

**ANNOUNCEMENT**

March 19<sup>th</sup>, 2020

**PAPOUTSANIS SA: 2019 Financial Results**

*Revenue growth and profitability improvement for the fourth consecutive year*

Papoutsanis SA announced the financial results for the year ending on December 31<sup>st</sup> 2019.

**Key financial figures**

- Ongoing turnover/revenue growth and profitability improvement
- Sales turnover/revenue amounted to € 30,7 m., increased by 27%
- Consolidated EBIT amounted to € 1,9 m., increased by 75%
- Consolidated Net Profits amounted to € 1,3 m., increased by 22%

	FY 2019	FY 2018	Change%
<b>Turnover/ Revenue</b>	€ 30,7 m.	€ 24,2 m.	+27%
<b>Gross Profit</b>	€ 8,8 m.	€ 6,7 m.	+31%
<b>EBITDA</b>	€ 3,8 m.	€ 2,9 m.	+34%
<b>Consolidated Earnings Before Interest and Taxes (EBIT)</b>	€ 1,9 m.	€ 1,1 m.	+75%
<b>Consolidated Net profits</b>	€ 1,3 m.	€ 1,1 m.	+22%

Menelaos Tassopoulos, Chief Executive Officer of Papoutsanis SA, commented on the financial results:

*“We are very pleased with the progress we made in 2019. We have achieved significant growth and profitability improvement, for a fourth consecutive year.*

*Amidst unprecedented times, due to the COVID-19 pandemic, no long-term forecasts or plans can be made. On the other hand the Company and its employees have proved their resilience and adaptability that give us the optimism that we will successfully overcome the crisis as well.*

*At the same time, being the sole integrated bar soap producer in Greece and one of the largest in Europe, we are ready to contribute, in any way we can, to mitigate the spread of COVID-19 in Greece.”*

## **2019 Financial Results Overview**

In 2019, Papoutsanis SA achieved significant growth of its consolidated turnover by 27%. Specifically, consolidated turnover amounted to € 30.7 m. versus € 24.2 m. in 2018.

The company has also improved its consolidated EBIT by 75%. Consolidated EBIT amounted to € 1.9 m. in 2019 versus € 1.1 m. in 2018. Consolidated Net profits amounted to € 1.3 m. versus € 1.1 m. in 2018, increased by 22%. It is noted that the taxes of €508 thousand that were charged to 2019 fiscal year relate exclusively to deferred tax, which will not be paid within the next fiscal year 2020 and therefore will not burden the company cash flow.

Turnover growth has been mainly achieved through the expansion of Papoutsanis existing cooperations with multinational companies in the sector of third-party product manufacturing. Cooperations in the hotel amenities sector in Greece and abroad as well as further growth of soap noodle sales in foreign markets also positively contributed.

Exports amounted to € 15 m. in 2019, representing 49% of total turnover compared to € 10 m. in the prior year, accounting for 41% of 2018 total turnover. 38% of total turnover comes from third-party product sales, 30% from hotel amenities sales, 18% from Papoutsanis branded products sales in Greece and abroad, and 14% from industrial soap noodles sales.

FY2019 consolidated gross profit amounted to € 8.8 m. versus € 6.7 m. in 2018, increased by 31% due to sales growth. The Group's EBIT amounted to € 1.9 m. versus € 1.1 m. in 2018, while net profits amounted to € 1.3 m. versus € 1.1 m. in 2018. EBIT of the parent company amounted to € 1.9 m. versus € 1.1 million in 2018, while net profits amounted to € 1.4 million versus € 1.1 million in 2018. Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) amounted to € 3,8 m. versus € 2,9 m. in 2018, increased by 34%.

## **Overview by business segment**

### ***Branded Products***

Branded products (Olivia, Karavaki, Natura, Aromatics etc.) contribute 18% of Papoutsanis's total turnover in Greece and abroad. In 2019 the specific sector sales declined by 3%, although sales in the Greek retail chains (Super Markets) marginally increased. The decline is due to a decrease in sales in markets abroad.

### ***Hotel Amenities***

Hotel amenities represent 30% of annual turnover, growing by 13% in 2019. Increase in revenue is a result of expanded sales in both the international and domestic markets.

### ***Third Party Manufacturing, Private Label***

Third party manufacturing represents 38% of Papoutsanis turnover. During 2019, the sales in this category grew by 73% compared to last year as a result of the expansion of an existing co-operation with a large multinational company for the production of solid and liquid products as along with the development of other products.

### ***Soap Noodles***

14% of Papoutsanis annual turnover, derives from soap noodles. This category grew by 16% between 2018 and 2019, due to a significant increase in exports. The sales of this specific category has recorded notable growth rates over the last four years, due to the increasing demand from foreign multinational companies. Papoutsanis has industry leading expertise for the development of the specific product category, resulting in the continuous strengthening of its sales and shares in foreign markets.

### **Business Outlook**

Over the past four years, Papoutsanis has shown strong growth rates. The management remains focused on boosting Papoutsanis turnover and controlling its production and operating expenses, in order to further improve its profitability and liquidity.

Turnover for 2020 is expected to be positively affected by several factors:

In 2020, Papoutsanis will focus on further expanding an existing cooperation with a multinational company for soap production, mainly for the European market. At the same time, Papoutsanis will extend the specific partnership to the production of hotel amenities, as well as to other specialty products that require specialized technological equipment, such as the production and packaging of hot creams. Moreover, a new agreement signed with one of the largest German companies for the production of approximately 50% of their total bar soap needs in Europe, will also contribute significantly to the turnover growth.

At the same time, the company, having heavily invested in the development of know-how and new technology, will continue emphasizing on innovative new products with environmentally friendly raw materials. The main objective is to streamline the production, while at the same time significantly develop the specific category.

In addition, Papoutsanis will continue to broaden the specialty soap base category through the expansion of its current partnerships with international clients, the addition of new innovative products based on the company's expertise, and the ongoing investments focused on synthetic soap base, a category of high ecological value, due to the ability it offers to manufacture products that eliminate the use of plastics, while minimizing carbon footprint.

Undoubtedly, the unprecedented crisis due to COVID-19 that affects the whole world, is expected to have an impact on consumer habits, also affecting the demand in certain industries. Although at this early point in time any forecasts for Papoutsanis 2020 performance are subject to a high degree of uncertainty, as it is not possible to quantify them at a yearly level, the current situation is as follows:

**Branded Products:** the demand in Greece has significantly increased, as Papoutsanis business is in the field of personal hygiene products.

**Hotel Amenities:** As the category is strongly correlated with tourism, as expected the demand in Greece has declined. The extent of the impact on sales in the Greek hotel market is intertwined with the duration of the and by extension the development of tourism in the year ahead. Regarding international markets, the effect is expected to be somewhat more limited.

**Third Party Manufacturing, Private Label:** Demand in this category has been significantly boosted, both from the Greek market and from abroad, as it again relates to personal hygiene products.

**Soap Noodles:** This category has also been positively affected, as it directly associated with the production of bar soaps.

Given the sudden increase in the demand for liquid hand wash and solid bar soap, Papoutsanis, being the only large, vertically integrated soap industry in Greece and one of the largest in Europe, has taken all necessary measures and increased its production to successfully meet all extra needs both in Greece and abroad.

As the spread of the COVID-19 daily shapes a new social, political and economic reality, Papoutsanis will continue to closely monitor the situation and operate with a high sense of responsibility, in order to contribute in the effort to mitigate the spread of coronavirus, while also protecting the health of its employees and consumers with its products while ensuring the continuation of the smooth operation of the factory.