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- **The renovation boom in May and June 2020, a one-off event.** Following the return of consumer behaviour on the decorative products market to the pre-pandemic state, **the performance of the 2021 season ought to be assessed against the background of the 2019 season.**
- While analysing sales revenues before bonuses, without excluding transactions made within the Group and taking into consideration the performance of the Hungarian company Poli-Farbe for the entire half-year (they were consolidated in the financial statements from mid-May 2019) - **in the 2021/2019 system:**
 - **improved sales in Poland** (marketing and sales activity), **slightly better performance in Ukraine** (upside: market premiumisation; downside: weakening of the UAH exchange rate).
 - **lower sales in Hungary** (reorganization of the trade forces, changes in the portfolio, market decline), and in **Belarus** (unfavourable socio-political environment, change in the operating model, weakening of the BYN exchange rate).
- **Pressure on margins as a result of a significant increase in the prices of raw materials and packaging** (in some cases cost increases even by several dozen per cent). Currently, it is not possible to reliably forecast trends in the prices of raw materials and packaging in the long term.
- **Follow-up of the investment cycle** - in the Q1 of this year expenditure amounted to PLN 42.3 million (mainly due to the on-going erection of the Logistics Centre in Zawada).
- Acquisition of sales of products and goods by Śnieżka ToC, which runs commercial activities in Poland and on foreign markets - **standalone performance** (FFiL Śnieżka SA) achieved from the beginning of 2021 became **incomparable to historical performance.**
- **Payment of the historically highest dividend in the history of Śnieżka** from the net profit for 2020.

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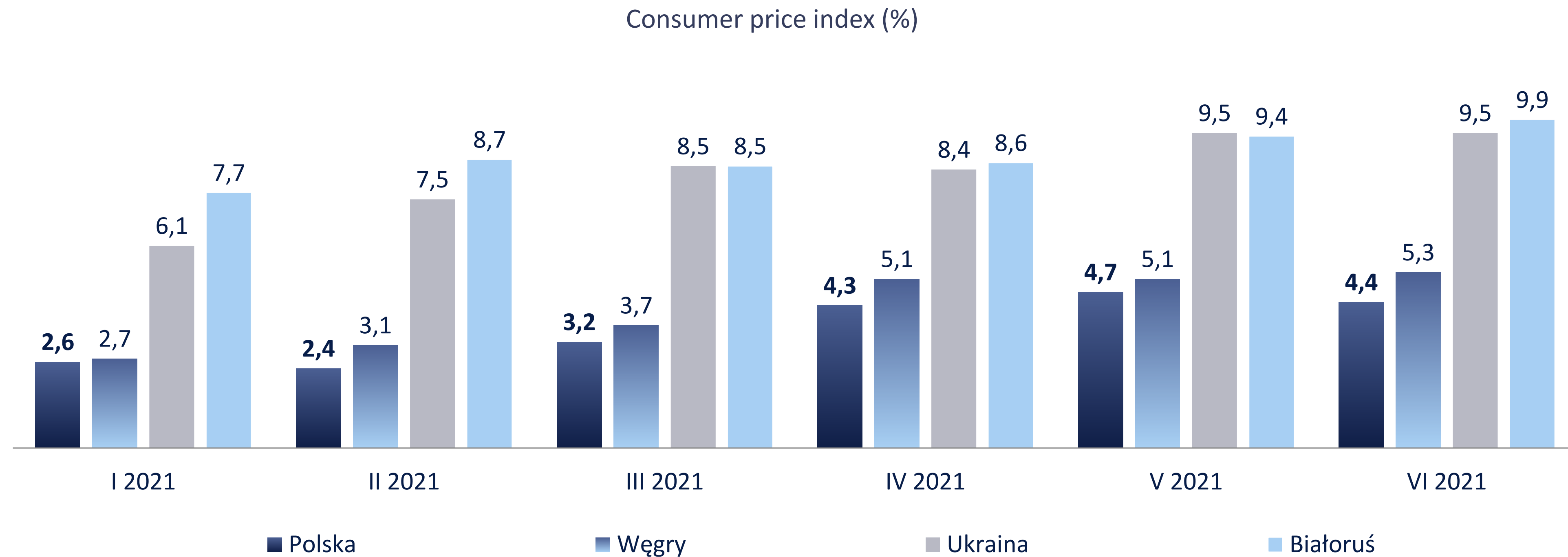


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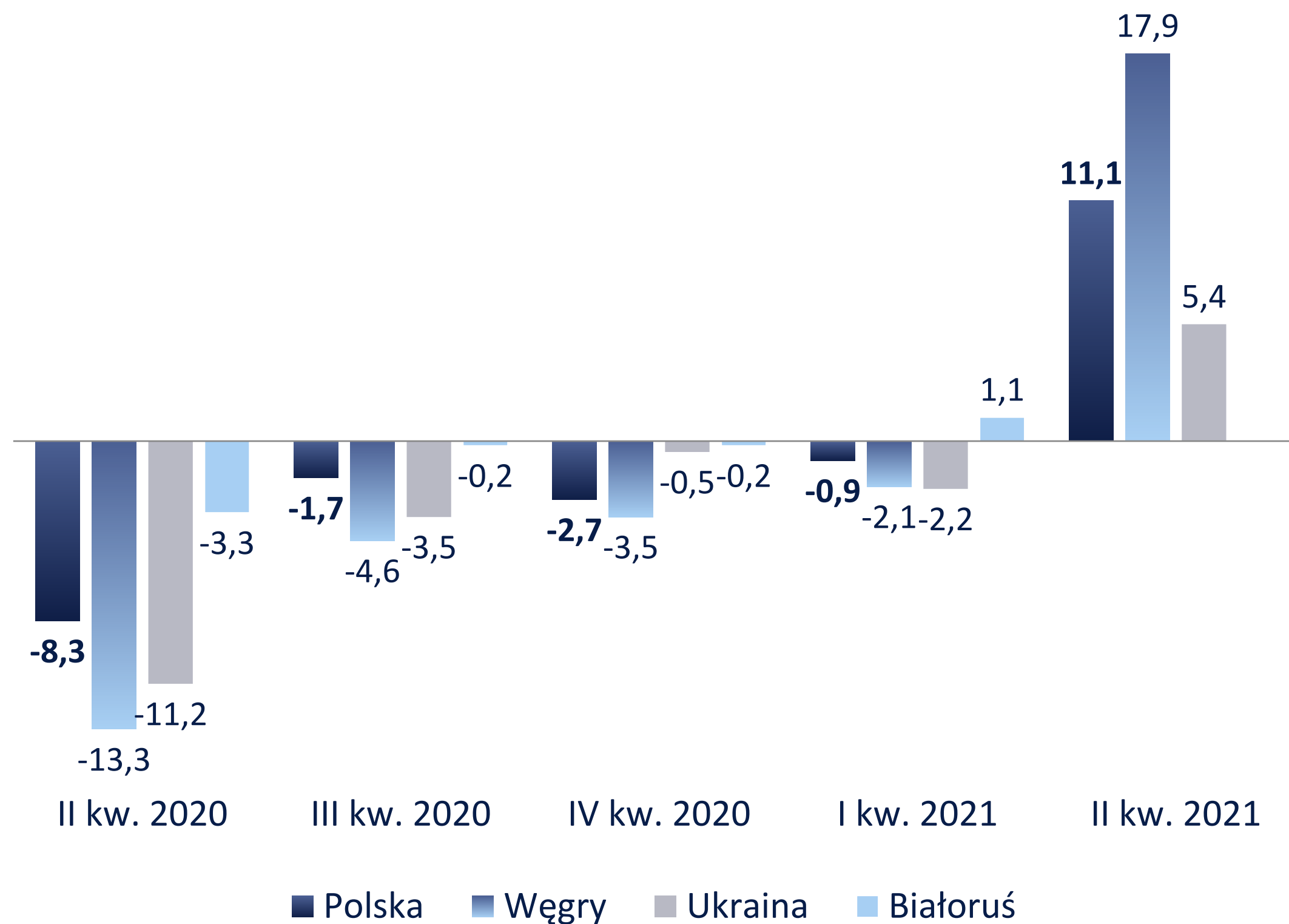


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Annual CPI inflation in Poland amounted to 2.7% in the Q1, and increased to 4.5% in the Q2. In Hungary, the second most important market for the Group, it exceeded 5% y/y in the Q2. The price increase was more pronounced in Ukraine and Belarus.

Annual gross domestic product dynamics (in%)



Until the date of publication, the official GDP indicator of Belarus for the Q2 of 2021 was not provided.

Poland

In Poland, GDP in the Q1 fell by 0.9% y/y, yet in the Q2 the economy accelerated significantly. According to the preliminary estimate of the Central Statistical Office (GUS), the country recorded an economic growth of 11.1% y/y.

Hungary

In Hungary in the Q1 the economy contracted by 2.1% y/y, and in the next quarter there a strong recovery occurred after the economic shock caused by the COVID 19 pandemic. GDP growth from March to June amounted to 17.9% y/y.

