



Management Statement Sarantis Polska Spółka Akcyjna

**Prepared for the fiscal year ending on
December 31, 2021**

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.

In 2021, the following persons were members of the Company's Management Board: President of the Board - Kyriakos Sarantis, Vice President of the Board - Konstantinos Rozakeas, Vice President of the Board - Konstantinos Stamatiou, Member of the Board - Meintanis Vasileios, Member of the Board - Grigorios Sarantis s/o Kyriakos Sarantis, Member of the Board - Elpiniki Sarantis d/o Kyriakos Sarantis, Member of the Board - Grigorios Sarantis s/o Pantazis.

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.

In 2021, the following persons were members of the Supervisory Board: Pantazis Sarantis, Elpiniki Sarantis d/o Kyriakos Teberikoglou, Aikaterini Sarantis.

1.2. The size and type of capital

The share capital as at 31 December 2021 amounts to PLN 56 800 000 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 series E 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.

The total value of the Company's equity at the end of 2021 is PLN 183 761 514 and consists of the share capital shown above, retained earnings of PLN 122 245 046, supplementary capital for the surplus of shares above their nominal value of PLN 1 055 603, and property revaluation capital in the amount of PLN 3 660 865.

1.3. Shares in other companies

The Company holds 80% shares in Polipak Sp. z o.o. based in Środa Wielkopolska, the core business of which is the production of polyethylene packaging for household purposes. The net profit of Polipak for the period from January 1 to December 31, 2021 amounted to PLN 6 738 092.

An investment project is planned for 2020-2022 to build a new production hall and purchase new machinery and equipment to fundamentally change the production process and automate existing production. The need to implement a new investment results from the dynamics and needs of the market. The market requirements for plastic materials make it necessary to make products more individual and require the development of environmentally friendly products.

As part of the new investment, the Company will build a new production building with an office and social facilities of 20,000 sq m., on a plot of 5.2981 ha in Środa Wielkopolska. The hall design also includes the construction of an automated high-bay warehouse and a finished goods warehouse. The estimated cost of the project will amount to approximately PLN 202 million and will be largely financed from Sarantis Group funds.

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 DEC2021).

Currently, under the brand's logo, there are as many as 260 products in 19 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!". 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 4 of men's eau de toilette, being one of the best-selling brands on the Polish market (according to Nielsen, valuation report FY 2021) and also in the TOP 4 of men's spray deodorants (according to Nielsen , FY 2021 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 the slogan "STR8. GO FOR GREAT ", which is reflected in the story of Giannis Antetokounmpo - Global Brand Ambassador of STR8, one of the best basketball players in the world in the NBA league, winner of the MVP (Most Valuable Player) title. STR8 and Giannis have a common vision: inspire young men to pursue their dreams and make them a reality!

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, MAT NOV 2021, 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 is a new brand in Sarantis, which has enriched the Company's portfolio under the purchase agreement concluded on February 28, 2020 between the Sarantis Group and PZ Cussons.

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. Carefully selected active ingredients and carefully selected fragrance compositions create high-quality care formulas appreciated by consumers. Over the years, the brand uses various communication tools - television, press, radio and digital. Creative communication campaigns and activations encouraging sales (product contests and lotteries) allow you to maintain constant and close contact with the consumer. Since 2020, the brand has been running a campaign under the slogan "Luksja, your first step towards skin care", in order to pay particular attention to the care properties of the products and their perfect fit in the daily skin care rituals, at any time of the day.

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

Revenues from sales amounted to PLN 369,51 million, which in comparison to PLN do 364,23 million in 2020 means an increase of 1,45%. As far as the geographic aspect is concerned, in 2021 sales on foreign markets reached a 2,61% increase as compared to 2020, the increase in sales on the domestic market in comparison to the previous year was 1,20%. Such a result is assessed as stable and was achieved despite major organizational changes already initiated in 2020, incl. termination of the agreement for the distribution of La Prairie brand products and reorganization of the export department (transfer of services to certain geographical regions to other companies from the Group).

Sarantis Polska is characterized by an exceptionally good financial condition and capital structure, which allows it to invest funds conducive to the company's development, as well as to ensure a return to its shareholder. In 2021, no dividends were paid due to the investment needs of the subsidiary Polipak, to which subsequent loan tranches in the total amount of PLN 45 million were paid to finance the construction of the factory.

Working capital management is one of the Company's liquidity optimization tools. The amount of working capital in the Company's operating activities at the end of 2021 amounted to PLN 58,64 million compared to PLN 53,01 million in 2020, while the working capital demand in operating activities in relation to sales amounted to 15,87 % in 2021 compared to 14,55% in 2020.

