

ANNOUNCEMENT

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PAPOUTSANIS SA: First Quarter 2020 Financial Results

*Significant revenue growth, dynamic exports expansion and a new
product category entry*

Papoutsanis SA announced the financial results for the period ending on March 31st 2020.

Key financial figures

- Significant revenue growth by 40% while exports grew by 90%
- Consolidated sales revenue amounted to € 8.1 m.
- Consolidated EBIT amounted to € 0.6 m.
- Consolidated Net Profits amounted to € 0.5 m.

The management team of Papoutsanis SA, focuses (both in the short and medium term) on the continuation of the company's growth potential and the improvement of its profitability via:

- Increasing the turnover.
- Focusing on value-added products that also promote sustainability.
- Expanding the company's customer base in the various sectors in which it operates.

At the same time, having received the approvals of the relevant authorities of the country, Papoutsanis SA, utilizes part of its production lines of the state-of-the-art unit in Ritsona, Evia, for the production of sanitizers using 80% alcohol by volume, in order to meet, to the greatest extent possible, the country's needs in relevant products.

Review of First Quarter 2020 Financial Results

During the first quarter of 2020, Papoutsanis SA achieved significant growth of its consolidated turnover by 40%. Specifically, consolidated turnover amounted to € 8.1 m. versus € 5.8 m. in the first quarter of 2019.

At the same time, the company's exports increased by 90%, amounting to € 5.4 m. compared to € 2.8 m the same period last year.

During the first quarter of 2020, consolidated EBIT amounted to € 0.6 m. versus € 0.0 m. in the corresponding period in 2019. Consolidated Net profits amounted to € 0.5 m. versus € 0.0 m. in Q1 2019. Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) amounted to € 1.0 m. versus € 0.47 m. in the corresponding period in 2019, increased by 112%.

Exports represent 67% of Papoutsanis total Q1 2020 turnover while at the same period in 2019 exports represented 49%.

46% of total Q1 2020 turnover comes from third-party product sales, 17% from hotel amenities sales, 15% from Papoutsanis' branded products sales in Greece and abroad, and 22% from industrial soap noodles sales. No antiseptics were sold in the first quarter of 2020.

Overview by business segment

Branded Products

Branded products (Olivia, Karavaki, Natura, Aromatics etc.) contribute 15% of Papoutsanis' total turnover in Greece and abroad. The specific sector sales grew by 10% in the first quarter of 2020 compared to the same period in 2019, benefiting from the increased demand for soap and liquid soap products, as a result of the COVID-19 pandemic.

Hotel Amenities

Hotel amenities represent 17% of Q1 2020 turnover, declining by 30% compared to Q1 2019. Since hotels did not make purchases of hotel amenities for the Easter period, the decline in the domestic market was sharp, reaching 53%. Sales of hotel amenities abroad declined by 18% compared to the first quarter of 2019, given that travel restrictions in many countries in Europe, but also in America, were put in effect with delay compared to Greece.

Third Party Manufacturing, Private Label

Third party manufacturing represents 46% of Papoutsanis turnover in the first quarter of 2020. In this category an 128% increase in sales has been achieved, compared to Q1 2019. The category growth came from the further expansion of an existing co-operation with a large multinational company, which had already begun to grow significantly since the second quarter of 2019, related mainly to production of soaps. In addition, the demand of all domestic and foreign customers in solid soap and other personal hygiene products was enhanced.

Soap Noodles

22% of Papoutsanis annual turnover comes from industrial sales of soap noodles; a raw material for the production of soaps. This category, mainly exports, grew by 70%. The growth is due to the expansion of the clientele and the increased demand, as soap noodles are intermediate products used for the production of soaps.

The Impact of COVID – 19 on Company - Objectives and Perspectives

Given the unprecedented crisis due to the pandemic of COVID-19 that Greece and the planet are facing, the safety of its employees and partners became a top priority for Papoutsanis SA. In this regard, the company promptly put in effect all the necessary measures, which updates and / or tightens on a continuous basis, based on the available data.

The impact of the pandemic on the turnover, per sales category, is as follows:

- **Branded Products:** The demand for branded products, mainly soaps and liquid soaps, increased significantly in March while in April the demand continues. The company's estimate is that the trend will continue in the coming months, although not with the same intensity. The start of production and sale of alcoholic antiseptics in single and large packages from April, is estimated to positively effect on the category.
- **Hotel Amenities:** The specific category faced a significant decrease in the first quarter, as it has been strongly affected by the COVID-19 pandemic. As hotels in Greece and abroad do not operate, a further decline will occur in the second quarter of this year. In the second quarter of 2019, sales of hotel amenities amounted to € 3,2 m. of which a very small percentage, perhaps less than 25%, is expected to be repeated in the second quarter of 2020, depending on the date the restriction measures around the world will be lifted. The company estimates that sales in the category will decline in the second half of 2020, although the decline may not be as sharp as in the second quarter of 2020. In the second half of 2019 sales in the category amounted to € 4 m. Finally, the start of sales of alcoholic antiseptics, products that are expected to be required in significant quantities by the hotel market, is estimated to strengthen the category. The quantification of this effect is not yet possible.
- **Third Party Manufacturing, Private Label:** Sales in this category, both private label products sales and industrial sales to domestic customers, have increased as it relates to personal hygiene products. This trend continues in April and, based on the orders received by the company, it is expected to continue in May. The above general comments also apply to sales abroad. The category is expected to grow by the expansion of cooperation with a multinational company, already a customer of Papoutsanis SA, for the almost exclusive production of solid soaps for the European market. Finally, the new third-party manufacturing partnership with a very large German company, to produce about 50% of their European needs in solid soap, is expected to

begin in the fourth quarter of 2020. This partnership will be in full swing in 2021.

- **Soap Noodles:** The orders the company received for April and May are increased, also due to COVID-19. At the same time, expanding the customer base will help the category to further develop.

In March 2020, the company received a long-term loan of € 5 million from the European Bank for Reconstruction and Development (EBRD) to finance its investment plan.

Finally, as mentioned above, in April, the company began the production of alcoholic antiseptic products, to cover, as much as possible, the increased demand due to the pandemic. These products are available in individual pocket packages as well as in larger ones, in order to meet the needs of consumers as well as the needs of industrial customers and hotels. The first indications are positive and it will be possible to estimate the amount of the respective sales once there is a better picture of the market.