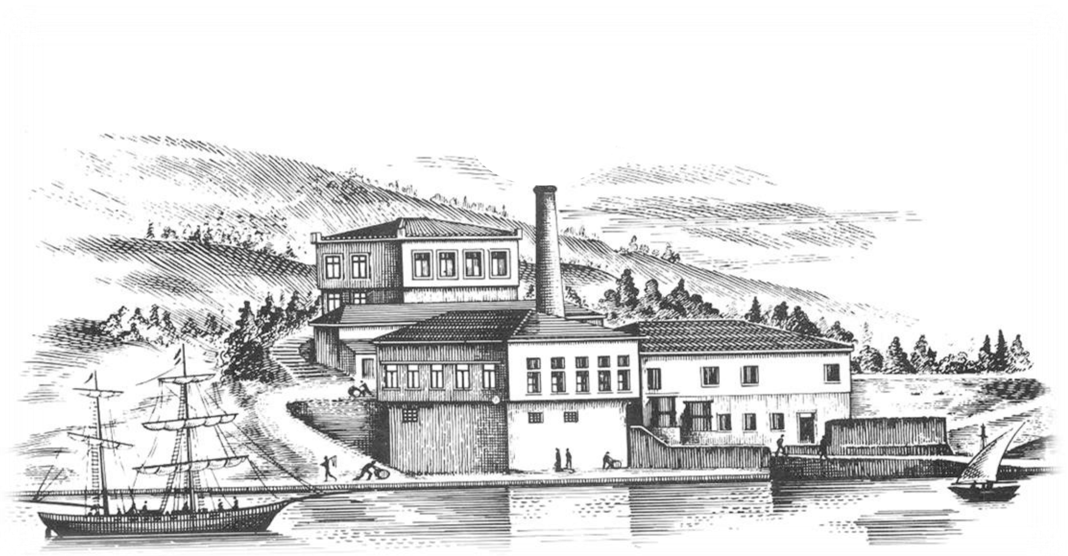
# PAPOUTSANIS S.A.

## CONDENSED FINANCIAL INFORMATION

**For the period ended on**
**30 September 2023 (01/01/2023 – 30/09/2023)**



*Consumer Goods Industrial and Commercial Societe Anonyme*
*G.C.R. No. 121914222000*
*71st km Athens-Lamia National Road, Vathi Avlida, Halkida*

**Significant events**

In the current period, after material and energy prices peaked at the end of 2022, there has been a gradual leveling off, which is reflected in the gross profit margin which improved significantly, from 24% for the whole of 2022, to 33% for the nine months of 2023. This downward trend in material and energy prices looks set to continue in the final quarter of 2023. The improvement in gross profitability is significantly contributed by the branded and hotel product categories targeting the domestic market, which are experiencing strong double-digit growth.

Earnings before interest, taxes, depreciation and amortization are also improved, amounting to € 6.7m or 14% of turnover despite the decline in sales by 11%. In Q3 2022 EBITDA stood at € 6.2 million or 11,6% of turnover of the period.

EBT stood at € 3.6 million or 7.6% of turnover. For 2023 overall, Management estimates that these figures will be better than the corresponding ones for 2022 overall, even despite higher financial costs. Earnings after tax for Q3 stood at € 2.8 million or 5.9% of turnover compared to € 3.6 million in the corresponding period in 2022.

In the direction of improving profitability, the completion of the strong investment plan of the previous three years, which has achieved a significant reduction in manufacturing costs, contributes positively to the profitability indicators, as well as to the prospects of turnover development through new agreements offering superior quality products to competitive prices.

In this context, Papoutsanis is in the final stages of implementing a collaboration with a large multinational company, with the start of the collaboration being placed in the first quarter of 2024 and full implementation by the third quarter. This agreement on an annual basis is estimated to contribute additional sales of approximately six million euros, while there are significant prospects for further expansion. In addition, the Company is in negotiations with other multinationals, as well as smaller companies active in the soap and cosmetics sector, for the production of their products at the Papoutsanis facilities.

During the Annual General Meeting of shareholders, a program to purchase own shares was approved with a maximum number of 1,354,929 shares, a minimum purchase price of €1.00 per share and a maximum purchase price of €4.00 per share. The program will last until 18.05.2025.

