



Unaudited Consolidated Results

iCotton Group
Management report Q1/2024

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Harper Hygienics & iCotton

Locations



The largest producer and seller of wet wipes, cotton buds and pads in Central and Eastern Europe.



Cutting edge manufacturing facilities in Poland and Latvia.



Proven partner in business across Europe, Middle East, Asia and Africa.



Business overview

iCotton, founded in 2011 in Liepāja, Latvia, is a leading Baltic producer of cotton and hygiene products. The iCotton group also includes the Polish company Harper Hygienics. The group makes cotton buds, pads, wet wipes, feminine hygiene products. Key brands include Cleanic, Kindii, and Presto, known in Poland. With production sites in Liepaja (9,000 m², 11 lines) and Warsaw (13,200 m², 44 lines), iCotton group's 2023 turnover surpassed 70 million EUR, with 45% from local markets and 55% from the EU and other exports.



- Natural non-woven fabrics

- Feminine hygiene products

- Cotton spunlace

- Cotton pads

- Dry wipes



13 years on the market



- Non-woven fabric Arvell

- Cotton buds

- Cotton pads

- Wet wipes

- Underpads

- Canisters



34 years on the market



Highlights of Q1 2024



The **revenue of the iCotton group** remained steady in Q1 2024, amounting to EUR 15.08 million as per results of Q1 2024 (-1.53% in comparison with Q1 2023).



According to the unaudited financial statement, **the gross profit of the iCotton group** saw an increase, reaching EUR 4.35 million compared to EUR 3.99 million in Q1 2023 (+8.98%) with gross margin increase from 26.1% to 28.8% (+2.8 p.p.), reflecting effective Management's efforts to increase profitability, demonstrating the company's successful strategies in optimizing production processes, and controlling costs.



The Group successfully launched Kindii **diapers** in Q1 2024, introducing a new standard of comfort and reliability for infants and toddlers. With advanced technology and premium materials, Kindii diapers offer superior leakage protection and gentle care for delicate skin. The products are already available in the market of Poland and the EU.



The Group has upgraded its facilities with advanced equipment for producing **household detergents**, ready to supply both its own brand and private labels. This investment underscores the company's dedication to quality and flexibility in meeting customer demands in the household care market.



The Group initiated dynamic **marketing and PR campaigns** to promote its products, aiming to capture a larger market share and enhance brand visibility. These initiatives highlight the company's commitment to reaching consumers effectively and building a strong brand presence in the industry.

Key financials

Revenue

Since Q4 2022, the Company has been firmly on a **dynamic recovery and grow path** from the **previous 2-3 years of all kinds of global unexpected challenges**, including:

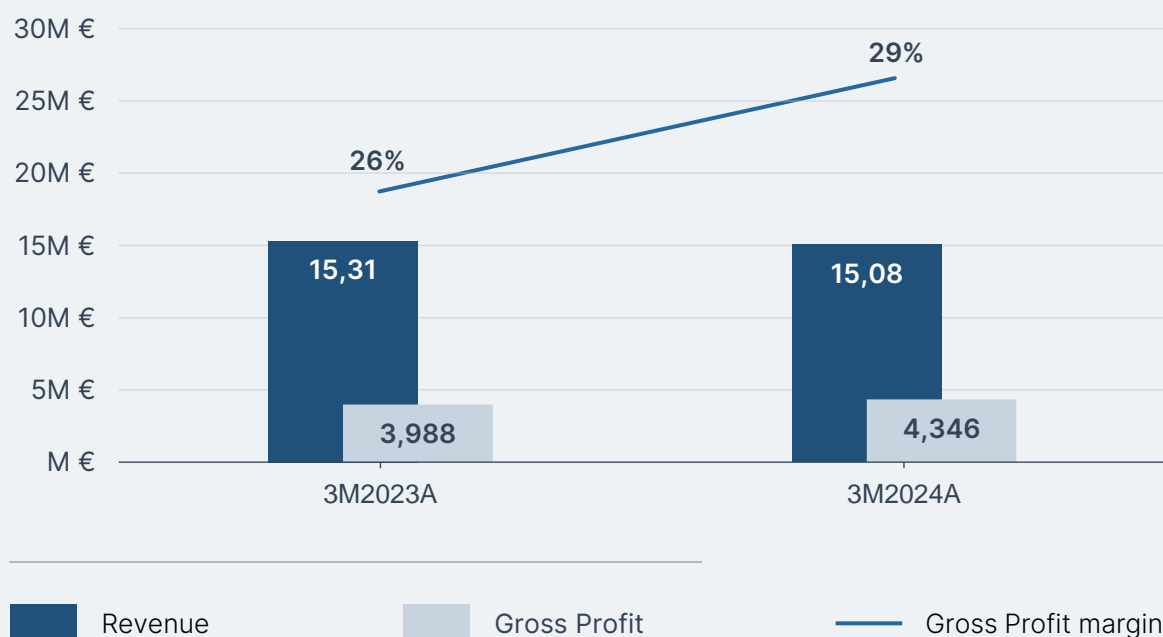
COVID-19, which resulted in:

- production and supply chain disruptions
- delays in capacity expansion and new product development, because of suppliers' inability to implement them on site.

War in Ukraine, which resulted in:

- a surge in raw material and energy prices
- need to make supply chain adjustments
- ad hoc reshuffle of the Group's export markets.

Since the start of the war, the Company has significantly decreased exports of products to CIS countries and has successfully shifted focus to other markets prioritizing profitability.

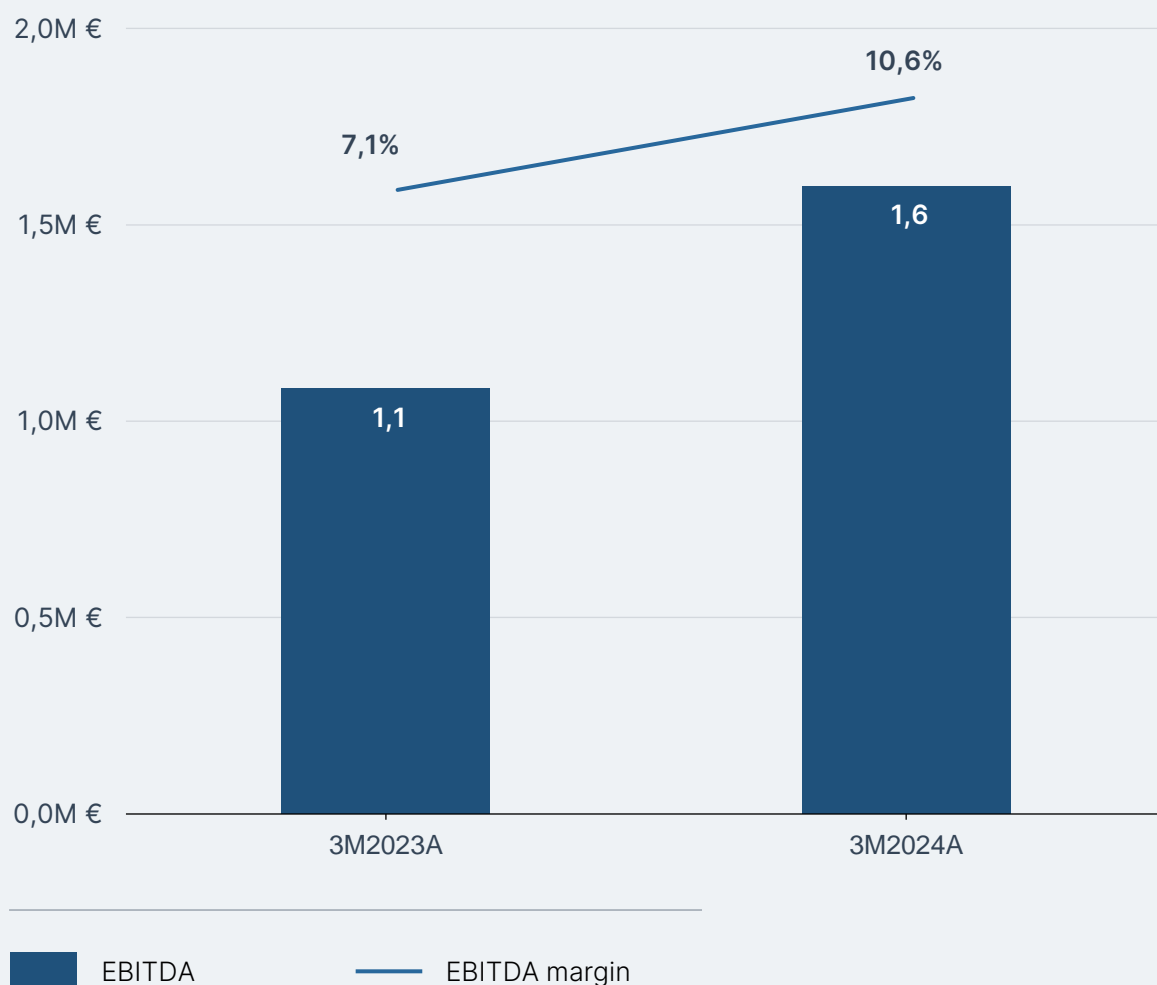


Key financials

EBITDA

The shift towards new markets and the strengthening of its presence in existing markets, combined with the stabilization of raw material prices, has **enabled the Group to significantly improve its financial results**:

- **Revenue** in Q1 2023 reached EUR 15.1 m (-1.5%), **EBITDA** reached EUR 1.6m (+47.8%).
- **EBITDA margin** increased to 10.6% by 3.5 p.p., exceeding the level of previous years, showing significant improvement of financial results.



