

Interim condensed Financial Statements for the period

SIX MONTH PERIOD

1 January - 30 June 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



KARELIA
FINE TOBACCOS SINCE 1888

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Statements of Directors of KARELIA TOBACCO COMPANY INC.

(According to Article 5 par. 2 of Law 3556/2007)

The members of the Board of Directors of KARELIA TOBACCO COMPANY INC:

1. Victoria G. Karelia, Chairman
2. Efstathios G. Karelias, Vice Chairman;
3. Andreas G. Karelias, Managing Director

WE STATE THAT

As far as we are aware:

- a. The Interim Separate and Consolidated Financial Statements of KARELIA TOBACCO COMPANY INC for the first six-month period ended 30 June 2020, as well as the companies included in the Group consolidation taken as a whole, which were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, present a true view of the Assets and Liabilities, Equity and Profit for the six-month period ended 30 June 2020 of the Company, according to the provisions of paragraphs 3 to 5 of Article 5 of Law 3556/2007.

And

- b. The Board of Directors Report on these Financial Statements present a true view of the information required under paragraph 6 of Article 5 of Law 3556/2007, and the decisions of the Hellenic Capital Market Commission.

Kalamata, September 25 2020

The Chairman	The Vice President	The Managing Director
Victoria G. Karelia	Efstathios G. Karelias	Andreas G. Karelias

Board of Directors Report of the KARELIA TOBACCO COMPANY INC on the Interim Separate and Consolidated Financial Statements for the period 1 January to 30 June 2020

This report describes in summary form financial information concerning the Company KARELIA TOBACCO COMPANY INC (the "Company") for the first six-month period of the current year, major events that took place during that period and their impact on the Interim Separate and Consolidated Financial Statements of the period ended 30 June 2020 henceforth (the "Financial Statements"). Moreover, major risks and uncertainties that the companies of the Group may face in the second half of the current financial year are described and finally, significant transactions conducted between the Company and its related parties are presented.

This report was prepared in accordance with the terms and conditions of article 5 of Law 3556/2007 and article 4 of the Decision 7/448/11.10.2007 of the Board of Directors of the Hellenic Capital Market Commission and accompanies the Financial Statements. Since the Company also prepares consolidated financial statements, this report is unified, with main reference to the consolidated financial information of the Company and its affiliates, while reference to the individual financial information of the Company is made only where appropriate or necessary for the better understanding of its contents.

I. PERFORMANCE AND FINANCIAL POSITION

Group net turnover (i.e. net of excise duties) increased by approximately 6.5 %, when compared with the same period of last year, while gross profit increased by 16.31%.

In the Greek market, the Company showed a slight decrease in Net Turnover by 3.10%, compared to that in the same period of the previous year, mainly due to the suspension of operations of travel retail and Duty free outlets, which was caused by lack of passenger traffic as a result of measures undertaken for combating the Covid-19 pandemic. However, market share in both ready-made cigarettes and Roll Your own tobacco increased.

The Company's cigarettes and in RYO tobacco sales increased in the EU region, including Bulgaria. Sales in Far East and Eastern Europe markets also increased, whereas there was a significant reduction in volume in our international Duty free markets, including Turkey, caused primarily by the effects of Covid-19.

Positive performance was also recorded in the remaining Balkan and Asian markets, while a small reduction in sales was experienced in Africa.

Stability, in operating costs, in terms of both actual value and ratio over turnover, was achieved for both the Group and the Company. The containment of operating costs and the reduction in production costs, following continuous successful negotiation with our tobacco and raw material suppliers, remain a top priority for the management of the Company and the Group.

II. SIGNIFICANT EVENTS DURING THE FIRST HALF OF THE CURRENT YEAR

The most important event of the period was the spread of COVID 19, and the partial lockdown in most countries, including Greece. This resulted in a serious recession in most economies with unprecedented changes in social and consumer behavior. Furthermore, the dramatic decrease in travelling resulted, among others, in suspension of operation for most travel retail and Duty Free outlets worldwide. The sales drop experienced by our Company in this channel was mostly offset by volume increases in most of our international markets.

III. PERSPECTIVES-MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF CURRENT YEAR

Most countries in the world are facing a constantly increasing number of Covid-19 cases, a fact that allows notable expert scientists to envisage with certainty, a second wave of the pandemic.

Thus, governments of most countries are weighing the consequences of more drastic measures that they will need to undertake, trying to balance between protecting the health of their populations and, to the extent that this is possible, maintaining fundamental economic functions, necessary to avoid social unrest.

Under these circumstances, our estimates for our Group's performance during the second half of this year are characterized by increased uncertainty. Measures which may be adopted by authorities, the nature of which may be unprecedented, could significantly impact our future performance in the countries where we are active.

Recently, we had the opportunity to outline the consequences of a suspension of operations in Greek and international Duty Free and Travel Retail outlets, a highly profitable channel for our company. Similarly, we stressed the effects of extended lockdowns in the consumption of tobacco products, especially in countries with a traditionally high level of tourism.

As evident from the financial data of the first semester, and especially those of the second quarter, our Group has shown strong resilience, under conditions that are unprecedented. However, it would be unwise to forecast a similar course for the rest of the year, since the consequences of the extended pandemic period will lead to an environment of intense worldwide recession. Our priority is to ensure the uninterrupted operation of our factory in Kalamata and the health and safety of our employees. The successful measures that have been adopted towards this goal are certain to be continued, while additional measures deriving either from new legislation, or our Company's initiative, cannot be excluded.

Maintaining high levels of cash reserves, which safeguards us against future headwinds, especially in such an uncertain environment, constitutes a basic priority for our Management. In this respect, the very limited relatively safe investment opportunities with a positive yield that exist under negative interest rates, are also screened further, in order not to jeopardize future flexibility.