At the end of 2021, the operating profit (EBIT) decreased by 13.26% to PLN 32.18 million from PLN 37.10 million recorded in 2020.

The gross profit of the Company in the financial year 2021 amounted to PLN 31,61 million, which means a decrease by 11,14% compared to PLN 35,57 million in the previous year. The gross profit margin in the financial year 2021 was 8,55%, while in the previous year it was 9,77%.

4. The most important elements of risk and uncertainty in 2021

2021 was a year of the ever-appreciable impact of the effects of the Covid 19 pandemic on the global economy. The restrictions introduced by the governments of countries around the world have had long-term effects, resulting in huge problems in the areas related to the transport and availability of products, raw materials and the cost of obtaining them. The beginning of 2021 is associated with problems in the transport of raw materials and finished products, related to Brexit in Europe and the global lack of container supply with extreme increases in freight costs - increases of up to 8 times for a container from Asia. In addition, very frequent changes occurred in the pricing of products and services in relation to previous arrangements, transports were stopped in quarantine - in ports for up to three weeks, variable conditions and delivery time. We felt very unstable demands from various markets, problems with obtaining reliable forecasts from customers, and difficulties with the availability of products. Despite such a volatile and unfavorable economic environment, the results achieved in 2021 should be considered very good.

The overriding goal of the Company in the area of market risk management is to reduce the volatility 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 the method of risk minimization, including aspects related to the volatility of exchange rates and interest rates. The Company's financial instruments include mainly trade receivables and liabilities, loans and credits, and dividend liabilities.

Credit Risk

The Management applies a credit policy, pursuant to which the exposure to credit risk is monitored on an ongoing basis. The assessment of creditworthiness is carried out in relation to all customers requiring loans above a certain amount. The Company requires security in the form of sureties from some clients. Part of the receivables is insured in reputable insurance corporations. In addition, the Company conducts ongoing monitoring of the inflow of receivables. In the case of overdue receivables in accordance with the applicable procedures, the sale is stopped and the debt collection procedure is activated.

In 2021, the Company continued its receivables insurance program. The insurance covers clients, excluding selected clients - large international networks. Through insurance of receivables, the Company has limited its credit risk understood as the risk that creditors will not fulfill their obligations and thus will cause the Company to incur losses. The maximum exposure to credit risk is approximately PLN 57,8 million.

In the opinion of the Company's Management Board, there is no significant concentration of credit risk, as the Company has many recipients. Receivables deemed as hard to recoverable have been covered by a write-down.

Credit risk related to bank deposits in the amount of PLN 8,6 million is considered insignificant because the Company has entered into transactions with 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, 2021, the employment in the Company was 210 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 2022 focus on optimizing the product portfolio, increasing the scale of operations, optimizing costs, searching for new brands whose acquisition may provide additional value, as well as reinvesting in those business areas that guarantee high profitability.

The Company is well positioned to continue to benefit from its ever-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.

On February 24, 2022, the Russian armed attack on Ukraine began.

The uncertainty as to the further course of the conflict is currently very high, which makes it impossible to realistically assess the potential economic consequences for Poland. Taking into account the high dependence of Poland and the European Union on the import of energy resources from Russia, it is the potential clear and permanent increase in oil and gas prices as a result of the Russian invasion that may be the most important factor affecting the economy.

The company has no significant involvement in commercial relations with business entities in Ukraine, Russia and Belarus.

The management carefully monitors the information on the course of the conflict in order to be able to react appropriately in the dynamically changing economic reality.

On February 28, 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 significant player in the production and distribution of household goods, with 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 in line with the strategic development plan of the Sarantis Group and strengthens its leading position in the consumer products industry and ensures further geographic development.

The completion of the acquisition is subject to the fulfillment of standard formal conditions for this type of transaction, including obtaining the consent of the anti-monopoly authorities in the countries in which Stella Pack operates.

The Management Board:

<i>President of the Board</i>	<i>Vice President of the Board</i>	<i>Vice President of the Board</i>	<i>Member of the Board</i>
-------------------------------	------------------------------------	------------------------------------	----------------------------

<i>Kyriakos Sarantis</i>	<i>Konstantinos Rozakeas</i>	<i>Konstantinos Stamatiou</i>	<i>Meintanis Vasileios</i>
--------------------------	------------------------------	-------------------------------	----------------------------

<i>Member of the Board</i>	<i>Member of the Board</i>	<i>Member of the Board</i>
----------------------------	----------------------------	----------------------------

<i>Grigorios Sarantis</i>	<i>Elpiniki Sarantis</i>	<i>Grigorios Sarantis</i>
---------------------------	--------------------------	---------------------------