KARELIA
FINE TOBACCOS SINCE 1888

Annual Financial Report

TWELVE MONTH PERIOD

1 January – 31 December 2023

KARELIA TOBACCO COMPANY INC.

General Electronic Commercial Registry
(G.E.MI) 15082945000
(former Commercial Registry for Societe Anonyme 10174/06/B/86/126)
Athinon Str. 24100 Kalamata

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Statements of Member of the Board of Directors of KARELIA TOBACCO COMPANY INC. (According to Article 4 par, 2 of Law 3556/2007)

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

1. Victoria-Margarita G. Karelia, 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 2023, 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 2023 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, 25th April 2024

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 accompanying 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 2023, the Separate and Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising material 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 2023 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), as 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 the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants, as incorporated in Greek legislation, and with the ethical requirements that are relevant to the audit of the separate and consolidated financial statements in Greece, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the applicable legislation. 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.

Completeness and Accuracy of Excise Tax

See Notes 3.22 ,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 EUR 632,018 thousand and EUR 1,045,922 thousand respectively at 31 December 2023. 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 aggregate basis, by using tax rates based on current legislation per period and per type of product, 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. Finally, we assessed the appropriateness and adequacy of the disclosures, referring to this matter, in the Financial Statements.

Other Information

The Board of Directors 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 the Board of Directors and Those Charged with Governance for the Separate and Consolidated Financial Statements

The Board of Directors 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 the Board of Directors 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, the Board of Directors 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 the Board of Directors 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 on the basis of these Separate and Consolidated Financial Statements.

As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional scepticism 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Separate and Consolidated Financial Statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on these Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

1. Board of Directors' Report

The Board of Directors is responsible for the preparation of the Board of Directors' Report and the Corporate Governance Statement that is included in this report. Our opinion on the financial statements does not cover the Board of Directors' Report and we do not express an audit opinion thereon. Our responsibility is to read the Board of Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work 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 Articles150-151 and 153-154 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 2023.

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'.

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 25 April 2024, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

3. Provision of non-Audit Services

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

The permissible non-audit services that we have provided to the Company and its subsidiaries during the year ended 31 December 2023 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 18 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 2023 in XHTML format (549300E0O2PB52T65X22-2023-12-31-el.xhtml), and also the file XBRL (549300E0O2PB52T65X22-2023-12-31-el.zip) with the appropriate markup of the those consolidated financial statements, including of the Notes to the 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, as well as in the Notes to the consolidated financial statements, 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, including of the Notes to the Consolidated Financial Statements.

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 the Board of Directors and those charged with governance

The Board of Directors 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 2023, in accordance with the requirements determined by the ESEF Regulatory Framework, and for such internal control as the Board of Directors determines is necessary to enable the preparation of digital files that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the Board of Directors 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 2023 in XHTML format (549300E0O2PB52T65X22-2023-12-31-el.xhtml), and the XBRL file ((549300E0O2PB52T65X22-2023-12-31-el.zip) marked up with respects to the consolidated financial statements, including the Notes to the consolidated financial statements, have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulatory Framework.

Athens, 26 April 2024
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 2023.

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 2023.

1. Group information

1.1 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 80% of the share capital.

1.2 Consolidated Group Results

The amounts are in thousands of Euros unless otherwise stated.

Consolidated Equity, on 31.12.2023, after non-controlling interests amounts to Euro 713 million, compared to Euro 659 million on 31.12.2022.

Information about Consolidated Group Results

	31.12.2023	31.12.2022	Variation
Turnover (net of Excise Tax and VAT)	278,235	257,025	8.25%
Results from operating activities (EBIT)	97,370	102,819	(5.30%)
Operating & Net financial Result	116,255	101,428	14.62%
Depreciation & Amortization (Note 20)	7,547	7,323	3.06%
Profit before interest, foreign currency exchange results, taxes, and depreciation (EBITDA)	104,917	110,142	(4.74%)
Profit before tax	110,116	111,173	(0.95%)
Profit after tax and non-controlling interests	86,845	85,362	1.74%

Profit before interest, foreign currency exchange results, taxes, and depreciation (EBITDA) is an alternative profitability indicator, calculated by subtracting Depreciation & Amortization from Results from operating activities (EBIT).

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 FY2023 and for the previous financial year.

Financial Structure Ratios

	31.12.2023	31.12.2022
Current Assets / Total Assets	77.10%	74.94%
Total Liabilities / Total Equity and Liabilities	17.31%	17.43%
Equity after non-controlling Interests / Total Equity and Liabilities	82.69%	82.57%

Performance and Efficiency Ratios

	31.12.2023	31.12.2022
Results from operating activities (EBIT) / Turnover (net of Excise Tax and VAT)	35.00%	40.00%
Profit before tax / Equity after non-controlling Interests	15.44%	16.87%

Employees

On 31.12.2023, the Group employed 569 employees (Company: 537 employees), representing an increase of 3.1% compared to 31.12.2022 when the number of employees was 552 (Company: 519 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.

1.3 Business Development – Significant events of 2023

Despite a highly volatile business environment, with geopolitical tensions, strong inflationary pressures, instability in energy and transport costs, and increases in tobacco excise taxation in our key international markets, the Group's performance during 2023 has been completely satisfactory, with increased Turnover, high levels of profitability and further strengthening of our cash reserves.

On the basis of this performance, the Board of Directors proposes the distribution of a dividend of 12.40 per share, which is 5.1% higher in relation to the previous year.

In the Greek market, despite intense competition from alternative nicotine delivery products, we achieved an increase in cigarette sales volume of approximately 8.5%, a result of market share growth of our brands, but also of increased traffic in travel retail outlets. Our Roll Your Own tobacco products achieved the same volumes as in 2022 despite the slight contraction of the segment, thus improving their market share as well.

In our international markets, sales volume in cigarettes showed a slight increase of around 2%, while in rolling tobacco the increase was in the order of 14%. In Bulgaria, our sales volume increased by approximately 5% in cigarettes, while volumes in rolling tobacco moved slightly downward. In Serbia, Kosovo and Bosnia, our impressive sales growth fully offset the decline in shipments to Albania and Croatia.

Our volumes to other EU countries also moved upwards. The notable performance of our brands in Spain (+6%), Slovakia (+3.5%) and Luxembourg (+11%), helped our Company achieve overall volume growth of 6% in the region and fully compensate reduced sales in France, where the dramatic increase of tobacco taxation led to a shrinking market. In the rest of Western Europe, including the UK, sales volumes were lower, mainly due to increases in tobacco taxation, or government imposed higher retail prices in some jurisdictions.

The Group achieved impressive results in the travel retail markets of the Far East, the Middle East and especially Turkey (cigarettes +24%, rolling tobacco +64%), as a result of the return of travel traffic to the levels of 2019, but also due to the increased brand awareness of our products. On the other hand, in the countries of Eastern Europe, where the general business environment is more susceptible to the effects of the conflict in Ukraine, our volumes declined, except for Moldova. In the North African markets and despite the very serious lack of hard currency reserves, we managed to maintain our volumes at the levels of 2022, after adjusting our pricing policy to the economic realities of the region.

As a result of the above developments, the consolidated Turnover of the Group, net of Excise Tax and VAT, increased by 8.3% compared to the previous year, exceeding EUR 278 million. However, due to the strong increase of procurement prices of raw materials, mainly tobacco and filter materials, which we have mentioned in previous reports, our gross margin (on net turnover) declined from 50.7% in 2022 to 44.8 % in 2023.

The Group's net profits before taxes showed a slight decrease of 1% compared to the previous year, reaching EUR 110.1 million. The Group's significant financial income, a result of strong cash reserves and higher interest rates in international markets, fully offset the current negative foreign exchange differences caused by the devaluation of the US dollar against the euro, as well as a significant part of the decline in gross profitability.

We wish to pay tribute to the late member of the Board of Directors, Professor Vasilios Antonopoulos, whose passing, in 2023, caused us great sadness. Professor Antonopoulos served as an independent member of the Board of Directors of the Company for nine years, during which he served and chaired our various Board committees, including the Audit Committee. We shall all miss his invaluable contribution, derived from his deep scientific knowledge and experience in matters of Commercial Law. The 2023 Annual General Meeting of shareholders elected two new independent members of the Board of Directors, the former Minister, Mrs. Evi Christofilopoulou and the businessman, Mr. Ioannis Tsoukaridis. They both have well respected and wide professional experience, which will make a valuable contribution to the Group's future development.

1.4 Information on Group Prospects

During 2023, inflation remained at higher levels than expected, despite the tight interest rate policy adopted by major central banks. Thus, and due to persistent inflation, the de-escalation of interest rates is expected, according to most analysts, to take place at a slower pace, a development which, due to its significant cash reserves, is expected to improve the Group's profitability.

In terms of raw material costs, the main challenge for the near term is the continued increases in the procurement prices for tobacco, which, due to undersupply caused by adverse weather conditions for tobacco cultivation in the major producing countries (Brazil, Zimbabwe, etc.), but also due to restriction in leaf exports from China, show no signs of abating. In contrast, procurement prices of the remaining raw and packaging materials appear to be gradually softening.

In the Greek market, the sales performance of the first months of 2024 appears to be on a slight upward trend, both in cigarettes and tobacco, with our premium brand families gaining market share. Furthermore, the fact that Greece remains one of the top tourist destinations is expected to enhance our sales at travel retail outlets, while the recent lifting of the restricted allowance on the purchase of tobacco products by visitors from other EU member states, is expected to have an additional positive impact on sales volumes. However, we also expect intensification of competition from alternative nicotine delivery products, some of which have shown an upward trend in market share in previous months.

As far as our international shipment volumes are concerned, we anticipate a similar performance and trends to those of 2023. Our sales volumes in the E.U. and in the Balkan countries appear, during the first months of the year, to be on the rise, thus offsetting the slightly reduced factory sales prices to most of our Balkan markets needed to safeguard the competitiveness of our brands amid continuous hikes in tobacco excise taxation.

On the other hand, our sales in the Middle East and Turkey show a slight decline during the first months, possibly affected both by the fact that Ramadan, in 2024, coincides with the end of the first quarter, and by the intense devaluation of the Turkish lira by about 40%. As far as our volumes in the North African markets are concerned, they are slightly down during the first months for the same reasons (Ramadan etc.). The extension of the IMF bailout package for Egypt mitigates the risk for the country's default, however, the effects of the recent partial liberalization of the local currency's exchange rate are difficult to assess at this stage. Our travel retail turnover in the region will undoubtedly be affected by the hostilities in Gaza and the Red Sea.

1.5 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 "Financial Risk".

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 assurance in the form of bank letters of guarantee, 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 ageing 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 high-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 697 million on 31.12.2023), the majority of which is deposited with international banks of investment grade.

1.6 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 Organization 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 on 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.

It should be noted that there is a direct relationship between the supply of leaf tobacco used in production process and climate change. The potential impact of climate change is uncertain and may vary by geographic region. Meteorological conditions, such as changes in rainfall patterns, water shortages, changing storm patterns and intensities, and changing temperature levels, may severely affect the supply and demand for leaf tobacco. The Group, through the geographical diversification of its suppliers, attempts to mitigate the effect of the above risk.

Further increases in the activity of counterfeiting (including our most popular trademarks) by third parties, because 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.

1.7 Important litigations and claims

On 31st December 2023 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 (iv)-(viii) of Note 27.

1.8 Related party transactions

During FY2023, 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 FY2022 and therefore, they do not materially affect the financial position and performance of the Company.

The table below illustrates the intercompany sales and the intercompany charges 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 2023.

(Amounts in thousands of Euros)	Sales of products	Intercompany receivables	Intercompany charges	Liabilities
MERIDIAN S.A.	222	241	0	0
KARELIA BULGARIA EOOD	46.300	3.439	0	0
KARELIA TOBACCO COMPANY (UK) LTD	2.538	5	23	0
KARELIA TÜTÜN VE TICARET A.Ş.	93	63	(85)	(4)
Total	**49,153**	**3,748**	**(62)**	**(4)**

The remuneration of the Board of Directors and Group Management amounted to EUR 4,071 thousand in FY2023 against to EUR 3,930 thousand for FY2022 (Company 2023: EUR 3,723 thousand, 2022: EUR 3,605 thousand). There are no other transactions between the companies of the Group, their Management, and key Executives, together with close members of their families.

1.9 Treasury shares

The Company and its subsidiaries do not hold own shares.

1.10 Investments

The Group proceeded with investments of EUR 4.053 thousands during the current fiscal period.

1.11 Dividend

The Board of Directors of the Company, taking into account the results of FY2023, 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 29th May 2024, dividend distribution, amounting to EUR 34,224 thousand, equivalent to EUR 12.40 per share. The proposed gross dividend is 5.1% higher than the dividend of the financial year 2022. Based on the share price of 31st December 2023, the proposed dividend represents a dividend yield of 3.69%.

