



Management Statement Sarantis Polska Spółka Akcyjna

**Prepared for the fiscal year ending on
December 31, 2023**

1. Characteristics of activities and resources

1.1. Organizational and legal status of the Company

Sarantis Polska Spółka Akcyjna is a company that is part of the Sarantis capital group, in which the parent company is GR Sarantis S.A. based in Athens.

Sarantis Polska S.A., having its registered office in Piaseczno, ul. Puławska 42c, has been registered and has been operating on the market continuously since 1991. The Company originally operated under the name Prospero Studio sp. z o.o. and then as Servicing and Distribution Pack Plast International sp. z o.o. On November 12, 2001, Servicing and Distribution Pack Plast International sp. z. o.o., pursuant to a decision issued by the District Court for the Capital City of Warsaw, was entered into the National Court Register under the number KRS 0000050586, and then on April 24, 2003 it was, pursuant to the provisions of the abovementioned court, was transformed into a joint-stock company, receiving in the Register of Entrepreneurs of the National Court Register no. 0000158603. On October 24, 2004 Servicing and Distribution Pack Plast International S.A., a decision of the District Court for the Capital City of Warsaw changed the company's name to Sarantis Polska S.A.

The Company has a statistical registration number REGON 010504922 and a tax identification number NIP 5210418872. The basic business of the Company is the production and distribution of household goods made of plastics as well as cosmetics.

The Company was established for an unlimited period of time, and the Company's financial year is a calendar year.

Until 20 July 2023 the Management Board was composed of :

Kyriakos Sarantis – President of the Board

Konstantinos Rozakeas – Vice President of the Board

Konstantinos Stamatiou - Vice President of the Board

Vasileios Meintanis – Member of the Board

Grigorios Sarantis – Member of the Board

Elpiniki Sarantis – Member of the Board

Grigorios Sarantis – Member of the Board

From 21 July 2023 the Management Board is composed of :

Kyriakos Sarantis – President of the Board

Ioannis Bouras – Vice President of the Board

Christos Varsos - Vice President of the Board

The following persons are authorized to represent the Company: President of the Management Board acting alone or two Vice-Presidents of the Management Board acting jointly or a Member of the Management Board acting jointly with the President of the Management Board.

The composition of the Supervisory Board until 01 June 2023 was as follows:

Pantazis Sarantis
Elpiniki Sarantis
Aikaterini Sarantis

The composition of the Supervisory Board from 02 June 2023 to 20 July 2023 was as follows:

Ioannis Bouras
Evangelos Siarlis
Nikolaos Bazigos

From 21 July 2023, the composition of the Supervisory Board is as follows:

Evangelos Siarlis
Grigorios Sarantis s.Kyriakosa Sarantisa
Grigorios Sarantis s. Pantazisa Sarantisa

1.2. The size and type of capital

The share capital as at 31 December 2023 amounts to PLN 306 800 000 PLN and consists of:

- 1 915 000 non-preferred registered A series shares
- 1 135 000 non-preferred registered B series shares
- 390 000 non-preferred registered C series shares
- 1 000 000 non-preferred registered D series shares
- 1 240 000 non-preferred registered E series shares.
- 1 000 000 non-preferred registered F series shares
- 1 240 000 non-preferred registered G series shares.

The nominal value of the share is PLN 10. The only shareholder of the Company is GR Sarantis S.A. with seat in Athens. The share capital was paid in full.

On July 21, 2023, at the Extraordinary General Meeting of Shareholders, a resolution was adopted to increase the share capital by PLN 105 000 000 to PLN 411 800 000 through the issue of 10,5 million series H shares with a nominal value of PLN 10, which was fully acquired by the current shareholder GR Sarantis S.A. based in Athens, Greece.

The total value of the Company's equity at the end of 2023 is PLN 596 394 637 and consists of the share capital shown above, retained earnings of PLN 179 874 410, supplementary capital for the surplus of shares above their nominal value of PLN 1 055 603, property revaluation capital in the amount of PLN 3 664 621 and payments made to share capital in the amount of PLN 105 000 000 (in connection with the planned 3rd share capital increase by PLN 105 million).

