

Valuation & Research Specialists (VRS)
Equity Research Team
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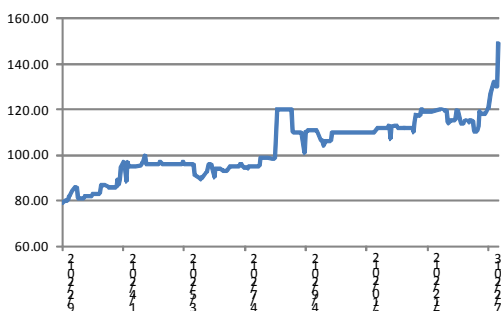
Share Price (15/02/2013) € 149.15	
# of Shares (,000)	2,760
Market Cap (in € mn)	411.65
A.D. Volume (p)	100
Beta Co-efficient	0.09
Statistical Data	
Max 52 week	149.15 €
Min 52 week	79.00 €
1-M Rtn	30.72%
6-M Rtn	35.04%
12-M Rtn	86.44%

Source: The Company, Reuters, VRS

Group's Subsidiaries

SUBSIDIARY (PARENT'S % STAKE)	COUNTRY
KARELIA TOBACCO COMPANY S.A. (Parent Company)	Greece
MERIDIAN S.A. (99.54%)	Greece
KARELIA INVESTMENT S.A. (85%)	Greece
KARELIA TOBACCO COMPANY (UK) LTD (100%)	UK
KARELIA BULGARIA EOOD (100%)	Bulgaria
G.K. DISTRIBUTORS EOOD (100%)	Bulgaria
KARELIA TÛTÛN VE TICARET A.Ş. (97%)	Turkey
KARELIA BELGIUM LTD (85%)	Belgium

Stock Price Performance (1 year, in €)



Karella Tobacco Company Inc. [Bloomberg Ticker: KARE:GA, Reuters Ticker: KAR.AT]

Business Sector: Tobacco Industries

History – Business Profile – Growth Drivers

- The history of the company originates in 1888, when George and Stathis Karella founded Karella Tobacco Company (the Company or the Group) in Kalamata, Southern Greece. The Company is currently the largest Greek tobacco industry.
- Karella was the first Greek exporter of cigarettes, with a current presence in more than 65 countries worldwide.
- Since 1971, the Company's headquarters and its production unit are housed in its facilities in Kalamata on a total area of 80,000 sqm, while its storage facilities have an aggregate capacity of 15,000 tons. The sales and marketing department are housed in Athens. Karella Tobacco constitutes today an international group that employs 493 people (consolidated basis, as of end June 2012) and has been listed on the Athens Exchange since 1976.
- Some of the most recognized brands of the Company are "Karella Slims", "Wellington", "Omé", "American Legend", etc.
- According to the management, Karella is the first non-multinational tobacco company worldwide that possesses one of the most advanced machinery for the production and packing of cigarettes, with a total capacity of 16,000 cigarettes per minute.

Corporate Strategy

- Karella shows particular sensitivity to the advertising and promotion of cigarettes. The Company considers as its target group only adults, who have consciously chosen to smoke. All promotion actions target this segment of the market, while the role of advertising is exclusively to encourage adult smokers to choose the Company's brands.

9-Month 2012 Financial Highlights (Consolidated)

- As of September 2012, sales and operating profit accounted for € 473.41 million (from € 458.17 million in 9M 2011) and € 43.4 million (from € 29.86 million in 9M 2011) respectively, with net profit settling at € 38.09 million in 9M 2012 versus € 25.09 million in 9M 2011.
- The Group's equity accounted for € 255.33 million with its outstanding long-term and short-term bank debt at € 0. Cash and cash equivalents amounted to € 210.82 million. Net cash flows from operating activities stood at € 47.83 million in 9M 2012 versus € 63.66 million in 9M 2011.

Important Note:

Valuation & Research Specialists (VRS) have based the aggregate information contained in this report on Karella Tobacco Company's corporate and IR website, www.karella.gr. VRS have also contacted the Management for factual verifications. VRS have compiled this report solely for information purposes.

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BASIC FINANCIAL INDICATORS

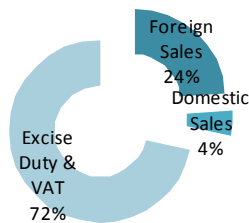
(in €mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2009	504.2	29.2	26.3	16.2	25.4	2.0	9.1	0.0	8%
2010	567.9	34.2	35.2	23.5	17.5	1.9	7.9	0.0	11%
2011	610.1	45.7	47.5	37.6	10.9	1.7	5.0	0.0	16%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price. Source: Official Consolidated Financial Statements (based on IFRS), VRS Calculations.

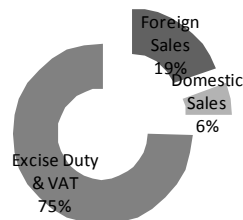
Company Report

FLASH NOTE
15 February 2013

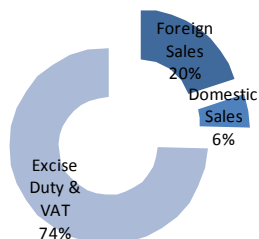
Turnover Breakdown Sector Basis, 9M 2012



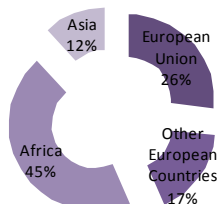
Turnover Breakdown Sector Basis, 9M 2011



Turnover Breakdown Sector Basis, Year 2011



Foreign Turnover Breakdown Geographic Basis, Year 2011



Source: The Company.

Karelia Tobacco Company Inc. [Bloomberg Ticker: KARE:GA, Reuters Ticker: KAR.AT] Business Sector: Tobacco Industries

Year 2011 Financial Highlights (Consolidated)

- At the end of December 2011, the Group's equity (excl. minorities) and the bank debt (long-term and short-term) accounted for € 238.31 million and € 0 respectively.
- Cash and cash equivalents amounted to € 181.48 million, while net cash flows from operating activities settled at € 53.9 million. Group investments in tangible and intangible assets increased to € 2.99 million in 2011 from € 2.88 million in year 2010.

Latest Corporate Actions

- In October 2012, the Company was awarded the annual prize "True Leaders" by ICAP Group (the only Greek company recognized as a Rating Agency by the Hellenic Capital Markets Committee).

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Working Capital Ratios

in EUR million		2009	2010	2011
Sales	€ mn	504.24	567.95	610.06
Cost of Sales	€ mn	429.96	494.88	528.78
Net Income / Profit	€ mn	16.24	23.54	37.62
Cash & Cash Equivalents	€ mn	146.00	143.08	181.48

Stock Days

	Days	94	37	61
Stock Inventory	€ mn	110.23	49.89	87.70

Debtors Days

	Days	26	17	13
Debtors - Receivables	€ mn	36.48	25.70	22.56

Creditors Days

	Days	120	37	75
Creditors - Suppliers	€ mn	141.24	50.64	108.87

Operating Cycle (Days)

	Days	120	53	74
Cash Cycle (Days)	Days	0	16	-1

Cash Cycle (Days)

Source: Official Consolidated Financial Statements, VRS Calculations.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
Karelia Tobacco Company	KARE:GA	KAR.AT	€ 149.15	February 15, 2013	2, 3

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
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