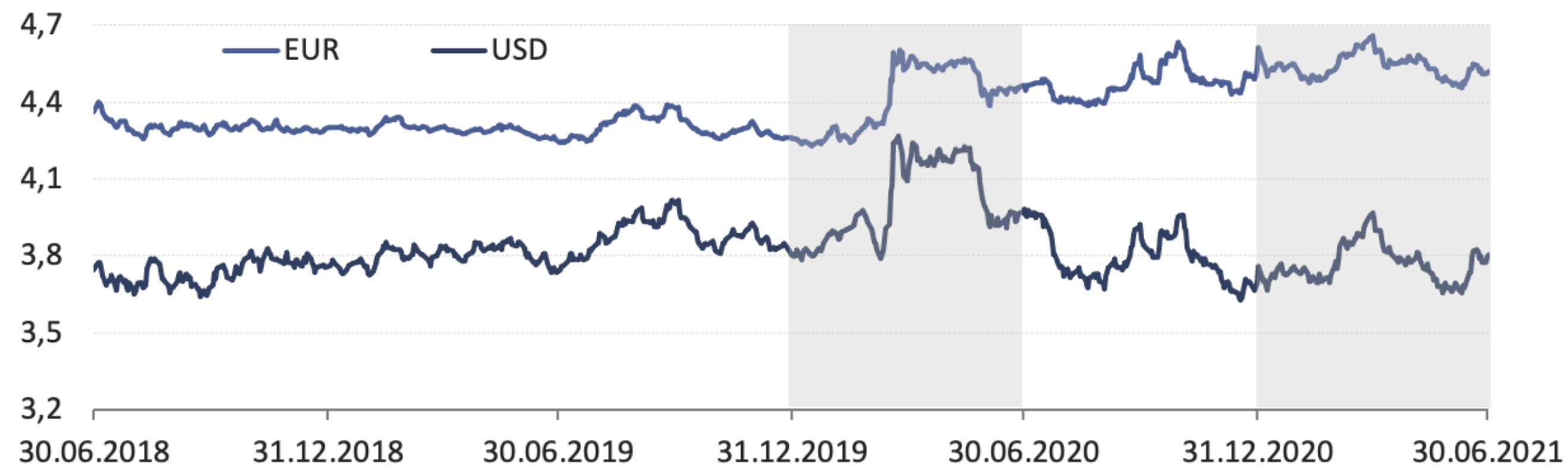
Ukraine

In the first quarter, the Ukrainian economy slowed down by 2.2%, and in the second quarter, according to preliminary estimates, GDP increased by 5.4%.

Belarus

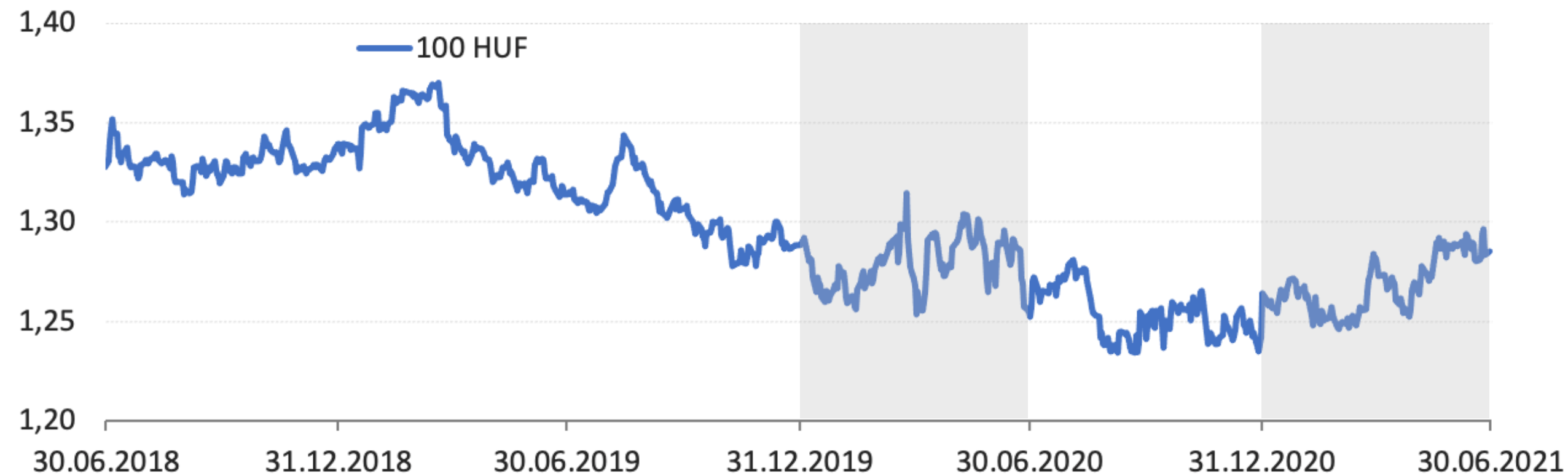
According to official data, in the first half of 2021, GDP in Belarus increased by 3.3% compared to the same period last year.

PLN exchange rate against the euro and the dollar



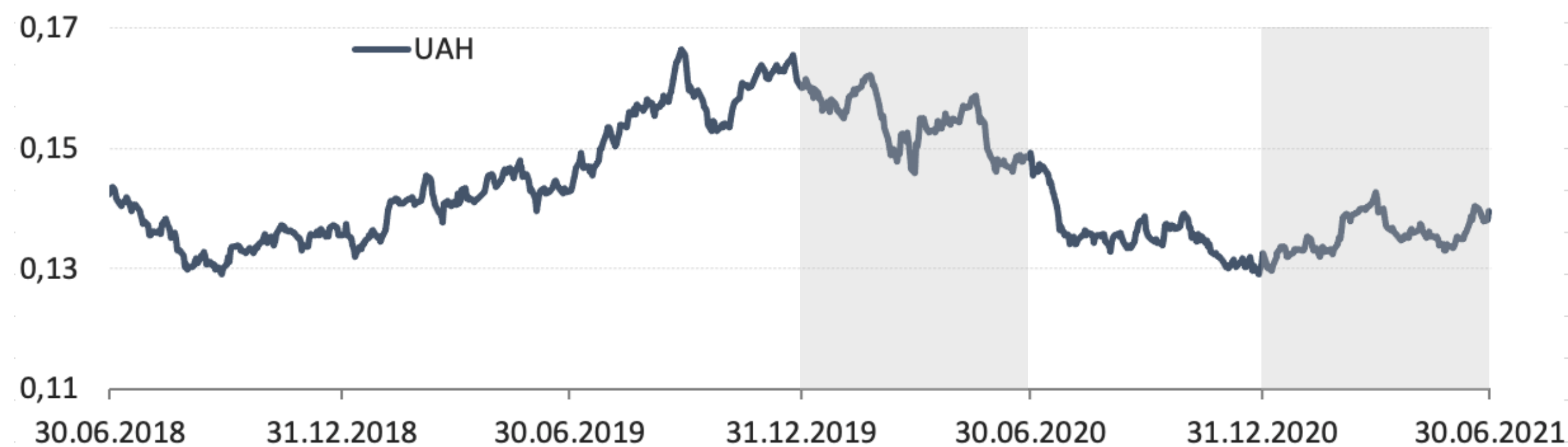
In the first half of this year the zloty remained consistently weak against the **euro** and the **dollar**. The **euro** was at the end of the first half of 2021 at the level of 4.5208 (+1.2% y/y), and the **dollar** at 3.80035 (-4.0% y/y).

PLN exchange rate against HUF (100HUF)



The **Hungarian forint** exchange rate fluctuated in the first half of 2021, maintaining limited volatility in the range 1.24 and 1.30 (PLN per 100 HUF). Since the beginning of this year the Hungarian currency has appreciated against the Polish zloty by approx. 1.7% (and during the year by 2.6%).

PLN exchange rate against UAH



Ukrainian hryvnia exchange rate since the beginning of this year has ranged from 0.13 to 0.14 with slight variations. In the first half of the year, the Ukrainian currency appreciated against the zloty by 5.3%, yet during the year it weakened by 6.5%

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PLN 409.5 million of revenues (-5.0% y/y)

Maintaining last year's good performance on the Polish market. Lower sales revenues (after conversion into PLN - which had a negative impact when the performance of the Ukrainian and Belarusian companies are recognized) in the other major markets.



PLN 39.0 million of net profit (-25.6% y/y)

High base from last year Lower y/y revenues, yet sustained demand for premium and medium price products. Lower cost of products sold and sales, higher general and administrative expenses (one-off nature of some of them).