1.3. Shares in other companies

The company holds 100% of shares in Polipak Sp. z o. o. based in Środa Wielkopolska, whose business activity is the production of polyethylene foil packaging for households.

In 2023, Polipak successfully completed two large research and development projects, which were co-financed by the National Center for Research and Development. Completion of the projects allowed the company to increase net production capacity by 800 t per month and develop modern technology for producing knurled garbage bags from three-layer foil. In 2024, Polipak plans to install photovoltaic panels with a capacity of 1.3 kWh and its own recycling system connected to a high-efficiency waste cleaning facility. The total value of the investment is estimated at PLN 18 million.

2. The general market situation and elements of the strategy

The Company's activity is focused on two business segments: the cosmetics segment and household products, including the following product groups:

- household items (garbage bags, aluminum and food foil, cloths, dishcloths and sponges, breakfast paper, paper hygiene items, mops and cloths, plastic products), sold under the following brands: JAN NIEZBĘDNY, GROSİK, Morning Fresh, FINO and dedicated products for sole recipients as so-called "private label",
- articles for washing and body care under the brand of Luksja, Carex, Original Source,
- cosmetics for face and body care and sun lotions of KOLASTYNA brand
- packaging for retail (HDPE and LDPE bags),
- disposable items for gastronomy (plates, bowls, cutlery, cups, barbecue items),
- insect protection products TEZA
- sanitary products SEPTIFOS
- women's and men's cosmetics (Eau de Toilette, deodorants, aftershaves, skin hygiene articles) under brands owned by the Sarantis Group: STR8, C-THRU, BU and brands sold on the basis of exclusive distribution contracts: DENIM, Biopoint, ARKO, PEARL DROPS, Arm & Hammer,

For many years, Jan Niezbędny has been the undisputed leader in the segment of household goods, such as garbage bags and food storage products (report by the research company Nielsen, MAT DEC2023).

Currently, under the brand's logo, there are as many as 200 products in 14 categories that are part of the brand's message - provide customers with innovative, functional solutions that facilitate everyday activities in line with the motto "Live more comfortably!". In communication with the consumer, the brand uses a variety of tools: TV advertising, sponsorship, outdoor, competitions, it is also very active on the Internet, emphasizing the unique advantages and competitive advantages of products. Jan Niezbędny also carries out the idea of caring for the natural environment by actively participating in projects promoting pro-ecological attitudes. She is proud to be involved in the largest cleaning of Polish mountains - "Clean Tatras" and "Clean Baltic Sea".

Volunteers setting out on the trails are equipped by the brand with accessories necessary for cleaning the mountains. In 2019, the Jan Niezbędny brand, out of concern for our environment, launched the Zielony Dom (Green House) product line, which was made of recyclable and biodegradable materials.

STR8 is a well-known and respected brand of cosmetics for men, existing in Poland since 2000 and in the world since 1998.

In the men's cosmetics segment, the STR8 brand is in the TOP 10 of men's eau de toilette, being one of the best-selling brands on the Polish market (according to Nielsen, valuation report JUN 2023) and also in the TOP 4 of men's spray deodorants (according to Nielsen, JUN 2023 share report).

In the fragrance category, STR8 products are distinguished by black packaging in the form of a metal can and unique fragrances in line with the latest trends. Refined details of the eau de toilette and aftershave cans, black and velvet give them a luxurious and original character. In the category of antiperspirants and care shower gels, the STR8 brand is distinguished by white packaging and advanced, innovative technologies. Caring shower gels contain a 3-in-1 formula for washing the body, face and hair.

The guiding principle of the brand is "STR8. SPRAY YOUR TRUTH" that inspires young men to express themselves and follow their dreams!

