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CREDIT RATING REVIEW

Caola Zrt.

February 2026

CREDIT RATING		Initial	Monitoring	Review	Review	Review	Review
Date of Rating Committee:		11.02.2022	17.02.2023	15.03.2023	15.03.2024	17.03.2025	11.02.2026
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Issuer Rating	Long-term rating:	BB-	BB- (under review)	BB-	BB-	BB-	**BB-**
	Outlook:	Stable	-	Stable	Stable	Stable	Stable
Bond Rating HU0000361431	Long-term rating:	BB	BB (under review)	BB	BB	BB	**BB-**
	Outlook:	Stable	-	Stable	Stable	Stable	Stable

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CONTENT:

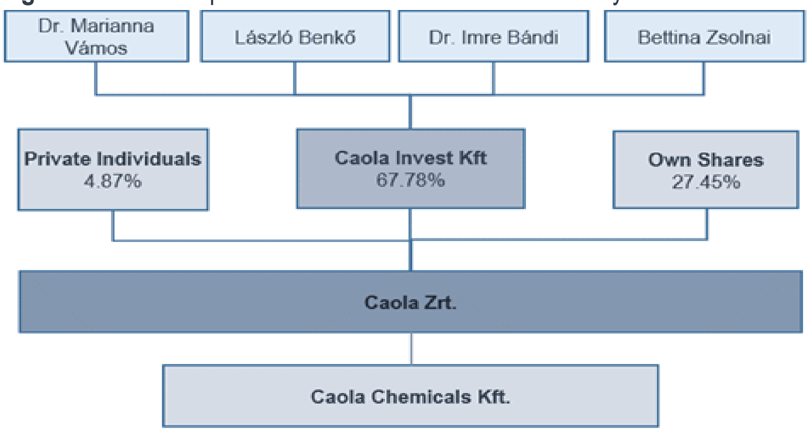
Table 1: General information about the rated entity

Issuer:	Caola Zrt.
Head Office:	Homokbanya ut 77, Diosd, Pest, Hungary
Main Activities:	2042. Manufacture of perfumes and toilet preparations
Registration number:	13-10-041783
Bond ISIN:	HU0000361431

I. Company Overview

Caola Zrt. is one of Hungary's oldest and most established consumer goods brands, with a history dating back to 1831. The company operates in the production and distribution of disinfectants, cleaning agents, and beauty and personal care products, and has played a historically significant role in the development of Hungary's hygiene and cosmetics industries. Over nearly two centuries, the Caola brand has built strong recognition and consumer trust, which continues to support its market positioning.

Figure 1: Ownership structure of Caola Zrt. as of February 2026



The company remains under Hungarian ownership. In April 2020, Caola Invest Kft. acquired a majority stake in Caola Zrt. with the clear strategic objective of stabilising operations, restoring profitability, and repositioning the brand as a competitive domestic market leader.

Caola Invest Kft. functions primarily as an asset-holding and brand-owning entity, holding the intellectual property rights to the Caola brand name, for which Caola Zrt. pays a royalty fee. This structure separates operating and asset ownership functions, while maintaining close strategic alignment within the group.

In 2022, Caola Chemicals Kft. was established as a wholly owned subsidiary of Caola Zrt. Currently, the subsidiary remains non-operational and does not engage in active distribution or production activities, thereby limiting its impact on the group's risk profile.

In September 2025, Caola Zrt. strengthened its corporate governance framework by expanding its Board of Directors from three to four members through the appointment of Mr. Tibor Zászlós. Meanwhile, the executive leadership remains unchanged, with Dr. Imre Bandi continuing as CEO and Dr. Anikó Száraz serving as Deputy CEO.

Dr. Imre Bandi has served as CEO of Caola since April 2020. He brings a strong background in legal, regulatory, and public-sector governance, with prior senior roles spanning government institutions and state-owned enterprises. His experience in asset management, legal oversight, and institutional governance has been instrumental in restructuring Caola's operations, strengthening financial discipline, and navigating regulatory frameworks—particularly relevant given the company's growing exposure to public procurement and B2G activities.

Dr. Anikó Száraz has held the position of Deputy CEO and Management Board Member since 2020 and is responsible for day-to-day operations, production planning, product development, and human resources. Her background includes senior executive roles in industrial manufacturing and chemical companies, providing Caola with strong operational and sector-specific expertise. Her role has been central to the modernization of production processes, portfolio renewal, and the successful ramp-up of new product lines.

Upon acquiring Caola Zrt., the management team inherited a company facing financial stress and declining competitiveness. A decisive strategic turnaround was initiated, initially supported by the surge in demand for disinfectants during the COVID-19 pandemic. Management capitalised on this exceptional market environment to stabilise cash flows, rebuild operational capacity, and reestablish Caola as a relevant player in the hygiene segment. Importantly, this period was used not only for short-term revenue recovery but also as a foundation for longer-term structural transformation.

Caola's strategy is centred on organic growth, operational efficiency, and revenue diversification, underpinned by a conservative financial policy. Management has explicitly deprioritised acquisition-driven expansion in favour of strengthening in-house production capabilities, expanding the product portfolio, and reducing dependence on any single market segment or customer group. This strategy is supported by substantial investments in modern production infrastructure, automation, and energy efficiency, which are expected to structurally lower unit costs, improve margin resilience, and support scalable growth. At the same time, management maintains a disciplined approach to risk, as demonstrated by the withdrawal from acquisition plans where concentration or execution risks were deemed excessive.

II. Operating Environment

2.1. Sovereign risk

As Caola Zrt. is headquartered in Hungary and conducts all of its manufacturing activities domestically, the company's credit profile is inherently linked to Hungary's sovereign risk. The sovereign risk assessment applied in this report is based on Hungary's unsolicited sovereign credit rating as assigned by BCRA, which serves as the relevant macroeconomic and institutional reference framework for the analysis. A detailed discussion of Hungary's sovereign credit fundamentals, including the rating rationale and historical rating actions, is available on BCRA's website at the following link: *https://bcra.eu/en/companies/hungary*

2.2. Industry Overview

Caola Zrt. operates within the Hungarian chemical industry, with core activities focused on the manufacturing of beauty and personal care products, as well as home and laundry care and professional hygiene solutions. The chemical sector represents a structurally important pillar of Hungary's industrial base, accounting for approximately 5% of total manufacturing output over the past five years. The sector plays a material role in domestic value chains and export activity, while supporting employment, technological development, and downstream consumer industries.

The industry is characterised by a highly regulated operating environment, shaped by comprehensive national and EU-level legislation governing product safety, environmental protection, and consumer health. Regulatory requirements are particularly stringent in the cosmetics, household chemicals, and disinfectants segments, where compliance with REACH, biocidal product regulations, labelling standards, and environmental directives imposes elevated fixed costs and ongoing compliance obligations. While these regulatory barriers increase operational complexity, they also support market discipline and create structural entry barriers that benefit established producers with proven compliance track records, such as Caola Zrt.

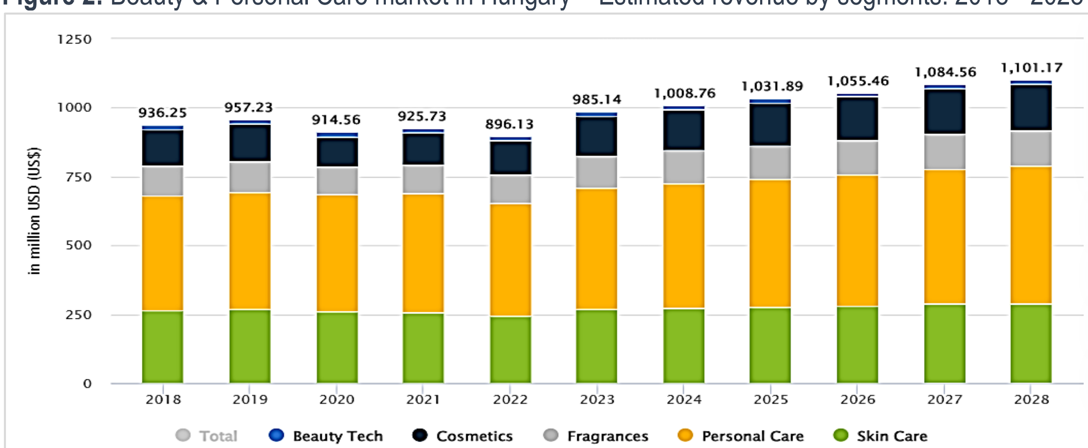
The COVID-19 pandemic marked a structural inflection point for the chemical and hygiene-related industries. The sharp and sustained increase in demand for disinfectants and hygiene products required manufacturers to rapidly scale production, secure supply chains, and adjust product portfolios, while simultaneously complying with evolving emergency regulations and heightened supervisory oversight. Government interventions and temporary regulatory adjustments further increased the compliance burden, favouring companies with flexible production capabilities, robust quality control systems, and established regulatory expertise.