The Company on 30.9.2023 held 143,375 own shares (ie, 0.529% of the total shares of the Company).

During the second quarter of 2023, a dividend for the fiscal year 2022, of a gross amount of €0.02 per share, was paid, while in the last quarter of 2022, an interim dividend for the fiscal year of 2022, of a gross amount of €0.02 per share, was paid.

In September 2023, it was decided to distribute an interim dividend for the year 2023. The gross amount of the interim dividend for the year 2023 corresponds to €0.03 per share. The final amount of the interim dividend that will be paid per share will be increased by the amount of the interim dividend that will correspond to the same shares held by the Company on the cut-off date of the right to collect the interim dividend.

## Interim Statement of financial position

| **ASSETS** | **30.09.2023** | **31.12.2022** |
|---|---|---|
| **Non-current assets** | | |
| Tangible assets | 49.043.730 | 47.819.300 |
| Investments in real estate property | 226.707 | 226.707 |
| Intangible assets | 1.491.898 | 1.485.627 |
| Goodwill | 100.000 | 100.000 |
| Financial assets measured at fair value through statement of comprehensive income | 1.274.398 | 1.274.398 |
| Derivative financial assets | 494.571 | 511.903 |
| Long-term receivables | 86.516 | 28.630 |
| | **52.717.820** | **51.446.565** |
| **Current assets** | | |
| Reserves | 8.458.039 | 9.726.503 |
| Trade receivables | 6.216.247 | 5.989.235 |
| Receivables (Checks) | 1.154.274 | 493.873 |
| Other receivables | 2.054.969 | 3.772.569 |
| Cash and cash equivalents | 3.894.364 | 11.727.234 |
| | **21.777.893** | **31.709.412** |
| **Total Assets** | **74.495.713** | **83.155.978** |
| **EQUITY** | | |
| **Total Equity attributable to the shareholders of the company** | | |
| Share capital | 14.633.241 | 14.633.241 |
| Share premium | 1.975.977 | 1.975.977 |
| Own shares | (331.367) | (270.057) |
| Reserves at fair value | 1.551.930 | 1.551.930 |
| Other reserves | 1.557.557 | 650.868 |
| Retained Earnings | 9.203.417 | 8.403.430 |
| **Total Equity of the Company** | **28.590.754** | **26.945.390** |
| **Non-controlling interest** | - | - |
| **Total Equity** | **28.590.754** | **26.945.390** |
| **LIABILITIESΣ** | | |
| **Long-term liabilities** | | |
| Long-term borrowings | 21.972.324 | 22.466.750 |
| Deferred Income Tax | 4.490.776 | 4.269.918 |
| Provisions for employee benefits | 357.215 | 324.926 |
| Grants of assets | 1.623.952 | 1.762.169 |
| | **28.444.268** | **28.823.763** |
| **Short-term liabilities** | | |
| Suppliers | 8.868.522 | 16.060.840 |
| Other liabilities | 2.377.593 | 3.972.005 |
| Current Income Tax | 342.439 | 412 |
| Short-term loans | 5.836.936 | 7.318.368 |
| Provisions | 35.200 | 35.200 |
| | **17.460.691** | **27.386.826** |
| **Total liabilities** | **45.904.959** | **56.210.588** |
| **Total equity and liabilities** | **74.495.713** | **83.155.978** |

## Interim Statement of comprehensive income

| | 01.01-30.09.2023 | 01.01-30.09.2022 |
|---|---|---|
| Sales | 47.436.506 | 53.251.604 |
| Cost of sales | (31.805.306) | (39.379.400) |
| **Gross profit** | **15.631.200** | **13.872.204** |
| Other revenues | 573.477 | 1.454.097 |
| Distribution expenses | (7.642.112) | (6.321.170) |
| Administrative expenses | (2.684.406) | (2.384.147) |
| Research and development expenses | (651.877) | (628.125) |
| Other expenses | (255.333) | (812.251) |
| Finance cost (net) | (1.350.311) | (540.270) |
| **Profits before Tax** | **3.620.639** | **4.640.339** |
| Deferred Income Tax | (220.858) | (95.091) |
| Current Income Tax | (615.679) | (959.733) |
| **Net period earnings from continuing operations (A)** | **2.784.102** | **3.585.516** |
| **Other total income after tax (B)** | | - |
| **Total comprehensive income after tax (A+B)** | **2.784.102** | **3.585.516** |
| Profit / (loss) after tax per share | 0,1027 | 0,1326 |
| Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | 6.690.421 | 6.155.522 |
| Results before taxes, financing, investment, non-recurring results and depreciation (Adjusted EBITDA) | 6.946.466 | 6.539.321 |

