



## THRACE PLASTICS CO S.A.

05-11-2020

### **SUPPLEMENTARY NOTE TO THE SEMI-ANNUAL REPORT FOR THE PERIOD 1.1-30.6.2020, RELATING TO THE IMPACT OF THE COVID-19 PANDEMIC ON THE FINANCIAL PERFORMANCE AND OPERATION OF THE GROUP'S COMPANIES**

Following the Letter of the Hellenic Capital Market Commission with protocol number 2331 / 27.10.2020, the Societe Anonyme under the name "THRACE PLASTICS HOLDING COMPANY SOCIETE COMMERCIAL ANONYME" with the distinctive title "THRACE PLASTICS CO S.A." (called as "Company" hereafter), in the context of the proper, valid and timely information of the investor community, in accordance with the article 23 of Law 3556/2007 for the purpose of adequate preparation of the Semi-Annual Financial Report, regarding the period that ended on 30.06.2020, which (Report) was made available to the investor community on 21<sup>st</sup> September 2020, notes the following regarding the ongoing Covid-19 pandemic and in particular:

#### **I. Impact of the pandemic on the operation of the Company in the first half of 2020**

Despite the fact that the rapid spread of COVID-19 (coronavirus) from the beginning of 2020 until today has caused significant disruptions in the global supply and demand, including Greece and the other countries in which the Group operates, the business and financial activity or operation of the Group has not been adversely affected during the first half of the year and to date. At the same time, there is still an inability to assess both the duration and intensity of the pandemic, as well as the time point of the recovery's restart, but also its dynamics.

Regarding the production activities, it is noted that all production units within the Group continued to operate smoothly for the entire semester, without facing any operational problem from the spread of the pandemic, concerning the health of the Group's employees.

From a financial point of view, despite the impact on sales of certain business activities' restructuring carried out in previous years (by curtailing or even terminating business activities with low profitability), the Group managed to not only to deter any contraction in its revenues, but instead to maintain its sales at pre-pandemic levels, as the lower demand

in some areas of activity was offset or more than offset by a significant sales growth in other areas of activities. More specifically it was observed:

- Significant increase in demand for products related to personal protection and health and in particular for technical fabrics, used in personal protection and health applications.
- Development of new products and activities related to personal protection products, including the installation and operation of surgical mask production lines in Greece, Scotland and Ireland.
- Higher demand for products targeting the food packaging sector.
- Reduction of demand for packaging products related to tourism and catering, as a result of the limited business activity of this sector, especially in Greece.
- Maintenance and further strengthening of the Group's customer base.

As a result of the above, in quantitative terms, the Group managed to maintain its revenues. Group sales of the first half of the year amounted to € 155.4 million, marginally increased by 0.1%, compared to the corresponding period of the previous year and the Profit before Tax (EBT) amounted to 16.9 million €, increased by 125% compared to the corresponding period of the previous year.

At the same time, during the first half of the year, extraordinary expenses were incurred, mainly related to the measures taken to deal with the pandemic such as increased expenses related to protection measures for employees, virus detection tests, costs related to preventive disinfection, etc., which amounted to 593 thousand €. It is noted, however that the decrease of other operating expenses, mainly related to the participation in exhibitions and business travelling, offset part of the extraordinary expenses incurred.

Regarding the liquidity level of the Group and the trading cycle of the companies, there was no negative or unfavorable impact from the adverse conditions on the Group as a whole. On the contrary, during the first half of the year, the Group was able to strengthen its liquidity position and reduce Net Debt by € 36.6 million with the primary purpose of further strengthening its financial position and capital structure. It is noted that, as a result of the state aid measures, the Group faced a delay in the repayment of its customers' checks in Greece, due to an extension on their payment date, concerning a maximum amount of approximately € 800 thousand, while the respective financial gap generated (which no longer exists) was covered entirely by its existing cash and cash equivalents.

At the same time, the Group increased and currently maintains a higher level of inventories in basic raw materials, compared to the average level of inventories (attaining an average increase of 31% in terms of quantities), thus ensuring its smooth production operation, at the level of supply chain, in order to be able to meet obligations towards its customers.