Covenants & ratios

The company has a balanced financing approach, with an equity ratio of 43%, indicating a stable capital base, mitigating risks associated with both equity and debt financing.

The DEBT/EBITDA ratio is 3.15x, suggesting that the company has a manageable debt burden.

DSCR of 1.96x demonstrates ample liquidity to meet debt payments, enhancing financial stability and reducing the risk of default.

The company's working capital of EUR 15,813 thousand signifies strong short-term financial health, allowing it to cover short-term liabilities. With a Net Sales Value of EUR 15,075 thousand and an EBITDA of EUR 1,598 thousand, the company shows robust revenue generation and operational profitability, highlighting its stable financial position.

Consolidated covenants, kEUR

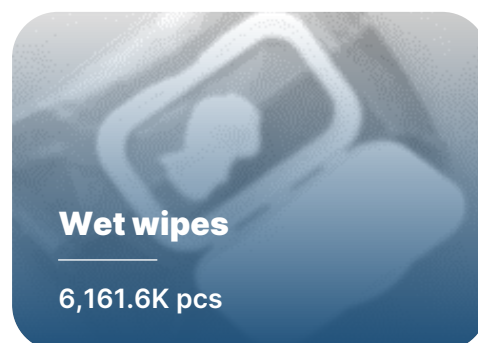
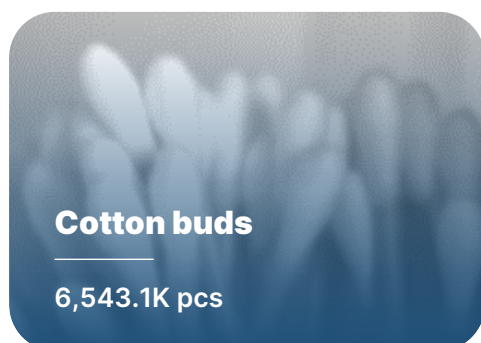
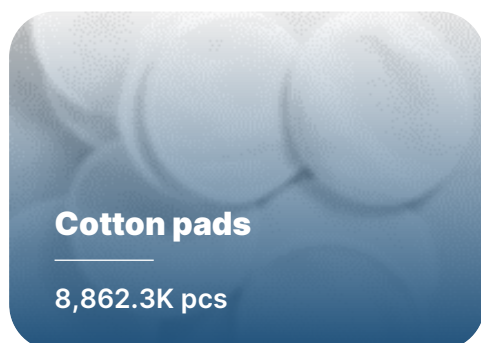
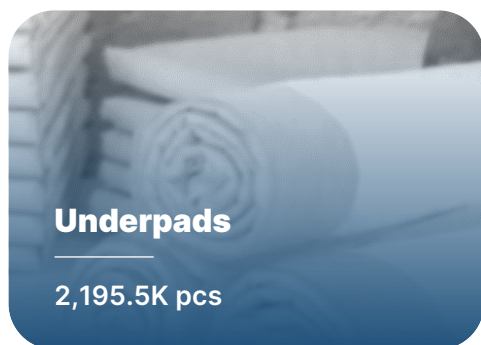
Indicator	Value
NSV	15,075
EBITDA:	1,598
WC	15,813
External net debt	30,872