1.12 Significant events after the Statement of Financial Position date of 31st December 2023

No significant events which might influence the Financial Statements for FY2023 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 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 " 1.4. Information on Group prospects".

1.13 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 Group is committed to and applies a Sustainable Development Policy, which is included in the Company's Operating Regulation, 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 Group in a way that ensures long-term prosperity.

To this end, the Group 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 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.

- Provides equal opportunities for all its employees, through continuous training and systematic assessment of its human resources, irrespective of gender, color, race, national or social origin, nationality, 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 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 2023, through the above process, 536 tons of tobacco dust were recycled (2022: 533 tons of tobacco dust).

- 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 2023 the Group recycled 975 tons of paper (2022: 965 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 environmentally friendly goals.

The Group complies with Law 4936/2022 regarding climate change and the management of greenhouse gas emissions. In 2023, an Emissions Report was submitted, with 2022 as reference year, by implementing the categorization indicated in the above-mentioned law, and for which, the Group received verification statement from an Accredited Greenhouse Gas Emissions Verification Organization.

Local communities

The Group strengthens the local communities, in which it operates, by providing financial assistance to local organizations, schools, youth organizations, 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.

The Company, within its framework of corporate social responsibility, continued its social contribution, in the form of financial aid to many community organizations, with an amount of EUR 1 million.

Business Model

The Group purchases tobacco leaves, and other goods needed in its production process. The Group 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. The management of the Group ensures that its manufacturing facilities will continue to produce tobacco products 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 and expertise.

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 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 Group has developed procedures to ensure its compliance with the current regulatory framework, operates responsibly and continuously improves its performance.

Sustainable investment policy

The European Union Regulation (hereinafter referred to as the "Regulation") of the European Taxation System (EU Taxonomy) is implemented 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 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.

The tables as requested by the European Regulation 2021/2178; Appendix II are presented below:

Turnover KPI of the EU taxonomy-taxonomy alignment of economic activities

Group - 2023	Turnover		Substantial contribution criteria						DNSH criteria ('Does not significantly Harm')						Minimum safeguards	Category "enebling activity"	Category 'transition activity'
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
	in thousands of Euros	%	%	%	%	%	%	%	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	E / -	T / -
Revelant total values of the Group	278.235	100%															
of which: taxonomy eligible	0	0%															
of which: taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%															
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**0**	**0%**															
of which: not taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%	[redacted]														
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**0**	**0%**															
of which: taxonomy non eligible	**278.235**	**100%**															

Capital Expenditure KPI of the EU taxonomy - taxonomy alignment of economic activities

Group - 2023	Capital Expenditures		Substantial contribution criteria						DNSH criteria ('Does not significantly Harm')						Minimum safeguards	Category "enebling activity"	Category 'transition activity'
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
	in thousands of Euros	%	%	%	%	%	%	%	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	E / -	T / -
Revelant total values of the Group	5.652	100%															
of which: taxonomy eligible	380	7%	100%						YES								
of which: taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%															
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**0**	**0%**															
of which: not taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%	[redacted]														
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**380**	**7%**															
of which: taxonomy non eligible	**5.272**	**93%**															

Operating Expenditure KPI of the EU taxonomy - taxonomy alignment of economic activities

Group - 2023	Operating Expenditures		Substantial contribution criteria						DNSH criteria ('Does not significantly Harm')						Minimum safeguards	Category "enebling activity"	Category 'transition activity'
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
	in thousands of Euros	%	%	%	%	%	%	%	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	Yes/N.A	E / -	T / -
Revelant total values of the Group	9.400	100%															
of which: taxonomy eligible	0	0%															
of which: taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%															
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**0**	**0%**															
of which: not taxonomy aligned activities																	
6.6 Freight transport services by road	0	0%															
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	0	0%															
Total	**0**	**0%**															
of which: taxonomy non eligible	**9.400**	**100%**															

The Key Performance Indicators (hereafter "KPI") are defined by the Group in accordance with the legal requirements of the European Regulation as follows:

Turnover KPI: The proportion of turnover referred to in Article 8(2), point (a), of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator) as defined in Article 2, point (5), of Directive 2013/34/EU. The Turnover KPI shall exclude from its numerator the part of the net turnover derived from products and services associated with economic activities that have been adapted to climate change in line with Article 11(1), point (a) of Regulation (EU) 2020/852 and in accordance with Annex II to Delegated Regulation (EU) 2021/2139, unless those activities:

(a) qualify as enabling activities in accordance with Article 11(1)-point (b) of Regulation (EU) 2020/852; or

(b) are themselves Taxonomy-aligned.

Capitalized expenditure KPI: The denominator shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator shall also cover additions to tangible and intangible assets resulting from business combinations. The numerator equals to the part of the capital expenditure included in the denominator that is any of the following:

(a) related to assets or processes that are associated with Taxonomy-aligned economic activities.

(b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('Capex plan') under the conditions specified in the second subparagraph of this point 1.1.2.2.

(c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, and provided that such measures are implemented and operational within 18 months.

In current fiscal year, the Group proceeded with capital expenditure of EUR 380 thousand, which refers to the replacement of the factory's lamps with LEDs.

Operating expenditure KPI: The denominator shall cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant, and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. The numerator equals to the part of the operating expenditure included in the denominator that is any of the following:

(a) related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development;10.12.2021 EN Official Journal of the European Union L 443/19

(b) part of the Capex plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe as set out in the second paragraph of this point 1.1.3.2.

(c) related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures and provided that such measures are implemented and operational within 18 months.

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 of taxonomy alignment, as set out by the European Union and considering the current organization structure of corporate operations, there is no eligible economic activity, neither for the mitigation nor for the adaptation of climate change, in which part of the corporate actions could be included.

The Group, 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.

2023 Performance

In 2023, the Group employed 569 employees (as on 31st December 2023), 24% of whom were women. The salary of each Group employee exceeds, or is at least equal, to the requirements of the respective national collective labor agreements.

At the end of 2023, 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 3.7 million.

Furthermore, the Company continued its corporate social responsibility activities, in the form of financial aid to many community organizations, with an amount of EUR 1 million.

Awards 2023

Karelia Tobacco Company's entrepreneurial activity and contribution to the Greek economy were recognized once again in 2023.

As a result, the Company received one prestigious award from the Greek business community, more specifically, for another year, Karelia Tobacco Company was honored with the award "Diamonds of the Greek Economy" for its outstanding contribution as one of the most dynamic businesses in Greece.

1.14 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.

2. Explanatory Report to the Annual General Meeting of Shareholders KARELIA TOBACCO COMPANY INC. IN ACCORDANCE WITH ARTICLE 11a L. 3371/2005

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

2.1 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 on 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 at least 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 of its Articles of Association). The shareholders' liability is limited to the nominal value of their shares.

2.2 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.

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

Based on the data of the 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	22.0085 %
KARELIAS EFSTATHIOS	21.1990 %
SPYROPOULOY ASIMINA	13.4218 %
GEORGE & VICTORIA KARELIA FOUNDATION	7.1497 %

2.4 Shares with special control rights

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

2.5 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.

2.6 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.

2.7 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.

2.8 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 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.

2.9 Significant agreements

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

2.10 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.

3. Corporate Governance Statement (According to L. 4548/2018 & L. 4706/2020)

3.1 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.

3.2 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:

3.2.1 Board of Directors

3.2.1.1 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.

3.2.1.2 Size and Composition of the Board

3.2.1.2.1 Composition of the Board

- Special practice 2.2.14 and 2.2.15:

  The Company's diversity policy, which is included in the Eligibility Policy of the Board members, 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 mainly selects the members of the Board of Directors and its executives based on 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.

3.2.1.2.2 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.

3.2.1.2.3 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.

3.2.1.3 Operation of the Board

3.2.1.3.1 Corporate Secretary

- Specific practice 3.2.1 and 3.2.2:

  The Board is not supported by a corporate secretary 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.

3.2.1.3.2 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 considering 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.

3.3 Internal Control System

3.3.1 General characteristics

3.3.1.1 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.

3.3.1.2 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.

3.3.1.3 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.

3.3.2 Internal Audit Department

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

3.3.2.2 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.

3.3.2.3 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.

3.3.2.4 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.

3.3.2.5 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.

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

3.3.2.7 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 has 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 organization units and the number of audited companies.

3.3.2.8 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.

3.3.2.9 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.

3.3.2.10 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.

3.3.2.11 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.

3.3.2.12 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.

3.3.2.13 A more detailed record of the Department's procedures is contained in its Rules of Operation.

3.3.3 Risk Management Service

3.3.3.1 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.

3.3.3.2 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, based on the Company's Operating Regulation and the Risk Management Service Operating Regulations:

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 to be properly updated.

3.3.4 Compliance Service - Policy

3.3.4.1 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 based on the Company's Operating Regulation and the Compliance Service Operating Regulations:

3.3.4.2 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, always offering a full picture of the degree of achievement of this objective.

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

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

3.3.4.5 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.

3.3.4.6 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.

3.3.5 Internal control system assessment

As per Company's BoD approval, upon recommendation of the Audit Committee, MPI HELLAS Anonymous Auditing Company was appointed for the evaluation of the adequacy and effectiveness of the Internal Control System (hereafter ICS), in accordance with par. 3 and par. 4 of article 14 of Law 4706/2020 and Decision 1/891/30.09.2020 of the Capital Market Commission, as applicable. The Company had no significant subsidiaries as of 31st December 2022.

The evaluation started on 15th February 2023 and completed on 24th March 2023, with a reporting date as of 31st December 2022 and a reporting period of 17.07.2021 - 31.12.2022.

The scope of the assessor's audit review, as contained in the respective report is presented below:

"Our work covers exclusively the assurance procedures provided for by the Program, as formulated to assess the adequacy and effectiveness of the Company's IAS in accordance with the Regulatory Framework, on December 31, 2022, so that to identify any material weaknesses in the IAS. A material weakness in the IAS is a deficiency or a combination of deficiencies of IAS controls, which concern their design adequacy or effectiveness, so that there is a reasonable possibility that a significant risk related to the company's operations and recognized by the Company's Management, will not be prevented, or detected in time in accordance with the requirements of the Regulatory Framework. The scope of evaluation has been decided by the Company's Board of Directors, as provided for by the Company's recorded policy in its operating regulations."

The conclusion of the audit report, signed by the certified auditor Mr. Vroustouris Panagiotis (R.N. SOEL 12921) is presented below:

"Based on the work we conducted, as described above in the section "Scope of Work carried out", as well as the evidence obtained, regarding the evaluation of the adequacy and effectiveness of the Company's IAS, dated December 31, 2022, nothing that could be considered as a material weakness of the Company's IAS has come to our attention, in accordance with the Regulatory Framework".

According to Law 4706/2020, the evaluation of the Internal Control System is performed periodically every three financial years at least. The next evaluation is expected to be performed in early 2026.

3.4 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.

3.4.1 Composition

3.4.1.1 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).

3.4.1.2 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.

3.4.1.3 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.

3.4.1.4 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.

3.4.2 Obligations - Duties of the BoD

3.4.2.1 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.

3.4.2.2 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 businessperson operating in similar circumstances

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

3.4.2.4 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.

3.4.2.5 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.

3.4.2.6 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.

3.4.3 Responsibilities of the BoD

3.4.3.1 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.

3.4.3.2 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. The assessment 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.

3.4.3.3 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.

3.4.3.4 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.

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

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

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

3.4.3.8 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.

3.4.3.9 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.

3.4.3.10 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.

3.4.4 Responsibilities of the executive members of the BoD

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

3.4.4.1 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.

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

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

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

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

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

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

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

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

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

3.4.4.11 Representation of the Company.

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

3.4.4.13 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.

3.4.5 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:

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

3.4.5.2 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.

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

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

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

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

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

3.4.6 Remuneration of the BoD members

3.4.6.1 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, which has been posted on the Company's website at https://www.karelia.gr/wp-content/uploads/2021/06/Politiki-Apodoxon.pdf.

3.4.6.2 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.

3.4.6.3 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 in 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.

3.4.7 Compliance with Articles 99 to 101 of Law 4548/2018

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

3.4.7.2 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.

3.4.7.3 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.

3.4.7.4 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.

3.4.7.5 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.

3.4.7.6 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.

3.4.7.7 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 to the specific transactions do not participate in this evaluation, as long as they are members of the Board of Directors.

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

3.4.7.9 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.

3.4.7.10 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.

3.4.7.11 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.

3.4.7.12 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).

3.4.7.13 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.

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

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

3.4.8.1 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.

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

3.4.8.3 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.

3.4.8.4 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.

3.4.8.5 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.

3.4.8.6 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.

3.4.8.7 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.

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

3.4.9.1 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.

3.4.9.2 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.

3.4.9.3 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.

3.4.9.4 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.

3.4.9.5 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, upon request, as well as in maintaining the list for a period of at least five (5) years after its compilation or update.

3.4.9.6 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.