Kolastyna is a brand with 37 years of tradition, for many years a leader in the category of sunscreen preparations. Kolastyna is the best-selling brand in this category in Poland, both in terms of value and quantity (according to Nielsen, YTD OCT 2023, Solar Care). The brand portfolio focuses on sunscreen products and bronzers. The leading message of the brand "Lato smells Kolastyna" is the slogan accompanying the brand during each promotional campaign, strongly emphasizing its feature, which is very characteristic and noticeable among consumers. In its communication campaign, the brand uses sponsorship spots, outdoor and the Internet - which each year constitute an increasing share in the total media activities.

Luksja has been accompanying the next generations of Poles in washing and caring for the body for over 30 years. The brand's portfolio includes bar soaps, liquid soaps, shower gels and bath lotions. Caring formulas, based on carefully selected active ingredients and selected fragrance compositions, attractive price positioning and wide availability are appreciated by Polish consumers. This is reflected in the market position - Luksja is the No. 1 brand (according to Nielsen, MAT OCT 2023, Toilet Soap categories).

Over the years, the brand has used various communication tools - television, press, radio and digital. Creative communication campaigns and activations encouraging sales (competitions and product lotteries) allow you to maintain constant and close contact with the consumer. In the years 2020-2021, the brand ran a campaign under the slogan "Luksja, your first step towards care", in order to pay special attention to the care properties of the products and their perfect inclusion in daily skin care rituals, at any time of the day.

In 2022, the brand underwent a major metamorphosis, changing packaging and logo, refreshed its image, introduced new communication strongly emphasizing the family character of the brand and moments spent with loved ones under the slogan "We cultivate good emotions". The entire re-launch of the brand was very well received by consumers.

The Company's goal is to maintain a leading position in the production and sale of consumer goods in the markets in which it operates, and at the same time offering high quality products for everyday use, thus meeting the needs of millions of consumers.

The strategic priorities of the Company that support and ensure the implementation of its goals are:

- modernization and expansion of the assortment portfolio through the creation of new products, as well as entering into new, dynamic subcategories, as well as through the use of innovative ideas in both the creation of new products and the approach to the consumer,
- expanding the product offer with brands that are similar to the Company's existing portfolio with a strong market share, as well as the ability to generate added value in the area of profitability,
- exclusive contracts for the representation and distribution of goods bearing international trade marks,
- intensive sales policy, implemented through dynamic promotions and support in all distribution channels,
- the Company's constantly growing presence on international markets by building new distribution opportunities,
- maintaining good financial condition of the Company, which allows undisturbed financing of its strategic development plans.

3. Results and financial condition

Sales revenues amounted to PLN 429,69 million, which, compared to the PLN 426,03 million achieved in 2022, means a comparable level. In terms of geography, in 2023, sales on foreign markets reached a 20,21% decline compared to 2022, which was mainly due to the decline in sales. In terms of geography, in 2023, sales on foreign markets reached a 20.21% decline compared to 2022, which was mainly due to a decline in sales to the countries where the Sarantis Group operates. The increase in sales on the domestic market compared to the previous year amounted to 6,91%. This result is assessed as stable and was achieved despite the exceptionally difficult economic conditions we faced in 2023.

Sarantis Polska is characterized by an exceptionally good financial condition and capital structure, which allows it to invest funds that support the company's development, as well as to ensure an optimal return on capital employed for its shareholder. No dividend was paid in 2023 and 2022 due to the investment needs of the subsidiary Polipak and the planned new acquisition of Stella Pack S.A.

Working capital management is one of the tools for optimizing the Company's liquidity. The amount of working capital in the Company's operating activities at the end of 2023 amounted to PLN 85,37 million compared to PLN 68,86 million in 2022, while the demand for working capital in operating activities in relation to sales amounted to 19,87% in 2023 compared to 16,16% in 2022.

Operating profit (EBIT) increased by 139,45% at the end of 2023 to PLN 37,61 million from PLN 15,71 million recorded in 2022.

The Company's gross profit in the financial year 2023 amounted to PLN 56,01 million, which means an increase of 205,99% compared to PLN 18,30 million last year. The gross profit margin in fiscal year 2023 was 13,04%, compared to 4,30% in the previous year.