Ratios

Indicator	Value
Equity ratio:	43%
DEBT/EBITDA	x3.15
DSCR	x1.96

Production performance Q1 2024

Main categories

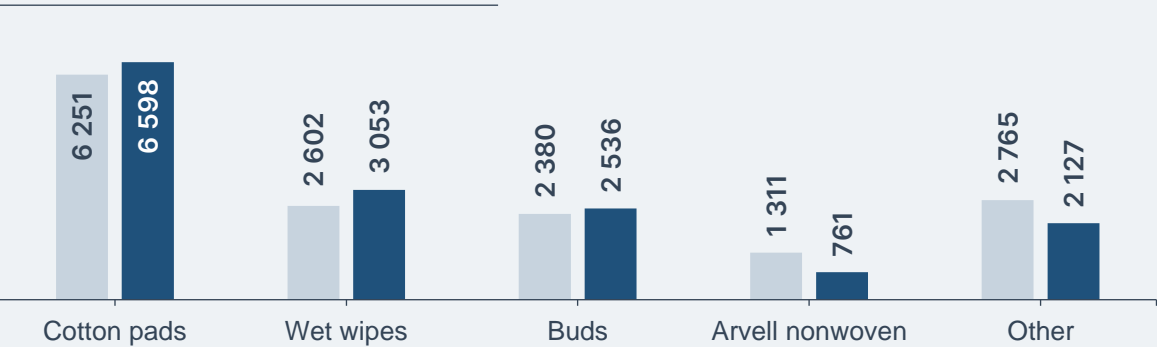


Sales by product group

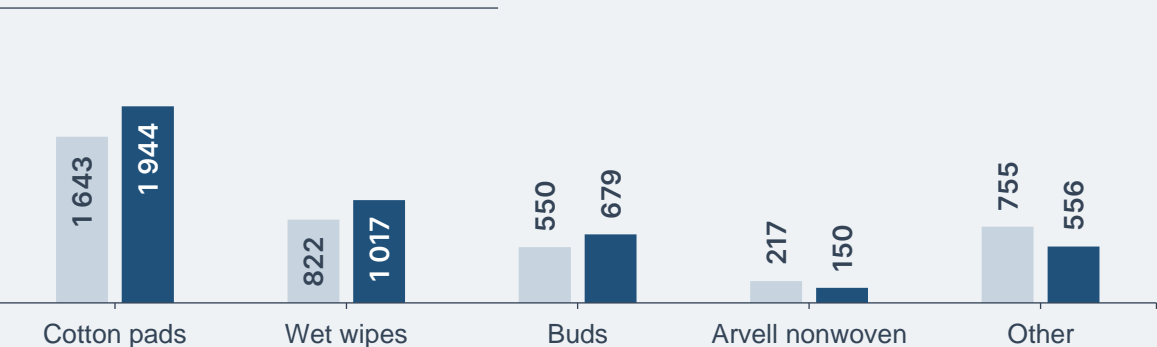
In Q1 2024, revenue performance varied across product categories. **Cotton pads** and **buds** saw modest increases of 5.6% and 6.6%, respectively, **while wet** wipes experienced a significant 17.33% rise (comparing to Q1 2023).

Gross profit showed a varied performance across product categories. **Cotton pads** increased by 18.3%, **wet wipes** by 23.7%, and **buds** by 23.4%, indicating robust growth in these segments (comparing to Q1 2023).