## Statement of cash flows (indirect method)

| Operating activities | 01.01-30.09.2023 | 01.01-30.09.2022 |
|---|---|---|
| Profits before tax | 3.620.639 | 4.640.339 |
| **Plus / (minus) adjustments for:** | | |
| Depreciations | 1.832.634 | 1.576.461 |
| Provisions | 32.289 | (538.788) |
| Depreciations of grants | (113.163) | (135.017) |
| (Revenues) / expenses of investments | 17.332 | (466.530) |
| Finance cost (net) | 1.350.311 | 603.617 |
| | 6.740.043 | 5.680.082 |
| **Plus/Less adjustments of working capital or related to operating activities:** | | |
| Decrease/(increase) of receivables | (237.192) | (4.085.789) |
| Decrease/(increase) of inventory | 1.268.464 | (3.508.218) |
| Decrease/(increase) of payables (excluding banks) | (8.647.901) | 3.391.444 |
| **Less:** | | |
| Interest payable and related expenses paid | (1.183.677) | (516.648) |
| **Total inflows / (outflows) of operational activities (a)** | **(2.060.264)** | **960.872** |
| **Investment activities** | | |
| Holdings in subsidiaries | | (100.000) |
| Purchase of tangible and intangible assets | (3.664.650) | (6.117.249) |
| (Acquisition)/Sale of subsidiaries, affiliates, joint ventures and other investments | | (2.277.428) |
| Proceeds from sales of tangible and intangible assets | 1.315 | 995 |
| **Total inflows / (outflows) of investment activities (b)** | **(3.663.335)** | **(8.493.683)** |
| **Financing activities** | | |
| Proceeds from capital increase | | (179.036) |
| Own shares | (61.310) | (142.305) |
| Reserve for Equity-Based Payments | | 17.490 |
| Proceeds from issued/ taken up loans | | 93.750 |
| Proceeds from grants | 4.000.000 | 14.221.821 |
| Repayment of loans | 467.521 | - |
| Repayment of liabilities from leasing agreements (payment of interest) | (5.827.099) | (4.247.986) |
| Dividend paid | (148.758) | (242.692) |
| Own shares | (539.624) | (1.348.388) |
| **Total inflows / (outflows) of financing activities (c)** | **(2.109.271)** | **8.172.656** |
| **Total increase (decrease) of cash and cash equivalents of the period (a) + (b) + (c)** | **(7.832.869)** | **639.845** |
| Cash and cash equivalents at the beginning of the period | 11.727.234 | 6.377.744 |
| **Cash and cash equivalents at the end of the period** | **3.894.364** | **7.017.589** |

## Additional information and data

### Turnover

Turnover for Q3 2023 stood at € 47.4 million compared to € 53.3 million in the corresponding period in 2022, i.e. down 11%, with the value of exports accounting for 53% of total turnover.

In Greece turnover stood at € 22.2 million, up 21% thanks to the significant growth in the category of branded products and sales on the domestic hotel market. Abroad there was a 28% drop, primarily due to the third party products category following removal of SKUs by multinational customers as a result of cost increases. The drop in turnover in the soap bases category is due to the increased demand noted in 2022, which can be attributed to the higher cost of transporting them from third countries. It is worth noting that this category rose by 16% this year compared to the same period in 2021.

As part of its strategic goal of increasing turnover, the Company is in negotiations with multinationals and other smaller companies operating in the soap and cosmetics sector. In that context, an agreement with a large multinational is in the final stages of implementation, with collaboration set to start in Q1 2024 and full implementation by Q3. It is estimated that this agreement will contribute additional sales of around € 6 million each year, and there are major prospects for further expansion.