3.4.10 Conflict of interest policy - procedures for preventing and managing conflict of interest

3.4.10.1 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, a summary which has been posted on the Company's website at https://www.karelia.gr/wp-content/uploads/2021/07/Perilipsi-kanonismou-leitourgias.pdf.

3.4.10.2 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.).

3.4.10.3 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.

3.4.10.4 The above people 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.

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

3.4.10.6 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.

3.4.11 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 30.06.2021 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.

In the above context, the Committee assessed both the individual and collective suitability of the members of the Board of Directors and their work as a committee of the Board of Directors. As per the evaluation results, the Board has individual and collective competence, the performance of the Chairman of the Board and the CEO is efficient and successful, the Policy of Competence of the members of the Board is effective, and the Board has an appropriate and legal composition, in accordance with the provisions of the law. Also, the Remuneration and Nominations Committee, as a committee of the Board of Directors, effectively performed its scope of work and fulfilled its duties, and its Regulations remain up to date. The Committee submitted its evaluation to the Board. The Board confirmed the Committee's findings by examining all the elements brought to the Committee's attention.

3.4.12 Board of Directors - Members

The Company is managed by its Board of Directors (BoD) composed of six members, elected by the Annual Shareholders General Assembly on 9th June 2023. The Board of Directors tenure expires on 9th June 2028 and its composition is as follows:

EXECUTIVE MEMBERS	Efstathios G. Karelias	Vice chair
	Andreas G. Karelias	Managing Director
NON-EXECUTIVE MEMBERS	Victoria-Margarita G. Karelia	Chair
	Robin Derlwyn Joy	Member
	Paraskevi G. Christofilopoulou	Independent Member
	Ioannis P. Tsoukaridis	Independent Member

As per the BoD meeting on May 17th, 2023, the deceased independent non-executive member, Dr. Vasilios G. Antonopoulos, was replaced by Mr. Ioannis P. Tsoukaridis until the General Assembly of the Company on June 9th, 2023.

The curriculum vitae of BoD members for the fiscal year 2023 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 has been 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 has been married since 2003 and has three children.

ROBIN DERLWYN JOY 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 specializing 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 a 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.

PARASKEVI G. CHRISTOFILOPOULOU Independent Non – Executive Member	She was born in 1956 in Athens. She is an Assistant Professor at the School of Social Sciences of the EAP, where she teaches Public Administration and Public Policy. She studied Law at the University of Athens and Political Science at the London School of Economics, from where she received her MA (MScs Politics) and PhD (PhD Government). She taught at the University of Thessaly for five years. She has published articles and independent chapters in Greek and international scientific journals and collective volumes. She was also a business consultant with a subject matter of human resource evolvement and people coaching (1984-1996). She served as General Secretary of Community Resources of the Ministry of Labor (1997-2002), being responsible for the management of the resources of the European Social Fund in Greece for training, employment, and education. She served as Deputy Minister of Education (2009-2012) with responsibility for Primary and Secondary Education, Technical Education and Lifelong Learning. She served as Deputy Minister of Administrative Reform and Electronic Government (2013-2014), with responsibility for Electronic Government, the simplification of administrative procedures, the National Center for Public Administration and Self-Government and the Ministry's Operational Programs co-financed by the European Union. She was elected Member of Parliament from 2004 to 2019, during her tenure, she demonstrated intense activity with respect to parliamentary control and she suggested numerous bills. She served as a Parliament Representative and participated in the cross-party parliamentary forum "European Mercator Dialogue" for the reform of the European Union from 2016 to 2019. She has been an independent non-executive member of the Board of Directors since 2023 and is currently a member of the Nomination and Remuneration Committee.

IOANNIS P. TSOUKARIDIS Independent Non – Executive Member	He was born in 1947 in Athens. He graduated from the Athens University of Economics and Business (department of Economic and Commercial Studies). He began his career in 1973, immediately after his graduation with a small printing firm, where he achieved a continuous growth of its customer base. In 1979 he extended its activities into box making and succeeded in establishing PAPERPACK as a leading packaging company in Greece. From 1996 until 31st December 2020, he was the Chairman and Chief Executive Officer of PAPERPACK ABEE a company listed in the Athens Stock Exchange since 2000, in which he was also the major shareholder. On 31st December 2020 he sold his shares to Orlando Equity Holding Limited, a 100% subsidiary of China Central and Eastern Europe Investment Co-operation Fund II SCS SICAV-SIF. From 1980 and until 2014 he was very active in the retailing of the BENETTON and SISLEY clothing brands by operating 15 outlet companies. Since January 2021 he has been a shareholder in real estate companies. Mr. Tsoukaridis has served on the Board of Directors of various listed and non-listed companies including INTRALOT and FLEXOPACK. He has been an independent non-executive member of the Board of Directors since 2023 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-Margarita G. Karelia	Chair	1,601
Efstathios G. Karelias	Vice chair	585,093
Andreas G. Karelias	Managing Director	607,435
Robin Derlwyn Joy	Member	0
Paraskevi G. Christofilopoulou	Independent Member	0
Ioannis P. Tsoukaridis	Independent Member	0

All members of the BoD participated in all the meetings that occurred in the period 01/01/2023 - 31/12/2023. The Company's BoD held in 2023, nineteen (19) meetings.

The remuneration of BoD members, for the period 01/01/2023 - 31/12/2023, is presented in Note 30 (v) of the Financial Statements.

3.4.13 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, Paraskevi G. Christofilopoulou and Ioannis P. Tsoukaridis 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, , Paraskevi G. Christofilopoulou and Ioannis P. Tsoukaridis meet the criteria of article 9 L. 4706/2020 and maintain their independence at the date of publication of this declaration and during the fiscal year 2023.

3.5 Audit Committee

3.5.1 General

3.5.1.1 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 posted on Company's website https://www.karelia.gr/en/audit-committee/.

3.5.1.2 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.

3.5.1.3 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.

3.5.1.4 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 considering 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 considering 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.

3.5.2 Members & Activities

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 shall be three; one of them shall have the status of a non-executive member of the BoD, another member shall have the status of a non-executive independent member of the BoD, and the third member shall be independent of the Company. Its term must coincide with the term of the members of the Board of Directors, which is five years.

The General Assembly of Shareholders which was held on 9th June 2023 elected, the Tax Consultant - Economist, Mr. Dimitrios Leventakis, Mr. Ioannis Tsoukaridis, Independent Non-Executive Member of Board of Directors and Mr. Robin Derlwyn Joy, Non-Executive Member of the Board of Directors, as members of the Audit Committee, with a five-year tenure.

All the members of the Audit Committee participated in all the meetings that took place in the period 01/01/2023 - 31/12/2023 and until the drafting of this document.

Minutes of Audit Committee

DATE	SUBJECT
03.01.2023	**TOPIC 1st:** Discussion on the annual audit plan with the audit firm KPMG regarding the planning and audit of the Financial Statements as of December 31, 2022. **TOPIC 2nd:** Examining the annual audit program to be carried out by the Internal Audit Department for the year 2023 and submitting it for approval to the Audit Committee. **TOPIC 3rd**: Examination of the annual audit program to be performed by the Regulatory Compliance service for the year 2023.
27.01.2023	**TOPIC 1st:** "Evaluation of Internal Control System Evaluation service offers, determination of the audit tasks and determination of essential subsidiaries for the purpose of the evaluation - Selection of an Evaluator". **TOPIC 2nd:** Approval of the Audit Committee's annual action plan for the year 2023. **TOPIC 3rd**: Overview of the most important findings as they arise from the internal audit report concerning the time period 01.10.2022-31.12.2022 and submission of a report to the Board of Directors.
03.03.2023	**TOPIC 1st:** "Evaluation of human and logistical resources of the internal control department for the year 2023". **TOPIC 2nd:** "Monitoring the progress of the Internal Audit system evaluation project, meeting with the external evaluators, the head of the Internal Audit department and the members of the company's Board of Directors. **TOPIC 3rd:** "Review, acceptance and approval of the revision of the manual of the internal control department".
24.03.2023	**TOPIC 1st**: "Internal Control System evaluation results - Update and discussion of the detailed evaluation report with the members of the company's Board of Directors". **TOPIC 2nd**: "Granting approval for the provision of assurance services by the audit firm KPMG Greece to the company regarding the determination and performance of the Company's contribution to the Hellenic Recovery and Recycling Company Anonyme Company (hereinafter "E.E.A.A." ").
14.04.2023	**TOPIC:** Overview of the most important findings as they emerge from the internal audit report concerning the time period 01.01.2023-31.03.2023.
26.04.2023	**TOPIC:** Discussion with the audit firm KPMG on the draft of the Annual Financial Statements for the financial year ended on December 31, 2022, the draft of the Audit Report on the corporate and consolidated financial statements as well as the Supplementary Audit Report to the Audit Committee for the year January-December 2022.
17.05.2023	**TOPIC:** Reorganization of the Audit Committee in a body and appointment of its President.
05.06.2023	**TOPIC:** Discussion and approval of the annual report of the audit committee of the company KARELIA TOBACCO COMPANY INC. for the year 2022, which will be submitted to the annual Ordinary General Meeting of the Company on 09.06.2023.
09.06.2023	**TOPIC**: Membership - Election of Audit Committee Chairman.
24.07.2023	**TOPIC:** Overview of the most important findings as they arise from the internal audit report concerning the time period 01.04.2023- 30.06.2023.
22.09.2023	**TOPIC:** Meeting and preparatory discussion with the audit firm KPMG on the overview report of the Interim Financial Statements of the company and the Group as of June 30, 2023.
22.10.2023	**TOPIC:** Overview of the most important findings as they emerge from the internal audit report concerning the time period 01.07.2023- 30.09.2023.
04.12.2023	**TOPIC 1st:** Discussion on the process of selecting a company of Certified Public Accountants in accordance with the provisions of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 regarding special requirements regarding the mandatory audit of public interest entities. **TOPIC 2nd**: Initiation of the Tender Process for the selection of a new Auditing company in accordance with the legislative framework of Regulation 537/14 and Article 52 of Law 4449/17. **TOPIC 3rd:** Audit Committee self-evaluation.
12.01.2024	**TOPIC 1st:** Overview of the most important findings as they arise from the internal audit report concerning the time period 01.10.2023- 31.12.2023. **TOPIC 2nd:** Discussion on the annual audit plan with the audit firm KPMG regarding the planning and audit of the Financial Statements as of December 31, 2023.
26.02.2024	**TOPIC:** Discussion and approval of the annual report of the audit committee of the company KARELIA TOBACCO COMPANY INC. for the year 2023, which will be submitted to the annual Ordinary General Meeting of the Company to be convened in the year 2024.
25.04.2024	**TOPIC:** Discussion with the audit firm KPMG on the draft of the Annual Financial Statements for the financial year ended on December 31, 2023, the draft of the Audit Report on the corporate and consolidated financial statements as well as the Supplementary Audit Report to the Audit Committee for the year January-December 2023

3.6 Remuneration and Nomination Committee

3.6.1 Remuneration Committee - General

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

3.6.1.2 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.

3.6.1.3 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.

3.6.1.4 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.

3.6.1.5 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.

3.6.1.6 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.

3.6.1.7 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.

3.6.2 Nomination Committee - General

3.6.2.1 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.

3.6.2.2 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.

3.6.2.3 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.

3.6.2.4 The Nomination Committee identifies and proposes to the BoD people 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.

3.6.2.5 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.

3.6.2.6 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.

3.6.2.7 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 people 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 para. 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 Operating 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 people, 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 the 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 made 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.

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 considered 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 para. 4 of article 3 of Law 4706/2020, as well as the condition referred to in par. 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 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, Operating 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, 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.

3.6.3 Members & Activities

The Board of Directors, in its meeting on July 12, 2021, unanimously decided the 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 of three (3) members, which are non-executive members of the BoD 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 BoD.

At the same meeting, the Board approved the Rules of Procedure of the remuneration committee and the Rules of Procedure of the nominations committee, considering 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, 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

The Board of Directors, in its meeting on June 9, 2023, unanimously appointed the following members of the Board of Directors to the Remuneration and Nominations Committee, confirming that the composition of the Committee meets the requirements of Law 4706/2020, the eligibility conditions as set by the written provisions and the approved Eligibility Policy of the Company:

- Ioannis P. Tsoukaridis - Non-Executive Independent Member, Chair of the Committee
- Parskevi G. Christofilopoulou - Non-Executive Independent Member
- Robin Derlwyn Joy - Non-Executive Member

Minutes of Remuneration and Nomination Committee

DATE	SUBJECT
21.02.2023	Assessment of the individual and collective suitability of the members of the BoD, Assessment of the effectiveness of the Eligibility Policy, Assessment of the Committee's work and of its charters.
20.03.2023	Evaluation on the compliance with the independency criteria of the independent non-executive members of the Board of Directors for the financial year 2022.
05.05.2023	Examination of the information included in the draft Remuneration Report for the financial year 2022.
17.05.2023	Convention and Establishment as a body, Election of Chairman.
18.05.2023	Assessment of the suitability of the proposed members of the BoD, Assessment of the suitability of the proposed members of the Audit Committee, Submission of the Committee's proposals to the BoD.
09.06.2023	Convention and Establishment as a body, Election of Chairman.
19.03.2024	Assessment of the individual and collective suitability of the members of the BoD, Assessment of the effectiveness of the Eligibility Policy, Assessment of the Committee's work and of its charters.
28.03.2024	Evaluation on the compliance with the independency criteria of the independent non-executive members of the Board of Directors for the in the financial year 2023, Evaluation on the compliance with the independency criteria of the third, independent members of the Audit Committee for the financial year 2023.