4. The most important elements of risk and uncertainty in 2023

The Company's primary objective in terms of market risk management is to limit the variability of cash flows and minimize the possible negative impact of the effects of these risks on the Company's financial results. Market risk management includes the processes of identifying, measuring and determining how to minimize risk, including aspects related to the volatility of exchange rates and interest rates. The Company's financial instruments include primarily trade receivables and liabilities, loans and credits, and dividend liabilities.

In 2023, the economy struggled with inflation, high exchange rates, rising interest rates and the negative effects of Russia's armed attack on Ukraine. The basic economic problem in 2023 was high inflation, which reached an average level of 11,4% (the average inflation level for 2022 was 14,4%).

Recently, the macroeconomic situation has stabilized. Poland and the European Union have become largely independent from Russian energy resources, and energy prices have stabilized at the level before Russia's aggression. This means that the pressure on inflation growth and, therefore, on the restrictive policy of central banks is weakening. For the consumer, this means less pressure on disposable income and thus a chance to stabilize demand.

There was a decline in oil prices on world markets and in the prices of other raw materials. In addition, the Polish zloty strengthened, having lost significant value as a result of the outbreak of the war and the increase in prices of energy raw materials.

Taking into account the established market position and strong financial position of Sarantis Polska, we believe that the Company will be able to meet new challenges and respond appropriately to the dynamically changing economic reality.

Credit Risk

The Management Board applies a credit policy according to which exposure to credit risk is monitored on an ongoing basis. Creditworthiness assessment is carried out for all customers requiring credit above a certain amount. The Company requires security in the form of sureties from some clients. Part of the receivables is insured with reputable insurance corporations. Additionally, the Company conducts ongoing monitoring of the inflow of receivables. In the event of overdue receivables in accordance with applicable procedures, sales are suspended and a debt collection procedure is initiated.

In 2023, the Company continued its receivables insurance program. The insurance covered customers, excluding large international chains. By insuring receivables, the Company limited its credit risk,

understood as the risk that creditors will not fulfill their obligations and thus cause the Company to incur losses. The maximum exposure to credit risk is approximately PLN 66,2 million.

In the opinion of the Company's Management Board, there is no significant concentration of credit risk because the Company has many customers. Receivables considered difficult to collect were covered by an impairment loss.

Credit risk related to bank deposits in the amount of PLN 265 million is considered immaterial because the Company deposits its funds in institutions with an established financial position.

Interest rate risk

The interest rate risk arises from the relation between the debt costs and the subsequent impact of changes in interest rates on profits and cash flows. The Company aims to achieve an optimal balance between the cost of external financing and the potential impact of changes in interest rates on profits and cash flows. The Company monitors its debt and overall financial strategies and manages them using a combination of loans and credits. The Company's policy assumes a continuous review of interest rate trends as well as its financial needs. The current demand for working capital is usually financed from cash flows from operating activities and using credit lines. In the case of loans and short-term credits, the interest rate is essentially equal to the interbank reference rate, increased by a fixed margin. In order to reduce the risk of changes in the bank's lending policy, the Company uses the financing by three banks.

Foreign Exchange Risk

The main sources of foreign exchange risk to which the Company is exposed are goods purchase transactions denominated in currencies other than the functional currency of the Company. A significant part of trade payables is expressed in foreign currencies, in particular in EUR, USD and GBP. The sale is carried out mainly in Polish zlotys (PLN). The management of the Company is constantly monitoring currency fluctuations, but at the moment it has not taken any measures to counter the exchange rate risk due to the lack of appropriate hedging tools.

Liquidity risk

The operating activity is based on the assumption of maintaining a safe level of cash and open credit lines. In the opinion of the Management Board, the balance sheet value of financial assets and liabilities reflects their fair value. The Company manages its working capital and monitors it to minimize all possible liquidity and cash flow risk. In the opinion of the Management Board of the Company, the value of cash as at the balance sheet date, available credit lines and good financial standing of the Company mean that liquidity risk should be assessed as insignificant.