Revenue distribution by product group, kEUR



Gross profit distribution by product group, kEUR



Q1 2023 Q1 2024

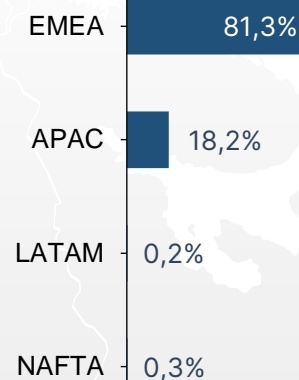
Revenue breakdown*

*For the period of Q1 2024

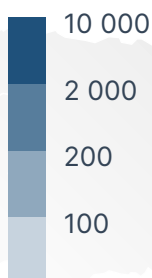
Sales in Europe, net sales value (NSV), kEUR

Country	NSV	Country	NSV
Poland	6,777	Romania	167
Ukraine	1,132	Serbia	138
The Netherlands	363	Bulgaria	101
Hungary	322	Slovakia	68
The UK	317	Ireland	63
Austria	269	Croatia	55
Latvia	245	Moldova	29
Germany	230	North Macedonia	24
Czech Republic	199	Denmark	18
Estonia	182	Kosovo	18
Italy	182	Cyprus	8
Greece	172	Montenegro	8
Lithuania	172	Albania	2

Sales by region



Legend



Unit: kEUR

Income statement

Revenue decreased by 1.5% from 15,309 in Q1 2023 to 15,075 in Q1 2024, largely due to ongoing optimization of the product portfolio, focusing on more profitable sales.

Cost of sales dropped by 5.2% reflecting a significant decrease due to lower raw material prices compared to the peak in 2023.

Sales expenses increased by 9.7% driven by branded sales concentration and special promotional activities.

Administration expenses increased by 4.7% due to inflation and wages rises in Latvia and Poland. Despite this increase, costs remain relatively flat, with the increase attributed mainly to payroll adjustments.

Other operating costs increased due to profits from selling of idle fixed assets in Q1 2024.

Income statement, kEUR

Indicator	3M22A	3M23A	3M24A
Revenue	17,323.0	15,309.0	15,075.0
Cost of sales	(15,499.0)	(11,322.0)	(10,730.0)
Gross profit	1,824.0	3,988.0	4,346.0
Sales expense	(2,010.0)	(2,045.0)	(2,242.0)
Administration expense	(1,394.0)	(1,472.0)	(1,542.0)
Other operating income	644.0	83.0	616.0
Other operating costs	(115.0)	(194.0)	(335.0)
Financial income	444.0	312.0	164.0
Financial costs	(1,165.0)	(911.0)	(816.0)
Income before tax	(1,770.0)	(240.0)	191.0
Corporate income tax	(88.0)	(54.0)	101.0
Net income	(1,857.0)	(294.0)	293.0
Depreciation	(987.0)	(722.0)	(755.0)
EBITDA	(62.0)	1,082.0	1,598.0
Consolidated adjusted normalized EBITDA	851.0	2,148.0	2,588.0

KPIs

COGS as % of Revenue	89%	74%	71%
Gross profit margin	11%	26%	29%
EBITDA margin	0%	7%	11%
Consolidated adj. normalized EBITDA margin	5%	14%	17%

Balance sheet

Between January 1, 2024 and March 31, 2024, **total assets** decreased by 13%, primarily driven by a significant gross balances of cash and debt, that were subsequently netted against repaid bank debt, while **inventory** and **trade receivables** increased by 12%. This period also witnessed a decrease in **liabilities**, falling by 22%, with reductions in both long-term and short-term loans from banks.

Equity remained relatively stable, increasing by 1%, indicating the company's resilience amidst changing financial conditions.

Balance sheet, kEUR

Indicator	31.03.22	31.03.23	31.12.23	31.03.24
Assets				
Intangible assets	576	700	1,372	1,395
Fixed assets	54,385	52,559	54,039	53,615
Negative goodwill	-	-	-	-
Long-term financial investments	258	1,976	2,955	2,225
Deferred tax assets	5,336	4,028	4,227	4,162
Inventory	15,162	13,065	9,599	11,658
Trade receivables	18,996	15,061	17,873	18,985
Other receivables	-	-	-	-
Other current assets	412	427	373	621
Unpaid shares in the company's capital	2,296	-	-	-
Short-term financial investments	-	5,183	5,183	5,183
Cash	192	86	18,117	655
Total assets	97,614	93,086	113,738	98,500
Share capital	13,333	13,333	13,333	13,333
Other capital	-	-	4,558	4,617
Undistributed profits	26,988	20,849	20,016	21,512
Profit or loss for the period	1,983	503	1,412	192
Non-controlling interest	2,944	161	2,623	2,665
Equity	45,248	34,846	41,942	42,318