It is noted that all members of the Remuneration and Nominations Committee participated in all the meetings that took place in the period 01/01/2023 - 31/12/2023 and until the drafting of this document. The Remuneration and Nominations Committee held in 2023 and until the drafting of this document eight (8) meetings.

3.7 Senior Executives Non – Board Members

The CVs of the senior executives, who are not members of the Board, for the year 2023 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 Chief Financial Officer	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 a graduate of the Athens University of Economics at the Department Business Administration, with a postgraduate degree in Accounting and Finance at the same University. She is an FCCA member. She holds the title of Certified Public Accountant and the license of A' Class Accountant-Tax Specialist. She has more than 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 Head of Internal Audit Department & Compliance Officer	Born in Toronto, Canada in 1965. He is an Economist, A' Class Accountant-Tax Specialist, registered Internal Auditor in the Economic Chamber of Greece with a Master's degree in Finance and a Certified Internal Auditor (CIA). Has many 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. Since 2008 is the Head of the Internal Audit Department and Compliance Officer since 2022.

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

3.8 Shareholders

3.8.1 General Assembly Meeting

3.8.1.1 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.

3.8.1.2 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.

3.8.1.3 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.

3.8.1.4 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.

3.8.1.5 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.

3.8.1.6 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.

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

3.8.1.8 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.

3.8.1.9 The Company supports the possibility of 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.

3.8.1.10 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.

3.8.1.11 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.

3.8.1.12 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.

3.8.1.13 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.

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

3.8.2 Communication with shareholders - Notifying the investors

3.8.2.1 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.

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

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

3.8.2.4 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.

3.8.2.5 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.

3.8.2.6 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.

3.8.2.7 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.

3.8.2.8 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.

3.9 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.

3.10 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, to promote 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, 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 considered, 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, to combine their desires with the needs of the company, and the possibility and easy adaptation to the Company's culture.

Finally, the Company's stable and fundamental principal is to provide equal opportunities to all of 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.

Kalamata, 25 April 2024

The Chair	The Vice Chair	The Managing Director
Victoria-Margarita G. Karelia	Efstathios G. Karelias	Andreas G. Karelias

Statement of Financial Position (Separate and Consolidated) for the year ended 31 December 2023

(Amounts in thousands of Euros)	Note	Group 2023	Group 2022	Company 2023	Company 2022
ASSETS					
Long-term assets					
Intangible assets		138	288	128	278
Tangible assets	5	68,162	69,882	67,711	69,721
Investments at amortized cost	10	129,153	129,789	129,153	129,789
Participations	6	0	0	1,146	1,331
Other non-current assets		92	74	89	71
Total long-term Assets		**197,545**	**200,033**	**198,227**	**201,190**
Current assets					
Inventory	7	70,519	63,566	61,734	58,042
Accounts receivables	8	26,440	21,723	19,324	16,269
Investments at fair value through P&L	9	66,478	68,590	66,478	68,590
Investments at amortized cost	10	289,941	122,438	284,572	122,438
Cash and cash equivalents and pledged account	11	211,780	321,856	166,695	274,983
Total Current Assets		**665,158**	**598,173**	**598,803**	**540,322**
Total Assets		**862,703**	**798,206**	**797,030**	**741,512**
EQUITY AND LIABILITIES					
Equity					
Share capital	12	32,651	32,651	32,651	32,651
Share premium		34	34	34	34
Other reserves	13	124,591	120,502	124,543	120,448
Retained earnings		556,152	505,946	533,176	487,642
Equity attributable to shareholders of the Company		**713,428**	**659,133**	**690,404**	**640,775**
Non-controlling interests		(17)	(16)	0	0
Total Equity		**713,411**	**659,117**	**690,404**	**640,775**
Liabilities					
Long-term liabilities					
Deferred taxes	14	3,521	5,456	3,549	5,542
Lessee lease liabilities due >1year	16	1,022	261	771	184
Retirement / dismissal benefit obligations	15	2,211	2,089	2,028	1,927
Provisions	18	0	96	0	96
Total long-term liabilities		**6,754**	**7,902**	**6,348**	**7,749**
Current liabilities					
Suppliers and other payables	17	130,615	115,274	88,721	77,322
Provisions for other liabilities and expenses	18	176	0	176	0
Corporation tax payable	24	11,257	15,722	11,082	15,556
Lessee lease liabilities due <=1year	16	490	191	299	110
Total Current Liabilities		**142,538**	**131,187**	**100,278**	**92,988**
Total Liabilities		**149,292**	**139,089**	**106,626**	**100,737**
Total Equity and Liabilities		**862,703**	**798,206**	**797,030**	**741,512**

The accompanying notes on pages 74 to 126 are an integral part of the Annual Financial Statements.

Statement of Comprehensive Income (Separated and Consolidated) for the year ended 31 December 2023

		Group		Company	
(Amounts in thousands of Euros)	Note	2023	2022	2023	2022
Turnover	19	1,324,157	1,265,734	901,779	854,099
Cost of sales	20	(1,199,500)	(1,135,432)	(784,355)	(729,306)
Gross Profit		**124,657**	**130,302**	**117,424**	**124,793**
Administrative expenses	20	(8,751)	(9,416)	(7,984)	(8,603)
Distribution costs	20	(22,003)	(21,190)	(20,671)	(19,882)
Other operating income	22	3,467	3,123	3,489	3,122
Results from operating activities		**97,370**	**102,819**	**92,258**	**99,430**
Financial income / (expense)	23	18,885	(1,391)	18,802	(1,417)
Currency exchange differences		(6,139)	9,745	(6,146)	9,726
Net profit before tax		**110,116**	**111,173**	**104,914**	**107,739**
Corporation tax	24	(23,271)	(25,811)	(22,635)	(25,341)
Net profit for the year		**86,845**	**85,362**	**82,279**	**82,398**
Other Comprehensive Income					
(a) Items reclassified to P&L					
Foreign currency translation adjustments – Foreign operations		105	(280)	0	0
(b) Items that will never be reclassified to P&L					
Actuarial (loss) / profit		(111)	320	(105)	314
Deferred tax		23	(69)	23	(69)
Total Comprehensive Income		**86,862**	**85,333**	**82,197**	**82,643**
Net profit attributable to:					
Shareholders of the Company		86,846	85,364	82,279	82,398
Non-controlling interests		(1)	(2)	0	0
Total		**86,845**	**85,362**	**82,279**	**82,398**
Total Comprehensive income attributed to:					
Shareholders of the Company		86,863	85,335	82,197	82,643
Non-controlling interests		(1)	(2)	0	0
Total		**86,862**	**85,333**	**82,197**	**82,643**
Basic and diluted earnings, per share, after tax (in absolute figures)	25	**31,4656**	**30.9283**	**29,8112**	**29.8543**

The accompanying notes on pages 74 to 126 are an integral part of the Annual Financial Statements.

Statement of Changes in Equity (Consolidated) for the year ended 31 December 2023

Group
(Amounts in thousands of Euros)

	Share Capital	Share Premium	Reserves	Retained earnings	Non-controlling Interests	Total Equity
Balance as at 1 January 2022	**32,651**	**34**	**116,436**	**455,037**	**(14)**	**604,144**
Change in P&L and OCI						
Exchange differences	0	0	0	(280)	0	(280)
Actuarial profits	0	0	320	0	0	320
Deferred tax	0	0	(69)	0	0	(69)
Net profit for the year	0	0	0	85,364	(2)	85,362
Total Comprehensive Income for the period	**0**	**0**	**251**	**85,084**	**(2)**	**85,333**
Transactions with Shareholders - Direct effect to Equity						
Dividends of 2021	0	0	0	(30,360)	0	(30,360)
Transfer to Reserves	0	0	3,815	(3,815)	0	0
Balance as of 31 December 2022	**32,651**	**34**	**120,502**	**505,946**	**(16)**	**659,117**
Balance as at 1 January 2023	**32,651**	**34**	**120,502**	**505,946**	**(16)**	**659,117**
Change in P&L and OCI						
Exchange differences	0	0	0	105	0	105
Actuarial profits	0	0	(111)	0	0	(111)
Deferred tax	0	0	23	0	0	23
Net profit for the year	0	0	0	86,846	(1)	86,845
Total Comprehensive Income for the period	**0**	**0**	**(88)**	**86,951**	**(1)**	**86,862**
Transactions with Shareholders - Direct effect to Equity						
Dividends of 2022	0	0	0	(32,568)	0	(32,568)
Transfer to Reserves	0	0	4,177	(4,177)	0	0
Balance as of 31 December 2023	**32,651**	**34**	**124,591**	**556,152**	**(17)**	**713,411**

The accompanying notes on pages 74 to 126 are an integral part of the Annual Financial Statements.

Statement of Changes in Equity (Separate) for the year ended 31 December 2023

Company *(Amounts in thousands of Euros)*	Share Capital	Share Premium	Reserves	Retained earnings	Total Equity
Balance as at 1 January 2022	**32,651**	**34**	**116,388**	**439,419**	**588,492**
Change in P&L and OCI					
Actuarial profits	0	0	314	0	314
Deferred tax	0	0	(69)	0	(69)
Net profit for the year	0	0	0	82,398	82,398
Total Comprehensive Income for the period	**0**	**0**	**245**	**82,398**	**82,643**
Transactions with Shareholders - Direct effect to Equity					
Dividends of 2021	0	0	0	(30,360)	(30,360)
Transfer to Reserves	0	0	3,815	(3,815)	0
Balance as of 31 December 2022	**32,651**	**34**	**120,448**	**487,642**	**640,775**
Balance as at 1 January 2023	**32,651**	**34**	**120,448**	**487,642**	**640,775**
Change in P&L and OCI					
Actuarial profits	0	0	(105)	0	(105)
Deferred tax	0	0	23	0	23
Net profit for the year	0	0	0	82,279	82,279
Total Comprehensive Income for the period	**0**	**0**	**(82)**	**82,279**	**82,197**
Transactions with Shareholders - Direct effect to Equity					
Dividends of 2022	0	0	0	(32,568)	(32,568)
Transfer to Reserves	0	0	4,177	(4,177)	0
Balance as of 31 December 2023	**32,651**	**34**	**124,543**	**533,176**	**690,404**

The accompanying notes on pages 74 to 126 are an integral part of the Annual Financial Statements.

Statement of Cash Flows (Separate and Consolidated) for the year ended 31 December 2023

(Amounts in thousands of Euros)	Note	Group 2023	Group 2022	Company 2023	Company 2022
Profit for the year		**86,845**	**85,362**	**82,279**	**82,398**
Adjustments for:					
Corporation tax	24	23,271	25,811	22,635	25,341
Depreciation of tangible assets	5	7,372	7,145	7,213	7,040
Amortization of intangible assets		175	178	175	178
Interest (income)	23	(17,274)	(4,976)	(17,089)	(4,944)
Interest expense	23	1,292	1,426	1,004	1,223
(Profit) / Loss on valuation of financial assets through P&L	9	(2,552)	3,789	(2,552)	3,789
Loss from expiration of financial assets through P&L from foreign currency exchange	9	1,040	0	1,040	0
Financial results of financial assets at amortized cost	10	141	614	141	614
Loss / (Profit) from foreign currency exchange valuation of financial assets at amortized cost	10	3,029	(275)	3,029	(275)
Loss / (Profit) on expiration of financial assets at amortized cost from foreign currency exchange	10	100	(56)	100	(56)
Provisions for doubtful debts	8	1	(11)	0	0
Provisions	18	80	96	80	96
Subsidiaries impairment	6	0	0	186	196
Inventory impairment	7	4,595	193	4,595	193
Increase in staff leaving benefits	15	255	267	241	242
		108,370	**119,563**	**103,077**	**116,035**
Changes in Working Capital					
(Increase) / Decrease in inventories		(11,548)	14,221	(8,287)	(5,007)
(Increase) / Decrease in account receivable		(4,365)	(3,163)	(2,703)	557
Increase in liabilities		14,132	30,208	10,075	7,969
Payments of staff leaving benefits	15	(245)	(88)	(243)	(88)
		(2,026)	**41,178**	**(1,158)**	**3,431**
Interest and other financial expenses paid		(1,291)	(1,426)	(1,004)	(1,223)
Corporation tax paid	24	(29,587)	(22,454)	(29,016)	(21,961)
Net cash flows from operating activities		**75,466**	**136,861**	**71,899**	**96,282**
Cash flows from investment activities					
Payments for aacquisition of tangible assets		(2,810)	(1,410)	(2,789)	(1,407)
Payments for acquisition of intangible assets		(25)	(10)	(25)	(10)
(Acquisition) of financial assets at amortized cost	10	(310,060)	(167,624)	(304,698)	(167,624)
Expiration/redemption/disposal of financial assets at amortized cost	10	142,292	24,029	142,292	24,029
(Acquisition) of financial assets through P&L	9	(86,759)	(9,702)	(86,759)	(9,702)
Expiration of financial assets through P&L	9	90,346	0	90,346	0
Interest received		14,561	3,911	14,391	3,878
Net cash flows from investment activities		**(152,455)**	**(150,806)**	**(147,242)**	**(150,836)**
Cash flows from financing activities					
Lease payments		(516)	(139)	(374)	(127)
Dividends paid to shareholders of the Karelia Tobacco Company Inc.		(32,571)	(30,359)	(32,571)	(30,359)
Net cash flows from financing activities		**(33,087)**	**(30,498)**	**(32,945)**	**(30,486)**
Net (decrease) in cash and cash equivalents		**(110,076)**	**(44,443)**	**(108,288)**	**(85,040)**
Cash and cash equivalents (including Pledged accounts) at the beginning of the period	11	321,856	366,299	274,983	360,023
Cash and cash equivalents (including Pledged accounts) at the end of the period		**211,780**	**321,856**	**166,695**	**274,983**

The accompanying notes on pages 74 to 126 are an integral part of the Annual Financial Statements.