The apparent depreciation of the United States dollar versus the euro, to levels close to 1.20 or even further, will have an impact on the group's general profitability, while the American elections in November 2020 constitute a further element of uncertainty.

Risks

Stocks-Suppliers

The Group takes all necessary measures (insurance, storage) in order to minimize the risk of stock losses due to natural disasters, theft, etc. Furthermore, due to the fact that the Group operates in a sector where legislative interventions on packaging are frequent, management continuously reviews the value of its stocks and forms adequate provisions so that their value in the Financial Statements matches their fair value.

Credit risks

Due to the high dispersion of the customers base of the Group's companies, there is no risk of dependence on specific customers as there is no customer that generates more than 5% of gross turnover.

To safeguard against risks arising from the credit terms given to customers, the Group where appropriate, requests from its customers, additional cover as credit guarantee. Credit limits are set for each customer, which are reviewed in line with current conditions, and if appropriate, credit terms are adjusted.

The Company and the Group form provisions for doubtful debts, by reviewing receivables periodically by monitoring aging balances and addressing collection problems that arise.

Currency risks

Currency risk is the volatility risk in the value of financial instruments, assets and liabilities due to changes in the foreign exchange rates. The Company carries out transactions denominated in foreign currencies, mainly U.S. Dollars and therefore is exposed to foreign exchange risk. So far, it has not been deemed necessary to enter into hedging currency risk transactions. There are no middle-term or long-term liabilities of the Company denominated in foreign currency, therefore the foreign currency exposure primarily concerns Assets.

In Bulgaria the local currency (BGN) has a current exchange rate of Euro equal to 1.95583 (EUR / BGN = 1.95583). On July 10 of this year, Bulgaria was admitted in the new exchange rate mechanism (ERM-2) at the current exchange rate (EUR / BGN = 1.95583).

Before adopting the EUR as its currency, Bulgaria should remain in the ERM-2 for at least two years, in which period the exchange rate is allowed to fluctuate by +/- 15% from the value set upon admittance.

At the same time, the ECB, with the consent of the Eurozone finance ministers, announced that Bulgaria would join the Banking Union, placing, as of October 1st of this year, its largest banks under ECB supervision.

Interest rate risk and liquidity risk

The interest rates risks refer to the volatility in the value of the return of interest rate based investments and to the volatility in borrowing costs due to the change in interest rates. The majority of Assets and Liabilities of the Group are not subject to interest rate return/liability (excluding cash) and therefore the Group is not exposed to high risk of interest rate volatility.

The Group maintains significant reserves (EUR 480 mil. on 30.06.2020), the majority of which is deposited with international banks, outside Greece.

IV. RELATED PARTY TRANSACTIONS

Trading transactions between the Company and its related parties (persons and entities) during the first semester of fiscal year 2020 were conducted at arm's length, and have not been differentiated to the respective transactions conducted during the previous year 2019 and, therefore, they did not materially affect the financial position and performance of the parent Company during the first semester of 2020.

(Amounts in thousands of Euro)	Sales of products	Receivables	Liquidity facilities	Loans	Liabilities
MERIDIAN A.E.	88	336	0	0	0
KARELIA BULGARIA EOOD	17,101	2,734	0	0	0
G.K DISTRIBUTORS EOOD	0	0	0	0	0
KARELIA TOBACCO COMPANY (UK) LTD	1,801	632	0	0	0
KARELIA TÛTÛN VE TICARET A.Ş.	0	4	0	0	0
KARELIA INVESTMENT INC.	0	0	21	0	0
	18,990	3,706	21	0	0

Intercompany sales during the first six months of 2020 and 2019, as well as loans, receivables and liabilities between the parent Company and its subsidiaries, on 30.06.2020, are shown in the tables below:

(Amounts in thousands of Euro)	Sales of products	Receivables	Liquidity facilities	Loans	Liabilities
MERIDIAN A.E.	187	400	0	0	0
KARELIA BULGARIA EOOD	14,131	365	0	0	0
G.K DISTRIBUTORS EOOD(1)	4,707	0	0	0	0
KARELIA TOBACCO COMPANY (UK) LTD	1,551	272	0	0	0
KARELIA TÛTÛN VE TICARET A.Ş.	0	0	0	0	0
KARELIA INVESTMENT INC.	0	0	21	0	0
	20,576	1,037	21	0	0

(1) The transaction relates to sales (net of excise tax). from the Subsidiary KARELIA BULGARIA EOOD. to its subsidiary G.K DISTRIBUTORS EOOD.

Finally, the remuneration of the members of the Board of Directors and heads of the various departments amounted to EUR 2,385 thousand for the period from 1 January to 30 June 2020 (EUR 1,525 thousand for the period from 1 January to 30 June 2019). Please see the analysis on note 16.

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**Independent Auditors' Report
on Review of Condensed Interim Financial Information
(Translated from the original in Greek)**

To the Shareholders of
KARELIA TOBACCO COMPANY INC

**Report on the Review of Condensed Interim Financial Information
Introduction**

We have reviewed the accompanying interim condensed standalone and consolidated Statement of Financial Position of KARELIA TOBACCO COMPANY INC (the "Company") as at 30 June 2020 and the related condensed standalone and consolidated Statements of Income and Comprehensive Income, Changes in Equity and Cash Flows for the six-month period then ended and the selected explanatory notes, which comprise the condensed interim financial information and which forms an integral part of the six-month financial report of articles 5 and 5a of L. 3556/2007. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the International Financial Reporting Standards adopted by the European Union and specifically with International Accounting Standard (IAS) 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as incorporated in Greek Law, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Report on Other Legal and Regulatory Requirements

Our review did not identify any material inconsistency or error in the statements of the members of the Board of Directors and in the information of the six-month Financial Report of the Board of Directors as defined in articles 5 and 5a of L. 3556/2007 in relation to the accompanying interim condensed financial information.