Balance sheet

The Group shows signs of improving financial stability with a significant increase in total assets and equity. The reduction in liabilities, particularly long-term loans, indicates better financial leverage and reduced financial risk. Overall, the Group shows **stable performance and resilience** against possible future challenges. The issuance of bonds to refinance short-term loans and improve working capital was a strategic move to enhance financial flexibility and stability of the Group.

Balance sheet, kEUR

Indicator	31.03.22	31.03.23	31.12.23	31.03.24
Liabilities				
LT Loans from banks	14,178	15,086	12,902	11,500
LT Other loans	-	-	-	-
Bonds	-	-	20,000	17,322
Deferred income	3,411	4,004	3,486	3,964
LT leasing liabilities	972	786	612	524
ST Loans from banks	10,795	10,153	10,286	1,798
ST Other loans	-	-	-	2,406
Advances received	10,004	9,053	7,327	6,728
Trade payables	8,408	12,263	8,163	4,622
Other payables	498	3,446	5,047	4,757
Other ST liabilities	2,064	1,452	513	445
ST liabilities (Leasing & Factoring)	2,037	1,997	3,461	2,115
Total Liabilities	52,366	58,240	71,796	56,182

Cash flow

Cash flow statement, kEUR

Indicator	Q1 2023	Q1 2024
Cash flow from operating activities		
Net profit	(294.0)	293.0
Depreciation	722.0	755.0
Changes in WC	(2,876.0)	(7,849.0)
Interest payments	911.0	816.0
Other adjustments	1,371.0	1,288.0
Net cash flow from operating activities	(167.0)	(4,697.0)
Cash flows from investing activities		
CAPEX	729.0	(354.0)
Other	-	-
Net cash flow from investment activities	729.0	(354.0)
Cash flows from financing activities		
Loans	(253.0)	(10,161.0)
Interest payments	(911.0)	(816.0)
Leasing and factoring	(208.0)	(1,433.0)
Other	-	-
Net cash flow from financing activities	(1,373.0)	(12,410.0)
Cash - carry forward	896.0	18,117.0
Net Cash Flow	(810.0)	(17,461.0)
Cash - bring forward	86.0	656.0

