

PRESS RELEASE

07 November 2022

Papoutsanis: Consolidated Financial Results for the first three quarters of 2022

Significant increase in turnover and exports – High performance in the hotel market, third-party production and soap base sales.

- **An increase of 39.3% in the consolidated turnover in the first three quarters of 2022 corresponding to EUR 53.3 million vs EUR 38.2 million in the first three quarters of 2021.**
- **Significant increase in exports by 55%, amounting to EUR 34.9 million, compared to EUR 22.5 million in the first three quarters of 2021, making up 66% of the total turnover.**
- **Consolidated gross profit was EUR 13.9 million compared to EUR 13.0 million in the corresponding period of 2021, an improvement of 6.5%.**
- **Consolidated earnings before taxes stood at EUR 4.6 million for the three quarters of 2022, vs EUR 5.1 million in the corresponding period of 2021.**
- **Consolidated earnings after taxes reached EUR 3.6 million vs EUR 4.0 million in the corresponding period of 2021, marking a 10% decrease.**

	First three quarters of 2022	First three quarters of 2021	Change
Turnover	€ 53.3 million	€ 38.2 million	39.3%
Gross Profit	€ 13.9 million	€ 13 million	6.5%
Earnings before taxes	€ 4.6 million	€ 5.1 million	-9%
Earnings after taxes	€ 3.6 million	€ 4.0 million	-10%

Mr Menelaos Tassopoulos, CEO of Papoutsanis SA, commented: "Despite the adverse conditions in the Greek and international market, during the three quarters of 2022 we achieved a significant increase in turnover and exports. The restart of the hotel industry, the continuation and expansion of our international partnerships with multinational companies, the acquisition of the Arkadi soap industry and the consequent extension to new product categories, but above all the steady implementation of our development strategy, based on the significant reduction of production and distribution costs and the investments of the last three years, which we have planned in time and are now completing, are positive conditions for the continuation of our development process."

Financial Overview

Papoutsanis recorded a significant increase of 39.3% in its turnover in the first three quarters of 2022. In specific, turnover stood at EUR 53.3 million vs EUR 38.2 million in the first three quarters of 2021.

This significant increase in turnover was due to the recovery of the hotel market and the increase in sales of specialty soap bases and third-party production in Greece and abroad, combined with an increase in selling prices. In this context, comparing the first three quarters of 2022 with the corresponding period of 2021, the 39.3% increase in sales is attributed to an increase in sales volumes by approximately 22% and to an increase in prices by 17%. The sales price increases mainly concern the categories of specialty soap bases and products for third parties most directly affected by the increases of different oils and auxiliaries, while in the branded category the increases were much smaller.

The value of exports for Papoutsanis grew by 55%, making up 66% of the total turnover, and amounted to EUR 34.9 million, compared to EUR 22.5 million in the first three quarters of 2021.

In looking at how each of the four business segments contributed to overall results, it is noted that 16% of total revenues originated from sales of Papoutsanis branded products, 23% from sales to the hotel market, 41% from product manufacturing for third parties, and 20% from industrial sales of specialty soap bases.

For reasons known to all, the current nine months are characterised by unprecedented inflationary pressures both in terms of the cost of raw materials and packaging materials as well as energy – electricity and natural gas. Regarding raw materials and packaging materials, during the current period, the Company faced an increase in costs of approximately EUR 7.9 million, which, despite the above mentioned increase in sales prices, was not fully covered. Respectively, the energy costs of the period, even after state aid to natural gas and mainly electricity, were charged by approximately 1.4 million euros.

Finally, the above, combined with the positive effect of the growth in sales volume, led to a gross profit for the Group and the Company of EUR 13.9 million compared to EUR 13.0 million in the corresponding period of 2021, improved by only 6.5%. Respectively, the gross profit margin decreased and amounted to 26.1% compared to 34.1% in the first nine months of 2021.

Consolidated and Company-wide earnings before taxes, financial, non-recurring results and depreciation (adjusted EBITDA) amounted to EUR 6.5 million compared to EUR 6.7 million in the first three quarters of 2021, showing a decrease of 2%.

