KARELIA
FINE TOBACCOS SINCE 1888

Financial Report for

For the Financial Year

1 January – 31 December 2021

TWELVE MONTH PERIOD

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

CONTENTS

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, Chair

2. Efstathios G. Karelias, Vice-Chair

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 2021, 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 2021 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 the Company, 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, 27 April 2022

The Chair	The Vice Chair	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 2021, 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 separate and consolidated financial position of KARELIA TOBACCO COMPANY INC. and its subsidiaries (the "Group") as at 31 December 2021 and its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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 579 687 thousand and Euro 955 945 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. The complexity of the calculations required to determine the tax, the multiple rates used and the changes of legislation concerning the applicable rates in conjunction with the large volume of transactions and the size of the corresponding accounts increase the risk of material misstatement during the recognition and presentation of Excise Tax in the financial statements. 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 53 228 thousand and Euro 77 979 thousand respectively, as valued after the impairment provision of Euro 798 thousand and Euro 831 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.	Our audit procedures in relation to the stocks valuation included, amongst others, the following: We evaluated the design and the operating effectiveness of the internal controls of the Company regarding the warehouse monitoring process and inventory purchasing. 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, on a sample basis, the correct calculation of the production cost of finished goods and with the assistance of specialists we recalculated inventory historical 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 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 based on 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 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 2021.

(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 20 April 2022, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

3. Provision of non-Audit Services

The permissible non-audit services that we have provided to the Company and its subsidiaries during the year ended 31 December 2021 are disclosed in Note 21 of the accompanying Separate and Consolidated Financial Statements.

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 16 years based on the annual decisions of the General Shareholders' Meeting.

5. Operations Regulation

The Company has an Operations Regulation in accordance with the content provided by the provisions of the article 14 of Law 4706/2020.

6. Assurance Report on the European Single Electronic Reporting Format

We examined the digital files of the company KARELIA TOBACCO COMPANY INC (the Company or/and Group), which were prepared in accordance with the European Single Electronic Format (ESEF) that is determined by the Commission Delegated Regulation (EU) 2019/815, as amended by the Regulation (EU) 2020/1989 (the ESEF Regulation) that include the separate and consolidated financial statements of the Company and the Group for the year ended as at 31 December 2021 in XHTML format (549300E0O2PB52T65X22-2021-12-31-el.xhtml), and also the file XBRL (549300E0O2PB52T65X22-2021-12-31-el.zip) with the appropriate mark up of the those consolidated financial statements].

Regulatory framework

The digital files of the European Single Electronic Format are prepared in accordance with the ESEF Regulation and the 2020/C 379/01 Commission Interpretative Communication issued on 10 November 2020, as required by the L. 3556/2007 and the relevant announcements of the Hellenic Capital Markets Commission and the Athens Stock Exchange (the "ESEF Regulatory Framework").

This Framework includes in summary, among others, the following requirements:

— All the annual financial reports must be prepared in XHTML format.

— With respects to the consolidated financial statements based on International Financial Reporting Standards (IFRS), the financial information that is included in the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows, must be marked up with XBRL tags, in accordance with the ESEF Taxonomy, as in force. The technical requirements for the ESEF, including the relevant taxonomy, are included in the ESEF Regulatory Technical Standards.

The requirements as defined in the ESEF Regulatory Framework as in force are appropriate criteria in order to express a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

Management is responsible for the preparation and filing of the separate and consolidated financial statements of the Company and the Group, for the year ended as at 31 December 2021, in accordance with the requirements determined by the ESEF Regulatory Framework, and for such internal control as management determines is necessary to enable the preparation of digital files that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is the planning and the execution of this assurance engagement in accordance with the 214/4/11-02-2022 Decision of the Hellenic Accounting and Auditing Standards Oversight Board and the Guidelines for the assurance engagement and report of Certified Auditors on the European Single Electronic Reporting Format (ESEF) of issuers with shares listed in a regulated market in Greece", as these were issued by the Institute of Certified Public Accountants of Greece on 14/02/2022 (the "ESEF Guidelines"), in order to obtain reasonable assurance that the separate and consolidated financial statements of the Company and the Group that are prepared by the management of the Company in accordance with the ESEF comply in all material respects with the ESEF Regulatory Framework as in force.
Our work was performed 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 we have also fulfilled our independence requirements, in accordance with the L. 4449/2017 and the Regulation (EU) 537/2014.
The assurance work that we carried out refers exclusively to the ESEF Guidelines and was conducted in accordance with the International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Reasonable assurance is a high level of assurance but is not a guarantee that such an assurance engagement will always detect a material misstatement regarding non-compliance with the requirements of the ESEF Regulation.

Conclusion

Based on the procedures performed and the evidence obtained, we express the conclusion that the separate and consolidated financial statements of the Company and the Group for the year ended as of 31 December 2021 in XHTML format (549300E0O2PB52T65X22-2021-12-31-el.xhtml), and also the file XBRL (549300E0O2PB52T65X22-2021-12-31-el.zip) marked up with respects to the consolidated financial statements, have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulatory Framework.

Athens, 28 April 2022
KPMG Certified Auditors S.A.
AM SOEL 114

Philippos Kassos, Certified Auditor Accountant
AM SOEL 26311

Board of Directors Annual Management Report

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 2021.

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 2021.

GROUP – SEGMENTS OF ACTIVITY

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

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 90% of the share capital.

KARELIA BULGARIA EOOD,

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

G.K DISTRIBUTORS EOOD,

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

KARELIA TOBACCO COMPANY (UK) LTD,

registered in United Kingdom, 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.

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 31.12.2021, after minority interests amounts to Euro 605 million, compared to Euro 541 million on 31.12.2020 (Euro 542 million considering the retrospective effect of IAS 19 change).

We submit the Consolidated results of the Financial Year 01.01.2021 – 31.12.2021, comparable to the previous Financial Year, which confirm the true performance of the Group's activities, as established within the Financial Year 2021.

Information about consolidated results:

	2021	2020*	Change 2021/2020
Turnover (net of Excise Tax and VAT)	**228,237**	**211,034**	**+8.15%**
Results from operating activities	**99,463**	**84,414**	**+17.83%**
Depreciation & Amortization	**7,510**	**7,294**	**+2.96%**
Profit before interest, FX results, taxes and depreciation (EBITDA)	**106,973**	**91,708**	**+16.65%**
Profit before tax	**114,553**	**73,005**	**+56.91%**
Profit after tax and minority interests	**87,676**	**54,656**	**+60.41%**

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 2021 and for the previous financial year.

Financial Structure Ratios

	2021	2020*
Current Assets / Total Assets	**76.37%**	**81.16%**
Total Liabilities / Total Equity and Liabilities	**14.94%**	**13.36%**
Equity after Minority Interests	**85.06%**	**86.64%**

Performance and Efficiency Ratios

	2021	2020*
Operating Income / Total Revenue (net)	**43.58%**	**40.00%**
Profit before tax / Equity after minority interests Operating Income / Total Revenue (net)	**18.96%**	**13.46%**

(*) The comparative figures of Financial Statement both for the Group and the Company for FY2020, are restated by the impact of the change in accounting policy related to IAS 19. For further analysis please refer to Note 15.

Employees

On 31.12.2021, the Group employed 557 employees (Company: 526 employees), representing an increase of 0.54% compared to 31.12.2020 when the number of employees was 554 (Company: 522 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 OF 2021

Financial Year 2021 was characterized by significant financial milestones for the Group, in an environment of strong uncertainty due to the recurring waves of the Covid-19 pandemic and the transitions between periods of restrictive measures and periods of easing. We managed to deliver a significant increase in Sales Turnover, growth in shipment volumes both in our domestic and international markets and a further improvement in our cash reserves, resulting in an increase in our Company's pre-tax profits of EUR 40.4m or 56% (Group: EUR 41.5m, or 57%).

Furthermore, the decrease in operating and administrative expenses compared to those of previous financial years, allowed us to offset the first signs of strong inflationary pressures during the later months of 2021, when we faced an escalation in raw material procurement prices as well as steep increases in energy and shipment costs.

In our international markets, shipment volumes increased in our EU, eastern European, Balkan and African markets. We experienced headwinds in most of our Asian markets including the Duty-free market of Turkey, with a gradual improvement, nonetheless, towards the end of the year.

In the Greek domestic market, our sales volume increased by 6.6% in cigarettes and marginally in Roll-Your-Own tobacco, while our market share reached 19.34% (2020: 18.24%) in cigarettes and 27.24% (2020: 26.97%) in RYO tobacco.

Easing of travel restrictions during the second semester of 2021 allowed us to fully offset the sales decline experienced during the first quarter of the year in the Greek Duty free and travel retail outlets and, thus, achieve an annual increase growth in turnover from the sector of 42%.

Driven by the above volume improvement, our consolidated sales turnover (net of excise taxes) amounted to EUR 228m, and increased by 8% compared to that of 2020, while operating profits before interest, currency exchange differences and depreciation reached EUR 106.973m, an improvement of 16.65% compared to 2020. Coupled with strong and favorable currency exchange differences, Group net profits after tax and minority interests surpassed EUR 87.7m, an increase of 60.4% over those of the previous financial year.

INFORMATION ON GROUP PROSPECTS

Developments in both the geopolitical and the economic environment are monitored by the Board of Directors and appropriate measures are undertaken to limit the consequences of the adverse conditions resulting from the pandemic as well as the strong inflationary pressures caused by disruptions in the supply chain, manufacturing shortages in key areas of the economy, increases in the price of oil, natural gas, their byproducts and electricity, excessive quantitative easing by central banks internationally and, lately, by the Russia-Ukraine conflict.

Since the last months of 2021, we have faced significant increases in the procurement prices of raw materials and other products used in our manufacturing process, as well as in energy and shipment costs. In certain areas, this unfavorable trend is expected to accelerate during the second quarter of 2022. It is the Board's strong belief that, in the current environment, priority should be given to ensure the uninterrupted supply of raw and other key materials rather than experimenting with lower cost alternatives of questionable reliability. Wherever possible and without jeopardizing the competitiveness of our products, we are adapting our ex-factory prices to partially offset the above-mentioned cost increases. Nevertheless, from the second quarter onwards, we anticipate our gross profitability to be reduced by 10 -20% and, if the U.S. Dollar is depreciated against the euro, the reduction in gross profitability will be greater.

In terms of shipment volumes, we do not anticipate major setbacks, already the first months of 2022 show modest volume increases both in the domestic and the international markets. A significant sales growth is expected in the Duty free and travel retail channels during the summer months following the easing of all travel restrictions initiated during the pandemic. In addition, we do not anticipate major changes in the market share of our products, despite increases in tobacco excise duty (especially in Bulgaria) and increased competition from alternative nicotine delivery products.

The scheduled rise in interest rates is expected to enhance investment options of low risk for our significant cash reserves and will contribute to maintaining satisfactory profitability levels.

It must be mentioned that the overall geopolitical environment remains very fragile, it is therefore impossible to make accurate forecasts beyond a very tight short-term horizon. Management remains committed to the core company values and strategic goals and adapts its policies in line with developments.

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 28 "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 choose 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 a) deposited with international banks of high credit rating and b) invested in bonds of investment grade rating and international mutual funds of wide risk diversification.

Interest rates and Liquidity Risks

The interest rates risk refers 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 cash equivalents and Investments at amortized cost) and therefore the Group is not exposed to high risk of interest rate volatility.

The Group maintains significant cash reserves and investments in financial assets (EUR 537 million on 31.12.2021), the majority of which is deposited with international banks of high credit rating

RISK RELATED TO OUR SECTOR AND BUSINESS ACTIVITIES

Tobacco products are subject to high 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. Further such restrictions, will have an adverse effect and will seriously undermine our sales volume and profitability.

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.

Further increases in the activity of counterfeiting (including our most popular trademarks) by third parties, as a result of continuous increases of tobacco excise tax in the countries where the Group is operating will have an adverse effect on our profitability and volumes sold.

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 2021 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 (4)-(8) of Note 27.

RELATED PARTIES TRANSACTIONS

During FY 2021, 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 2020 and therefore, they do not materially affect the financial position and performance of the Company.

The table below, illustrates the intercompany sales, intercompany charges 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 2021.

(Amounts in thousands of Euros)	Sales of products	Intercompany charges	Receivables	Liabilities	Loans
MERIDIAN INC.	205	0	28	0	0
KARELIA BULGARIA EOOD	43,004	0	4,478	0	0
KARELIA TOBACCO COMPANY (UK) LTD	3,047	0	338	0	0
KARELIA INVESTMENT INC.	0	0	0	0	0
KARELIA TÜTÜN VE TICARET A.Ş.	76	85	0	2	0
Total	**46,332**	**85**	**4,844**	**2**	**0**

Group Directors' and Management fees amounted to EUR 3,406 thousand in FY 2021 against EUR 4,342 thousand for FY 2020 (Company 2021: EUR 3,118 thousand, 2020: EUR 4,118 thousand). There are no transactions between the companies of the Group and their Directors and their management and their covered person.

TREASURY SHARES

The Company and its subsidiaries do not hold own shares.

INVESTMENTS

The Group did not proceed with significant investments during the current fiscal period.

DIVIDEND

The Board of Directors of the Company, taking into account the results of FY 2021, 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 8 June 2022, dividend distribution, amounting to EUR 30,360 thousand, equivalent to EUR 11 per share. The proposed gross dividend is higher than the amount of the financial year 2020. Based on the share price of 31st December 2021, the proposed dividend represents a dividend yield of 3.95%.

SIGNIFICANT EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE OF 31st DECEMBER 2021

No significant events which might influence the Financial Statements for FY 2021 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.

The Company is committed to and applies a Sustainable Development Policy, aiming at sustainable operation and development in all aspects of its business activities. The aim of the policy is to meet the economic, social and environmental needs of the Company in a way that ensures long-term prosperity.

To this end, the Company is committed to upholding the highest ethical principles in every aspect of its operations. Every area of the business is guided by these principles, particularly in relation to its employees and customers, as well as the community and the environment in which it operates.

Business principles

The Group, with responsibility, integrity, transparency, efficiency and innovation:

- Seeks to properly implement and strictly comply with the principles of corporate governance. The BoD members, in the performance of their duties, act with full responsibility towards stakeholders, such as customers, creditors, employees and social groups directly affected by its operation.
- Seeks maximum transparency in all procedures and actions of its bodies, opposing any practice of corruption and bribery by its managers, other employees and associates.
- Implements policies and procedures to ensure its compliance with the applicable statutory and regulatory framework, its responsible operation and the continuous improvement of its performance.

Employees

The Group:

- Ensures the health and safety of its employees by creating an excellent, healthy and safe working environment.
- Applies a policy of equal opportunities for all its employees, through continuous training and systematic assessment of its human resources, irrespective of sex, colour, race, national or social origin, nationality, gender, sexual orientation, marital status, religion or belief. On this basis, it has created a climate of open communication and transparency, with a parallel commitment to the continuous training of its people, contributing to their personal development.
- Supports and constantly seeks to protect human rights, by actively opposing and defending its workplaces against all forms of discrimination.

Marketing

The Group takes the utmost care not to promote its products to minors, who must be protected from the use of tobacco products and from actions to promote them. Tobacco products advertising and promotion are handled with great responsibility aiming only to encourage adult smokers to opt for its brands. The Group adheres to all applicable laws regulations and voluntary codes that govern tobacco advertising in each of the markets, where its brands are sold.

The environment

The Group has always as its main guide that its economic development should be in harmonious coexistence with the environment, by implementing relevant directives while forming its philosophy and establishing its strategy.

Climate change, pollution and other aggravating factors render addressing these challenges as a key issue in our time.

The Group, realizing the seriousness of the environmental crisis, has increased its sensitivity in this direction, by continuously reducing its footprint in the environment through actions and by complying with national and European environmental legislation.

The Group, through internal policies and operating procedures, implements practices oriented towards the protection of the environment. More specifically, these actions include:

- Solid waste management: Contract with certified counterparties for the collection, transport and utilization of solid waste, which mainly consists of tobacco dust, cigarettes, wood and plastic packaging waste. Indicatively in 2021, through the above process, 524 tons of tobacco dust were recycled.
- Recycling and reduction of paper use: Promotion of recycling in the workplace by installing special collection bins, as well as contract with certified counterparties for the collection, transport and utilization of paper waste. Indicatively, in 2021 the Group recycled 296 tons of paper.
- Recycling of batteries, devices not in use and empty ink packages: Promoting recycling in the workplace by installing special collection bins.
- Energy saving: Control and reduction of electricity consumption through a variety of actions.
- Water management: Control of water consumption and actions to reduce it.
- Awareness: Awareness programs for the Group's staff, customers and partners, as well as the general public on environmental issues.

The Group, aware of the growing needs for environmental protection, listens to the opinions of society and specialized scientists, takes part in discussions related to reducing environmental impact and is constantly looking for new ways to achieve environmental friendly goals.

Local communities

The Group strengthens the local communities, in which it operates, by providing financial assistance to local organisations, schools, youth organisations, people with special needs, as well as cultural, musical and other events and other social institutions. It stands by the local communities and responds sensitively to their concerns, having developed a strong relationship based on dialogue and cooperation.

Business Model

The Group 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 Group'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 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.

Sustainable investment policy

The European Union Regulation (hereinafter referred to as the "Regulation") of the European Taxation System (EU Taxonomy) is implemented in order to facilitate sustainable investment. This Regulation was adopted with regards to the overall objective of establishing an internal market that works for the sustainable development of Europe, based, among other things, on balanced economic growth and a high level of protection and the improvement of the quality of the environment.

Sustainability and the transition to a safe, climate-neutral, climate-resilient, more resource-efficient and circular economy are crucial to ensuring the long-term competitiveness of the Union economy.

The European Union, through its action plan, seeks to reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth. The establishment of a unified classification system for sustainable activities is the most important and urgent action envisaged by the action plan.

On the above basis, the European Union has established the criteria which determine whether an economic activity is characterized as environmentally sustainable.

Pursuant to Article 8 of this Regulation, each undertaking subject to the obligation to publish non-financial information, as mentioned above, shall include in its non-financial statement or consolidated non-financial statement information on how and to what extent the activities of the undertaking are related with economic activities designated as environmentally sustainable, pursuant to Rules 3 and 9 of the Regulation

In particular, non-financial undertakings disclose the following:

(a) the percentage of their turnover from products or services related to economic activities that are classified as environmentally sustainable under Articles 3 and 9; and

(b) the proportion of their capital expenditure and the proportion of their operating expenditure relating to assets or procedures relating to economic activities which are classified as environmentally sustainable in accordance with Articles 3 and 9.

Details for the application of this Regulation are contained in Delegated Act 2021/2178 of the European Commission, which was published in the Official Journal of the European Union on 10 December 2021 and entered into force 20 days after its publication, on 30 December 2021.

According to this Act (Article 10), from 1 January 2022 to 31 December 2022, non-financial undertakings disclose only the percentage of eligible and non-eligible economic activities on the total turnover, their capital and operating costs, and the qualitative data referred to in Section 1.2 of Annex I to this Act concerning such disclosure.

The Group is mainly active in the manufacture and wholesale of tobacco products, i.e., cigarettes, cigars and hand rolling tobacco.

According to the criteria, as set out by the European Union and considering the current organization structure of corporate operations, there is no eligible economic activity, in which part of the corporate actions could be included.

Therefore, the inclusion of rates in terms of turnover, capital expenditure and operating expenses is not fruitful, as the numerator of the fraction would be nil in each rate.

