Financial Report for the Financial Year

TWELVE MONTH PERIOD

1 January - 31 December 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 Member of the Board of Directors of KARELIA TOBACCO COMPANY. INC.

(According to Article 4 par, 2 of Law 3556/2007)

The members of the Board of Directors of KARELIA TOBACCO COMPANY. INC.,

1. Victoria-Margarita G, Karelia, Chairwoman
2. Efstathios G. Karelias, Vice-President
3. Andreas G. Karelias, Managing Director

WE STATE THAT

As far as we are aware:

a. The Separate and Consolidated Financial Statements of **KARELIA TOBACCO COMPANY. INC**., (the “Company”) for the financial year 2020, which were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, present, in a true manner, the Assets and Liabilities, Equity and Profit for the year ended 31 December 2020 of the Company, as well as of the companies included in the Group consolidation taken as a whole, according to the provisions of Article 4 of Law 3556/2007.
And

b. The Board of Directors Report reflects, in a true manner, the development, performance and financial position of **Karelia Tobacco Company. Inc.**, as well as the companies included in the Group consolidation taken as a whole, including the description of the major risks and uncertainties that they face.

Kalamata, 26 April 2021

Chairman of the Board of Directors	The Vice Chairman	The Managing Director
Victoria-Margarita G.Karelia	Efstathios G. Karelias	Andreas G. Karelias

Independent Auditors' Report

(Translated from the original in Greek)

To the Shareholders of
KARELIA TOBACCO COMPANY INC.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the attached Separate and Consolidated Financial Statements of KARELIA TOBACCO COMPANY INC. (the "Company") which comprise the Separate and Consolidated Statement of Financial Position as at 31 December 2020, the Separate and Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Separate and Consolidated Financial Statements present fairly, in all material respects, the financial position of KARELIA TOBACCO COMPANY INC. and its subsidiaries (the "Group") as at 31 December 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, as it has been incorporated into Greek legislation, and the ethical requirements that are relevant to the audit of the separate and consolidated financial statements in Greece and we have fulfilled our ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Separate and Consolidated Financial Statements of the current period. These matters and the relevant significant assessed risks of material misstatement were addressed in the context of our audit of the Separate and Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Completeness and Accuracy of Excise Tax

See Notes 19 and 20 to the Separate and Consolidated Financial Statements.

The key audit matter	How the matter was addressed in our audit
The Company's and the Group's Excise Tax amounts to approximately Euro 549 811 thousand and Euro 897 684 thousand respectively. The Company and the Group produce and distribute tobacco products, which are subject to Excise Tax. The Excise Tax is included in the Cost of Sales and the Turnover. Complex calculations are required for charging the tax and also there are frequent and increased changes of legislation concerning the applicable rates. As a result, there is increased risk of an error during the calculation of the Excise Tax. In addition, there is pressure on Company's and Group's profitability due to the increased smuggling and the adverse economic environment in Greece, which, combined with the extremely high rates of the Excise Tax, intensify the risk of an intentional or unintentional error during the charging of the tax. As a consequence, the Company and the Group is exposed to the risk of potential additional charge of high excise tax charges. For the above reasons, we believe that the completeness and accuracy of the Excise Tax is one of the most important key audit matters.	Our audit procedures included, amongst others, the following: We have examined the design of the internal control regarding the transfer of tobacco products from production to the tax warehouse and the process of their taxation prior to their disposal in the domestic market. We conducted analytical audit procedures to assess the reasonability of the movement of the expense recognized. We performed substantive audit procedures, such as recalculation of the charging of Excise Tax on a sample basis, in order to verify the correctness and accuracy of the tax. We received a confirmation letter from Customs Authorities in order to confirm the completeness and accuracy of the Excise Tax recorded by the Company and the correct timing of recognition. We have also received, on a sample basis, confirmation letters from the most important overseas customers of the Company in order to confirm the completeness and accuracy of the exports and to verify that no Excise Tax was charged in these transactions. Finally, we assessed the appropriateness and adequacy of the disclosures, referring to this matter, in the Financial Statements.

2. Stocks Valuation

See Notes 3.12 and 7 to the Separate and Consolidated Financial Statements.

The key audit matter	How the matter was addressed in our audit
The Company's and the Group's stocks amounted to approximately Euro 55 297 thousand and Euro 60 106 thousand respectively, as valued after the impairment	Our audit procedures in relation to the stocks valuation included, amongst others, the following:

provision of Euro 803 thousand and Euro 836 thousand respectively. The stocks are valued at the lower of cost and net realizable value. Management's estimation concerning the provision for impairment of finished products, merchandise, raw materials and spare parts is based on the slow-moving stocks and the evaluation of utilizing them in the future. Stocks valuation is a significant key audit matter due to the significant stocks' magnitude and the risk of material misstatement in the calculation of the relative estimate and on management's assumptions in the context of formation of provisions for impairment of stocks due to subjective judgments.	We evaluated with the assistance of our specialists, the design and the operating effectiveness of the internal controls and the controls of the Company's information systems regarding the warehouse monitoring process. We performed audit procedures regarding the movement of stocks to identify slow-moving stocks, so as to evaluate the suitability of management's assumptions for the stock valuation process. In order to evaluate the valuation in comparison with the net realizable value, we examined a sample of sales invoices after the fiscal year end. We examined also, on a sample basis, the correct calculation of the stocks acquisition cost. We attended at the physical stock count and examined on a sample basis the accuracy, completeness and physical condition of stocks, as well as their probable impairment. Finally, we assessed the appropriateness and adequacy of the disclosures, referring to this matter, in the Financial Statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors' Report, for which reference is made in the "Report on Other Legal and Regulatory Requirements" and the Declarations of the Members of the Board of Directors but does not include the Separate and Consolidated Financial Statements and our Auditors' Report thereon.

Our opinion on the Separate and Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Separate and Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Separate and Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. .

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Separate and Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs which have been incorporated in Greek legislation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Separate and Consolidated Financial Statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Separate and Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Separate and Consolidated Financial Statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on these Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Separate and Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Board of Directors' Report

Taking into consideration that Management is responsible for the preparation of the Board of Directors' Report and the Corporate Governance Statement that is included in this report [for listed entities, pursuant to the provisions of paragraph 5 of Article 2 of Law 4336/2015 (part B), we note that:

(a) The Board of Directors' Report includes a Corporate Governance Statement which provides the information set by Article 152 of L. 4548/2018.

(b) In our opinion, the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of Articles 150,151, 153 and 154 and of paragraph 1 (cases c and d) of article 152 of L. 4548/2018 and its contents correspond with the accompanying Separate and Consolidated Financial Statements for the year ended 31 December 2020.

(c) Based on the knowledge acquired during our audit, relating to KARELIA TOBACCO COMPANY INC. and its environment, we have not identified any material misstatements in the Board of Directors' Report.

2. Additional Report to the audit Committee

Our audit opinion on the Separate and Consolidated Financial Statements is consistent with the Additional Report to the Audit Committee of the Company dated 27 April 2021, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

3. Provision of non-Audit Services

We have not provided to the Company and its subsidiaries any prohibited non-audit services referred to in article 5 par. 1 of Regulation (EU) 537/2014 or any other permissible non-audit services.

4. Appointment of Auditors

We were appointed for the first time as Certified Auditors of the Company based on the decision of the Annual General Shareholders' Meeting dated 28 June 2006. From then onwards our appointment has been renewed uninterruptedly for a total period of 15 years based on the annual decisions of the General Shareholders' Meeting.

Athens, 27 April 2021

KPMG Certified Auditors S.A.
AM SOEL 114

Philippos Kassos, Certified Auditor Accountant
AM SOEL 26311

Annual Management Report

Of the Board of Directors of KARELIA TOBACCO COMPANY, INC, on the results for Financial Year 2020 and the annual accounts (annual Financial Statements)

Dear Shareholders,

We submit for approval the Separate and Consolidated Financial Statements (the "Financial Statements") of KARELIA TOBACCO COMPANY.INC., (the "Company") for the Financial Year which ended on 31st December 2020.

The Group consists of the Company (Parent Company) and its subsidiaries as well as the subsidiaries of these subsidiaries.

This report was prepared in accordance with the provisions of Law 3556/2007 and Law 4548/2018 (articles 150 – 154), and accompanies the Financial Statements. Since the Company prepares Consolidated Financial Statements as well, this report is unified, with main reference to the consolidated financial data of the Company and its subsidiaries in this report and with special reference to the separate (non-consolidated) financial data of the Company only where it is considered appropriate or necessary for the better understanding of its content.

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report, together with the Financial Statements and other requirements, information and statements imposed by Law, is included in the annual Financial Report for the Financial Year 2019.

GROUP – SEGMENTS OF ACTIVITY

The Group is mainly active in the manufacture and wholesale of tobacco products, i.e. cigarettes, cigars and roll-your-own tobacco.

The Group companies other than the Company, which are included in the Consolidated Financial Statements (full consolidation), per country of operation, are:

MERIDIAN S.A. DUTY FREE SPECIALISTS, registered in Greece, in which the Company holds 99,54% of the share capital.

KARELIA INVESTMENT S.A., registered in Greece, in which the Company holds 85% of the share capital.

KARELIA BULGARIA EOOD, registered in Bulgaria, in which the Company holds 100% of the share capital.

KARELIA TOBACCO COMPANY (UK) LTD, registered in England, in which the Company holds 100% of the share capital.

KARELIA TÜTÜN VE TICARET A,Ş,, registered in Turkey, in which the Company holds 97% of the share capital.

GK DISTRIBUTORS EOOD, registered in Bulgaria, in which the Company holds indirectly 100% of the share capital (a 100% subsidiary of KARELIA BULGARIA EOOD).

KARELIA BELGIUM S.A.R.L., registered in Belgium, in which the Company holds 85% of the share capital.

CONSOLIDATED GROUP RESULTS

Amounts are in thousands of Euros unless otherwise stated

Consolidated Equity, on 31.12.2020, after minority interests amounts to Euro 541 million, compared to Euro 513 million on 31.12.2019.

We submit the Consolidated results of the Financial Year 01,01,2020-31,12,2020, comparable to the previous Financial Year, which confirm the true performance of the Group's activities, as established within the Financial Year 2020.

Information about consolidated results:

	2020	2019	Change 2020/2019
Net turnover (net of Excise Tax and VAT)	211,034	215,699	-2.16%
Profit before interest, FX results, taxes and depreciation	91,708	87,040	+5.36%
Profit before tax	73,005	87,727	-16.78%
Profit after tax and minority interests	54,656	67,404	-18.91%

Key ratios of the Consolidated Group Results

We present below the key financial ratios related to the financial structure and performance of the Group in accordance with the consolidated figures included in the Annual Financial Report of the Group, for the FY 2020 and for the previous financial year.

Financial Structure Ratios

	2020	2019
Current Assets / Total Assets	81.16%	80.43%
Total Liabilities / Total Equity and Liabilities	13.50%	17.19%
Equity after Minority Interests	86.50%	82.81%

Performance and Efficiency Ratios

	2020	2019
Operating Income / Total Revenue (net)	40.00%	37.30%
Profit before tax / Equity after minority interests	13.48%	17.10%

BUSINESS DEVELOPMENTS - SIGNIFICANT EVENTS

Employees:

On 31.12.2020, the Group employed 554 employees (Company: 522 employees), representing a decrease of 4,48% compared to 31.12.2019 when the number of employees was 580 (Company: 547 employees).

These ratios and the review of the annual Financial Report enable all interested parties to ascertain the progress in the Company's and Group's activities, as well as the efforts made to achieve the corporate objectives,

BUSINESS DEVELOPMENTS - SIGNIFICANT EVENTS

In an environment of global recesion, 2020 was characterised by a stable, solid performance for Karelia Tobacco Company. The Group continued its course, capitalized successfully on the opportunities markets continue to offer, overcame most challenges in the markets where its is active, and, remaining focused on its objective of balanced, responsible and sustainable long-term growth.

Furthermore, the constraint in operating expenses to levels similar to those of previous years, and the remarkable increase in cash reserves, in both Group and Company level, are the results of defensive measures undertaken by Management in order to shield the companies of the Group against negative economic developments.

With regards to our international sales, during FY 2020, our shipments volume showed an increase in our European Union markets, as well as in our Balkan and Far East markets, while decline in shipments was observed in the remaining countries of Asia (including Turkey), as well as in our markets of Africa and Eastern Europe.

Due to the sharp drop in the Greek Duty Free market as a results of measures undertaken to combat the Covid-19 pandemic, the Company showed a drop in net revenue of 5.53%, compared to the oprevious year.

As far as the domestic excise market is concerned, the Company achieved an increase in net revenue of 4.59% with a simultaneous increase of 1.52% in cigarette volume and 13.24% in RYO volume, while its market share increased to 18.24% (2019: 17.55%) in cigarettes and to 26.97% (2019: 26.13%) in RYO.

During FY 2020, the Group's consolidated turnover (net of excise taxes) amounted to EUR 211 million, thus showing a decrease of 2.16% compared to that of FY 2019. Operating profits before tax, interest, depreciation/amortization and foreign currency fluctuations, amounted to EUR 91.75 million, increased by 5.41% tompared o that of FY 2019. Net Group profits, after minority interests and tax amounted to EUR 54.50 million, showed a decrease of 19.07% when compared to those of the previous year. This apparent imbalance is due to the devaluation of the US Dollar versus the Euro during FY 2020.

In accordance with the provisions of Greek Tax Legislation (Law 3296/2004) the applicable corporation tax rate for FY 2020 is 24%.

INFORMATION ON GROUP PROSPECTS

Even though new waves of the pandemic force governments in most countries of the world to adopt added lockdown measures, which in turn, significantly influence economic activity and consumer behaviours, the acceleration of the vaccination programs and the adoption of policies to revive the world economies, allow us some cautious optimism for 2021. We should not ignore the possibility of temporary turbulence due to variations in the nature of the pandemic, either through mutations of the SARS-COV-2 virus, or increasing fatigue among the population which leads to the violation of measures imposed for the control of COVID-19.

It is inevitable that the initial months of 2021 will be compared negatively with those of the previous year, when COVID-19 had not spread and therefore, economic and travel activity had not been influenced. Despite this, we anticipate that volumes will remain at last year's levels, except for shipments to travel retail and Duty-Free channels. With regards to our turnover, we expect that, at least for the first months of 2021, lost revenue from our Duty-Free business will be partially offset by increases in our factory prices in markets where this is possible, as well as through modest favourable movements in exchange rates.

In the Greek domestic market, we expect marginal increases in our cigarette and RYO sales volumes and markets shares, at least for the first semester of the new year. We also anticipate positive sales performance in the remaining Balkan countries, among them Bulgaria, while small improvements are also expected in our North African volumes. On the other hand, in other EU markets, lower sales in the Benelux countries and to a lesser extent, Spain, (with increased market share nonetheless), are expected to be offset by increased volumes in France, Austria and Portugal. The positive trends already experienced in Eastern Europe during the first months of 2021 should continue throughout the year. The gradual relaxation of travelling restraints during the summer months is expected to revive some demand from Duty Free outlets, especially those in Greece, the Middle East and Turkey, however, we believe that it will take some time for travel retail demand to reach pro-pandemic levels.

We do not anticipate major changes in our tobacco leaf procurement prices. On the other hand, transportation costs for delivering our products and for importing raw materials are expected to rise. We also anticipate modest increases in procurement costs for those materials whose price is significantly influenced by inadequate production and supply, as well as other external factors, such as increased demand from large economies, in particular China and the U.S.A.

During 2021, EU directive 2019 / 904 / EU on the reduction of the impact of certain plastic products on the environment, is expected to come into force. Due to the filter tips in cigarettes, the adoption of the directive in the national legislation of member states will result in the re-designing of our cigarette packs and forces additional fragmentation in our production, resulting in increased manufacturing costs and loss of economies of scale.

In the short and medium term, we do not foresee a reversal of the negative interest rates environment in the Eurozone; we also expect that low interest rates will remain for some time in the USA. The extraordinary and mostly unexpected events of 2020, affirm the riskiness of making forecasts for the future, but also the riskiness of not being ready for whatever may come. The preservation of our significant cash reserves and the continuous reinforcement of our Company against future headwinds remain fundamental priorities for our Board. Consequently, any investment opportunities with comfortable levels of risk will either be with low yield or have a much longer duration.

MAIN RISKS AND UNCERTAINTIES WHICH THE GROUP FACES

The Group is exposed to financial risks such as currency and credit risk, Management identifies, evaluates and hedges (if necessary) these financial risks and provides instructions and guidelines for the overall risk management, as well as specific instructions for managing specific risks such as currency risk, credit risk, interest rate risk and the overall cash liquidity cycle,

The risks are presented in detail under note 29 "Risk Management".

Currency risk

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 undertakes transactions denominated in numerous currencies, especially U.S. Dollars and, therefore, is exposed to foreign exchange risk. Hedging currency risk has not been deemed necessary, due to the Company's significant cash reserves. These significant cash reserves allow the Company to pay its obligations without delay or deferment and the flexibility to chose the appropriate time to convert foreign currencies (mainly US Dollars) into Euros at a favorable conversion rate.

There are no middle-term or long-term Company liabilities denominated in foreign currency, therefore the foreign currency exposure is related primarily to Assets.