Athens, 25 September 2020
KPMG Certified Auditors S.A.
AM SOEL 114

Philippos Kassos, Certified Auditor Accountant
AM SOEL 26311

Interim Statement of Profit or Loss and other Comprehensive Income (Separated and Consolidated) for the period ended 30 June 2020

(Amounts in thousands of Euro)		GROUP		COMPANY	
		01.01-30.06.2020	01.01-30.06.2019	01.01-30.06.2020	01.01-30.06.2019
	Note				
Turnover	6	515,440	476,184	354,869	344,093
Cost of sales		(460,286)	(428,763)	(302,229)	(298,253)
Gross Profit		55,154	47,421	52,640	45,840
Administrative expenses		(6,018)	(4,703)	(5,604)	(4,221)
Distribution expenses		(8,647)	(9,343)	(8,067)	(8,697)
Other operating income		1,553	1,415	1,553	1,415
Results from operating activities		42,042	34,790	40,522	34,337
Financial income-net		(254)	2,062	(225)	2,113
Exchange differences		306	713	307	708
Net profit before tax		42,094	37,565	40,604	37,158
Corporation tax	7	(9,848)	(10,562)	(9,584)	(10,468)
Net profit for the period		32,246	27,003	31,020	26,690
Other comprehensive income					
(a) Items reclassified to P&L					
Foreign currency translation differences – Foreign operations		(327)	17	0	0
Net (loss)/profit on valuation of the fair value financial assets		0	97	0	97
Deferred tax		0	(27)	0	(27)
(b) Items that will never be reclassified to P&L					
Total comprehensive income		31,919	27,090	31,020	26,760
Net profit attributable to:					
Shareholders of the Company		32,249	27,005	31,020	26,690
Minority interest		(3)	(2)	0	0
Total		32,246	27,003	31,020	26,690
Total Comprehensive income attributed to:					
Shareholders of the Company		31,922	27,092	31,020	26,760
Minority interests		(3)	(2)	0	0
Total		31,919	27,090	31,020	26,760
Basic and diluted earnings. per share. after tax (in absolute figures)	8	11.6833	9.7837	11.2391	9.6703

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

Interim Statement of Profit or Loss and other Comprehensive Income for the period ended 30 June 2020

(Amounts in thousands of Euro)

	Note	GROUP		COMPANY	
		01.04-30.06.2020	01.04-30.06.2019	01.04-30.06.2020	01.04-30.06.2019
Turnover		268,986	251,015	182,617	182,258
Cost of sales		(244,253)	(228,787)	(159,038)	(160,636)
Gross Profit		24,733	22,228	23,579	21,622
Administrative expenses		(3,494)	(2,305)	(3,296)	(2,050)
Distribution expenses		(4,020)	(5,484)	(3,712)	(5,159)
Other operating income		820	597	820	597
Results from operating activities		18,039	15,036	17,391	15,010
Financial income-net		953	1,976	957	2,005
Exchange differences		(4,239)	(1,327)	(4,238)	(1,332)
Net profit before tax		14,753	15,685	14,110	15,683
Corporation tax	7	(3,262)	(4,452)	(3,138)	(4,442)
Net profit for the period		11,491	11,233	10,972	11,241
Other comprehensive income					
(a) Items reclassified to P&L					
Foreign currency translation differences – Foreign operations		(120)	(237)	0	0
Net (loss)/profit on valuation of the fair value financial assets		0	30	0	29
Deferred tax		0	(8)	0	(8)
(b) Items that will never be reclassified to P&L					
Total comprehensive income		11,371	11,018	10,972	11,262
Net profit attributable to:					
Shareholders of the Company		11,493	11,234	10,972	11,241
Minority interests		(2)	(1)	0	0
Total		11,491	11,233	10,972	11,241
Total Comprehensive income attributed to:					
Shareholders of the Company		11,373	11,019	10,972	11,262
Minority interests		(2)	(1)	0	0
Total		11,371	11,018	10,972	11,262
Basic and diluted earnings. per share. after tax (in absolute number)		4.1634	4.0699	3.9754	4.0728

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

Interim Statement of Financial Position as at 30 June 2020

(Amounts in thousands of Euro)

	GROUP		COMPANY	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
ASSETS				
Long-term assets				
Intangible assets	606	687	596	677
Tangible assets	82,181	85,457	82,010	85,211
Investments at amortized cost	41,490	35,037	41,490	35,037
Participations	0	0	1,045	1,053
Other non-current assets	35	35	32	32
Total long-term Assets	124,312	121,216	125,173	122,010
Current assets				
Stocks	60,241	64,674	54,338	59,256
Accounts receivables	16,553	25,644	16,101	19,988
Investments at fair value through P&L	19,488	105,960	19,488	105,960
Investments at amortized cost	14,166	22,364	14,166	22,364
Cash and cash equivalents	404,497	279,622	387,291	261,408
Total Current Assets	514,945	498,264	491,384	468,976
Total Assets	639,257	619,480	616,557	590,986
EQUITY AND LIABILITIES				
Equity				
Share capital	34	34	34	34
Share premium	111,559	108,654	111,840	108,608
Retained earnings	374,760	371,687	360,030	358,186
Equity attributable to shareholders of the Company	519,004	513,026	504,555	499,479
Minority interests	(13)	(10)	0	0
Total Equity	518,991	513,016	504,555	499,479
Liabilities				
Long-term liabilities				
Deferred taxes	4,446	5,444	4,472	5,506
Lessee lease liabilities due > 1 year	539	657	466	515
Staff leaving benefits	3,830	3,847	3,745	3,762
Total long-term liabilities	8,815	9,948	8,683	9,783
Current liabilities				
Suppliers and other payables	96,332	92,082	88,583	77,621
Current provisions for liabilities and expenses	152	152	152	152
Corporation taxes payable	14,636	3,971	14,345	3,736
Lessee lease liabilities due ≤ 1 year	331	311	239	215
Total Current Liabilities	111,451	96,516	103,319	81,724
Total Liabilities	120,266	106,464	112,002	91,507
Total Equity and Liabilities	639,257	619,480	616,557	590,986