Contents of Financial Statements notes

Notes of the Annual Financial Statements (Separate and Consolidated) for the period ended 31 December 2023

1. Formation of the Group and Company'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 2023, consists of the Separate and Consolidated Financial Statements of the Company.

The Company is managed by its Board of Directors (BoD) composed of six members, elected by the Annual Shareholders General Assembly on 9th June 2023. The Board of Directors tenure expires on 9th June 2028 and its composition is as follows:

EXECUTIVE MEMBERS	Efstathios G. Karelias	Vice chair
	Andreas G. Karelias	Managing Director
NON-EXECUTIVE MEMBERS	Victoria-Margarita G. Karelia	Chair
	Robin Derlwyn Joy	Member
	Paraskevi G. Christofilopoulou	Independent Member
	Ioannis P. Tsoukaridis	Independent Member

The General Assembly of Shareholders which was held on 9th June 2023 elected, the Tax Consultant - Economist, Mr. Dimitrios Leventakis, Mr. Ioannis Tsoukaridis, Independent Non-Executive Member of Board of Directors and Mr. Robin Derlwyn Joy, 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	80%	Full

All subsidiaries are consolidated to the 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 25th April 2024.

The number of employees of the Company, as of 31 December 2023, was 537 employees and for the Group 550 employees (2022: Company 569 employees, Group 550 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 25th April 2024. 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 Accounting estimates and management judgements

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 slow 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), revenue recognition and Excise tax and VAT presentation (Note 3,23).

- The method of significant estimates and assumptions of the Management is analyzed in detail in the relevant accounting policies as mentioned above and in the respective Notes of the Financial Statements Accounts.

3. Material accounting principles

The material 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.

The most significant management estimations relate to matters as described in the above Note 2.3.

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. The Group controls a company when the Group is exposed to or has rights to variable returns from its involvement with the company, and has the ability to affect those returns through its power over the company.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 the 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

A financial instrument refers to any contract that creates simultaneously a financial asset for the Group and a financial liability or equity instrument for another company.

3.3.1 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.

3.3.2 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 for 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 changes 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 the Group's business model.

3.3.3 Impairment of financial assets

The Group recognizes impairment for expected credit losses for all the aforementioned financial assets except for 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. The Group considers a significant increase in credit risk, when the credit rating of financial assets is downgraded more than two grades. 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 considered 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 of expected credit losses **for doubtful debts of level 3** 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 to 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, taking into consideration the length of time of the financial assets.

3.3.4 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 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.

3.3.5 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.

3.3.6 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 cases where 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 prices of identical tradable items from financial markets.
- Level 2: Values other than quoted prices included within Level 1, that are observable for the asset, either directly or indirectly.
- 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 the Statement of Comprehensive Income.

The 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 31.12.2023 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	5 - 35
Motor vehicles	5 - 7
Computer equipment	3 - 5

Kindly note that most of the machinery is fully depreciated over 25 years. Furthermore, the number of machineries 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 Financial Statement purposes, time deposits and highly liquid investments of low risk with duration shorter than 3 months are considered cash.

In addition, pledged deposits to provide guarantees to subsidiaries are included in 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.

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, in 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 for the year that the reversal occurs.

Purchases of goods in transit for which the Group has accepted the relevant control and risks associated to the goods in transit are recognized as inventory. On the contrary, when the supplier is still holding the control and bearing the risks associated with the shipment and delivery of the goods in transit, the Group presents the rights and the obligations derived from this transaction – performance obligations - on a net basis for the purpose of Financial Statements preparation.

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 high-quality corporate bond, 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.

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 such as the discount rate, the future wage increases, the average residual work life of employees and the table of mortality.

3.16 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.

3.17 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

3.18 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 recognize 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.

3.19 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.

3.20 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.

3.21 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 the 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.

3.22 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. Revenue from Sales of goods also includes the excise duty and VAT. Goods are subject to excise duty and VAT at their export from the tax warehouse and before their sale in the Greek market.
- **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.

3.23 Advertising Costs

Advertising costs are expensed when incurred.

3.24 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.

3.25 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 corporation 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 corporation 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.

3.26 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 the Statement of Comprehensive Income.

3.27 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.

3.28 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 the Statement of Comprehensive Income, for assets carried at cost. 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.

3.29 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.

3.30 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.

3.31 New and amended standards and interpretations

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 2023.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):

In February 2021, IASB issued narrow-scope amendments that pertain to accounting policy disclosures. The objective of these amendments is to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of financial statements. More specifically, companies are required to disclose material accounting policy information rather than their significant accounting policies.

According to the updated definition of material accounting policy as published by the IASB in October 2018, accounting policy information is material if when considered together with other information included in an entity's financial statements, it can be reasonably expected to influence decisions that the primary users of general purposes financial statements make on the basis of those financial statements.

Additionally, IFRS Practice Statement 2 amendments include guidance and additional examples on the application of materiality to accounting policy disclosures.

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

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):

In February 2021, IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

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

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, IASB issued amendment to IAS 12 in order to specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations, transactions for which entities recognize both an asset and a liability, In specific cases, the entities were exempted from the recognition of deferred tax on initial recognition of both an asset and a liability. The amendments clarify that the initial recognition exemption does not apply, and entities are required to recognize deferred tax on these transactions.

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

IAS 12 International Tax reform-Pillar Two (Amendments)

In May 2023, IASB published the amendments to IAS 12 in order to provide a temporary exemption from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules, as well as targeted disclosures for affected entities. The temporary exemption is to be applied immediately upon the issue of those amendments by IASB and retrospectively in accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors ('IAS 8'). The disclosure requirements are to be applied to annual reporting periods beginning on or after 1 January 2023. An entity is not required to apply the disclosure requirements in interim financial reports for interim periods ending on or before 31 December 2023.

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

IFRS 17 "Insurance Contracts" and amendments to IFRS 17

In May 2017, IASB issued a new Standard IFRS 17, which replaces the interim standard IFRS 4. The scope of the IASB's project was the development of a single principle-based Standard for the accounting of all types of insurance contracts, including any reinsurance contracts that an entity holds. This single principle-based Standard will improve the comparability of the financial information between companies, jurisdictions, and capital markets. IFRS 17 sets out the recognition, measurement, and disclosure requirements that an entity should apply in the financial information related to insurance contracts issued and reinsurance contracts held.

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

IFRS 17 Initial Application of IFRS 17 and IFRS 9- Comparative Information (Amendments)

The amendment is a transitional choice in relation to the comparative information in the classification of financial assets in the first application of IFRS 17. The amendment therefore aims to prevent temporary accounting imbalances between financial assets and insurance contract liabilities and improve the usefulness of comparative information for the users of the financial statements.

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

3.32 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.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (Amendments) The amendments are effective for annual periods on or after 1st January 2024.

In January 2020, IASB issued amendments to IAS 1 clarifying the requirements for the classification of the liabilities as current and non-current. In particular, the amendments clarify that one of the criteria for the classification of a liability as non-current is the entity's right to defer settlement for at least 12 months after the reporting date. The amendments clarify the meaning of a right to defer settlement, the requirement of this right to exist at the reporting date and that management intend in relation to the option to defer the settlement does not affect current or non -current classification.

Additionally, in July 2020, IASB issued an amendment providing clarifications for the classification of debt with covenants and deferring the effective date of the January 2020 amendments of IAS 1 by one year.

The adoption of the amendments is not expected to have a significant impact on the Financial Statements of the Group and the Company.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments). The amendments are effective for annual periods on or after 1st January 2024.

The amendments are intended to clarify the requirements of accounting by a seller-lessee regarding measuring the lease liability arising in a sale and leaseback transactions. An entity applies the amendment retrospectively in cases of sale and leaseback transactions entered into after the date of the initial application of IFRS 16.

The adoption of the amendments is not expected to have an impact on the Financial Statements of the Group and the Company.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures (Amendments). The amendments are effective for annual periods on or after 1st January 2024.

In May 2023, IASB issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to be provided by entities in relation to their supplier finance arrangements. The amendments have not yet been endorsed by the EU.

The adoption of the amendments is not expected to have a significant impact on the Financial Statements of the Group and the Company.

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments). The amendments are effective for annual periods on or after 01 January 2025.

In August 2023, IASB published amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" which require companies to provide more useful information in their financial statements when a currency is not exchangeable to another currency. The amendments introduce a definition of the "exchangeability" of a currency and provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable. Also, additional disclosures are required in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability. The amendments have not yet been endorsed by the EU.

The adoption of the amendments is not expected to have an impact on the Financial Statements of the Group and the Company.

4. Other Information

There were no major extraordinary events during the period 1 January - 31 December 2023 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
2022						
Cost						
Balance as of 1 January 2022	**6,130**	**19,541**	**152,802**	**3,034**	**6,598**	**188,105**
Additions	0	152	263	5	114	534
Right of use - IFRS 16 additions	0	0	0	194	0	194
Disposals – Transfers	0	0	(1)	0	(1)	(2)
Balance as of 31 December 2022	**6,130**	**19,693**	**153,064**	**3,233**	**6,711**	**188,831**
Accumulated Depreciation						
Balance as of 1 January 2022	**0**	**13,079**	**90,229**	**2,654**	**5,842**	**111,804**
Depreciation of the year	0	348	6,291	22	198	6,859
Amortization of right of use - IFRS 16	0	76	0	210	0	286
Balance as of 31 December 2022	**0**	**13,503**	**96,520**	**2,886**	**6,040**	**118,949**
Net book value as at 31 December 2022	**6,130**	**6,190**	**56,544**	**347**	**671**	**69,882**
2023						
Cost						
Balance as of 1 January 2023	**6,130**	**19,693**	**153,064**	**3,233**	**6,711**	**188,831**
Additions	0	390	3,548	7	130	4,075
Right of use - IFRS 16 additions	0	221	0	1,356	0	1,577
Disposals - Transfers	0	0	0	0	(58)	(58)
Right of use - IFRS 16 expiration	0	(109)	0	(719)	0	(828)
Balance as of 31 December 2023	**6,130**	**20,195**	**156,612**	**3,877**	**6,783**	**193,597**
Accumulated Depreciation						
Balance as of 1 January 2023	**0**	**13,503**	**96,520**	**2,886**	**6,040**	**118,949**
Depreciation of the year	0	348	6,344	14	190	6,896
Amortization of right of use - IFRS 16	0	99	0	377	0	476
Disposals - Transfers	0	0	0	0	(58)	(58)
Right of use - IFRS 16 expiration	0	(109)	0	(719)	0	(828)
Balance as of 31 December 2023	**0**	**13,841**	**102,864**	**2,558**	**6,172**	**125,435**
Net book value as at 31 December 2023	**6,130**	**6,354**	**53,748**	**1319**	**611**	**68,162**

Company

(Amounts in thousands of Euros)