15.5% of EBITDA margin (-3.2% y/y)

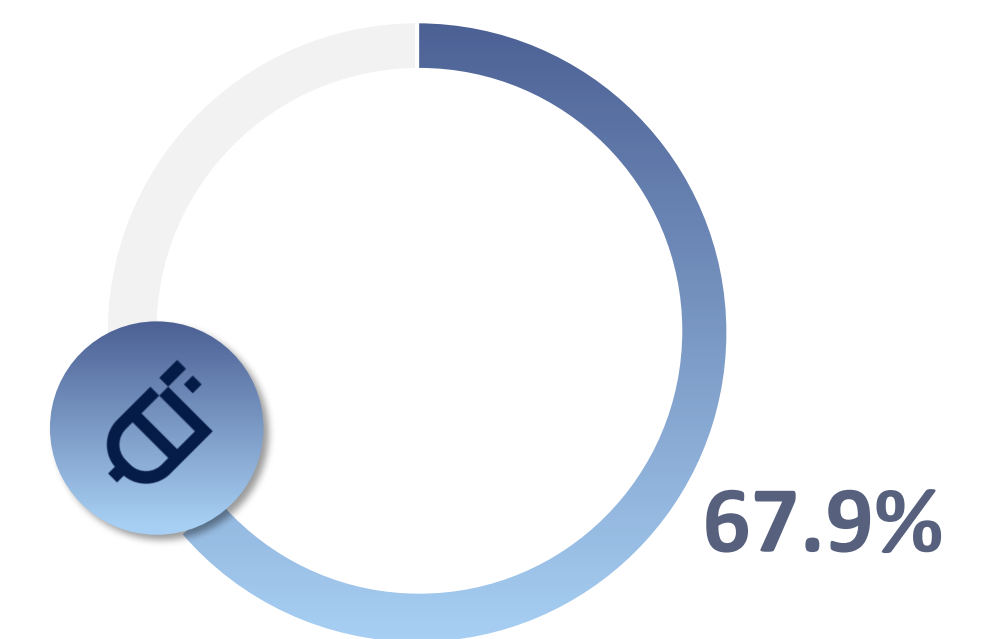
The margin still good compared to the industry, but lower y/y. The decline was largely due to a high comparative base (renovation boom in the Q2 last year), an increase in raw material prices and the EUR / PLN exchange rate.



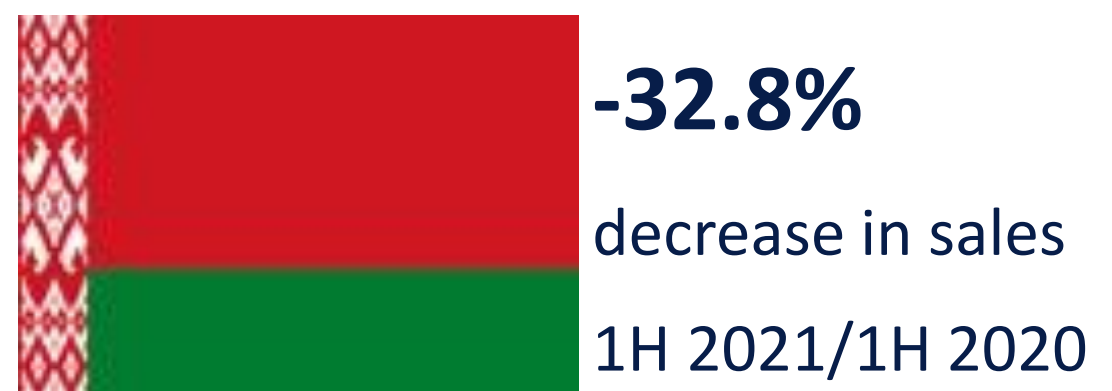
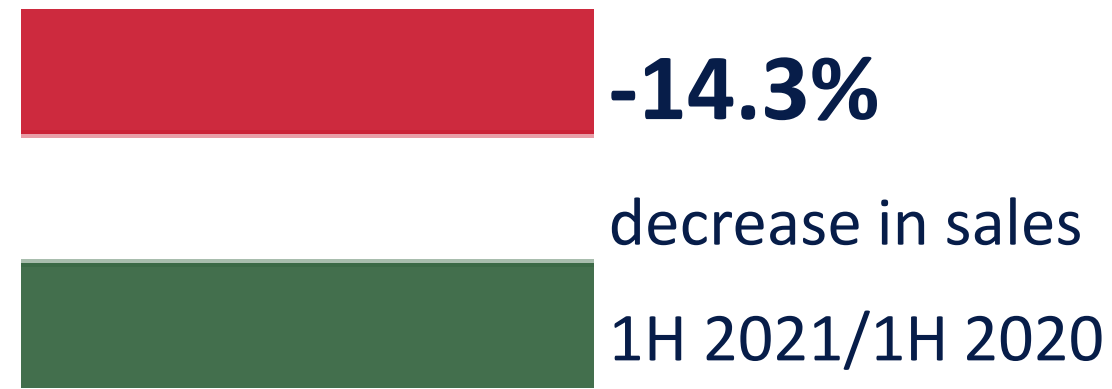
The sales carried out in Poland had the greatest share in the total revenues of the Group (67.9%), which was almost the same as in the previous year (-0.2%) and amounted to PLN 278,103 thousand. **The Group maintained its market shares** after their growth in 2020.

After the renovation boom in Poland, which was observed mainly in May and June last year, **the consumer behaviour related to acquiring and taking advantage of decorative products has returned to the pre-pandemic trend.**

In addition, in the Q1 of this year, **the value of the paint market and preservatives for the wood protection and decoration was lower than** in the corresponding period of the previous year. The Group's ability to maintain the last year's good result on the Polish market stems primarily from the marketing and sales activities and as a result of maintaining market share in selected product categories. The trend of premiumisation of the market is also continuing.

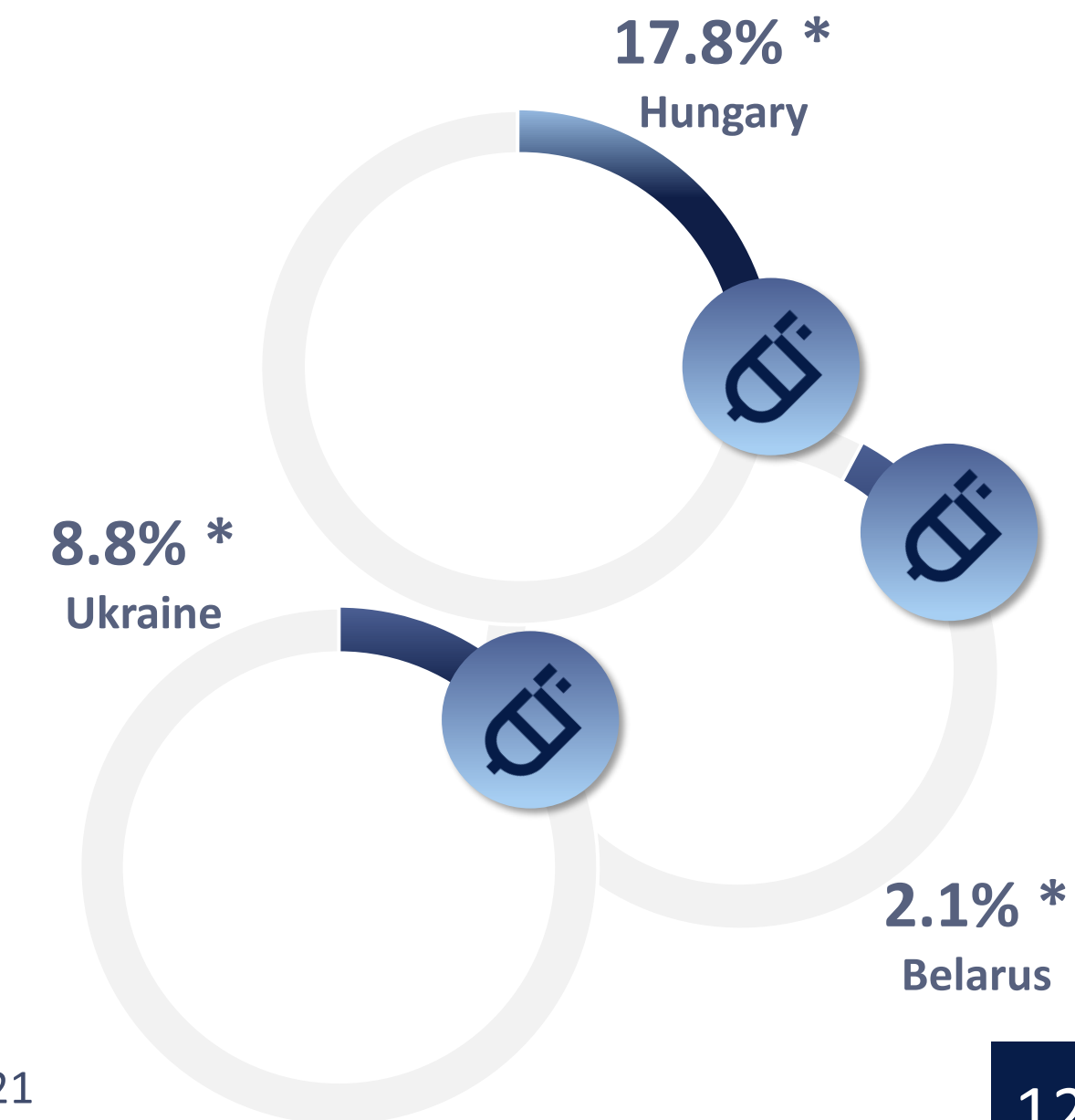


Poland as the main sales market for the Group
* share in the sales structure in 1H of 2021



Lower sales on the Hungarian market is, inter alia, the result of the changes in Poli-Farbe having been implemented since the beginning of the year, which is a part of the implementation of the new operating model of the Group. It is also the result of decisions regarding the reconstruction of the portfolio of offered products and the recorded decrease in the market value. At the same time, the two of the above-mentioned factors contributed to positive effects in terms of the level of margins achieved on the local market. Decline in revenues from this market compared to last year is followed by the weakening of the Ukrainian hryvnia against the zloty y/y (higher performance in local currency, yet lower after conversion into zlotys). The rise in prices of construction materials could also have contributed to the lower interest in renovations.