The Company, however, is in the process of evaluating the feasibility of implementing practices and proceeding with investments, oriented to the environmental objectives of the European Union.

The non-financial and other risks related to sustainable investment policy are analyzed in prior sections.

2021 Performance

In 2021, the Group employed 557 employees (as on 31st December 2021), 23% of whom were women. The salary of each Group employee exceeds, or is at least equal, to the requirements of the respective national collective labour agreements.

At the end of 2021, 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 community organizations, with amounts exceeding EUR 850 thousand.

Awards 2021

Karelia Tobacco Company's entrepreneurial activity and contribution to the Greek economy were recognized once again in 2021.

As a result, the Company received eight prestigious awards from the Greek business community.

More specifically, Karelia Tobacco Company Inc. was awarded:

- The ICAP Group's "**True Leaders**" Award in recognition of its leading position in the tobacco industry and its exceptional financial performance. The Company was honored with this award for the eighth time.
- For another consecutive year KARELIA was named an **"Employer of Choice"**, achieving a very honorable 7^{th} 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 several years.
- Karelia Tobacco Company Inc. was honored with the distinction "**Export Leaders 2021**" by New Times "The Greece of Extroversion - Export Leaders 2021", recognizing the most important manufacturers in the country for their exceptional export performance.
- Karelia Tobacco Company Inc. received four very important distinctions at the "Protagonists of the Greek Economy" awards, organized for the sixth time by the Direction Business Network, and more specifically in the categories:
  - ✓ Development and Investment
  - ✓ Business Extroversion
  - ✓ Greek Business Champions of the Decade for the increase recorded in its turnover and profits before taxes during the financial years 2010-2019.
  - ✓ Solidarity Excellence Award for its display of solidarity towards the community during the Covid-19 pandemic.
- "Fortune" magazine once again ranked Karelia Tobacco Company Inc. among Greece's "**Most Admired Companies**". The annual study which is considered an institution for Greek business has consistently ranked Karelia Tobacco Company Inc. for 7 consecutive years.
- Karelia Tobacco Company Inc. was awarded the "**Thales o Milesios**" award, as one of the leading Greek companies with a presence of more than one hundred years in Greece with a consistent substantial contribution to the development of the country's economy.

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 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 Articles 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 of Company's shareholder register, there are shareholders who directly own more than 5% of total shares, each.

Shareholders	Percentage of the total number of shares
KARELIA IOANNA	31.9641 %
KARELIAS ANDREAS	21.8671 %
KARELIAS EFSTATHIOS	21.1990 %
SPYROPOULOY ASIMINA	13.4055 %
GEORGE & VICTORIA KARELIA FOUNDATION	7.1497 %

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 (According to L. 4548/2018 & L. 4706/2020)

1. DECLARATION OF CONFORMITY WITH CORPORATE GOVERNANCE CODE

The Company, in compliance with article 17 of L. 4706/2020, in July 2021, adopted the Greek Corporate Governance Code (hereinafter "Code"). The Code has been drafted by the Hellenic Corporate Governance Council (GCC), a body of recognized validity, which has been recognized as such by the Hellenic Capital Market Commission, under the procedure described in no. 2/905/03.03.21 decision of its Board of Directors The text of the Code is posted on the e-mail address of the above body: https://www.esed.org.gr/web/guest/home.

The Company applies the Code, in its current form, based on the "Comply or explain" principle, indicating any deviations from its specific practices, as well as a reasoned explanation for deviation.

2. DECLARATION OF CORPORATE GOVERNANCE CODE DEVIATION AND EXPLANATIONS

The Company is harmonized with the Code's provisions, however deviates from some of its Special Practices. The following is a list of the Special Practices parts of the Code from which the Company deviates, as well as a justification of the reasons for deviation:

2.1. Part A - Board of Directors

2.1.1. Role and Responsibilities of the Board

- Special practice 1.15 and 1.16:

  The Board has not enacted separate Rules of Operation, as it considers that the Company's Rules of Operation that have been approved by the Management, in its articles of association and legislation, as well as the procedures it follows, sufficiently define the manner in which the Board of Directors meets and makes decisions.

- Special Practice 1.17:

  At the beginning of each year the Board does not adopt a meeting calendar and an annual action plan, as it considers that the relevant provisions of the Company's Rules of Procedure and the legislation ensure the correct, complete and timely fulfillment of its duties. In addition, it considers that the Board's schedule must remain flexible, given the convenience of convening whenever necessary.

2.1.2. Size and Composition of the Board

2.1.2.1. Composition of the Board

✓ Special practice 2.2.14 and 2.2.15:

The Company's diversity policy does not include quantitative targets of representation by gender, as the Board of Directors considers that its diversity is achieved through the provision of legislation on gender representation at a rate of at least 25% of all its members. Besides, the Company's firm policy is the selection of the members of the Board of Directors and its executives on the basis of the diversity of their skills, abilities, knowledge, qualifications and experience, without discrimination on the basis of gender or other elements of their personality which could constitute grounds for discrimination.

✓ Special practice 2.2.21 and 2.2.22:

The Chair of the Board is a non-executive member but has not been elected by the independent non-executive members of the Board, nor has she been appointed as Vice President or as a supreme independent member, one of the independent non-executive members of the Board. And that is so because the Board considers that the criteria set in the Suitability Policy help achieve the proper coordination of its members and the substantial assistance of the Vice President to the President, without affecting the independence of the Board, the adequate information of the non-executive members or their effective participation in the supervisory and decision-making process.

2.1.2.2. Succession of the Board

✓ Special practice 2.3.2:

The succession of the Board members does not take place with their gradual replacement, as the term of the Board members is defined by the Company's Articles of Association and by the legislation, as well as the reasons to replace a member of the Board of Directors, provisions that the Board of Directors considers that they ensure its proper functioning and the avoidance of lack of Administration.

- ✓ Special practice 2.3.7:

  The role of the Remuneration and Nominations Committee does not include the nomination of candidates and the design of a succession plan for senior executives as well. Pursuant to the Company's Rules of Procedure, the above are taken care of by the executive members of the Board, as the most suitable persons, due to their capacity and responsibilities.

2.1.2.3. Remuneration of members of the Board

- ✓ Special practice 2.4.7:

  The Chair of the Board, if she is a member of the Remuneration and Nominations Committee, can participate in the process of making proposals to the Board on its remuneration, in view of the three-member composition of the Commission, which deems necessary the participation of all its members in the decision-making process. Besides, the Board of Directors considers that all members of the Committee participate in decision-making with impartiality, with their judgment not being influenced by their role on the Board.

2.1.3. Operation of the Board

2.1.3.1. Corporate Secretary

- ✓ Specific practice 3.2.1 and 3.2.2:

  The Board is not supported by a corporate secretary in order to carry out its tasks, as it considers that its composition reflects the knowledge and skills required to exercise its responsibilities, its compliance with the laws and regulations, and its effective operation. In addition, whenever this is deemed necessary, the Board of Directors may be assisted by the committees of the Company, within the framework of their duties, and/or its competent units.

2.1.3.2. Evaluation of the Board / of the Managing Director

- ✓ Special practice 3.3.13:

  The Company formulates and implements a program for the introduction and training of new Board members and/or a training program of its existing members only if deemed necessary by the Board, following a recommendation of the Remuneration and Nominations Committee and/or taking into account the Board's evaluation results and changes in corporate governance and regulatory framework. That is so because, based on Political Suitability, since persons who have competent and proven knowledge, experience and administrative skills are proposed for election as members of the Board, the Board Considers that the need for such programs should be considered on a case-by-case basis.

- ✓ Special practice 3.3.16:

  In the corporate governance statement published after the first implementation of L. 4706/2020 and the adoption of the Greek Code of Corporate Governance, a brief description of the process of individual and collective evaluation of the Board and its committees in not included, as this procedure has not yet taken place, in view of the time of entry into force of the above regulations.

3. INTERNAL CONTROL SYSTEM

3.1. General characteristics

3.1.1. The Company has an adequate and effective Internal Control System, which consists of all its internal control mechanisms and procedures, including risk management, internal audit and compliance, covering on a continuous basis all Company's activity and contributing to its safe and efficient operation.

3.1.2. The Company's Internal Control System has the following objectives, in particular:

a) The consistent implementation of the operational strategy, with the effective use of available resources.

b) The effective operation of the Risk Management Service, through the identification and management of significant risks related to the business activity and operation of the Company.

c) The effective operation of the Internal Audit Department, the organization, operation and responsibilities of which are defined in the law and its Charter of Operation.

d) Ensuring the completeness and reliability of the data and information required for the accurate and timely determination of the Company's financial position and the preparation of fair value financial statements, as well as its non-financial reporting, in accordance with Article 151 of Law 4548/2018.

e) The effective operation of the Compliance Service, according with the regulatory and legislative framework, as well as the internal regulations governing the operation of the Company.

3.1.3. The BoD ensures that the functions that make up the Internal Control System are independent of the business areas they control, and they have the appropriate financial and human resources, as well as the authority to operate effectively, as required by their role. The reporting lines and the allocation of responsibilities are clear, enforceable and properly documented.

3.2. Internal Audit Department

3.2.1. The Internal Audit Department has direct overall responsibility for the internal audit of the Company and its subsidiaries (hereinafter "the Group").

3.2.2. The main mission of the Internal Audit Department is to monitor and improve the Group's operations and policies and to advise and support the BoD with the submission of relevant proposals regarding the Internal Control System.

3.2.3. The Internal Audit Department is an independent, objective, assuring and advisory organisation unit, which adds value and improves the Group's operations. It assists the Group in achieving its objectives by adopting a systematic and professional approach to the evaluation and improvement of risk management, the Internal Control System and corporate governance processes.

3.2.4. The Internal Audit Department is governed by the provisions of Law 4706/2020 and by its Charter of Operation, which is approved by the BoD, following a proposal by the Audit Committee.

3.2.5. The main objective of the Internal Audit Department is to provide reasonable assurance to shareholders that the Group's goals and objectives are being achieved.

3.2.6. The Internal Audit Department is composed of the Head of the Department and the Internal Auditors.

3.2.7. The Head of the Internal Audit Department:

a) Is appointed by the BoD on the proposal of the Audit Committee. The proposal is advisory in nature, evaluated by the BoD and in case of reservations or a dissenting opinion of the BoD, it is re-evaluated by the Audit Committee and resubmitted after considering the remarks of the BoD members.

b) Is an employee under a full-time and exclusive employment contract; is independent and impartial in the performance of his/her duties, and has appropriate knowledge, skills and relevant professional experience. He/she cannot be a member of the BoD or a member with voting rights in committees of a permanent nature of the Group, nor can he/she have any links with any of the above mentioned characteristics in a company of the Group.

c) He/she reports administratively to the CEO and operationally to the Company's Audit Committee.

d) He/she ensures that the Internal Audit Department is staffed with internal auditors, so that their number is proportional to the size of the Group, the number of its employees, the geographical areas where it operates, the number of organisation units and the number of audited companies.

3.2.8. The Internal Auditors:

a) They cannot be members of the BoD or members with voting rights in committees of an ongoing nature of the Group, nor have close links with any person who holds any of the above characteristics in the Group's companies.

b) They have sufficient knowledge, skills and experience to be able to perform the work of the Internal Audit Department, as a whole.

3.2.9. The Internal Audit Department monitors, audits and evaluates the operation of the Group in regards:

- The implementation of the Regulation of Operation and the Internal Control System, in particular with regard to the adequacy and accuracy of the financial and non-financial information provided, the risk management, the compliance and the Corporate Governance Code adopted and applied by the parent Company.
- The quality assurance mechanisms.
- The mechanisms and procedures for dealing with conflicts of interest.
- The compliance with the commitments contained in prospectuses, as well as the Group's business plans regarding the use of funds raised which were derived from the regulated market.

3.2.10. The Head of the Internal Audit Department:

- Is responsible for the design and operation of the Internal Audit Department.
- Has access to any organizational unit of the Group and is aware of any information required to perform his duties.

- Prepares and submits to the Audit Committee the annual audit program and the requirements of the necessary resources, as well as the consequences of limiting the resources or the audit project in general based on the risk assessment of the Group, after considering the Audit Committee's opinion.
- Has the responsibility of executing the approved annual audit program, reviewing it, if necessary, and submitting the revised program to the Audit Committee, in view of the above.
- Determines the scope of each individual project included in the annual audit program, designates the internal auditor for its execution, and assists in the completion of the internal auditor's work.
- Allocates resources, sets the periodicity, selects a field, defines the scope of work, applies the necessary techniques to achieve the audit objectives and issues reports.
- Checks and evaluates the reports of internal auditors.
- Provides for the annual training of internal auditors, in accordance with the approved resources and instructions of the Audit Committee.
- Prepares record keeping procedures of the Internal Audit Department activities.
- Receives the assistance of the Group's necessary staff, as well as of specialized services inside or outside the Group, for the execution of its activities.
- Periodically updates the Audit Committee on the effectiveness of the activities and on general operation issues of the Internal Audit Department.
- Collaborates with the Group's supervisors and external auditors and provides in writing any information requested by the Hellenic Capital Market Commission, facilitating in every possible way the task of monitoring the control and supervision by the latter.
- Within the framework of his responsibilities, as defined in the law and its Rules of Operation, he has access to the Board of Directors and the Audit Committee, the members of which facilitate his work and provide him with the information and data necessary for the exercise of his duties.
- Carries out emergency audits by order of the Board of Directors or the Audit Committee.
- Carries out ex-officio audits on issues that come to his attention that he deems serious and necessary.
- Writes reports to the audited organizational units / subsidiaries with the findings from the monitoring, control and evaluation of the Group's operation, the risks arising from them, as well as the improvement proposals. These reports, after incorporating the relevant views of the heads of the audited units, the agreed actions, or the acceptance of the risk of non-action by them, the limitations in the scope of its control, the final proposals of the Internal Audit and the results of the response of the audited units of the Group in its proposals, are submitted quarterly to the Audit Committee.
- It submits at least quarterly reports to the Audit Committee, which includes the most important issues and its proposals mentioned in the reports to the audited organizational units.
- Communicates to the Audit Committee the results of internal and external evaluations and the level of compliance of the Internal Audit Department.
- Has the responsibility of reviewing and updating the Department's Operating Regulations, according to the specifics mentioned in it.
- Is responsible for the destruction of personal data, according to the specifics mentioned in the Operating Regulations of the Department.
- If deemed necessary, in cases of absence for any reason, he appoints the internal auditor who will act for a specific period as his replacement, specifying the responsibilities assigned to him.
- Monitors the updates of legal references on corporate governance and based on the interpretative circulars of the Hellenic Capital Market Commission, adopts the best practices and Internal Audit standards for the implementation of the current legislation.
- Is present at the General Meetings of the shareholders of the Group companies, as a representative of the Internal Audit Department of the Group.

3.2.11. The responsibilities of internal auditors include the following:

- The execution of the assigned audits by the Head of the Internal Audit Department.
- The submission of a report to the Head of the Internal Audit Department upon the completion of each audit.

- Maintaining a file and electronic record for each audit project.
- Monitoring the implementation of pending and agreed actions included in the final reports.
- Their participation in matters of policy and process evaluation, management and evaluation of business risks, in other issues related to their audit work as well as in their self-evaluation process.

3.2.12. Within the framework of their responsibilities, as defined in the law and the Rules of Procedure of the Department, the internal auditors have access to the books and data of the Group necessary for the implementation of their work, as well as to its premises and activities, if required and upon consultation with the Board.

3.2.13. A more detailed record of the Department's procedures is contained in Appendix 2 hereof, as well as in its Rules of Operation.

3.3. Risk Management Service

3.3.1. The Risk Management Service aims, through appropriate and effective policies, procedures and tools, to assist the BoD in identifying and addressing the most significant risks to the Company's operation, with sufficient effectiveness.

3.3.2. For this purpose, while maintaining the full legal liability of the members of the Board of Directors, the Service provides its assistance to the Board of Directors in the following areas, having the following responsibilities:

a) Identification and evaluation of all types of risks

- Records the events that are common in the Company's business environment or in its specific operations, updating them, both on a regular basis and when deemed necessary, as the factors that may affect them are constantly changing.
- Considering the Company's objective goals, as defined by the Board of Directors, he assists in the recognition of important events which can either affect their fulfillment negatively, making them potential risks for the Company, or positively.
- Indicatively conducts structured interviews and discussions, combining the knowledge and experience of the Management and the employees in the Company.
- Collects data on events that negatively affected the Company in the past, recognizing their generative causes.
- Recognized business risks are categorized appropriately and linked to the respective objectives and corporate processes or units that are likely to be affected.
- The events that are likely to have a positive impact on achieving the Company's goals, provide feedback on the process of their determination, to be able to exploit them by implementing relevant actions.
- With the assistance of the Board of Directors, he evaluates and ratifies the identified potential risks, taking into account their nature and extent, the probability of their occurrence, the potential impact they will have on the Company, such as commercial, social, environmental, reputation, etc. as well as the operating costs of specific safety nets, in relation to the benefit of risk management.

b) Company management and response to risks

- With the assistance of the Board, the manner of responding to risks is identified, in order to reduce the probability and the potential impact within the acceptable tolerance limits.
- The costs (direct or indirect) and the benefits of any possible response are indicatively evaluated, such as, indicatively, avoiding the risk by stopping the activities that cause it, reducing the likelihood of its occurrence or its potential impact, setting in motion relative safety valves, risk transfer, risk acceptance.

c) Monitoring risk development

- Assist in the development of an implementation plan for the Management decision regarding the way of managing and dealing with each risk, by adopting appropriate policies, procedures, methods and mechanisms (safety nets), which concern the whole Company, taking into account the cost-benefit ratio.
- Indicatively, the above safety nets may include approvals, authorizations, confirmations, performance reviews, asset security, etc., and are reviewed periodically in order to be properly updated.

3.4. Compliance Service - Policy

3.4.1. The BoD of the Company pays particular attention to ensuring its compliance with the current statutory and regulatory framework, by having appropriate policies and procedures in place for this purpose.

3.4.2. The Compliance Service aims to assist the BoD in the full and continuous compliance of the Company with the current statutory and regulatory framework and the internal Regulations and Policies governing its operation, offering at all times a full picture of the degree of achievement of this objective.

3.4.3. It constitutes an independent and objective organisation unit of the Company, having access to all required sources of information and providing timely and accurate communication of its findings to the BoD.

3.4.4. It shall submit to the Audit Committee for approval its annual action plan on compliance, which it shall implement.

3.4.5. It stays up to date with the constant changes in the legislative and regulatory framework, having sufficient knowledge and experience to carry out its role.

3.4.6. While maintaining in full the statutory responsibility of the BoD members, the Compliance Service shall provide its assistance to the BoD in the areas detailed in the full text of the Company's Regulation of Operation, having each of the above-mentioned responsibilities, within the framework of the compliance policy applied by the Company.

a) Records the appropriate corporate procedures for the timely regulatory compliance of the Company with the laws and regulations governing its organization and operation, as well as its activities. Upon establishing policies and procedures, the complexity and nature of the Company's activities are evaluated. The procedures are approved by the Board and the competent organizational units are informed.

b) Checks the adequacy of the above procedures and monitors their effective adoption and their strict implementation.

4. BOARD OF DIRECTORS

In the sections below, special reference is made to the parameters of the BoD composition, as well as to the obligations - duties - responsibilities of its members, in accordance with the provisions of Law 4548/2018, Law 4706/2020, as well as other relevant statutory and regulatory provisions.