Beyond the immediate pandemic effects, the crisis accelerated longer-term shifts in consumer behaviour, particularly within the beauty and personal care segments. Demand increasingly shifted from purely aesthetic products toward hygiene-oriented, functional, and health-conscious solutions. This transition has been accompanied by rising consumer scrutiny of product composition, origin, and environmental impact, driving higher demand for antimicrobial formulations, dermatologically tested products, and sustainable or bio-based ingredients. As a result, manufacturers have been required to invest in reformulation, enhanced transparency, and sustainability-oriented product development.

Looking forward, the operating environment is expected to remain structurally demanding, with increasing enforcement of ESG-related standards, tighter chemical safety regulations, and growing requirements for supply chain transparency and traceability. For producers such as Caola Zrt., sustained competitiveness will depend on continuous innovation, disciplined cost management, and the ability to integrate sustainable production technologies without undermining profitability. While regulatory intensity represents an ongoing constraint, Caola's established market presence, compliance experience, and strategic focus on hygiene and professional disinfection position it comparatively well within the evolving Hungarian and European chemical markets.

2.2.1. Beauty and Personal Care

Figure 2: Beauty & Personal Care market in Hungary – Estimated revenue by segments: 2018 - 2028



Source: Statista

The Beauty and Personal Care market remains among the most dynamic and resilient segments of the consumer goods industry, underpinned by sustained demand for cosmetics, skincare, and personal hygiene products. Market expansion is increasingly shaped by a generational transformation in consumer behavior, as younger cohorts adopt digitally driven purchasing habits and display heightened sensitivity to branding, product transparency, and ethical considerations.

This structural shift has accelerated the digitalization of the sector, fundamentally reshaping distribution channels, marketing strategies, and customer engagement models.

Digital transformation has become a central growth catalyst. Social media platforms, influencer-led marketing, and data-driven personalization have significantly altered how brands interact with consumers, fostering direct-to-consumer (DTC) sales models and reducing reliance on traditional retail formats. In Hungary, online sales now account for approx 1/3 of total Beauty and Personal Care revenues, compared to just 8% in 2018. This trajectory is expected to strengthen further, reflecting rising consumer demand for convenience, broader product choice, and customized shopping experiences.

According to Statista, total revenues in Hungary’s Beauty and Personal Care market are forecast to approach USD 1.0 billion by 2025. The Personal Care segment is expected to remain the largest contributor, accounting for approximately 45% of total market revenues. Over the medium term, the market is projected to expand at an average annual growth rate of around 2.2% between 2025 and 2030, suggesting moderate but stable long-term growth. Nevertheless, competitive pressure remains high, as multinational and multi-brand groups continue to dominate through scale advantages, continuous product innovation, and strong brand portfolios.

Within the broader market, the luxury and prestige cosmetics segment exhibits the highest growth potential, supported by increasing consumer willingness to spend on premium skincare, wellness-oriented products, and high-performance formulations. Post-pandemic consumption patterns have reinforced this trend, as heightened awareness of health, self-care, and personal wellbeing has driven demand for products positioned around efficacy, safety, and long-term skin benefits.

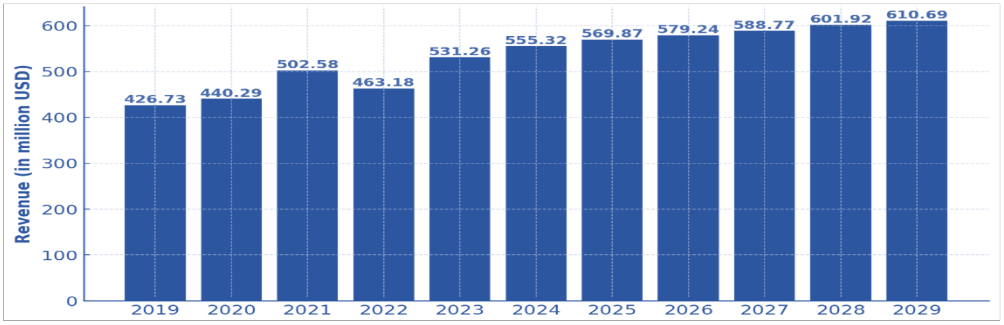
Sustainability considerations have become a defining structural driver. Consumer preferences are increasingly shifting toward vegan, cruelty-free, and bio-based products, as well as formulations enriched with active ingredients and dermatologically tested components. In parallel, ESG considerations are exerting growing influence on corporate strategies, prompting investments in environmentally responsible production processes, recyclable or biodegradable packaging, and reduced carbon footprints. These trends are not only shaping product development but also affecting regulatory frameworks and competitive positioning across the industry.

Looking ahead, sustained success in the Hungarian Beauty and Personal Care market will depend on companies’ ability to combine digital engagement, targeted innovation, and operational efficiency with credible sustainability strategies. Market participants that can effectively adapt to evolving consumer expectations, leverage omnichannel distribution, and maintain compliance with increasingly stringent regulatory and ESG standards are best positioned to secure long-term growth and preserve competitive relevance in this fast-evolving sector.

2.2.2. Home and Laundry Care

Structural demand in the Home and Laundry Care segment is supported by its non-discretionary nature, as cleaning and hygiene products remain essential household items. However, qualitative shifts in consumer preferences are increasingly shaping market dynamics. Both global and Hungarian consumers have demonstrated heightened awareness of the environmental and health-related implications of everyday cleaning products. Sustainability considerations have therefore become a central determinant in purchasing decisions, in many cases surpassing traditional factors such as price sensitivity and brand loyalty.

Figure 3: Estimated revenue of the Home and Laundry care market in Hungary: 2019 - 2029



Source: Statista

This transition is reflected in growing demand for products formulated with biodegradable, low-toxicity, and skin-friendly ingredients, as well as for solutions that minimize environmental harm across the product lifecycle. In parallel, packaging sustainability has emerged as a critical differentiator. Consumer attitudes toward plastic usage, recyclability, and waste reduction have evolved significantly, driving increased acceptance of refill systems, concentrated formats, and packaging made from recycled or renewable materials. As a result, products emphasizing environmental responsibility have moved from niche positioning into the mainstream market.

The competitive landscape of the Home and Laundry Care market remains highly concentrated and dominated by multinational corporations, including Procter & Gamble, Unilever, Reckitt Benckiser, Henkel, Kao, and Lion. These players benefit from strong economies of scale, extensive distribution networks, and substantial marketing budgets, allowing them to defend their market shares effectively. Nevertheless, the accelerating shift toward sustainability creates entry points for both smaller domestic producers and innovative challengers that can differentiate through environmentally responsible formulations, local sourcing, and transparent production practices.

In this context, manufacturers and retailers are increasingly required to adapt their strategies to remain competitive. This involves reformulating existing product lines, investing in sustainable packaging solutions, and enhancing transparency around environmental and social impacts. Companies that proactively integrate sustainability into their core value proposition are likely to strengthen consumer loyalty and preserve long-term relevance. Conversely, players that fail to respond to evolving regulatory standards and consumer expectations risk gradual erosion of market share in an increasingly sustainability-driven marketplace.

2.2.3. Professional Disinfectants

The global professional disinfectants market has undergone a structural expansion over the past decade, with growth accelerating sharply during and after the COVID-19 pandemic. According to Transparency Market Research, the market is projected to reach around USD 14.9 billion by 2030, implying a compound annual growth rate (CAGR) of about 7% over the forecast horizon. While the pandemic acted as a short-term demand shock, it also triggered long-lasting behavioral and regulatory changes that have structurally increased baseline demand for professional hygiene solutions.