The Group's performance on the Belarusian market includes derivative of implementing changes in the service model for this market this year. In the light of the deep market decline estimated by the Company and unattainable previous business assumptions in the current political conditions, it was necessary to change the operating model.



* sales structure in the 1H of 2021

| (in PLN '000) | 1H of 2021 | 1H of 2020 | change (y/y) |
|---------------|------------|------------|--------------|
|---------------|------------|------------|--------------|

**Sales revenues of the Śnieżka Group
by product categories**

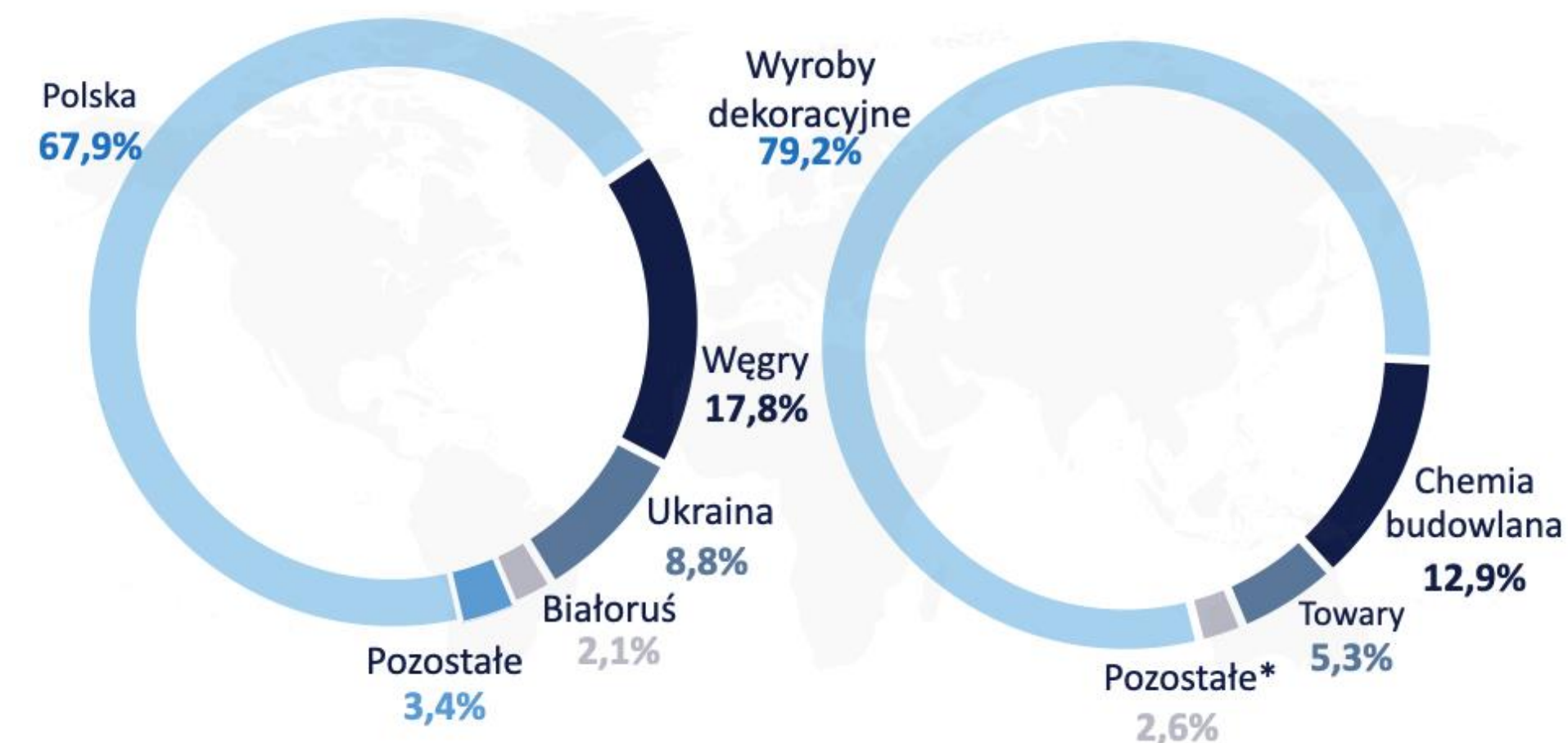
| | | | |
|------------------------|----------------|----------------|--------------|
| Decorative products | 324 512 | 335 699 | -3.3% |
| Construction chemicals | 52 972 | 54 969 | -3.6% |
| Industrial products | 4 835 | 5 111 | -5.4% |
| Goods | 21 545 | 28 077 | -23.3% |
| Other revenues | 2 775 | 3 399 | -18.4% |
| Materials | 2 875 | 3 840 | -25.1% |
| Total sales | 409 514 | 431 095 | -5.0% |

**Sales revenues of the Śnieżka Group
by product categories**

| | | | |
|--------------------|----------------|----------------|--------------|
| Poland | 278 103 | 278 795 | -0.2% |
| Hungary | 72 806 | 84 993 | -14.3% |
| Ukraine | 36 113 | 38 290 | -5.7% |
| Belarus | 8 725 | 12 984 | -32.8% |
| Other countries | 13 767 | 16 033 | -14.1% |
| Total sales | 409 514 | 431 095 | -5.0% |

Geographical structure of revenues

**Sales revenues structure of the Group
by countries and product categories in the 1H of 2021**



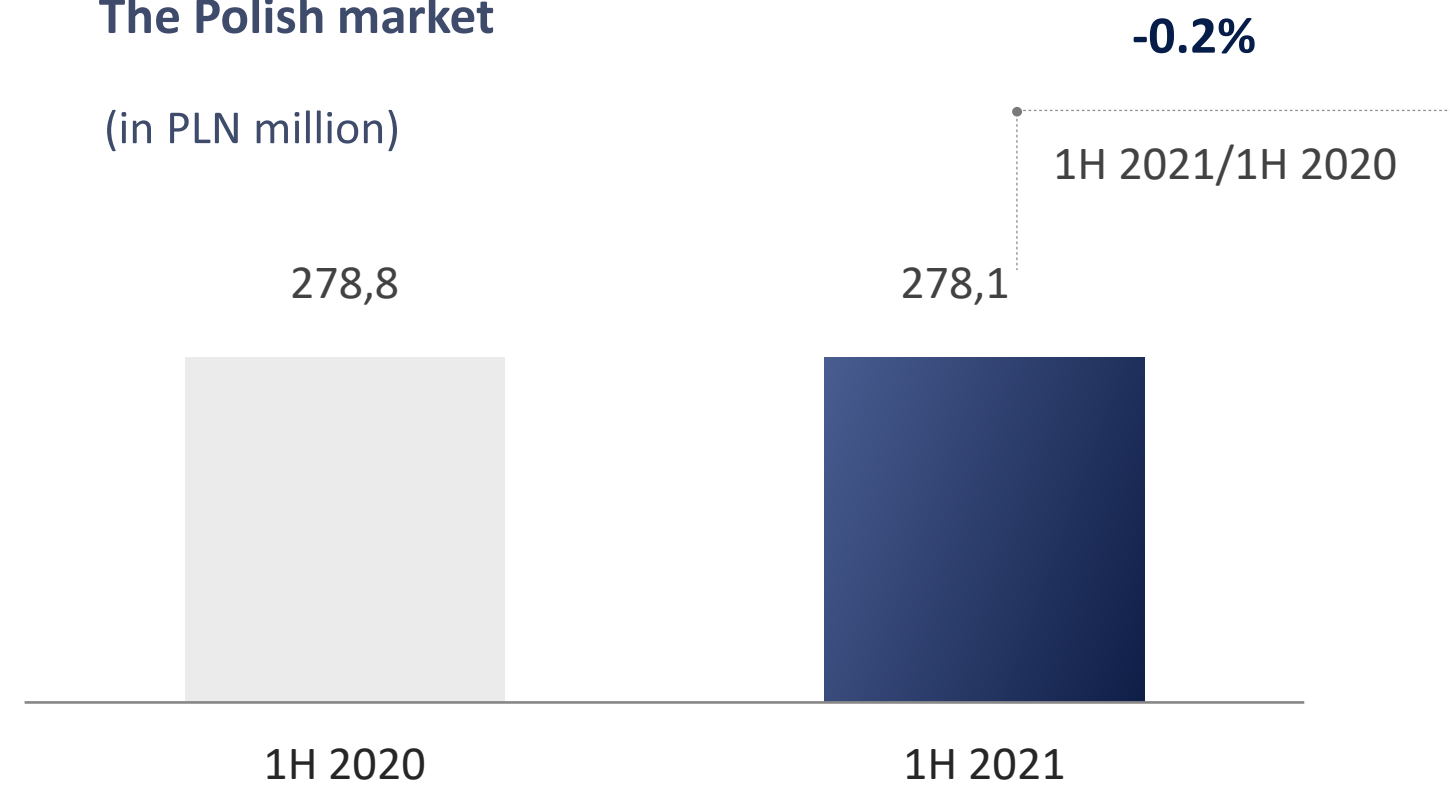
* industrial products, materials, other revenues