In Bulgaria, the local currency BGN is pegged to the Euro (EUR / BGN = 1.95583), however, headwinds in the economy, or the effects of a new global recession, could increase the risk of destabilizing the exchange rate, while the scheduled entrance of Bulgaria into the eurozone may also coincide with a prior devaluation of the local currency.

Credit Risk

Due to the high fragmentation in the Group's customer base, there is no risk of dependence on specific customers; there is no customer purchasing on credit who generates more than 5% of the Company's gross turnover.

To safeguard against the risks arising from the credit terms given to customers, the Group where appropriate, requests from them additional guarantees for any credit facilities provided. Credit limits are set for each customer, which are reviewed in line with prevailing conditions, and if appropriate, credit terms are adjusted.

The Company and the Group form provision for doubtful debts, by reviewing periodically the receivables, based on the aging of unpaid balances and any recoverability issues that may arise.

Credit risk, which may occur from inability of financial institutions to meet their obligations towards the Group, in respect of the Group's investments and bank deposits, has been significantly reduced, since the vast majority of our cash reserves has been deposited and/or invested with highly rated international banks, outside Greece.

Interest rates and Liquidity Risks

The interest rates risks refer to the volatility in the value of the return of interest bearing 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 cash reserves and investments in securities (EUR 467 million, on 31.12.2020) deposited with international financial institutions, mostly outside Greece.

Inventory-Suppliers

The Group believes that the imposition of capital controls in Greece does not affect the procurement of raw and other materials from overseas suppliers, as sufficient cash reserves have been deposited with international banks abroad,

RISK RELATED TO OUR SECTOR AND BUSINESS

Tobacco products are subject to intense excise taxation in almost all markets of the world. Excise taxes on tobacco are a large and easy source of revenue for the governments that impose them. Consequently, our sector is burdened with continuous excise tax increases, often above the general rate of inflation. This development may lead to further contractions in legitimate consumption and the growth of illicit trade and, therefore, could result in loss of volume and revenue for our Company. In the past and in numerous markets, in our effort to protect the retail price competitiveness of our brands, we have been forced to absorb part of the excise tax increases by reducing our own revenues. We may need to repeat this practice in the future.

Our sector is subject to continuous regulatory interventions related to the sale and marketing of tobacco products. This is driven primarily by the World Health Organisation Framework Convention on Tobacco Control and leads to continuing restrictions on packaging design and other forms of communication, thus limiting our options available for informing consumers about our products. Furthermore, plain packaging regulations are spreading into more jurisdictions, while further restrictions on cigarette format and dimensions are expected.

We are active in numerous markets and are, therefore, vulnerable to geopolitical, economic and social developments, which may include unrest and conflicts, plus restrictions in importation and capital exchange controls. This could undermine our sales volume and profitability. To mitigate such risks our company has undertaken a policy of expanding its activities to more jurisdictions, always within the realistic limits permitted by its size and resources and has managed to increase its share in more stable mature and developed markets.

The group faces intense competition from four multinational tobacco companies, regional manufacturers and state monopolies. Within this continually evolving competitive environment, we are constantly confronted with challenges such as reductions in retail prices and profit margins, the development of alternative products, increases in marketing spend.

IMPORTANT LITIGATIONS AND CLAIMS

On 31st December 2020 there were litigations and claims against the Company, but according to the Board of Directors and the Company's legal advisors, these cases are not expected to have a material effect on the Company's profitability.

Litigated cases are further analyzed in paragraphs (e)-(ι) of Note 27.

RELATED PARTIES TRANSACTIONS

During FY 2020, all trading transactions between the Company and its related parties, have been conducted at arm's length and in a way similar to the respective transactions conducted during FY 2019 and therefore, they do not materially affect the financial position and performance of the Company.

The table below, illustrates the intercompany sales (there are no other intercompany transactions), and the loans between the Company and its subsidiaries during the year, as well as the intercompany receivables and liabilities of the Company and its subsidiaries on 31st December 2020,

Amounts in thousand of Euros	Sales of products	Receivables	Liabilities	Loans
MERIDIAN A.E.	186	29	0	0
KARELIA BULGARIA EOOD	37,653	2,398	0	0
KARELIA TOBACCO COMPANY (UK) LTD	3,384	343	0	0
KARELIA INVESTMENT INC	0	0	0	0
KARELIA TÜTÜN VE TICARET A.Ş.	0	4	0	0
TOTAL	**41,223**	**2,774**	**0**	**0**

Group Management and Directors' fees amounted to EUR 4,342 thousand in FY 2020 against EUR 3,528 thousand for FY 2019 (Company 2020: EUR 4,118 thousand, 2019: EUR 3,302 thousand), There are no transactions between the companies of the Group and their Directors, or their management.

TREASURY SHARES

The Company and its subsidiaries do not hold own shares.

INVESTMENTS

Investments made during FY 2020 amounted to EUR 4,712 thousand and are related mainly to machinery necessary for optimizing further the production process, and for complying with the requirements of the EU Tobacco Product Directive, regarding tracking and tracing, as implemented by EU Member States,

DIVIDEND

The Board of Directors of the Company, taking into account the results of FY 2020, the Company's financial position, its prospects, plus the general financial environment, will propose to the next Annual General Meeting of Shareholders, which will be held on 30 June 2021, dividend distribution, amounting to EUR 25.944 thousand, equivalent to EUR 9.40 per share. The proposed gross dividend is the same to that of the financial year 2019. Based on the share price of December 31 2020, the proposed dividend represents a dividend yield of 3.38%.

SIGNIFICANT EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE OF 31st DECEMBER 2020

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

As stated above, Management monitors the global financial scene and is in a position, through its decisions and actions, to intervene in order to address any potential negative developments.

Based on our current assessment of the environment in the countries in which the Group conducts its activities, we believe that we have no reason to adjust our business strategy, except for the measures discussed in section "INFORMATION ON GROUP PROSPECTS".

NON-FINANCIAL REPORT

The Group is mainly active in the manufacture and wholesale of tobacco products, i.e. cigarettes, cigars and hand rolling tobacco and other duty free tobacco products. Since its establishment, the Group's goal has been to provide its customers with high quality tobacco products.

Business principles

Karelia Tobacco Company Inc. is committed to maintaining the highest standards of ethical behavior and its corporate principles embrace every aspect of business; in particular, its employees and customers, the community and environment in which it operates.

Employees

The Group applies a policy of equal opportunities for all employees, regardless of sex, creed, race or ethnic origin. On this basis, it has created a climate of open communication and transparency, and has committed to the continuous training of its people, contributing to their personal development.

Customers

The products are offered exclusively to adults who choose to smoke. The Group carefully avoids the promotion of its products to minors, who have to be protected from tobacco products and the corresponding marketing actions that promote them.

Marketing

The Group handles with great responsibility cigarette advertising and promotion, aiming only to encourage existing adult smokers to switch to its brands. The Group adheres rigorously to all applicable laws, regulations and voluntary codes that govern tobacco advertising in each of the markets its brands are sold.

The environment

Karelia Tobacco Company Inc. is committed to continuously invest in production and distribution processes that integrate responsible environmental management principles, especially with regard to energy consumption and waste generation.

Local community

The Company is proud to support the local community by providing aid to local organizations, schools, youth organizations, people with disabilities, as well as sponsor cultural, musical and other events.

Business Model

The Company purchases tobacco leaves and other goods needed in its production process. The Company aims to purchase and store properly the required raw materials to ensure smooth production.

Modern industrial facilities are needed to achieve the Group's commitment to produce high quality tobacco products. Karelia Tobacco Company Inc., through investments in its climate controlled factory, ensures that its manufacturing facilities will continue to produce tobacco blends and packaging that meet the highest international standards. At the same time, the Company constantly invests in research and development of new products, by making use of its excellent equipment and employees' high skills.

The Company's ability to provide top quality tobacco products is ensured through specialized quality controls, in accordance with the strictest specifications, throughout all stages of the production process, from finding the best tobacco leaves to packaging design and the end product presentation.

The Group's employees, as well as the excellent relationship with its suppliers, customers and the local community, are the driving force behind its operations.

The Group creates value by enhancing the Greek economy, not only through its distribution network in the domestic market and its activities in more than 50 international markets, but also through its cooperation with suppliers and distributors; paying taxes, distributing dividends to its shareholders, providing a healthy work environment for its employees and supporting the local communities.

Codes, Policies and Procedures

The Company has developed and adopted a Corporate Governance Code that defines the Company's governance framework, the role and responsibilities of the Board of Directors (more information is presented in the Corporate Governance Statement).

While performing its duties, the Board takes account of the Company's stakeholders, such as customers, creditors, employees and social groups directly affected by the Company's operation. The Board of Directors maintains an effective internal control system to identify and address the most significant risks. It provides instructions and guidelines for the overall risk management and specific instructions for managing specific risks.

The Group is opposed to any action of corruption and bribery by its employees and partners. The Company has developed policies and procedures to ensure its compliance with the current regulatory framework, operate responsibly and continuously improve its performance.

The Group's responsible operation is evident by the fact that throughout 2020, there was no court conviction against any of the Group's companies for human rights violation, corruption or bribery issues.

2020 Performance

In 2020, the Group employed 554 employees (as on 31st December 2020), 25% of whom were women. The salary of each Group employee exceeds, or is at least equal, to the requirements of the respective national collective labor agreements.

At the end of 2020, Karelia Tobacco Company Inc, announced, for yet another year, the awarding of extra financial bonuses to all employees, as well as additional financial rewards to employees who achieved exceptional performance. These benefits amounted to EUR 3 million.

Furthermore, the Company continued its corporate social responsibility activities, in the form of financial aid to many organizations of public benefit, not only in the region of Messenia, but also in other regions of the country, with amounts exceeding EUR 700 thousand.

At the same time, the company helped the National Health System in its effort to deal with the pandemic in the country by donating 50 state-of-the-art and fully equipped intensive care units, the delivery of which was completed in September 2020, and whose value amounted to 1,700 thousand euros

Awards

Karelia Tobacco Company's entrepreneurial activity and contribution to the Greek economy were recognized once again in 2020. As a result, the Company received three prestigious awards from the Greek business community, More specifically, Karelia Tobacco Company Inc,, was awarded:

- For the seven time, Karelia Tobacco Company became the recipient of the "**True Leaders"** award in recognition of its leading position in the tobacco industry and its exceptional financial performance.
- For another consecutive year KARELIA was named an EMPLOYER OF CHOICE, achieving a very **honorable 7th place on the list of the Most Desired Employers in Greece.** The distinction is the result of the annual **"Career and Generation Y"** survey conducted by **kariera.gr** for a number of years.

OTHER MATTERS

Mortgages amounting to EUR 88,889 thousand on the Company's real estate and capital equipment, have been pledged to the Greek State against deferment of excise tax and VAT..

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

Explanatory Report to the Annual General Meeting of Shareholders KARELIA TOBACCO COMPANY, INC,

IN ACCORDANCE WITH ARTICLE 11a LAW 3371/2005

This explanatory report of the Board of Directors towards the Annual General Meeting of shareholders of KARELIA TOBACCO COMPANY, INC,, (the "Company") contains detailed information on the issues of paragraph 7 of Article 4 of Law 3556/2007.

I. Structure of share capital

The Company's share capital amounts to EUR 32,650,800 (thirty two million six hundred fifty thousand and eight hundred Euros) divided into 2,760,000 (two million seven hundred sixty thousand) common shares with nominal value of EUR 11.83 (eleven point eighty three cents Euros) each, The shares of the Company are listed in the Securities Market of the Athens Stock Exchange,

The rights of the shareholders of the Company arising from its shares are proportionate to the capital, which corresponds to the paid value of the share, Each share grants all rights provided by Law and the Articles of Association, and specifically:

• The right to dividends from the annual profits or upon liquidation profits of the Company,An amount equal to 35% of the net profits after deduction of the amount for Statutory Reserve, is distributed from each year's profits to the Shareholders as dividend, while the granting of any additional dividend is decided at the Annual General Meeting, Dividend beneficiaries are the shareholders on the dividend record date, The dividend is paid within the legal time limits, starting from the date of the Annual General Meeting of the Shareholders which approves the annual Financial Statements, The manner and place of payment is announced through the website of the Athens Stock Exchange and the website of the Company.

• The right to receive the contribution, in liquidation or, respectively, the return of capital corresponding to the shares, if so decided by the General Meeting of the Shareholders.

• The right of preference, in any increase in the share capital of the Company, by cash payment and the acquisition of new shares.

• The right to receive a copy of the Financial Statements and of the Reports of the independent auditors and the Board of Directors.

• The right to participate in the General Meeting of the Shareholders, which consists of the following rights: Authorization, attendance, participation in discussions, submission of proposals over the agenda, recording of the views in the minutes and voting.

• The General Meeting of the Company reserves all of its rights during liquidation (pursuant to paragraph 3 of Article 40 its Articles of Association), The shareholders' liability is limited to the nominal value of their shares.

II. Restrictions on transfer of shares

The transfer of shares is performed as prescribed by Law and there are no limitations related to their transfer. in the Articls of Association of the Company.

III. Significant direct or indirect participations as defined by the Articles 9 - 11 of Law 3556/2007

Based on the data kept by the Company since the last shareholders meeting, there are shareholders who directly own more than 5% of total shares, each,

Shareholders	Percentage of the total number of shares
KARELIA IOANNA	31.964 %
KARELIAS ANDREAS	21.597 %
KARELIAS EFSTATHIOS	20.945 %
SPYROPOULOY ASIMINA	13.387 %
GEORGE & VICTORIA KARELIA FOUNDATION	7.150 %

IV. Shares with special control rights

There are no shares which provide their holders with special control rights,

V. Restrictions on voting rights

The Articles of Association do not restrict the voting rights of the shareholders, unless the shareholders, whose right is granted by Article 12 of the Articles of Association, decide to exercise the right to appoint members in the Board of Directors, in which case they are not eligible to participate in the voting process for the remaining members of the Board,

VI.Agreements between the Company's Shareholders

The Company is not aware of any agreements between shareholders which impose restrictions on the transfer of shares or the exercise of voting rights arising from the shares,

VII. Rules of the appointment and replacement of Board members and amendment of the Articles of Association

The rules provided in the Articles of Association regarding the appointment and replacement of members of the Board of Directors and the amendment of its provisions do not differ from the provisions of Law 4548/2018.

VIII. Right of the Board of Directors to issue new shares or the purchase of treasury shares

According to Article 24 paragraph 1 (b) of Law 4548/2018, the Board of Directors has the right, following a decision of the General Meeting of Shareholders subject to the publication requirements of Article 12 of Law 4548/2018, to increase the share capital by issuing new shares, by resolution adopted by the majority of at least two thirds (2/3) of all members. In this case, the share capital may be increased according to the applicable Law 4548/2018 up to the three times the amount of capital paid-in on the date that the Board is empowered by the General Meeting of the Shareholders. The power of the Board may be renewed by the General Meeting of Shareholders for a period that cannot exceed a five-year period for each renewal.

IX. Significant agreements

There are agreements with suppliers and customers of the Company where, as it is common in such agreements, any party has the right to terminate at no cost to the terminating party, the agreement prematurely, following a change of control in the other party.

X. Agreements with members of the Board of Directors or employees of the Company

There are no agreements between the Company and the members of the Board of Directors or its employees, which provide for the payment of compensation in case of resignation or dismissal without cause or termination of service or employment due to a takeover bid.

CORPORATE GOVERNANCE STATEMENT (Law 4548/2018)

Corporate governance refers to a set of principles which tries to achieve adequate organization, operation, management and control of an entity, with long-term goal of maximizing its value and safeguarding of the legitimate interests of all those related with it.

In Greece, the corporate governance framework has been developed mainly through the adoption of mandatory rules (Law 3016/2002, Law 3340/2005, Law 3371/2005, Law 3556/2007, Law 4443/2016, Law 4449/2017, Law 4548/2018, Law 4706/2020, etc.).

The Corporate Governance Code (hereinafter referred to as the "Code") adopted by the Company was based on the Code of Corporate Governance prepared for listed Companies by the Hellenic Federation of Enterprises (SEV), and is based on the Corporate Governance Principles issued by O.E.C.D. and published in 2004, as well as the generally accepted principles of corporate governance applied within the European Union.

It is noted that the Company’s Code was adopted on 2011, so its text, as originally drafted, is not fully aligned with:

a) Law 4548/2018 following the repeal of Codified Law 2190/1920,

b) all other amendments in legislation related to Corporate Governance, with which, however, the Company fully complies and

c) the revised Articles of Association, so as to comply with Law 4548/2018.

Consequently, it is clarified that in the text of the Corporate Governance Code, where there is reference to clauses of Codified Law 2190/1920, the respective clauses of Law 4548/2018 and of the revised Articles of Association apply. These do not have a material effect on the matters to which they refer. The most important deviations of the Code from the corporate governance practices applied by the Company are related to: a) the composition of the Board of Directors, which, already since 21.06.2013 comprises of 2 executive members, 3 non-executive members out of which 2 are independent, b) the remuneration of Board of Directors, which is formed according the Company’s remuneration policy, published in its website https://www.karelia.gr/wp-content/uploads/2019/07/PolitikiApodoxonKareliaAE.pdf and c) the functions of the Audit Committee, which comply with article 44 of Law 4449/2017, as amended by Law 4706/2020.