Historically, healthcare institutions have been the primary end-users of professional disinfectants. However, the pandemic significantly broadened the addressable market, driving sustained demand from office buildings, educational institutions, public transport operators, hospitality facilities, and other high-traffic public spaces. Enhanced sanitation protocols have increasingly become embedded in standard operating procedures, rather than being treated as temporary crisis measures.

In response to this structurally higher demand, manufacturers have pursued active expansion strategies aimed at strengthening market positioning and securing long-term growth. These strategies include capacity expansions, accelerated product development cycles, portfolio diversification, and the formation of strategic partnerships with institutional buyers and public authorities. In parallel, consolidation through acquisitions has gained momentum, as companies seek to enhance scale, broaden technological capabilities, and improve access to regulated market segments.

From a product perspective, alcohol-based and liquid disinfectants continue to dominate the market, reflecting their proven efficacy, ease of application, and broad regulatory acceptance. Liquid formulations accounted for approximately 60% of global market share in 2023, benefiting from versatility across institutional, industrial, and professional use cases. At the same time, innovation is increasingly focused on improving user safety, reducing skin irritation, and minimizing environmental impact, particularly in high-frequency usage environments.

Beyond human healthcare and public hygiene, the importance of disinfection has expanded markedly within industrial livestock farming. The global animal disinfectants segment is undergoing rapid transformation, driven by rising concerns related to animal health, biosecurity, and food safety. Increased demand for high-quality animal products, combined with heightened awareness of zoonotic disease risks, has reinforced the critical role of disinfection in modern livestock operations. Regulatory developments—especially tighter restrictions on hazardous substances such as formaldehyde—have accelerated the transition toward safer, environmentally friendly alternatives.

This shift is further supported by growing consumer and regulatory emphasis on sustainability across the agricultural value chain. Producers are increasingly required to adopt non-toxic, biodegradable, and residue-free disinfectant solutions that ensure effective pathogen control while minimizing environmental and health risks. As a result, the professional disinfectants market is evolving toward higher value-added products, favoring manufacturers with strong R&D capabilities.

III. Market Positioning

Caola Zrt. benefits from a well-established domestic brand, recognised in Hungary for quality, reliability, and long-standing market presence. This brand legacy provides a stable foundation for the company’s positioning across multiple segments, as long-term relationships with distributors, retail partners, and institutional clients support demand continuity and reinforce Caola’s market relevance despite its comparatively modest scale in certain segments.

In recent years, Caola’s market position has evolved from a predominantly consumer-focused cosmetics producer toward a more diversified hygiene and disinfection-oriented business model, improving resilience against cyclical demand fluctuations in the retail cosmetics market.

3.1 Products

Figure 4: Caola's product lines

Professional disinfectants	Retail product portfolio	Professional cleaning productas	Disinfectants for livestock farming
• Disinfectants developed and produced for medical and government institutions	• Beauty & Personal Care Products • Home and Laundry Products	• New products, mainly used during commuting/travelling (eg. bus, train, plane)	• Products that are specialized for fertilization of pig, cow and chicken farm

In the Beauty & Personal Care and Home & Laundry Care segments, Caola continues to offer personal care, skin care, and cosmetic products, although these segments are no longer the focus of the company's strategy.

Shaving products (shaving cream, foam, and aftershave) remain the largest and most stable revenue-generating category, anchored by the long-established Barbon brand. Talcum powders also remain among the most recognisable Caola products and continue to benefit from strong brand recognition.

The Barbon Classic product line was redesigned in 2024, preserving its iconic colour scheme and shape while modernising packaging and visual identity to better align with current consumer expectations. In parallel, Barbon Sport was introduced at the end of 2024 as a new product line targeting younger consumers unfamiliar with the traditional Barbon Classic brand. Its contemporary design, colour palette, and fragrance profile aim to broaden Caola's demographic reach and support brand renewal.

Packaging development increasingly reflects ESG considerations, with the visible incorporation of the *"Domestic Product"* certification, reinforcing consumer confidence in local production and Caola's contribution to the Hungarian economy.

To mitigate declining structural demand in certain cosmetic categories, Caola has deliberately shifted its strategic focus toward professional hygiene and disinfectant products, serving industrial, institutional, healthcare, and public-sector clients.

The Caosept product line has expanded significantly in recent years and now represents a core growth driver. The portfolio includes:

- surgical hand disinfectants (coloured and colourless),
- alcohol-free hand sanitizers,
- general-purpose surface disinfectants,
- patient hygiene solutions, and
- concentrated disinfectants for cost-efficient institutional use.

Several Caosept products are integrated into Hungary's centralised hospital procurement system, strengthening Caola's presence in the healthcare sector and supporting recurring demand. The development of specialised patient cleansers, including chlorhexidine-based formulations, addresses rising standards in infection prevention and hospital hygiene.

In the B2G segment, Caola supplies hygiene and disinfectant products to public institutions, supported by procurement-based and framework agreements. This channel provides improved revenue visibility compared to purely retail-driven sales.

Caola has also entered the livestock farming disinfectants market. The company has developed specialised disinfectant solutions for pig, cattle, and poultry farms, leveraging its formulation expertise and flexible manufacturing processes. Although still in its early stages, this segment offers optionality for future expansion and further diversification of the revenue base.

Portfolio expansion is supported by a structured R&D approach focused on regulatory compliance, product safety, and innovation. Caola has updated safety data sheets across its product range, registered new biocidal products under PT2 and PT4 categories, and invested in formulation development.

The company has also established a strategic cooperation with István Széchenyi University, aimed at joint R&D initiatives in advanced hygiene solutions, including next-generation disinfection technologies and industrial hygiene applications. This cooperation supports long-term innovation capacity rather than just short-term commercial output.

Supported by the commissioning of the Martonvásár production facility, Caola has materially expanded its production capabilities. As of 2025, the product portfolio increased to 77 SKUs, compared to 32 products in 2023. Rising production volumes required the introduction of a second production shift in Q2 2025, which was maintained throughout the year, indicating sustained demand and improved capacity utilisation.

3.2 Production Facilities

Caola’s production infrastructure is assessed as modern, scalable, and credit-supportive, providing a solid operational foundation for the company’s organic growth strategy while contributing to cost efficiency, margin resilience, and improved cash-flow visibility.

The large-scale manufacturing investment in Martonvásár, financed primarily through bond proceeds, was successfully completed and fully commissioned in 2024, resulting in the consolidation of Caola Zrt.’s production, warehousing, and logistics activities into a single, modern industrial centre. The facility has been fully operational since 2024 and represents a cornerstone of the company’s long-term operational strategy.

The production complex comprises 2,937 sqm on the ground floor and 427 sqm on the upper floor, complemented by dedicated office areas of 226 sqm (ground floor) and 253 sqm (upper floor). This layout supports efficient coordination between manufacturing, logistics, quality control, and administrative functions, while allowing for scalable production volumes and flexible shift organisation.

The Martonvásár facility was developed in line with Industry 4.0 standards, incorporating a high degree of automation across manufacturing and packaging processes. Automated recipe tracking systems ensure consistency, traceability, and regulatory compliance across product lines, while software-controlled packaging equipment enhances throughput and reduces operational error rates. Remote system accessibility enables real-time monitoring and process optimisation, contributing to improved resource utilisation, lower waste levels, and structurally higher operational efficiency.

In line with its strategic focus on cost efficiency and sustainability, Caola completed several key investments during 2025. A solar power plant, financed through a EUR 2 million state grant (45% intensity), was completed and brought into operation in 2025. The installation enables the company to source approximately 70% of its production-related energy consumption from renewable sources, materially reducing exposure to energy price volatility and improving cost predictability. As a result, Caola has become one of the few chemical manufacturers in Hungary to operate predominantly on green energy.

In parallel, the company implemented an intelligent Building Management System (BMS), allowing centralised monitoring and optimisation of heating, ventilation, cooling, and energy generation. This system further supports structural operating cost efficiency and enhances environmental performance.

Technological capacity was further strengthened through the commissioning of a new Fryma hot-mix manufacturing machine in 2025, significantly expanding production capacity for creams, emulsions, and other high-value formulations. This investment improves production flexibility, supports product portfolio expansion, and enables higher-margin product development.