4.1. Composition

4.1.1. The BoD consists of executive, non-executive and independent non-executive members. The status of the Board members as executive or non-executive members shall be determined by the BoD. The independent non-executive members shall be elected by the GM or appointed by the BoD in accordance with para. 4 of Article 9 of Law 4706/2020, shall not be less than one third of the total number of its members and shall not be less than two (2).

4.1.2. A non-executive member of the BoD is considered independent if, at the time of appointment and during his/her term of office, he/she does not directly or indirectly hold more than 0.5% of the voting rights of the Company's share capital and is free from financial, business, family or other types of dependencies that may influence his/her decisions and independent and objective judgment. A relationship of dependence exists especially in the cases of para. 2 of Article 9 of Law 4706/2020.

4.1.3. For the selection, replacement and renewal of the term of office of the members of the BoD, in the context of the continuous evaluation of their individual and collective suitability, all the principles and criteria set out in the Company's Policy on the suitability of the members of the BoD apply.

4.1.4. The Company shall submit to the Capital Market Commission, through the Corporate Announcements Department, the minutes of the meeting of the BoD or of the GM of Shareholders which deal with the composition and term of office of the members of the BoD, within twenty (20) days after the meeting.

4.2. Obligations - Duties of the BoD

4.2.1. The BoD manages the Company and develops its strategic orientation, having as its primary obligation and duty the continuous pursuit of strengthening the long-term economic value of the Company and defending the general corporate interest.

4.2.2. The BoD, in exercising its powers and fulfilling its obligations, primarily taking into consideration the interests of the Company's shareholders, employees, other stakeholders and parties whose interests are linked to those of the Company, as well as to the social utility of its activities. The BoD shall exercise its business discretion and shall act with the diligence of a prudent business person operating in similar circumstances

4.2.3. The BoD shall strictly observe the provisions of the law within the framework of the activities of the Company and its affiliated companies.

4.2.4. Decisions critical to the Company, in particular with regard to the specification of its objectives and the determination of its strategy, shall be taken only by the BoD.

4.2.5. The independent non-executive directors shall submit, jointly or separately, reports to the Company's ordinary or extraordinary GM, independently of the reports submitted by the BoD.

4.2.6. The BoD of the Company shall prepare and submit to the GM every year a management report, which shall include, inter alia, details of the Company's transactions with its affiliated companies pursuant to article 32 of Law 4308/2014 and the International Accounting Standard 24.

4.3. Responsibilities of the BoD

4.3.1. It determines and supervises the business strategy, the main courses of action, the risk policy, the annual financial statements and the business plans, determines the objectives to be pursued and the means of achieving them, decides on major capital expenditures, acquisitions and divestments.

4.3.2. It supervises the implementation of the corporate governance system of articles 1 to 24 of Law 4706/2020 and periodically, at least every three (3) fiscal years, it monitors and evaluates its implementation and effectiveness, taking the necessary actions to address any shortcomings. Theassessment of the Internal Control System pursuant to Article 14 para. 3(1) of Law 4706/2020, the policy and procedure of which is described in Chapter 9 of this Regulation, is part of the overall assessment of the Company's corporate governance system.

4.3.3. It supervises and replaces its executive members (in the event of their death, resignation or any other loss of their status as directors, as specifically provided for in the law and its Articles of Association) and maintains a plan for their succession.

4.3.4. It determines, with the assistance of the Remuneration and Nominations Committee and based on the provisions of its Regulation of Operation, the remuneration of the managers and the Head of the Internal Audit Department and the general remuneration policy of the Company.

4.3.5. It ensures the proper succession members of the BoD members, as specifically provided for in the Suitability Policy of the Company's BoD members.

4.3.6. It ensures the reliability of the financial statements and their independent audit by the Certified Public Accountants.

4.3.7. For the purpose of fulfilling its role, it shall have the right of free access to correct, relevant and timely information.

4.3.8. It meets whenever required by law, the Articles of Association or the needs of the Company, with the necessary frequency to perform its duties effectively.

4.3.9. It may, by its decision, authorize one or more of its members or other persons, non-members of the BoD, employees of the Company or not, to execute certain of its responsibilities that do not require collective action, while at the same time determining the scope and specifying the granting of the relevant authorizations.

4.3.10. In the event of an increase by cash of the company's share capital, it shall submit a report to the GM, setting out the main directions of the investment project to be financed by the capital increase, an indicative timetable for its implementation, as well as an account of the use of the capital raised from previous capital increases, provided that a period of less than three (3) years has elapsed since the completion of each increase. The decision of the GM shall include the full contents of the report.

4.4. Responsibilities of the executive members of the BoD

The executive members of the BoD, with regard to the management of the Company and within the framework of the tasks assigned to them, have the following executive responsibilities:

4.4.1. Implementation of the strategic direction, vision, corporate objectives and business plans for the overall activities of the Company, as determined by the BoD and in accordance with its decisions.

4.4.2. Development, implementation and communication of the policies and action plans in accordance with the decisions of the BoD.

4.4.3. Formulation of objectives, policy and limits for the risk management at an overall level and approval of the risk management policy.

4.4.4. Ensuring that managers take all necessary measures to effectively manage risks and systematically monitor the response to risks, in accordance with the specific policy.

4.4.5. Ensuring systematic and continuous communication with customers, staff, supervisory authorities and other stakeholders

4.4.6. Setting clear business objectives and policies for managers, in their operational areas of responsibility, reporting on the work of their business area of responsibility.

4.4.7. Consultation at regular intervals with the non-executive members of the BoD on the appropriateness of the strategy implemented.

4.4.8. Consistent implementation of the Company's business strategy with efficient use of available resources.

4.4.9. Ensuring the completeness and reliability of the data and information required for the accurate and timely determination of the Company's financial position.

4.4.10. Compliance with the institutional framework governing the operation of the Company.

4.4.11. Representation of the Company.

4.4.12. Responsibility for the implementation of the decisions of the GM.

4.4.13. In existing crisis or risk situations, as well as when circumstances require measures to be taken which are reasonably expected to have a significant impact on the Company, they shall promptly inform the BoD in writing, either jointly or separately, by submitting a report with their assessments and proposals, which shall be discussed amongst BoD members.

4.5. Responsibilities of non-executive BoD members

The non-executive members of the BoD, including the independent non-executive members, with regard to the management of the Company and within the framework of the general duties assigned to them and reserved to them by their status as a member of the BoD, have the following powers:

4.5.1. Systematic supervision and monitoring of decision making by the Senior Management.

4.5.2. Monitoring and reviewing the Company's strategy and its consistent implementation, as well as the achievement of its objectives, with efficient use of available resources.

4.5.3. Monitoring the implementation of the policy and thresholds for risk management at the entity level.

4.5.4. Monitoring to ensure systematic and continuous communication both within and outside the Company.

4.5.5. Monitoring that the business planning for the achievement of the corporate objectives is in line with the decisions of the GM.

4.5.6. Ensuring the effective supervision of the executive members, including monitoring and controlling their performance.

4.5.7. Examination and formulation of opinions on the proposals submitted by the executive members based on the information available.

4.6. Remuneration of the BoD members

4.6.1. Matters relating to the remuneration of BoD members, unless the law requires the approval of the GM, are decided by the BoD, with the assistance of the Remuneration and Nominations Committee and as provided for in its Charter of Operation, in accordance with the long-term interests of the Company and its shareholders and pursuant to the specific provisions of the Company's Remuneration Policy for BoD members.

4.6.2. In particular, the BoD prepares and implements a Remuneration Policy for the remuneration of the BoD members, in accordance with the applicable statutory provisions and its Articles of Association, with the assistance of the Remuneration and Nominations Committee and as provided for in its Charter of Operation. The Remuneration Policy of the BoD members shall be approved by the GM.

4.6.3. The remuneration and other benefits set out in the Remuneration Policy for the BoD members shall be granted in accordance with the more specific provisions set out therein. In addition, remuneration may be granted to the BoD members for their services to the Company on the case of a separate agreement, in accordance with the provisions of articles 109 para. 3, 99 to 101 of Law 4548/2018, Law 4706/2020 and Article 19 of its Articles of Association.

4.7. Compliance with Articles 99 to 101 of Law 4548/2018

4.7.1. The Company strictly complies with all the provisions of articles 99 to 101 of Law 4548/2028, on transactions with related parties, following a procedure of compliance with the obligations arising from them.

4.7.2. The Company provides with a decision of the Board of Directors or, under the terms of article 100, of the General Meeting of Shareholders, a special license for the conduct of such transactions, whenever required by law and based on the provisions of the relevant provisions. Furthermore, it makes the required announcements, notifications and publications.

4.7.3. Prior to the execution of any transaction, which may fall under the provisions of Article 99 of Law 4548/2018, it is checked whether this constitutes a contract for which a special permit is required, as well as whether the contract to be signed or the deed to be performed falls under the exceptions to par. 3 of article 99 of Law 4548/2018.

4.7.4. If it is found that a license is required for the preparation or the execution of the transaction, the procedure provided in articles 100 and 101 of Law 4548/2018 is followed, before the conclusion of the contract or deed.

4.7.5. In addition, within the context of disclosure of transactions with related parties, the Company applies procedures which ensure, with reasonable assurance, that the financial statements it publishes (regular - annual), contain the appropriate disclosures required by law and those applicable by Company standards.

4.7.6. Transactions between the Company and its related parties are carried out on terms equivalent to those prevailing in the transactions, on a purely commercial basis, i.e. those that would be carried out with any other natural or legal person, under normal market conditions, according to the time of transactions.

4.7.7. The Board periodically assesses the transactions with related parties, as defined in the provisions in questions, the conditions under which they are carried out and the fulfillment of the conditions provided by law for their implementation. It also periodically assesses any transactions that do not go beyond the limits of current transactions, in order to judge whether the requirements of the law for their characterization as such are still met. Persons considered as related parties for the specific transactions do not participate in this evaluation, as long as they are members of the Board of Directors.

4.7.8. The monitoring of transactions between the Company and the related parties is carried out by the Financial Services Department of the Company.

4.7.9. The monitoring - confirmation of transactions is carried out, mainly, through sending a special form of confirmation of transactions, which is sent to the obligors (companies - natural persons), thirty (30) days, after the end of each calendar quarter.

4.7.10. This form, which is properly formulated to cover all the necessary information - disclosures provided by International Accounting Standard 24 and the law, is signed by the Company's Director of Financial Services and is sent to the relevant financial services of each affiliated company, as well as to each liable party (natural person), indicating that it must be returned, duly signed, within twenty (20) days of shipment, confirming the relevant transactions.

4.7.11. Upon receipt of these forms, the Financial Services Department of the Company processes the information contained in them and carries out agreements with its own books and data.

4.7.12. If, after the necessary checks, the accuracy of the data is ensured, the Financial Services Department proceeds to the process of recording the disclosures provided by IAS 24, in its published quarterly-semi-annual and annual financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS).

4.7.13. At the same time, the analyses in question are brought to the attention of the Certified Public Accountants, who carry out the audit of the Company's financial statements, in order to verify their correctness, at least on a semi-annual and annual basis.

4.7.14. In addition, the process of transactions with related parties, as well as notifications, is controlled by the Internal Audit Department on a quarterly basis.

4.8. Notification procedure regarding dependence relationships, under Article 9 of Law 4706/2020

4.8.1. The BoD of the Company shall take the necessary measures to ensure compliance with the independence requirements of article 9 of Law 4706/2020, i.e. to ensure that the independent non-executive members of the BoD, at the time of their appointment and during their term of office, do not directly or indirectly hold a percentage of voting rights exceeding 0.5% of the Company's share capital and are free from financial, business, family or other types of dependencies that may influence their decisions and their independent and objective judgment.

4.8.2. To this end, follows a process of disclosing the existence of dependent relations of the independent non-executive members of the Board of Directors and the persons who have close ties with these persons.

4.8.3. In particular, the persons nominated for election as independent members of the Board of Directors or independent members of the Audit Committee, must inform the Company of any dependent relationships that may exist, which may concern both themselves and persons with whom they have close ties, as defined in particular in law, in order to be taken into account in the evaluation. Independent non-executive board members have the same obligation whenever they come across a condition that may affect their independence.

4.8.4. The fulfillment of the conditions for the qualification of a member of the Board of Directors as an independent is reviewed by the Board of Directors on at least an annual basis per financial year and in any case before the publication of the annual financial report, which includes a relevant finding.

4.8.5. The monitoring of the conditions of independence is done with the assistance of the Nominations Committee and based on what is provided in its Rules of Procedure. In particular, the Commission submits its assessment to the Board of Directors regarding the assistance of the conditions of independence, which is of an advisory nature and is taken into account by the Board of Directors.

4.8.6. The Board of Directors evaluates these data, by conducting further research, whenever this is deemed necessary, with the assistance of the Nominations Committee and based on what is provided in its Rules of Procedure, in order to thoroughly investigate the fulfillment of the conditions of independence.

4.8.7. In case that during the control of the fulfillment of the conditions of article 9 of L. 4706/2020 or at any other time it is established that these have ceased to exist in the person of an independent non-executive member of the Board, the Board shall take the appropriate steps to replace him.

4.9. Procedure for the management of inside information and the proper information for the public, based on Regulation (EU) 596/2014

4.9.1. The Company is obliged to comply with the obligations provided for in Article 17 of Regulation (EU) 596/2014, regarding the disclosure of inside information, and other applicable provisions. The responsibility for the above compliance lies with the Corporate Announcements Department, which operates as a single department jointly with the Shareholders' Services Department, applying the procedures described in detail in the full text of its Regulation of Operation.

4.9.2. With the operating procedures of the above Department, the privileged information that directly concerns the Company is disclosed to the investing public, as well as any significant change or development that concerns already published preferential information.

4.9.3. Each communication of the Company includes the information necessary for the correct, adequate and clear information of the investor and does not contain any information that is subject to an unclear or controversial interpretation.

4.9.4. The Company's announcements regarding the published inside information shall be posted and kept on its website for a period of at least five (5) years. In the cases provided by law, the announcements of the Company are submitted to the Hellenic Capital Market Commission. Also, in the cases provided by the current legislation or the ATHEX Regulations, the Company's announcements are sent to the ATHEX, through the "HERMES" system, in order to be posted on its website and in the ATHEX Daily Price Bulletin.

4.9.5. In addition, the Company prepares and regularly updates the list of persons who have access to privileged information, in accordance with the specific provisions of Regulation (EU) 596/2014, providing the list to the Hellenic Capital Market Commission each time it is updated, and as soon as possible. possible, upon request, as well as in maintaining the list for a period of at least five (5) years after its compilation or update.

4.9.6. The Corporate Announcements Department takes all necessary measures to ensure that any person on the list of persons possessing preferential information acknowledges in writing the legal and regulatory obligations it has and is aware of the penalties imposed in the event of acts of abuse of privileged information, and illegal disclosure of preferential information.

4.10. Conflict of interest policy - procedures for preventing and managing conflict of interest

4.10.1. The Company establishes, adopts and implements adequate and effective policies and procedures for the prevention, detection and suppression of conflicts of interest between the Company or its related parties (within the meaning of article 32 of Law 4308/2014 and IAS 24) and the members of the BoD, the persons to whom Board responsibilities have been delegated and its managers. These procedures are described in detail in the Company's Regulation of Operation.

4.10.2. In particular, the above persons must not pursue the same interests that are contrary to the interests of the Company. In addition, they must disclose adequately and in a timely manner to the Board of Directors their own interests that may arise from the Company's transactions, which fall within their duties, as well as any conflict of interest that arises in the exercise of their duties. A sufficient disclosure is one that includes a description of both the transaction and the interests themselves. This obligation applies to both existing and potential conflicts of interest. Also, they must report to the Board any personal and business relationship they or their families have with any third party the Company cooperates with (customers, suppliers, consultants, etc.).

4.10.3. The above persons must refrain from actions, without the permission of the General Meeting, on their own account or on behalf of third parties, that relate to a purpose pursued by those sought by the Company and must not participate as general partners or as sole shareholders or sole partners in companies pursuing such purposes. The participation in the Group's subsidiaries, as well as the participation in the Management of the above companies, is excluded from this prohibition. The above persons, in case they wish to perform any of the above acts or to carry out any of the above actions, must inform the Board of Directors, in order to initiate the procedures for the granting of the provided permission by the General Assembly, following a decision of the Board.

4.10.4. The above persons become aware of their above-mentioned obligations before taking up their duties and their relevant responsibilities, which they fully accept and undertake to comply with.

4.10.5. The Board regularly monitors potential conflicts of interest, in order to identify conflict of interest situations, existing or potential.

4.10.6. Any existing or potential conflict of interest reported to the Board by the person concerned or of whom the Board is aware during its surveillance or from any other source shall be evaluated by the Board, which manages all the information provided considered or sought from any appropriate source, is discussed, and documented. The Board then decides on the existence or not of a conflict-of-interest situation, as well as on the ways to suppress it. During the above procedure, the assistance of the competent units of the Company is requested, whenever this is deemed necessary. The person concerned by the existing or potential conflict of interest provides all the necessary information and clarifications but does not vote when making the relevant decision by the Board, if he is a member of the Board.

4.11. Board of Directors - Eligibility Policy

The Company, according to art. 3 L. 4706/2020, has an Eligibility Policy for the members of the Board of Directors, with the provision in the above provision and in the EC guidelines (Circular no. 60) content. The Policy was approved by the Board of Directors and the General Meeting of Shareholders on 30.06.21 and is posted on the Company's website https://www.karelia.gr/wp-content/uploads/2021/06/Politiki-Katallilotitas.pdf.

The Eligibility Policy includes all the principles for the selection, replacement and renewal of the term of office of the members of the Board of Directors, the criteria for assessing their individual suitability in terms of adequacy of knowledge, skills and experience, guarantees of morality and reputation, crisis independence and adequate time available, the criteria for assessing collective suitability and the criteria for diversity. The selection criteria of the Board members include the adequate representation by gender, according to the provisions of art. 3 par. 1 sec. b) L. 4706/2020. The Eligibility Policy is governed by the principle of transparency and proportionality and aims to ensure the quality staffing of the Board of Directors of the Company. Maintaining the full responsibility of the Board of Directors, the Remuneration and Nominations Committee of the Company participates in the process of monitoring the implementation of the Policy and in assessing the suitability of the Board members, applying the principles and criteria provided in it and in the law.

4.12. Board of Directors - Members

EXECUTIVE MEMBERS
Efstathios G. Karelias – Vice chair
Andreas G. Karelias – Managing Director

NON-EXECUTIVE MEMBERS
Victoria G. Karelia – Chair
Vassilios G. Antonopoulos – Consultant, Independent Member
Robin Derlwyn Joy – Consultant, Independent Member

The curriculum vitae of BoD members for the fiscal year 2021 until the publication of this statement are presented below, while also announced through Company's site www.karelia.gr:

VICTORIA - MARGARITA KARELIA

Chair – Non-executive member

She was born and raised in Athens.

She graduated from the Arsakeio School in Athens and studied Art History in Munich.

She is the Chair of the Board of Directors of Karelia Tobacco Industry SA. from 1986 until today.

She is a founding member and now President of the George and Victoria Karelia Foundation, directing the Foundation's charitable work in the fields of education, economy, culture, literature, arts, folklore and social offer.

