



Harper
Hygienics

Presentation for investors

26 April 2017



Forward looking statement

This presentation may contain forward-looking statements based on current assumptions and forecasts made by the management of Harper Hygienics. Different uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates provided in this presentation. Harper Hygienics and its affiliates assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments

Briefly about iCotton

European company with unique expertise in CIS region

- iCotton established as Italian-Russian joint venture from Liepaja (Latvia) producing the wide range of products including wet wipes, baby products, household goods and household chemicals
- The Company has distribution network in **Ukraine, Belarus, Kazakhstan, Moldova, Tajikistan, Uzbekistan, Baltic countries and Poland**
- In 2016 iCotton has invested **EUR 8 million** in a new production line co-financed by EU funds and backed by LIAA (Investment and Development Agency of Latvia). Currently the Company operates state-of-the-art manufacturing equipment launched between 2012-2016. Production site of **over 15 000 m²**
- Annuals production capacity of iCotton amounts to **5.4 ths tones of wet wipes, 1.5 ths tones of cotton pads and 620 tones of cotton buds**
- iCotton revenue reached **EUR 9.4 mln** in 2016
- Mr. Maralbek Gabdsattarov is sole shareholder of iCotton and one of the shareholders of the top hygienic products company in Russia Cotton Club



Winning combination

Acquisition of Harper Hygienics will enable to build one of the largest players in cotton hygienic products in Europe



- Opportunity to scale up the business through better access to key markets including Russia, Ukraine, Baltics, Kazakhstan, Turkey
- Opportunity to improve profit margin via production utilization, economies of scale on purchases of raw materials and better quality of products
- Selling large volume of Arvell material and fulfillment of the line capacity and improving working capital management
- Improving debt position and reaching target leverage and debt covenants level



- Access to Polish market, which is one of the largest in Eastern Europe
- Access to additional free production capacities
- Geographical diversification of current portfolio
- Acquisition of strong brand in Poland
- Strengthening access to European market
- Access to equity capital market (WSE)
- Access to new technology (Arvell)

European leader in cotton hygienic products and wet wipes

Key retail clients and markets of the Group

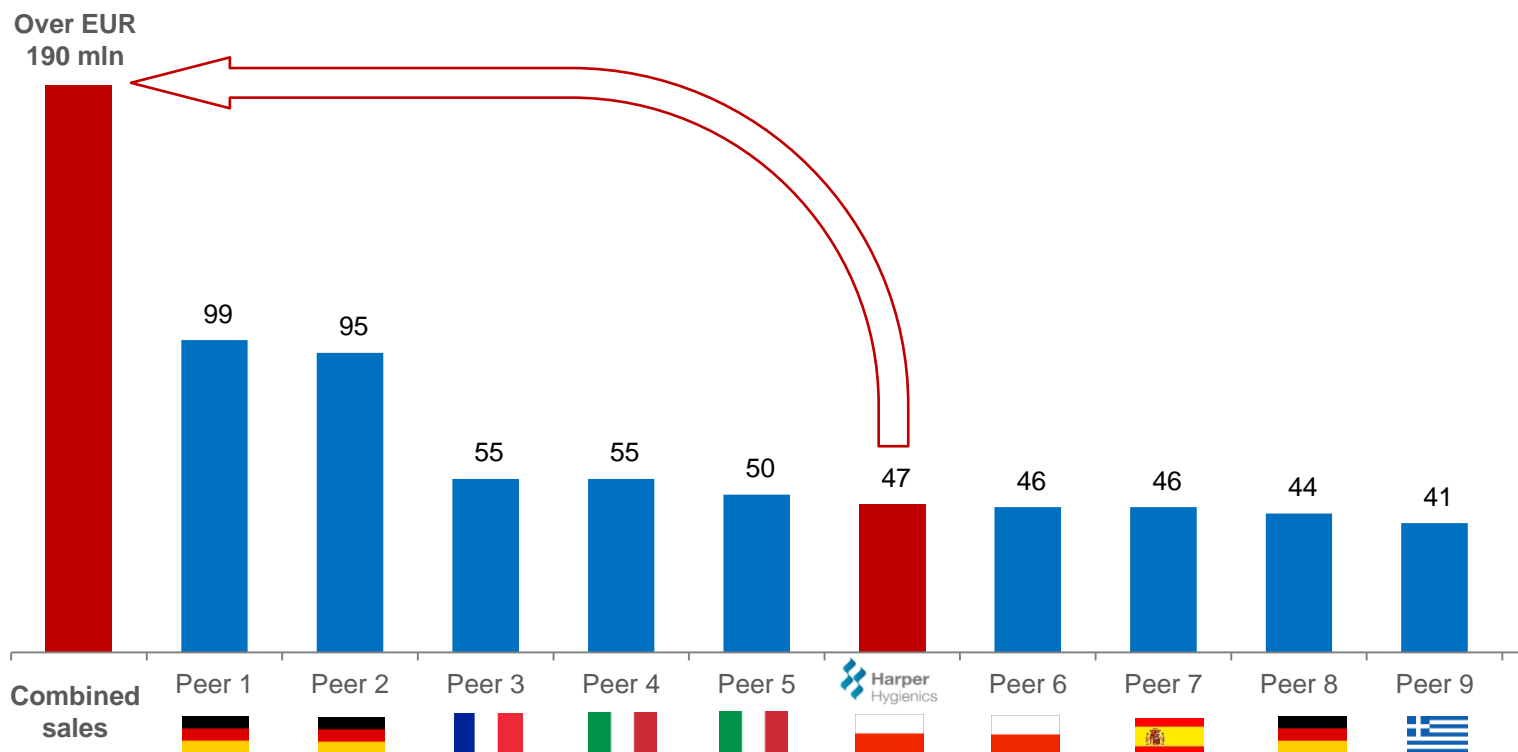


- Combined sales geography of Harper Hygienics, iCotton and Cotton Club

Note: term "the Group" refers to Harper Hygienics, iCotton and Cotton Club

European leader in cotton hygienic products and wet wipes

European competitive landscape in peer group



Notes:

- Data represents revenue numbers for 2016 year stated in EUR mln or estimates made by Capital IQ and Company
- We exclude companies that generate significant revenue from business segments other than wet wipes and cotton products (eg: P&G, Kimberly Clark, Johnson & Johnson, TZMO, etc)

Source: Capital IQ data, open sources

Brand portfolio

Strong combination of recognized brands and wide product range



<p>Cotton pads and buds</p>			
<p>Wet wipes</p>			
<p>Baby products</p>			
<p>Other cosmetic and household products</p>			

- Portfolio of brands with leading market position and wide recognition in CIS region

Ways to address key challenges

New strategy and synergies



- Heavy price competition in Poland resulting in margin pressure
- High concentration with key clients and sales channel
- Substantial decline in sales to CIS markets



- Improve **quality of Cleanic brand** (cotton pads), selective return to spunlace material
- Switching to B2C - transfer of **Lure brand** (and other brands) to Arvell material and investing into new converting line
- Use of iCotton **assortment in CIS and Poland** to recover Harper's sales and improve margin



- Bottlenecks in production
- Raw material price pressure
- Quality issue raised by key clients
- Underutilized production capacity (including Arvell)



- **CAPEX program** to resolve production bottlenecks, improve production efficiency
- Improving quality and introduction of new products in Poland
- iCotton **will be able to utilize 100% of Arvell** capacity in 2017 resulting in immediate improvement of production utilization



- High leverage
- Working capital deficit



- Deleveraging by serving exiting debt
- Working capital injection
- Improvement of EBITDA as a result of operational turnaround

2017 CAPEX program

CAPEX to unlock potential



Why?

- Improve gross and EBITDA margin
- Improve quality of end products (based on key clients' demand)
- Reduce bottlenecks and improve production efficiency

EUR 0.5 mln

Modernization of cotton buds production

- Modernization of plastic production for cotton buds
- Significantly reducing manual work and improving energy efficiency
- Raw material (plastic) cost reduction by at least 5%

EUR 0.5 mln

Wet wipes production

- Harper will be able to convert 100% of Arvell output for B2C
- Monthly production of 2-3 mln packs for each line 4-6 mln packs total
- Annualized gross margin improvement up to EUR 5.4 mln

EUR 2.0 mln

Cotton spunlace production

- Increase monthly cotton pads output by 40-50%
- Divestment of existing inefficient production line
- Quality and design of products will improve with sandwich technology
- Innovation technology will improve competitive positioning

- With small CAPEX Harper Hygienics will reach new level of production already in 2017

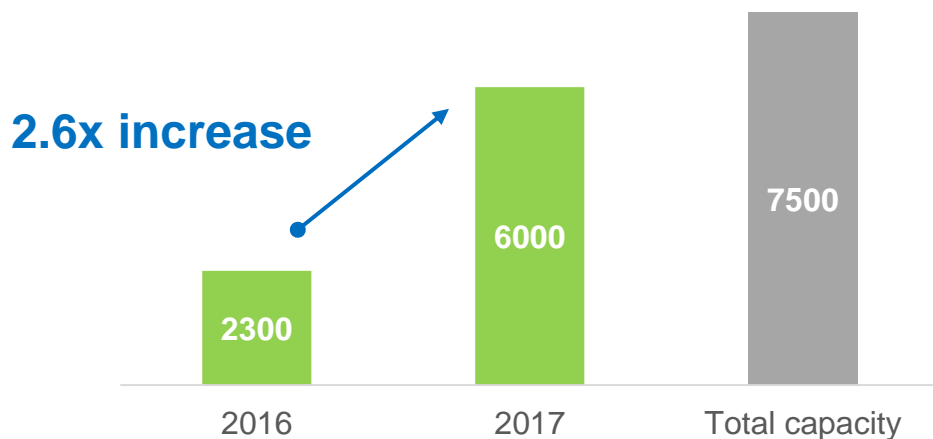
Financial performance

Short-term financial objectives

- Review financial budget for FY2017 based on Q1 2017 performance
- Recover historical sales volumes in CIS markets (historically up to 20% of sales)
- Financing working capital - provided by iCotton (up to EUR 5 mln)
- Debt repayment according to the schedule agreed mBank (EUR 2 mln mind-2017)



Arvell improvement



- In April iCotton ordered 200 tones and is planning to increase monthly offtake to 300 tones
- Currently gross margin of Arvell B2B sales equals 18%
- Total effect in 2017 ca. EUR 0.8 mln

Goals for existing business

Preliminary targets

Sales

31% CAGR
(from 2016)

Realization of revenue synergies with iCotton and Cotton Club

Revenue from Cleanic brand in baby products and Lure/Petino brands in low cost segment (based on Arvell)

New products and export markets development (MENA region)

EBITDA margin

8%
(+2.9 pp. vs 2016)

Profitability through production costs improvement

Production of spunlace for cotton pads and wet wipes

Full cycle conversion of Arvell to B2C sales

EBITDA

2.5x growth
(vs 2016)

More than doubling EBITDA in the mid-term

Serving debt according to the schedule / Debt-to-EBITDA below 4.0x

Working capital financing from iCotton as required