Following the commissioning of the Martonvásár plant, manufacturing activities have been fully centralised, allowing Caola to discontinue production at legacy sites. In parallel, the company initiated the utilisation process of the Diósd property, owned by Caola Invest Kft. The site is currently partially leased to third parties, with ongoing negotiations aimed at increasing occupancy. According to an independent valuation report dated December 2023, the Diósd property has an estimated market value of HUF 1.456 billion, providing additional asset backing at the group level and enhancing balance sheet resilience.

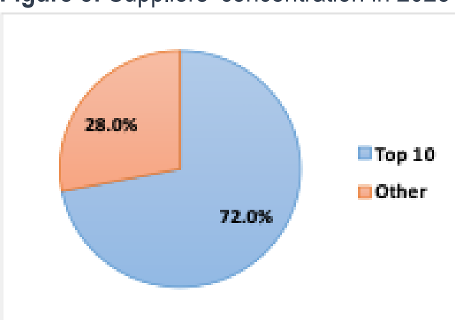
Looking ahead, Caola plans additional targeted investments of HUF 700 million[1] in 2026, aimed at completing the current investment cycle rather than initiating a new expansion phase. Planned projects include:

- further development of hot-mix production technology;
- construction of two additional warehouse units (2 × 600 sqm) to optimise logistics and inventory management;
- installation of an Albertina filling and labelling machine to expand packaging and export capabilities, and;
- a new aerosol filling line, enabling entry into additional product categories and export-oriented production.

The investment programme is front-loaded and finite with capital expenditure expected to normalise to maintenance levels beyond 2026. As utilisation rates increase, these investments are expected to support stronger cash generation and structurally lower unit costs.

3.3 Suppliers

Figure 5: Suppliers' concentration in 2025



[1] *Financing structure of the planned investment is presented in the Financial Forecast section.*

Caola's supplier structure exhibits an increase in concentration, reflecting a shift toward greater reliance on a limited number of strategic counterparties. While in 2024 the Top 10 suppliers accounted for approximately 40% of total operational supplies, this share increased to 72% in 2025, based on recurring procurement and excluding suppliers related to the Martonvásár investment programme.

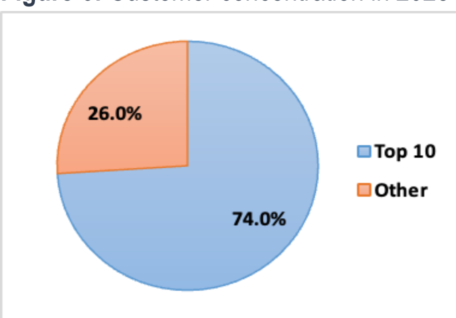
The increase in concentration is primarily driven by the expanded role of one strategic supplier, SHD Fact and Trade GmbH, which alone represented approximately 36% of total supplier spending in 2025. While this concentration represents a heightened dependency risk, management indicates that the supplied inputs are standardised and not irreplaceable, and that alternative suppliers are available in the market, albeit with potential short-term switching costs and lead times.

Beyond the largest counterparty, the remaining Top 10 suppliers individually account for 3%–6% of total purchases and are diversified across raw materials, packaging, energy supply, and logistics services. No other supplier is considered critical on a standalone basis for maintaining production continuity.

3.4 Customers

Caola Zrt. has built long-standing and stable relationships with its customer base over several decades, spanning retail, institutional, and public-sector counterparties. However, customer concentration increased materially in 2025, reflecting the strategic ramp-up of B2G-related volumes and the growing role of a limited number of large counterparties.

Figure 6: Customer concentration in 2025



Based on revenue data for 2025, the Top 10 customers accounted for 74% of total sales, compared to 42.2% in 2024, indicating a clear step-up in concentration year-on-year. This increase is primarily attributable to the emergence of Annamajori Kft. as the company's largest customer, representing 33.8% of total revenues in 2025. Annamajori acts as a central distribution and coordination platform for B2G and institutional deliveries, rather than a purely commercial retail customer.

Beyond the largest counterparty, concentration declines rapidly. The remaining Top 10 customers individually account for below 16% of revenues and include a diversified mix of:

- public-sector entities (e.g. MÁV Szolgáltató Központ Zrt., Magyar Közút),
- multinational retail and drugstore chains (dm, Rossmann, Tesco, Auchan, SPAR), and
- cooperative retail networks.

The residual 26% of revenues is generated from a broad base of smaller customers, providing an additional layer of diversification.

The strategic cooperation with the National Penitentiary Command (BVOP) remains a central pillar of Caola's B2G strategy, underpinning Caola's growing role in Hungary's state hygiene market, estimated at approximately HUF 26 billion. While B2G volumes increased significantly in absolute terms, the strategy is not centred on volume concentration, but rather on contract structure diversification. Newly concluded and ongoing B2G agreements increasingly incorporate capacity-availability compensation and minimum revenue floors, which materially reduce revenue volatility compared to purely demand-driven commercial contracts. As a result, although headline customer concentration has increased, the risk profile of cash flows has improved, with higher predictability and visibility.

Caola remains a regular supplier to state hospitals and public institutions, supported by repeated success in public procurement tenders. At the same time, longer collection periods and liquidity risks are typically associated with public-sector clients, which continue to require active working-capital management.

In the retail segment, Caola supplies Hungary's leading supermarket and drugstore chains, ensuring recurring demand and broad market access. Management is actively engaged in price renegotiations with key retail partners to partially offset rising input and operating costs and to improve margin sustainability, while preserving long-term commercial relationships.

Pricing is primarily cost-oriented, with direct production costs forming the basis of price setting. Increasingly, Caola aims to pass through a higher share of indirect operating costs, reflecting its expanded production base and higher fixed-cost structure. Pricing is differentiated across customer categories, taking into account each buyer's bargaining power, competitive positioning, and contract duration.

3.5 Completive Landscape

The Hungarian retail market for beauty, personal care, and household products is highly competitive and structurally concentrated, dominated by large multinational groups such as Unilever, Procter & Gamble, Henkel, Avon, and Johnson & Johnson. These players benefit from significant economies of scale, extensive marketing budgets, and well-established international distribution networks. Within this context, Caola Zrt. holds a relatively small market share of approximately 1%, reflecting the structural challenges faced by domestic producers in competing against multinational incumbents.

Despite its limited scale in the retail segment, Caola benefits from distinct qualitative competitive advantages, including strong national brand recognition, long-standing consumer trust, and deep familiarity with local market dynamics. Unlike multinational competitors, Caola can respond more rapidly to changes in domestic demand, regulatory requirements, and procurement conditions, providing greater operational flexibility. This agility supports targeted product development and selective portfolio repositioning, partially offsetting scale disadvantages.

In the professional disinfectants segment, Caola has achieved a meaningfully stronger competitive position, ranking among the top five market participants in Hungary. This reflects the company's established expertise in hygiene solutions, successful participation in public procurement processes, and the development of long-term relationships with institutional and B2G counterparties. These characteristics provide more stable demand patterns and greater revenue visibility compared to the highly volatile retail cosmetics market, supporting the company's overall business risk profile.

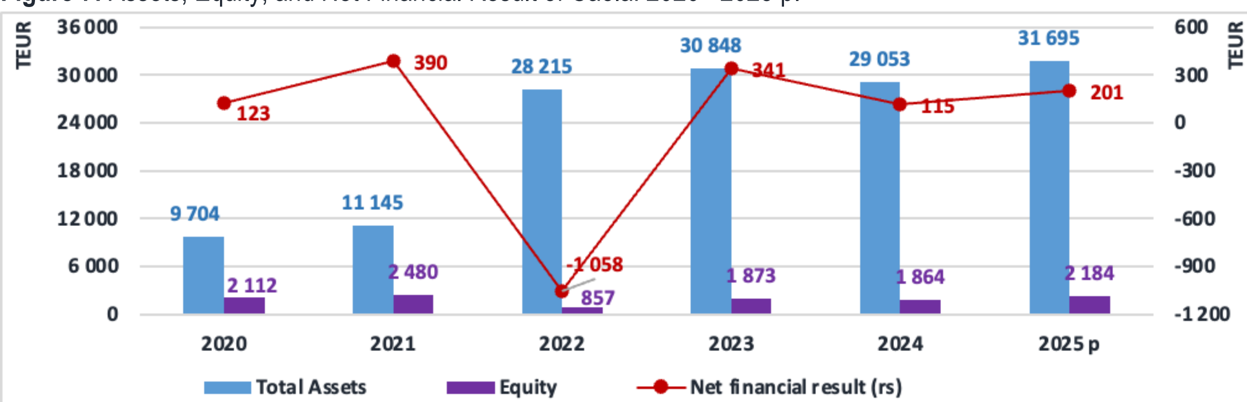
Within the livestock farming disinfectants market, Caola remains an emerging player with a limited market share. While market penetration remains at an early stage, the segment offers upside potential due to rising hygiene standards in agriculture and increasing restrictions on traditional chemical agents.