Regarding the investment plan, in addition to the planned actions carried out, the Group up to this date has made extraordinary investments which can be summarized as follows:

- Extraordinary total investment of € 3 million for the installation of surgical mask production lines in the production facilities in Greece, Scotland and Ireland, achieving full vertical integration in the production of surgical masks. (More details are included in the relevant Corporate Announcement of 01/10/2020). Until 30/06/2020, the Group had implemented relevant investments of € 400 thousand.
- Extraordinary investment of € 5.1 million for the installation of mechanical equipment for the production of "Meltblown" material, which will be used in the production of all types of masks, from surgical masks to FFP2 and FFP3 type masks. To implement the investment, the subsidiary Don & Low reached an agreement with the state-owned Scottish Enterprise to finance 80% of the specific investment plan. The funding will be reimbursed to Scottish Enterprise within the next five years in proportion to the company's sales during the period under consideration. (more details are included in the relevant Corporate Announcement of 04/05/2020)

From the above it is demonstrated that during the first half of this year, the Group despite the unprecedented conditions in the global economy, due to the pandemic, did not suffer any negative, from a financial point of view, consequence in both its financial results and trading cycle and therefore it did not face any material financial risk that would adversely affect its business continuity.

## **II. Measures taken to reduce the impact of the pandemic**

The Management of the Group closely monitors the developments related to the pandemic crisis and has fully implemented a plan to ensure the health and safety of the personnel and the uninterrupted business continuity of the Group.

In particular, in accordance with the guidelines and recommendations of the World Health Organization (WHO) and the local Public Health and Civil Protection Organizations, the following measures were implemented:

- Creation of sub-crisis management teams with the participation of the Managements of the subsidiaries and the Group, the Human Resources Departments, the Occupational Physicians and the Safety Technicians.
- Informing employees about the coronavirus, the mode of transmission, the prevention and protection measures and providing recommendations and instructions for personal health, in accordance with the local instructions of the competent authorities.
- Provision of personal protective equipment to the personnel (masks, antiseptics, gloves).
- Carrying out disinfections at the Company's premises on a regular basis.
- Conduct Covid-19 tests on the personnel as a whole and repeat them, as appropriate.

- Remote work for office employees to the greatest possible extent.
- Protection of workers belonging to vulnerable groups, by removal from the premises, without curtailing their wages.
- Creation of specific procedures and protocols for all visitors to the Company's facilities (carriers, contractors, technicians, etc.)
- Conducting meetings of the employees of all the Companies as well as the Management of the Group and conducting meetings of the Board of Directors without physical presence using electronic or audiovisual means (e.g. video conference).
- Restriction of movements to all facilities of the Companies and restriction of travel for business purposes.
- Continuous monitoring of liquidity, maintaining a high level of cash reserves, for safety reasons.

### **III. Assessing the impact of the pandemic in the future**

Regarding the prospects until the end of the current year, at the time of preparing the present note, the Management estimates that the financial performance of the Group will continue to show a significant improvement compared to the corresponding period of the previous year, both in terms of profitability and in terms of liquidity. The commitment towards stronger free cash flows creates conditions for even greater improvement in financial position. Increased demand for products targeting emerging sectors of the economy (also due to the pandemic), unchanged demand for a large part of the product portfolio compared to the previous year, an expanded customer base, the enhanced liquidity and the implementation of strict protective measures are the key factors for minimizing the negative impact of the current situation.

Despite the fact that the full development of the second wave of pandemic and the re-imposition of restrictive measures, in most of the countries in which the Group operates, make any assessment regarding the possible impact of the pandemic on the commercial activity and the financial results of the Company and the Group uncertain, however based on the above, the Management estimates that neither the Group nor any of its individual activities face a possible threat that would endanger the uninterrupted business continuity ("going concern"). Nevertheless, the Management of the Group maintains significant reservations regarding the financial effects that the pandemic will have on the economies of the countries in the near future and how these may affect the business activities of the Group.