

# **MANAGEMENT REPORT FOR 2021**

**ISPE "ARIS" LTD**

***2021 was a year of achievements for our company. We achieved most of our goals:***

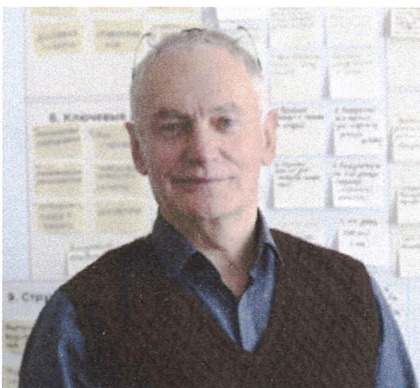
- ✓ increased sales by 39%***
- ✓ increased the share of exports in total sales to 30%***
- ✓ completed the construction and commissioned the first stage of the new factory in Dergachi***
- ✓ launched a full cycle of the production process at the new location***
- ✓ carried out the next stage of updating the production equipment fleet***
- ✓ developed and implemented key performance indicators for the main processes of the value chain***

***We also confirmed the ISO 9001 certificate for the company's quality management system.***

***We had many plans for 2022. However, on February 24, 2022, our country was attacked by the Russian Federation and our company was almost on the contact line. Despite the shelling, our team managed to organise the company's work. We relocated some of the equipment and people to safer places and continued to produce the products that our customers needed, supporting them and the economy of our country.***

***Looking back, I want to say that I am proud of our team and every person in our company.***

***I would like to personally thank everyone who wasn't afraid to come to work in Dergachi and Kharkiv, everyone who works remotely, and those who are now standing up for us with arms in their hands. I wish us all a quick victory!***



***Yevheniy Tytarenko  
General Manager of ARIS Ltd.***

## **DESCRIPTION OF THE ACTIVITIES OF "ARIS" LTD**

Limited Liability Company Interdisciplinary Research and Production Enterprise "ARIS" Ltd (hereinafter referred to as the "Company") was established in Kharkiv and registered on 10.02.1992 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations, registration number: 14801200000011964. The EDRPOU code is 14090946.

The company provides a full range of services for the production of flexible packaging in rolls of multilayer materials with high-quality gravure printing, as well as ready-made packages with various additional options (zip-lock, degassing valve, transparent windows for product demonstration, etc.) The company specializes in the production of multilayer materials based on aluminum, kraft paper, and unique films used for packaging products that are subject to pasteurization or sterilization.

Our goal is to become the best company of flexible packaging in Ukraine and a world-renowned company, to be an example of a successful business built on the principles of mutually beneficial relations between all stakeholders, efficient use of resources, high level of employee qualifications, introduction of new technologies and optimal business processes, an example of a business that is profitable now and in the future.

The Company's strategy is aimed at increasing the company's profitability by expanding its market share, managing costs, optimizing business processes, and developing its staff.