In 1H of 2021, the four main markets accounted for a total of 96.6% of revenues



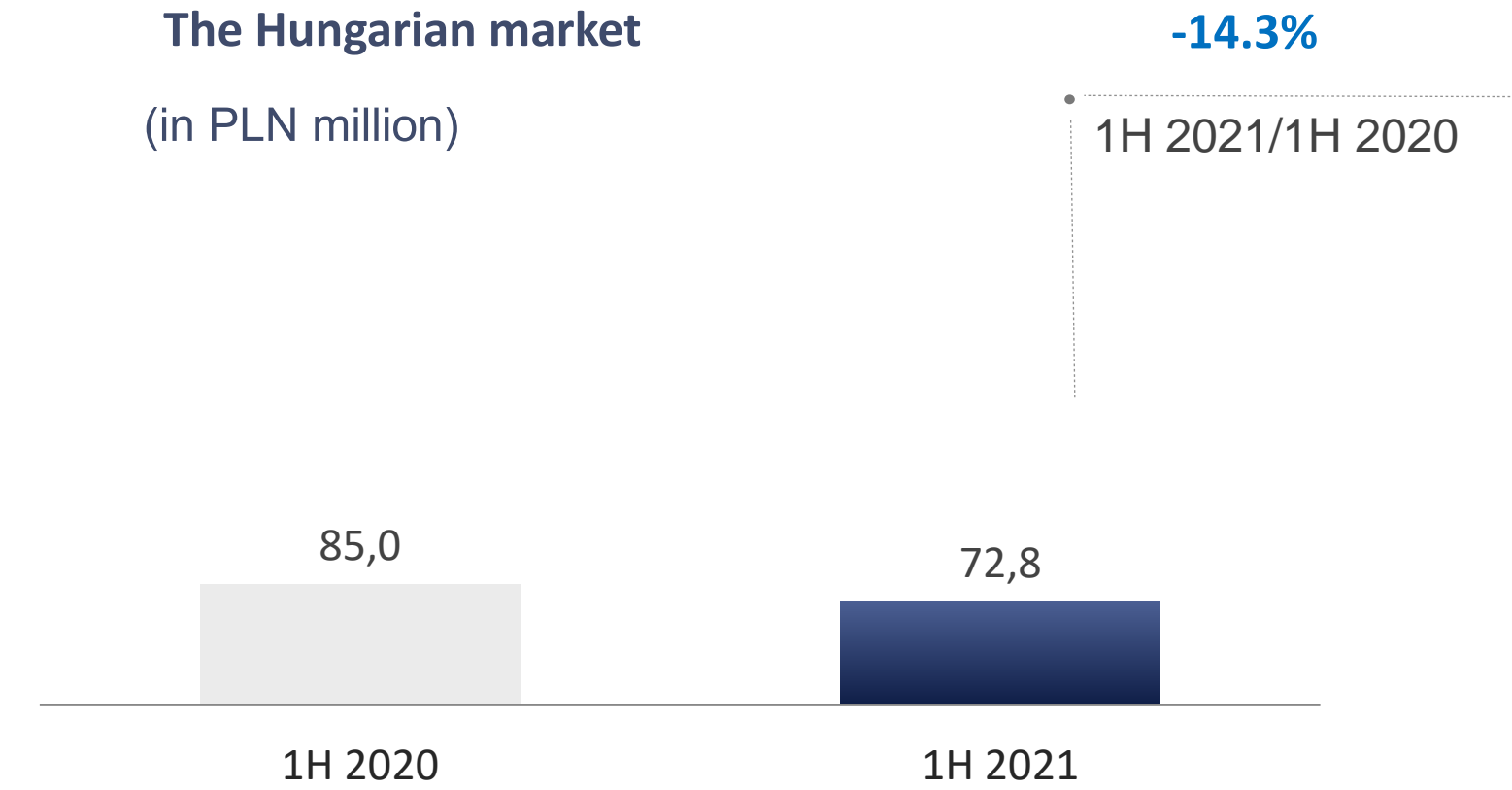
The Polish market

(in PLN million)



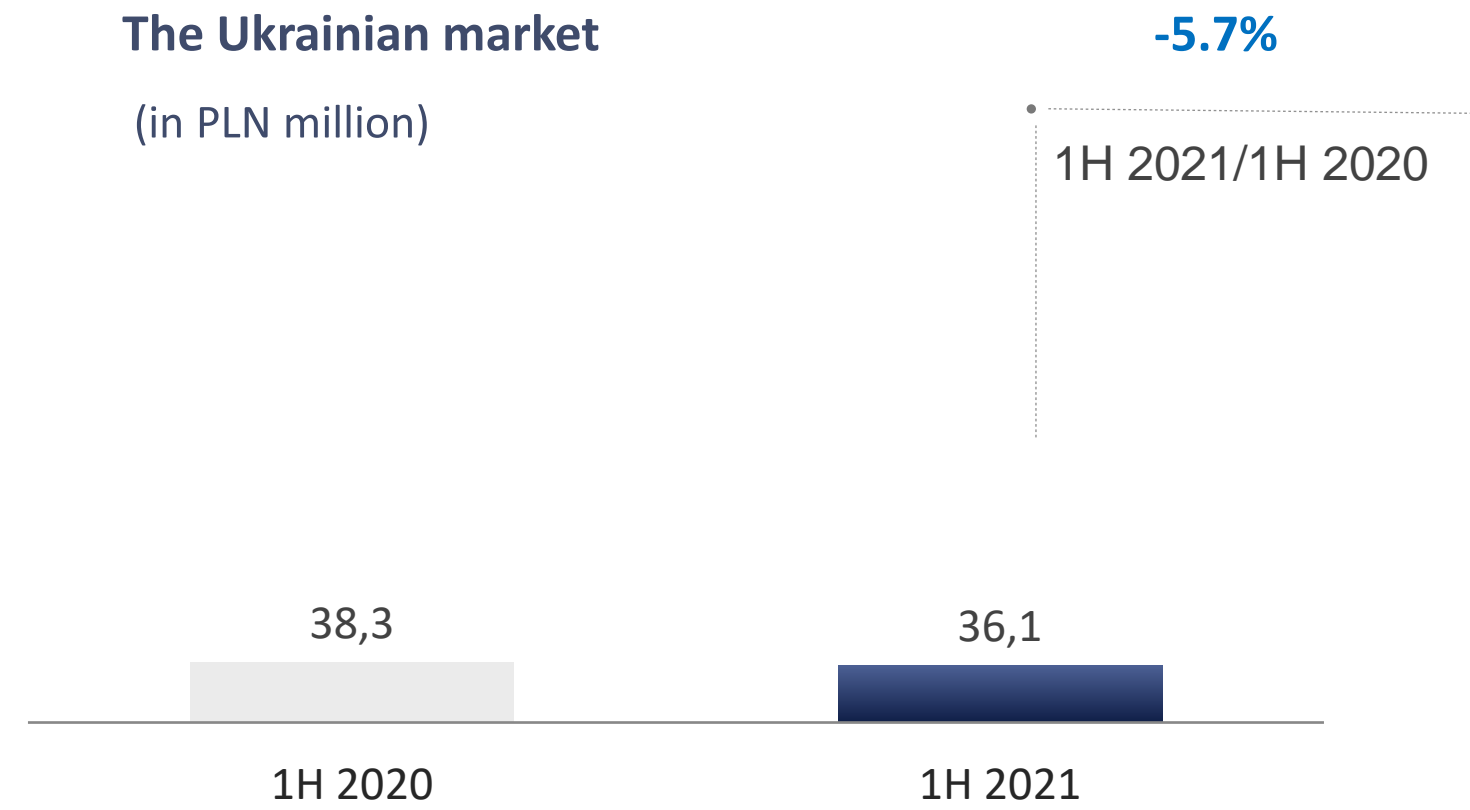
The Hungarian market

(in PLN million)