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

Interim Statement of Financial in Equity (Consolidated) for the period ended 30 June 2020

(Amounts in thousands of Euro)

Group	Share Capital	Share Premium	Reserves	Retained earnings	Minority Interest	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 OCI	0	0	97	0	0	97
Deferred tax	0	0	(27)	0	0	(27)
Exchange differences	0	0	0	17	0	17
Net profit for the period	0	0	0	27,005	(2)	27,003
	<u>0</u>	<u>0</u>	<u>70</u>	<u>27,022</u>	<u>(2)</u>	<u>27,090</u>
Transactions with shareholders						
Direct effect to Equity						
Transfer to reserves	0	0	3,376	(3,376)	0	0
Dividends of FY 2018	0	0	0	(26,220)	0	(26,220)
Balance as at 30 June 2019	<u>32,651</u>	<u>34</u>	<u>108,962</u>	<u>330,999</u>	<u>(8)</u>	<u>472,638</u>
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	(327)	0	0	(327)
Net profit for the period	0	0	0	32,249	(3)	32,246
	<u>0</u>	<u>0</u>	<u>(327)</u>	<u>32,249</u>	<u>(3)</u>	<u>31,919</u>
Transactions with shareholders						
Direct effect to Equity						
Transfer to Reserves	0	0	3,232	(3,232)	0	0
Dividends of FY 2019	0	0	0	(25,944)	0	(25,944)
Balance as at 30 June 2020	<u>32,651</u>	<u>34</u>	<u>111,559</u>	<u>374,760</u>	<u>(13)</u>	<u>518,991</u>

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

Interim Statement of Changes in Equity (Separated) for the period ended 30 June 2020

(Amounts in thousands of Euro)

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 OCI	0	0	97	0	97
Deferred tax	0	0	0	0	0
Net profit for the period	0	0	(27)	26,690	26,663
	0	0	70	26,690	26,760
Transactions with shareholders - Direct effect to Equity					
Transfer to reserves	0	0	3,376	(3,376)	0
Dividends of FY 2018			0	(26,220)	(26,220)
Balance as at 30 June 2019	32,651	34	108,910	319,146	460,741
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	31,020	31,020
	0	0	0	31,020	31,020
Transactions with shareholders - Direct effect to Equity					
Transfer to reserves	0	0	3,232	(3,232)	0
Dividends of FY 2019	0	0	0	(25,944)	(25,944)
Balance as at 30 June 2020	32,651	34	111,840	360,030	504,555

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

Interim Statement of Cash Flows (Separated and Consolidated) for the period ended 30 June 2020

(Amounts in thousands of Euro)	(Note)	GROUP		COMPANY	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
Profit for the period		32,246	27,003	31,020	26,690
Adjustments for:					
Corporation tax		9,848	10,562	9,584	10,468
Depreciation of tangible assets	9	3,367	2,736	3,363	2,733
Amortization of intangible assets		81	32	81	32
Depreciation of lessee use rights to leased assets		201	156	130	109
(Profits) from sales of tangible assets		(1)	0	(1)	0
Interest income		(2,066)	(1,453)	(2,066)	(1,453)
Interest and other financial expenses		637	659	608	607
Losses on valuation of financial assets through P&L		22	(323)	22	(323)
Losses from sale of financial assets through P&L		446	(1,951)	446	(1,951)
Interest of financial assets through OCI		0	70	0	70
Losses from the valuation of financial assets at amortized cost		68	261	68	261
Other financial income for financial assets at amortized cost		227	(169)	227	(169)
Reversal of provision		0	0	50	121
(Profit)/Loss of investments in fair value through results		(822)	(1,205)	(822)	(1,117)
Increase in staff leaving benefits		(17)	102	(18)	104
		44,237	36,480	42,692	36,182
Changes in Working Capital					
Decrease in stocks		5,255	8,085	5,740	8,458
Decrease in account receivable		9,092	13,729	3,886	18,204
(Decrease)/Increase in liabilities		(21,968)	(15,418)	(14,975)	1,460
		(7,621)	6,396	(5,349)	28,122
		36,616	42,876	37,343	64,304
Interest and other financial expenses paid		(637)	(659)	(608)	(607)
Corporation tax paid		(220)	(229)	0	0
Net cash flows from operating activities		35,759	41,988	36,735	63,697
Cash flows from investment activities					
Acquisition of tangible assets		(190)	(8,154)	(190)	(7,955)
Sales of tangible assets		1	0	1	0
Purchase of financial assets through OCI		0	5,000	0	5,000
Purchase of securities		1,449	68,643	1,449	46,949
Sales/(Purchase) of financial assets at amortized cost		86,004	(34,312)	86,004	(34,312)
Repayment/(granting) of loans to subsidiaries		0	0	0	23,000
Capital increase of subsidiary		0	0	(41)	0
Interest received		2,066	1,453	2,066	1,453
Net cash flows from investment activities		89,330	32,815	89,289	34,135
Cash flows from financing activities					
Pledged account		(45,500)	(34,000)	(45,500)	(34,000)
Lease payments		(200)	(151)	(127)	(106)
Dividends paid to shareholders of the Company		(14)	(24)	(14)	(24)
Net cash flows from financing activities		(45,714)	(34,175)	(45,641)	(34,130)
Net increase in cash and cash equivalents		79,375	40,628	80,383	63,702
Cash and cash equivalents at the beginning of the period		279,622	218,344	261,407	181,339
Cash and cash equivalents at the end of the period	12	358,997	258,972	341,790	245,041