Specifically, the Audit Committee meets at least four times during the year and has the following main duties:

a) Monitors the audit work of the external auditor, on the standalone and consolidated financial statements and, in particular, his performance, taking into account any rulings of the competent authority, in accordance with Article 26 (6) of Regulation (EU) 537/2014.

b) Taking into consideration the external auditor’s supplementary report, which contains the results of the audit that has been carried out and meets at least the specific requirements, according to article 11 of Regulation (EU) 537/2014, informs the B,o,D, on the following issues, arising from the statutory audit, explaining in detail:

   i. The contribution of the external audit in the quality and integrity, i,e, the comprehensiveness and accuracy of the published financial reporting, including the relevant notifications approved by the B.O.D.

   ii. The Audit Committee’s role in (i) above, i,e, the recording of the actions it has carried out in the course of the statutory audit.

c) Reviews and monitors the independence of the statutory auditors, or audit firms, in accordance with Articles 21, 22, 23, 26 and 27 and Article 6 of Regulation (EU) No 537/2014, and in particular, the provisions of non-audit services to the Company, in accordance with Article 5 of Regulation (EU) 537/2014.

d) The Audit Committee is responsible for the procedure of selecting the auditors or audit firms, to be proposed to the Board of Directors (EC) 537/2014, unless Article 8 (16) of Regulation (EU) No 537/2014 applies, ensuring that the period for the statutory audit by the same auditor does not exceed the number of permitted years.

e) Monitors, reviews and assesses the process of preparing the financial reports, i,e, the mechanisms and systems of production, flow and dissemination of financial information produced by the Company's organizational units, as well as other published information in relation to financial information, by any means, such as, but not limited to, financial announcements, press releases).

f) Monitors, reviews and evaluates the adequacy and effectiveness of the policies and procedures adopted for the Internal Control System, as well as the quality of the Risk Management System, in relation to financial reporting.

g) Monitors and reviews the proper operation of the Internal Audit Function, in accordance with professional standards and the current legal and regulatory framework.

h) Assesses the work, adequacy, efficiency, staffing and the organizational structure of the Internal Audit Function, for the purpose of identifying any weaknesses, focusing mainly on issues related to the independence, the quality and the scope of the internal audits, the priorities identified by changes in the economic environment, systems and level of risks, without however affecting its independence.

i) Reviews the disclosed reports, on: (a) the Company's Internal Control System and (b) the most significant risks and uncertainties related to the financial reporting, and informs the B,O,D accordingly, submitting suggestions for improvements, if required.

This Code of Corporate Governance currently in force, can be found in the Company's website, at the following website address: www.karelia.gr

It is note that the Company in order to comply with Article 17 of Law 4706/2020, is going to adopt a code of Corporate Governance, conducted by a body of recognized status.

CORPORATE CODE OF GOVERNANCE

KARELIA TOBACCO COMPANY INC,

INTRODUCTION

This Code of Corporate Governance was prepared by "KARELIA TOBACCO COMPANY. INC.," and includes all corporate governance practices applied by the Company, as per requirement of current legislation (Codified Law 2190/1920, Law 2778/1999, Law 3016/2002, Law 3693/2008, Law 3873/2010, Law 3884/2010, etc.) and as per its normal practice.

For the recording of these practices, the Company relied on the Code of Corporate Governance prepared for listed Companies by the Hellenic Federation of Enterprises (SEV, on Corporate Governance Principles issued by O.E.C.D. published in 2004, as well as the generally accepted principles of corporate governance applied within the European Union.

The purpose of this Code is to promote good governance in the belief that this will enhance the long-term success and competitiveness of the Company. Specific objectives of the Code are to strengthen the supervisory role of the Board, to improve information to the shareholders, strengthening their participation in corporate affairs and the adoption of transparent and timely information. Finally, the aim of the Code is to create an accessible and comprehensive system of operations, effective for the Company's compliance with the requirements of the newly established Law 3873/2010, which incorporates in the Greek law the Directive 2006/46/EC of the European Parliament.

PART A

GENERAL PRINCIPLES

I. Role and responsibilities of the Board (hereinafter the “Board”)

The Board must effectively exercise its leadership role and direct the entity’s affairs for the benefit of the Company and its shareholders, ensuring the implementation of corporate strategy, Moreover, the fair and equitable treatment of all shareholders should be ensured, including minority shareholders and foreign shareholders.

While performing its duties, the Board takes account of the stakeholders whose interests are related to those of the Company, such as customers, creditors, employees and social groups directly affected by the operation of the Company, The main, non- assignable responsibilities of the Board include:

- Approving business plans and decisions and making recommendations for major capital expenditures, acquisitions, mergers and sales;
- the selection and, if necessary, replacement of executive members;
- to ensure the reliability of financial statements, financial information systems and data and information receiving publicity, and ensuring the effectiveness of internal control systems;
- to ensure effective compliance of the Company with relevant laws and regulations;
- responsibility to take decisions and monitor the effectiveness of the Company's management, including decision-making and delegation of powers and duties to other directors; and
- the formulation, spread and application of the basic values and principles that govern the Company's relationships with all other parties, whose interests are related to those of the Company.

II. Size and composition of the Board

The size and composition of the Board should allow the effective exercise of its duties and reflect the size and the activity of the Company, Board members should be characterized by a high level of integrity and have diverse knowledge, skills and experience to meet the corporate goals.

III. Role and profile of the Chairman of the Board

The Chairman presides over Board meetings, He is responsible of setting the agenda and ensuring good organization of work of the Board, and the effective conduct of its meetings.

IV. Duties and conduct of the Board

Each member of the Board has a duty of loyalty to the Company, Board members act with integrity and in the best interests of the Company and shall preserve the confidentiality of non- publicly available information. No competition with the Company exists and they should avoid any position or activity that creates or is perceived to create a conflict between their personal interests and those of the Company, including holding positions as members of the Board in competing companies, without the permission of the General Assembly, Board members contribute their experience and devote time and attention necessary to their duties, Finally, members of the Board should aspire to participate in all meetings of the Board and of the committees in which they are placed.

V. Selection of the Board members

The selection of the Board members is performed in such way so as to ensure the smooth succession of members and the long-term business success of the Company,

VI. Operation of the Board

The Board shall meet as frequently as required to perform its duties effectively.

VII. Evaluation of the Board

The Board assess its effectiveness while fulfilling its duties.

VIII. Internal control system

The Board presents to the shareholders and the public a clear assessment of the true position and prospects of the Company and ensures the reliability of the financial statements and the correctness of press releases, when these are imposed.

The Board maintains an effective system of internal controls to safeguard the assets of the Company, and to identify and address the most significant risks, Furthermore, the Board monitors the implementation of the corporate strategy and reviews the main risks faced by the Company and the effectiveness of internal controls in managing these risks, The Board, also, through the Audit Committee (where a Committee has been established), develops direct and regular contact with the external auditors in order to receive regular updates in relation to the proper and effective conduct of corporate business.

IX. Level and structure of the remuneration

The level and structure of the remuneration of the Board's members, aim to add value to the Company through their skills, knowledge and experience. The level of remuneration shall correspond to their contribution to the Company.

X. The General Meeting of Shareholders

The Board ensures that the preparation and procedures of the General Meeting of Shareholders, facilitates the effective exercise of Shareholders' rights, which will be informed about the items provided by law, on all matters related to their participation in the General Meeting, including agenda for discussion and their rights at the General Meeting. The Board facilitates, within the framework of the relevant provisions, the participation of Shareholders in the General Assembly, particularly of the minority Shareholders, The Board uses the General Meeting to enhance meaningful and open dialogue with the Company.

PART B

The Board of Directors

I. Purpose

Primary responsibility and duty of the Board is the constant pursuit of enhancing long-term financial value of the Company and the defence of the Company's general interests, The Board, acting as a whole, is competent to manage the Company's affairs, taking and executing decisions regarding physical and legal acts, and to represent the Company in and out of court i,e, performing legal transactions, lawful acts and procedures, Exceptionally, the Company's affairs which are within the exclusive area of the Shareholders General Meeting are not managed by the Board, Moreover, the Board has the power to appoint subordinate bodies for taking over part or the whole of its activities.

II. Size and Composition

1. The Company is managed by a Board which is composed of **five (5)** at least or **seven (7)** maximum members, elected by the Shareholders General Meeting.

2. Board members are elected by the shareholders for a **maximum service period of five (5) years**, but their re-election is permitted, If during these five years, a new Board has not been elected, the service of the current elected and appointed members, is extended until the first meeting after the five-years service, of the General Assembly that will elect the new Board, but its duration cannot exceed six-year service.

3. In case of death, resignation or in any other case, the post of any member is vacated, and the remaining Directors are at least five (5), then it is not required to replace them, but if the Board assess it is appropriate, it will replace the member.

4. If instead due to withdrawal, the number of active members falls below five (5), then the Board should immediately elect a temporary or transitional member to replace the one that has left, This election must be approved by the first Shareholders General Meeting, The new members appointed to replace those who left, remain in service for the remaining service period of those replaced.

5. If the election of members, following the previous paragraph, has not been approved by the Shareholders General Meeting, then their acts remain valid.

6. In case where the number of remaining members is less than three (3), then the Board should immediately invite a Shareholders General Meeting with sole purpose to elect a new Board.

7. The Board elects a Chairman, a Vice-President and a Managing Director, The powers of the Chairman, the Vice-President and the Managing Director may be concentrated in one person, When the Chairman is absent or indisposed, his duties are performed by the Vice-President.

8. The Board consists of executive and non-executive members. The number of non-executive directors should not be less than one third of the total members. Among the non-executive members there should be at least two independent members. The existence of independent members is not mandatory when representatives of minority shareholders have been declared and appointed as Board members.

Currently, the Board includes **three (3) non-executive** members, of which two (2) are independent members and **two (2) executive members**.

9. The independent non-executive members of the Board remain free from conflicts of interest with the Company,

During their service, the independent non-executive members, if these exist, are not permitted to own more than 0.5% of the share capital of the Company, nor have dependency relationship with the Company or individuals related to the Company, The independent members are appointed by the General Meeting of the Shareholders.

In evaluating the independence of its members, the Board should consider that dependency relationship exists, if the member:

- Maintains a corporate or other business relationship with the Company or with a related entity within the meaning of Article 42e paragraph 5 of Codified Law 2190/2910, which relationship affects due to its nature, its business operations, especially when it is a major supplier or customer of the Company.

- Is the Chairman or Manager of the Company, or maintains the above position or is an executive member of the Board in a related entity within the meaning of Art, 42e paragraph 5 of Codified Law 2190/1920 or maintains an employee or salaried relationship with the Company or any of its related entities.

- Has an affinity up to second degree or is spouse to an executive Board member or Manager or shareholder who has the majority of the share capital of the Company or of its related entities within the meaning of Art, 42e paragraph 5 of Codified Law 2190/1920.

- Appointed in accordance with the article 18 paragraph 3 of Codified Law 2190/1920.

- It has been the external auditor of the Company or its subsidiary for the last three (3) years or partner or an employee of the Company who audits the Company or its related entities.

10. The Corporate Governance statement includes information over the composition of the Board, and the names of the Chairman, the Vice-President, the CEO, and the chairmen of the committees of the Board (see below VI) and their members, Also, in the Corporate Governance statement should be disclosed the duration of the service of Board members.

III, Meetings and Operation

1. The Board shall meet at the headquarters of the Company, whenever the Law, the Articles of Association or the Company's needs require.

2. The Board of Directors is headed by its Chairman, who may appoint a person who is capable and experienced to perform the duties as the secretary of the Board (corporate secretary).

3. The Board is deemed to have a quorum and meet when one half plus one member attends or is represented, but the number of members who are present cannot be less than three, To decide on the quorum any fraction is omitted, Decisions of the Board are taken by the absolute majority of the members present or represented.

4. For the meetings of the Board and its decisions, minutes are kept, which are written in the book specially kept for them, and are signed by the Chairman and the members who are present, None of the members has the right to refuse to sign the minutes of the meeting, in which he took part, but he has a right to note his disagreement with the decision taken.

5. Copies or extracts of the minutes to be used in court or other authority are certified by the Chairman or his deputy.

6. Board members are responsible for their regular update regarding business development and the major risks to which the Company is exposed to, Furthermore, they should be promptly updated to changes in legislation and market environment.

7.The Board may use independent consultants on the Company's expense, where it is considered necessary for the performance of their duties.

IV, Responsibilities

1. The responsibilities of the Board are clearly defined in the Articles of Association.

2. The main unassigned responsibilities of the Board are those mentioned above (Part A. I).

3. It is permitted for the Board, under its resolution, to delegate the exercise of all or part of its responsibilities concerning management and representation to one or more persons, members of the Board or not and employees of the Company or not, determining at the same time the scope. Persons entrusted with the above responsibilities represent the Company, throughout the extent of the powers entrusted to them.

4. The Board may establish committees to support the preparation of its final decisions and to ensure its proper operations.

V. Duties and conduct of Board members

1. Each member of the Board has a duty of loyalty to the Company. Each member of the Board should manage the affairs of the Company under the perspective of a prudent businessman.

2. The Chairman presides of the Board. He has the responsibility to convene the Board and post specific issues on the agenda, as well as ensuring good organization of work of the Board, and the effective conduct of its meetings.

3. Board members should not participate in Boards of more than five (5) listed companies.

4. The executive members of the Board are engaged to the routine management issues. Executive and non - executive Board members are responsible for the promotion of all corporate issues, participate in any Boards and Committees and are charged with the proper execution of the principles of good Corporate Governance. They should know in depth both operations and main transactions of the Company and the general industry environment and for this reason they receive any possible facilitation. Generally, each member takes care of his continuing education in order to contribute effectively and efficiently to the smooth and efficient operation of the Company.

VI. Committees

1. The Board may establish committees to support the preparation of its decisions and ensure proper overall operation.

2. The committees of the Board, as long as they exist, receive sufficient resources to carry out their duties and to engage external consultants up to the extent they are required. Their engagement requires the informing of the Chairman of the Board and the submission of reports at regular intervals to the Board concerning the activities of consultants.

3. According to Law 3693/2008, an Audit Committee is indispensable, to support the Board concerning their involvement on financial reporting, internal control and supervision of statutory audit. Based on the Articles of Association, when the participation in the Board of independent non- executive members is not mandatory, the establishment of an Audit Committee is optional. The composition and responsibilities of the Audit Committee are defined below (Part C. No. 7).

4. Assessing the effectiveness of the Audit Committee (if such committee exists), of the Internal Audit and of any other committees that may be established by the Board, should take place at least every two (2) years. The assessment, headed by the Chairman and its results are discussed among the Board and then, the Chairman should take measures to address the identified weaknesses.

PART C

INTERNAL CONTROL

1. The Board should maintain an effective system of internal control to safeguard the investments and assets of the Company, and to identify and address the most significant risks.

2. The internal audit system is defined as the set of processes that are implemented by the Board and other employees of the Company and intends to ensure the effectiveness and efficiency of corporate operations, reliability of financial reporting and compliance with applicable Laws and regulations.

3. The Board, as part of this system, monitors the implementation of the corporate strategy and reviews it, In the meantime, the Board reviews the main risks that the Company faces and the effectiveness of internal control in managing those risks. The Board, through the Internal Control Department imposed by Articles 7-8 of Law 3016/2002, has direct contact with the statutory auditors in order to receive information from the latter in relation with the proper operation of the internal audit system.

4. Board members have the ultimate responsibility for ensuring the adequacy and effectiveness of internal control system and the monitoring and supervision of the effective implementation.

5. The Board establishes Internal Audit Department under the requirements of Greek Law that operates in accordance with the written procedures. The Internal Audit Department is independent from the other business units and reports directly to the Board.

6. The Board assesses the internal control system. The assessment includes the consideration of the range of activities and effectiveness of the Internal Audit Department, the adequacy of risk management reports and the internal control department reports addressed to the Board, and the responsiveness and effectiveness of management regarding detected errors or weaknesses in the internal control system. The Board indicates in the statement of corporate governance that it has examined the major risks potentially faced by the Company, and the internal control system.

7. The Audit Committee

a. The Audit Committee, whenever such committee is mandatory or potentially established, aims to support the Board's duties relating to financial reporting, internal audit and supervision of statutory audit.

b. The Audit Committee members are appointed by the General Meeting of the Shareholders, upon proposal of the Board in accordance with applicable regulations.

c. The Committee shall meet at least four times a year in order to perform its duties, At least twice a year, the Committee meets with the auditor of the Company, without the presence of Management.

d. The main duties and responsibilities of the Committee are set out, in writing, in its procedure regulation, which should be available at the Company's website.

e.Without changing or decreasing the responsibilities of Board's members appointed by the General Meeting of the Shareholders, the main responsibilities of the Audit Committee are:

- Monitoring the financial reporting process.
- Monitoring the effective operation of internal control system.
- Monitoring the risk management system.
- Monitoring the proper function of internal control systems unless such responsibility relies exclusively on Board.
- Monitoring the progress of the statutory audit of separate and consolidated financial statements.
- Review and monitoring issues related to the existence and preservation of the independence of the statutory auditor of the Company.
- The proposal through the Board of Directors to the General Meeting of the Shareholders on the appointment, re-appointment and revocation of the external auditor, and to the approval of the remuneration and terms of appointment of the external auditor.
- Review and monitoring the external auditors' independence and the objectivity and effectiveness of audit procedures, taking into account the relevant professional and regulatory requirements in Greece.
- The monitoring of the external auditor's reports on matters related to the progress and the outcome of the statutory audit and the monitoring of separate report in relation to any weaknesses in internal control system and specifically to the weaknesses of the financial reporting procedures and the preparation of the Financial Statements.