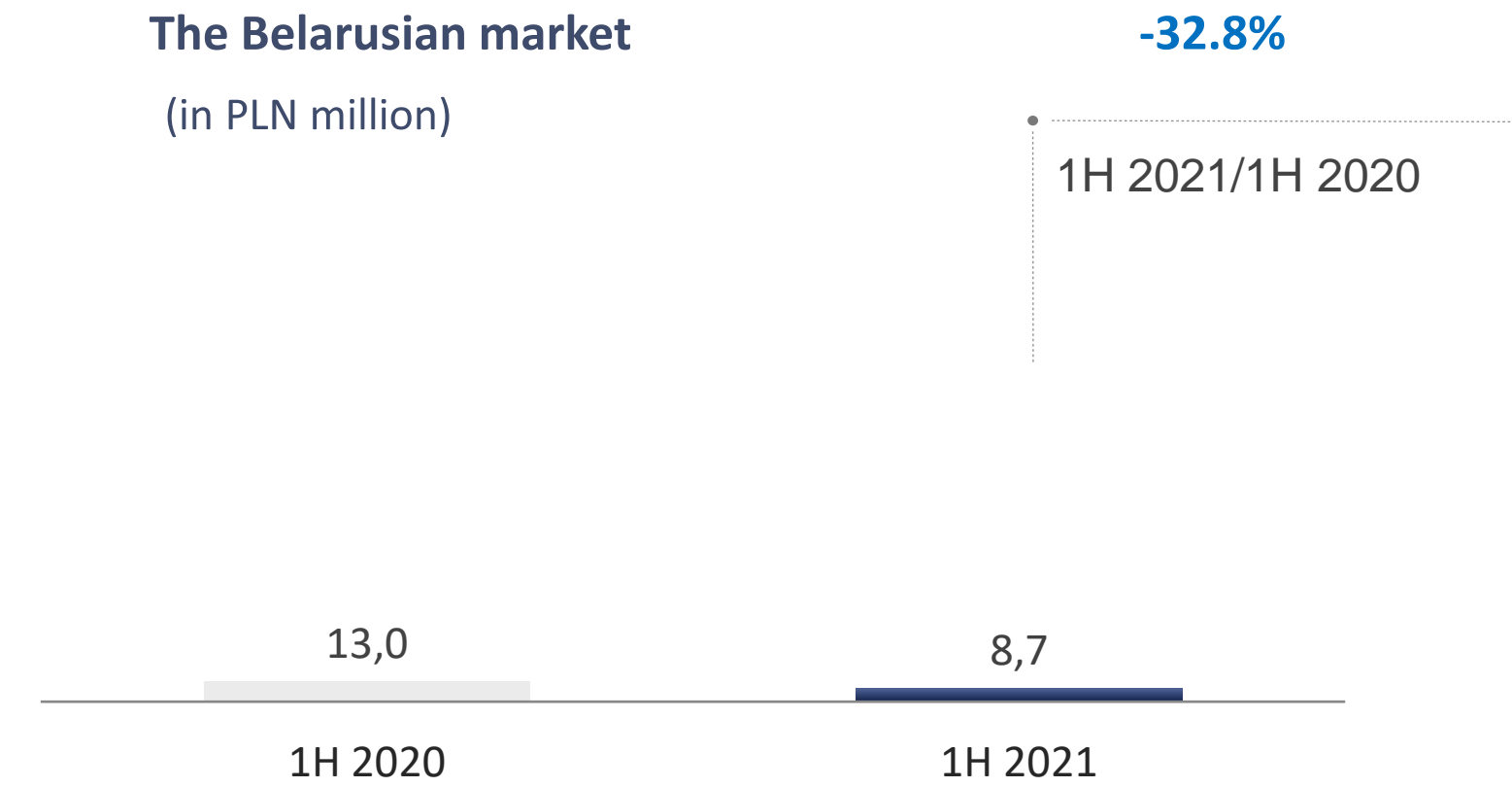
The Ukrainian market

(in PLN million)



The Belarusian market

(in PLN million)



In the first half of 2021, the Śnieżka Group generated lower revenues and profits than in the corresponding period of the previous year, which was record-breaking.

| | 1H of 2021 | 1H of 2020 | change (y/y) |
|------------------------------|------------|------------|--------------|
| Revenues (in PLN million) | 409.5 | 431.1 | -5.0% |
| Gross margin on sales (in %) | 40.8% | 42.8% | -2.0% |
| EBIT (in PLN million) | 46.0 | 64.1 | -28.3% |
| EBIT margin (in %) | 11.2% | 14.9% | -3.7% |
| EBITDA (in PLN million) | 63.5 | 80.7 | -21.3% |
| EBITDA margin (in %) | 15.5% | 18.7% | -3.2% |
| Net profit (in PLN million) | 39.0 | 52.4 | -25.6% |
| Net profit margin (in %) | 9.5% | 12.2% | -2.7% |

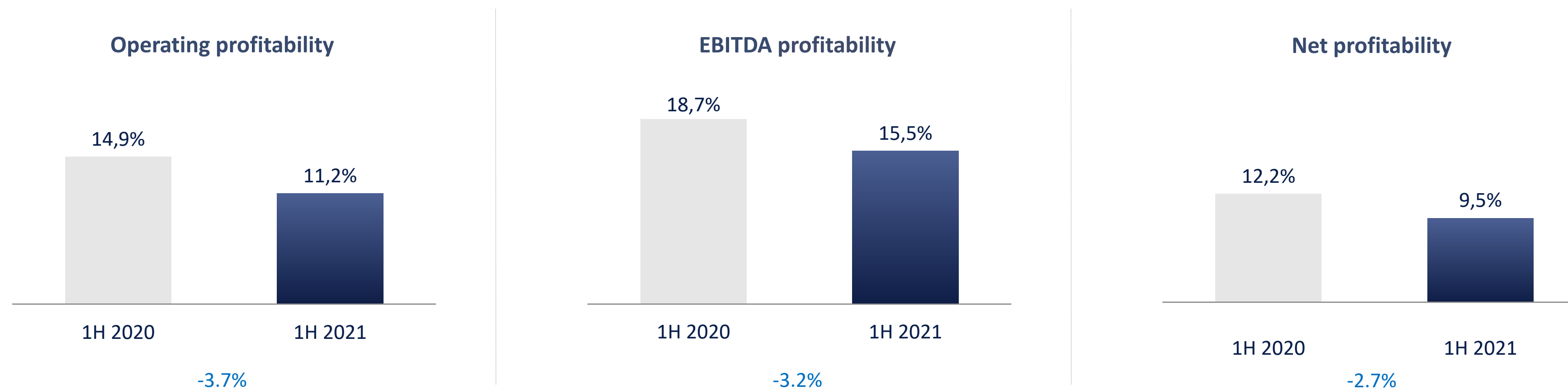
Profit and Loss Account (key items): Q2 of 2020

| | Q2 of 2021 | Q2 of 2020 | change (y/y) |
|------------------------------------|------------|------------|--------------|
| Revenues (in PLN million) | 226.9 | 263.3 | -13.8% |
| EBIT (in PLN million) | 24.0 | 44.0 | -45.6% |
| EBITDA (in PLN million) | 32.7 | 52.6 | -37.8% |
| Net profit (loss) (in PLN million) | 21.7 | 37.1 | -41.5% |

Very high base from the second quarter of last year - an unexpected renovation boom translated into very high sales, particularly in May and June, and record-breaking performance. Owing to this disturbance, the performance cannot be comparable on a year-to-year basis.

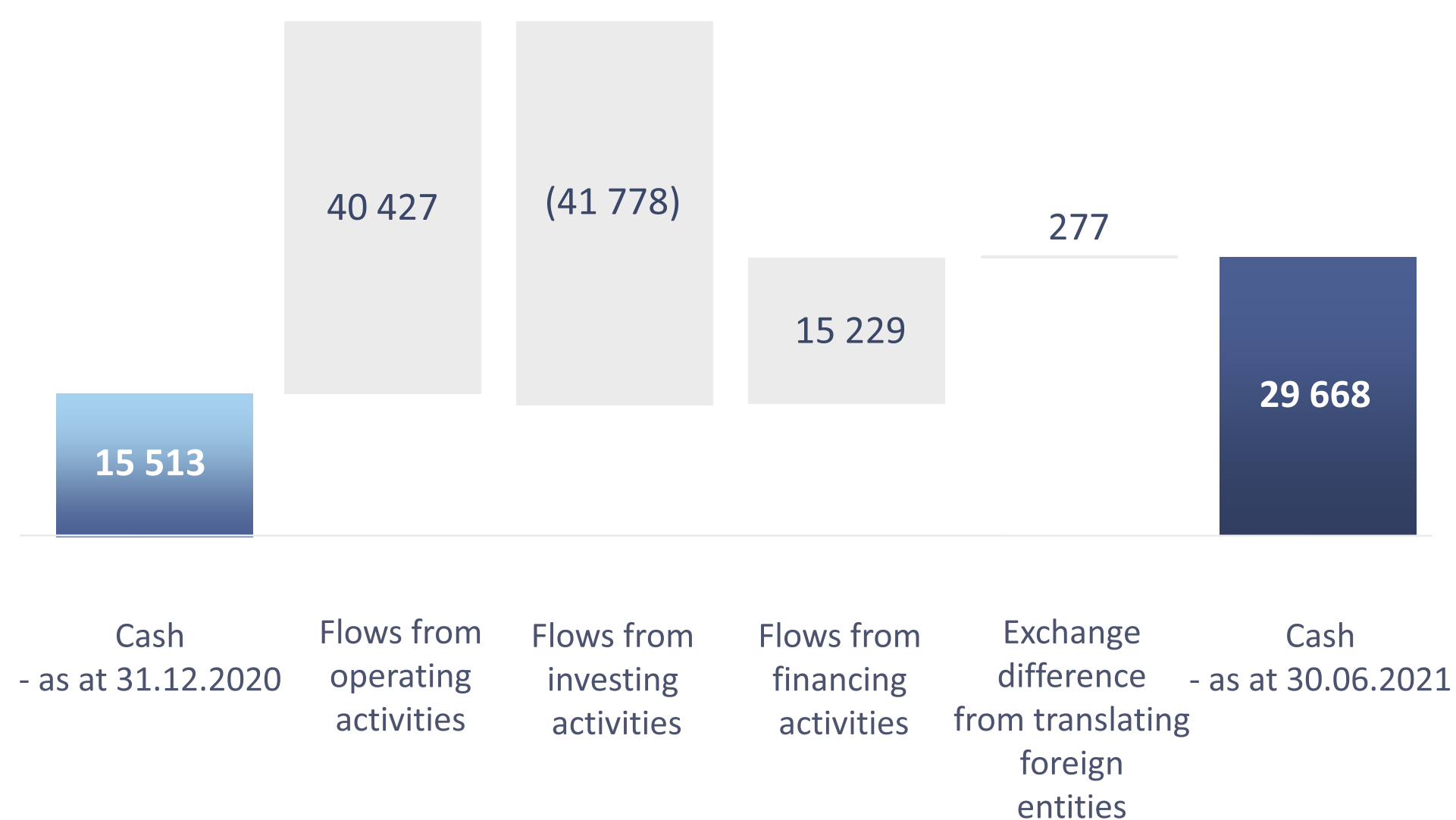
In the first half of 2021, the Group achieved lower margins than in the corresponding period of the previous year - the effect of a high base, but also an increase in raw material prices and the EUR / PLN exchange rate.