The accompanying notes on pages 15 to 26 are an integral part of these financial statements

1. General Information

Karelia Tobacco Company Inc. (the "Company") is a Societe Anonyme, registered in Greece. The Company was founded in 1962 and specialises in the production and sale of tobacco products.

The Company's Head office is in Kalamata (Asprohoma - Athinon str.). Its website address is www.karelia.gr. The Company is listed in the Athens Stock Exchange.

On 30 June 2020, the Company's employees amounted to 523, while the Group's employees amounted to 555.

The Company is managed by its 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. The Board of Directors structure is:

Executive Members

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

Non Executive Members

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

The General Assembly of Shareholders which was held on 18st 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 tenure.

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

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

Group Structure

Company	Location	Country	Percentage of shareholding	Consolidation Method
KARELIA TOBACCO COMPANY INC.	Kalamata	Greece	Parent company	Full
MERIDIAN A.E.	Athens	Greece	99.4%	Full
KARELIA INVESTMENT INC.	Kalamata	Greece	85%	Full
KARELIA TOBACCO COMPANY (UK) LTD	London	Great Britain	100%	Full
KARELIA BULGARIA EOOD	Sofia	Bulgaria	100%	Full
G.K. DISTRIBUTORS EOOD	Sofia	Bulgaria	100%	Full
KARELIA TÛTÛN VE TICARET A.Ş.	Istanbul	Turkey	97%	Full
KARELIA BELGIUM S.A.R.L.	Brussels	Belgium	85%	Full

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 30 June 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 published on the Company's website. The Financial Statements have been approved by the Board of Directors on 25 September 2020.

3. Basic Accounting Policies

3a. General

In preparing these Financial Statements, the same accounting policies and methods of computation used for the year ended 31 December 2019. 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 published on the Company's website.

3b. Impact of new accounting standards and interpretations

The following new and amended standards and interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2020:

Amendment of IFRS 3 Business Combinations (effective 1 January 2020)

The IASB issued amendments related to the definition of a business in IFRS 3 "Business Combinations" in order to assist the entities determine whether an acquired set of activities and assets constitute a business or not. The standards clarify the minimum requirements for the definition of a business, abolish the assessment of whether market participants are capable of replacing any missing elements, add a guidance in order to assist the entities to assess whether an acquired process is significant, to limit the definitions of a business and of its outputs and introduce an optional fair value concentration test.

The adoption of the amendments had no impact on the Group's condensed interim Financial Statements.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)

In March 2018, the IASB issued a revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated definitions of an asset/liability and derecognition criteria, as well as clarifications on other important areas.

The adoption of the amendments had no impact on the Group's condensed interim Financial Statements.

Amendments of IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)

The amendments of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition an information is material if its omission, inaccuracy or suppression could reasonably be expected to influence decisions that the primary users of Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

The adoption of the amendments had no impact on the Group's condensed interim Financial Statements

Amendments of IFRS 9, IAS 39 and IFRS 7: "Interest rate benchmark reform"

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR).

The adoption of the amendments had no impact on the Group's condensed interim Financial Statements

3c. New Standards and Interpretations effective in subsequent periods

The following new Standards and Interpretations are effective in subsequent periods.

Amendment of IFRS 16 'Covid-19-Related Rent Concessions' (effective for annual periods beginning on or after 1 June 2020):

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment has not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendment of IAS 1 'Classification of liabilities as current or non-current' (effective for annual periods beginning on or after 1 January 2022)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

These Amendments have not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendment of IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (effective for annual periods beginning on or after 1 January 2022)

The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also requires entities to separately disclose the amounts of proceeds and costs relating to such items produced that are not an output of the entity's ordinary activities.

The amendment has not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendment of IAS 37 (Amendment) 'Onerous Contracts – Cost of Fulfilling a Contract' (effective for annual periods beginning on or after 1 January 2022)

The amendment clarifies that 'costs to fulfil a contract' comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendment has not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendment of IFRS 3 'Reference to the Conceptual Framework' (effective for annual periods beginning on or after 1 January 2022):

The amendment updated the standard to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, an exception was added for some types of liabilities and contingent liabilities acquired in a business combination. Finally, it is clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.

The amendment has not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022)

The amendments set out below include changes to four IFRSs. The amendments have not yet been endorsed by the EU. IFRS 9 'Financial instruments': The amendment addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test. IFRS 16 'Leases': The amendment removed the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 of the standard in order to remove any potential confusion about the treatment of lease incentives.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendment of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The amendments have not yet been endorsed by the EU.

The adoption of the amendments is not expected to impact the Group's Financial Statements.

Amendments of IFRS 4 "Insurance Contracts" - deferral of IFRS 9 (effective for annual periods beginning on or after 01/01/2021)

In June 2020, the IASB issued amendments which postpone the date of initial implementation of IFRS 17 for two years, i.e. it will be implemented for annual periods beginning on or after 1 January 2023. As a result, IASB extended the defined deadline for the temporary exemption from the implementation of IFRS 9 "Financial Instruments" contained in IFRS 4

"Insurance Contracts", resulting in entities being required to implement IFRS 9 for annual periods beginning on or after 1 January 2023.