Regarding the contribution of the four activity sectors to total figures, it should be noted that 27% of total revenue comes from sales of Papoutsanis branded products in Greece and abroad, 20% from sales in the hotel market, 38% from third party product production, and 15% from industrial sales of specialty soap bases.

**Overview by activity sector**

**Branded Products**

The category reported strong growth of 53% compared to Q3 2022, exceeding the losses from the drop in the antiseptic market (-54.8% in value in organised retail trade for the eight-month period January-August 2023 compared to the same period last year). Excluding antiseptics, the rise in the branded products category is 78% due to the organic development of Papoutsanis' mass distribution products and the positive contribution made by the ARKADI soap factory. Papoutsanis personal care products are already gaining a significant market share in Greece and at the same time have more than doubled their sales abroad, and hold out significant prospects for further growth. This development comes primarily from the major increase in the penetration of brand name Papoutsanis products into Greek households and the entry into new categories of personal care products. A small part of it relates to reasonable price increases in cases where that was considered necessary due to inflationary pressures on product costs.

**Hotel products:** Hotel product sales dropped by 24% compared to the corresponding sales figures for Q2 2022, though sales to hotels on the domestic market increased by 16% compared to the same period last year, which in part made up for the drop in sales abroad. These sales figures should be compared to a high Q3 2022 figure which was due to the resumption of business travel and the re-opening of the tourism market after the pandemic.

**Third-party products (industrial sales, private label):** Sales in this category were down 18%, a trend driven by foreign sales. In foreign markets, and above all in Europe, major inflationary pressures over the last year led some of our multinational customers to redefine their strategy and re-evaluate their product portfolio, resulting in certain SKUs being dropped and demand falling. At the same time, as mentioned above, Papoutsanis is in discussions about new partnerships with very good prospects, which will bolster the category from the start of 2024 onwards, both inside and outside the EU, where additional growth opportunities have been identified.

**Industrial sales of soap bases:** In Q3 2023, there was a 33% drop in this category (which primarily relates to foreign customers), mainly due to non-sale of the commodity soap bases manufactured in SE Asia. In 2022, by exploiting increased transport costs and long delays in deliveries from Asia, Papoutsanis was able to meet part of the overall demand in Europe, Africa and the Middle East for similar soap bases. Transport costs and delivery times from Asia have now returned to normal, but that specific set of circumstances allowed Papoutsanis to develop remarkable partnerships with significant potential, which can only bolster this category.

**Gross Profit**

The gross profit margin improved significantly compared to the same period last year and stood at 33.0% compared to 26.1%. This improvement is even greater compared to the total for 2022 when the gross profit margin stood at 24.4%.

Gross profit improved by 12.7% compared to Q3 2022 and stood at € 15.6 million (up from € 13.9 in the same period in 2022) despite the shortfall in turnover; this was a result of a gradual return to normal for the cost of raw materials and energy. The 53% increase in the branded products category compared to the same period in 2022 also contributed to improved gross profit.

**Operating expenses**

Operating expenses (distribution, administrative, research and development) amounted to € 11.0 million against € 9.3 million. These costs are significantly affected by the 21% increase in distribution costs, which is mainly due to variable costs of communication and promotion of branded products in the domestic market. The result of this investment is the strong growth of sales of Papoutsanis branded products and the improvement of market shares, while at the same time a significant improvement of the EBITDA of the specific category was achieved.

**Profit before tax, financing, investment results and amortisation/depreciation (EBITDA)**

Earnings before interest, taxes depreciation and amortisation (EBITDA) are improved by 8,7% and amounted to € 6,7m compared to € 6,2 m in Q3 2022.

Earnings before interest, taxes depreciation, non-recurring results and amortisation (adjusted EBITDA) are improved by 6,2% and amounted to € 6,9 m compared to € 6,5 m in Q3 2022.

**Profits for period**

EBT stood at € 3.6 million or 7.6% of turnover, compared to € 4,6 m in Q3 2022, while earnings after taxes stood at € 2.8 million or 5.9% of turnover compared to € 3.6 million in the corresponding period in 2022, decreasing by 22% mainly due to the increase in financial costs as a result of the increase in interest rates.