The margins are still good compared to competing companies operating in the sector of decorative products.



In the first half of 2021, the Group generated positive cash flows of PLN 13,878 thousand. As a result, at the end of this period, the Group's cash amounted to PLN 29,668 thousand.

The Śnieżka Group's cash flows in the 1H of 2021



Positive cash flows from **operating activities**

Their level was positively influenced by the profit generated by the Group (after adjustments PLN 64,458 thousand) and negatively- changes in the working capital of the Group (PLN 315,730 thousand) and income tax paid (PLN 8,301 thousand).

Negative cash flows from **investing activities**

The Group companies incurred expenses for the purchase of property, plant and equipment and intangible assets (total negative impact of PLN 42,272 thousand).

Positive cash flows from **financing activities**

In addition to the proceeds from the existing lines of credit in the amount of PLN 141,742 thousand, the greatest impact on cash flows on financial activities had: repayment of loans in the amount of PLN 71,491 thousand and payment of dividends in total PLN 52,804 thousand.

On June 30, 2021, the Group's assets amounted to PLN 838,774 thousand. The value of fixed assets of the Group (constituting 62.6% of its total assets) over the year increased by 15.4% to PLN 524,950 thousand, primarily as a result of development investments carried out by FFIL ŚNIEŻKA SA.

The Group's long-term liabilities amounted to PLN 168,924 thousand, which denotes their increase by 57.2% (PLN 61,494 thousand) y/y. This is mainly due to the use of funds from existing credit lines for investment purposes.

| (in PLN million) | 30.06.2021 | 30.06.2020 | change (y/y) |
|-----------------------------|------------|------------|--------------|
| Fixed assets | 525.0 | 454.9 | 15.4% |
| Inventory | 138.9 | 128.2 | 8.3% |
| Trade and other receivables | 137.3 | 164.2 | -16.4% |
| Equity | 307.5 | 307.4 | 0.0% |
| Trade and other liabilities | 132.3 | 180.4 | -26.7% |

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Outlook for the second half of 2021 (short-term)

- **On the one hand, deteriorating consumer confidence** (visible, for example, in the GfK Consumer Confidence Barometer), a probable reduction in purchasing power, a greater propensity to save and limiting larger expenses may result in a reduction in outlays on renovation and modernization of apartments - which mainly determine the demand for decorative products. On the other hand, **the on-going boom in the new housing market and future profits from process automation** will support the performance.
- A further **increase in the prices of some raw materials or packaging** as well as other goods cannot be ruled out. Currently, the situation does not threaten the proper operation of the Group's companies, yet it may still be a source of pressure on margins.
- **The key stages of the erection of the new Logistics Centre** are carried out as planned, although certain elements will be implemented throughout the 2022 season. The testing stage scheduled for the entire third and fourth quarter of this year will be essential for business processes - currently being implemented.
- **The strategic approach to the Belarusian market remains unchanged and the Belarusian company remains profitable**, although the contribution from this segment to total sales is rapidly declining (currently 2.1% compared to 3% of the previous year).
- **Follow-up of implementing the new operating model in the Group's key companies** - (including competence centres).

Enclosures



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Consolidated

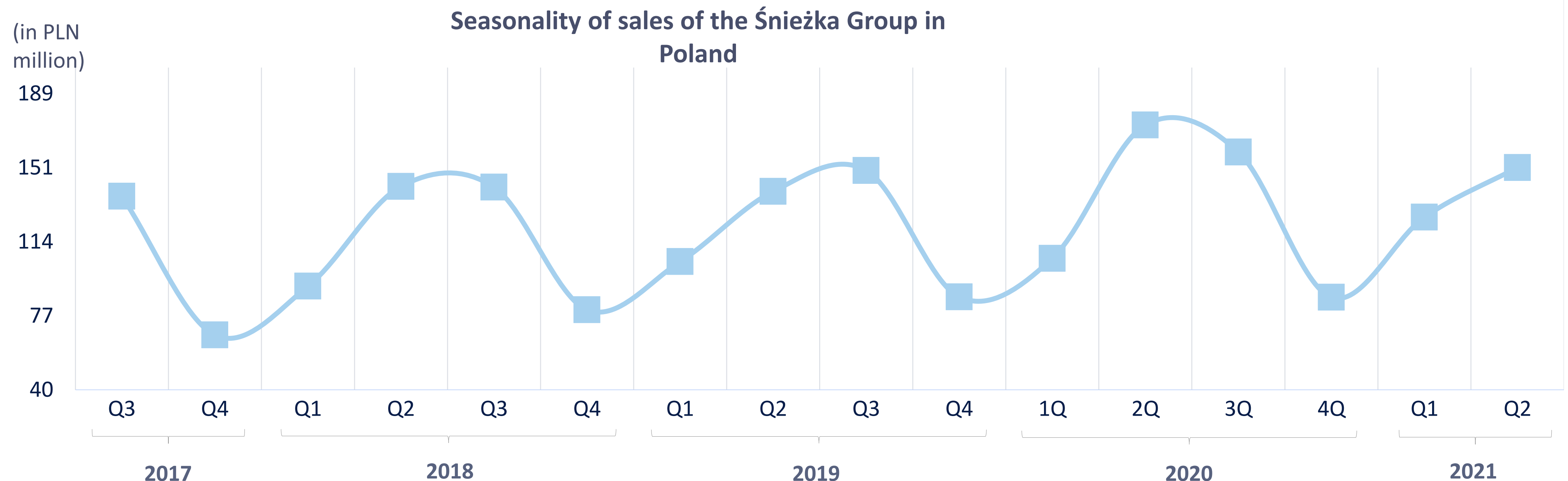
| (in PLN '000) | As at/period 6 month ended 30 June 2021 | As at/period 6 month ended 30 June 2020 |
|--|---|---|
| Net sales revenues | 409 514 | 431 095 |
| Profit from operating activities | 45 978 | 64 116 |
| Gross profit | 46 221 | 63 601 |
| Net profit | 39 001 | 52 391 |
| Net cash flows from operating activities | 40 427 | 59 179 |
| Net cash flows from investing activities | (41 778) | (62 517) |
| Net cash flows from financing activities | 15 229 | (1 761) |
| Total net cash flows | 13 878 | (5 099) |
| Total assets | 838 774 | 777 541 |
| Total liabilities | 531 234 | 470 128 |
| Long-term liabilities | 168 924 | 107 430 |
| Short-term liabilities | 362 310 | 362 698 |
| Equity | 307 540 | 307 413 |