The amendments have not yet been adopted by the European Union

The adoption of the amendments is not expected to impact the Group's Financial Statements.

IFRS 17. Insurance Contracts (effective 1 January 2021)

IFRS 17 is not relevant to the Group's activities.

4. Changes in Accounting Policies

In preparing these Financial Statements, the significant assumptions adopted by management in applying the accounting policies are same as those adopted in the Annual published Financial Statements for the year ended 31 December 2019.

5. Other Information

No major extraordinary events have occurred during the period 1 January - 30 June 2020 which have influenced the Financial Statements.

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 deferment of Excise Duty .

Group "accounts receivable" shows a significant reduction when compared with the end of the previous financial year. This reduction was mainly due to the reimbursement of EUR 10,349 thousand, (BGN 20,240 thousand) to our subsidiary KARELIA BULGARIA EOOD by Bulgarian Customs. KARELIA BULGARIA EOOD had deposited these funds to the Bulgarian State, as part of the guarantee necessary to maintain the "Registered Consignee" status. The level of the necessary guarantee is calculated monthly by Bulgarian Customs, as the average of monthly excise duty payments of the previous 12 months, increased by 50%. The structure of the guarantee provided (i.e. the appropriate combination of bank guarantees and cash collateral) is thus adjusted monthly by the management of our company.

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

6. Turnover

<i>(Amounts in thousands of Euro)</i>	Group		Company	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
International sales	80,104	72,957	77,106	70,550
Domestic sales	23,722	24,488	23,668	24,426
Excise tax and VAT	411,614	378,739	254,095	249,117
Total	515,440	476,184	354,869	344,093

The analysis of International Sales is as follows:

<i>(Amounts in thousands of Euro)</i>	Group		Company	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
<u>Continent</u>				
European Union countries	30,818	26,485	27,820	24,078
Other European countries	15,950	13,203	15,950	13,203
Africa	25,319	27,022	25,319	27,022
Asia	8,017	6,247	8,017	6,247
Total	80,104	72,957	77,106	70,550

(*)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 1/1-30/6/2020 fees, together with the promotional incentives paid to customers, amount to EUR 447 thousand for the Group and EUR 331 thousand for the Company.

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

7. 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. The Company has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2019 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 2019, 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 themselves 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 – 2019.

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 2019 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 2019, 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 themselves 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 – 2019.

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 2019 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 2019, 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 themselves 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 – 2019.

During 2016 the subsidiary KARELIA BULGARIA EOOD was audited by the tax authorities, up to the Financial Year 2012. The remaining foreign subsidiaries KARELIA TOBACCO COMPANY (UK) LTD, KARELIA BELGIUM SARL and KARELIA TÛTÛN VE TICARET A.Ş, 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 in Profit or Loss Statement is analyzed as follows:

(Amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01-30.06.2020	01.01-30.06.2019	01.01-30.06.2020	01.01-30.06.2019
Current income tax	10,892	12,939	10,617	12,810
Deferred taxes	(1,044)	(2,377)	(1,033)	(2,342)
Total	9,848	10,562	9,584	10,468

	GROUP		COMPANY	
	01.04 – 30.06.2020	01.01-30.06.2019	01.01-30.06.2020	01.01-30.06.2019
Current income tax	4,142	6,836	4,043	6,788
Deferred taxes	(880)	(2,384)	(905)	(2,346)
Total	3,262	4,452	3,138	4,442

8. Earnings after tax, per share

Earnings (after taxes) per share are calculated by dividing profit after tax attributable to shareholders by the weighted average number of shares in circulation during the reporting period, excluding own ordinary shares purchased by the Company:

	Group		Company	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
<i>(Amounts in thousands of Euro)</i>				
Net profit, after tax	32,246	27,003	31,020	26,690
Attributable to:				
Company's shareholders	32,249	27,005	31,020	26,690
Minority interests	(3)	(2)	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)	11.6833	9.7837	11.2391	9.6703
Diluted earnings per share (in absolute figures)	11.6833	9.7837	11.2391	9.6703

9. Tangible Assets

Group

<i>(Amounts in thousands of Euros)</i>	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
Additions	0	166	8,456	240	227	9,089
Right-of-use assets -IFRS 16	0	116	0	816	0	932
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
Right-of-use assets -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	146	8	36	190
Right-of-use assets -IFRS 16	0	0	0	102	0	102
Disposals-Transfers	0	0	0	(14)	0	(14)
Impairment of tangible assets	0	0	0	0	(31)	(31)
Balance 30.06.2020	6,130	19,487	150,132	2,961	6,287	184,997
Accumulated depreciation						
Balance 01.01.2020	0	12,242	79,504	2,026	5,521	99,293
Depreciation for the period	0	174	3,088	13	92	3,367
Right-of-use assets -IFRS 16	0	25	0	176	0	201
Disposals-Transfers	0	0	0	(14)	0	(14)
Impairment of tangible assets	0	0	0	0	(31)	(31)
Balance 30.06.2020	0	12,441	82,592	2,201	5,582	102,816
Net book value as at 30.06.2020	6,130	7,046	67,540	760	705	82,181