PART D

REMUNERATION OF BOARD MEMBERS

1. The determination of the remuneration of the Board's members should be characterized by objectivity, transparency and professionalism and be free of conflicts of interest.

2. The primary responsibility of the Board regarding the remuneration of its members is to propose to the General Assembly the determination of the remuneration of executive and non-executive members. Furthermore, in financial sectors that are highly dependent on the quality of human resources, the Board should have a wide monitoring of the remuneration policy of the Company, In order to create a long-term corporate value, the incentives should aim to the balance between short and long-term performance of Board's members and to promote meritocracy.

3. Executive Board members

a. The remuneration of executive members is linked to corporate strategy, the objectives of the Company and their realization, with ultimate goal of creating long-term value to the Company. Therefore, the appropriate balance between **fixed** and **variable elements** of performance is ensured.

b. In determining the remuneration of executive members, duties and responsibilities, performance against predetermined quantitative and qualitative objectives, financial position, performance and prospects of the Company and the amount of remuneration for executive members in similar companies are taken into account.

4. Non-executive Board members

The remuneration of non-executive Board's members is decided by the General Meeting of the Shareholders, upon proposal of the Board, and reflects the time of employment dedicated within the Company whilst performing their duties as non executive members and the scope of their duties.

PART E

RELATIONSHIPS WITH SHAREHOLDERS

I. Website of the Company

The Company maintains an active website, where it describes corporate governance, management structure, and other information useful to Shareholders and investors.

II. The General Meeting of the Shareholders

1. The General Assembly is the ultimate body of the Company, gathered by the Board of Directors and authorized to decide on all matters concerning the Company, in which Shareholders, either in person or by representative, should participate, according to prescribed legal procedure.

2. The Board ensures that the preparation and conduct of the General Meeting of the Shareholders facilitate the effective exercise of shareholders' rights, who should be fully informed on all matters relating to their participation in the General Meeting, including the daily agenda and their rights at the General Meeting.

3, In conjunction with the articles of Law 3884/2010, the Company posts on its website, twenty (20) days prior to the General Assembly, information about the date, time and place of the Shareholders General Assembly, basic rules and participation practices , including their right of submission subjects for discussion in the daily agenda and questions, and the deadlines within which these rights can be exercised, the voting procedure, the terms of representation and the forms to be used to vote through representatives, the proposed daily agenda of the meeting, including drafts for discussion and voting, as well as any accompanying documents and the total number of shares and voting rights at the date of the meeting.

4. Summary of the minutes of the General Assembly of the Shareholders, including the results of voting for any decision of the General Assembly, is available on the Company's website within fifteen (15) days after the Shareholders General Assembly date.

5 The Chairman, the Managing Director or General Manager, and the Chairmen of the Committees of the Board, as well as the internal auditor and the statutory auditor, at least, should attend the Shareholders General Meeting in order to provide information on matters within their responsibility area, posed for discussion as well as on questions or clarifications requested by the Shareholders.

The main characteristics of the Company's Internal audit and risk management systems, in relation to the preparation of the financial statements, are described under the section "MAIN RISKS AND UNCERTAINTIES FACING THE GROUP**"** above.

Concerning the information elements of article 10 paragraph 1, subparagraphs (c), (d), (f), (h) and (i)of EU Directive 2004/25/EC of the European parliament and the Council of 21,04,2004 on takeover bids, these are mentioned under section "EXPLANATORY REPORT TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF KARELIA TOBACCO COMPANY, INC,, IN ACCORDANCE WITH ARTICLE 4 LAW 3556/2007**"**

All relevant information about the composition of the Board of Directors and the Audit Committee, is given under section "Formation of the Company and Group's activities" below. It is noted that in the selection of members of Board of Directors and the Audit Committee, the Company does not discriminate on the grounds of age, sex, creed, race.

Statement of Financial Position (Company and Consolidated) for the year ended 31 December 2020

(Amounts in thousands of Euro)		GROUP		COMPANY	
	Note	**2020**	**2019**	**2020**	**2019**
ASSETS					
Long-term assets					
Intangible assets		576	687	566	677
Tangible assets	5	83,137	85,457	83,027	85,211
Investments at amortized cost	10	34,187	35,037	34,187	35,037
Participations	6	0	0	1,650	1,053
Other non-current assets		35	35	32	32
Total long-term Assets		**117,935**	**121,216**	**119,462**	**122,010**
Current assets					
Stocks	7	60,106	64,674	55,297	59,256
Accounts receivables	8	15,073	25,644	15,034	19,988
Investments at fair value through P&L	9	29,378	105,960	29,378	105,960
Investments at amortized cost	10	14,500	22,364	14,500	22,364
Cash and cash equivalents and pledged account	11	388,883	279,622	370,779	261,408
Total Current Assets		**507,940**	**498,264**	**484,988**	**468,976**
Total Assets		**625,875**	**619,480**	**604,450**	**590,986**
EQUITY AND LIABILITIES					
Equity					
Share capital	12	32,651	32,651	32,651	32,651
Share premium		34	34	34	34
Other reserves	13	111,818	108,654	111,772	108,608
Retained earnings		396,909	371,687	383,294	358,186
Equity attributable to shareholders of the Company		**541,412**	**513,026**	**527,751**	**499,479**
Minority interests		0	(10)	0	0
Total Equity		**541,412**	**513,016**	**527,751**	**499,479**
Liabilities					
Long-term liabilities					
Deferred taxes	14	3,124	5,444	3,205	5,506
Retirement / dismissal benefit obligations	15	3,995	3,847	3,808	3,762
Lessee lease liabilities due>1year	16	355	657	338	515
Total long-term liabilities		**7,474**	**9,948**	**7,351**	**9,783**
Current liabilities					
Suppliers and other payables	17	71,513	92,082	64,314	77,621
Current provisions for liabilities and expenses	18	152	152	152	152
Lessee lease liabilities due<=1year	16	337	311	245	215
Income taxes payables	24	4,987	3,971	4,637	3,736
Total Current Liabilities		**76,989**	**96,516**	**69,348**	**81,724**
Total Liabilities		**84,463**	**106,464**	**76,699**	**91,507**
Total Equity and Liabilities		**625,875**	**619,480**	**604,450**	**590,986**

Statement of Profit or Loss and other Comprehensive Income (Company and Consolidated) for the year ended 31 December 2020

(*Amounts in thousands of Euros*)		GROUP		COMPANY	
	Note	**2020**	**2019**	**2020**	**2019**
Turnover	19	1,108,718	1,035,695	754,091	736,670
Cost of sales	20	(997,630)	(927,512)	(648,341)	(633,024)
Gross Profit		**111,088**	**108,183**	**105,750**	**103,646**
Administrative expenses	20	(10,655)	(8,663)	(9,682)	(7,839)
Distribution costs	20	(19,195)	(22,233)	(18,028)	(20,751)
Other operating income	22	3,176	3,174	3,175	3,173
Results from operating activities		**84,414**	**80,461**	**81,215**	**78,229**
Financial income-net	23	(63)	3,577	2,249	3,676
Currency exchange differences		(11,346)	3,689	(11,345)	3,689
Net profit before tax		**73,005**	**87,727**	**72,119**	**85,594**
Income tax	24	(18,349)	(20,323)	(17,835)	(19,934)
Net profit for the year		**54,656**	**67,404**	**54,284**	**65,660**
Other Comprehensive Income					
(a) Items reclassified to P&L					
Foreign currency translation adjustments – Foreign operations		(262)	232	0	0
Net(loss)/profit on Investments at fair value through other comprehensive income		0	88	0	88
Deferred tax		0	(25)	0	(25)
(b) Items that will never be reclassified to P&L					
Actuarial profit/ (losses)		(90)	(298)	(90)	(292)
Deferred tax		22	67	22	67
Total Comprehensive Income		**54,326**	**67,468**	**54,216**	**65,498**
Net profit attributable to:					
Shareholders of the Company		54,660	67,408	54,284	65,660
Minority interests		(4)	(4)	0	0
Total		**54,656**	**67,404**	**54,284**	**65,660**
Total Comprehensive income attributed to:					
Shareholders of the Company		54,330	67,472	54,216	65,498
Minority interests		(4)	(4)	0	0
Total		**54,326**	**67,468**	**54,216**	**65,498**
Basic and diluted earnings, per share, after tax (in absolute figures)	**25**	**19.8029**	**24.4217**	**19.6681**	**23.7899**

Statement of Changes in Equity (Consolidated) for the year ended 31 December 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	88	0	0	88
Exchange differences	0	0	0	232	0	232
Actuarial profits	0	0	(298)	0	0	(298)
Deferred tax	0	0	42	0	0	42
Net profit for the year	0	0	0	67,408	(4)	67,404
	0	**0**	**(168)**	**67,640**	**(4)**	**67,468**
Transactions with Shareholders - Direct effect to Equity						
Minority interests	0	0	0	0	0	0
Transfer to Reserves	0	0	3,306	(3,306)	0	0
Dividends of 2018	0	0	0	(26,220)	0	(26,220)
Balance as at 31 December 2019	**32,651**	**34**	**108,654**	**371,687**	**(10)**	**513,016**
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	(262)	0	(262)
Actuarial profits	0	0	(90)	0	0	(90)
Deferred tax	0	0	22	0	0	22
Net profit for the year	0	0	0	54,660	(4)	54,656
	0	**0**	**(68)**	**54,398**	**(4)**	**54,326**
Transactions with Shareholders - Direct effect to Equity						
Minority interests	0	0	0	0	14	14
Transfer to Reserves	0	0	3,232	(3,232)	0	0
Dividends of 2019	0	0	0	(25,944)	0	(25,944)
Balance as at 31 December 2020	**32,651**	**34**	**111,818**	**396,909**	**0**	**541,412**

Statement of Changes in Equity (Company) as of 31 December 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	88	0	88
Actuarial profits	0	0	(292)	0	(292)
Deferred tax	0	0	42	0	42
Net profit for the year	0	0	0	65,660	65,660
	0	**0**	**(162)**	**65,660**	**65,498**
Transactions with Shareholders - Direct effect to Equity					
Transfer in Retained Earnings	0	0	3,306	(3,306)	0
Dividends of 2018	0	0	0	(26,220)	(26,220)
Balance as at 31 December 2020	**32,651**	**34**	**108,608**	**358,186**	**499,479**
Balance as at 1 January 2020	**32,651**	**34**	**108,608**	**358,186**	**499,479**
Change in P&L and OCI					
Actuarial profits	0	0	(90)	0	(90)
Deferred tax	0	0	22	0	22
Net profit for the year	0	0	0	54,284	54,284
	0	**0**	**(68)**	**54,284**	**54,216**
Transactions with Shareholders - Direct effect to Equity					
Transfer in Retained Earnings	0	0	3,232	(3,232)	0
Dividends of 2019	0	0	0	(25,944)	(25,944)
Balance as at 31 December 2020	**32,651**	**34**	**111,772**	**383,294**	**527,751**

Statement of Cash Flows (Company and Consolidated) for the year ended 31 December 2020

(*Amounts in thousands of Euros*)

	Note	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Net cash flows from operating activities					
Profit for the year after taxes		**54,656**	**67,404**	**54,284**	**65,660**
Adjustments for:					
Income tax	24	18,349	20,323	17,835	19,934
Impairment of tangible assets	5	0	110	0	110
Depreciation of tangible assets	5	6,765	6,115	6,740	6,108
Depreciation of right of use IFRS 16		369	344	255	225
Amortization of intangible assets	19	160	120	160	120
Loss/(Profit) from sale of tangible assets		(1)	69	(1)	69
Interest income		(3.080)	(3,114)	(3,080)	(3,114)
Dividend income		0	0	(2,221)	0
Interest expense		3,554	1,293	3,463	1,184
(Profit) on valuation of financial assets through P&L	9	(10)	(1,235)	(10)	(1,235)
(Profit)Loss from sale of financial assets through P&L	9	446	(1,911)	446	(1,939)
Loss on valuation of available for sale financial assets		0	116	0	116
(Profit)on the valuation of financial assets at amortized cost	11	2,186	(257)	2,186	(257)
Reversal of provision	6	0	0	382	246
Provision of Capital Market Commission		0	0	0	0
Provision for obsolete stock	7	(822)	(950)	(822)	(862)
Changes in liabilities due to retirement	15	399	290	296	287
		82.971	**88,717**	**79,913**	**86,652**
Changes in Working Capital					
(Increase)/ Decrease in stocks		5,390	(616)	4,780	1,003
Decrease /(Increase) in accounts receivable		(10,571)	(5,888))	4,954	12,304
(Decrease)/ Increase/ in liabilities		(20,736)	(9.359)	(13,211)	1,681
(Decrease)/Increase in staff leaving benefits		(340)	(54)	(340)	(45)
	15	**(5,115)**	**(4,141)**	**(3,817)**	**14,943**
		77,856	**84,576**	**76,096**	**101,595**
Interest paid		(3,554)	(1,293)	(3,463)	(1,184)
Income tax paid		(19,615)	(15,033)	(19,199)	(14,838)
Net cash flows from operating activities	24	**54,687**	**68,250**	**53,434**	**85,573**
Cash flows from investment activities					
Acquisition of tangible assets		(4,712)	(8,689)	(4,709)	(8,679)
Acquisition of intangible assets	5	(151)	(588)	(151)	(587)
Sales of tangible assets		1	0	1	0
Sales of financial assets available for sale		0	7,703	0	7,703
(Purchase) of financial assets at amortized cost	10	6,527	68,675	6,527	47,009
Sales of securities of financial assets through P&L	9	76,147	(50,607)	76,147	(50,607)
Loans to subsidiaries		0	0	0	23,000
Capital increase of subsidiary		0	0	(979)	0
Dividend received		0	0	2,221	
Interest received		3.080	3,114	3,080	3,114
Net cash flows from investment activities		**80.892**	**19,608**	**82,137**	**20,953**
Cash flows from financing activities					
Collateral deposits	11	(11,500)	(34,000)	(11,500)	(34,000)
Minority Participation to Capital increase of subsidiary		14	0	0	0
Dividends paid to shareholders of the Company		(25,951)	(26,206)	(25,951)	(26,206)
Lease capital payments		(381)	(374)	(249)	(251)
Net cash flows from financing activities		**(37,818)**	**(60,580)**	**(37,700)**	**(60,457)**
Net increase in cash and cash equivalents		**97,761**	**27,278**	**97,871**	**46,069**
Cash and cash equivalents at the beginning of the year	11	245,622	218,344	227,408	181,339
Cash and cash equivalents at the end of the year		**343,383**	**245,622**	**325,279**	**227,408**
Pledged account	11	**45,500**	**34,000**	**45,500**	**34,000**
Cash and cash equivalents and pledged account at the end of the year		**388,883**	**279,622**	**370,779**	**261,408**

Notes of the Financial Statements

1. Formation of the Company and Group's activities

Karelia Tobacco Company Inc. (the "Company") is a Societe Anonyme, registered in Greece, which was founded in 1962 and is specialized 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.

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 service 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 G,Karelia - Chairman
Vassilios G,Antonopoulos – Member
Robin Derlwin Joy – Member

The General Assembly of Shareholders which was held on 18st July 2018 selected, the Tax Consultant-Economist, Mr Dimitrios Leventakis, Mr, Robin Derlwyn Joy Non Executive Member of the Board of Directors, and the Prof, Mr 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 Euros, unless otherwise stated in the individual notes, and any differences in amounts are due to rounding's.

The Interim 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 S,A,	Athens	Greece	99,54%	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 TÜTÜN VE TICARET A,Ş,	Istanbul	Turkey	97%	Full
KARELIA BELGIUM S,A,R,L,	Brussels	Belgium	85%	Full

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

The Company and Consolidated Group Financial Statements (the "Financial Statements") have been approved for publication by the Board of Directors on 26 April 2021.

The number of employees of the Company, as of 31 December 2020, was 522 employees and for the Group 554 employees, (2019: Group 580 employees, Company 547 employees).

2. Basis for preparation of Financial Statements

2.1 Statement of Compliance: The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, The Financial Statements were approved by the Board of Directors on 26 April 2021 and have been posted on the Company's website at www,karelia,gr

2.2 Preparation of Financial Statements - Basis for measurement: The Financial Statements are expressed in thousands of Euros and have been prepared under the historical cost basis, except for certain Assets Liabilities and Available for sale financial assets, which are reported at fair value. As further described in Note 2.1, the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applying IFRS 1 "Adoption of International Financial Reporting Standards", with transition date as of 1 January 2004.

The Financial Statements have been prepared in accordance with the «going concern» principle for the Company's activities. There is no objective evidence for questioning the assumption of the «going concern» principle in the Financial Statements.