From an operational standpoint, Caola's flexible and responsive manufacturing platform allows for relatively rapid adjustment of production volumes and product specifications in response to customer needs and regulatory changes. This capability supports shorter product development cycles and facilitates the introduction of new formulations, which is particularly relevant in professional and institutional markets where regulatory and technical requirements evolve quickly.

Overall, while Caola operates in markets characterised by intense competition and structural dominance of multinational players, its business model is differentiated by agility, a well-established domestic brand, and growing exposure to professional and institutional segments. These factors provide moderate competitive resilience and underpin the company's ability to gradually expand its market presence, albeit within the constraints imposed by its comparatively small scale.

IV. Financial Analysis

Figure 7: Assets, Equity, and Net Financial Result of Caola: 2020 –2025 p.[2]



Following the exceptional balance sheet expansion in 2022 (+174.6%[3]), the growth of Caola's asset base has normalised to more moderate and sustainable levels, while still maintaining a positive trajectory. In 2024, total assets increased by 0.9% YoY, reflecting the transition from an investment-heavy phase toward operational stabilisation. In 2025, asset growth accelerated modestly to 2.5%, with total assets rising to TEUR 31 695, supported by higher utilisation of production capacities and working capital expansion in line with growing activity.

At the same time, the company continued to strengthen its capital base through retained earnings. Equity increased by 6.6% in 2024, and further by 10.1% in 2025, reaching TEUR 2 184. This

[2] Data for 2025 are based on preliminary financial statements provided by the company and are subject to change. Final audited figures may differ from the values presented.

[3] The cited growth rates are calculated based on original values denominated in HUF, while the presented data have been converted into EUR using the corresponding end-of-period HUF/EUR exchange rate.

sustained equity accretion underscores Caola's ability to generate positive results following the completion of its major investment cycle.

Figure 8: Assets of Caola: 2020 – 2025 p.

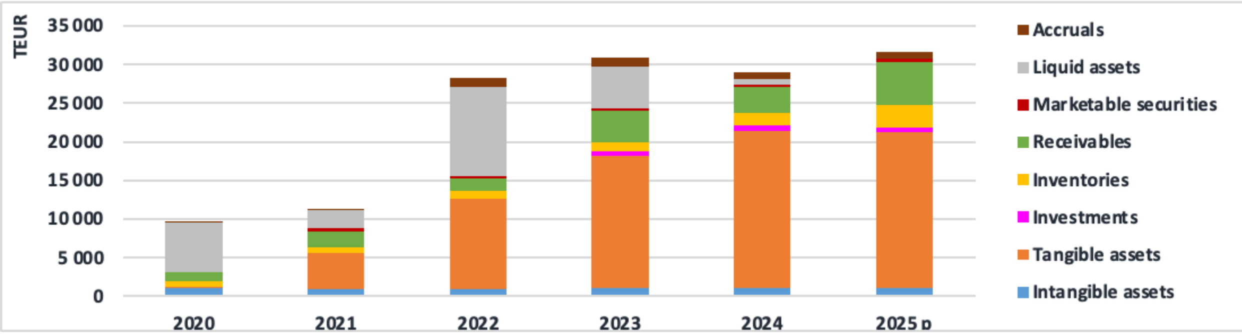
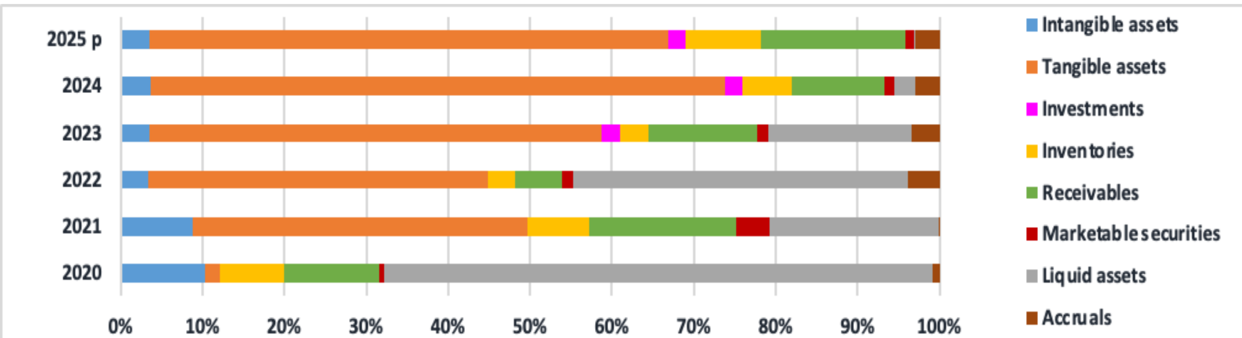


Figure 9: Structure of assets: 2020 – 2025 p.



Following the completion of the Martonvásár production facility, tangible assets consolidated their dominant position within the balance sheet. As of the end of 2025, tangible assets amounted to TEUR 20 059, representing approximately two-thirds of total assets.

In parallel, a sharp decline in liquid assets has been recorded in 2023-2025, reflecting the utilisation of accumulated cash balances and grant-related inflows, followed by increased working capital absorption. Liquid assets fell from an exceptionally high level of TEUR 11 520 (40% of total assets) in 2022 to a marginal level of TEUR 41 at the end of 2025. The continued pressure on liquidity in 2025 coincided with rising receivables and inventories.

Broadly in line with higher sales volumes and the continued expansion of B2G and institutional contracts, receivables increased sharply in 2025, rising by 58.8% YoY to TEUR 5 597 or 17.7% of total assets. Meanwhile, collection periods remain structurally extended, exceeding 300 days, reflecting the public-sector–driven customer mix and elongated payment cycles. As a result, receivables continue to constitute a material constraint on liquidity and cash-flow timing, increasing the company's reliance on disciplined working-capital management and internal cash generation.

Inventories increased by 58.8% in 2025, however, operational efficiency improved meaningfully. The inventory turnover ratio recovered to 2.8x, compared to 1.8x in 2024, indicating a partial normalisation of stock management as sales volumes better aligned with production capacity. This improvement suggests easing pressure from excess finished goods, although turnover remains below historical levels and continues to weigh on working capital.

Figure 10: Inventories and Inventory Turnover: 2020 - 2025 p

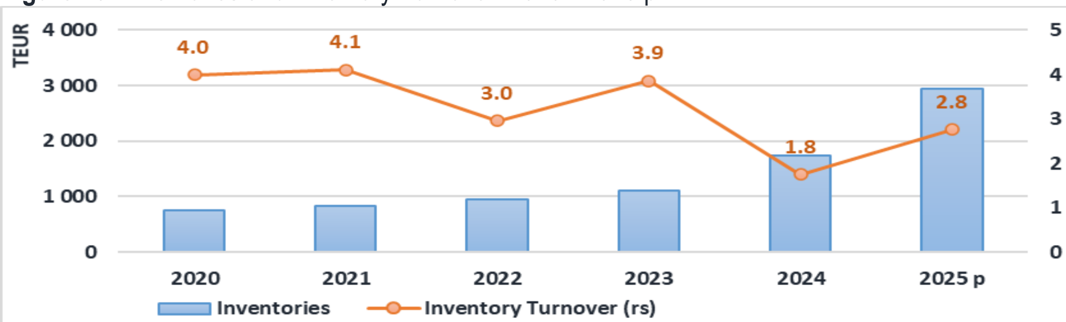


Figure 11: Liabilities of Caola: 2020 – 2025 p.