	Land	Buildings & Installations	Plant & Equipment	Motor vehicles	Fixture & fittings	Total
2022						
Cost						
Balance as of 1 January 2022	**6,130**	**19,356**	**152,802**	**2,703**	**6,271**	**187,262**
Additions	0	152	263	5	111	531
Right of use - IFRS 16 additions	0	0	0	71	0	71
Disposals – Transfers	0	0	(1)	0	(1)	(2)
Balance as of 31 December 2022	**6,130**	**19,508**	**153,064**	**2,779**	**6,381**	**187,862**
Accumulated Depreciation						
Balance as of 1 January 2022	**0**	**12,919**	**90,229**	**2,340**	**5,613**	**111,101**
Depreciation of the year	0	348	6,291	22	195	6,856
Amortization of right of use - IFRS 16	0	11	0	173	0	184
Balance as of 31 December 2022	**0**	**13,278**	**96,520**	**2,535**	**5,808**	**118,141**
Net book value as at 31 December 2022	**6,130**	**6,230**	**56,544**	**244**	**573**	**69,721**
2023						
Cost						
Balance as of 1 January 2023	**6,130**	**19,508**	**153,064**	**2,779**	**6,381**	**187,862**
Additions	0	390	3,548	7	108	4,053
Right of use - IFRS 16 additions	0	0	0	1,150	0	1,150
Disposals - Transfers	0	0	0	0	(58)	(58)
Right of use - IFRS 16 expiration	0	(16)	0	(675)	0	(691)
Balance as of 31 December 2023	**6,130**	**19,882**	**156,612**	**3,261**	**6,431**	**192,316**
Accumulated Depreciation						
Balance as of 1 January 2023	**0**	**13,278**	**96,520**	**2,535**	**5,808**	**118,141**
Depreciation of the year	0	348	6,344	18	178	6,888
Amortization of right of use - IFRS 16	0	11	0	314	0	325
Disposals - Transfers	0	0	0	0	(58)	(58)
Right of use - IFRS 16 expiration	0	(16)	0	(675)	0	(691)
Balance as of 31 December 2023	**0**	**13,621**	**102,864**	**2,192**	**5,928**	**124,605**
Net book value as at 31 December 2023	**6,130**	**6,261**	**53,748**	**1,069**	**503**	**67,711**

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:

(Amounts in thousands of Euros)	2023	2022
Opening balance	1,331	1,527
Impairment	(185)	196
Balance 31 December	**1,146**	**1,331**

The **Participations** as of 31 December 2023 are analyzed as follows:

(Amounts in thousands of Euros)	Country	Historic Cost	Cost after impairment	Assets	Liabilities	Income	Profit/ (Loss) Before Tax	Percentage of shareholding
MERIDIAN S.A.	Greece	3,914	57	429	370	477	(182)	99.54%
KARELIA INVESTMENT S.A.	Greece	299	45	50	0	0	(6)	90%
KARELIA TOBACCO COMPANY (UK) LTD.	Great Britain	0	0	7,181	325	5,760	897	100%
KARELIA BULGARIA EOOD	Bulgaria	1,030	1,030	62,689	45,586	465,193	3,166	100%
G.K. DISTRIBUTORS EOOD	Bulgaria	0	0	597	0	0	(3)	100%
KARELIA TÜTÜN VE TICARET AŞ.	Turkey	1,121	14	78	65	185	8	97%
KARELIA BELGIUM LTD	Belgium	18	0	10	87	0	0	80%
Total		**6,382**	**1,146**	**71,034**	**46,433**	**471,615**	**3,880**	

GK DISTRIBUTORS EOOD is a subsidiary of KARELIA BULGARIA EOOD.

This year's provision of impairment concerns MERIDIAN S.A and KARELIA INVESTMENT S.A.

The **Participations** as of 31 December 2022 are analyzed as follows:

(Amounts in thousands of Euros)	Country	Historic Cost	Cost after impairment	Assets	Liabilities	Income	Profit/ (Loss) Before Tax	Percentage of shareholding
MERIDIAN S.A.	Greece	3,914	244	401	156	462	(199)	99.54%
KARELIA INVESTMENT S.A.	Greece	299	48	56	0	0	(6)	90%
KARELIA TOBACCO COMPANY (UK) LTD.	Great Britain	0	0	6,305	457	6,251	1,392	100%
KARELIA BULGARIA EOOD	Bulgaria	1,030	1,030	54,848	40,912	449,771	1,612	100%
G.K. DISTRIBUTORS EOOD	Bulgaria	0	0	600	0	0	(3)	100%
KARELIA TÜTÜN VE TICARET AŞ.	Turkey	1,121	9	13	1	111	6	97%
KARELIA BELGIUM LTD	Belgium	18	0	10	87	0	0	80%
Total		**6,382**	**1,331**	**62,233**	**41,613**	**456,595**	**2,802**	

GK DISTRIBUTORS EOOD is a subsidiary of KARELIA BULGARIA EOOD. The provision of impairment in 2021 refers to MERIDIAN S.A, KARELIA BELGIUM LTD and KARELIA TUTUN VE TIGARET A. Ş.

The Company uses a simplified method for assessing the impairment of its subsidiaries, assessing each year's evolvement, as well as, the subsidiaries' net position, without using future cash flows, due to relevant funds being immaterial and the transactions' dependence on the parent company.

7. Inventory

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Raw materials	35,178	29,524	35,179	29,523
Goods purchased for resale	13,455	9,148	4,669	3,625
Finished products	14,021	12,948	14,021	12,948
Spare parts and consumables	7,865	11,946	7,865	11,946
Total	**70,519**	**63,566**	**61,734**	**58,042**

Raw materials include goods in transit amounting to EUR 3,921 thousand in FY2023 against EUR 2,319 thousand in FY2022 for the Group (Company 2023: EUR 3,921 thousand, 2022: EUR 2,319 thousand).

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

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Balance 1 January	**1,023**	**831**	**990**	**798**
Destructions	(14)	(10)	(14)	(10)
Provision for economic diminution	3,020	0	3,020	0
Provision for obsolete inventories	1,589	202	1,589	202
Balance on 31 December	**5,618**	**1,023**	**5,585**	**990**

The Company, during the current fiscal year, performed a reassessment of the valuation process for the slow-moving inventories, regarding spare parts and consumables. In addition to physical obsolescence, economic / technological diminution was considered as evaluation factors for stock that, although they remain active, are not regularly used in the production process. These spare parts and inventories are kept by the Company and in case of future consumption, the above provision will be reversed for any item used.

The value of the Company's Finished Goods destined for the Greek market, include taxes (Excise Tax and VAT), which amount to approximately 90.67% of their value. The value of the Company's Goods purchased (cigars) for resale destined for the Greek market, include taxes (Excise Tax and VAT), which amount to approximately 65.56% of their value. Respectively, the value of Subsidiaries' Goods purchased for resale includes Excise Tax, which amounts to approximately 86.98% of their value.

8. Accounts receivable

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Receivables from customers	16,227	14,115	17,410	15,168
Other receivables	9,670	7,282	1,376	797
Advances - Prepaid expenses	543	326	538	304
Total	**26,440**	**21,723**	**19,324**	**16,269**

Receivables from Customers analyzed as follows:

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Receivables from outstanding balances	18,222	16,245	15,424	13,880
Receivables from affiliated companies (Note 30)	0	0	3,748	3,185
Postdated cheques – Notes Receivables-Accrued income	203	68	203	68
Provision for doubtful debts	(2,198)	(2,198)	(1,965)	(1,965)
Total	**16,227**	**14,115**	**17,410**	**15,168**

In the amount of the net receivables, as presented in the above table, there are no overdue balances.

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 2023	Group 2022	Company 2023	Company 2022
Receivables from Public Authorities	11,550	9,848	3,261	3,366
Other receivables	1,933	1,589	1,900	1,559
Provision for doubtful debts from Greek State	(3,813)	(4,155)	(3,785)	(4,128)
Total	**9,670**	**7,282**	**1,376**	**797**

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

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Balance 1 January	**6,353**	**6,364**	**6,093**	**6,093**
New provision	1	0	1	0
Reversal	(343)	(11)	(343)	0
Balance 31 December	**6,011**	**6,353**	**5,750**	**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 are analyzed as follows:

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Inventory orders	11	14	11	14
Prepayments to suppliers	123	65	119	43
Prepaid expenses	409	247	408	247
Total	**543**	**326**	**538**	**304**

9. Investments at fair value through P&L

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Listed Shares	14	8	14	8
Mutual Funds	61,733	59,144	61,733	59,144
Dual Currency Investments	4,731	9,438	4,731	9,438
Total	**66,478**	**68,590**	**66,478**	**68,590**

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

Mutual Funds and Dual Currency Investments amounted to EUR 66,464 thousand (Company: EUR 66,464 thousand) are investments issued and/or operated by foreign Financial Institutions. The valuation of these investments reflects their market value.

The hierarchy of fair value valuation method is analyzed as follows:

- Level 1, quoted values of identical tradable items from financial markets: EUR 1,680 thousand
- Level 2, values that are not Level 1 but may be located or identified, directly or indirectly through quotations from active financial markets: EUR 60,053 thousand and Dual Currency Investments amounting to EUR 4,731 thousand also classified in this category.

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.

The movement of **Investments at fair value through P&L** is analyzed as follows:

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Acquisition & valuation cost of prior period	**68,590**	**62,615**	**68,590**	**62,615**
Gain / (Loss) of valuation at market value	3,044	(4,224)	3,044	(4,224)
Gain of valuation at foreign currency	(492)	435	(492)	435
Accrued interest	(37)	62	(37)	62
(Loss) from foreign currency exchange at expiration	(1,040)	0	(1,040)	0
Disposals of the year	(90,346)	0	(90,346)	0
Acquisition of the year	86,759	9,702	86,759	9,702
Balance on 31st December	**66,478**	**68,590**	**66,478**	**68,590**

10. Investments measured at amortized cost

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Corporate Bonds	71,544	56,490	71,544	56,490
Financial Bonds	114,771	72,659	114,771	72,659
Government Bonds	81,969	17,560	81,969	17,560
Time deposits with duration longer than 3 months	150,810	105,518	145,441	105,518
Total	**419,094**	**252,227**	**413,725**	**252,227**

From the Corporate, Financial and Government bonds which amounted to EUR 268,284 thousand (Company: EUR 268,284 thousand):

- an amount of EUR 243,886 thousand is invested in bonds of investment grade rating,
- an amount of EUR 15,835 thousand is invested in bonds of credit rating lower than investment grade, issued by the companies TITAN, PPC, MYTILINEOS and ALPHA BANK, as well as the Kingdom of Morocco.
- an amount of EUR 8,563 thousand is invested in one Hellenic Petroleum (HELPE) bond, which has no rating.

The hierarchy of fair value valuation method is analyzed as follows:

- Level 1, financial assets with quoted prices of identical tradable items from financial markets: EUR 257,348 thousand (Company: EUR 257,348 thousand)
- Level 2, financial assets that are not Level 1, but their fair value may be observed or identified, directly or indirectly: EUR 10,936 thousand (Company: EUR 10,936 thousand), which refers to private placements of the banks Goldman Sachs and Deutsche bank. Time deposits with duration longer than 3 months are included in this fair value hierarchy level.

The Company proceeded with the amendment of the existing credit framework agreement with CREDIT SUISSE A.G., with respect to the type of eligible collateral needed for the letter of guarantee issuance (Note 27iii), by adding sovereign bonds issued by European nations. On April 4th, 2023, the Company fully replaced the pledged deposits of EUR 45,500 thousand, with sovereign bonds. The Company is entitled to their yield. Out of the State Bonds presented in Note 10, a book value amount of EUR 46,225 thousand (including accrued interest of EUR 907 thousand) is pledged within the context of the agreement. The fair value of these bonds as at 31/12/2023 amounted to EUR 46,221 thousand (including accrued interest of EUR 907 thousand), whereas their respective nominal value is EUR 45,500 thousand.

The business model of Group and Company for the financial assets classified as investments measured at amortised cost, is to hold assets to collect contractual cash flows. Any sale is incidental, as well as non-integral to the objective of the model, with low significance and frequency. During 2023, there were no cases of liquidation before maturity.

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

The following table summarizes the book and fair value of investments which were measured at amortized cost in the Statement of Financial Position of the Group and the Company, except for Time deposits with duration longer than 3 months, as their fair and book values do not significantly differ compared to their value at amortized cost.

	Book Value		Fair Value	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Corporate Bonds	71,544	56,490	69,990	52,207
Financial Bonds	114,771	72,659	113,312	68,715
Government Bonds	81,969	17,560	82,137	17,049
Total	**268,284**	**146,709**	**265,439**	**137,971**

Considering the business model of the Group and the Company for this investment category, earning of interest and other gains associated with the retention of bonds until maturity, along with the nonexistence of significant negative evolvement relating to the credit ability of the issuers, there are no indications of impairment regarding the Book value of the Investments at amortized cost. The difference between the fair value of the financial assets classified as Investments at amortized cost and their book value, is mainly due to interest rates increase.