She was the President of the Association of Friends of Music of Kalamata from its foundation, in 1993, until 2015. Since then, she remains Honorary President of the Association.

She was a founding member and for 53 years a member of the Board. of the Lyceum of Greek Women of Kalamata, of which 33 years President.

In April 2022, she was awarded the Golden Cross of the Order of the Beneficence by the President of the Hellenic Republic.

ANDREAS G. KARELIAS

Managing Director – Executive member

He was born in Athens in 1966 and grew up in Kalamata. He is a graduate of the London School of Economics (B.Sc. Management Sciences) and holds a Master's degree in Shipping Trade and Finance from the City University Business School in London.

He has worked in all the Departments of the Company and since 1995 he is a member of its Board of Directors and since April 2000 the Managing Director of the Company.

He is a member of the Board of Directors of the "George and Victoria Karelia Foundation" and its Vice President.

He is married with two children.

EFSTATHIOS G. KARELIAS

Vice chair – Executive member

He was born in Athens in 1969 and grew up in Kalamata. He studied Marketing in the U.K. and since 1995 has held several positions in the company.

Member of the Board of Directors since 2000 and Vice President of the Karelia Tobacco Company, since 2009, he has more than 30 years of specialization and experience in the Tobacco Industry.

He is member of the General Committee of the Hellenic Federation of Enterprises (SEV) and member of the Board of Directors of the "George and Victoria Karelia Foundation".

He is married since 2003 and has three children.

VASILEIOS G. ANTONOPOULOS
Consultant, Independent Non-Executive Member

He holds the title of Professor Emeritus in the Commercial and Economic Law School of Aristotle University of Thessaloniki (A.U.TH.). He graduated from the same school, and he practices law since 1973. He completed his postgraduate studies at the Faculty of Munich and the Max Plank Institute on Industrial & Intellectual Property.

Within his professorial capacity, he taught mainly corporate law, copyright law, industrial property law, competition law and e-commerce. He served as Director in the Commercial and Economic Law sector of the Law School of A.U.TH, and as Professor in the National School of Judges.

His writings include ten (10) books and around eighty (80) publications, mainly on Commercial Law. He currently teaches in the postgraduate department in the field of Commercial and Economic Law of Law School of A.U.TH.

He has served as a member of the Board of the National School of Judges, of Thessaloniki's Port Authority SA, of the Association of Greek Law Firms and of companies operating in the field of industry.

He has been an independent non-executive member of the Board of Directors since 2013 and is currently a member of the Audit Committee as well as the Nomination and Remuneration Committee.

ROBIN DERLWYN JOY

Consultant, Independent Non-Executive Member

He was born in 1946 in Kent, UK. He has extensive experience in the tobacco industry after holding senior management positions for Rothmans and Gallaher in Africa, South America and Europe for more than 13 years. In 1988 he gained an MBA and developed his own consulting interests.

Until 2012 he was a partner in a UK based design consultancy specialising in the creation and development of brands for the global drinks and tobacco industries.

He is a Fellow of the Royal Society of Arts and a Member of the Institute of Directors in the UK.

He has been an independent non-executive member of the Board of Directors since 2013 and is currently a member of the Audit Committee as well as the Nomination and Remuneration Committee.

As of the date of this Statement's preparation the BoD members hold Company's shares as depicted in the table below:

	Number of Shares
Victoria G. Karelia – Chair	1.601
Efstathios G. Karelias – Vice chair	585.093
Andreas G. Karelias – Managing Director	603.532
Vassilios G. Antonopoulos – Consultant, Independent Member	0
Robin Derlwyn Joy – Consultant, Independent Member	0

All members of the BoD participated in all the meetings occurred in the period 01/01/2021 - 31/12/2021.

The remuneration of BoD members, for the period 01/01/2021 - 31/12/2021, is presented in Note 30 (v) of the Financial Statements.

4.13. Board of Directors - Declaration of Independence of the independent non-executive members of the Board

The fulfillment of the conditions of art. 9 for the characterization of a member of the Board of Directors as an independent is re-examined by the Board at least on an annual basis per financial year and before the publication of the annual financial report.

Based on the provisions of L. 4706/2020, with pr. no. 428/21.02.22 document of the Hellenic Capital Market Commission, the Company's Rules of Procedure, and the Rules of Procedure of the nominations committee, before the preparation of the Financial Report, the Remuneration and Nominations Committee met, within its responsibilities, to evaluate the contributions of independence of the independent members of the Board of Directors. Upon its evaluation, it emerged that the independent non-executive members of the Board Prof. Vasilios G. Antonopoulos and Robin Derlwyn Joy meet the criteria of article 9 L. 4706/2020 and maintain their independence.

The Committee submitted to the Board its assessment, to be taken into account in the review of the conditions laid down in Article 9. The Board then, in one of its sessions, after examining all the data presented to the Committee and before it through the above evaluation, judging them complete, confirmed the findings of the Committee, deciding that the independent non-executive members of the Board Prof. Vasilios G. Antonopoulos and Robin Derlwyn Joy meet the criteria of article 9 L. 4706/2020 and maintain their independence at the date of publication of this declaration.

5. AUDIT COMMITTEE

5.1. General

5.1.1. The Company has an Audit Committee, which is governed by the provisions of article 44 of Law 4449/2017 and its Charter of Operation, the codified text of which is available on the Company's website.

5.1.2. The Audit Committee is:

a) a committee of the BoD of the Company, consisting of its non-executive members, or

b) an independent committee consisting of non-executive members of the BoD and third parties, or

c) an independent committee consisting only of third parties.

The type of Committee, the number of its members, their capacities and their term of office shall be decided by the GM of the Company, on the proposal of the BoD.

5.1.3. The Committee shall assist the BoD on its duties in relation to its responsibility for:

a) The adequacy, correctness, appropriateness and effectiveness of the Company's policies, procedures and controls in relation to the Internal Control System, including risk assessment management, as well as the Company's timely, complete and continuous compliance with the current regulatory framework (regulatory compliance).

b) The preparation of fair value financial statements.

5.1.4. While maintaining in full the statutory responsibility of the BoD members of the Company, the Committee has the following powers:

a) Monitors the process and the performance of the mandatory audit of the individual and consolidated financial statements of the Company by the Certified Public Accountant and, in particular, its performance, taking into account any findings and conclusions of the competent authority, in accordance with par. 6 of Article 26 of Regulation (EU) 537/2014.

b) After taking into account the supplementary report issued by the Certified Public Accountant, which contains the results of the statutory audit performed and meets at least the specific requirements, in accordance with Article 11 of Regulation (EU) 537/2014, informs the Board of Directors the result of the statutory audit, submitting a relevant report on the issues that arose from the statutory audit and explaining in detail:

- The contribution of the statutory audit to the quality and integrity, i.e. to the accuracy, completeness and correctness of the financial information, including the relevant disclosures, approved by the Board and made public.
- The role of the Commission in the above procedure, i.e. recording the actions taken during the statutory audit process.

c) Supervises and monitors the independence of the Certified Public Accountant or the auditing company in accordance with Articles 21, 22, 23, 26 and 27, as well as Article 6 of Regulation (EU) 537/2014, and in particular the adequacy of the non-accounting auditing services in the Company, in accordance with article 5 of the Regulation.

d) Is responsible for the selection process of the Certified Public Accountant or the auditing company, proposing to the Board the Certified Public Accountant or the auditing company to be appointed, in accordance with Article 16 of Regulation (EU) 537/2014, unless par. 8 of Article 16 of the Rules of Procedure is applied.

e) Monitors, examines and evaluates the process of financial information, i.e., the mechanisms and systems of production, flow and dissemination of financial information produced by the involved organizational units of the Company, as well as other disclosed information, in relation to financial information, with in any way (such as, for example, financial statements, press releases) and make recommendations or proposals to ensure its integrity.

f) Monitors, examines, and evaluates the adequacy and effectiveness of all the policies, procedures and safeguards of the Company, regarding on the one hand the internal control system and on the other hand the risk assessment and management, in relation to the financial information.

g) Monitors and inspects the proper functioning of the Internal Audit Department, in accordance with professional standards and the applicable legal and regulatory framework.

h) Proposes to the Board the Head of the Internal Audit Department. The proposal has an advisory character, is evaluated by the Board and in case of reservations or different opinion of the Board, is re-evaluated by the Commission and resubmitted, after taking into account the comments of the Board.

i) Has an advisory role in determining the number and selection of other executives of the Department of Internal Audit, according to the specific provisions of the relevant legislation and the Rules of Operation of the Department.

j) Evaluates the work, adequacy, efficiency and organizational structure of the Internal Audit Department, identifying any weaknesses, with emphasis on issues related to its degree of independence, quality and scope of audits, as well as priorities identified by changes in the economic environment, systems and level of risk, without, however, affecting its independence.

k) Reviews the published information regarding the internal audit and the main risks and uncertainties of the Company in relation to the financial information and informs the Board with its findings, submitting proposals for improvement, if deemed appropriate.

l) Is responsible for the selection process of the person to whom the evaluation of the Internal Audit System is assigned, according to article 14 par. 3(1) of Law 4706/2020 and based on what is provided in this Regulation. It also monitors the conduct of the evaluation and takes care of the facilitation of the person conducting it in every way.

5.2. Members & Activities

The Ordinary General Meeting of Shareholders on July 18, 2018 elected as Members of the Audit Committee the tax advisor-economist, Mr. Dimitrios D. Leventakis, Mr. Robin Derlwyn Joy, Independent Non-Executive Board Member and Professor Vassilios G. Antonopoulos, an independent non-executive member of the Board, with a five-year term. Subsequently, at the Ordinary General Meeting of Shareholders of June 30, 2021, it was decided to redefine the type of the Audit Committee, the term of office, the number and the qualities of its members, according to par. 1 of article 44 L. 4449/2017, as amended by para. 4 of article 74 L. 4706/2020.

In particular, the shareholders confirmed and maintained in force the decision of the Ordinary General Meeting of 18.07.18, deciding the Audit Committee to be an independent committee, consisting of non-executive members of the Board. and third parties. Its members must be three, two of whom must be non-executive independent members of the Board, and one of them must be a third person, who will be independent of the Company. Its term must coincide with the term of the members of the Board of Directors, which is five years, started on 18.07.18 and ends on 17.07.23.

As for the members of the Committee, it was decided to confirm, otherwise ratify, repeat and, in any case, to maintain in force the decision of the Ordinary General Meeting of 18.07.18, elected by all the members of the Committee, i.e. the tax advisor-economist, Mr. Dimitrios D. Leventakis, third person - external member of the Commission, who meets the criteria of independence, Mr. Robin Derlwyn Joy, Independent Non-Executive Board Member and Professor Vassilios G. Antonopoulos, independent non-executive member of the Board. Mr. Leventakis is Committee's Chair.

All the members of the Audit Committee participated in all the meetings that took place in the period 01/01/2021 - 31/12/2021 and until the drafting of this document.

Minutes of Audit Committee

DATE	SUBJECT
26.02.2021	- Overview of the most important findings as they emerge from the internal audit report for the period 01.10.2020-31.12.2020, and submission of a report to the Board of Directors. - Recommendation to the Board of Directors of the company for the staffing of the Internal Audit Department with two new internal auditors - Approval of the annual action plan of the Audit Committee for the year 2021.
27.04.2021	- Discussion with the auditing firm KPMG via teleconference on the draft of the Annual Financial Statements for the financial year ended December 31, 2020, the draft audit report on the corporate and consolidated financial statements as well as the Supplementary Audit Report to the Audit Committee for the fiscal year January-December 2020 and their submission for approval by the Board of Directors - Overview of the most important findings as they emerge from the internal audit report for the first quarter of 2021 and submission of a report to the Board of Directors.
04.06.2021	Preparation and approval of the annual activity report of the Audit Committee of the company and its submission to the Ordinary General Assembly of 30.06.2021.
01.07.2021	Establishment into a body and election of the Chairman of the Audit Committee, following the decision of the Ordinary General Assembly dated 30.06.21 that decided the reconstruction of the Committee, in accordance with the provisions of Law 4449/2017, as amended by Law 4706/2020.
22.07.2021	Overview of the most important findings as they emerge from the internal audit report for the second quarter of 2021 and submission of a report to the Board of Directors.
04.08.2021	Meeting and preparatory discussion with the audit firm KPMG on the review report of the Interim Half-Yearly Financial Statements of the company and the Group as of June 30, 2021, and their submission for approval by the Board of Directors.
29.10.2021	- Overview of the most important findings as they emerge from the internal audit report for the period 01.07.2021-30.09.2021. - Granting of approval for the provision of documentation file drafting services of the auditing firm KPMG Bulgaria to the subsidiary of KARELIA Bulgaria group EOOD.
24.11.2021	Examination of the Interim Financial Statements of the company and the Group as of September 30, 2021.
23.12.2021	- Discussion on the annual audit plan with the auditing firm KPMG regarding the planning and audit of the Financial Statements as of December 31, 2021. - Examination of the annual audit program to be carried out by the Internal Audit Department for the fiscal year 2022 and its approval by the Audit Committee.
20.01.2022	- Overview of the Company's Compliance Action Plan for the year 2022. - An overview of the most important findings as they emerge from the internal audit department's report for the period from 1 October to 31 December 2021 (fourth quarter). - Approval of the annual action plan of the Audit Committee for the year 2022.

6. REMUNERATION AND NOMINATION COMMITEE

6.1. Remuneration Committee - General

6.1.1. The Company has a Remuneration Committee, which is governed by the provisions of articles 10 and 11 of Law. 4706/2020 and by its Charter of Operation, the codified text of which is posted on the Company's website.

6.1.2. The Remuneration Committee is a committee of the Board of Directors of the Company and consists of at least three (3) members, all of whom are non-executive members of the Board. At least two (2) of them shall be independent non-executive members, as provided for in para. 1 of article 9 of Law 4706/2020. The independent non-executive members shall constitute the majority of the members of the Committee.

6.1.3. The members of the Committee are appointed by the Company's Board, which decides their number. Their term of office shall begin on the day of their appointment and shall coincide with the term of office of the Company's Board.

6.1.4. The Remuneration Committee is responsible for the processing of remuneration issues, decisively assisting the Board in the effective and correct application of the provisions of Law 4548/2018 (Articles 109 to 112) governing the remuneration of the BoD, as well as on issues related to the Company's general remuneration policy.

6.1.5. The Committee assists the Board in matters within its remit and reports to the Board, through its Chair, to which it submits its recommendations and suggestions.

6.1.6. To fulfill its role, the Commission shall use the necessary resources, including external consultancy services, to obtain the necessary and sufficient funds for this purpose. In the exercise of its responsibilities, it shall have access to the necessary information and data of the Company, and it shall also cooperate with its organizational units, if deemed appropriate.

6.1.7. Without prejudice to the statutory responsibility of the Board Members of the Company, the Committee has the following tasks and duties subject to articles 109 to 112 of Law: 4548/2018:

a) Makes proposals to the Board regarding the Remuneration Policy when submitting it to the General Assembly for approval, according to par. 2 of article 110 of Law 4548/2018, as well as whenever deemed necessary.

If the Commission proposes a review of the Policy, it describes and explains the proposed changes, as well as how shareholders' votes and views on the Policy and Remuneration Reports have been taken into account since the last vote on the GA's Remuneration Policy of shareholders and henceforth.

The proposals shall be of an advisory nature and shall be evaluated by the Board. In the event of reservations or a different opinion, the Board shall give reasons for its decision.

b) Formulates proposals to the Board of Directors, whenever deemed necessary, regarding the salaries of persons who fall within the scope of application of the Remuneration Policy, in accordance with article 110 of Law 4548/2018, and regarding the salaries of the directors and Heads of the organizational units of the Company, including the Head of the Internal Audit Department.

The proposals shall be of an advisory nature and shall be evaluated by the Board.

c) Before the submission of the annual Remuneration Report to the General Assembly, according to article 112 of L. 4548/2018, it examines the information included in its final draft, submitting a recommendation to the Board.

The proposal includes the Committee's opinion regarding the clarity of the Report, the completeness of its information, based on the relevant legislation, and the compliance of the remuneration stated in the Report with the Company's Remuneration Policy. The recommendation is evaluated by the Board and in case of reservations or a different opinion, the Board gives reasons for its decision.

6.2. Nominations Committee - General

6.2.1. The Company has a Nominations Committee, which is governed by the provisions of articles 10 and 12 of Law 4706/2020 and by its Charter of Operation, the codified text of which is posted on the Company's website.

6.2.2. The Nominations Committee is a committee of the Company's Board of Directors and consists of at least three (3) members, all of whom are non-executive members of the Board of Directors. At least two (2) of them shall be independent non-executive members, as provided for in para. 1 of article 9 of Law 4706/2020. The independent non-executive members shall constitute the majority of the members of the Committee.

6.2.3. The members of the Committee are appointed by the Company's Board, which decides their number. Their term of office shall begin on the day of their appointment and shall coincide with the term of office of the Company's Board.

6.2.4. The Nomination Committee identifies and proposes to the BoD persons suitable to become a member of the Company's Board and a member of the Audit Committee. It also participates in the process of monitoring and evaluating the suitability of the Board Members, with a view to ensuring an orderly succession and continuity of the Board with appropriate diversity and composition.

6.2.5. The Committee assists the Board in matters within its remit and reports to the Board, through its Chair, to which it submits its evaluations, recommendations, and suggestions.

6.2.6. To fulfill its role, the Commission shall use the necessary resources, including external consultancy services, to obtain the necessary and sufficient funds for this purpose. In the exercise of its responsibilities, it shall have access to the necessary information and data of the Company, and it shall also cooperate with its organizational units, if deemed appropriate.

6.2.7. Without prejudice to the statutory responsibility of the Board Members of the Company, the Committee has the following tasks and duties:

a) In the event that there is a reason to replace or appoint a new member of the Board or the Audit Committee, it identifies suitable persons as candidate members for the acquisition of the above qualities, ensuring an efficient and transparent process.

In identifying the persons proposed to acquire the capacity of the Board Member, the Committee shall apply the principles and criteria set out in the Suitability Policy of the Board Members, verifying their suitability.

In addition, the Committee shall examine:

- The ones mentioned in par. 1 of article 9 of Law 4706/2020, if the candidate is proposed for election as an independent Board Member or as an independent member of the Audit Committee.
- The one mentioned in par. 4 of article 3 of Law 4706/2020, regarding the non-issuance, within one (1) year prior to the election, of a final court decision declaring his/her responsibility for loss-making transactions of a societe anonyme [incorporated company] with related parties.
- The ones mentioned in par. 1 of article 44 of Law 4449/2017, regarding the required qualifications of the members of the Audit Committee, if the candidate is proposed for election as a member of the Audit Committee.
- Any irreconcilable, contractual commitments, conditions and obligations of the Board members, which are related to the nature of the Company's activity or which are provided in the legislation, such as the eligibility conditions of article 83 of L. 4548/2018, in this Regulation or in the Corporate Governance Code that the Company applies.

The Committee submits a proposal to the Board regarding the selection of the appropriate persons, in order to present the reasoning for their promotion and the suitability of the candidate members. The recommendation shall be of an advisory nature and shall be assessed by the Board. In the event of reservations or a different opinion, the Board shall give reasons for its decision.

In case of replacement, if the suggestion regarding the selection of the appropriate person cannot be completed before the replacement of the missing member, it should be done as soon as possible, adequately stating the reasons for the delay.

b) In case of term renewal of the Board of Directors or the Audit Committee members, the Committee examines the assistance of the principles and criteria provided in the Eligibility Policy of the Board members, as well as other conditions, obligations and any special incompatibilities and contractual commitments. a) mentioned above.