## **ORGANIZATIONAL STRUCTURE OF THE COMPANY**

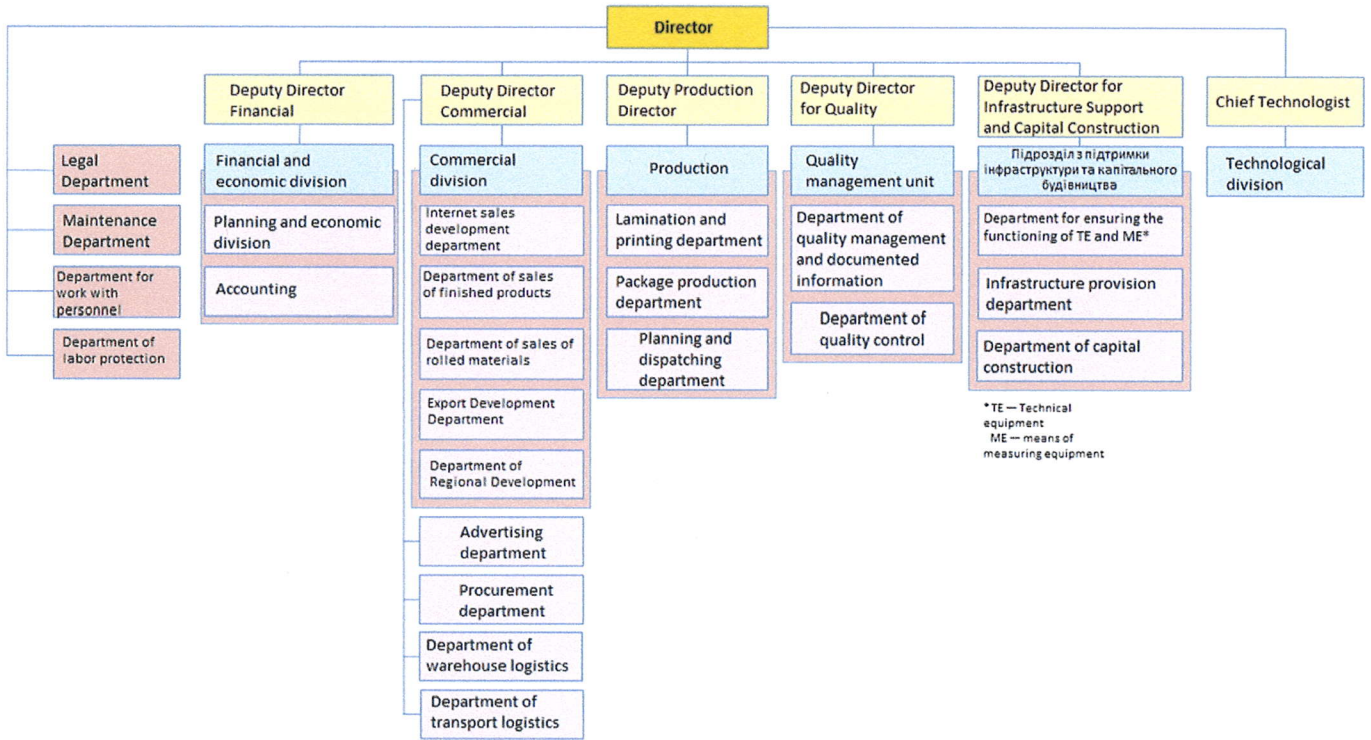
The supreme governing body of ARIS Ltd is the General Meeting of Shareholders. The competence of the General Meeting of Participants (Owners) of the Company includes the following issues:

- ✓ determination of the main activities;
- ✓ amendments to the Charter;
- ✓ approval of significant transactions;
- ✓ election of the Company's Director;
- ✓ approval of the Company's performance results, etc.

The Director of the Company is guided in his/her activities by the legislation, the Company's Charter, internal documents, and decisions of the General Meeting of Shareholders.

The heads of departments, services, and structural units of ARIS Ltd. are guided in their work by the relevant job descriptions and regulations.

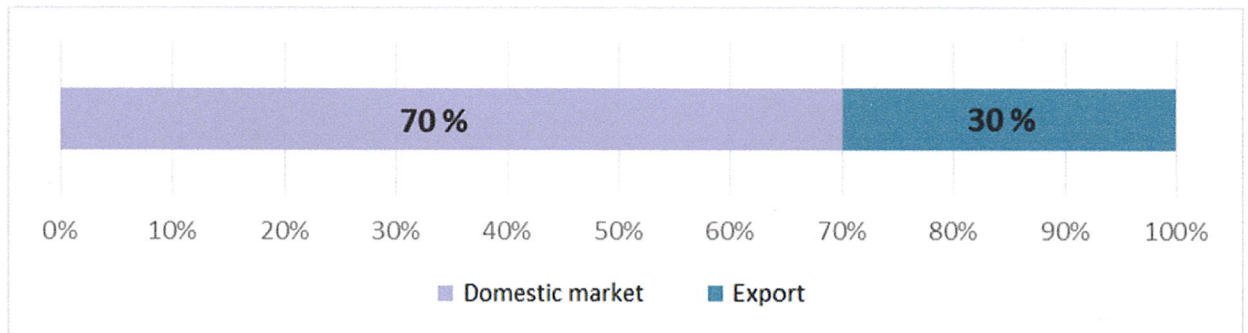
**ORGANIZATIONAL STRUCTURE OF ISPE "ARIS" LTD  
(as of 01.01.2021)**



## PERFORMANCE RESULTS

The company actively developed in 2021, as evidenced by the analysis of key economic indicators. Thus, sales increased by 39% compared to 2020, and net profit increased by 90%. These results were achieved by expanding the range of products sold, commissioning new equipment, and expanding the customer base. The implementation of energy-saving measures at our new factory also played a significant role.

