PRESS RELEASE

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Papoutsanis: Financial results for the financial year 2023
"Dynamic development of branded products and significant improvement in profitability"

Papoutsanis SA announces its financial results for the financial year ending on 31 December 2023.

Key financial figures

- Significant 36% growth in the branded product category.

- Company EBT stood at € 5 million compared to profits of € 3.9 million in 2022, reflecting a 28% improvement.

- Earnings after tax stood at € 4.1 million compared to profits of € 3 million in 2022, reflecting a 36% improvement.

	2022	2023	Change
Sales	70,749,375	62,274,595	-12%
Gross profit	17,297,363	21,239,054	23%
Earnings before tax, financing/investment results and total depreciation and amortisation (EBITDA)	7,235,743	9,216,593	27%
Earnings before tax, financing results, non-recurring amounts and depreciation and amortisation (Adjusted EBITDA)	7,411,044	9,472,638	28%
Earnings before tax	3,932,634	5,035,351	28%
Earnings after tax	2,995,377	4,081,318	36%

Mr. **Menelaos Tassopoulos**, CEO of Papoutsanis SA, said:
"In 2023, despite the drop in turnover, we achieved a significant improvement in all profitability indicators and also a strong performance in our key strategic priorities: long-term growth, ensuring financial robustness and bolstering our competitive position in the Greek and international market. Against this background, we successfully focused on capitalising on the benefits of completing our 3-year

investment plan, bolstering our presence in the retail market and entering the home care market with competitive product offerings, while also entering into new international partnerships with multinationals and other companies which are expanding our customer base globally. As far as this year is concerned, despite the volatile macroeconomic environment worldwide, conditions are now emerging that allow us to continue to drive turnover and our financial results upwards thanks to production costs stabilising, encouraging prospects for the Greek market, new major agreements which have been entered into, and –of course– our commitment to constantly investing in innovation, sustainability, quality and an outward-looking approach".

Financial overview

With material and energy prices having peaked at the end of 2022, 2023 saw a gradual normalisation of prices, which is reflected in the gross profit margin that improved significantly from 24% for 2022 overall to 34% for 2023. The categories of branded and hotel products which are aimed at the Greek market, and have recorded strong double-digit growth, are contributing significantly to improved gross profitability.

EBITDA also improved significantly by 27% compared to 2022, despite the 12% shortfall in sales, and stood at € 9.2 million, or put differently, at 15% of turnover.

Adjusted EBITDA stood at € 9.5 million or 15% of sales for the year, reflecting a rise of 28%. EBT stood at € 5 million or 8% of turnover, also up some 28%. Up 36%, net earnings after tax stood at € 4.1 million.

Completion of our robust investment plan over the last three years, which has brought with it a significant reduction in the cost of industrialisation, has contributed to all profitability indicators improving, while at the same time boosting prospects for a growth in turnover through new contracts, offering high quality products at more competitive prices.

The completion of the investment plan has created the conditions for strong growth of Papoutsanis through important partnerships, as there is now sufficient excess production capacity at our production facilities (50% on average. The figure varies for each production department). Against that backdrop, in 2024 Q1 the company launched a cooperation with a large multinational which will be fully developed by 2024 Q3.

At the same time, the Company is also at an advanced stage in negotiations with other multinationals and smaller companies operating in the soap and cosmetics sector to manufacture their products at the Papoutsanis facilities.

Turnover - Sales

During the year 2023, the Company's turnover amounted to 62.3 million euros (compared to € 70.7 million in the corresponding period in 2022), i.e. a 12% decrease, with the value of exports representing 55% of total turnover.

In Greece turnover stood at € 28.1 million in 2023, up 15% thanks to the significant growth in the category of branded products and sales on the domestic hotel market. Abroad, there was a 26% drop which primarily arose from third-party product production due to changes in product portfolios and the shelving of SKUs by multinational customers as a result of increased costs and a corresponding squeeze in profit margins for those specific products. In the soap base category, the drop was due to the normalisation of demand after the very high levels of demand noted in 2022 which were due to delays and increased transport costs from third countries at that time.

Regarding the contribution of the four activity sectors to 2023’s turnover figures, it should be noted that 27% of total revenue comes from sales of Papoutsanis branded products in Greece and abroad, 17% from sales in the hotel market, 40% from third-party product production, and 16% from industrial sales of specialty soap bases.

Overview by Business Segment

Turnover by product category moved as follows, compared to the previous financial year:

Branded Products: The category grew strongly, up 36% compared to 2022, more than making up for losses from the drop in the antiseptic market (-48.6% in value in organised retail trade in 2023 compared to 2022). Excluding antiseptics, the rise in the branded products category is 53.4% due to the organic development of Papoutsanis' mass distribution products and the positive contribution resulting from acquisition of 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.

Hotel products: Hotel product sales dropped by 32% compared to 2022, with sales of branded products to hotels on the domestic market rising by 17%

compared to the same period last year, making up for part of the drop in sales abroad. That latter figure needs to be seen in light of the 2022 high which was due to the reopening of business travel and the tourism market at the time after two years of pandemic-related lockdowns.

Third-party products (industrial sales, private label): Sales in this category were down 11%, 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 with a low profit margin being dropped.