The Committee submits a proposal to the Board of Directors regarding the candidate members, in order to present their reasoning for promotion and their suitability. The recommendation shall be of an advisory nature and shall be assessed by the Board. In the event of reservations or a different opinion, the Board shall give reasons for its decision.

c) Participates in the process of monitoring and evaluating the individual and collective suitability of the Board members, which takes place regularly and at least annually per financial year, applying the principles and criteria provided in the Eligibility Policy of the Board members, in order to identify cases in which it is deemed necessary to re-evaluate them.

In order to conduct the evaluation, the provisions of this Regulation and the Corporate Governance Code applied by the Company are taken into account. The evaluation shall be carried out using any methods deemed appropriate such as, indicatively, self-assessment with the use of questionnaires, questionnaires of overall evaluation of the Board, evaluation of each member by other members, evaluation by an external consultant using structured tools (presentations, interviews).

The Committee shall record the results of the evaluation, in particular any shortcomings identified between the expected and the actual individual and collective suitability, and propose measures to address the shortcomings, submitting its recommendation to the Board. The recommendation shall be of an advisory nature and shall be assessed by the Board, which shall discuss its findings and take measures to remedy the shortcomings identified. The annual Corporate Governance Statement includes a report relevant to the monitoring of the implementation of the Suitability Policy.

d) Monitor the independence of the independent non-executive members of the Board of Directors, regularly and at least on an annual basis per financial year and before the publication of the annual financial report, evaluating their contribution.

The Committee shall submit its evaluation to the Board, which shall be of an advisory nature and shall be taken into account by the Board, including in its annual financial report a finding as to the compliance of the Board Members with para. 1 of article 9 of Law 4706/2020.

e) Monitors the one mentioned in par. 4 of article 3 of Law 4706/2020, as well as the condition referred to in para. 5 of the same article for the delegation and maintenance in force of the Company's management and representation powers to third parties.

If it is established that the said negative condition is met, the Committee shall inform the Board in order to take the appropriate actions in accordance with the law and the Articles of Association.

f) Regularly monitors any particularly irreconcilable, contractual commitments, conditions and obligations of the Board members, related to the nature of the Company's activity or provided by law, this Regulation or the Corporate Governance Code applied by the Company.

If it determines the existence of a negative condition or the non-existence of a positive condition of the above, it shall submit a relevant recommendation to the Board, which shall be of an advisory nature and shall be evaluated by the Board.

g) Evaluates the effectiveness of the Board Eligibility Policy periodically, at regular intervals and, in any case, when significant events or changes occur, by reviewing its design and implementation, where appropriate, in order to always be in line with general corporate governance framework applied by the Company and in line with its corporate culture.

The Committee shall submit its evaluation to the Board, as well as proposals and recommendations, if there are reasons to modify or reformulate the Suitability Policy. The above shall be of an advisory nature and shall be evaluated by the Board.

6.3. Members & Activities

The Board of Directors, with its meeting on July 12, 2021 and taking into account:

1. Article 10 of L. 4706/2020, for the organization and operation of the committees of the Board of Directors, during which the Company has a remuneration committee, according to article 11 of the above law, and a candidacy committee, according to article 12 of the above law, which meet the conditions laid down in the above provisions,

2. The provision of paragraph 2 of article 10 of L. 4706/2020, according to which the responsibilities of the Remuneration Committee and the Nomination Committee may be delegated to a committee,

and in order to comply with their content, unanimously decided the following:

Establishment of the Remuneration and Nominations Committee, which constitutes a committee of the Company Board and to which the responsibilities of the remuneration committee and the candidacy committee of L. 4706/2020.

The Remuneration and Nomination Committee shall be composed by three (3) members, which are non-executive members of the Board and two (2) of them are independent non-executive members, in accordance with the provisions of Law 4706/2020. Their term of office shall begin on the day of their appointment and shall coincide with the term of office of the Company's Board, which expires on 17.07.2023.

Pursuant to the above, the following members of the Board of Directors were appointed to the Remuneration and Nominations Committee, who meet the above conditions of L. 4706/2020:

- **Victoria-Margarita G. Karelia - Chair, Non-Executive Member**
- **Prof. Vassilios G. Antonopoulos - Consultant, Non-Executive Independent Member**
- **Robin Derlwyn Joy - Consultant, Non-Executive Independent Member**

At the same meeting, the Board approved the Rules of Procedure of the remuneration committee and the Rules of Procedure of the nominations committee, taking into account the provision of par. 4 of article 10 L. 4706/2020. Although it was decided to delegate the responsibilities of the committees to a committee, two Regulations have been drafted, which describe the roles and sub-responsibilities separately.

Subsequently, the Remuneration and Nominations Committee, at its meeting on July 14, 2021, was formed into a body and unanimously decided to assign the capacity of its Chairman to Prof. Vassilios G. Antonopoulos, who, as a Non-Executive Independent Member of the Board, meets the requirements of the law.

At the same meeting, the Commission unanimously adopted its Rules of Procedure. The Regulations contain the content provided by law, define the role of the committee, its fulfillment process, its responsibilities, the convening process and its meetings, as well as any other issue related to its effective operation, and are posted on the company website:

- https://www.karelia.gr/wp-content/uploads/2021/07/Kanonismos-Epitropis-Apodochon.pdf
- https://www.karelia.gr/wp-content/uploads/2021/07/Kanonismos-Epitropis-Ypopsifiotiton.pdf

Within the framework of its responsibilities, the Remuneration and Nominations Committee, in its meeting on 03 March 2022, having considered the current legislation, evaluated the compliance with the prerequisites of independence for the independent non-executive members of the Board.

Upon its evaluation, it emerged that the independent non-executive members of the Board Prof. Vassilios G. Antonopoulos and Robin Derlwyn Joy meet the criteria of article 9 L. 4706/2020 and maintain their independence.

The Committee then submitted to the Board, through its Chairperson, its evaluation, so that it would be taken into account by the Board during the review of the conditions of article 9 for the characterization of a member of the Board as an independent, according to the provision of par. 3 of Article 9.

It is noted that all members of the Remuneration and Nominations Committee participated in all the meetings that took place in the period 12/07/2021 - 31/12/2021 and until the drafting of this document.

7. SENIOR EXECUTIVES NON-BOARD MEMBERS

The CVs of the senior executives, who are not members of the Board, for the year 2021 as well as until the date of publication of this statement, are listed below and are posted on Company's site www.karelia.gr:

GEORGE D. ALEVIZOPOULOS – CFO

He is a graduate of University of Piraeus, and he has been appointed to senior management positions for more than 40 years in Greece and abroad. He is an Economist, A' Class Accountant-Tax Specialist. He joined Karelia Tobacco Company Inc. in 1993.

VASILIKI S. TSOUMELEA – HEAD OF ACCOUNTING

She is ACCA member, graduate with honors in Finance and Accounting from Athens University of Economics and an Economist, A' Class Accountant-Tax Specialist. She has ten years of experience in Greece and abroad, in external auditing and financial reporting. She joined Karelia Tobacco Company Inc. in 2021.

GEORGE KASTRITIS, CIA – HEA OF INTERNAL AUDIT DEPARTMENT

He was born in Toronto, Canada in 1965. He is an Economist, A' Class Accountant-Tax Specialist with a Master's degree in Finance and a Certified Internal Auditor. Has 35 years of experience in positions of responsibility in the financial-accounting and auditing sector in Canada and Greece. He joined Karelia Tobacco Company Inc. in 1997 and since 2008 is the Head of the Internal Audit Department.

There is no senior executive non-board member holding Company's shares.

8. SHAREHOLDERS

8.1. General Meeting

8.1.1. The Company's shares are ordinary and registered shares. The Company reserves the right to issue preference shares, with or without voting rights, in accordance with the provisions of the law.

8.1.2. Each share entitles the holder to one vote at the General Meeting of Shareholders (hereinafter referred to as the "GM"), unless, under administrative sanctions, the right to vote is suspended.

8.1.3. The principle of equal treatment applies to all shareholders of the Company, irrespective of whether they are majority or minority, institutional or non-institutional, domestic or foreign, both in the exercise of their rights and in their access to corporate information.

8.1.4. The majority shareholders may not exercise the rights arising from direct or indirect majority control in an abusive manner, to the detriment of the other shareholders and the Company. Similarly, minority shareholders may not exercise minority rights in an abusive manner to the detriment of the other shareholders and the interests of the Company.

8.1.5. All the Company shareholders have the rights defined by the provisions of the law and its articles of association, namely:

a) To attend to vote in the General Assembly.

b) To have substantial and timely information in relation to the Company, at regular intervals and in accordance with the law.

c) To participate in the profits of the Company, according to the dividend per share.

d) To request the annulment of the annullable decisions of the General Assembly.

e) To assert the invalidity of the invalid decisions of the General Assembly.

f) To participate in the liquidation product.

g) To freely transfer and provide their shares for security claims.

h) To exercise the preemptive right to share capital increases.

i) To exercise, collectively or individually, in accordance with the provisions of the law on public limited companies, deferral rights for decision-making of the General Assembly, convening an extraordinary General Assembly, writing items on the agenda of the General Assembly, submitting draft decisions on the agenda of the General Assembly, special information for the Company's affairs, if they are useful for the assessment of issues on the agenda of the General Assembly, for the course of corporate affairs and the Company's assets, as well as for the remuneration and other benefits to the members of the Board and the Company directors.

j) To exercise the right of judicial control of the Company, especially where it becomes apparent from the whole course of business that the management of the company's affairs is not being conducted in a manner consistent with sound and prudent management

k) To request the exercise of the Company's claims against the members of the Board of Directors.

8.1.6. The supreme body of the Company is the GM of Shareholders, which elects the BoD, which manages and represents the Company in court and out-of-court proceedings. The Articles of Association and the law set out in detail how the Company's bodies operate.

8.1.7. The annual individual and consolidated financial statements of the Company are submitted by the BoD to the GM for approval.

8.1.8. The GM has the right to decide on all corporate matters, such as, but not limited to, the appointment of the Certified Public Accountants, amendments to the Articles of Association and important business transactions such as, in particular, the division, conversion, revival, merger, issuance of bonds with the right to convert the bonds into shares of the Company, reduction of the share capital, except as provided for in para. 5 of Article 21 or para. 6 of Article 49 of Law 4548/2018, establishment of a share allocation plan for the members of the BoD and the Company's personnel, as well as its affiliated companies within the meaning of article 32 of Law 4308/2014, in the form of an option to acquire shares.

8.1.9. The Company supports the possibility for an extended participation of the shareholders in the GM and the exercise of their voting rights, in accordance with the provisions of the law and its Articles of Association.

8.1.10. The Company supports and facilitates the exercise of shareholders' rights, including institutional investors, aiming to improve its communication with shareholders, based on the provisions of Law 4548/2018, of Law 4706/2020 and the applicable Corporate Governance Code.

8.1.11. In order for shareholders to participate effectively and vote at the GM:

- They are provided with sufficient and timely information regarding the date and time, place, agenda of the GM, as well as information regarding the items to be discussed. All of the above information shall be posted on the Company's website at least twenty (20) days before the GM meeting.
- The Company shall make available to its shareholders the documents accompanying the agenda, as well as its Articles of Association and a summary of its Regulation of Operation, by posting the above-mentioned documents on its website.
- Shareholders may put questions to the BoD, the Chairs of the Company's Committees, the Certified Public Accountant, and the Head of the Internal Audit Department and propose solutions for discussion within reasonable time and thematic limits.
- The results of the GM's voting procedure, as well as any amendments to the Articles of Association decided upon, are posted without delay on the Company's website.

8.1.12. Every shareholder who legally participates in the GM has the right to speak on the items on the agenda, to express his/her opinion freely and to ask questions. The Chair of the GM may set time limits for all speakers from the outset, as well as interrupt a speaker who does not refer to an item on the agenda or who violates the time limit or abuses the right to express opinions and ask questions.

8.1.13. The Chairperson of the General Assembly is responsible for the orderly and timely conduct and completion of the General Assembly. Particularly, s/he:

- Has to keep the agenda within reasonable intervals.
- Regulates the whole procedure, in order to comply with the provisions of the law, the statute and this Regulation and to prevent the risk of defective decisions of the General Assembly.
- Opens the meeting, determines the order of the speakers, moderates the speech, when the speaker violates the time limit or abusively exercises the right to express an opinion and ask questions, organizes the method of answers in their entirety or individually, gives the floor to Board members, to the Certified Public Accountant, to the Head of the Internal Audit Department and to the Chairpersons of the Company's committees, in order to participate in the discussion or answer questions from the shareholders, determine the voting process and announce the result.

8.1.14. Shareholders may exercise their voting rights in person or by proxy, in accordance with the provisions of the law.

8.2. Communication with shareholders - Notifying the investors

8.2.1. The Company is obliged to disclose, without undue delay, events concerning the Company which are not generally known, if, because of their importance for the financial and economic situation of the Company or for its strategic business, they could have a material effect on the market value of its shares.

8.2.2. The Company, in providing information to shareholders and investors, must, as stated, observe the principle of equal treatment.

8.2.3. The use of insider trading, directly or indirectly, is prohibited.

8.2.4. The Company, for the purpose of providing timely, symmetrical and equivalent information to shareholders and investors, shall select various means of communication, including the internet.

8.2.5. The Company maintains an active, comprehensive and up-to-date website, on which it publishes the resolutions of the GMs, announcements on various corporate matters, a description of its corporate governance, its management structure, communication data and other useful information for shareholders and investors, to facilitate the provision of information and to keep them informed of the Company's affairs in a timely, easy and cost-effective manner.

8.2.6. The investors are notified by the Shareholders' Services and Corporate Announcements Department, which is responsible for providing individual and institutional investors with systematic information on the performance of the Company and the Group, following the procedures described in detail in the full text of the Regulation.

8.2.7. The Company shall designate a contact person for its relations with investors and shareholders, disclosing on its website the name, address and contact numbers to facilitate an active dialogue with them.

8.2.8. More specifically, investors are notified by:

- Answering investors' questions on the Company's developments on a daily basis.
- Organizing corporate presentations in cooperation with the Communications Department.

- Updating the relevant section of the Company's website with financial data, press releases, detailed financial results announcements and anything else of interest to investors, in cooperation with the Communications Department.

9. INFORMATION ON THE DIRECTIVE 2004/25 / EC

The information elements of article 10 paragraph 1 passages (c), (d), (f), (h) and (i) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 concerning public takeover bids are set out in the section entitled "EXPLANATORY REPORT TO ORDINARY GENERAL MEETING OF SHAREHOLDERS IN ACCORDANCE WITH ARTICLE 11a L. 3371/2005" of the Management Report of the Board of Directors.

10. DIVERSITY POLICY

The Company implements a diversity policy for the members of the Board of Directors, which is included in the Suitability Policy of the members of the Board of Directors, in order to promote the differentiation between the members of the Board of Directors. and the creation of a diverse group of members. Through the concentration of a wide range of qualifications, the diversity and the best osmosis of views within the Board is ensured, in order to make correct and reasoned decisions. In the above context, exclusion due to discrimination based on race, color, ethnic or social origin, nationality, sex, sexual orientation, marital status, religion or belief, disability, medical condition, age or other personality elements that could constitute evidence of discrimination are not allowed. The diversity criteria of the Political Eligibility of the Board members also apply to the members of the Audit Committee, as provided in the Rules of Procedure of the Remuneration and Nominations Committee, as well as to the members of the said Committee of the Board of Directors, which by law consists of members of the Board of Directors.

In addition, a firm and fundamental principle of the Company, described in its Rules of Procedure, is that its human resources are an important source of its competitive advantage. With a focus on providing high quality products, with dedication to the principles of integrity and ethical values, emphasis is placed on the existence of appropriate infrastructure and management procedures and ongoing training and evaluation of its human resources, so that each post is staffed by people with the appropriate knowledge and skills and in the development of a culture that promotes honest communication, team spirit, flexibility and creativity.

Regarding the recruitment of managers, their abilities, experience, previous work experience, knowledge and skills are taken into account, which are judged according to the respective staffing needs. In particular, the following principles are emphasized: the provision of equal opportunities and equal treatment between candidates, the assessment of adequate vocational training, combined with know-how, in order to combine their desires with the needs of the company, and the possibility and easy adaptation to the Company's culture

Finally, the Company implements an equal opportunities policy for all its employees, through continuous training and systematic evaluation of its human resources regardless of gender, color, race, national or social origin, nationality, gender, sexual orientation, marital status, religion or belief. On this basis, it has created a climate of open communication and transparency, with a parallel commitment to the continuous training of its people, contributing to their personal development.

Statement of Financial Position (Separate and Consolidated) for the year ended 31 December 2021

(Amounts in thousands of Euros)		Group		Company	
	Note	2021	2020*	2021	2020*
ASSETS					
Long-term assets					
Intangible assets		457	576	447	566
Tangible assets	5	76,301	83,137	76,161	83,027
Investments at amortized cost	10	91,008	34,187	91,008	34,187
Participations	6	0	0	1,527	1,650
Other non-current assets		39	35	36	32
Total long-term Assets		**167,805**	**117,935**	**169,179**	**119,462**
Current assets					
Inventory	7	77,979	60,106	53,228	55,297
Accounts receivables	8	18,662	15,073	16,861	15,034
Investments at fair value through P&L	9	62,615	29,378	62,615	29,378
Investments at amortized cost	10	16,905	14,500	16,905	14,500
Cash and cash equivalents and pledged account	11	366,299	388,883	360,023	370,779
Total Current Assets		**542,460**	**507,940**	**509,632**	**484,988**
Total Assets		**710,265**	**625,875**	**678,811**	**604,450**
EQUITY AND LIABILITIES					
Equity					
Share capital	12	32,651	32,651	32,651	32,651
Share premium		34	34	34	34
Other reserves	13	116,436	111,818	116,388	111,772
Retained earnings		455,037	397,764	439,419	384,082
Equity attributable to shareholders of the Company		**604,158**	**542,267**	**588,492**	**528,539**
Minority interests		(14)	0	0	0
Total Equity		**604,144**	**542,267**	**588,492**	**528,539**
Liabilities					
Long-term liabilities					
Deferred taxes	14	6,620	3,374	6,746	3,455
Lessee lease liabilities due >1year	16	311	355	215	338
Retirement / dismissal benefit obligations	15	2,230	2,890	2,087	2,770
Total long-term liabilities		**9,161**	**6,619**	**9,048**	**6,563**
Current liabilities					
Suppliers and other payables	17	85,643	71,513	70,232	64,314
Current provisions for liabilities and expenses	18	0	152	0	152
Corporation tax payable	24	11,132	4,987	10,904	4,637
Lessee lease liabilities due <=1year	16	185	337	135	245
Total Current Liabilities		**96,960**	**76,989**	**81,271**	**69,348**
Total Liabilities		**106,121**	**83,608**	**90,319**	**75,911**
Total Equity and Liabilities		**710,265**	**625,875**	**678,811**	**604,450**

The accompanying notes on pages 53 to 93 are an integral part of the Annual Financial Statements.

(*) The comparative figures of Statement of Financial Position both for the Group and the Company for FY2020, are restated by the impact of the change in accounting policy related to IAS 19. For further analysis please refer to Note 15.