Price risk

The purchase prices of materials are an important element affecting the overall profitability of the Company. Changes in the prices of purchased raw materials may be the result of trends in the global demand for selected materials and exchange rates. Due to large fluctuations in commodity prices on global markets as well as currency fluctuations, the purchase department of the Company performs comparative analyzes of purchases from various sources, i.e. whether to make purchases on the domestic market or abroad. In addition, the Company, whenever deems it necessary, agrees transaction prices at short intervals and maintains a safe inventory. The Company monitors the profitability of individual products on an ongoing basis and on the basis of such data undertakes actions related to the optimization of the purchase or sale price of products.

5. Human resources

As of December 31, 2023, the employment in the Company was 206 employees. In its activity, the Company uses the competence, specialist knowledge and experience of employees. Professional staff is the asset of the Company, thanks to which it is possible to achieve the business goals set. A lot of attention is paid to the proper selection of staff and obtaining the best candidates for work.

The Company tries to limit the risk of rotation through a motivational system of remunerating employees, increasing the attractiveness of employment conditions and non-wage benefits. The Company supports openness of cooperation, mutual respect and the system of internal promotions.

6. Perspectives and forecasts for the future.

The Company's strategic priorities for 2024 focus on optimizing the product portfolio, increasing the scale of operations, improving profitability, optimizing costs, and searching for new brands whose acquisition can provide added value for the entire Sarantis Group.

The Company is well positioned to continue to benefit from its expanding product portfolio and leverage the potential of its commercial strategy, production efficiency and operational efficiency capabilities, ultimately delivering increased sales volume, higher profitability and additional cash flow.

The situation in Ukraine has stabilized since the end of February or March 2022, but it is still unpredictable, which is why the scale of the impact of this conflict remains difficult to estimate, which makes it impossible to realistically assess the potential economic consequences for Poland.

The Company does not have any significant involvement in commercial relations with business entities in Ukraine, Russia and Belarus, therefore the impact of the effects of the outbreak of the armed conflict in Ukraine on the Company's financial results should be considered insignificant.

The management is also closely monitoring information on inflation and the announcement of an economic slowdown, which seems to be the economic scenario for the next two years. The Polish economy may experience a slowdown mainly due to rising raw material prices, shortages of goods, weakening exports and falling private investments. A positive impulse may, in turn, result in an increase

in public investments under the National Reconstruction Plan, which in turn may have a positive impact on GDP growth in 2024.

Taking into account the established market position and strong financial position of Sarantis Polska, we believe that the Company will be able to meet new challenges and respond appropriately to the dynamically changing economic reality.

In 2022, Sarantis Polska S.A. signed an acquisition agreement aimed at acquiring 100% of shares in Stella Pack S.A. - a company that is a leading entity in the production and distribution of household products, boasting a 25-year presence on the market in the categories of garbage bags, food packaging and household cleaning products.

Acquisition of shares in Stella Pack S.A. is fully consistent with the strategic development plan of the Sarantis Group and strengthens its leading position in the consumer products industry and ensures further geographical development.

The finalization of the acquisition was conditional on obtaining the consent of antitrust authorities in the countries where Stella Pack operates. The process of obtaining antitrust approvals was completed on December 11, 2023, and on January 10, 2024, the final agreement for the acquisition of Stella Pack S.A. was finalized.

On January 18, 2024, the Company received a loan in the amount of EUR 5 000 000 from Sarantis-Skopje from Macedonia with a repayment date by December 31, 2024.

On February 20, 2024, the District Court for the Capital City of Warsaw of Warsaw decided to register another increase in the Company's share capital to the amount of PLN 411 800 000 (the resolution on the capital increase was adopted on July 21, 2023).

The Management Board:

President of the Board

Vice President of the Board

Vice President of the Board

Kyriakos Sarantis

Ioannis Bouras

Christos Varsos