The movement of **Investments measured at amortized cost** is analyzed as follows:

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Acquisition & valuation cost of prior period	**252,227**	**107,913**	**252,227**	**107,913**
Minus amortisation	(105)	(583)	(105)	(583)
(Loss)/ gain from foreign currency valuation	(3,029)	275	(3,029)	275
Accrued coupon and interest	2,369	1,002	2,362	1,002
Expected Credit Losses	(36)	(31)	(36)	(31)
Minus losses from redemption / sale	0	(103)	0	(103)
(Loss) / gain from currency exchange due to expiration	(100)	159	(100)	159
Expiration / redemption of the year	(142,292)	(19,164)	(142,292)	(19,164)
Sale of the year	0	(4,865)	0	(4,865)
Acquisition of the year	310,060	167,624	304,698	167,624
Balance on 31st December	**419,094**	**252,227**	**413,725**	**252,227**

Based on IFRS 9, the objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its investments.

11. Cash and cash equivalents & pledged account

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Cash in hand	23	16	18	14
Sight deposits	75,392	199,272	30,312	157,075
Time deposits	136,365	122,568	136,365	117,894
Total	**211,780**	**321,856**	**166,695**	**274,983**

Current deposits include **Pledged Deposits** of EUR 314 thousand on 31/12/2023 (31/12/2022: EUR 45,500 thousand).

The **Pledged accounts** of EUR 45,500 thousand on 31/12/2022 related to cash deposits which had been pledged for the provision of bank guarantees (Note 27iii). The Company had 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.

The Company proceeded with the amendment of the existing credit framework agreement with CREDIT SUISSE A.G., with respect to the type of eligible collateral needed for the letter of guarantee issuance (Note 27iii), by adding sovereign bonds issued by European nations. According to the agreement, the market value of the eligible pledged assets needs to be EUR 45,500 thousand. On April 4th, 2023, the Company fully replaced the pledged deposits of EUR 45,500 thousand, with sovereign bonds. The Company is entitled to their yield. The amount of pledged accounts as at 31/12/2023 refers to the deposit amount required as a result of the daily settlement process of pledged bond fair value, so that the total pledged amount to be equal to EUR 45,500 thousand at any time.

The average interest rate for **Sight deposits and Time deposits** of the Group amounted to 3.93% (2023) and 0.42% (2022).

The analysis of **Cash in hand, Sight deposits** and **Time deposits** by geographical area as of 31 December 2023 is as follows:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Cash in hand	23	16	18	14
Greek Financial Institutions	33,862	70,242	33,527	69,902
Foreign Financial Institutions	177,895	251,598	133,150	205,067
Total	**211,780**	**321,856**	**166,695**	**274,983**

12. Share capital

On 31 December 2023, 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

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Statutory Reserves	48,616	44,439	48,576	44,399
Non-taxed Reserves	74,733	74,733	74,733	74,733
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 (losses)	(618)	(530)	(562)	(480)
Total	**124,591**	**120,502**	**124,543**	**120,448**

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, corporation 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 (2022: 22%).

	Group	Company	Group	Company	Group	Company
(Amounts in thousands of Euros)	**Balance 31/12/2022**	**Balance 31/12/2022**	**Effect in P&L and OCI for 2023**	**Effect in P&L and OCI for 2023**	**Balance 31/12/2023**	**Balance 31/12/2023**
Deferred tax assets						
Adjustments for securities and investment impairment	1,415	1,384	(348)	(307)	1,067	1,077
Provision for staff indemnities	424	424	22	22	446	446
Provision for doubtful debts	345	345	0	0	345	345
Other	(1,124)	(1,177)	1,648	1,665	524	488
Total	**1,060**	**976**	**1,322**	**1,380**	**2,382**	**2,356**
Deferred tax liabilities						
Adjustment of depreciation and reversal of revaluation Law 2065/1992	(6,630)	(6,632)	360	361	(6,270)	(6,271)
Exchange differences	114	114	253	252	367	366
Total	**(6,516)**	**(6,518)**	**613**	**613**	**(5,903)**	**(5,905)**
Net amount in the P&L and Statement of Comprehensive Income			1,935	1,993		
Net Asset/ (Liability) from Deferred Taxes	**(5,456)**	**(5,542)**			**(3,521)**	**(3,549)**

The total movement in **Deferred taxes** is as follows:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Balance on 1st January	**(5,456)**	**(6,620)**	**(5,542)**	**(6,746)**
Amount recognized in Results	1,912	1,233	1,970	1,273
Amount recognized in OCI	23	(69)	23	(69)
Balance on 31st December	**(3,521)**	**(5,456)**	**(3,549)**	**(5,542)**

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:

	2023	2022
Discount rate (%)	3.56%	4.00%
Future salaries increase	2.10%	2.20%
Remaining working life of employees (years)	7.21	7.16
Mortality table	EAE2012 σύμφωνα με την απόφαση 49 / 12.09.12	EAE2012 in accordance with the decision 49 /12.09.12

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 the **Provision for Retirement and Dismissal Benefit Obligations**,

Scenarios	**Change + / (-)% discount rate**	**Payment + / (-)% future salary increases**	Company
Actual scenario	**-**	**-**	**2,028**
Scenario 1	0.5%	-	1,989
Scenario 2	(0.5%)	-	2,069
Scenario 3	-	0.5%	2,067
Scenario 4	-	(0.5%)	1,991

The account movement analyzes as follows:

(Amounts in thousands of Euros)	Group	Company
Reported Liability balance 31.12.2021	**2,230**	**2,087**
Cost of current service	205	180
Benefits due to staff voluntary resignation	49	49
Financial cost 1.1.2022 - 31.12.2022	13	13
Total expense recognized in results for the year	**267**	**242**
Actuarial losses for the year recognized in Equity	(320)	(314)
Benefits paid by employer	(88)	(88)
Liability balance 31.12.2022	**2,089**	**1,927**
Cost of current service	159	143
Benefits due to staff voluntary resignation	19	19
Financial cost 1.1.2023 - 31.12.2023	78	77
Total expense recognized in results for the year	**256**	**239**
Actuarial (gains) for the year recognized in Equity	111	105
Benefits paid by employer	(245)	(243)
Liability balance 31.12.2023	**2,211**	**2,028**

In the following year, six (6) employees will leave the Company due to retirement.

16. Lessee lease liabilities

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

Long - term lease liabilities

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Leased Premises	69	18	8	18
Leased Vehicles	953	243	763	166
Total	**1,022**	**261**	**771**	**184**

Short - term lease liabilities

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Leased Premises	126	52	12	12
Leased Vehicles	364	139	287	98
Total	**490**	**191**	**299**	**110**

17. Trade and other payables

The **Trade and other payables** are analyzed as follows:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Trade Payables	34,949	25,335	34,795	25,198
Excise Tax and VAT	86,156	80,987	44,825	43,581
Social security	1,738	1,588	1,727	1,570
Other taxes (except corporation tax)	1,878	1,723	1,767	1,608
Other liabilities	5,894	5,641	5,607	5,365
Total	**130,615**	**115,274**	**88,721**	**77,322**

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

18. Provisions for other liabilities and expenses

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Provisions for litigation and claims	176	96	176	96
Total	**176**	**96**	**176**	**96**

The movement of the **provisions** is as follows:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Balance on 1st January	**96**	**0**	**96**	**0**
New provision	80	96	80	96
Amount paid	0	0	0	0
Balance on 31st December	**176**	**96**	**176**	**96**

The provision of Euro 176 thousand concerns a disputed case and quantifies the full exposure of the Company from the above situation, based on the final court decision. The amount of the aforementioned provision settled in FY2024.

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:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
International sales (*)	208,513	194,155	200,186	185,120
Domestic sales (net) (*)	69,722	62,870	69,575	62,594
Excise tax and VAT	1,045,922	1,008,709	632,018	606,385
Total	**1,324,157**	**1,265,734**	**901,779**	**854,099**

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

(Amounts in thousands of Euros)	Group		Company	
Geographical area	**2023**	**2022**	**2023**	**2022**
European Union countries	83,105	77,488	76,304	70,287
Other European countries	47,420	43,580	45,901	41,751
Africa	57,434	58,042	57,434	58,042
Asia	20,554	15,045	20,547	15,040
Total	**208,513**	**194,155**	**200,186**	**185,120**

(*) 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 FY2023 fees, together with the promotional incentives paid to customers, amount to EUR 2,228 thousand for the Group (FY2022 Euro: 2,332 thousand) and EUR 1,564 thousand for the Company (2022 Euro: 1,679 thousand).

It should be noted that no Group customer with credit does not relate to gross turnover higher than 5%.

20. Expenses per function

Group

(Amounts in thousands of Euros)	2023 Cost of sales	2023 Administrative expenses	2023 Distribution costs	2022 Cost of sales	2022 Administrative expenses	2022 Distribution costs
Salaries and other employee benefits	14,310	4,751	7,356	13,432	4,600	7,280
Stock consumption	124,353	0	0	98,836	0	0
Excise tax and VAT of sold stock	1,045,922	0	0	1,008,709	0	0
Depreciation	6,721	163	663	6,687	154	482
Third party fees	6,538	1,663	4,168	6,789	1,987	4,079
Other operating expenses	1,522	2,066	9,748	903	2,262	9,349
Other	134	108	68	76	413	0
Total	**1,199,500**	**8,751**	**22,003**	**1,135,432**	**9,416**	**21,190**

Company

(Amounts in thousands of Euros)	2023 Cost of sales	2023 Administrative expenses	2023 Distribution costs	2022 Cost of sales	2022 Administrative expenses	2022 Distribution costs
Salaries and other employee benefits	13,942	4,358	6,988	13,058	4,208	6,906
Stock consumption	123,626	0	0	95,527	0	0
Excise tax and VAT of sold stock	632,018	0	0	606,385	0	0
Depreciation	6,678	94	616	6,660	104	454
Third party fees	6,457	1,394	4,054	6,707	1,670	3,971
Other operating expenses	1,502	2,034	8,946	881	2,201	8,551
Other	132	104	67	88	420	0
Total	**784,355**	**7,984**	**20,671**	**729,306**	**8,603**	**19,882**

Third Party Fees include 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 2023	Group 2022	Company 2023	Company 2022
Salaries	20,997	20,040	19,918	18,973
Social Contributions	4,432	4,243	4,387	4,196
Staff Leaving Benefits provision (Note 15)	245	267	241	242
Other benefits	743	762	742	761
Total	**26,417**	**25,312**	**25,288**	**24,172**
Average number of employees	**554**	**553**	**523**	**520**

Depreciation

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Buildings	348	348	348	348
Machinery	6,344	6,291	6,344	6,291
Vehicles	14	22	18	22
Furniture	190	198	178	195
Amortization of Intangible Assets	175	178	175	178
Amortization of right of use - IFRS 16	476	286	325	184
Total	**7,547**	**7,323**	**7,388**	**7,218**

21. Audit and other fees

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

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Fees for auditing services	116	109	85	79
Fees for the Annual Tax Certificate	74	71	69	65
Other fees	5	4	5	4
Total	**195**	**184**	**159**	**148**

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 2023	Company & Greek Subsidiaries 2022
Fees for auditing services	93	88
Audit fees for the Annual Tax Certificate	74	71
Other fees	5	4
Total	**172**	**163**

22. Other operating income

Other Operating Income is analyzed as follows:

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Income from transportation costs billed to customers	3,056	2,939	3,056	2,939
Other income	411	184	433	183
Total	**3,467**	**3,123**	**3,489**	**3,122**

23. Financial income - (expenses) net

Financial income – (expenses) net is analyzed as follows:

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Other financial expenses	(1,292)	(1,426)	(1,004)	(1,223)
Subsidiaries impairment provision	0	0	(186)	(196)
Interest income	17,274	4,976	17,089	4,944
Amortization and expected credit losses of financial asset at amortized cost	(141)	(614)	(141)	(614)
(Loss) from expiration/sale/redemption/ of financial asset at amortized cost	0	(103)	0	(103)
(Loss) / Profit on valuation of financial assets through P&L	3,044	(4,224)	3,044	(4,224)
Other	0	0	0	(1)
Total	**18,885**	**(1,391)**	**18,802**	**(1,417)**

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 (2022: 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 2016, while FY 2017 has been time-barred as per the current legislation in force. The Company has received non-modified tax compliance certificates from its statutory auditor for every year from 2017 through to 2022 in accordance with Greek tax legislation. The Company does not expect any additional corporation tax obligations or penalties to arise because of a tax audit by the Greek tax authorities for the years from 2018 through to 2022. 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 year in question taking into consideration the work already performed that supported the issuance of the non-modified tax compliance certificate. The Company has not received any notification from the Greek tax authorities for the Financial years 2018 – 2022.

In addition, the tax auditing of FY 2023 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 auditing, additional tax charges arise, these will not have a material impact on the 31 December 2023 Financial Statements.