**Operating and Investment flows**

Company operating flows were negative at € 2.1 million compared to positive operating flows of € 1.0 million in Q3 2022. The impact on operating flows comes from the drop in liabilities as a result of the drop in the cost of goods sold and the major drop in outflows for investments. Management expects positive operating flows for 2023 overall.

Investment expenses stood at € 3.7 million compared to € 8.5 million for Q3 2022, significantly down by 57%, as the strong investment plan of the previous three-year period has now been completed. Note that in 2022 the Company had acquired the ARKADI soap factory which involved an outflow of € 2.3 million.

**Net Borrowings**

The Company’s net borrowing (loans minus cash) amounted to €23,9 m (compared to € 18,1 m on 31.12.2022). For the end of the year, the Management aims to reduce net borrowing and estimates that it will approach levels similar to the end of fiscal year 2022.

**Fixed equipment**

The book value of fixed equipment (tangible fixed assets for the Company amounts to €49m on 30.09.2023 compared to € 47,8 m on 31.12.2022.

**Financial Structure**

The total liabilities of the Company in relation to equity was significantly improved and amounted to 1,6 vs 2,1 on 31.12.2022.

**Working capital-Liquidity**

The working capital (current assets minus short-term liabilities) for the Company remained stable compared to 31.12.2022 and amounted to € 4,3 m.

**Business Outlook**

As part of its strategic goal of increasing turnover, the Company is in negotiations with multinationals and other smaller companies operating in the soap and cosmetics sector. In that context, an agreement with a large multinational is in the final stages of implementation, with collaboration set to start in Q1 2024 and full implementation by Q3. It is estimated that this agreement will contribute additional sales of around € 6 million each year, and there are major prospects for further expansion. In terms of profitability for 2023 overall, Management estimates that the financial results will be better than those for 2022, despite the reduced profitability in Q3 2023 (compared to Q3 2022). More specifically, improved results are expected in Q4 2023 compared to Q4 2022, during which material and energy prices had reached peak levels, leading to negative results in Q4 2022. Completion of the strong investment plan over the last three years, which brought about a significant reduction in the industrialisation costs, has contributed to this, positively affecting the profitability indicators as well as the prospects for the growth of turnover through new agreements, allowing Papoutsanis to offer superior quality products at competitive prices. For the rest of the year, flows for investment activities will remain low.

**Details by product category**

The segment of Papoutsanis branded products is a strategic priority and is expected to continue its dynamic double-digit growth and increase in market share through the enrichment of the product range, the significant advertising support and the strengthening of the presence in stores, as well as by entering new product categories with ARKADI as the main vehicle. At the same time, exports of branded products are developing very satisfactorily.

The hotel products segment in Greece is expected to continue its development course, a consequence of the good course of tourism, but also of the actions of the Company to enrich the range of its branded hotel products and strengthen the potential of the Company with the aim of increasing the geographical coverage and access to more hotel units.

Abroad, exports of hotel products to international hotel chains carried out through the cooperation of Papoutsanis with the largest multinational in the sector have begun to recover to historically normal levels, after the lag they showed during the first half of the year due to overstocking in 2022

Regarding the sales of hotel products through other channels, the Company implements its strategic choice to be present with its branded series throughout the geographical area of Europe by concluding agreements with partners-representatives of hotel products in each country. In this direction, it develops product lines, having recognized the new trends of travelers looking for sustainable products and authentic experiences.

Finally, the segment of industrial soap bases will continue to show a lag compared to 2022 corresponding to that of the first semester for the reasons analyzed above. On the contrary, the category of synthetic soap bases is developing satisfactorily.

**Information about the financial statements**

In the presented financial statements of the year 2022 of the company PAPOUTSANIS SA, the results of the previous subsidiary company G. MALIKOUTIS S.A. were integrated into the income statement and cash flows (ARKADI M.A.E.). The subsidiary company is consolidated from the date that PAPOUTSANIS SA acquired the right to exercise control over it through the 100% acquisition of all its shares, i.e. on 1/9/2022 (acquisition date 31/8/2022).

PAPOUTSANIS SA initiated the merger process by absorption of the above acquired company with a transformation date of 31.10.2022. The aforementioned merger was completed on 30.12.2022 with the entry in the General Commercial Register (G.E.MH.) of the relevant decision of the competent body of the Ministry of Development and Investments.