2.3 IFRS adoption: Until 31 December 2004, the Financial Statements were prepared, in accordance with Codified Law 2190/1920 and the accounting standards prescribed by Greek Law, which were applicable up and until that date and in many cases differed from the provisions of IFRS. According to EU regulation 1606/2002 and Law 3229/2004 as amended by Law 3301/2004. Greek companies listed on any stock exchange (domestic or foreign) must prepare their Financial Statements in accordance with IFRS for the years starting from 1 January 2005 and onwards. Based on IFRS 1 and the above mentioned Laws, these companies are required to provide comparative financial statements, according to IFR, at least for one prior year. The first annual financial statements published, were those of the year ended as of 31 December 2005.

2.4 Accounting estimates: The Group makes estimates, assumptions and judgments in order to select the most appropriate accounting policies so as to assess the future development of events and transactions while the actual results may differ from these estimates. These estimates, assertions and judgments are reviewed periodically in order to meet the available data, and include the potential risks. Estimates are based on the experience of the management, including expectations for future events that are expected under normal conditions and are applicable to the following captions:

- Provision for slaw moving stocks (Note 3.12). Provision for doubtful debts (Note 3.3). Deferred taxes(Note 3.26). Employee benefits (Note 3.16). Provisions for Liabilities and expenses (Note 3.22). Depreciation (Note 3.7).

- The method of estimates and assumptions of the Management is analyzed in detail at the relevant Notes of the Financial Statements Accounts.

3. Basic Accounting Policies

The basic accounting policies set out below have been applied consistently in all financial years. They have also been applied consistently by all Group companies.

3.1 Management Estimates: The preparation of financial statements, in accordance with IFRS, requires that management make estimates and assertions, which may affect the application of accounting policies and the amounts included in the Financial Statements. The estimates and assumptions are reviewed on an ongoing basis, Such revisions are registered in the year in which they are undertaken, and if the revision concerns only the year in which they occur, they affect that year; if the revision concerns the current and future periods, they affect the year of revision and the future periods. These estimates and assumptions are based on existing experience and other various factors that are considered reasonable at the time. These estimates are the basis for decisions on the carrying values of Assets and Liabilities. Actual future results may differ from these estimates and these variations may have a material effect on the Financial Statements.

3.2 Basis for Consolidation

3.2.1 Subsidiaries: The Consolidated Financial Statements include the Financial Statements of the Company and of all subsidiaries that are under the control of the Company. directly or indirectly through other subsidiaries. Control exists when the parent Company has the power to determine the decisions that, directly or indirectly, affect the financial and operating policies of the subsidiaries, so as to benefit from their activities. The Financial Statements of subsidiaries are consolidated using the full (total) consolidation method on the same date and using the same accounting policies which the Company uses in its own Financial Statements. Where required, all necessary adjustments are made in order to ensure consistency of accounting policies. All intercompany balances and transactions, together with any intercompany profits or losses are eliminated from the Consolidated Financial Statements. Subsidiaries are consolidated as of the date on which the Company obtains their control and cease to be consolidated as of the date on which control is transferred outside of the Group.

3.2.2 Associate companies: Associates are companies over which the Company exercises significant influence, but does not have control over their financial and operating strategy, Significant influence is presumed to exist when the Company has the right to participate in the financial and business policy, but there is no control over such decisions, Investments in associated companies are consolidated using the equity method, Under this method, investments are initially recognised at cost, which approximates their fair value, adjusted to recognize the Company's share in the profits and losses of the investee, after the date of acquisition and until the date of cessation, as well as any changes in the net equity of the associate company, The share value in the associate is then adjusted by the cumulative impairment.

When the Company’s share of losses in an associate, exceeds its interest in the associate, the carrying amount is nil without further recognition of losses, unless the Company has undertaken obligations or made payments related to the associate.

The accounting policies of the associate companies have been adjusted, where necessary, to ensure consistency with the accounting policies of the Company,

In the Separate Financial Statements, investments in subsidiaries and associates are reported at cost, reduced by any impairment,.

3.3 Investments in Financial Assets: A financial instrument refers to any contract that creates simultaneously a financial asset for the Group and a financial liability or equity instrument for another company.
(i) Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset or financial liability which is not measured at fair value through profit or loss, is initially measured at fair value plus transaction costs that may be directly attributable to the acquisition or issue. Trade receivables without a significant financial component are initially measured at the transaction price,
Financial assets at their initial recognition are classified at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The initial classificationon of financial assets is based on the contractual cash flows of the financial assets and the business model in which the financial asset is held.

(ii) Classification and subsequent measurement

Financial assets, are classified into three categories after their initial recognition:
- At amortized cost
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL)

The measurement of the financial assets of the Group is as follows:

- Financial assets measured at amortized cost
  These financial assets are held within the business model and their purpose is to hold them and collect contractual cash flows that meet the "SPPI" criterion, In this category are included all the financial assets of the Group, except from investments in shares listed on the Athens Stock Exchange, mutual funds measured at fair value through profit or loss, as well as Bonds measured at fair value through other comprehensive income (FVTOCI).

- Financial assets measured at fair value through profit or loss. They include investments in shares listed on the Athens Stock Exchange as well as investments in mutual funds.

- Financial assets measured at fair value through other comprehensive income (FVTOCI).

Financial assets are not reclassified after their initial recognition unless the Group change its business model concerning the management of the financial assets. As a result, all affected financial assets are reclassified on the first day of the first reporting period after the change of Group's business model.

(iii) Impairment of financial assets

The Group recognizes impairment for expected credit losses for all of the aforementioned financial assets except from those measured at fair value through profit or loss.

To determine the expected credit losses in relation to customer receivables, the Group applies the simplified approach of the standard, based on the age of the balance (at least 1 year). Moreover, to determine the expected losses the Group is based also on the historical data for losses, tailored for future events in relation to debtors and the economic environment.

Losses are recognized in profit or loss and are reflected as a provision, When the Group considers that there are no realistic prospects of recovering the asset, the relevant amounts are written off, If the amount of the impairment loss is subsequently decreased and the decrease is related to an event occurring after the date that the impairment has been recognized, then the previously recognized impairment loss is reversed through profit or loss.

The trade and other receivables of the Group, other than those for which a provision has been formed, are assessed as collectable.

The estimation for the **provision for doubtful debts** was based on overdue receivable balances which have remained unchanged for at least one year and the prospects of collecting them, via judicial or other means.

Cash and cash equivalents, including cash, current accounts and time deposits, are also subject for impairment. The impairment loss concerning them was insignificant. Cash and cash equivalents are held in institutions with high credit rating and are highly liquid and low risk and, therefore, provisions are recognized only if they are significant, based on the estimated loss rates depending on the credit rating of each institution.

iv) Derecognition

Financial assets

The Group derecognizes a financial asset when the rights to the cash inflow of the financial asset have are expired or the Group has transferred the rights to receive cash flows from that asset while simultaneously transferring all the risks and rewards of the financial asset, or has no control of the financial asset,

The Group also, derecognizes a financial asset when the Group retains the right to receive cash flows from that asset, but it also has the obligation to pay it fully to third parties, without significant delay,

The Group does not derecognize a financial asset when it transfers assets recognized in its Financial Position, but retains the risks and rewards of ownership of the transferred assets,

Financial liabilities

The Group writes off a financial liability when its contractual obligations are canceled or expire.

The Group ceases to recognize a financial liability when the financial liability is replaced by another liability from the same lender but with substantially different terms, The Group also ceases to recognize a financial liability when the existing terms of the financial liability are significantly changed, so that such exchange or amendment is treated as a derecognition of the original liability and recognition of a new one.

The difference between the book value that has been eliminated and the amount paid (including any non-transferred assets or liabilities assumed) is recognized in the Income Statement, when a financial liability is written off.

(v) Set-off

Financial assets and financial liabilities are offset and the net amount is reflected in the statement of financial position when the Group has legally this right and intends to offset them on a net basis or to demand the asset and settle the obligation at the same time.

3.3.1 Fair value of a Financial asset: The fair value of a financial asset is the amount received from the sale of the asset, or paid to settle a liability in a transaction under normal conditions, between two commercial traders on the valuation date, In cases where no information from the financial markets is available, or in case such information is limited, such valuations are performed by the Company's management, using any information available.

Methods of estimating fair value are prioritized into three levels:
- Level 1: Quoted values of identical tradable items from financial markets.
- Level 2: Values that are not Level 1 but may be located or identified, directly or indirectly through quotations from active financial markets.
- Level 3: Values for assets or liabilities that are not based on quoted prices from active financial markets.

3.4 Foreign currency: The Company maintains its accounting records in Euros (operating currency), Transactions in foreign currencies are translated into Euros using the official exchange applicable on the date of transaction, In the Statement of Financial Position, Assets and Liabilities in foreign currencies are translated into Euros, using the official exchange rates valid on the relevant date, Gains or losses from exchange differences are recognized in the Statement of Comprehensive Income.

Non-monetary items denominated in foreign currencies and valued at historical cost, are translated into Euros, using the exchange rates applicable on the date acquired and, therefore, no exchange differences are recorded. Non-monetary Assets and Liabilities, denominated in foreign currencies, are valued at fair value and are translated into Euros at the exchange rates applicable on the date of calculating these values. In this case, the resulting exchange differences constitute part of gains or losses from changes in fair value and are recognized in the Statement of Comprehensive Income or directly in Equity, depending on the nature of the monetary item.

The official currency of each Group company, outside Greece, is the currency of the country in which that Company operates. The Assets and Liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euros at the official exchange rates applicable on the date of the Statement of Financial Position. Revenues and expenses of activities abroad are converted based on the average exchange rate of the foreign currency of the consolidated accounting period. All resulting exchange differences (gains or losses), are recognized in a separate line in the Statement of Changes in Equity under Exchange Differences and transferred to the Statement of Comprehensive Income when the subsidiary is sold.

3.5 Goodwill: Goodwill represents the difference between the purchase price and the fair value of net Assets of the acquired companies at the date of acquisition, Goodwill is tested periodically (at least annually) for impairment, This estimate is based on the provisions of IAS 36 "Impairment of Assets", Thus, after its initial recognition, goodwill is measured at cost, less any accumulated impairment losses, An impairment loss of goodwill should not be subsequently reversed, Goodwill on acquisitions of subsidiaries is presented as Intangible Asset, Goodwill on acquisitions of associates is included in investments in associates.

3.6 Tangible Assets: Tangible assets are stated at historical cost and reduced by accumulated depreciation and by impairment losses, Some tangible assets (property) were measured at 1,1,2004 values, based on the adjustment ratios of Law 2065/1992, given that these values were approximately equal to their fair values on that date and an adjustment was made only for the accumulated depreciation, so as to reflect the useful life of these assets.

The cost and the accumulated depreciation of tangible assets that are disposed of, or sold, are transferred from the relative accounts at the time of sale or disposal and any gain or loss that arises is included in Statement of Comprehensive Income.

Expenditure incurred to replace part of tangible assets, is incorporated in the cost of assets, if it can be reliably estimated that the Group will benefit from the asset in the future, All other costs are recognized in the Statement of Comprehensive Income when incurred.

The costs associated with obligations for asset disposal, are recognized in the period in which they are generated to the extent that their fair value can be reasonably estimated, The related asset disposal costs are capitalized as part of the cost of the acquired tangible assets.

3.7 Depreciation: Depreciation of tangible assets is calculated on a straight-line basis, over the estimated useful lives of tangible assets, which is reviewed on a periodic basis.

Land is not depreciated. Depreciation on the other tangible assets is calculated using the straight-line method over their useful lives which, on 31.12.2020 are estimated 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	8 - 35
Motor vehicles	5 - 7
Computer equipment	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.

The residual value, if significant, is redefined annually.

3.8 Intangible assets: Intangible assets acquired separately are recognized at cost, while intangible assets acquired through a business acquisition are recognized at fair value at the date of their acquisition, The useful lives of intangible assets can be definite or indefinite, The cost of intangible assets with definite useful lives is amortized over the period of its useful life, using the straight-line method.

The cost of intangible assets with an indefinite useful life is not amortized, Residual values are not recognized, The useful lives of intangible assets are reviewed annually, Intangible assets with indefinite useful lives are tested for impairment at least annually, on an individual level or cash-generating unit level to which they belong.

Any Intangible asset with a limited life span is amortized from the date when the asset is available for use, Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits, incorporated in the specific asset to which they relate, All other expenditure is expensed when incurred.

3.9 Share Capital Increase expenses Common shares are classified in Equity, Each share of the Company incorporates all the rights and obligations set out in Law 4548/2018 and the Company's Articles of Association, The distribution of dividends to the Company's shareholders is recognized as a liability in the Financial Statements when the distribution is approved by the General Meeting of Shareholders, The cost of acquiring own shares is deducted from Equity, until own shares are sold or canceled.

Share Capital Increase expenses: Expenses concerning share capital increase, excluding the relevant tax benefit, are offset against the Share Premium Reserve.

3.10 Cash and cash equivalents: This category includes cash balances and deposits. For Cash Flow statement purposes, time deposits and highly liquid investments with maturity and low risk are considered cash.

In addition, pledged deposits to provide guarantees to subsidiaries are included to this category because the Group has the right to immediate use this cash, without extra cost, by replacing this cash deposit, with other financial instruments. These deposits are clearly presented in the Notes and the Statement of Cash Flow.

3.11 Non-current assets / liabilities: Non-current assets or liabilities, that are interest-free or bear interest lower than the prevailing market interest rates, are initially recognized at their net present value, Unwinding is recorded as interest income/ expense.

3.12 Stocks: Stocks of the Group are valued at cost or net realizable value, whichever is lower, Cost is determined using the method of average monthly weighted averages, The cost of finished and semi-finished goods includes the cost of direct materials, direct labor costs and overheads, Net realizable value is the estimated selling price, at the context of the ordinary course of business, less the estimated costs of completion and any estimated costs necessary to proceed with the sale, In case of any reversal of any impairment, this is recognized in the Statement of Comprehensive Income of the year that the reversal occurs.

The provision for obsolete stock refers mainly a) to packaging materials which, either due to sudden changes in the tracking and tracing legilstation, or due to sudden changes in the regulations concerning health warnings on tobacco goods packaging in the countries where we operate, are classified as obsolete and b) to spare parts of old machinery with low turnover.

3.13 Accounts receivable: Short-term benefits to employees, in cash and in kind, are recognized as an expense when accrued.

3.14 Defined contribution plans: Obligations for contributions to defined contribution plans are recognized as an expense when incurred.

3.15 Defined employees benefit plans: Obligations arising from defined benefit plans to employees, are calculated separately for each plan, by estimating the amount of future benefits to employees that are accrued at the date of the Statement of Financial Position, Future benefits are discounted to their present value, after deducting the fair value of plan assets, The discount rate is the yield, at the date of the Statement of Financial Position, of government bonds, whose maturity date approximates the term duration of the obligations. These obligations are calculated on the basis of financial and actuarial assumptions, based on actuarial studies prepared by an independent actuarial firm. The net cost for the year, calculated by the direct method, is included in the Statement of Comprehensive Income and consists of the present value of the benefits accrued during the year, the discounting of the future obligation and vested service cost. Actuarial gains or losses that arise from the increase or decrease of the present value of defined benefits due to changes in the actuarial assumptions are recognized directly in Equity and are never reclassified in the results. The non-vested service cost is recognized on a straight-line basis, over the average remaining service period of employees, until the benefits are vested, To the extent that the benefits have already been vested, following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately.

3.16 Employment Termination benefits: According to Greek Labor Law, employees are entitled to compensation in case of dismissal or retirement, the amount of which is related to the remuneration, duration of service and on whether they are dismissed or retiring, Employees who resign, or are dismissed with cause, are not entitled to compensation, The amount payable, in case of retirement, is equal to 40% of the amount that would be payable in the event of dismissal without cause.

The provision for compensation payable for staff separation from employment, presented in the Financial Statements, is in accordance with IAS 19, and it is based on an independent actuarial study Compiled by an independent certified actuary, using the projected unit credit method.

According to this report, judgment is required for the estimation of the principal actuarial assumptions as the discount rate, the future wage increases, the average residual work life of employees and the table of mortality.

3.17 Earnings per share: Basic and diluted earnings per share, are calculated by dividing net profit after tax by the weighted average number of shares during each year.

3.18 Dividends: Dividends distributed to shareholders are recognized as a liability, at the time at which they are ratified by the Annual General Meeting of Shareholders.

3.19 Leasing:

The Group and the Company as a lessee:

The Group and the Company assesses at contract inception whether a contract is, or contains, a lease, A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
The Group and the Company recognize lease liabilities for lease payments and right-of-use assets which represent the right of use of the underlying assets.

i,. Right-of-use assets

The Group and the Company recognizes right-of-use assets at the commencement date of the lease (i,e,, the date the underlying asset is available for use), With regard to subsequent measurement, the Group and the Company, acting as a lessee, applies the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset will be measured at cost less any accumulated depreciation and accumulated impairment losses and adjusted for the re-measurement of the lease liability, Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets.

ii. Lease liabilities

At the commencement date of the lease, the Group and the Company recognize lease liabilities measured at the present value of lease payments which are to be paid during the lease.

On the other hand, interest expense is recognized on the lease liabilities, while their carrying amount is reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities will be re-measured to reflect revised lease payments.