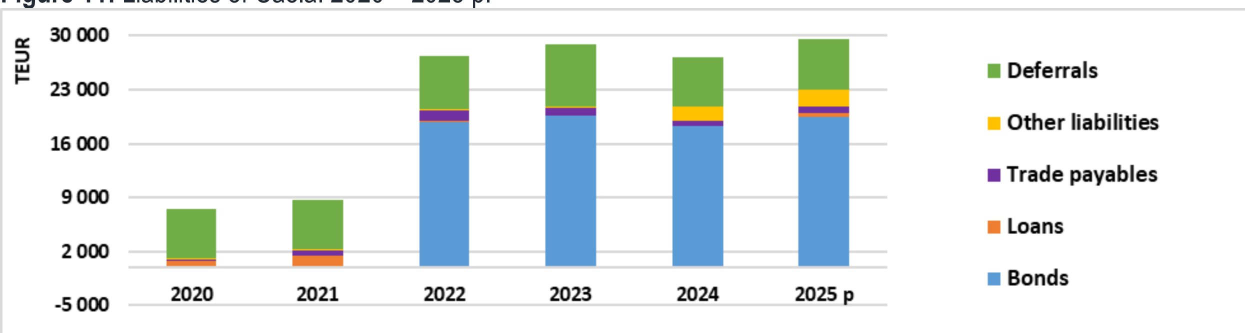
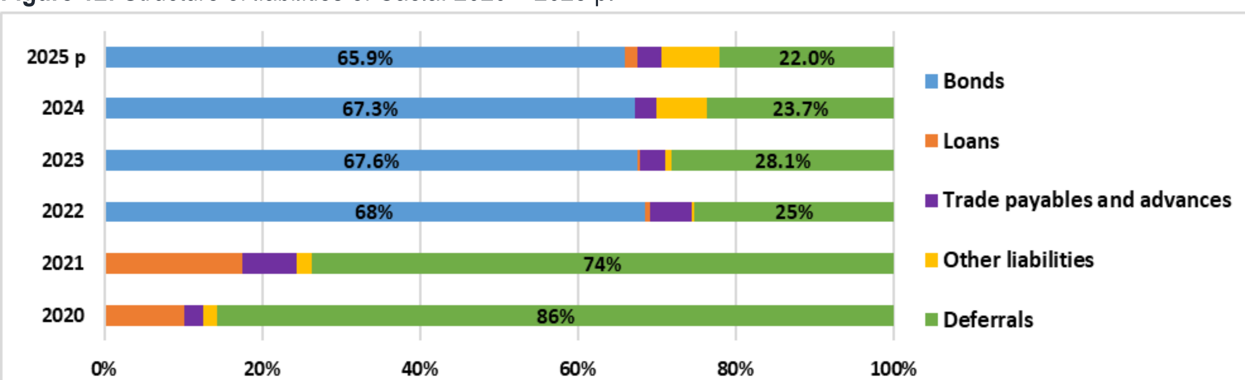


Figure 12: Structure of liabilities of Caola: 2020 – 2025 p.



Following the substantial balance sheet expansion in 2022, driven by the bond issuance, Caola's liability base has stabilised in both absolute terms and structure. As of end-2025, total liabilities (incl. deferrals) amounted to TEUR 29 511, modestly increasing by TEUR 2 321 in annual terms.

Bond liabilities (TEUR 19 460) remain the dominant component of the funding structure, representing approximately two-thirds of total liabilities. In contrast, bank loans remained immaterial at TEUR 475, accounting for below 2% of total liabilities in 2025.

Trade payables amounted to TEUR 882 or 3% of total liabilities. The Trade Accounts Payment Period improved to 56 days, from 80 days in 2024, primarily driven by more robust revenue growth, which outpaced the increase in trade payables (+12.4%). As such, the ratio improvement reflects stronger operating activity and tighter working-capital management.

Deferred income, related to received subsidies and grant funding, continued to represent a significant share of liabilities, amounting to TEUR 6 501 or 22% of total liabilities in 2025. This highlights the company's ongoing access to non-debt funding sources, which partially offset balance-sheet leverage and support investment financing without additional cash outflows.

Figure 13: Term structure of liabilities: 2020 – 2025 p.

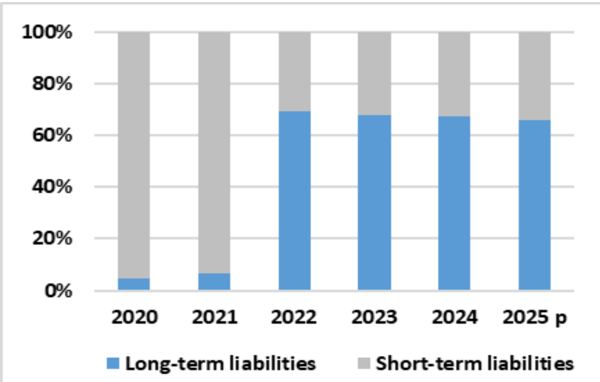
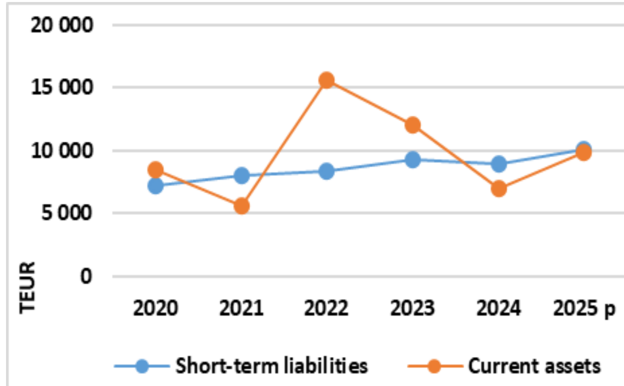


Figure 14: ST-liabilities and Current assets: 2020 – 2025 p.



The bond issuance in 2022 marked a structural turning point in the maturity structure, shifting the liability profile decisively toward long-term financing. As a result, long-term liabilities now account for approximately two-thirds of total liabilities, reducing refinancing risk and strengthening funding stability.

The temporary accumulation of unspent bond proceeds and grant funding initially supported elevated cash balances and strengthened liquidity metrics, but these resources were subsequently deployed to finance the Martonvásár investment programme. As a result, the current liquidity ratio declined to 0.78 in 2024, before recovering to 0.98 in 2025. As the ratio remains below the unity adequacy threshold, disciplined working-capital management is crucial for maintaining adequate liquidity resilience going forward.

Figure 15: Structure of net financial result: 2020–2025 P

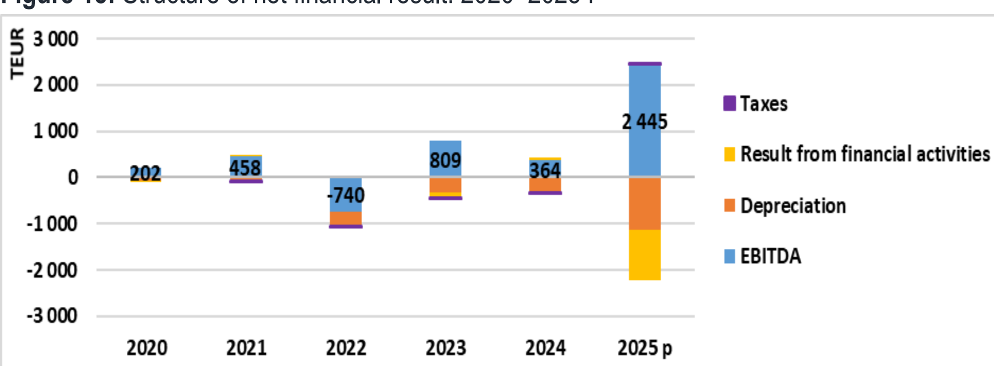
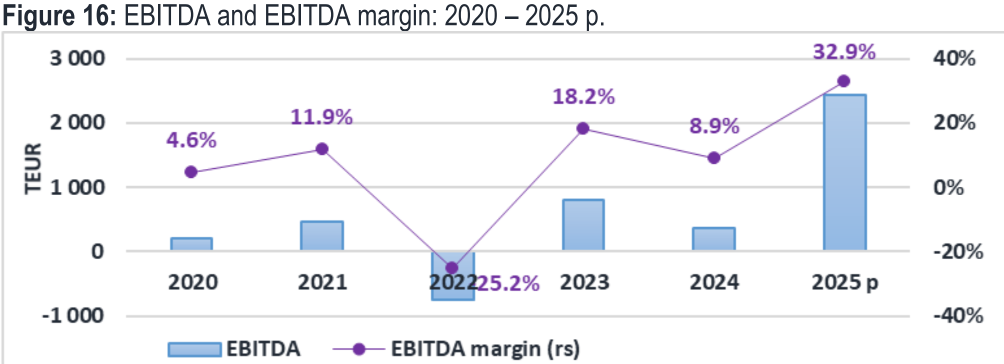


Table 2: Income statement of Caola - main items: 2020 – 2025 p.