Key performance indicators

Summary

Consolidated revenue 3M24A

EUR 15.1m | -1.5%

Compared to 3M23A

Consolidated EBITDA margin 3M24A

10.6% | previously 7.1%

Compared to 3M23A

Gross margin increase in 3M24A

28.8% | +2.8 pp

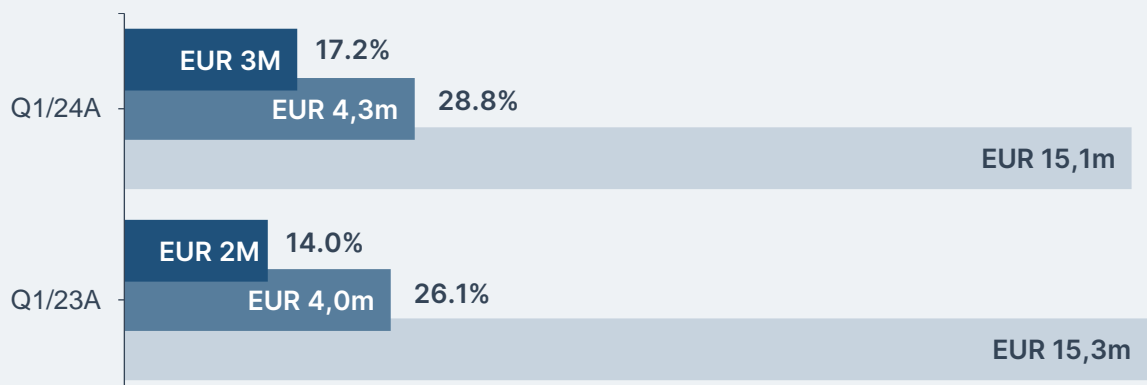
Compared to 3M23A

Consolidated NWC 3M24A

EUR 15.8m | x4.1

Compared to 3M23A

Net sales value



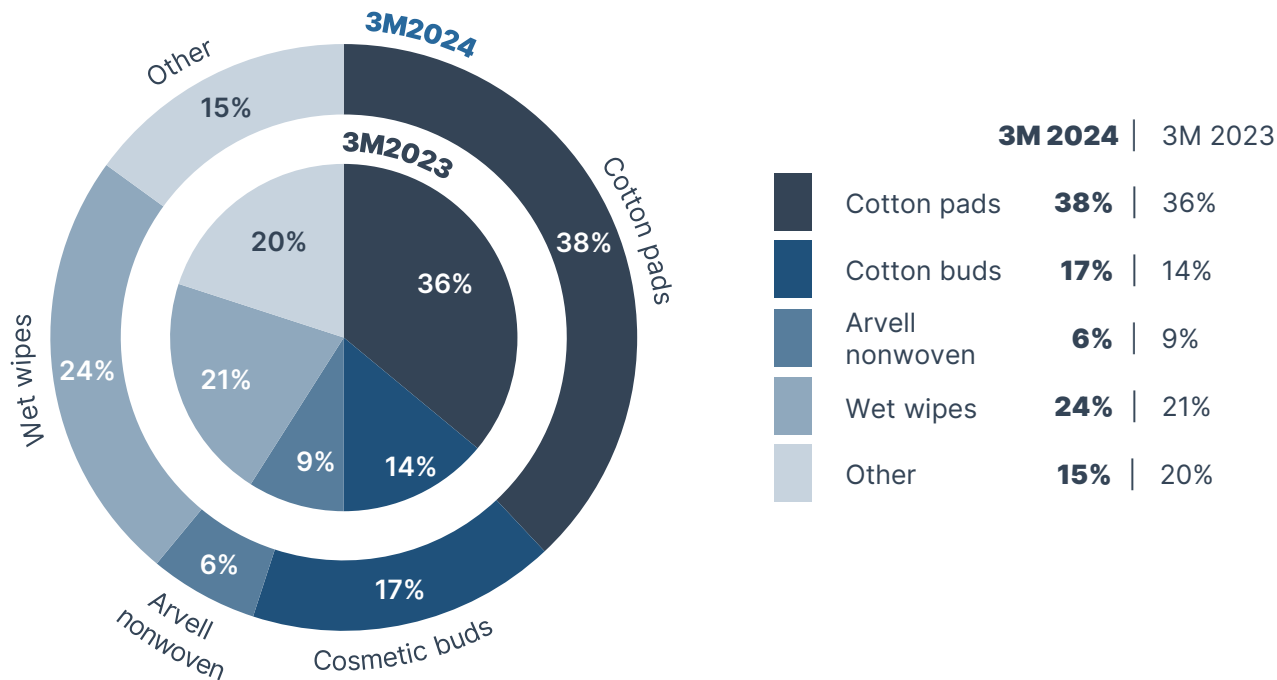
Adjusted normalized EBITDA

Gross profit

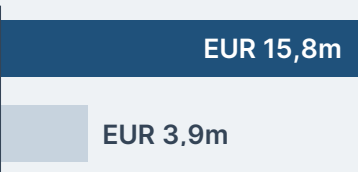
Revenue

Key performance indicators

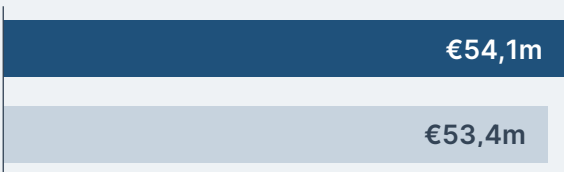
Consolidated EBITDA build-up



Working capital



Fixed assets



March 2023 (Actual) March 2024 (Actual)

The decrease in working capital from €25.4m in December 2023 to €15.8m in March 2024 reflects the strategic use of bond funds available at the end of the year to refinance bank loans and obligations, a move that, while impacting working capital, ensures a healthy financial position for the company.



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