As mentioned above, the Company is currently in negotiations with multinationals and other smaller companies operating in the soap and cosmetics sector. Implementation of a contract with one new large multinational company has been under way since 2024 Q1 and it is estimated that each year this contract will contribute around € 6 million in additional sales. Note that this collaboration has major potential for further expansion.

Industrial Sales of Soap Bases: In 2023 there was a 32% 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.

As far as profitability is concerned, the Company's overall EBITDA (adjusted) as a percentage of sales improved by 5% primarily due to the normalisation of material and energy prices and better production costs thanks to the completion of the investment plan. The product categories performed as follows:

Branded Products saw a significant 7% improvement despite the increased investment in promotional activities and advertising, which led to an increase in market shares and an improvement in the position of products at points of sale as well as an increase in profitability both in absolute numbers and in terms of margins, with adjusted EBITDA on sales amounting to 9% in 2023 compared to just 2% in 2022. The major increase in sales compared to 2022 helped here, which led to a better allocation of this category's various fixed operating expenses. This trend is expected to continue in 2024.

Significant improvements were also noted in relation to Industrial Sales of Soap Bases. In this category, any change in the price of materials is rolled over to customers with some time lag. In 2023 the normalisation of material prices in the end helped bolster the category's profitability, coupled with a drop in production costs and in particular a drop in energy prices. On the contrary, in 2022 the relevant margins were significantly affected compared to the historical figures for the category, not just due to energy costs but also to the major share of commodity soap bases in the sales mix, which compared to specialty soap bases have a lower profit margin, as reflected in the adjusted EBITDA on sales, which in 2023 stood at 20% compared to just 9% in 2022.
Lastly, having risen, profitability of both Hotel Products and Third-party product production was satisfactory, with adjusted EBITDA on sales of hotel products standing at 21% in 2023 compared to 18% in 2022, while the corresponding indicator for sales of third-party product production stood at 15% in 2023 compared to 11% in 2022.

Business Outlook

In 2023 Papoutsanis achieved major improvements in all profitability indicators despite a drop in turnover.

The global macroeconomic environment remains volatile though forecasts for the Greek market are more encouraging.

The first signs for the year show material and energy prices are stabilising and central bank interest rates are expected to fall towards the end of 2024, which will lead to a drop in financial costs.

Setting aside such extraneous factors that impact the environment in which Papoutsanis operates, the Company has developed strategies and tactics to further improve profitability and turnover. These include:

- **Increasing the competitiveness and flexibility of our Ritsona plant** thanks to completion of our 3-year investment plan which ensures:
    - significant excess production capacity (50% on average), allowing for new partnerships and limited investments for the next 2-3 years;
    - a reduction in production costs thanks to technologically advanced equipment that allows us to offer customers competitive prices and improves profitability;

- a constant focus on sustainability thanks to the installation of photovoltaic systems which, in addition to creating a positive environmental footprint, will contribute to further improvements in production costs.

- **A major expansion in the share of Papoutsanis branded products (consumer and hotel products) in the Company's overall turnover mix** thanks to:
  - entering new, large markets (home care) to increase the penetration and market share of our branded consumer products;
  - adding new members to the commercial team for branded hotel products, both in Greece and abroad, to dynamically expand our sales network;
  - focusing on innovation and sustainability with new product offerings and solutions that give our branded ranges in Greece and abroad a competitive advantage.

- **Inclusion of new important customers in the third-party product production category while also expanding our customer base** and reducing our dependence on a few customers.

- **Supporting and empowering the Company's staff.**
  - Continuous training for staff and development of their skills.
  - A flat and effective organisational structure that allows for speed and flexibility.
  - Attracting and retaining talent in key positions within the Company.

- **Ensuring economic robustness and sustainability on a strong footing and generating value for all stakeholders:**
  - restructuring and rationalising expenditure;
  - limiting borrowing by optimising all parameters affecting it (inventories, trade receivables, liabilities and investment checks).

Management intends to propose to the Ordinary General Meeting of Shareholders the distribution of a gross dividend of € 0.04 per share. The proposed distribution is subject to approval by the Ordinary General Meeting of Shareholders. Furthermore, it should be noted that at its meeting on 8.11.2023, the Company's Board of Directors approved distribution of a gross interim dividend of € 0.03 per share, which was paid to the shareholders on 8.12.2023.

On 26.3.2024 the Company held 198,352 shares (or 0.732% of the Company's share capital) as part of its own share purchase schemes.

The Company's shares are listed on the main market of the Athens Stock Exchange.

Turnover-related prospects

In 2024 the Company seeks to expand its operations and generate profits based on the four sectors in which it operates:

- Papoutsanis' branded products are a strategic priority and this category is expected to be significantly boosted in 2024 through enrichment of the product range, dynamic advertising support, and better in-store presence, as well as by penetrating into new categories (home care products) using ARKADI as the main vehicle for this.
- The hotel products sector is expected to be a main growth axis for Papoutsanis, as the forecasts for tourism are very optimistic, both in Greece and abroad. At the same time, we continue to dynamically build on our long-term existing partnerships with our strategic customers, while strong foundations have also been laid for the development of exports of our branded hotel products to a number of new markets.
- Lastly, the third-party product production and specialty soap bases categories are expected to continue to grow primarily thanks to an expanded customer base (including the multinational mentioned above) and to the development of synthetic soap bases.