The subsidiary MERIDIAN S.A. had been audited by the tax authorities up to the Financial Year 2010. The Subsidiary has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2022 in accordance with Greek tax legislation. The Subsidiary 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 2018 through to 2022, while Fiscal Years from 2011 through 2017 have been time-barred. However, based on certain risk-based criteria, the Greek tax authorities may select the Subsidiary 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 Subsidiary has not received any notification from the Greek tax authorities for the tax years 2018 – 2022.

In addition, the tax auditing of FY 2023 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 2023 Financial Statements

The subsidiary KARELIA INVESTMENT INC. has been audited since its establishment (1997) until Financial Year 2010. The Subsidiary has received non-modified tax compliance certificates from its statutory auditor for every year from 2011 through to 2022 in accordance with Greek tax legislation. The Subsidiary does not expect any additional corporation taxes or penalties to arise because of a tax examination by the Greek tax authorities for the years from 2018 through to 2022, while Fiscal Years from 2011 through 2017 have been time-barred. However, based on certain risk-based criteria, the Greek tax authorities may select the Subsidiary 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 Subsidiary has not received any notification from the Greek tax authorities for the tax years 2018 – 2022.

In addition, the tax auditing of FY 2023 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 2023 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 2023 Financial Statements.

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

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Current corporation tax	25,183	27,044	24,605	26,614
Deferred taxes	(1,912)	(1,233)	(1,970)	(1,273)
Total	**23,271**	**25,811**	**22,635**	**25,341**

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:

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Profit before tax	110,116	111,173	104,914	107,739
Company's applicable tax rate	**22%**	**22%**	**22%**	**22%**
Tax calculated based on applicable tax rate	24,226	24,458	23,081	23,703
Effect of different tax rates of foreign subsidiaries	(429)	(201)	0	0
Other taxes and tax differences	(568)	(201)	(446)	1,638
Losses of subsidiaries not recognized	42	(201)	0	0
Corporation tax	**23,271**	**25,811**	**22,635**	**25,341**

The weighted average corporation tax rate for the years 2023 and 2022 for the Group was 21.13% and 23.22% respectively, and for the Company was 21.57% and 23.52%, respectively.

The accumulated taxable losses of the Group's subsidiaries, which cannot be offset by taxable profits and for which a deferred tax claim has not been recognized, amount to EUR 1,081 thousand.

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

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Balance on 1st January	**15,722**	**11,132**	**15,556**	**10,904**
Current and prior period corporation tax charge	25,183	27,044	24,605	26,614
Taxes paid	(29,587)	(22,454)	(29,016)	(21,961)
Movement in tax advance	(61)	0	(63)	(1)
Balance on 31st December	**11,257**	**15,722**	**11,082**	**15,556**

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:

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Net profit, after tax	**86,845**	**85,362**	**82,279**	**82,398**
Attributable to:				
Company's shareholders	86,846	85,364	82,279	82,398
Non-controlling interests	(1)	(2)	0	0
Weighted average number of shares	2,760,000	2,760,000	2,760,000	2,760,000
Basic earnings per share (in absolute figures)	**31.4656**	**30.9283**	**29.8112**	**29.8543**
Diluted earnings per share (in absolute figures)	**31.4656**	**30.9283**	**29.8112**	**29.8543**

26. Dividends per share

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 and Commitments

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, these cases, which are still ongoing, are presented below:

i. 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, along with the operation of excised tax warehouses not established in the Headquarters. On 31 st December 2023, the value of these Bank Letters of Guarantee was EUR 136,796 thousand, while on 31 st December 2022 their value was EUR 124,478 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.

ii. Subsidiary KARELIA BULGARIA EOOD has granted Bank Letters of Guarantee to the Bulgarian State as security for Excise Tax deferment. The value of this Bank Letter of Guarantee both on 31st December 2023 and 31 st December 2022 amounted to EUR 43,204 thousand.

iii. In order for the Bulgarian bank DSK to issue the necessary guarantee as required by Bulgarian customs, in favor of our subsidiary KARELIA BULGARIA EOOD, and which is described in paragraph (ii), they had received on 31.12.2023 a collateral bank guarantee of EUR 43,250 thousand from CREDIT SUISSE AG, to which the Company has pledged state bonds with nominal value of EUR 45,500 thousand.

iv. 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. Following the rejection of the appeal, the Company filed an appeal before the Council of State, against the decision of the Administrative Court of Appeal of First Instance, which by its decision rejected the appeal, making the case irrevocable.

v. 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.

vi. 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.

vii. 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 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 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 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. After the hearing, the Administrative Court of Kalamata referred the case to the Administrative Court of Athens, which by its decision suspends the judicial process until the decisions of the Council of State are issued.

The Company has filed four appeals before the Council of State against the above decisions of the Athens Administrative Court of Appeal.

viii. On 31 December 2023, there were litigations and claims the outcome of which, according to the Board's view, would not significantly affect the Company's results.

ix. 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 the case of such tax audit, additional tax charges arise, these will not have a material impact on the Financial Statements.

x. The Company had received invoices from foreign suppliers of EUR 5,272 thousand until the end of the Financial Reporting period 2023, which refer to goods in transit and for which the suppliers had the control and bear the related risks as at 31/12/2023.

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:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Financial Assets				
At fair value				
Investments at fair value through P&L	66,478	68,590	66,478	68,590
At amortized cost				
Accounts receivables	26,440	21,723	19,324	16,269
Investments measured at amortized cost	419,094	252,227	413,725	252,227
Cash and cash equivalents	211,780	321,856	166,695	274,983
Financial Liabilities				
At amortized cost				
Suppliers and other payables	130,615	115,274	88,721	77,322

The Group in the current and previous year holds a financial asset (Dual Currency Investments) containing an embedded derivative financial instrument linked to the EUR - Dollar exchange rate. This asset is valued as a whole at fair value through profit or loss.

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)

		Group	
(Amounts in thousands of Euros)		2023	
Account	**Balance**	**Currency risk**	
		+ 5%	**- 5%**
Receivables	2,662	(127)	140
Cash and cash equivalents	152,009	(7,239)	8,000
Investments	54,030	(2,573)	2,844
Liabilities	(19,908)	948	(1,048)
Effect of changes in foreign exchange on corporation tax gains/ (losses)	0	1,978	(2,186)
Net effect		**(7,013)**	**7,750**

		Group	
(Amounts in thousands of Euros)		2022	
Account	**Balance**	**Currency risk**	
		+ 5%	**- 5%**
Receivables	2,785	(133)	147
Cash and cash equivalents	139,754	(6,655)	7,355
Investments	41,025	(1,954)	2,159
Liabilities	(20,305)	967	(1,069)
Effect of changes in foreign exchange on corporation tax gains/ (losses)	0	1,711	(1,890)
Net effect		**(6,065)**	**6,702**

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 a 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 the 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 2023, doubtful receivables including those which are more than one year overdue, amounted to EUR 6,012 thousand (for the Group) and EUR 5,750 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 1,991 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 investment grade, outside Greece.

The credit rating of the banks which hold the cash and cash equivalents of the Company and that of the issuers of the corporate bonds, the time deposits with duration longer than 3 months, the mutual fund and the Dual Currency Investments held by the Company, are, according to Fitch Ratings, as follows:

Cash and Cash equivalents

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
Bank Credit Rating (short - term)				
F1+	33,364	24,564	33,364	21,314
F1	76,064	73,311	75,938	73,280
F2	18,365	111,830	18,346	110,434
B	83,964	112,135	39,029	69,941
Total	**211,757**	**321,840**	**166,677**	**274,969**

Investments at fair value through P&L

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Investments at fair value through P&L	66,478	68,590	66,478	68,590
Total	**66,478**	**68,590**	**66,478**	**68,590**

From the total amount presented on the above table, EUR 61,733 thousand, refers to 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) 72%
- Securities 10%
- Cash 16%
- Other asset 2%

The amount of EUR 4,731 refers to Dual Currency Investments and its issuer has an AA investment grade.

Investments at amortized cost

Bonds

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Credit Rating of Issuers (long-term)				
AAA	42,147	8,550	42,147	8,550
AA+	23,568	7,754	23,568	7,754
AA	2,257	0	2,257	0
AA–	54,440	23,710	54,440	23,710
A+	34,485	28,817	34,485	28,817
A	22,108	19,081	22,108	19,081
A–	20,238	6,067	20,238	6,067
BBB+	33,765	21,093	33,765	21,093
BBB	5,918	0	5,918	0
BBB–	4,960	2,360	4,960	2,360
BB+	11,038	9,917	11,038	9,917
BB	0	9,048	0	9,048
BB–	4,797	1,712	4,797	1,712
Without rating*	8,563	8,600	8,563	8,600
Total	**268,284**	**146,709**	**268,284**	**146,709**

*Corporate bonds issued by “Hellenic Petroleum Finance Plc”.

Time deposits with duration longer than 3 months

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Bank Credit Rating (short - term)				
F1+	6,822	3,019	6,822	3,019
F1	102,168	19,996	98,250	19,996
F2	41,820	82,503	40,369	82,503
Total	**150,810**	**105,518**	**145,441**	**105,518**

Trade receivables

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:

	Group		Company	
(Amounts in thousands of Euros)	**2023**	**2022**	**2023**	**2022**
Domestic receivables	8,823	5,490	8,767	5,433
Receivables from International markets	17,617	16,233	10,557	10,836
Total	**26,440**	**21,723**	**19,324**	**16,269**

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 697 million on 31.12.2023), 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.

	Group		Company	
(Amounts in thousands of Euros)	2023	2022	2023	2022
	Less than 4 months	Less than 4 months	Less than 4 months	Less than 4 months
Trade payables and other payables	130,615	115,274	88,721	77,322

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). Regarding investments at amortized cost, any difference between fair and book value is not substantial for the Group and the Company, considering that 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, along with the nonexistence of significant negative evolvement for issuers' credit ability.

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 is presented at Note 10.

29. Post Balance Sheet events

No significant events have occurred after 31 December 2023 that require disclosure in or change of the Financial Statements.

30. Transactions and balances with related parties

KARELIA TOBACCO COMPANY INC. its subsidiaries, the subsidiaries of the subsidiaries, their Management, and key Executives, together with close members of their families, are classified as related parties of the Group.

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

The following transactions were carried out with related parties:

I. Sales of goods and services

(Amounts in thousands of Euros)	2023	2022
MERIDIAN S.A.	222	187
KARELIA BULGARIA EOOD	46,300	41,887
KARELIA TOBACCO COMPANY (UK) LTD	2,538	2,758
KARELIA TÜTÜN VE TICARET A.Ş.	93	107
Total	**49,153**	**44,939**

II. Other intercompany charges

(Amounts in thousands of Euros)	2023	2022
KARELIA TÜTÜN VE TICARET A.Ş.	(85)	(75)
KARELIA TOBACCO COMPANY (UK) LTD	23	0
Total	**(62)**	**(75)**

III. Outstanding balances from sales of products and services

(Amounts in thousands of Euros)	2023	2022
MERIDIAN S.A.	241	19
KARELIA BULGARIA EOOD	3,439	2,985
KARELIA TOBACCO COMPANY (UK) LTD	5	181
KARELIA TÜTÜN VE TICARET A.Ş.	63	0
Total	**3,748**	**3,185**

IV. Outstanding balances from other intercompany charges

(Amounts in thousands of Euros)	2023	2022
KARELIA TÜTÜN VE TICARET A.Ş.	(4)	(3)
Total	**(4)**	**(3)**

V. Remuneration for Board of Directors members and department directors

(Amounts in thousands of Euros)	Group 2023	Group 2022	Company 2023	Company 2022
Remuneration of the members of the BOD	607	547	607	547
Salaries and other short-term benefits of department directors	3,464	3,383	3,116	3,058
Total	**4,071**	**3,930**	**3,723**	**3,605**

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 are subject to a separate analysis in the Financial Statements.

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

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

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

	2023		2022	
(Amounts in thousands of Euros)	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)
Revenue from customers	276,360	57,820	253,265	54,455
Financial income	14,917	178	3,886	0
Financial expenses	994	279	1,905	191
Total depreciation of fixed assets	5,374	135	5,414	79
Profit before taxes	109,486	4,310	109,405	3,002

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

Revenue from customers

(Amounts in thousands of Euros)	Group	
	2023	**2022**
Revenues from customers (Greece and Overseas)	334,180	307,720
Other operating income (Note 22)	(3,056)	(2,939)
Eliminations of intergroup sales (Note 30)	(49,153)	(44,939)
Other	(1,508)	(485)
IFRS 15	(2,228)	(2,332)
Excise and VAT (Note 19)	1,045,922	1,008,709
Revenue in accordance with Statement of Comprehensive Income	**1,324,157**	**1,265,734**

Profit before taxes

(Amounts in thousands of Euros)	Group	
	2023	**2022**
Profit before taxes	113,796	112,407
IFRS Adjustments	(4,457)	(1,864)
Eliminations of intergroup profits	777	630
Profit before taxes in accordance with Statement of Comprehensive Income	**110,116**	**111,173**

Kalamata, April 25th, 2024

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