Statement of Profit or Loss and other Comprehensive Income (Separate and Consolidated) for the year ended 31 December 2021

(Amounts in thousands of Euros)		Group		Company	
	Note	2021	2020*	2021	2020*
Turnover	19	1,184,182	1,108,718	802,839	754,091
Cost of sales	20	(1,060,792)	(997,630)	(683,863)	(648,341)
Gross Profit		**123,390**	**111,088**	**118,976**	**105,750**
Administrative expenses	20	(8,422)	(10,655)	(7,336)	(9,682)
Distribution costs	20	(18,750)	(19,195)	(17,521)	(18,028)
Other operating income	22	3,245	3,176	3,225	3,175
Results from operating activities		**99,463**	**84,414**	**97,344**	**81,215**
Financial income-net	23	654	(63)	747	2,249
Currency exchange differences		14,436	(11,346)	14,433	(11,345)
Net profit before tax		**114,553**	**73,005**	**112,524**	**72,119**
Corporation tax	24	(26,877)	(18,349)	(26,480)	(17,835)
Net profit for the year		**87,676**	**54,656**	**86,044**	**54,284**
Other Comprehensive Income					
(a) Items reclassified to P&L					
Foreign currency translation adjustments – Foreign operations		290	(262)	0	0
(b) Items that will never be reclassified to P&L					
Actuarial profit/ (losses)		(168)	(90)	(170)	(90)
Deferred tax		23	22	23	22
Total Comprehensive Income		**87,821**	**54,326**	**85,897**	**54,216**
Net profit attributable to:					
Shareholders of the Company		87,690	54,660	86,044	54,284
Minority interests		(14)	(4)	0	0
Total		**87,676**	**54,656**	**86,044**	**54,284**
Total Comprehensive income attributed to:					
Shareholders of the Company		87,835	54,330	85,897	54,216
Minority interests		(14)	(4)	0	0
Total		**87,821**	**54,326**	**85,897**	**54,216**
Basic and diluted earnings, per share, after tax (in absolute figures)	25	**31.7663**	**19.8029**	**31.1750**	**19.6681**

The accompanying notes on pages 53 to 93 are an integral part of the Annual Financial Statements.

(*) The comparative figures of Statement of Profit or Loss and other Comprehensive Income both for the Group and the Company for FY2020, have not been restated by the impact of the change in accounting policy related to IAS 19, since it was not material. For further analysis please refer to Note 15.

Statement of Changes in Equity (Consolidated) for the year ended 31 December 2021

(Amounts in thousands of Euros)

Group	**Share Capital**	**Share Premium**	**Reserves**	**Retained earnings**	**Minority Interests**	**Total Equity**
Balance as at 31 December 2019	**32,651**	**34**	**108,654**	**371,687**	**(10)**	**513,016**
Impact of change in accounting policy related to IAS 19	0	0	0	841	0	841
Balance as at 1 January 2020*	**32,651**	**34**	**108,654**	**372,528**	**(10)**	**513,857**
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
Total Comprehensive Income for the period	**0**	**0**	**(68)**	**54,398**	**(4)**	**54,326**
Transactions with Shareholders - Direct effect to Equity						
Minority interests due to Subsidiaries Share Capital Increase	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 of 31 December 2020*	**32,651**	**34**	**111,818**	**397,750**	**0**	**542,253**
Impact of change in accounting policy related to IAS 19	0	0	0	14	0	14
Balance as at 1 January 2021*	**32,651**	**34**	**111,818**	**397,764**	**0**	**542,267**
Change in P&L and OCI						
Exchange differences	0	0	0	290	0	290
Actuarial profits	0	0	(168)	0	0	(168)
Deferred tax	0	0	23	0	0	23
Net profit for the year	0	0	0	87,690	(14)	87,676
Total Comprehensive Income for the period	**0**	**0**	**(145)**	**87,980**	**(14)**	**87,821**
Transactions with Shareholders - Direct effect to Equity						
Transfer to Reserves	0	0	4,763	(4,763)	0	0
Dividends of 2020	0	0	0	(25,944)	0	(25,944)
Balance as of 31 December 2021	**32,651**	**34**	**116,436**	**455,037**	**(14)**	**604,144**

The accompanying notes on pages 53 to 93 are an integral part of the Annual Financial Statements.

(*) The comparative figures of Statement of Changes in Equity both for the Group and the Company for FY2020, are restated by the impact of the change in accounting policy related to IAS 19. For further analysis please refer to Note 15.

Statement of Changes in Equity (Separate) for the year ended 31 December 2021

(Amounts in thousands of Euros)

Company	**Share Capital**	**Share Premium**	**Reserves**	**Retained earnings**	**Minority Interests**
Balance as at 31 December 2019	**32,651**	**34**	**108,608**	**358,186**	**499,479**
Impact of change in accounting policy related to IAS 19	0	0	0	778	778
Balance as at 1 January 2020*	**32,651**	**34**	**108,608**	**358,964**	**500,257**
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
Total Comprehensive Income for the period	**0**	**0**	**(68)**	**54,284**	**54,216**
Transactions with Shareholders - Direct effect to Equity					
Transfer to Reserves	0	0	3,232	(3,232)	0
Dividends of 2019	0	0	0	(25,944)	(25,944)
Balance as of 31 December 2020*	**32,651**	**34**	**111,772**	**384,072**	**528,529**
Impact of change in accounting policy related to IAS 19	0	0	0	10	10
Balance as at 1 January 2021*	**32,651**	**34**	**111,772**	**384,082**	**528,539**
Change in P&L and OCI					
Actuarial profits	0	0	(170)	0	(170)
Deferred tax	0	0	23	0	23
Net profit for the year	0	0	0	86,044	86,044
Total Comprehensive Income for the period	**0**	**0**	**(147)**	**86,044**	**85,897**
Transactions with Shareholders - Direct effect to Equity					
Transfer to Reserves	0	0	4,763	(4,763)	0
Dividends of 2020	0	0	0	(25,944)	(25,944)
Balance as of 31 December 2021	**32,651**	**34**	**116,388**	**439,419**	**588,492**

The accompanying notes on pages 53 to 93 are an integral part of the Annual Financial Statements.

(*) The comparative figures of Statement of Changes in Equity both for the Group and the Company for FY2020, are restated by the impact of the change in accounting policy related to IAS 19. For further analysis please refer to Note 15.

Statement of Cash Flows (Separate and Consolidated) for the year ended 31 December 2021

(Amounts in thousands of Euros)	Note	Group 2021	Group 2020*	Company 2021	Company 2020*
Profit for the year after taxes		**87,676**	**54,656**	**86,044**	**54,284**
Adjustments for:					
Income tax	24	26,877	18,349	26,480	17,835
Depreciation of tangible assets	5	7,342	7,134	7,220	6,995
Amortization of intangible assets		168	160	168	160
(Profit) from sale of tangible assets		0	(1)	0	(1)
Interest (income)		(2,214)	(3,080)	(2,214)	(3,080)
Dividend (income)		0	0	0	(2,221)
Interest expense		1,565	3,554	1,350	3,463
(Profit) on valuation of financial assets through P&L	9	(1,297)	(10)	(1,297)	(10)
(Profit) from sale of financial assets through P&L	9	(161)	446	(161)	446
(Gain) on valuation of investments at amortized cost	10	(2,187)	2,186	(2,187)	2,186
(Gain) from liquidation/expiration of investments at amortized cost	10	(60)	0	(60)	0
Provision of subsidiaries impairment	6	0	0	123	382
Provision for obsolete stock	7	(5)	(822)	(5)	(822)
Changes in liabilities due to retirement	15	(402)	399	(418)	296
		117,302	**82,971**	**115,043**	**79,913**
Changes in Working Capital					
(Increase)/ Decrease in stocks		(17,869)	5,390	2,074	4,780
(Increase)/ Decrease in accounts receivable		(3,690)	10,571	(1,831)	4,954
Increase / (Decrease) in liabilities		14,968	(20,736)	6,403	(13,211)
(Decrease) in staff leaving benefits	15	(435)	(340)	(435)	(340)
		(7,026)	**(5,115)**	**6,211**	**(3,817)**
Interest and other financial expenses paid		(1,565)	(3,554)	(1,350)	(3,463)
Corporate tax paid	24	(17,507)	(19,615)	(16,899)	(19,199)
Net cash flows from operating activities		**91,204**	**54,687**	**103,005**	**53,434**
Cash flows from investment activities					
(Acquisition) of tangible assets	5	(971)	(4,711)	(969)	(4,708)
(Acquisition) of intangible assets		(49)	(151)	(49)	(151)
(Acquisition) of financial assets at amortized cost	10	(77,674)	(18,610)	(77,674)	(18,610)
Disposal of financial assets at amortized cost	10	20,695	25,137	20,695	25,137
(Acquisition) of financial assets through P&L	9	(45,415)	(13,465)	(45,415)	(13,465)
Disposal of financial assets through P&L	9	13,635	89,612	13,635	89,612
Subsidiary Share Capital increase		0	0	0	(979)
Dividend received		0	0	0	2,221
Interest received		2,214	3,080	2,214	3,080
Net cash flows from investment activities		**(87,565)**	**80,892**	**(87,563)**	**82,137**
Cash flows from financing activities					
Collateral deposits	11	0	(11,500)	0	(11,500)
Minority Participation to Subsidiary Share Capital increase		0	14	0	0
Dividends paid to shareholders of the Company		(25,949)	(25,951)	(25,949)	(25,951)
Lease capital payments		(274)	(381)	(249)	(249)
Net cash flows from financing activities		**(26,223)**	**(37,818)**	**(26,198)**	**(37,700)**
Net decrease in cash and cash equivalents		**(22,584)**	**97,761**	**(10,756)**	**97,871**
Cash and cash equivalents at the beginning of the year	11	343,383	245,622	325,279	227,408
Cash and cash equivalents at the end of the year		**320,799**	**343,383**	**314,523**	**325,279**
Pledged account	11	45,500	**45,500**	**45,500**	**45,500**
Cash and cash equivalents (incl. pledged account) at the end of the year		**366,299**	**388,883**	**360,023**	**370,779**

The accompanying notes on pages 53 to 93 are an integral part of the Annual Financial Statements.

(*) The comparative figures of Statement of Cash Flows both for the Group and the Company for FY2020, have not been restated by the impact of the change in accounting policy related to IAS 19, since it was not material. For further analysis please refer to Note 15.

CONTENTS NOTES OF FINANCIAL STATEMENTS

Notes of the Annual Financial Statements (Separate and Consolidated) for the period ended 31 December 2021

1. Formation of the Company and Group's activities

Karelia Tobacco Company Inc. (the "Company") is a Societe Anonyme, registered in Greece, listed in the Athens Stock Exchange, 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.) and its website address is www.karelia.gr.

The accompanying Financial Statements of the Company, for the period ended on 31st December 2021, consists of the Separate and Consolidated Financial Statements of the Company.

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 chair

Andreas G. Karelias – Managing Director

NON-EXECUTIVE MEMBERS

Victoria G. Karelia – Chair

Vassilios G. Antonopoulos – Consultant, Independent Member

Robin Derlwyn Joy – Consultant, Independent Member

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

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

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

Group structure

Company	Location	Country	Percentage of shareholding	Consolidation Method
KARELIA TOBACCO COMPANY INC.	Kalamata	Greece	Parent company	Full
MERIDIAN A.E.	Athens	Greece	99.54%	Full
KARELIA INVESTMENT INC.	Kalamata	Greece	90%	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 consolidated to Group's Financial Statements through the full consolidation method.

The Separate and Consolidated Group Financial Statements (the "Financial Statements") have been approved for publication by the Board of Directors on 27 April 2022.

The number of employees of the Company, as of 31 December 2021, was 526 employees and for the Group 557 employees (2020: Group 522 employees, Company 554 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 27 April 2022. The Financial Statements of the Group and the Company, along with the Financial Statements of the consolidated, non-listed, subsidiaries 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 Investments at fair value through P&L, which are reported at fair value.

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 abovementioned Laws, these companies are required to provide comparative financial statements, according to IFRS, for at least 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 to select the most appropriate accounting policies to assess the future development of events and transactions. These estimates, assertions and judgments are reviewed periodically to meet the available data and include the potential risks, while the actual results may differ from these estimates. Estimates are based on the experience of the management, including expectations for future events that are expected under normal conditions and are applicable mainly 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 makes 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 periods going forward. These estimates and assumptions are based on existing experience and other various factors that are considered reasonable at the time, based on the existing circumstances. 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, 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 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. According to this method, investments are initially recognized 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 company.

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 Financial instruments

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, at settlement date.

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 classification of financial assets is based on the contractual cash flows of the financial assets and on the business model under 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
- at fair value through profit or loss (FVTPL)
- at fair value through other comprehensive income (FVOCI)

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 and mutual funds measured at fair value through profit or loss.

- 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 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 the aforementioned financial assets except from those measured at fair value through profit or loss.

Within the scope of IFRS 9, impairment of financial assets measured at amortized cost or fair value through other comprehensive income is recognized by the expected credit losses.

At each reporting date, IFRS 9 requires the measurement of the loss provision for a financial instrument at an amount equal to the expected credit losses over the life of the financial instrument if the credit risk of the financial instrument has increased significantly since initial recognition. On the contrary, if, at the reporting date, the credit risk of a financial instrument has not increased significantly since its initial recognition, IFRS 9 requires the measurement of the loss provision for that financial instrument to be equal to the expected 12-month credit losses.

The risk parameters taken into account for the calculation of the expected credit losses are the estimated probability of default, the percentage of loss on the due capital given that the customer has defaulted to repay the due amount and the balance that the company is exposed in case of default the customer. In certain cases, the Group and the Company may assess specific financial data that there is a credit event when there is internal or external information indicating that the collection of the amounts set under the relevant contract is unlikely to be collected in full.

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 of 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 of high liquidity 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 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 or has not transferred all the risks and rewards of the financial asset, but the control of the financial asset has been transferred. 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, under a contractual obligation.

The Group does not derecognize a financial asset, reported in its Financial Position, when it transfers the financial asset, while retaining 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. Also, 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 or 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) Offset

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 Instrument

The fair value of a financial instrument 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 transactions

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 and valued at fair value, are translated into Euros at the exchange rates applicable on the date of calculating these values. In this case, the resulting exchange differences are 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 non-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. Part of the tangible assets (property) measured on 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 31.12.2021 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

Kindly note that the majority of the machinery is fully depreciated over 25 years. Furthermore, the number of machinery with economic useful life higher than 25 years is non-significant.

The estimation of the machinery useful lives was based on historical data (usage of machinery of similar type), as well as on past Company's experience acquired through 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

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, since the Group has the right to immediately use this cash, without significant additional cost, by replacing this cash deposit, with other financial instruments. These deposits are separately presented in the Statement of Cash Flow and the Notes.

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 of discount is recorded as interest income/ expense.

3.12 Inventory

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 to packaging materials which, either due to sudden changes in the track and trace legislation, 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 to spare parts of old machinery with low turnover.

3.13 Short-term benefits to employees

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 number 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 based on 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). Regarding 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. 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 liabilities arising from the contract with the customers are fulfilled, good control has transferred to the customer 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 relating to transactions recognized directly in Equity, which is respectively, 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, 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 or 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 determination 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, considering 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 non-financial 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 entity) production is solely 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

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 2021. The amendments and interpretations first applied in 2021 did not have a material impact on the financial statements for the year ended 31 December 2021, except for the implementation of change in accounting policy based on IAS 19 interpretation, as described below.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) 'Interest rate benchmark reform – Phase 2'. In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods.

The adoption of the amendments had no impact on Financial Statements of the Group and the Company.

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

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

The adoption of the amendments had no impact on Financial Statements of the Group and the Company.

Attributing Benefit to Periods of Service (IAS 19 Employee Benefits) – IFRS Interpretation Committee (IFRS IC or IFRIC) Agenda Decision issued May 2021: The International Financial Reporting Interpretations Committee issued the final agenda decision in May 2021, under the title "Attributing Benefits to Periods of Service" (IAS 19), which includes explanatory material regarding the attribution of benefits in periods of service regarding a specific defined benefit plan analogous to that defined in Article 8 of Greek Law 3198/1955 regarding provision of compensation due to retirement (the "Labor Law Defined Benefit Plan"). This explanatory information differentiates the way in which the basic principles and regulations of IAS 19 have been applied in Greece in the previous years, and therefore, according to what is defined in the "IASB Due Process Handbook (par 8.6)", entities that prepare their financial statements in accordance with IFRS are required to amend their Accounting Policy accordingly. Based on the above, the aforementioned final decision of the Committee's agenda is treated as a Change in Accounting Policy.

In prior years, the Group attributed the employee benefits within the period between the employment and the retirement date. After the examination of the abovementioned decision's effect, the Group finalized the evaluation of impact, by presenting retrospectively the impact on Statement of Financial Position and on Statement of Changes in Equity as of 31 December 2021, while the Statement of Profit or Loss and other Comprehensive Income and the Statement of Cash flows were not restated due to non-significant impact. In Note 15, the impact on Statement of Financial Position of prior fiscal years is presented in full detail.

New Standards and Interpretations effective in subsequent periods

The Group and the Company have not early adopted any of the following standards, interpretations or amendments that have been issued but are not yet effective. In addition, the Group and the Company assessed all standards, interpretations and amendments issued but not yet effective, and expects that they will not have any significant impact on the consolidated financial statements.

IFRS 10 (Amendment) Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

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

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments): The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting policies (Amendments): The Amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

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

IAS 1 (Amendments) 'Classification of liabilities as current or non-current' (effective for annual periods beginning on or after 1 January 2022): The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. However, in response to the Covid-19 pandemic, the Board has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income, or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period.

Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

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

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments): The amendments become effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

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

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments): The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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

IFRS 16 'Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)': The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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

4. Other Information

There were no major extraordinary events during the period 1 January - 31 December 2021 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
2020						
Cost						
Balance as of 1 January 2020	**6,130**	**19,487**	**149,986**	**2,865**	**6,282**	**184,750**
Additions	0	16	4,576	16	104	4,712
IFRS 16 additions	0	0	0	102	0	102
Disposals - Transfers	0	0	(1,866)	(18)	(81)	(1,965)
Balance as of 31 December 2020	**6,130**	**19,503**	**152,696**	**2,965**	**6,305**	**187,599**
Accumulated Depreciation						
Balance as of 1 January 2020	**0**	**12,242**	**79,504**	**2,026**	**5,521**	**99,293**
Depreciation of the year	0	349	6,186	25	205	6,765
Amortization of right of use - IFRS 16	0	49	0	320	0	369
Disposals - Transfers	0	0	(1,866)	(18)	(81)	(1,965)
Balance as of 31 December 2020	**0**	**12,640**	**83,824**	**2,353**	**5,645**	**104,462**
Net book value as of 31 December 2020	**6,130**	**6,863**	**68,872**	**612**	**660**	**83,137**
2021						
Cost						
Balance as of 1 January 2021	**6,130**	**19,503**	**152,696**	**2,965**	**6,305**	**187,599**
Additions	0	38	111	12	293	454
IFRS 16 additions	0	0	0	57	0	57
Disposals - Transfers	0	0	(5)	0	0	(5)
Balance as of 31 December 2021	**6,130**	**19,541**	**152,802**	**3,034**	**6,598**	**188,105**
Accumulated Depreciation						
Balance as of 1 January 2021	**0**	**12,640**	**83,824**	**2,353**	**5,645**	**104,462**
Depreciation of the year	0	351	6.405	23	197	6,976
Amortization of right of use - IFRS 16	0	88	0	278	0	366
Balance as of 31 December 2021	**0**	**13,079**	**90,229**	**2,654**	**5,842**	**111,804**
Net book value as at 31December 2021	**6,130**	**6,462**	**62,573**	**380**	**756**	**76,301**

Company

(Amounts in thousands of Euros)	Land	Buildings & Installations	Plant & Equipment	Motor vehicles	Fixture & fittings	Total
2020						
Cost						
Balance as of 1 January 2020	**6,130**	**19,302**	**149,986**	**2,574**	**5,989**	**183,981**
Additions	0	16	4,576	16	101	4,709
IFRS 16 additions	0	0	0	102	0	102
Disposals - Transfers	0	0	(1,866)	(18)	0	(1,884)
Balance as of 31 December 2020	**6,130**	**19,318**	**152,696**	**2,674**	**6,090**	**186,908**
Accumulated Depreciation						
Balance as of 1 January 2020	**0**	**12,191**	**79,504**	**1,838**	**5,237**	**98,770**
Depreciation of the year	0	349	6,186	23	182	6,740
Amortization of right of use - IFRS 16	0	17	0	238	0	255
Disposals - Transfers	0	0	(1,866)	(18)	0	(1,884)
Balance as of 31 December 2020	**0**	**12,557**	**83,824**	**2,081**	**5,419**	**103,881**
Net book value as of 31 December 2020	**6,130**	**6,761**	**68,872**	**593**	**671**	**83,027**
2021						
Cost						
Balance as of 1 January 2021	**6,130**	**19,318**	**152,696**	**2,674**	**6,090**	**186,908**
Additions	0	38	111	12	181	342
IFRS 16 additions	0	0	0	17	0	17
Disposals - Transfers	0	0	(5)	0	0	(5)
Balance as of 31 December 2021	**6,130**	**19,356**	**152,802**	**2,703**	**6,271**	**187,262**
Accumulated Depreciation						
Balance as of 1 January 2021	**0**	**12,557**	**83,824**	**2,081**	**5,419**	**103,881**
Depreciation of the year	0	351	6,405	23	194	6,973
Amortization of right of use - IFRS 16	0	11	0	236	0	247
Balance as of 31 December 2021	**0**	**12,919**	**90,229**	**2,340**	**5,613**	**111,101**
Net book value as of 31 December 2021	**6,130**	**6,437**	**62,573**	**363**	**658**	**76,161**

As the tangible assets are measured at cost and the Company has strong profitability, which associates to high value in use, there are no indications for impairment in the current fiscal year.

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 deferment of Excise Duty and VAT.

6. Participations

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

Company

(Amounts in thousands of Euros)	2021	2020
Opening balance	1,650	1,053
Capital increase of subsidiary KARELIA TÜTÜN VE TICARET A.Ş., KARELIA INVSTMENT S.A. & MERIDIAN A.E.	0	979
Provision of impairment	(123)	(382)
Balance 31 December	**1,527**	**1,650**

The **Participations** as of 31 December 2021 are analyzed as follows:

Company	Country	Historic Cost	Cost after impairment	Assets	Liabilities	Income	Profit/ (Loss) Before Tax	Percentage of shareholding
MERIDIAN S.A.	Greece	3,914	435	579	142	547	(180)	99.54%
KARELIA INVESTMENT S.A.	Greece	299	53	62	0	0	(7)	90%
KARELIA TOBACCO COMPANY (UK) LTD.	Great Britain	0	0	5,796	796	7,390	1,794	100%
KARELIA BULGARIA EOOD	Bulgaria	1,030	1,030	32,223	19,737	419,669	1,216	100%
G.K. DISTRIBUTORS EOOD	Bulgaria	0	0	602	0	0	(1)	100%
KARELIA TÜTÜN VE TICARET AŞ.	Turkey	1,121	9	10	1	70	4	97%
KARELIA BELGIUM LTD	Belgium	18	0	10	87	0	(84)	85%
		6,382	**1,527**	**39,282**	**20,763**	**427,676**	**2,742**	

GK DISTRIBUTORS EOOD is a subsidiary of KARELIA BULGARIA EOOD.

This year's provision of impairment concerns MERIDIAN S.A, KARELIA INVESTMENT S.A. and KARELIA TUTUN VE TIGARET A.Ş.

The **Participations** as of 31 December 2020 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. The provision of impairment in 2020 refers to MERIDIAN S.A, KARELIA BELGIUM LTD and KARELIA TUTUN VE TIGARET A. Ş.

7. Inventory

(Amounts in thousands of Euros)	Group 2021	Group 2020	Company 2021	Company 2020
Raw materials	18,579	22,136	18,579	22,136
Goods purchased for resale	28,044	6,054	3,293	1,245
Finished products	19,792	20,802	19,792	20,802
Spare parts and consumables	11,564	11,114	11,564	11,114
Total	**77,979**	**60,106**	**53,228**	**55,297**

The increase in Goods purchased for resale relates to the need of KARELIA BULGARIA EOOD for sufficient stock as at 31/12/2021, due to change in the tax stamp for tobacco products by the Bulgarian state.

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

(Amounts in thousands of Euros)	Group 2021	Group 2020	Company 2021	Company 2020
Balance 1 January	836	1,658	803	1,625
Destructions	(68)	(604)	(68)	(604)
Provision for obsolete stock	63	(218)	63	(218)
Balance on 31 December	**831**	**836**	**798**	**803**

The value of the Company's Finished Goods destined for the Greek market, include taxes (Excise Tax and VAT), which amount to approximately 85.11% of their value. Respectively, the value of Subsidiaries' Finished Goods includes Excise Tax, which amounts to approximately 88.01% of their value.

8. Accounts receivable

(Amounts in thousands of Euros)	Group 2021	Group 2020	Company 2021	Company 2020
Receivables from customers	12,418	12,643	14,815	13,360
Other receivables	6,047	2,230	1,856	1,477
Advances - Prepaid expenses	197	200	190	197
Total	**18,662**	**15,073**	**16,861**	**15,034**

Receivables from Customers analyzed as follows:

(Amounts in thousands of Euros)	Group 2021	Group 2020	Company 2021	Company 2020
Receivables from outstanding balances	14,586	14,463	11,869	12,136
Receivables from affiliated companies	0	0	4,844	2,773
Postdated cheques – Notes Receivables-Accrued income	68	416	67	416
Provision for doubtful debts	(2,236)	(2,236)	(1,965)	(1,965)
Total	**12,418**	**12,643**	**14,815**	**13,360**

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

Other **Receivables** analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Receivables from Greek and Bulgarian State	7,535	3,667	3,455	3,205
Other receivables	2,640	2,691	2,529	2,400
Provision for doubtful debts from Greek State	(4,128)	(4,128)	(4,128)	(4,128)
Total	**6,047**	**2,230**	**1,856**	**1,477**

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

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Balance 1 January	6,364	6,364	6,093	6,093
Transfer from provision account for other liabilities and expenses	0	0	0	0
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**	
	2021	**2020**	**2021**	**2020**
Inventory orders	2	0	2	0
Prepayments to suppliers	35	90	31	90
Prepaid expenses	160	111	157	107
Total	**197**	**201**	**190**	**197**

9. Investments at fair value through P&L

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Listed Shares	9	5	9	5
Mutual Funds & Foreign Money Market Certificates	62,606	29,373	62,606	29,373
Total	**62,615**	**29,378**	**62,615**	**29,378**

Listed Shares have been valued at fair value and the revaluation result has been recorded in the results.

Mutual Funds & Foreign Money Market Certificates amounted to EUR 62,606 thousand (Company: EUR 62,606 thousand), are investments in mutual funds and Money Market Certificates issued and/or operated by foreign Financial Institutions. The valuation of these investments reflects their market value, and the valuation method hierarchy is level 2.

It is noted that the results (gain or loss) from the valuation of the market value of the above investments are unrealized. The realized result (gain or loss) will occur at liquidation of the above investments.

(Amounts in thousands of Euros)	Group	Company
	2021	2021
Acquisition & valuation cost of prior period	29,373	29,373
Plus gain from increase in market value	362	362
Plus gain from liquidation	161	161
Plus valuation gain due to favorable currency exchange movements	934	934
Total	**30,830**	**30,830**
Plus acquisition of the year 2021	45,411	45,411
Minus disposals of the year 2021	(13,635)	(13,635)
Balance on 31.12.2021	**62,606**	**62,606**

(Amounts in thousands of Euros)	Group	Company
	2020	2020
Acquisition & valuation cost of prior period	105,950	105,950
Plus gain from increase in market value	112	112
Minus loss from liquidation	(446)	(446)
Minus valuation loss due to unfavorable currency exchange movements	(96)	(96)
Total	**105,520**	**105,520**
Plus acquisition of the year 2020	13,465	13,465
Minus disposals of the year 2020	(89,612)	(89,612)
Balance on 31.12.2020	**29,373**	**29,373**

10. Investments measured at amortized cost

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Corporate Bonds	56,615	32,335	56,615	32,335
Financial Bonds	49,266	16,352	49,266	16,352
Government Bonds	2,032	0	2,032	0
Total	**107,913**	**48,687**	**107,913**	**48,687**

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Bonds classified in long – term assets	91,008	34,187	91,008	34,187
Bonds classified in short – term assets	16,905	14,500	16,905	14,500
Total	**107,913**	**48,687**	**107,913**	**48,687**

From the **Corporate, Financial and Government bonds** which amounted to EUR 107,913 thousand (Company: EUR 107,913 thousand), an amount equal to EUR 99,276 thousand is invested in bonds of investment grade rating issued by governments, financial institutions and companies, while an amount of EUR 8,637 is invested in one Hellenic Petroleum (HELPE) bond. The valuation method hierarchy is level 1 because they are traded in financial markets.

The business model of Group and Company 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.

The measurement through amortized cost of bonds in this category is performed by the method of the real interest rate.

The fair value of these investments at amortized cost at 31 December 2021, amounted to EUR 106,906 thousand.

(Amounts in thousands of Euros)	Reported Value	Fair Value
	2021	2021
Corporate Bonds	56,615	55,804
Financial Bonds	49,266	49,097
Government Bonds	2,032	2,005
Total	**107,913**	**106,906**

(Amounts in thousands of Euros)	Group	Company
	2021	2021
Acquisition cost of prior period	48,687	48,687
Minus amortisation	(782)	(782)
Plus valuation gain due to favorable currency exchange movements	2,837	2,837
Accrued coupon	175	175
Expected Credit Losses	(42)	(42)
Minus losses from redemption	(14)	(14)
Plus gain from currency exchange of expiration	73	73
Minus expiration for the year 2021	(20,695)	(20,695)
Plus acquisitions for the year 2021	77,674	77,674
Balance 31.12.2021	**107,913**	**107,913**

(Amounts in thousands of Euros)	Group	Company
	2020	2020
Acquisition cost of prior period	56,962	56,962
Minus amortisation	(401)	(401)
Minus valuation loss due to unfavorable currency exchange movements	(1,752)	(1,752)
Accrued coupon	421	421
Expected Credit Losses	(16)	(16)
Minus expiration for the year 2020	(25,137)	(25,137)
Plus acquisitions for the year 2020	18,610	18,610
Balance 31.12.2020	**48,687**	**48,687**

11. Cash and cash equivalents pledged account

(Amounts in thousands of Euros)	Note	Group 2021	Group 2020	Company 2021	Company 2020
Cash in hand		19	13	16	11
Sight deposits		272,338	307,982	266,065	289,880
Time deposits		93,942	80,888	93,942	80,888
Cash and cash equivalents per Statement of Financial Position		**366,299**	**388,883**	**360,023**	**370,779**
Pledged sight deposits	27.3	(45,500)	(45,500)	(45,500)	(45,500)
Cash and cash equivalents per Statement of Cash Flow		**320,799**	**343,383**	**314,523**	**325,279**

The average interest rate for **Sight deposits and Time deposits** of the Group amounted to 0.12% (2021) and 0.46% (2020).

The analysis of **Cash in hand, Sight deposits** and **Time deposits** by geographical area as of 31 December 2021 is as follows:

(Amounts in thousands of Euros)	Note	Group 2021	Group 2020	Company 2021	Company 2020
Cash in hand		19	13	16	11
Greek Financial Institutions		80,234	52,884	79,723	52,184
Foreign Financial Institutions		286,046	335,986	280,284	318,584
Cash and cash equivalents per Statement of Financial Position		**366,299**	**388,883**	**360,023**	**370,779**
Pledged sight deposits	27.3	(45,500)	(45,500)	(45,500)	(45,500)
Cash and cash equivalents per Statement of Cash Flow		**320,799**	**343,383**	**314,523**	**325,279**

The **Pledged sight deposits** of EUR 45,500 thousand relates to cash deposits which have been pledged for the provision of bank guarantees (Note 27.3). The Company has the right to use this cash following an application, provided that the collateral deposit is replaced by pledging alternative financial instruments, without significant additional charges.

12. Share capital

On 31 December 2021, 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 2021	Group 2020	Company 2021	Company 2020
Statutory Reserves	40,624	38,082	40,584	38,042
Non-taxed Reserves	74,733	72,512	74,733	72,512
Reserves from non-taxable income	254	254	176	176
Reserves from income taxed in a special way	1,606	1,606	1,620	1,620
Reserves of actuarial gains / (losses)	(781)	(636)	(725)	(578)
Total	**116,436**	**111,818**	**116,388**	**111,772**

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. The distribution or 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 presented in the table below.

According to current Greek tax regulations, (Law 4172/2013, Article 58) Societes Anonymes are taxed for their total Profits at a 22% Tax Rate – Law 4799/2021 Article 120 (2020: 24% - Law 4646/2019 Article 22).

(Amounts in thousands of Euros)	Group	Company	Group	Company	Group	Company
Deferred tax assets	**Balance 31/12/2020***	**Balance 31/12/2020***	**Effect in P&L and OCI for 2021**	**Effect in P&L and OCI for 2021**	**Balance 31/12/2021**	**Balance 31/12/2021**
Adjustments for securities and investment impairment	1,251	1,251	(464)	(491)	787	760
Provision for staff indemnities*	664	664	(205)	(205)	459	459
Provision for doubtful debts	376	376	(31)	(31)	345	345
Exchange differences	1,790	1,790	(1,790)	(1,790)	0	0
Other	319	319	(1)	(99)	318	220
	4,400	**4,400**	**(2,491)**	**(2,616)**	**1,909**	**1,784**
Deferred tax liabilities						
Adjustment of depreciation and reversal of revaluation Law 2065/1992	(7,748)	(7,856)	850	957	(6,898)	(6,899)
Exchange differences	(26)	0	(1,605)	(1,631)	(1,631)	(1,631)
Other	0	0	0	0	0	0
	(7,774)	**(7,856)**	**(755)**	**(674)**	**(8,529)**	**(8,530)**
Net amount in the P&L and Statement of Comprehensive Income			**(3,246)**	**(3,290)**		
Net Asset/ (Liability) from Deferred Taxes	**(3,374)**	**(3,456)**			**(6,620)**	**(6,746)**

The impact due to the change in tax rates in the income statement, for the Group, amounts to EUR 599 thousand and for the Company to EUR 611 thousand.

The total movement in **Deferred income tax** is as follows:

(Amounts in thousands of Euros)	Group		Company	
	2021	**2020***	**2021**	**2020***
Opening balance*	(3,374)	(5,690)	(3,456)	(5,752)
Amount recognized in Results	(3,269)	2,298	(3,313)	2,278
Impact of change in accounting policy related to IAS 19	0	(4)	0	(4)
Amount recognized in Other Comprehensive Income	23	22	23	22
Closing balance	**(6,620)**	**(3,374)**	**(6,746)**	**(3,456)**

(*) The comparative figures for the Group and the Company for FY2020, are restated by the impact of the change in accounting policy related to IAS 19. For further analysis please refer to Note 15.

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:

	2021	2020*
Discount rate (%)	0.6%	0.3%
Future salaries increase	2%	2%
Remaining working life of employees (years)	8.03	10.06
Mortality table	EAE2012 in accordance with the decision 49 /12.09.12	EVK 2000 improved with age setback method

(*) The comparative figures are restated by the impact of the change in accounting policy related to IAS 19.

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 EUR 2,087 thousand.

Scenarios	**Change + / (-)% discount rate**	**Payment + / (-)% future salary increases**	**Company**
Scenario 1	0.5%	0	2,037
Scenario 2	(0.5%)	0	2,139
Scenario 3	0	0.5%	2,135
Scenario 4	0	(0.5%)	2,040

The account movement analyzes as follows:

(Amounts in thousands of Euros)	**Group**	**Company**
Reported Liability balance 31.12.2019	**3,847**	**3,762**
Restatement due to adoption of IFRS Interpretation Committee (IFRS IC or IFRIC) Agenda for "Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)"	(1,087)	(1,024)
Restated liability balance 31.12.2019	**2,760**	**2,738**
Cost of current service	280	179
Benefits due to staff voluntary resignation	87	87
Financial cost 1.1.2020 - 31.12.2020	31	30
Total expense recognized in results for the year	**398**	**296**
Actuarial losses for the year recognized in Equity	90	90
Benefits paid by employer	(340)	(340)
Restatement due to adoption of IFRS Interpretation Committee (IFRS IC or IFRIC) Agenda for "Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)"	(18)	(14)
Restated liability balance 31.12.2020	**2,890**	**2,770**
Cost of current service	(446)	(471)
Benefits due to staff voluntary resignation	45	45
Financial cost 1.1.2021- 31.12.2021	8	8
Total expense recognized in results for the year	**(393)**	**(418)**
Actuarial losses for the year recognized in Equity	168	170
Benefits paid by employer	(435)	(435)
Liability balance 31.12.2021	**2,230**	**2,087**

In the following year, two (2) employees will leave the Company due to retirement.

Attributing Benefit to Periods of Service (IAS 19 Employee Benefits) – IFRS Interpretation Committee (IFRS IC or IFRIC) Agenda Decision issued May 2021: The International Financial Reporting Interpretations Committee issued the final agenda decision in May 2021, under the title "Attributing Benefits to Periods of Service" (IAS 19), which includes explanatory material regarding the attribution of benefits in periods of service regarding a specific defined benefit plan analogous to that defined in Article 8 of Greek Law 3198/1955 regarding provision of compensation due to retirement (the "Labor Law Defined Benefit Plan"). This explanatory information differentiates the way in which the basic principles and regulations of IAS 19 have been applied in Greece in the previous years, and therefore, according to what is defined in the "IASB Due Process Handbook (par 8.6)", entities that prepare their financial statements in accordance with IFRS are required to amend their Accounting Policy accordingly. Based on the above, the final decision of the Committee's agenda is treated as a Change in Accounting Policy.

In prior years, the Group attributed the employee benefits within the period between the employment and the retirement date. After the examination of the abovementioned decision's effect, the Group finalized the evaluation of impact, by presenting retrospectively the impact on Statement of Financial Position and on Statement of Changes in Equity as of 31 December 2021, while the Statement of Profit or Loss and other Comprehensive Income and the Statement of Cash flows were not restated due to non-significant impact.

In the tables below, abstracts of the Statement of Financial Position are presented, depicting the restrospective impact of IFRS Interpretation Committee decision.