3.20 Related parties: Transactions and balances of receivables / payables with related parties are disclosed separately in the Financial Statements, These related parties mainly concern shareholders and management of a company and / or its subsidiaries, KARELIA TOBACCO COMPANY INC, its subsidiaries, the subsidiaries of the subsidiaries, the Management and its executives are classified as related parties of the Group.

3.21 Interest-bearing Loans: Interest-bearing loans are recognized initially at fair value, less the direct costs related to these transactions, They are subsequently measured at amortized cost, Gains or losses are recognized as interest income or expense through the amortization throughout the duration of the loan with the effective interest rate.

3.22 Provisions: Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources which embeds economic benefits in order to settle the obligation and the amount of the settlement can be reliably estimated, If the effect is significant, provisions are recognized as discounted expected future cash flows, using a pre-tax rate that reflects current market assessments of the historical value of money and the risks related to the obligation.

In case of discounting provisions, the increase in the provision due to time passing by, is recognized as a borrowing cost, Provisions are reviewed at each date of the Statement of Financial Position and if it is no longer probable that an outflow of resources, which creates financial benefits to settle the obligation, exists, provisions are reversed, Provisions are used only for the purpose for which they were originally created, Provisions are not recognized for future operating losses, Contingent assets and liabilities are not recognized.

The assessment of provisions is based on the history of the respective cases and the evaluation by the Legal Counselors of the Company and its Management.

3.23 Revenue: Revenue of the Group mainly includes the sale of goods and services, net of discounts and returns, The recognition of revenue is as follows:

- **Sale of goods:** Sales of goods, net of discounts offered, are recognized as revenue when the significant risks and ownership are transferred to the buyer and the recoverability of related receivables is reasonably assured, Sales of goods include also the excise duty (domestic sales).
- **Services:** Revenue from services provided is recognized in the year tendered.
- **Dividend income:** Dividend income is recognized at the time when it is ratified by the Annual General Meeting of Shareholders.
- **Interest income:** Interest income is recognized when the interest accrues (based on the applicable interest rate method).
- **Income from royalties** : Income from royalties is recognized in accordance with the accrued revenue principle based on the relevant agreement.

3.24 Advertising Costs: Advertising costs are expensed when incurred

3.25 Borrowing Costs: Underwriting costs, legal and other direct costs incurred during the issuing of long-term debt, adjust the carrying amount of loans and are recorded in the Statement of Comprehensive Income based on the applicable interest method during the debt facility agreement, All other costs related to debt are recognized in the Statement of Comprehensive Income when incurred.

3.26 Corporation tax: The corporation tax for the year consists of current taxes and deferred taxes. The charge of corporation tax recognized in the Statement of Comprehensive Income, except for the tax relative to transactions recognized directly in Equity, which is directly recorded in Equity.

Current income taxes are calculated over the taxable income for the year, based on the applicable tax rates at the date of the Statement of Financial Position.

Deferred income taxes are calculated using the method in the Statement of Financial Position, on temporary differences between the amount used for tax purposes and the carrying amount of assets and liabilities for financial reporting purposes, They are calculated using tax rates which will be effective during the periods when Assets and Liabilities are expected to be recovered and settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses, to the extent that it is probable that there will be sufficient future taxable profits adjusted by the reversal of deductible temporary differences, adjusted by the reversal of deductible temporary differences, against which the unused tax losses can be utilized.

The following temporary differences are not provided for: Goodwill not deductible for tax purposes, the initial recognition of Assets and Liabilities that does not affect either accounting or taxable profit, and differences relating to investments in subsidiaries, to the extent that these will not be reversed in the foreseeable future.

The value of deferred tax assets is reviewed at each date of the Statement of Financial Position and reduced to the extent that expected taxable income will not be sufficient to cover the deferred tax asset.

For the definition of the amount of recognized deferred tax, judgment is required, which is based on the estimation of the timing and amount of the realized taxable profits combined with the future tax programming.

3.27 Derivative Financial Instruments and Hedging: Initially, derivatives are recognized in the Statement of Financial Position at cost, Subsequently, they are measured at fair value. All derivatives are carried as Assets when their fair value is positive and as Liabilities when their fair value is negative.

The fair value of interest rate swaps is the amount estimated to be received, or paid, by the Group, to terminate the swap at the date of Statement of Financial Position, taking into account current interest rates and credit worthiness of the contracting parties. The fair value of forward exchange contracts is the market price at the date of the Statement of Financial Position, which is the present value of the quoted forward price.

When a derivative financial instrument is used to hedge the foreign exchange exposure of a recognized monetary Asset or Liability, no hedging accounting is applied and any gain, or loss, on the hedging item is recorded in Statement of Comprehensive Income.

3.28 Offsetting Assets – Liabilities: Offsetting financial assets and liabilities and the presentation of the net amount in the Financial Statements is allowed only when there is a legal right to offset, and an intention to settle, either the net amount derived by offsetting, or by simultaneous payments, exists.

3.29 Impairment of assets: IAS 36 requires that the recoverable amount of an asset should be assessed whenever there is an indication that the asset may be impaired, except for goodwill and intangible assets with indefinite lives, which are assessed at least annually whether there is an indication of impairment or not, When the carrying value of an asset exceeds its recoverable value, the impairment loss is recognized in Statement of Comprehensive Income, for assets carried at cost, while it is considered as a reduction in Equity, for assets carried at readjusted values, For the assessment, whether there is any indication that an asset may be impaired, external and internal sources of information should be considered.

When the carrying value exceeds the estimated recoverable value, then an impairment loss is recognized directly in the Statement of Comprehensive Income, The recoverable value is defined as the higher of the fair value less the selling costs of the assets, and the value in use, Fair value is the amount obtainable from the sale of an asset in an arm's length transaction in which the parties are fully knowledgeable, For assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax interest rate, which reflects current market assessments of the time value of money and the risks associated with these assets, For an asset that does not generate significant independent cash inflows, the recoverable value is determined by the cash-generating flows of assets in the same asset category.

An impairment loss on goodwill is not reversed, For other assets, the loss is reversed if there is a change in the estimates used to calculate the recoverable value.

3.30 Operating Segments: IFRS 8 "Operating Segments", sets criteria for the identification of operating segments of business activity, These segments are defined in accordance with the business structure and internal reporting system of the Group, as long as decision makers monitor the financial information separately, on the one hand as reported by the parent company, and on the other hand as reported by each of its subsidiaries included in the consolidation, The segments that should be reported separately are determined using the quantitative criteria set by the Standard, The Company's (parent company) production is operating in Greece.

3.31 Cash Flows

The Group has significant interest income from time deposits and investment products, as well as financial expenses which are classified as cash flows from investment activities.

The Group paid dividends to shareholders which are classified as cash flows from financing activities.

3.32 State Subsidies: State subsidies are recognized at their fair value when it is probable that they will be collected, provided that all conditions relevant to Government subsidies provisions are met.

State subsidies relating to the purchase of fixed assets are recognized as income in Statement of Comprehensive Income on a straight-line basis, over the expected useful life of the acquired assets.

State subsidies relating to the compensation received by the Group for subsidized costs are recognized in the Statement of Comprehensive Income, in a way which matches the subsidized costs and the respective subsidy.

3.33 New and amended standards and interpretations

3.33 New standards, standard amendments and interpretations.

New standards and standard amendments adopted by the Group and the Company.

The following new standards, the amendments to standards and the new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) and adopted by the European Union (E.U.), unless otherwise stated, are effective from 1 January 2020. The amendments and interpretations first applied in 2020 did not have a material impact on the financial statements for the year ended 31 December 2020.

IFRS 3: Business combinations (Amendments): The International Accounting Standards Board (IASB) has issued amendments to the definition of a Company (amendments to IFRS 3) to address the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

Conceptual framework of the International Financial Reporting Standards: The IASB issued the revised conceptual framework for financial reporting on March 29, 2018. The conceptual framework defines a comprehensive set of concepts for financial information. These concepts help set standards, guide authors to develop consistent accounting policies, and support their efforts to understand and interpret standards. The International Accounting Standards Board also issued an accompanying document, "Amendments to References to the Conceptual Framework in IFRS Standards", which sets out the amendments to the standards that are affected in order to update the references to the revised conceptual framework. The purpose of the document is to support the transition to the revised IFRS conceptual framework for companies that adopt the conceptual framework to develop accounting policies when no IFRS standard makes a reference.

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes Accounting Estimates and Errors". Definition of material (Amendments). The amendments clarify the definition of material and how it should be implemented. The new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." In addition, the explanations accompanying the definition of material have been improved. The amendments ensure that the definition of material is consistent with all IFRS standards.

IFRS 9, IFRS 39, and IAS 7 (Amendments) "Interest Rate Benchmark Reform" In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 9, IAS 39 and IFRS 7, completing the first phase of its work on the implications of the reform of interbank lending rates in financial reporting. The amendments address issues arising from financial reporting in periods prior to the replacement of an existing benchmark rate with an alternative interest rate, and address implications in specific hedge accounting requirements for IFRS 9 "Financial instruments" and IAS 39 **"Financial instruments: Recognition and Measurement".** The amendments provide for temporary facilities applicable to existing hedging relationships affected by the revision of benchmark rates, allowing hedge accounting to continue during the period of uncertainty before replacing an existing benchmark rate with an alternative interest rate of almost zero risk. The amendments also introduce in IFRS 7 "Financial Instruments: Disclosures" additional disclosures about the uncertainty arising from the revision of benchmark rates. The second phase (exposure draft) focuses on issues affecting financial reporting when an existing reference interest rate is replaced by a zero risk interest rate.

Standards issued but not applicable in the current accounting period and not adopted earlier
Group and Company have not adopted any of the following standards, interpretations or amendments which have been issued but are not applicable in the current accounting period. In addition, the Group and Company are in the process of evaluating all the standards and interpretations or amendments that have been issued but were not applicable in the current period and concluded that there will be no significant impact on the financial statements from their application.

- ***IFRS 16 (Amendment) "COVID-19 Related Rental Concessions" (effective for annual periods beginning on or after 1 June 2020):*** The amendment applies retroactively to annual reference periods beginning on or after 1 June 2020. Earlier application is permitted, including financial statements not yet approved for issue on 28 May 2020. The IASB amended the standard exempting lessees from applying the requirements of IFRS 16 with respect to lease change accounting for rent deductions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical convenience for the lessee to account for any change or deduction in rent as a consequence of Covid-19, in the same manner as required by IFRS 16, if the change or deduction was not considered a lease amendment, provided that all of the following conditions are met:
  - ✓ The change in rent payments results in a revised consideration that is substantially the same as or less than the rental consideration immediately prior to the change;
  - ✓ Any reduction in rent payments affects payments due on or before June 30, 2021;
  - ✓ There is no substantial change in other terms and conditions of the lease.

In February 2021, the IASB issued a proposal to extend, for an additional year (until June 30, 2022), the period during the practical application commenced in rent assignments in a change in lease payments, which was initially valid until 30 June 2021.

- **IAS 1 (Amendment) "Classification of liabilities as current or non-current"** ***(effective for annual periods beginning on or after 1 January 2022)*:** These amendments apply to annual periods starting on or after 1 January 2022 while its retroactive application is allowed. The IASB issued a draft standard for postponing the date of entry into force of the amendments to 1 January 2023. The amendments are intended to be consistent in applying the requirements of the standard, helping companies determine whether borrowing and other liabilities with an uncertain settlement date are classified as current or long-term liabilities in the Statement of Financial Position. The amendments affect the presentation of liabilities in the Statement of Financial Position, while they do not change the existing requirements regarding the measurement or the time of recognition of an asset, liability, income or expense or the disclosures on these items. The amendments also clarify the classification requirements for borrowing, which can be settled by a company by issuing equity securities. These amendments have not been adopted yet by the European Union.

- ***IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) "Interest Rate Benchmark Reform — Phase 2" (applies to annual periods starting on or after January 1, 2021).*** In August 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work on the implications of interbank interest rate adjustments in financial information. The amendments provide for temporary facilities that deal with the effects on financial reporting when an interbank lending rate is replaced by an almost zero-risk alternative interest rate. In particular, the amendments provide for a practical facility for accounting for changes in the basis of the determination of contractual cash flows of financial assets and liabilities, requiring the adjustment of the effective interest rate, as in the case of a change in the purchase rate. In addition, the amendments introduce facilities for the non-termination of the hedging relationships, including a temporary release from the requirement of distinct recognition of an almost zero-risk alternative interest rate, defined as the hedging of a risk item. The amendments to IFRS 4 also allow insurance companies that continue applying IAS 39 to receive the same facilities as those provided for in the amendments to IFRS 9. The amendments also introduce in IFRS 7 "Financial Instruments: Disclosures" additional disclosures that allow users of financial statements to understand the implications of interbank lending rate reform on financial instruments and on the risk management strategy of the economic entity. These amendments apply to annual periods starting on or after 1 January 2021 while earlier application is allowed. These amendments do not require from the entity to reform the previous reporting periods.

- ***IFRS 10 (Amendment) Consolidated financial statements and IAS 28 Investments to associates and joint ventures: Sales or contributions of assets between an investor and its associate/joint venture:*** The amendments settle a recognised inconsistency between the requirements of IFRS 10 and IAS 28 with regard to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a complete gain or loss is recognised when a transaction includes a business (whether it is accommodated in an subsidiary or not). A partial gain or or loss is recognized when a transaction includes assets that do not constitute a business, even if these assets are accommodated in a subsidiary. In December 2015, the IASB indefinitely postponed the date of application of this amendment, awaiting the result of its work on the equity method. These amendments have not been adopted yet by the European Union.
- ***IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Upgrades 2018-2020 to the IFRS (Amendments):*** These amendments apply to annual periods starting on or after 1 January 2022 while earlier application is allowed. The IASB issued, to a limited extent, amendments to standards, as follows:
  - ✓ *IFRS 3 Business Combinations:* The amendments update an reference to IFRS 3 in the Conceptual Framework for Financial Reporting without changing the accounting requirements of the business combinations standard.
  - ✓ *IAS 16 Property, Plant and Equipment:* the amendments prohibit the reduction of the cost of property, plant and equipment by amounts received from the sale of items produced while the company prepares the asset for its intended use. Sales revenue and related costs are recognized in profit or loss.
  - ✓ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets:* the amendments specify the costs of fulfilling a contract, in the context of evaluating the contract if it is onerous.
  - ✓ Minor modifications were made to the Annual Upgrades 2018-2020 to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41-Agriculture, and to the illustrative examples accompanying IFRS 16 - Leases.

These amendments have not been adopted yet by the European Union.

4. Other Information

There were no major extraordinary events during the period 1 January - 31 December 2020 which influenced the Financial Statements.

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

5. 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	16	4,576	16	104	4,712
IFRS 16 Impairment	0	0	0	102	0	102
Disposals-Transfers	0	0	(1,866)	(18)	(81)	(1,965)
Balance 31.12.2020	**6,130**	**19,503**	**152,696**	**2,965**	**6,305**	**187,599**
Accumulated depreciation						
Balance 01.01.2020	**0**	**12,242**	**79,504**	**2,026**	**5,521**	**99,293**
Depreciation for the year	0	349	6,186	25	205	6,765
Amortization of right of use - IFRS 16	0	49	0	320	0	369
Impairment of tangible assets	0	0	(1,866)	(18)	(81)	(1,965)
Balance 31.12.2020	**0**	**12,640**	**83,824**	**2,353**	**5,645**	**104,462**
Net book value as at 31.12.2020	**6,130**	**6,863**	**68,872**	**612**	**660**	**83,137**

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	16	4,576	16	101	4,709
IFRS 16 Impairment	0	0	0	102	0	102
Disposals-Transfers	0	0	(1,866)	(18)	0	(1,884)
Impairment of tangible assets	0	0	0	0	0	0
Balance 31.12.2020	**6,130**	**19,318**	**152,696**	**2,674**	**6,090**	**186,908**
Accumulated depreciation						
Balance 01.01.2020	**0**	**12,191**	**79,504**	**1,838**	**5,237**	**98,770**
Depreciation for the year	0	349	6,186	23	182	6,740
Disposals-Transfers	0	17	0	238	0	255
Impairment of tangible assets	0	0	(1,866)	(18)	0	(1,884)
Balance 31.12.2020	**0**	**12,557**	**83,824**	**2,081**	**5,419**	**103,881**
Net book value as at 31.12.2020	**6,130**	**6,761**	**68,872**	**593**	**671**	**83,027**

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 88,889 thousand on the Company's property, plant and equipment have been pledged as guarantee to the Greek State for Excise Taxes deferment.

