

PRESS RELEASE

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Papoutsanis Financial results for the 1st half of 2023

Key financials for the first half of 2023

- Turnover in the first half of 2023 stood at € 32.2 million compared to € 33.6 million in the same period in 2022, down 4%.
- Earnings before taxes stood at € 2.3 million, compared to earnings of € 3.3 million in the first half of 2022.
- Earnings net of tax stood at € 1.7 million compared to € 2.5 million in the first half of 2022.
- The value of exports was € 18 million compared to € 22.2 million in the first half of 2022, down 18% and representing 56% of total turnover.
- There was a major boost in overall revenues from sales of Papoutsanis branded products in Greece and abroad, reaching 24% compared to 15% in the same period in 2022. In the other three sectors of activity, 21% came from sales in the hotel market, 39% from the manufacture of products for third parties and 16% from industrial sales of special soap bases.

	First half of 2023	First half of 2022	Change
Turnover	€ 32.2 million	€ 33.6 million	-4%
Gross Profit	€ 10.3 million	€ 9.8 million	5%
Earnings before taxes	€ 2.3 million	€ 3.3 million	-30%
Earnings before taxes, financial, non-recurring results and depreciation	€ 4.3 million	€ 4.9 million	-12%

Commenting on this, Mr. **Menelaos Tassopoulos**, CEO of Papoutsanis S.A., had the following to say:

"During the first half of 2023, Papoutsanis continued to implement its development strategy, which allowed it to quickly adapt to changing market conditions, reduce production costs and spread risks, while also increasing productivity. By placing emphasis on further strengthening Papoutsanis branded products, expanding into new categories and markets with ARKADI, and constantly bolstering close and long-

term partnerships with strategic customers and suppliers, we are developing innovative products, making sustainable investments in terms of production and products and have been fully utilising our investment plan over the last three years; thus we remain optimistic about performance for the year overall".

Financial Results Overview

Company turnover in the first half of 2023 was down 4%, with sales standing at € 32.2 million compared to € 33.6 million in the corresponding period in 2022.

The value of exports for Papoutsanis in the current period amounted to € 18.0 million, compared to € 22.2 million in the first half of 2022, down 18% and representing 56% of total turnover.

Regarding the contribution of the four activity sectors to total figures, it should be noted that 24% of total revenue comes from sales of Papoutsanis branded products in Greece and abroad, 21% from sales in the hotel market, 39% from third-party product production, and 16% from industrial sales of specialty soap bases.

In the first half of 2023 prices dropped for a significant proportion of the materials used by the Company to manufacture its products. Equally, energy prices (electricity and natural gas), while remaining at higher levels than those of the pre-pandemic era, are clearly better compared to the high levels seen in 2022. These trends had a positive impact on gross profit, which was up 5% at € 10.3 million compared to € 9.8 million for the same period in 2022. At the same time, the gross profit margin improved significantly and stood at 32%, compared to 29% in the first half of 2022.

Operating expenses (distribution, administration, research and development) stood at € 7.2 million compared to € 6 million; this was primarily due to the increase in marketing and sales support expenses for branded products, a sector which is growing significantly.

EBITDA stood at profits of € 4.3 million compared to profits of € 4.9 million in the first half of 2022.

In addition to the above, the Company's profits were also affected by the increased borrowing costs as a result of the constant increases in prime interest rates by central banks. Earnings before taxes stood at € 2.3 million compared to earnings of € 3.3 million in the first half of 2022. Earnings after taxes stood at € 1.7 million compared to € 2.5 million in the first half of 2022.

Overview by activity sector

Branded products: The category reported strong growth of 51% compared to the first half of 2022 despite the significant decline in the antiseptic market in the

organised retail trade sector (-53.2% for the six-month period January-June 2023 compared to the same period last year). Excluding antiseptics, the branded products category grew by 76%; around half of this was due to the positive contribution made by acquisition of the ARKADI soap factory, while the rest comes from organic growth of Papoutsanis' mass distribution products. PAPOUTSANIS personal care products are gaining a significant market share in Greece and at the same time have more than doubled their sales abroad, with excellent prospects for further growth.

Hotel Products: Sales of hotel amenities grew by 1% relative to the sales in the first half of 2022, with domestic sales rising by 35% compared to last year and making up for some of the drop in sales abroad; these figures are compared to a very strong first half of 2022 with the re-opening of business travel and the tourism market after two years of pandemic-related lockdowns.

Third-party products (industrial sales, private label): Sales in this category were down 15%, 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. Papoutsanis is also in discussions about new partnerships with very good prospects, which will bolster the category both inside and outside the EU, where -despite the strong competition- there are still opportunities for growth. On the contrary, retail sales of private label products in Greece and abroad rose by 15.3% in value compared to the same period in 2022, and contacts have been made, primarily with foreign chains, about entering into new collaboration agreements.

Industrial Sales of Soap Bases: In the first half of 2023, there was a 27% 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 such 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 which can only bolster this category.

Business Outlook

Despite the volatile environment, unprecedented inflationary pressures and continuous interest rate hikes affecting consumption internationally, Papoutsanis continues to focus on its growth prospects. To this end, for the second half of the year:

- Papoutsanis branded products will be our strategic priority. This is a sector expected to continue with dynamic double-digit growth and an increase in market share, through the enrichment of the product range, the significant advertising

support provided and a stronger presence in stores, as well as our entry into new product categories, mainly driven by ARKADI. At the same time, exports of branded products are advancing very satisfactorily.

- The hotel products sector in Greece is expected to continue to grow in the second half of 2023 as a result of a generally good tourist season coupled with Papoutsanis' moves to bolster its branded hotel products. Likewise, steps to further bolster the sales network for branded hotel products abroad are generating good results. At the same time, exports of hotel products to customers abroad and international hotel chains have begun to return to historical normal levels after the shortfall seen in the first half of the year due to overstocking in 2022.
- Although we consider that multinational customers have now completed their rethink about product codes, which resulted in the removal of solid soap codes, this development will nonetheless continue to affect the third-party products category well into the second half of 2023. However, new agreements have already been entered into with existing and new customers, and there are discussions under way about new, very important partnerships scheduled to be implemented in the first half of 2024.
- Lastly, for the reasons explained above, we expect the special soap bases sector to continue to report a decline compared to 2022, similar to the one seen in the first half of the year. The synthetic soap bases category, on the contrary, is growing satisfactorily.