The primary market was the Ukrainian market, but we also increased the share of exports.





### **Key performance indicators (UAH thousand)**

Indicators	2020	2021
Net income from sales of products (goods, works, services)	183 688	256 446
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	32 666	50 575
<i>EBITDA margin</i>	17,8%	19,7%
<b>Net profit for the period</b>	14 984	28 516
<i>Profitability of operations</i>	8,2%	11,1%
<b>Return on assets (ROA)</b>	8,7%	11,3%
<b>Return on equity (ROE)</b>	14,7%	21,4%

We received a significant financial support through participation in the loan program: "Affordable Loans 5-7-9%". This program is provided for the compensation by the government of a part of the company's credit burden. The prudent use of the borrowed funds led to a significant improvement in our net profit and, accordingly, our profitability.

This result of the company's activities indicates an improvement in the financial condition of ARIS Ltd. in 2021 compared to 2020.

### **LIQUIDITY AND LIABILITIES**

In its activities, the management pays considerable attention to maintaining the Company's liquidity and solvency. We have always been very prudent in attracting external financing, keeping our equity at a level not less than the capital raised. In 2021, the Company received significant long-term loans to finance the construction and purchase equipment. Short-term loans were also extended to replenish working capital. The Company's credit history and reputation on the market allows to raise money on favorable terms and to defer payments for raw materials and supplies.

In asset management, we pay a special attention to asset turnover and the length of the financial cycle, working to optimize them.

### **Structure of the Company's assets (UAH thousand)**

<b>Indicator</b>	<b>2020</b>	<b>2021</b>
<b>Non-current assets</b>	<b>86 617</b>	<b>119 551</b>
Intangible assets	338	1 194
Capital investments in progress	10 525	47 797
Property, plant, and equipment	75 754	70 560
<b>Current assets</b>	<b>86 549</b>	<b>133 770</b>
Inventory	54 759	74 487
Receivables for products, goods, works and services	17 951	30 215
Prepayments	9 510	22 515
Receivables from settlements with the budget	1 227	3 352
Other current receivables	0	0
Cash and cash equivalents	2 161	2 229
Prepaid expenses	9	45
Other current assets	932	927
<b>Total assets</b>	<b>173 166</b>	<b>253 321</b>

As of 31.12.2021, the largest share of non-current assets was accounted for by property, plant, and equipment (59%) and capital investments in progress (40%).

Inventories account for 55.7% of current assets, accounts receivable - 22.6%, and advances to suppliers - 16.8%.

### **Structure of the Company's liabilities (UAH thousand)**

In the structure of the Company's liabilities as of 31.12.2021, equity accounts for the largest share at 52.6%. The amount of retained earnings as of 31.12.2021 amounted to UAH 122,333 thousand. These funds were invested in the development of the Company. In 2021, long-term liabilities in the structure of liabilities were represented by long-term bank loans and accounted for 11.4%. Short-term liabilities in the form of loans as of 31.12.2021 amounted to 36.03% and consisted of current accounts payable for goods, works, services, and short-term bank loans.

<b>Capital and liabilities</b>	<b>2020</b>	<b>2021</b>
<b>Equity capital</b>	<b>101 730</b>	<b>133 242</b>
Registered (share) capital	5 000	10 000
Capital in revaluations	736	736
Additional capital	19	19
Reserve Capital	154	154
Retained earnings	95 821	122 333
<b>Long-term liabilities</b>	<b>10 161</b>	<b>28 820</b>
<b>Short-term liabilities</b>	<b>61 275</b>	<b>91 259</b>
Short-term loans from banks	17 425	33 622
Current accounts payable for goods, works, and services	24 576	36 239
Current accounts payable for settlements with the budget	2 066	736
Insurance settlements	166	281
Current payables on payroll settlements	1 646	1 972
Current accounts payable for advances received	4 360	5 613
Current accounts payable for settlements with participants	1 228	1 472
Current collateral	569	263
Other current liabilities	9 239	11 061
<b>Total equity and liabilities</b>	<b>173 166</b>	<b>253 321</b>

### Liquidity ratios

<b>Name of the indicator</b>	<b>Normative value</b>	<b>2020</b>	<b>2021</b>
<b>Coverage ratio</b>	<b>1-2</b>	<b>1,41</b>	<b>1,47</b>
<b>Quick ratio</b>	<b>0,5-1</b>	<b>0,52</b>	<b>0,65</b>
<b>Absolute liquidity ratio</b>	<b>&gt; 0,1</b>	<b>0,0353</b>	<b>0,0244</b>



The coverage ratio in 2021 meets the regulatory requirement, which indicates that the value of current assets exceeds the amount of current liabilities and is a sign of the Company's financial health.