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
Additions	0	64	8,456	219	217	8,956
Right-of-use assets -IFRS 16	0	17	0	666	0	683
Disposals-Transfers	0	0	(71)	0	0	(71)
Right-of-use assets -IFRS 16	0	0	0	0	0	0
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
Right-of-use assets -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 01.01.2020	6,130	19,302	149,986	2,574	5,989	183,981
Additions	0	0	146	8	36	190
Right-of-use assets -IFRS 16	0	0	0	102	0	102
Disposals-Transfers	0	0	0	(13)	0	(13)
Balance 30.06.2020	6,130	19,302	150,132	2,671	6,025	184,260
Accumulated depreciation						
Balance 01.01.2020	0	12,191	79,504	1,838	5,237	98,770
Depreciation for the period	0	174	3,088	12	89	3,363
Disposals-Transfers	0	0	0	(13)	0	(13)
Right-of-use assets -IFRS 16	0	11	0	119	0	130
Balance 30.06.2020	0	12,376	82,592	1,956	5,326	102,250
Net book value as at 30.06.2020	6,130	6,926	67,540	715	699	82,010

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

	Years
Buildings and installations	60
Electrical – Electronic - Air conditioning installations	3 - 15
Machinery for tobacco processing- Steam generating equipment	16 - 24
Machinery for shoulder box production. cigarette makers. packers. filter makers	5 - 35
Motor vehicles	5 - 7
Computer equipment	3 - 5

It must be noted 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 deferment of Excise Duty.

10. Investments at fair value through P&L

(Amounts in thousands of Euro)

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Shares	3	10	3	10
Investment in Foreign Money Market Funds	19,485	105,950	19,485	105,950
	19,488	105,960	19,488	105,960

Shares have been valued at fair value, and the profit resulted from the revaluation has been recorded in the results of the period.

Investment in **Foreign Money Market Funds** and **Money Market Certificates**, amounted to Euro 19,485 thousand (Company: Euro 19,485 thousand) are related to investments, operated by Deutsche Bank. The valuation of these Foreign Money Market Funds and Money Market Certificates has been performed by the Fund administrator and the valuation method hierarchy is level 2 because it includes listed low-risk securities of short-term maturities. It is noted that profit or loss from valuation, are an unrealized result for the Company. The actual result (profit or loss) will occur during the liquidation of the above financial data.

11. Financial assets at amortized cost

(Amounts in thousands of Euros)

	Group		Company	
	30.06.2020	31.12.2019	30.06.2019	31.12.2019
Corporate non-Financial Bonds	34,763	20,457	34,763	20,457
Corporate Financial Bonds	17,303	17,283	17,303	17,283
Government Bonds	3,590	19,661	3,590	19,661
	55,656	57,401	55,656	57,401

The following table summarizes the book and fair value of financial assets which were measured at amortized cost in the Statement of Financial Position of the Group and the company. Their fair and book values do not significantly differ compared to their value at amortized cost.

(Amounts in thousands of Euros)

	Book Value	Fair Value
	30.06.2020	30.06.2020
Corporate non-Financial Bonds	34.763	34.335
Corporate Financial Bonds	17.303	17.867
Government Bonds	3.590	3.602
	55.656	55.804

Corporate bonds, amounted to EUR 52,066 thousand, (Company: EUR 52,066 thousand), are related to issues of international corporations of high credit rating. The valuation of these bonds, has been performed by the respective custodian banks and the valuation method hierarchy is level 1, because they are traded on financial markets. The government bonds valued at amortized cost of Euro 3,590 thousand (Company: Euro 3,590 thousand) are issued by the US Treasury Department.

The valuation / amortization of bonds in this category is done by the method of the real interest rate..

12. Cash and cash equivalents

(Amounts in thousands of Euros)	(Note)	Group		Company	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
Cash in hand		16	19	14	17
Sight and time deposits		404,481	279,603	387,277	261,391
Cash and cash equivalents in the statement of financial position		<u>404,497</u>	<u>279,622</u>	<u>387,291</u>	<u>261,408</u>
Pledged account	Note: (14c)	<u>(45,500)</u>	<u>(34,000)</u>	<u>(45,500)</u>	<u>(34,000)</u>
		<u>358,997</u>	<u>245,622</u>	<u>341,791</u>	<u>227,408</u>

The pledged cash deposit of Euro 45.500 relates to cash deposits which have been pledged for the provision of bank guarantees (note 14c). The Company has the right to use this cash following an application, provided this pledged deposit is replaced by pledging alternative financial instruments.

13. Provisions for other liabilities and expenses

(Amounts in thousands of Euro)	GROUP		COMPANY	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Provision for litigations and claims	152	152	152	152
	<u>152</u>	<u>152</u>	<u>152</u>	<u>152</u>

Provision for litigations and claims relate to disputable of 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.

The estimate of the provisions was based on the history of the cases and on the assessments by the Company's Legal Counselors and Management.

14. Contingencies – Commitments

The Group has contingent liabilities related to a) Customs Authorities in Greece, Bulgaria and the United Kingdom, b) banks for supplementary guarantees and c) legal cases which have arisen from its business activities and which are not expected to have a material effect on the Financial Statements.

In detail:

(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 30 June 2020, the value of these Bank Letters of Guarantee was EUR 152,542 thousand, while on 30 June 2019 their value was EUR 178,353 thousand.

(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 30 June 2020 was EUR 38,250 thousand compared to EUR 32,600 thousand on 30 June 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 30.06.2020 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 INC 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 30 June 2020 was GBP 400 thousand compared to GBP 300 thousand on 30 June 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 these 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 the appropriate provision in FY 2017.

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

(i) On 30 June 2020 there were litigations and claims the outcome of which, according to the Board's view, would not significantly affect the Company's results.

15. Capital Commitments

On 30 June 2020 there were no significant capital commitments for the Group.