2019

Group

(Amounts in thousands of Euros)	31 December 2019 (Published)	Impact of change in accounting policy related to IAS 19	31 December 2019 (Restated)
Equity			
Retained earnings	371,687	841	372,528
Long-term liabilities			
Deferred taxes	5,444	246	5,690
Retirement / dismissal benefit obligations	3,847	(1,087)	2,760

Company

(Amounts in thousands of Euros)	31 December 2019 (Published)	Impact of change in accounting policy related to IAS 19	31 December 2019 (Restated)
Equity			
Retained earnings	358,186	778	358,964
Long-term liabilities			
Deferred taxes	5,506	246	5,752
Retirement / dismissal benefit obligations	3,762	(1,024)	2,738

2020

Group

(Amounts in thousands of Euros)	31 December 2020 (Published)	Impact of change in accounting policy related to IAS 19 FY19	Impact of change in accounting policy related to IAS 19 FY20	31 December 2020 (Restated)
Equity				
Retained earnings	396,909	841	14	397,764
Long-term liabilities				
Deferred taxes	3,124	246	4	3,374
Retirement / dismissal benefit obligations	3,995	(1,087)	(18)	2,890

Company

(Amounts in thousands of Euros)	31 December 2020 (Published)	Impact of change in accounting policy related to IAS 19 FY19	Impact of change in accounting policy related to IAS 19 FY20	31 December 2020 (Restated)
Equity				
Retained earnings	383,294	778	10	384,082
Long-term liabilities				
Deferred taxes	3,205	246	4	3,455
Retirement / dismissal benefit obligations	3,808	(1,024)	(14)	2,770

16. Lessee lease liabilities

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

Long - term lease liabilities

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Leased Premises	117	49	31	42
Leased Vehicles	194	306	184	296
Total	**311**	**355**	**215**	**338**

Short - term lease liabilities

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Leased Premises	21	49	11	10
Leased Vehicles	164	288	124	235
Total	**185**	**337**	**135**	**245**

17. Trade and other payables

Trade and Other Payables is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Trade Payables and Excise Tax	63,783	57,769	63,614	57,546
Social security	1,660	1,833	1,625	1,819
Taxes (except corporation tax)	15,811	8,242	1,133	1,483
Other liabilities	4,389	3,669	3,860	3,466
Total	**85,643**	**71,513**	**70,232**	**64,314**

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	
	2021	2020	2021	2020
Provisions for litigation and claims	0	152	0	152
Total	**0**	**152**	**0**	**152**

The movement of the provisions is as follows:

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Opening balance	152	152	152	152
Amount paid	(152)	0	(152)	0
Balance 31 December	**0**	**152**	**0**	**152**

Provision for litigations and claims as of 31.12.2020 related to an additional claim by an employee amounting to EUR 152 thousand which was paid in January 2021.

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.

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

19. Turnover

Turnover is analyzed as follows:

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
International sales (*)	173,306	160,716	168,563	154,128
Domestic sales (net) (*)	54,931	50,318	54,589	50,152
Excise tax and VAT	955,945	897,684	579,687	549,811
Total	**1,184,182**	**1,108,718**	**802,839**	**754,091**

The analysis of **International Sales** is as follows:

(Amounts in thousands of Euros)	Group		Company	
Geographical area	2021	2020	2021	2020
European Union countries	70,551	66,661	67,919	60,073
Other European countries	41,082	33,355	38,965	33,355
Africa	50,619	47,817	50,619	47,817
Asia	11,054	12,883	11,060	12,883
Total	**173,306**	**160,716**	**168,563**	**154,128**

(*) 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 2021 fees, together with the promotional incentives paid to customers, amount to EUR 1,864 thousand for the Group (FY2020 Euro: 1,783 thousand) and EUR 1,211 thousand for the Company (2020 Euro: 1,166 thousand).

20. Expenses per function

(Amounts in thousands of Euros) — **Group**

	2021			2020		
	Cost of sales	Administrative expenses	Distribution costs	Cost of sales	Administrative expenses	Distribution costs
Salaries and other employee benefits	12,060	4,357	6,793	13,174	5,023	7,807
Stock consumption	79,335	0	0	75,382	0	0
Excise tax and VAT	955,945	0	0	897,684	0	0
Depreciation	6,819	161	530	6,518	338	438
Third party fees	4,776	2,137	3,281	3,628	1,824	3,574
Provisions	0	0	0	0	0	0
Other operating expenses	1,362	1,724	8,146	1,244	3,338	7,212
Other	495	43	0	0	132	164
Total	**1,060,792**	**8,422**	**18,750**	**997,630**	**10,655**	**19,195**

(Amounts in thousands of Euros) — **Company**

	2021			2020		
	Cost of sales	Administrative expenses	Distributio n costs	Cost of sales	Administrative expenses	Distribution costs
Salaries and other employee benefits	11,726	3,999	6,459	13,174	4,411	7,370
Stock consumption	79,111	0	0	73,967	0	0
Excise tax and VAT	579,687	0	0	549,811	0	0
Depreciation	6,787	106	495	6,518	278	360
Third party fees	4,714	1,594	3,177	3,627	1,595	3,343
Provisions	0	0	0	0	0	382
Other operating expenses	1,343	1,596	7,390	1,244	3,279	6,409
Other	495	41	0	0	119	164
Total	**683,863**	**7,336**	**17,521**	**648,341**	**9,682**	**18,028**

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

Other Operating Expenses and **Other expenses**, include transportation expenses, publicity expenses, consumables, other general expenses etc.

Salaries and other employees benefits

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Salaries	18,620	20,129	17,650	19,240
Social Contributions	4,169	4,648	4,118	4,595
Staff Leaving Benefits provision (Note 15)	(393)	303	(418)	301
Other benefits	814	820	834	819
Total	**23,210**	**25,900**	**22,184**	**24,955**
Average number of employees	**554**	**561**	**523**	**529**

Depreciation

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Buildings	351	349	351	349
Machinery	6,405	6,186	6,405	6,186
Vehicles	23	25	23	24
Furniture	197	206	194	182
Software	168	160	168	160
Amortization of right of use - IFRS 16	366	369	247	255
Total	**7,510**	**7,295**	**7,388**	**7,156**

21. Audit and other fees

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

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Fees for auditing services	103	88	77	66
Fees for the Annual Tax Certificate	66	66	61	60
Other fees	7	4	1	4
Total	**176**	**158**	**139**	**130**

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)	Company & Greek Subsidiaries	
	2021	2020
Fees for auditing services	85	74
Audit fees for the Annual Tax Certificate	66	66
Other fees	1	4
Total	**152**	**144**

22. Other operating income

Other Operating Income is analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Income from transportation costs billed to customers	2,674	2,504	2,674	2,503
Other income	571	672	551	672
Total	**3,245**	**3,176**	**3,225**	**3,175**

23. Financial income – (expenses) net

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Other financial expenses	(2,047)	(3,554)	(1,954)	(3,463)
Financial expenses	**(2,047)**	**(3,554)**	**(1,954)**	**(3,463)**
Interest income	2,214	3,080	2,214	3,080
Subsidiary dividend	0	0	0	2,221
Securities income / (expenses)	487	411	487	411
Financial income	**2,701**	**3,491**	**2,701**	**5,712**
Financial income – (expenses) net	**654**	**(63)**	**747**	**2,249**

Subsidiary dividend of EUR 2,221 thousand in 2020, was collected by the subsidiary KARELIA TOBACCO UK Ltd,

24. Corporation tax

According to current Greek tax regulations, (Law 4172/2013, Article 58) Societes Anonymes are taxed for their total Profits at a 22% Tax Rate – Law 4799/2021 Article 120 (2020: 24% - Law 4646/2019 Article 22).

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, but 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 2020 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 2017 through to 2020, while FY 2011, 2012, 2013 and 2014 have been time-barred. The Company received tax audit notification for the FY 2015 & 2016 by the Greek tax authorities in February 2021, which was completed in 2021, without findings, while the Company submitted, in accordance with the provisions of Law 4512/2018, amended income tax declarations for the tax years (01.01.2015 – 01.12.2015) and (01.01.2016 – 31.12.2016), in November 2021. The processing of these declarations resulted in income tax and interest, of a total amount EUR 953 thousand for the tax year 2015 and EUR 1,069 thousand for the tax year 2016. Thus, the aforementioned financial years are winded up. 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.

In addition, the tax auditing of Financial Year 2021 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 2021 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 2020 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 2016 through to 2020, while FY 2011, 2012, 2013, 2014 and 2015 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 2016 – 2020.

In addition, the tax auditing of Financial Year 2021 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 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 2021 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 2020 in accordance with Greek tax legislation. The Company does not expect any additional corporation taxes or penalties to arise as a result of a tax examination by the Greek tax authorities for the years from 2016 through to 2020, while FY 2011, 2012, 2013, 2014 and 2015 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 2016 – 2020.

In addition, the tax auditing of FY 2021 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 2021 Financial Statements.

In 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 S.A.R.L. and KARELIA TÜTÜN VE TICARET A.Ş. (2008), have not been audited by their respective tax authorities. Consequently, the tax liabilities of the Group 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 2021 Financial Statements.

Corporation tax charged in Profit or Loss Statement is analyzed as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Current corporation tax	21,359	20,645	21,145	20,114
Prior period corporation tax	2,022	0	2,022	0
Deferred taxes	3,496	(2,296)	3,313	(2,279)
Total	**26,877**	**18,349**	**26,480**	**17,835**

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**	
	2021	**2020**	**2021**	**2020**
Profit before tax	114,553	73,005	112,524	72,119
Applicable tax rate	**22%**	**24%**	**22%**	**24%**
Tax calculated based on applicable tax rate	25,202	17,521	24,755	17,309
Effect of changes tax rate	(599)	0	(611)	0
Effect of different tax rates of foreign subsidiaries	(155)	(220)	0	0
Other taxes and tax differences	347	983	314	526
Prior period corporation tax	2,022	0	2,022	0
Losses of subsidiaries not recognized	60	65	0	0
Income tax	**26,877**	**18,349**	**26,480**	**17,835**

The weighted average corporation tax rate for the years 2021 and 2020 for the Group was 23.46% and 25.13% respectively, and for the Company was 23.53% and 24.73%, 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 703 thousand.

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

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Opening balance	4,987	3,971	4,637	3,736
Current and prior period corporation tax charge	23,381	20,645	23,167	20,114
Taxes paid	(17,507)	(19,615)	(16,899)	(19,199)
Movement in tax advances	271	(14)	(1)	(14)
Total	**11,132**	**4,987**	**10,904**	**4,637**

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**	
	2021	**2020**	**2021**	**2020**
Net profit, after tax	**87,676**	**54,656**	**86,044**	**54,284**
Attributable to:				
Company's shareholders	87,690	54,660	86,044	54,284
Minority interests	(14)	(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)	**31.7663**	**19.8029**	**31.1750**	**19.6681**
Diluted earnings per share (in absolute figures)	**31.7663**	**19.8029**	**31.1750**	**19.6681**

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:

(1) 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 2021, the value of these Bank Letters of Guarantee was EUR 178,041 thousand, while on 31 December 2020 their value was EUR 133,671 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 Duty and VAT deferment.

(2) 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 2021 was EUR 43,204 thousand compared to EUR 43,204 thousand on 31 December 2020.

(3) In order for the Bulgarian bank DSK to issue the necessary guarantees as required by Bulgarian customs, in favor of our subsidiary KARELIA BULGARIA EOOD, and which are described in paragraph (2), they had received on 31.12.2021 collateral bank guarantee of equal amount from CREDIT SUISSE AG, to which the company has pledged cash of an amount equal to EUR 45,500 thousand.

(4) 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.

(5) 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 taxes 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.

(6) During November of 2016, the Company paid to the Kalamata Tax Authorities an amount of EUR 667 thousand relating to taxes 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.

(7) 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 afore mentioned 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 paid the total amount of EUR 388 thousand in 2017 and recognized an equal receivable amount from the Greek State. In respect of this receivable, the Company formed an equal an equal provision for doubtful debt in 2017, as the outcome of the case is uncertain. The account "Litigated Duties" in 2017 relates to this 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.

(8) On 31 December 2021, there were litigations and claims the outcome of which, according to the Board's view, would not significantly affect the Company's results.

(9) The fiscal years for which the Company and its subsidiaries have not been audited by the respective tax authorities are described, in detail, in Note 24 of the Financial Statements – Corporation Tax. 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 risk management

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 on 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 and exposed to financial risk are as follows:

(Amounts in thousands of Euros)	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
Financial instruments - Assets				
At fair value				
Investments at fair value through P&L	62,615	29,378	62,615	29,378
At amortized cost				
Accounts receivables	18,662	15,073	16,861	15,034
Cash and cash equivalents	366,299	388,883	360,023	370,779
Investments measured at amortized cost	107,913	48,687	107,913	48,687
Financial instruments - Liabilities				
At amortized cost				
Suppliers and other payables	85,643	71,513	70,232	64,314

The Group does not hold any derivative products neither in current nor in previous fiscal period.

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 through approved directions and functional risk hedging, without hedging instruments.

The following table shows the changes in Group Profits after tax and 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)	**Group 2021**		
Account	**Balance**	**Currency risk + 5%**	**Currency risk - 5%**
Receivables	1,796	(86)	95
Cash and cash equivalents	115,987	(5,523)	6.105
Investments	60,657	(2,888)	3.192
Liabilities	(8,343)	397	(439)
Effect of changes in foreign exchange on income tax gains/ (losses)		1,782	(1,970)
Net effect		**(6,318)**	**6,983**

(Amounts in thousands of Euros)	**Group 2020**		
Account	**Balance**	**Currency risk + 5%**	**Currency risk - 5%**
Receivables	1,560	(74)	82
Cash and cash equivalents	107,660	(5,127)	5,666
Investments	24,610	(1,171)	1,295
Liabilities	(5,651)	269	(297)
Effect of changes in foreign exchange on income tax gains/ (losses)		1,465	(1,619)
Net effect		**(4,638)**	**5,721**

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 coverage is received through 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 through any form of guarantee or through bad debt provisions.

On 31 December 2021, doubtful receivables including those which are more than one year overdue, amounted to EUR 6,364 thousand (for the Group) and EUR 6,093 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 EUR 2,334 thousand relates to litigation claims against the Greek State.

Potential credit risk exists in cash and cash equivalents 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)	**2021**	**2020**
A+	0	47
A	140,859	146,770
A-	0	303
AA	106,291	0
AA-	33,043	62,884
BBB-	0	108,581
B+	73,577	0
B-	6,237	13,651
BBB-	0	108,581
CCC+	0	34,209
CCC	0	4,324
Total	**360,007**	**370,769**

Investments at fair value through P&L

(Amounts in thousands of Euros)	Company	
	2021	**2020**
	62,615	29,378
	62,615	**29,378**

These are investments in Foreign Mutual Funds, and based on their published data, the weighted average per investing category is analyzed as follows:

- Bonds of high credit rating (vast majority) 83%
- Securities 12%
- Cash 5%

Investments at amortized cost

(Amounts in thousands of Euros)	Company	
Credit Rating of Issuers	**2021**	**2020**
AA+	2,613	0
AA–	4,495	6,523
A+	29,085	8,176
A	19,815	0
A–	4,155	1,653
BBB+	17,076	13,446
BBB–	2,382	0
BB+	9,789	5,004
BB	8,150	0
BB–	1,716	0
Without rating*	8,637	13,885
Total	**107,913**	**48,687**

*Corporate 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)	2021	2020
Domestic receivables	2,741	5,940
Receivables from International markets	15,921	9,133

Interest rate and 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 and investments (EUR 537 million on 31.12.2021), most of these held 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	
	2021	**2020**	**2021**	**2020**
	Less than 4 months	Less than 4 months	Less than 4 months	Less than 4 months
Trade payables and other payables	85,643	71,513	70,232	64,314

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 on 31 December 2021, amounted to EUR 106,906 thousand.

The Group did not use derivatives on financial instruments.

29. Post Balance Sheet events

No significant events have occurred after 31 December 2021 that require disclosure in or change of the Financial Statements. The possible consequences of the COVID 19 pandemic and the geopolitical evolvements which are mentioned in the section "INFORMATION ON GROUP PROSPECTS" imply that Group's activities have not been directly and significantly impacted by the pandemic, nor by the Russia-Ukraine conflict. The Group does not perform any transactions, or holds any investments, directly attributable to these countries.

30. Transactions and balances with related parties με συνδεμένα μέρη

KARELIA TOBACCO COMPANY INC., its subsidiaries, the subsidiaries of the subsidiaries, the Management and its executives are classified as related parties of the Group, as well as their covered person.

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

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, are conducted at arm's length, except for any loans.

The following transactions were carried out with related parties:

i) Sales of goods and services

(Amounts in thousands of Euros)	2021	2020
MERIDIAN S.A.	205	186
KARELIA BULGARIA EOOD	43,004	37,653
KARELIA TOBACCO COMPANY (UK) LTD	3,047	3,384
KARELIA TÜTÜN VE TICARET A.Ş.	76	0
Total	**46,332**	**41,223**

ii) Other intercompany charges

(Amounts in thousands of Euros)	2021	2020
KARELIA TÜTÜN VE TICARET A.Ş.	85	0
Total	**85**	**0**

iii) Outstanding balances derived from sales of products and services

Receivables from related parties

(Amounts in thousands of Euros)	2021	2020
MERIDIAN S.A.	28	29
KARELIA BULGARIA EOOD	4,478	2,398
KARELIA TOBACCO COMPANY (UK) LTD	338	343
KARELIA TÜTÜN VE TICARET A.Ş.	0	4
Total	**4,844**	**2,774**

iv) Outstanding balances derived from Other intercompany charges

(Amounts in thousands of Euros)	2021	2020
KARELIA TÜTÜN VE TICARET A.Ş.	2	0
Total	**2**	**0**

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

(Amounts in thousands of Euros)	Group		Company	
	2021	2020	2021	2020
Remuneration for the Members of the BOD	520	495	520	495
Salaries and other short-term benefits for Executives	2,886	3,847	2,598	3,623
	3,406	**4,342**	**3,118**	**4,118**

There are no further transactions or receivable / liability balances with the aforementioned BoD members and Department Directors.

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)	2021		2020	
	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	225,280	53,853	207,024	50,472
Financial income	2,501	0	5,442	0
Financial expenses	1,398	208	1,232	87
Total depreciation	5,242	95	4,861	114
Profit before taxes	105,137	3,134	69,741	3,193

(Amounts in thousands of Euros)

Group

Revenues from customers	2021	2020
Revenues from customers (Greece and Overseas)	297,133	257,496
Other operating income (Note 22)	(2,674)	(2,504)
Eliminations of intergroup sales (Note 30)	(46,332)	(41,222)
Other	(26)	(953)
IFRS 15	(1,864)	(1,783)
Excise and VAT (Note 19)	955,945	897,684
Revenue in accordance with Profit of Loss and Other Comprehensive Income	**1,184,182**	**1,108,718**

(Amounts in thousands of Euros)

Group

Profit/ (Loss) before taxes	2021	2020
Profit before taxes (Greece and Overseas)	108,271	72,934
Adoption from C.L. to IFRS	6.995	2,010
Eliminations of intergroup profits	(713)	(1,939)
Profit before taxes	**114,553**	**73,005**

Kalamata, 27 April 2022

Vice Chair	Managing Director	Finance Director	Head of Accounting
Efstathios G. Karelias	Andreas G. Karelias	George D. Alevizopoulos	Vasiliki S. Tsoumelea