TEUR	2025 p.	2024	2023	2022	2021	2020
Operating revenues	**7 439**	**4 087**	**4 444**	**2 939**	**3 852**	**4 424**
Net sales revenues	5 736	3 395	4 251	2 792	3 409	3 038
Capitalised value of own performance	455	306	-208	-142	-7	159
Other revenues	1 247	386	401	288	450	1 226
OPEX	**6 114**	**4 033**	**3 948**	**3 987**	**3 464**	**4 282**
Material expenses	3 309	2 280	1 750	2 242	2 441	2 189
Personnel expenses	1 548	1 315	1 080	820	700	655
Depreciation	1 121	309	313	308	70	60
Other expenses	137	129	805	617	254	1 378
Operating Result	**1 325**	**55**	**495**	**-1 048**	**389**	**142**
EBITDA	**2 445**	**364**	**809**	**-740**	**458**	**202**
Financial revenues	25	181	52	162	73	7
Financial expenditures	1 129	118	176	167	61	26
Interest paid	1 129	108	118	124	34	6
Result from financial activities	**-1 104**	**63**	**-124**	**-5**	**12**	**-19**
Gross financial result	221	118	371	-1 053	401	123
Tax expenses	-20	3	31	5	11	0
Net financial result	**241**	**115**	**341**	**-1 058**	**390**	**123**

Based on preliminary 2025 financial statements, Caola recorded a very strong improvement in operating performance with net sales revenues rising sharply by 58.8%, to TEUR 5 736. Operating expenses also increased in absolute terms, in line with higher activity and enlarged asset base; however, cost efficiency improved, as revenue growth outpaced the 42.5% increase in OPEX.

Figure 16: EBITDA and EBITDA margin: 2020 – 2025 p.



As a result, EBITDA reached an all-time high of TEUR 2 445 in 2025, compared to TEUR 364 in 2024, while the EBITDA margin expanded significantly to 32.9%, from 8.9% in the prior year. This improvement reflects a combination of stronger revenue generation, better absorption of fixed costs following the commissioning of the Martonvásár facility, and the partial normalisation of operating expenses after the completion of one-off investment-related activities.

In parallel to operating activity, financial expenses surged to TEUR 1 129, reflecting the full recognition of bond interest costs in the income statement. Nevertheless, the company generated a positive net financial result of TEUR 241 in 2025, a significant improvement compared to the weaker profitability (TEUR 115) observed in 2024 and the loss recorded in 2022.

Table 3: Key financial indicators of Caola Zrt.: 2020–2025 p.

TEUR	2025 p.	2024	2023	2022	2021	2020
Total assets	31 695	29 053	30 848	28 215	11 145	9 704
Fixed assets	21 850	22 066	18 792	12 662	5 539	1 171
Current assets	8 918	6 116	11 022	14 455	5 590	8 445
Equity	2 184	1 864	1 873	857	2 480	2 112
Net sales revenues	5 736	3 395	4 251	2 792	3 409	3 038
Gross financial debt	19 935	18 300	19 655	18 938	1 521	767
Net financial debt	19 894	17 558	14 217	7 418	-775	-5 728
EBITDA	2 445	364	809	-740	458	202
ratios						
ROE	0.09	0.06	0.18	-1.24	0.16	0.06
EBITDA Margin	0.33	0.09	0.18	-0.25	0.12	0.05
Total Leverage (TL /TA)	0.93	0.94	0.94	0.97	0.78	0.78
Net Debt-to-Equity	9.11	9.42	7.59	8.66	-0.31	-2.71
Net Debt-to-EBITDA	8.14	48.30	17.58	-10.02	-1.69	-28.29
EBITDA interest coverage[4]	2.17	3.38	6.85	-5.99	13.65	35.61
Current Liquidity	0.98	0.78	1.29	1.85	0.69	1.18
Cash Liquidity	0.00	0.08	0.58	1.37	0.28	0.90

In conclusion, the company's long-term strategic investments in production capacity expansion and renewable energy infrastructure are now translating into improved operating efficiency and revenue generation. From a balance sheet perspective, total leverage (Total Liabilities /Total Assets) remained high but broadly stable at 0.93 in 2025. While leverage remains elevated, the predominantly long-term maturity profile of debt mitigates near-term refinancing risk and provides funding stability.

Net financial debt increased to TEUR 19 894 at the end of 2025, driven by limited liquidity buffers and a modest expansion in debt liabilities. Meanwhile, profitability metrics improved, leading to a significant strengthening of debt-servicing capacity. Net debt-to-EBITDA declined materially to 8.1x, reflecting the strong EBITDA surge, while the interest coverage of 2.2x indicates an adequate interest servicing capacity.

In line with BCRA's Corporate Rating Methodology, Caola's financial indicators were benchmarked against a peer group of Hungarian chemical and household products manufacturers. While Caola exhibits higher leverage and weaker liquidity buffers than some peers, it compares favourably in terms of EBITDA growth momentum and margin expansion. Overall, the peer analysis supports the assessment that Caola holds a competitive and improving financial position, albeit with residual constraints related to leverage and liquidity that warrant continued monitoring.

[4] In 2023 and 2024, the bond coupon expenses were capitalised as part of the investment costs related to the construction of the Martonvásár production facility, rather than being fully recognised in the income statement. Accordingly, the coupon payments were activated as borrowing costs in line with applicable accounting standards for qualifying assets. Following the commissioning of the facility, interest expenses are now fully recognised as financial costs in the profit and loss account.

V. Financial Forecast

A financial forecast for the period 2025–2028 has been prepared based on preliminary 2025 financial statements and the updated business plan provided by Caola's management. The forecast is assessed as broadly realistic and internally consistent, taking into account the company's recent operational turnaround, expanded production capacity, and revised strategic focus on organic growth.

The projections are underpinned by the following key assumptions:

<u>Operating revenues:</u>

- Net sales growth (+90% in 2026, 9% in 2027, and 22% in 2028) is expected to be driven by a combination of retail expansion and B2G segment ramp-up. A large-scale marketing transformation implemented in prior years is assumed to continue supporting revenue growth in the retail segment. In parallel, the cooperation agreement with BVOP is assumed to progressively ramp up, while a new B2G contract is expected to be signed in Q1 2026, further strengthening revenue visibility and diversification.

<u>OPEX</u>

- All manufacturing activities are assumed to be fully concentrated at the Martonvásár production facility. Alternative functionality of the Dióst plant is currently under evaluation by the management.
- Rising sales volumes are expected to require higher capacity utilisation, including the introduction of a third production shift from 2026 onward, resulting in increased personnel costs.
- Material-type expenses are projected to increase in line with higher sales volumes, particularly in 2026, reflecting increased raw material purchases.
- From 2025 onward, higher depreciation charges are incorporated into the forecast, reflecting the capitalization of the Martonvásár investment. At the same time, efficiency gains from new machinery and energy cost savings from the solar park investment are expected to partially offset cost pressures.

<u>CAPEX</u>

- In line with its strategy to consolidate recent growth and enhance long-term competitiveness, Caola plans additional targeted capital expenditures of approximately HUF 700 million during the period Q4 2025 – Q1 2026. These investments are directly linked to the new financing package currently under negotiation and are aimed at further expanding production capacity, improving operational efficiency, and strengthening export capabilities.
- Beyond 2026, CAPEX normalises to maintenance levels
- The forecast does not include any acquisition-related investments.