6. Participations

(Amounts in thousands of Euros)

The movement of **Participations** is analyzed as follows:

	2020	2019
Opening balance	1,053	1,299
Capital increase of subsidiary	979	0
Provision of impairment	(382)	(246)
Balance 31 December	**1,650**	**1,053**

The **participations** are analyzed as follows:

Company	Location	Historic Cost	Cost after impairment	Assets	Liabilities	Income	Profit/ (Loss)	Percentage of participation
MERIDIAN S,A,	Greece	3,914	549	791	240	475	-263	99,54%
KARELIA INVESTMENTS INC,	Greece	299	60	70	0	0	-8	85%
KARELIA TOBACCO COMPANY (UK) LTD	England	0	0	4,083	813	7,939	1,454	100%
KARELIA BULGARIA EOOD	Bulgaria	1,030	1,030	20,889	9,496	387,394	1,295	100%
G,K, DISTRIBUTORS EOOD	Bulgaria	0	0	598	0	0	-3	100%
KARELIA TÜTÜN VE TICARET A,Ş,	Turkey	1,121	11	22	10	42	-43	97%
KARELIA BELGIUM LTD	Belgium	18	0	10	5	0	-2	85%
		6,382	**1,650**	**26,463**	**10,564**	**395,850**	**2,430**	

GK DISTRIBUTORS EOOD is a subsidiary of KARELIA BULGARIA EOOD. This year's provision of impairment concerns MERIDIAN S.A, KARELIA BELGIUM LTD and KARELIA TUTUN VE TIGARET A. Ş.

7. Inventories

(Amounts in thousands of Euros)

	Group 2020	Group 2019	Company 2020	Company 2019
Raw materials	22,136	27,525	22,136	27,525
Goods purchased for resale	6,054	6,922	1,245	1,341
Finished products	20,802	20,137	20,802	20,300
Spare parts and consumables	11,114	10,090	11,114	10,090
	60,106	**64,674**	**55,297**	**59,256**

The movement in **Provision for obsolete stock** is analyzed as follows:

(Amounts in thousands of Euros)

	Group 2020	Group 2019	Company 2020	Company 2019
Balance 1 January	1,658	2,608	1,625	2,487
Destructions	(604)	(1,465)	(604)	(1,377)
Provision for obsolete stock	(218)	515	(218)	515
Balance at 31 December	**836**	**1,658**	**803**	**1,625**

The value of the Company's Finished Products destined for the Greek market, include taxes (Excise Tax and VAT), which amount to approximately 88% of their value. Correspondingly, the value of Finished Prod of the subsidiaries includes Excise Tax, which amounts to approximately 88.55% of their value.

8. Accounts receivable

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Receivables from customers	12,643	15,596	13,360	18,419
Other receivables	2,230	9,833	1,477	1,338
Advances-Prepaid expenses	200	215	197	210
Loans	0	0	0	21
	15,073	**25,644**	**15,034**	**19,988**

Receivables from Customers is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Receivables from outstanding balances	14,459	17,707	12,136	15,922
Receivables from affiliated companies	4	0	2,773	4,337
Postdated cheques–Notes receivables-Accrued income	416	125	416	125
Provision for doubtful debts	(2,236)	(2,236)	(1,965)	(1,965)
	12,643	**15,596**	**13,360**	**18,419**

From January 1st 2019, Group applies the simplified approach method of IFRS 9, and calculates, lifetime expected credit losses, for its receivables.

Other **Receivables** is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Receivables from Greek and Bulgarian State	3,667	11,660	3,205	3,305
Other receivables	2,691	2,301	2,400	2,161
Provision for doubtful debts from Greek State	(4,128)	(4,128)	(4,128)	(4,128)
	2,230	**9,833**	**1,477**	**1,338**

The movement in **Provision for Doubtful Debts** is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Balance 1 January	6,364	5,976	6,093	5,705
Transfer from a provision account for other liabilities and expenses	0	388	0	388
Balance 31 December	**6,364**	**6,364**	**6,093**	**6,093**

The fair values of the receivables are interest-free and short-term, and approximately coincide with the book values.

Advances and Prepaid Expenses is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Stocks orders	0	2	0	2
Prepayments to suppliers	90	74	90	69
Prepaid expenses	111	139	107	139
	201	**215**	**197**	**210**

9. Investments at fair value through P&L

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Listed Shares	5	10	5	10
Mutual Funds and Money Market Certificates listed	29,373	105,950	29,373	105,950
	29,378	**105,960**	**29,378**	**105,960**

Listed Shares have been valued at fair value, and the loss resulted from the revaluation has been recorded in the results of the year.

Funds and Money Market Certificates amounted to EUR 29,373 thousand, (Company: EUR 29,373 thousand), are investments in mutual funds and Money Market Certificates issued and/or operated by, Deutsche Bank. The valuation of these investments has been performed by their respective administrators and the valuation method hierarchy is level 2 because they consist of low-risk listed securities of short-term maturities.

The results (gain or loss) from the depreciation of the market value of the above investments are unrealized. The realized result (gain or loss)will occur at disposal of the above investments.

(Amounts in thousands of Euros)	Group	Company
	2020	**2020**
Acquisition cost	105,950	105,950
Gain from increase in market value	112	112
Loss from liquidation	(446)	(446)
Loss in valuation due to unfavorable currency exchange movements	(96)	(96)
Total	105,520	105,520
Acquisition of the year 2020	13,465	13,465
Disposals of the year 2020	(89,612)	(89,612)
Balance at 31.12.2020	**29,373**	**29,373**

10. Investments measured at amortized cost

(Amounts in thousands of Euro)	Group		Company	
	2020	2019	2020	2019
Corporate Bonds	32,335	20,457	32,335	20,457
Bonds	16,352	17,283	16,352	17,283
Government bonds	0	19,661	0	19,661
	48,687	**57,401**	**48,687**	**57,401**

(Amounts in thousands of Euro)	Group		Company	
	2020	2019	2020	2019
Total long-term Assets	34,187	35,037	34,187	35,037
Total Current Assets	14,500	22,364	14,500	22,364
	48,687	**57,401**	**48,687**	**57,401**

Corporate as well as Bank Bonds that are valued at amortized cost of Euro 48,687 thousand (Company: Euro 48,687)thousand) are issued by international credit rating agencies, while the valuation method hierarchy is level 1 because they are traded in financial markets.

The business model of the Company and the group for these investments is the earning of interest and other gains associated with the retention of bonds until maturity, save as in exceptional cases where liquidation before maturity is decided.

It is noted that the gain or loss on valuation is a non-realized result for the Company, The actual result (profit or loss) from these financial assets will be realized at maturity.

The fair value of these investments at amortized cost at 31 December 2020, amountend to EUR 48,624 thousand.

(Amounts in thousands of Euro)	Group	Company
	2020	2020
Acquisition cost	56,962	56,962
Amortized cost	(401)	(401)
Loss from favorable currency exchange	(1,752)	(1,752)
Prepaid Coupons	421	421
Expected Credit Losses	(16)	(16)
Expiration	(25,137)	(25,137)
Acquisition for the year 2020	18,610	18,610
	48,687	**48,687**

11. Cash and cash equivalents

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Cash in hand	13	19	11	17
Sight and time deposits	388,870	279,603	370,768	261,391
	388,883	**279,622**	**370,779**	**261,408**

The average interest rate for deposits and time deposits of the Group, amounted to 0,46%. for FY 2020 and 0,90% p,a, for FY 2019.

The analysis of sight deposits and time deposits by geographical area as at 31 December 2020 is as follows:

(Amounts in thousands of Euros)	*(Note)*	Group		Company	
		2020	**2019**	**2020**	**2019**
Domestic		52,897	29,958	52,195	29,695
Foreign Countries		335,986	249,664	318,584	231,713
Cash and cash equivalents in the statement of financial position		**388,883**	279,622	**370,779**	261,408
Pledged account	Note: (27c)	(45,500)	(34,000)	(45,500)	(34,000)
Cash and cash equivalents in the statement of financial position at the Cash Flow		**343,383**	**245,622**	**325,279**	**227,408**

The pledged cash deposit of EUR 45,500 thousand relates to cash deposits which have been pledged to a Bank, so that the latter issue a bank guarantee (note 27c). The Company has the right to use this cash deposit, following a request to replace this pledge with a pledge of other financial instruments.

Moreover, on 31.12.2020 and in order to maintain an open credit line for potential new bank guarantees from an alternative Bank, the Company had granted, (as a pledge) its deposits, investments in Funds as well as fiduciaries call deposits, amounted to Euro 65,326 thousand. Given that on 31.12.2020 (date of confirmation of the balances of the accounts by the bank) there was no kind of obligation and /or debt to this bank, the bank confirmed that the amount of Euro 65,326 - although it has been classified as a pledge - was completely free, at the disposal of the Company.

12. Share capital

On 31 December 2019, the fully paid in Share capital of the Company was EUR 32,650,800 (thirty two million sixty five hundred eight thousand Euros) divided into 2,760,000 (two million seven hundred sixty thousand) shares of nominal value EUR 11,83 (eleven Euros and eighty three cents) each. There is no change compared to the previous year.

13. Other reserves

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
Statutory Reserves	38,082	34,850	38,042	34,810
Non-taxed Reserves	72,512	72,512	72,512	72,512
Reserves from non-taxable income	254	206	176	176
Reserves from income taxed in a special way	1,606	1,620	1,620	1,620
Reserves of actuarial gains / (losses)	(636)	(534)	(578)	(510)
	111,818	**108,654**	**111,772**	**108,608**

Non-taxed Reserves relate to accumulated profits which, if not distributed, were either not taxed, or taxed at a lower rate. In case these reserves are ever distributed, income tax is due at the tax rate applicable on the distribution date, In case these reserves are capitalized until the year 2020, income tax is due at reduced tax rate. The distribution or capitalized of Reserves is decided by the General Meeting of Shareholders.

The distribution or the capitalization of Reserves is decided by the General Meeting of Shareholders.

14. Deferred taxes

Deferred tax assets are offset against deferred tax liabilities when there is a legally enforceable right to offset and are also subject to the same tax authority. The offset amounts for the Group and the Company are as follows:

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

(Amounts in thousands of Euros)	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**
Deferred tax assets	**Balance 31/12/2019**	**Balance 31/12/2019**	**Effect in P&L and OCI for 2020**	**Effect in P&L and OCI for 2020**	**Balance 31/12/2020**	**Balance 31/12/2020**
Provision for securities impairment	1,023	1,023	228	228	1,251	1,251
Provision for staff indemnities	903	903	11	11	914	914
Provision for doubtful debts	376	376	0	0	376	376
Available for sale financial assets	49	49	(49)	(49)	0	0
Exchange differences	0	0	1,790	1,790	1,790	1,790
Other	725	663	(406)	(344)	319	319
	3,076	**3,014**	**1,574**	**1,636**	**4,650**	**4,650**
Deferred tax liabilities						
Adjustment of depreciation and reversal of revaluation Law 2065/1992	(8,254)	(8,254)	506	398	(7,748)	(7,856)
Exchange differences	(266)	(266)	240	266	(26)	0
Other	0	0	0	0	0	0
	(8,520)	**(8,520)**	**746**	**664**	**(7,774)**	**(7,856)**
Net amount in the P&L and Statement of Comprehensive Income			**2,320**	**2,300**		
Net Asset/ (Liability) from Deferred Taxes	**(5,444)**	**(5,506)**			**(3,124)**	**(3,206)**

The total movement in deferred income tax is as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Opening balance	(5,444)	(7,874)	(5,506)	(7,936)
Amount recognized in results	2,298	2,388	2,278	2,388
Amount recognized in Equity	22	42	22	42
Closing balance	**(3,124)**	**(5,444)**	**(3,206)**	**(5,506)**

15. Retirement and Dismissal Benefit Obligations

According to Greek Labor Law, employees are entitled to compensation in case of dismissal or retirement, the amount of which is related to the remuneration, duration of service and the type of employment termination (dismissal or retirement). Employees who resign or are dismissed with cause, are not entitled to compensation. The amount payable, in case of retirement, is equal to 40% of the amount that would be payable in the event of dismissal without cause.

The Provision for retirement and dismissal benefit, presented in the Financial Statements, is in accordance with IAS 19, and it is based on an independent actuarial study.

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate (%)	0.4%	0.8%
Future salaries increase	2%	2%
Remaining working life of employees (years)	13,53	13,4
Mortality table	EVK 2000 improved with age setback method	EVK 2000 improved with age setback method

As shown below, the sensitivity analysis (changes in the discount rate and future salary increases) of the actuarial study on the Company, shows no significant change on the amount of compensation due to retirement, which amounts to Euro 3,808 thousand.

Scenarios	Change + / (-)% discount rate	Payment + / (-)% future salary increases	Company
Scenario 1	0.5%	0	3,629
Scenario 2	(0.5%)	0	4,154
Scenario 3	0	0.5%	4,148
Scenario 4	0	(0.5%)	3,631

The account is analyzed as follows:

(Amounts in thousands of Euros)	Group	Company
Liability balance 31.12.2018	**3,313**	**3,228**
Cost of current service	169	167
Benefits due to staff voluntary resignation	2	2
Past service cost due to plan amendments	66	66
Financial cost 1.1.2019-31.12.2019	53	52
Total expense recognized in results for the year	**290**	**287**
Actuarial losses for the year recognized in Equity	298	292
Benefits paid by employer	(54)	(45)
Liability balance 31.12.2019	**3,847**	**3,762**
Liability balance 31.12.2019	**3,847**	**3,762**
Cost of current service	279	179
Benefits due to staff voluntary resignation	87	87
Past service cost due to plan amendments	0	0
Financial cost 1.1.2020-31.12.2020	30	30
Total expense recognized in results for the year	**396**	**296**
Actuarial losses for the year recognized in Equity	92	90
Benefits paid by employer	(340)	(340)
Liability balance 31.12.2020	**3,995**	**3,808**

In the following year, no employee will leave the Company. The service cost and the financial cost are included in the account "Salaries and other employee benefits" (Note 19).

16. Lessee lease liabilities due

The **Long-term and Short-term lease liabilities are analyzed as follows**

Long-term lease liabilities

(Amounts in thousands of Euros)	**Group**		**Group**	
	2020	**2019**	**2020**	**2019**
Leased Premises	48	79	42	58
Leased vehicles	306	578	296	457
Total	**354**	**657**	**338**	**515**

Short-term lease liabilities

(Amounts in thousands of Euros)	**Group**		**Group**	
	2020	**2019**	**2020**	**2019**
Leased Premises	48	91	10	16
Leased vehicles	288	220	235	199
Total	**336**	**311**	**245**	**215**

17. Trade and other payables

Trade and Other Payables is analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Group**	
	2020	**2019**	**2020**	**2019**
Trade Payables and Excise Tax	57,769	84,409	56,851	70,224
Social security	1,833	1,928	1,819	1,915
Taxes (except income tax)	8,242	1,507	1,483	1,405
Other liabilities	3,669	4,238	4,161	4,077
	71,513	**92,082**	**64,314**	**77,621**

Trade and other payables are short term and do not bear interest,

18. Provisions for other liabilities and expenses

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Provisions for litigation	152	152	152	152
	152	**152**	**152**	**152**

The movement of the provisions is as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Opening balance	152	540	152	540
Transfer to a provision account for doubtful debts	0	(388)	0	(388)
	152	**152**	**152**	**152**

The **Provision for litigations and claims**, 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, nor for provisions related to litigation or arbitration.

19. Turnover

Turnover is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
International sales(*)	160,716	162,459	154,128	156,710
Domestic sales (net)(*)	50,318	53,240	50,152	53,085
Excise tax and VAT	897,684	819,996	549,811	526,875
	1,108,718	1,035,695	754,091	736,670

(*)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 FY 2020 fees, together with the promotional incentives paid to customers, amount to EUR 1,783 thousand for the Group and EUR 1,166 thousand for the Company.

The analysis of Overseas Sales is as follows:

(Amounts in thousands of Euros)	Group		Company	
Continent	2020	2019	2020	2019
European Union countries	66,661	59,543	60,073	53,794
Other European countries	33,355	30,442	33,355	30,442
Africa	47,817	56,065	47,817	56,065
Asia	12,883	16,409	12,883	16,409
	160,716	162,459	154,128	156,710

20. Expenses per function

(Amounts in thousands of Euros)	Group					
	2020			2019		
	Cost of sales	Administrative expenses	Distribution costs	Cost of sales	Administrative expenses	Distribution costs
Salaries and other employee benefits	13,174	5,023	7,807	13,403	4,587	7,683
Consumption stocks	75,382	0	0	84,097	0	0
Excise tax and VAT	897,684	0	0	819,996	0	0
Tangibles depreciation	6,518	338	438	6,003	180	396
Third party fees	3,628	1,824	3,574	2,688	1,777	5,942
Provisions	0	0	0	0	0	0
Other operating expenses(*)	1,244	3,338	7,219	853	1,519	7,615
Impairment of tangible assets	0	132	164	110	0	0
Other	0	0	0	362	600	597
	997,630	10,655	19,195	927,512	8,663	22,233

(Amounts in thousands of Euros)	Company					
	2020			2019		
	Cost of sales	Administrative expenses	Distribution costs	Cost of sales	Administrative expenses	Distribution costs
Salaries and other employee benefits	13,174	4,411	7,370	13,403	4,010	7,273
Consumption stocks	73,967	0	0	82,731	0	0
Excise tax and VAT	549,811	0	0	526,875	0	0
Tangibles depreciation	6,518	278	360	6,003	110	340
Third party fees	3,627	1,595	3,343	2,688	1,569	5,263
Provisions	0	0	382	0	246	0
Other operating expenses(*)	1,244	3,279	6,409	852	1,473	7,482
Impairment of tangible assets	0	0	0	110	0	0
Other expenses	0	119	164	362	431	393
	648,341	9,682	18,028	633,024	7,839	20,751

Third Party Fees, includes repair and maintenance costs, telecommunication expenses, electricity expenses, insurance fees, rental expenses, free lancers fees, commission fees etc.

