal dismissed - for formal reasons - our appeals, stating that the amount of fees should be judged by the Administrative Court of Kalamata, during the hearing on the objections that we have already filed.

(i) On 31 March 2020, there were litigations and claims the outcome of which, according to the Board's view, would not significantly affect the Company's results.

(g) The fiscal years for which the Company and its subsidiaries have not been audited by the respective tax authorities are described, in detail, in note 14 of the Financial Statements. The Management of the Company believes that if additional tax charges arise, in case of such tax audit, these will not have a material impact in the Financial Statements

14. Corporation tax

According to current Greek tax regulations, Societes Anonymes are taxed for their total Profits at a 24% Tax Rate (2019: 24%).

Greek tax laws and regulations are subject to interpretations by the tax authorities. Income tax returns are submitted to the tax authorities on an annual basis, but the profits or losses declared for tax purposes remain temporarily unsettled until the tax authorities audit the tax returns and books of each company and after their audit, determine the related tax liabilities as final. Tax losses, to the extent they are recognized by the tax authorities, can be used to offset taxable profits of the next five years following the current year.

The Company has been audited by the tax authorities up to the Financial Year 2009. The tax obligations of the Company deriving from Financial Year 2010, have not been audited by the tax authorities, however, the specific Financial Year has been time-barred. Until 31 December 2018, no auditing notification from legal or tax authorities has been received, thus any potential liability is considered to have lapsed. The Company has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2018 in accordance with Greek tax legislation. The Company does not expect any future income taxes or penalties to arise as a result of a tax audit by the Greek tax authorities for the years from 2014 through to 2018, while FY 2011, 2012 and 2013 have been time-barred. However, based on certain risk-based criteria, the Greek tax authorities may select the Company as part of their review of entities that have received non-modified tax compliance certificates. In such cases, the Greek tax authorities have the right to perform a tax audit for the selected tax year in question taking into consideration the work already performed that supported the issuance of the non-modified tax compliance certificate. The Company has not received any notification from the Greek tax authorities for the Financial years 2014 – 2018.

The subsidiary MERIDIAN S.A., had been audited by the tax authorities up to the Financial Year 2010. The Company has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2018 in accordance with Greek tax legislation. The Company does not expect any future income taxes or penalties to arise as a result of a tax audit by the Greek tax authorities for the Financial years from 2014 through to 2018, while Financial years 2011, 2012 and 2013 have been time-barred. However, based on certain risk-based criteria, the Greek tax authorities may select the Company as part of their review of entities that have received non-modified tax compliance certificates. In such cases, the Greek tax authorities have the right to perform a tax audit for the selected tax year, taking into consideration the work already performed that supported the issuance of the non-modified tax compliance certificate. The Company has not received any notification from the Greek tax authorities for the Financial years 2014 – 2018.

KARELIA INVESTMENT INC., has been audited since its establishment (1997) until Financial Year 2010. The Company has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2018 in accordance with Greek tax legislation. The Company does not expect any future income taxes or penalties to arise as a result of a tax examination by the Greek tax authorities for the Financial years from 2014 through to 2018, while Financial years 2011, 2012 and 2013 have been time-barred. However, based on certain risk-based criteria, the Greek tax authorities may select the Company as part of their review of entities that have received non-modified tax compliance certificates. In such cases, the Greek tax authorities have the right to perform a tax audit for the selected tax year, taking into consideration the work already performed that supported the issuance of the non-modified tax compliance certificate. The Company has not received any notification from the Greek tax authorities for the tax years 2014 – 2018.

During 2016 the subsidiary KARELIA BULGARIA EOOD (2006) was audited by the tax authorities, up to the Financial Year 2012. The remaining foreign subsidiaries KARELIA TOBACCO COMPANY (UK) LTD (2002), KARELIA BELGIUM SARL and KARELIA TÛTÛN VE TICARET A.Ş, (2008), have not been audited by their respective tax authorities. Consequently, the tax liabilities of the Company and its subsidiaries for Financial Years not yet audited have not been finalized yet. We anticipate that if additional tax charges arise in case of tax examination, these will not have material impact in the 31 March 2020 Financial Statements.

Income tax charged to results is analyzed as follows:

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Current income tax	6,750	6,103	6,574	6,022
Deferred taxes	(164)	7	(128)	4
Total	6,586	6,110	6,446	6,026

15. Current provisions for liabilities and expenses

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Provision for litigations	152	152	152	152
	152	152	152	152

The **Provision for litigations**, relate to an employee, amounting to EUR 152 thousand.

As far as the subsidiaries are concerned, there is no justification for provisions related to financial years not yet audited by tax authorities, or for provisions related to litigation or arbitration.

16. Related party transactions

Related party transactions are as follows:

i) Sales of products and services

(Amounts in thousands of Euros)	31.03.2020	31.03.2019
MERIDIAN A.E.	56	95
KARELIA BULGARIA COMPANY EOOD	8,757	6,706
KARELIA TOBACCO COMPANY (UK) LTD	1,175	970
Total	9,988	7,771

Sales to subsidiaries are under the same conditions as for non-related parties.

i) Outstanding balances derived from sales of products and services

(Amounts in thousands of Euros)	31.03.2020	31.03.2019
<u>Receivables from related parties</u>		
MERIDIAN A,E,	304	307
KARELIA BULGARIA EOOD	3,508	2,129
KARELIA TOBACCO COMPANY (UK) L.T.D.	1,342	626
KARELIA TÛTÛN VE TICARET A.Ş.	4	0
Total	5,158	3,062

iii) Outstanding balances derived from loans

(Amounts in thousands of Euros)	31.03.2020	31.03.2019
<u>Receivables from related parties</u>		
KARELIA INVESTMENT INC	21	21
KARELIA TOBACCO COMPANY (UK) LTD	0	23,000
Total	21	23,021

iv) Board of Directors and Executives remuneration (Top management)

(Amounts in thousands of Euros)

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Remuneration for the Members of the BOD	122	116	122	116
Salaries and other short-term benefits for Heads of Departments	1,383	598	1,327	542
	1,505	714	1,449	658

17. Dividends per share

The distribution of dividends to Shareholders is recognized as a liability in the Financial Statements on the date on which the distribution is approved by the General Assembly of Shareholders,

The Board of Directors of the Company, taking into account the results of FY 2019, will propose to the next Annual General Meeting of Shareholders, which will be held on 24 June 2020, dividend distribution, amounting to EUR 25.944 thousand, equivalent to EUR 9.40 per share. The proposed gross dividend is slightly reduced compared to that of the financial year 2018, but due to the lower dividend tax rate, the net dividend is increased. Based on the share price of December 31 2019, the proposed dividend represents a dividend yield of 3.41%.

Kalamata, 12 June 2020

Vice Chairman	Managing Director	Finance Director	Accounting Manager
Efstathios G, Karelias	Andreas G, Karelias	George D, Alevizopoulos	John A, Argiris