<u>Financing</u>

- The forecast assumes the completion of a **new debt package**, currently under negotiation with a financial institution, consisting of: a **working capital loan of HUF 450 million** (5-year tenor, 6-month grace period), and an **investment loan of HUF 550 million** (15-year tenor, 24-month grace period), both bearing interest at 3M BUBOR + 2% and secured by a pledge on the Martonvásár manufacturing site.

- Bond amortisation is assumed to commence as scheduled, with 10% annual principal repayments starting in 2027, alongside regular coupon payments.
- Caola Zrt. will not distribute dividends to its shareholders between 2025 and 2028, thereby supporting internal capital generation.

The forecasted cash flows are outlined in the following table. To ensure consistency and eliminate exchange rate fluctuations, the original estimates in HUF have been converted to EUR using a fixed exchange rate projection of HUF/EUR = 400.

Table 4: Financial Forecast of Caola Zrt.

TEUR	2025 P	2026 F	2027 F	2028 F
Cash at the beginning of the period	**761**	**39**	**89**	**572**
Net sales revenues	5 527	10 502	11 462	13 963
Other revenues	1 640	806	1 153	1 326
Total operating revenues	7 167	11 308	12 615	15 289
OPEX	-5 891	-8 320	-9 092	-10 346
Operating Income (EBIT)	**1 276**	**2 989**	**3 523**	**4 943**
Depreciation	1 080	1 015	1 215	1 105
EBITDA	**2 356**	**4 003**	**4 737**	**6 048**
Taxes	-19	-159	-203	-344
∆ Net working capital	-2 597	-3 101	-99	-2 220
Cash Flow from Operations (CFO)	**-261**	**744**	**4 435**	**3 484**
Net CAPEX	491	-800	0	0
Cash Flow from Investing (CFI)	**491**	**-800**	**0**	**0**
∆ Loans	442	1 959	-250	-321
∆ Bonds	0	0	-1 875	-1 875
∆ Other liabilities	0	0	0	0
∆ Passive Accruals (incl. subsidies)	-330	-626	-564	-507
Financial expenses	-1 088	-1 246	-1 284	-1 151
Financial income	24	19	20	28
Cash Flow from Financing (CFF)	**-951**	**106**	**-3 952**	**-3 826**
Total Cash Flow	**-721**	**49**	**483**	**-342**
Cash at the end of the period	**39**	**89**	**572**	**230**
Gross Financial Debt	19 207	21 167	19 042	16 846
Net Financial Debt	19 168	21 078	18 470	16 616
Net Debt-to-Equity	9.11	5.69	3.20	1.80
EBITDA Margin	0.33	0.35	0.38	0.40
EBITDA interest cover	2.17	3.21	3.69	5.25
Net Debt-to-EBITDA	8.14	5.27	3.90	2.75
Leverage (TL/TA)	0.93	0.89	0.83	0.73

Assuming the achievement of the business plan's sales targets, Caola Zrt. is expected to maintain a trajectory of solid EBITDA growth – from TEUR 2 356 in 2025 to TEUR 6 048 by 2028. Meanwhile, the EBITDA margin is projected to gradually strengthen toward 38–40% by the end of the forecast horizon, reflecting improved capacity utilisation and operating efficiency.

However, any delays in the signing or scaling of new B2G agreements, weaker-than-expected institutional demand, or competitive pressure in the retail segment could result in lower revenue growth, with a direct impact on EBITDA generation and cash-flow coverage. Also, projections reflect structurally high working capital requirements. Collection periods are expected to remain long, and adverse changes in payment discipline or further expansion of public-sector exposure could place additional pressure on operating cash flows, even in periods of strong reported profitability.

Over the near term, gross financial debt is expected to increase, driven by the utilisation of new debt facilities to finance targeted capacity-enhancing investments and elevated working capital needs. As a result, leverage metrics remain elevated in the early years of the forecast, but stronger operating cash flows are projected to support gradual deleveraging. The Net Debt-to-EBITDA ratio is set to decline from 8.1x in 2025 to 2.8x by 2028, driven by EBITDA growth and scheduled debt repayments. At the same time, debt service capacity is forecast to improve progressively, with the EBITDA interest coverage ratio increasing from 2.2x in 2025 to above 3.5x from 2027.

Despite improving operating performance, the forecast indicates a negative total cash flow in 2028, primarily driven by elevated debt servicing requirements, including bond amortisation, combined with continued working capital absorption. This highlights that cash generation, while improving, may not be sufficient in all years to fully offset financing outflows without drawing on cash reserves or requiring further balance-sheet management measures.

VII. Bond Rating

Table 5: Main bond parameters

Issuer	Caola Zrt.
Date of issue	04.04.2022
ISIN	HU0000361431
Face value	HUF 7.5 bln
Discounted value	HUF 7.06 bln
Currency	Forint (HUF)
Tenor	10 years (04.04.2032)
Coupon	fixed, 5.8% p.a.
Amortization	10% p.a. from the fifth year
Balloon	50% on maturity
Guarantor	None

In April 2022, Caola Zrt. issued a 10-year bond with a face value of HUF 7.5 billion (and a HUF 0.4 billion discount) under the Bond Funding for Growth Scheme of the National Bank of Hungary. The bond carries a fixed coupon of 5.8% p.a., and the repayment plan envisages a gradual 10% annual amortisation beginning in the fifth year and a 50% balloon payment at maturity.

By the end of 2024, the majority of bond proceeds had been deployed to finance the construction and commissioning of the Martonvásár production facility, which now represents the cornerstone of Caola’s expanded manufacturing capacity. Remaining proceeds have been redirected toward working capital support and operational stabilisation, in line with updated strategic priorities.

During 2024, Caola Invest Kft. conducted an advanced due diligence process on the proposed acquisition of Chem-System Kft., which had previously been envisaged as both a strategic expansion step and a **future guarantor** of Caola’s outstanding bond obligations, **as outlined in the original bond documentation.**

However, the due diligence process identified a material customer concentration risk, with two long-standing customers accounting for approximately 60% of Chem-System's net sales. According to Caola's management, sufficient contractual safeguards and structural protections could not be secured to ensure the long-term retention of these key customers post-transaction. In the absence of a credible risk-mitigation framework, the management concluded that the acquisition would introduce unacceptable volatility and downside risk to the credit profile of Caola and **decided not to proceed with the acquisition.**

Implications for the Bond Rating: As a result of the transaction withdrawal, no guarantor has been established for the bond issue. Consequently, the bond is now assessed on a standalone basis, relying exclusively on the creditworthiness of Caola Zrt. as issuer, without external credit enhancement.

GENERAL CONCLUSIONS: The **Stable Outlook** reflects BCRA's view that credit risks are broadly balanced over the rating horizon. The **issuer credit rating** has been supported by Caola's established domestic brand and long operating history, as well as the successful commissioning of the Martonvásár facility, which is now translating into materially improved operating performance. At the same time, the rating remains constrained by elevated leverage, weak liquidity buffers, and structurally high working-capital absorption, driven by long collection periods linked to the increasing weight of B2G and institutional contracts.

An **upgrade** or **positive Outlook revision** could be considered if Caola demonstrates a sustained strengthening of its business profile and financial resilience, including

- durable revenue diversification and reduced reliance on a limited number of counterparties, particularly within the B2G channel, supported by stable contract structures;
- structurally stronger profitability, evidenced by EBITDA generation and margins, supported by higher capacity utilisation and efficiency gains;
- gradual deleveraging.

Conversely, a **downgrade or negative Outlook revision** could occur if:

- the company underperforms against the business plan, including delays or weaker scaling of B2G agreements, or competitive pressure that erodes volumes and margins;
- liquidity and cash-flow pressure intensifies;
- leverage increases materially beyond current projections.

The long-term **rating of the bond** (HU0000361431) has been **downgraded by one notch** - from BB to **BB-** to be **fully aligned with the long-term issuer credit rating of Caola Zrt.** This adjustment reflects: i) the absence of a guarantor or other forms of structural credit enhancement; ii) the bond's pari passu ranking with the issuer's other senior unsecured obligations, and ii) the bondholders' reliance solely on the issuer's standalone capacity to service debt.