Included in Other Operating Expenses and Other expenses, are transportation expenses, publicity expenses, consumables, taxes expenses, other general expenses etc.

(*)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 FY 2020 fees, together with the promotional incentives paid to customers, amount to EUR 1,783 thousand for the Group and EUR 1,166 thousand for the Company.

Salaries and other employees benefits

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Salaries	20,129	19,802	19,240	18,874
Social Contributions	4,648	4,852	4,595	4,795
Staff Leaving Benefits provision (Note 15)	303	290	301	287
Other benefits	820	729	819	729
	25,900	**25,673**	**24,955**	**24,685**
Average number of employees	**561**	**558**	**529**	**525**

depreciation

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Buildings	349	349	349	349
Machinery	6,186	5,561	6,186	5,561
Vehicles	25	24	24	23
Furniture	206	181	182	175
Software	160	120	160	120
Amortization of right of use - IFRS 16	369	344	255	224
	7,295	**6,579**	**7,156**	**6,452**

21. Audit and other fees

Audit and other fees, concerning the KPMG network, are analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Fees for auditing services	88	90	66	64
Fees for the Annual Tax Certificate	66	66	60	60
Other fees	4	1	4	1
	158	**157**	**130**	**125**

Specifically, audit and other fees to KPMG S,A, in Greece (not to the other KPMG network offices), are analyzed as follows:

(Amounts in thousands of Euros)	KPMG S,A,-Greece	
	2020	2019
Fees for auditing services	74	72
Audit fees for the Annual Tax Certificate	66	66
Other fees	4	1
	144	**139**

22. Other operating income

Other Operating Income is analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Income from transportation costs billed to customers	2,504	2,620	2,503	2,620
Other income	672	554	672	553
	3,176	**3,174**	**3,175**	**3,173**

23. Financial income – (expenses) net

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Other financial expenses	(3.554)	(1,293)	(3.463)	(1,184)
Financial expenses	**(3.554)**	**(1,293)**	**(3.463)**	**(1,184)**
Interest income	3.080	3,114	3.080	3,114
Dividend from a Subsidiary	0	0	2.221	0
Securities income / (expenses)	411	1,756	411	1,746
Financial income	**3.491**	**4,870**	**5.712**	**4,860**
	(63)	**3,577**	**2.249**	**3,676**

24. Income tax

The dividend of EUR 2,221 thousands was received from the participation of the parent company in the subsidiary KARELIA TOBACCO (UK) Ltd.

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. Corporation 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 as final the related tax liabilities. 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 have not been audited by the tax authorities for Financial Year 2010. Until 31 December 2020, no auditing notification from the tax authorities has been received, thus any potential liability for FY 2010 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 2019 in accordance with Greek tax legislation. The Company does not expect any additional corporation tax obligations or penalties to arise as a result of a tax audit by the Greek tax authorities for the years from 2015 through to 2019, while FY 2011, 2012, 2013 and 2014 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 their own tax audit for the selected financial year, taking into consideration the work already performed that supported the issuance of the non-modified tax compliance certificate. The Company received notification for a tax audit by the Greek tax authorities for the tax years 2015 – 2016, which is in progress.

In addition, the tax auditing of Financial Year 2020 by the statutory auditors, in accordance with the article 65A of Law 4174/2013, is at its final stages of completion and no material findings are expected to arise.

We anticipate that if, until the completion of the tax auditing, additional tax charges arise, these will not have a material impact on the 31 December 2020 Financial Statements.

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 additional corporation tax obligations or penalties to arise as a result of a tax audit by the Greek tax authorities for the years from 2015 through to 2019, while FY 2011, 2012 ,2013 and 2014 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 their own tax audit for the selected financial 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 2015 – 2019.

In addition, the tax auditing of Financial Year 2020 by the statutory auditors, in accordance with article 65A of Law 4174/2013, is at its final stages of completion and no material findings are expected to arose.

We anticipate that if, until the completion of the tax examination, additional tax charges arise, these will not have material impact on the 31 December 2020 Financial Statements.

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 additional corp[oration taxes or penalties to arise as a result of a tax examination by the Greek tax authorities for the years from 2015 through to 2019, while FY 2011, 2012, 2013 and 2014 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 examination 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 2015 – 2019.

In addition, the tax auditing of FY 2020 by the statutory auditors, in accordance with article 65A of the Law 4174/2013, is at its final stages of completion and no material findings are expected to arise.

We anticipate that if, until the completion of the tax examination, additional tax charges arise, these will not have material impact on the 31 December 2020 Financial Statements.

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 TÜTÜN 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 on the 31 December 2020 Financial Statements.

Income tax charged to the results is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Current tax	20,645	22,712	20,114	22,323
Deferred tax	(2,296)	(2,389)	(2,279)	(2,389)
	18,349	**20,323**	**17,835**	**19,934**

Tax on profit before tax, of the Group and the Company differs from the theoretical tax that would arise using the applicable tax rate, The difference is as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Profit before tax	73,005	87,727	72,119	85,594
Applicable tax rate	**24%**	**24%**	**24%**	**24%**
Tax calculated based on applicable tax rate	17,521	21,054	17,309	20,542
Effect of changes tax rate	0	(583)	0	(583)
Effect of different tax rates of foreign subsidiaries	(220)	(123)	0	0
Other taxes	983	(90)	526	(25)
Losses of subsidiaries not recognized	65	65	0	0
Income tax	**18,349**	**20,323**	**17,835**	**19,934**

The weighted average corporation tax rate for the years 2020 and 2019 for the Group was 25.13% and 23.17% respectively, and for the Company was 24.73% and 23.29%, respectively.

The accumulated taxable losses of the Group's subsidiaries which cannot be offset by taxable profits and for which a deferred tax claim has not been recognized, amount to EUR 1,654 thousand.

The analysis of the **Current Tax Payable** is as follows:

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Opening balance	3,971	(4,657)	3,736	(4,698)
Current corporation tax charge	20,645	22,712	20,114	22,323
Taxes paid	(19,615)	(15,033)	(19,199)	(14,838)
Movement in tax advances	(14)	949	(14)	949
	4,987	**3,971**	**4,637**	**3,736**

25. Earnings after tax per share

Earnings after taxes, per share are calculated by dividing profit after tax attributable to shareholders to the weighted average number of shares in circulation during the reporting period, and are analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Net profit, after tax	**54,656**	**67,404**	**54,284**	**65,660**
Attributable to:				
Company's shareholders	54,660	67,408	54,284	65,660
Minority interests	(4)	(4)	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)	**19.8029**	**24.4217**	**19.6681**	**23.7899**
Diluted earnings per share (in absolute figures)	**19.8029**	**24.4217**	**19.6681**	**23.7899**

26. Dividends

Under Greek Corporate Law, each year, companies are required to distribute to their shareholders at least 35% of after tax profit, after deduction of Statutory Reserves. The Company may not distribute dividend provided there is consent from 70% of its Shareholders.

27. 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 December 2020, the value of these these Bank Letters of Guarantee was EUR 133,671thousand, while on 31 December 2019 their value was EUR 191,370 thousand. Prenotation for mortgages amounting to EUR 88,889 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 December 2020 was EUR 43,204 thousand compared to EUR 32,600 thousand on 31 December 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 31.12.2020 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 31st December 2020 was GBP 400 thousand, compared to GBP 300 thousand on 31 December 2019.

(e) The Kalamata Customs Office, under its 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.

(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) During 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 have appealed against this Act.

(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 - procedural 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 December 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 respectrive tax authorities are described, in detail, in note 24 of the Financial Statements. The Management of the Company believes that if, in case of such tax audit, additional tax charges arise, these will not have a material impact in the Financial Statements.

28 Financial instruments

Financial risk factors

The Group's activities give rise to various financial risks, including exchange rate risks, The overall risk management program of the Group focuses in the volatility of financial markets and seeks to minimize the potential impact of these fluctuations on the Group's financial performance.

The financial instruments used by the Group are as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
Financial instruments of Assets	**2020**	**2019**	**2020**	**2019**
At fair value				
Investments at fair value through P&L	29,378	105,960	29,378	105,950
At amortized cost				
Accounts receivables	15,073	25,644	15,034	19,988
Cash and cash equivalents	388,883	279,622	370,779	261,408
AT amortized cost				
Investments measured at amortized cost	48,687	57,401	48,687	57,401
Financial instruments of Liabilities				
At amortized cost				
Suppliers and other payables	71,513	92,082	64,314	77,621

Currency risk

The Group's exposure to currency risks derives from bank deposits , investments and foreign currency transactions (imports/ exports), mainly in U,S, Dollars. This risk is managed without hedging instruments. The following table shows the changes in Profits after tax of the Group and in Equity, due to possible changes in the U.S. dollar exchange rate, provided that all other variables remain unchanged.

Sensitivity analysis to changes in foreign currency (in USD)

(Amounts in thousands of Euros)	**2019**		
Account	**Balance**	**Currency risk**	
		+ 5%	**- 5%**
Receivables	1,780	(85)	94
Cash and cash equivalents	178,864	(8,517)	9,414
Liabilities	(8,331)	397	(438)
Effect of changes in foreign exchange on income tax gains/ (losses)		(1,969)	2,176
Net effect		**(10,174)**	**11,246**

(Amounts in thousands of Euros)	**2020**		
Account	**Balance**	**Currency risk**	
		+ 5%	**- 5%**
Receivables	1,560	(74)	82
Cash and cash equivalents	132,270	(6,298)	6,961
Liabilities	(5,651)	269	(297)
Effect of changes in foreign exchange on income tax gains/ (losses)		(1,465)	1,619
Net effect		**(7,568)**	**8,365**

Credit risk

The Group has no significant concentration of credit risk. The trade receivables derive mainly from a large, widespread customer base. The financial position of clients is constantly monitored by the Group companies.

When appropriate, additional insurance coverage is received as credit guarantee. Credit limits are set for each client, which are reviewed in line with current conditions, while commercial and credit terms are adjusted when necessary.

There are no formal credit ratings on the receivables.

At the end of the Financial Year, the Company management, having considered all available information, decided that there is no significant customer credit risk that has not already been covered by some form of guarantee or by bad debt provisions.

On 31 December 2020, doubtful receivables including those which are more than one year overdue, amounted to EUR 6,364 thousand (for the Group) and EUR 6,094 thousand (for the Company), and for which appropriate provisions have been formed in previous Financial Years. Out of the total doubtful receivables, an amount of 2,722 thousand Euros relates to litigation claims against the Greek State.

Potential credit risk exists in deposits and investments. In such cases, the risk may arise when a counterparty fails to meet its obligations towards the Group. The Group takes appropriate measures to maintain sufficient dispersion in its efforts to reduce risk.

Credit risk, which may occur from inability of financial institutions to meet their obligations towards the Group, in respect of investments and deposits, has been significantly reduced, since the majority of reserves has been invested and/or deposited with international banks of high credit rating, outside Greece.

The certified credit rating of the banks which hold the cash and cash equivalents of the Company and that of the issuers of the corporate bonds held by the Company, are, according to Fitch Ratings, as follows:

Cash and cash equivalents

(Amounts in thousands of Euros)	Company	
Bank Credit Rating (long-term)	2020	2019
A+	47	52,240
A	146,770	3,006
A-	303	125,810
AA-	62,884	0
BBB+	0	50,605
B-	13,651	51
BBB-	108,581	0
CCC+	34,209	27,429
CCC	4,324	2,280
	370,769	**261,391**

Investments at fair value through P&L

(Amounts in thousands of Euros)	Company	
	2020	2019
	29.373	105.950
	29,373	**105,950**

These are investments in Foreign Mutual Funds which (according to their published data) have invested more than 65% of their assets in bonds rated A to AAA and the balance, they either hold in cash or have invested in bonds rated BBB,while one Mutual Fund has invested also approximately 4% of its assets in bonds of rating BB and B.

Investments at amortized cost

(Amounts in thousands of Euros)	Company	
Credit Rating of Issuers	**2020**	**2019**
AAA	0	19,661
A+	8,176	6,538
A	0	8,933
AA-	6,523	180
A-	1,653	12,340
BBB+	13,446	6,965
BB+	5,004	2,784
Without rating*	13,885	0
	48,687	**57,401**

*Corportate bonds issued by "Hellenic Petroleum Finance plc".

The maximum exposure to credit risk for trade receivables of the Group, at the date of the Statement of Financial Position, by geographic region, was:

(Amounts in thousands of Euros)	2020	2019
Domestic receivables	5,940	8,470
Receivables from International markets	9,133	19,491

Liquidity Risk

Prudent liquidity management is achieved by the availability of a suitable combination of cash and investments in rated securities, or financial products of foreign banks.

Interest rate risk is related to the change in the value of the return on any investment with interest rate performance, as well as the change in borrowing costs due to the change in interest rates. The majority of the assets and liabilities of the Group are not subject to interest yield or liability (excluding cash and held-to-maturity investment), and therefore the Group is not exposed to any significant risk from interest rate fluctuations.

The Group maintains adequate cash reserves (EUR 443 million), most of these held in bank deposits or invested in money market funds with international banks abroad, Furthermore, the Group has no bank debt.

The table below summarizes the maturity of liabilities at year-end based on payments under the relevant policies.

(Amounts in thousands of Euros)	Group		Company	
	2020	**2019**	**2020**	**2019**
	Less than 4 months	Less than 4 months	Less than 4 months	Less than 4 months
Trade payables and other payables	71,513	92,082	64,314	77,621

Fair value of financial instruments

There is no difference between the fair values and the corresponding carrying values of financial Assets and Liabilities (i,e, trade and other receivables, cash and cash equivalents, trade and other liabilities).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and cash equivalents, trade and other receivables, trade and other payables: The carrying value is approximately the same as the fair value because either the maturity of these financial instrument is short-term, or the currency risk is limited and, therefore, does not affect the fair value.
- The fair value of these investments at amortized cost at 31 December 2020, amounted to EUR 48,624 thousand.

The Group did not use derivatives on financial instruments.

29. Post Balance Sheet events

No significant events have occurred after 31 December 2020 that require disclosure in or change of the Financial Statements, other than the effects of the possible consequences of the COVID 19 pandemic which are referred to in the chapter "INFORMATION ON GROUP PROSPECTS".

30. 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 FY 2020 have been conducted at arm's length, except for loans.

The following transactions were carried out with related parties:

i) Sales of products and services

(Amounts in thousand of Euros)	2020	2019
MERIDIAN S,A	186	259
KARELIA BULGARIA COMPANY EOOD	37,653	31,783
G,K, DISTRIBUTORS EOOD(*)	0	4,707
KARELIA TOBACCO COMPANY (UK) LTD	3,384	3,419
KARELIA TÜTÜN VE TICARET A,Ş,	0	4
Total	**41,223**	**40,172**

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

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

ii) Outstanding balances derived from sales of products and services

(Amounts in thousands of Euros)	2020	2019
Receivables from related parties		
MERIDIAN S,A	29	248
KARELIA BULGARIA COMPANY EOOD	2,398	3,918
KARELIA TOBACCO COMPANY (UK) LTD	343	167
KARELIA TÜTÜN VE TICARET A,Ş,	4	4
Total	**2,774**	**4,337**

iii) Board of Directors and Executives remuneration(High and Top management)

(Amounts in thousands of Euros)	Group		Company	
	2020	2019	2020	2019
Remuneration for the Members of the BOD,	495	484	495	484
Salaries and other short-term benefits for Heads of Departments	3,847	3,044	3,623	2,818
	4,342	**3,528**	**4,118**	**3,302**

31. Operating segments

The following information refers to operating segments of the Group Companies, which have to be disclosed separately in the Financial Statements.

Operating segments are defined based on the structure of the Group and mostly relate to the segmentation 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.

Management evaluates the impact of the operating segments based on 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 (C,L, 2190/1920) and is as follows:

(Amounts in thousands of Euros)	**2020**		**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 (Greece and Overseas)	207,024	50,472	213,445	45,886
Financial income	5,442	0	4,697	7
Financial expenses	1,232	87	1,157	101
Total depreciation	4,861	114	4,349	60
Profit before taxes	69,741	3,193	86,236	2,194

The balance reconciliation for the captions "Revenue from customers (Greece and Overseas)" and "Profit before taxes" with the financial statements is as follows:

(Amounts in thousands of Euros)	**Group**	
	2020	**2019**
Revenues from customers (Greece and Overseas)	257,496	259,331
Other operating income (Note 22)	(2,504)	(2,620)
Eliminations of intergroup sales (Note 30)	(41,222)	(40,172)
Other	(953)	1,511
IFRS 15	(1,783)	(2,351)
Excise and VAT (Note 19)	897,684	819,996
Revenue in accordance with Profit of Loss and Other Comprehensive Income	**1,108,718**	**1,035,695**

Amounts in thousands of Euros)	**Group**	
Profit/ (Loss) before taxes	**2020**	**2019**
Profit before taxes (Greece and Overseas)	72,934	87,429
Adoption from C.L. to IFRS	2,010	(944)
Eliminations of intergroup profits	(1,939)	242
Profit before taxes	**73,005**	**87,727**

Kalamata, 26 April 2021

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