The quick ratio considers current assets' quality and is more stringent indicator, but it is also within the regulatory limits.

The absolute liquidity ratio is below the regulatory value. This is because the Company attracted additional short-term financing to expand production and increased the inventory required for this.

In general, the result of the analysis of the Company's liquidity indicators as of 31.12.2021 indicates its liquidity and solvency.

## **SUSTAINABLE DEVELOPMENT**

The management team and the entire staff of the Company are committed to the idea of continuous improvement of their activities, which is based on increasing the efficiency and effectiveness of all processes through modern management methods, the introduction of lean production tools, and the use of modern production technologies.

### **Environmental aspects and energy saving**

The Company's management and staff are aware of their responsibility for the cleanliness of the environment and make every effort to ensure environmental protection, the health of the people working at the enterprise, and the population of our city.

The company has introduced a separate collection of production waste and its transfer to specialised organisations for processing and reuse or disposal.

Air emissions, noise levels, and energy consumption are constantly monitored. The air quality in the company's working areas is analysed every quarter.

Based on the monitoring results, the following measures were developed and implemented to improve the situation at the enterprise:

- noise-insulating materials were used in the exterior cladding of the factory building;
- muffling systems were installed on all ventilation systems;
- exhaust ventilation systems were equipped with recuperators, which save up to 50% of energy resources;
- a biological wastewater treatment plant was built;
- process equipment was updated to reduce the amount of production waste.

The company fully complies with the requirements of the ISO 14001 standard and is ready for audit and certification.



## Social aspects and HR policy

ARIS Ltd. is a company based on the principles of mutually beneficial cooperation, openness, and human values. People are the basis for the success of this business! We employ competent specialists passionate about their work, comprehensively developed, and united by shared values and goals.

**Our values are mutual respect, trust, honesty, responsibility, and proactivity.**

The company has created and operates an adaptation program for new employees and provides favorable working conditions for staff. We take measures to strengthen the team spirit and corporate culture of the company. Employees are encouraged to learn, develop, and participate in seminars, trainings, conferences, and other training events. The Company reimburses 50% of the training costs and purchase of educational materials and literature.

A Collective Bargaining Agreement has been concluded that guarantees compliance with applicable laws, a decent salary level, social guarantees, benefits, and compensation.

The Company's top priority is to protect the health of the employees and ensure safe working conditions at the workplace. The company has a labor protection department, conducts medical examinations of employees, and provides some categories of workers with unique clothing.

A dining room has all necessary equipment for heating drinks and food, as well as refrigerators for storing food. Employees are provided with drinking water.

The company does not stay away from public life. In 2021, we joined several charity events and social initiatives.

## Key risks and uncertainties

The main risk to the Company's concern is a full-scale military invasion by the Russian Federation on February 24, 2022.

Lives and safety of people and the security of fixed assets are at risk, as the production facilities are located near the contact line. Under these circumstances, we've decided to suspend the Company's operations.

We have focused our efforts on finding safer locations to relocate our people and assets.

To fulfil our obligations to our customers, we placed orders with companies that were in a safer environment and were able to continue production.

Subsequently, we were able to move our equipment and resume our production activities.

The second risk was not being able to fulfill our financial obligations because, at that time, the Company was in a real force majeure! In this regard, we reached agreements with our creditors to defer payments that had come due and to set up new debt repayment schedules. (By the end of the year, all of the Company's obligations were fulfilled.)

## DEVELOPMENT PROSPECTS OF "ARIS" LTD

Considering the situation in Ukraine after February 24, 2022, ARIS Ltd. needs to expand its sales markets significantly to increase the volume of exports.

We also continue improving the production process to eliminate time and material costs in the primary operations.

The company participates in development programs announced by the Ukrainian government. We aim to modernize production equipment to expand the range of our products.

**General Manager**



**Yevgeniy Tytarenko**

**Chief Financial Officer**

**Olena Rodionova**