Consolidated earnings before taxes stood at EUR 4.6 million, vs EUR 5.1 million in the first three quarters of 2021, while consolidated earnings after taxes stood at EUR 3.6 million vs EUR 4.0 million in the corresponding period of 2021, down by 10%. The Company's earnings before taxes stood at EUR 4.7 million, vs EUR 5.1 million in the first three quarters of 2021, while earnings after taxes stood at EUR 3.6 million vs EUR 4.0 million in the corresponding period of 2021, down by 10%.

It is noted that the results have been burdened with a non-recurring, extraordinary loss, as this occurred after the issuance of the arbitration award regarding termination of cooperation with Elgeka S.A., which until the end of 2020 distributed the company's branded products to large chains. The Company had already made provisions for this in the previous financial years. The amount charged in the current period is EUR 384 thousand, without other charges being expected.

The financial results for the three quarters of 2022 include the financial statements of the parent company PAPOUTSANIS S.A. and of its 100% subsidiary G. MALIKOUTIS SOAP TRADE - MANUFACTURE SINGLE-MEMBER S.A. (ARKADI S.A.), the results of which were consolidated with those of PAPOUTSANIS S.A. as of 01/09/2022 (date of acquisition 31/08/2022).

Overview by Business Segment

Branded Products

The Group level category was similar to the first nine months period of 2021, despite the downward trend of the total retail market and mainly the market for antiseptic products. It is worth noting that in the period of January-August 2022, the product categories in which Papoutsanis operates presented an overall drop in terms of value by 6.1% compared to the same period in 2021, with the highest losses being recorded in antiseptic products (-33.3%). Excluding antiseptics, the net sales value of Papoutsanis branded products marked a faster growth by 12.5% compared to the market and consequently gained a significant share. This category includes the sales of Brand Arkadi from September onwards, with little impact on the overall result. Arkadi is mainly active in domestic care products and is an important addition to Papoutsanis' portfolio of branded products, with the company aiming to strengthen this portfolio and expand to new categories and markets.

Hotel Amenities

There was a significant rise in sales by 195% compared to 2021. During the same period last year, this segment brought in very low numbers due to the effects of the pandemic. This year the relevant sales are strengthened in Greece and abroad, thanks to the broadening of both the clientele and existing partnerships.

Third party manufacturing (industrial sales, private label products)

Sales were up by 12% compared to 2021. This increase was due to further strengthening of partnerships with multinational corporations for the manufacture of their products, the enhanced customer base and the ongoing expansion of the product range offered by Papoutsanis.

Industrial sales of soap bases

This segment saw a 74% increase in 2022, mainly due to exports. This growth is the result of the Company's established position as one of the key suppliers of specialty soap bases on the international market, its expanded customer base and continued efforts to further enhance the product range offered. It is worth mentioning that a new soap base production facility became operational in H2 2021, thus doubling the Company's production capacity in this line of products. At the same time, the launch of synthetic soap bases, which are highly specialised and environmentally friendly products, is expected to further boost this segment.

Business Outlook

During the first three quarters of 2022, despite the ever-worsening international business environment due to problems concerning the cost and availability of raw and packaging materials, energy and transport costs, the ongoing COVID concerns and the war in Ukraine, the Company pursued its growth.

Thus, on the one hand, recognising the unprecedented inflationary pressures, which lead to a continuous increase in production costs and the constantly increasing pressure on the purchasing power of consumers, the Company maintains the best balance in order to ensure its strong growth and sustainable course in the midterm.

However, for the last quarter of 2022 and for the following year, at least on the basis of current data, there are no positive developments in the market that will reverse the current picture of inflationary pressures on material and energy costs. Thus, after the cost burden of packaging materials estimated at EUR 10 million for the whole of 2022 compared to 2021, we foresee for the year 2023 an additional increase of 2.5 – 3.0 million. In this adverse environment, the Company's objective is to achieve satisfactory financial results through reasonable increases in sales prices, where necessary, and mainly through a significant improvement in production costs thanks to the full functionality of the significant investments made in the last three years and now practically completed.