16. Transactions and balances with related parties

KARELIA TOBACCO COMPANY INC. its subsidiaries. the subsidiaries of the subsidiaries. the Management and its executives are classified as related parties of the Group.

The Company sells goods and services to related parties, and additionally provides interest free loans and liquidity facilities to them.

Sales of Company's products to related parties concern sales of products and merchandise. Selling prices are at cost plus a profit margin.

The transactions between the Company and its related parties. during this period 2019 have been conducted at arm's length. except for loans.

The following transactions were carried out with related parties:

i) Sales of goods and services

(Amounts in thousands of Euro)

	01.01-30.06.2020	01.01-30.06.2019
MERIDIAN A.E.	88	187
KARELIA BULGARIA EOOD	17,101	14,131
KARELIA TOBACCO COMPANY (UK) LTD	1,801	1,551
GK DISTRIBUTORS EOOD(1)	0	4,707
Total	18,990	20,576

(1) The transaction relates to sales (net of excise tax). from the Subsidiary KARELIA BULGARIA EOOD, to its subsidiary G.K DISTRIBUTORS EOOD.

<i>(Amounts in thousands of Euro)</i>	01.04-30.06.2020	01.04-30.06.2019
MERIDIAN A.E.	32	92
KARELIA BULGARIA EOOD	8,344	7,425
KARELIA TOBACCO COMPANY (UK) LTD	626	581
GK DISTRIBUTORS EOOD(1)	0	4,707
Total	9,002	12,805

ii) Outstanding balances derived from sales of products and services

Receivables from related parties

<i>(Amounts in thousands of Euro)</i>	30.06.2020	31.12.2019
MERIDIAN A.E.	336	248
KARELIA BULGARIA EOOD	2,734	3,918
KARELIA TOBACCO COMPANY (UK) LTD	632	167
KARELIA TÛTÛN VE TICARET A.Ş.	4	4
Total	3,706	4,337

Liabilities to related parties

There are no liabilities to related parties

iii) Outstanding balances derived from loans

<i>(Amounts in thousands of Euro)</i>	30.06.2020	31.12.2019
<u>Receivables from related parties</u>		
KARELIA INVESTMENT INC	21	21
Total	21	21

iv) Remuneration for Board of Directors members and department directors

(Amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01- 30.06.2020	01.01- 30.06.2019	01.01- 30.06.2020	01.01- 30.06.2019
Remuneration of the members of the BOD	252	231	252	231
Salaries and other short-term benefits of department directors	2,133	1,294	2,021	1,182
	2,385	1,525	2,273	1,413
	01.04 - 30.06.2020	01.04 - 30.06.2019	01.04 - 30.06.2020	01.04 - 30.06.2019
Remuneration of the members of the BOD	130	115	130	115
Salaries and other short-term benefits of department directors	750	696	694	640
	880	811	824	755

17. Operating segments

The following information refers to operating segments of the Group Companies, which are subject to a separate analysis in the Financial Statements.

Operating segments are defined according to the structure of the Group and mostly relate to the segmentation of the activities of the Group in Greece and Overseas and on the basis that the Chief Operating decision makers monitor the financial information, separately, as disclosed by the Company and each of its subsidiaries included in the consolidation. Responsible for the monitoring and the decision making are the Managing Director and the General Manager.

The Company's management evaluates the impact of the operating segments according to operating profit and net profit.

Information on the operating segments of the Group's Greek entities is based on Greek Accounting Standards stipulated by Greek Law and is as follows:

(Amounts in thousands of Euro)	30.06.2020		30.06.2019	
	Greece (Activities of Parent Company and Greek Subsidiaries)	International (Activities of Subsidiaries non-Greek)	Greece (Activities of Parent Company and Greek Subsidiaries)	International (Activities of Subsidiaries non-Greek)
Revenues from customers	102,260	21,868	97,143	22,472
Financial income	2,255	0	1,960	6
Financial expenses	594	25	595	49
Total depreciation of fixed assets	2,628	3	2,037	1
Profit before taxes	39,877	1,594	36,332	712

Segment information and reconciliation to the Group's consolidated figures are as follows:

(Amounts in thousands of Euro) Note

	Group	
	30.06.2020	30.06.2019
Revenues from external customers	124,128	119,615
Other operating income	(1,286)	(1,187)
Eliminations of intergroup sales (note17)	(18,990)	(20,576)
Other revenues	(26)	(407)
Excise and VAT (6)	411,614	378,739
Revenue in accordance with Profit or Loss and Other Comprehensive Income	515,440	476,184

(Amounts in thousands of Euro)

Profit/ Loss before taxes

	Group	
	30.06.2020	30.06.2019
Profit before taxes	41,471	37,044
Adoption from C.L.2190/1920 to IFRS	599	747
Eliminations of intergroup profits	24	(226)
Profit before taxes in accordance with Profit or Loss and Other Comprehensive Income	42,094	37,565

18. Dividends per share

The General Assembly of Shareholders which was held on 24 June 2020. The General Assembly of Shareholders decided to distribute as dividends for the financial year 2019 an amount equal to EUR 25,944 thousand, which is equivalent to EUR 9.40 per share. The proposed dividend is slightly reduced compared to that of the year 2018, but due to the reduction of withholding tax the net dividend is increased. The dividend yield of 3.41% based on the share market price at 31st December 2019.

19. Significant Events Subsequent to the 30 June 2020 Statement of Financial Position

No significant events which might influence the Financial Statements for the first semester of FY 2020 have occurred following the date of the Statement of Financial Position.

Kalamata, September 25 2020

Vice Chairman
Efstathios G. Karelias

Managing Director
Andreas G. Karelias

Finance Director
George D. Alevizopoulos

Accounting Manager
John A. Argiris