Standalone

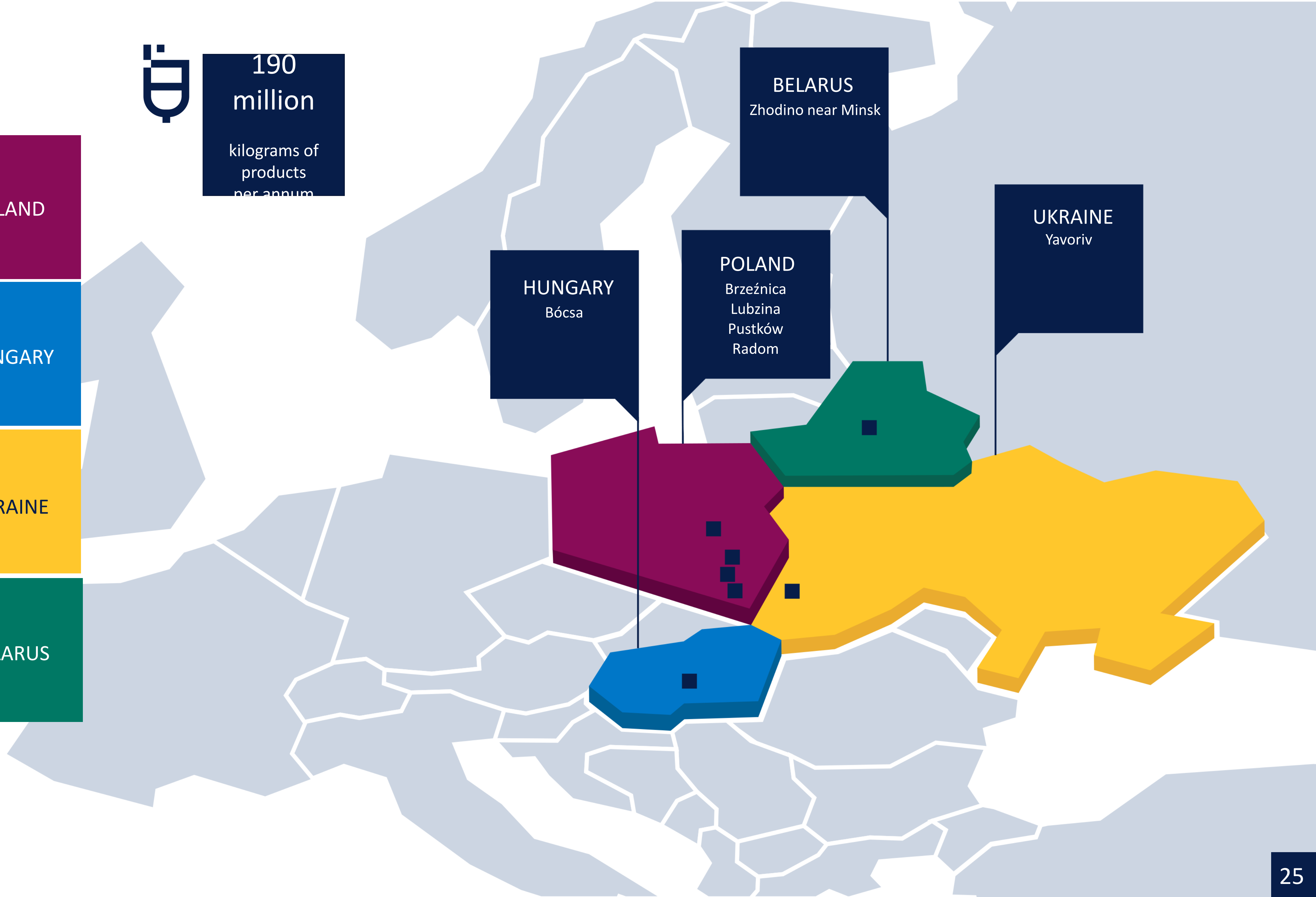
| (in PLN '000) | As at/period 6 month ended 30 June 2021 | As at/period 6 month ended 30 June 2020 |
|--|---|---|
| Net sales revenues | 241 382 | 308 728 |
| Profit from operating activities | 3 450 | 29 105 |
| Gross profit | 39 324 | 66 320 |
| Net profit | 39 806 | 59 057 |
| Net cash flows from operating activities | (83 121) | 32 569 |
| Net cash flows from investing activities | (2 048) | (42 150) |
| Net cash flows from financing activities | 95 091 | 11 520 |
| Total net cash flows | 9 922 | 1 939 |
| Total assets | 815 437 | 709 890 |
| Total liabilities | 606 261 | 491 990 |
| Long-term liabilities | 395 771 | 188 442 |
| Short-term liabilities | 210 490 | 303 548 |
| Equity | 209 176 | 217 900 |

The industry features the **phenomenon of seasonality**, related to the intensity of renovation and construction works in particular periods of the year, (it is higher in spring and summer). The Group usually generates higher revenues in the second and third quarters of each financial year.

In Poland, in the second quarter of last year a very strong purchasing impulse was noticeable (particularly in May and June). **In the first quarter of 2021**, sales results were supported by an increased level of orders from commercial partners in various distribution channels (DIY stores, independent paint stores), who prepared for the 2020 season. **In the second quarter** of this year the pattern of seasonality of sales commenced to return to the long-term standard.

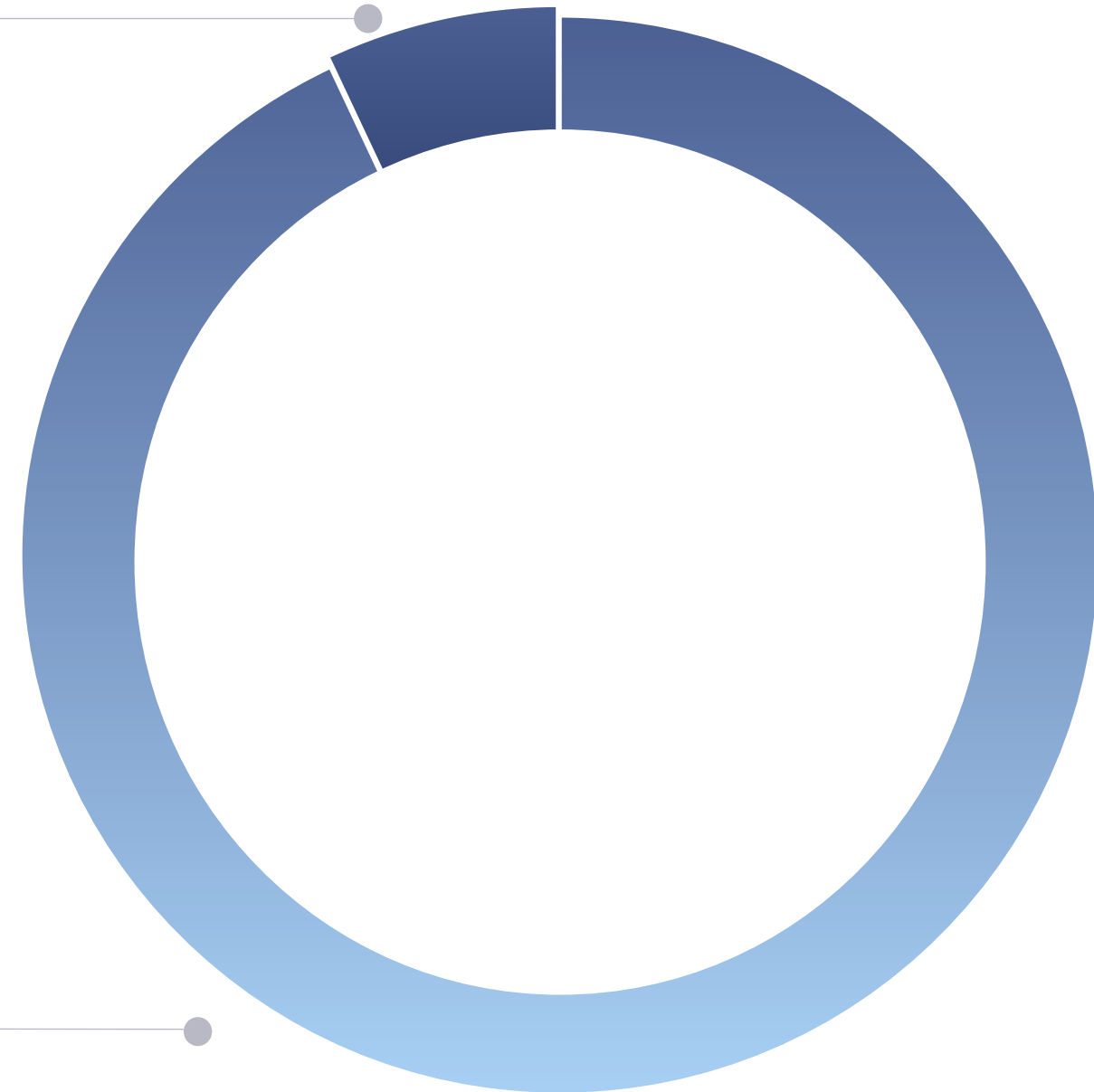


190
million
kilograms of
products
per annum



Decorative paints – use

only **7%** of products was used
in 2020 when finishing newly constructed facilities (construction
market)



as many as **93%** of all products sold on the Polish market are
intended for this purpose

The main players operating on the market of paint products and wood protection agents in Poland (which together account for over 80% of sales) are as follows:

- The Śnieżka Group,
- PPG Deco Polska,
- AkzoNobel Polska
- Tikkurila Polska (controlled by PPG since June 2021).



6.2%

The value of the market of paints and preservatives for the wood protection and decoration increased year by year in Poland in 2020.

Market: other key manufacturers operating in Poland



A manufacturer of paints, varnishes, chemicals, optical products, glass and glass fibres, listed on the New York Stock Exchange.

The core brands are as follows:



Dutch manufacturer of paints and varnishes and special-purpose chemicals, listed on Euronext Amsterdam.

The core brands are as follows:



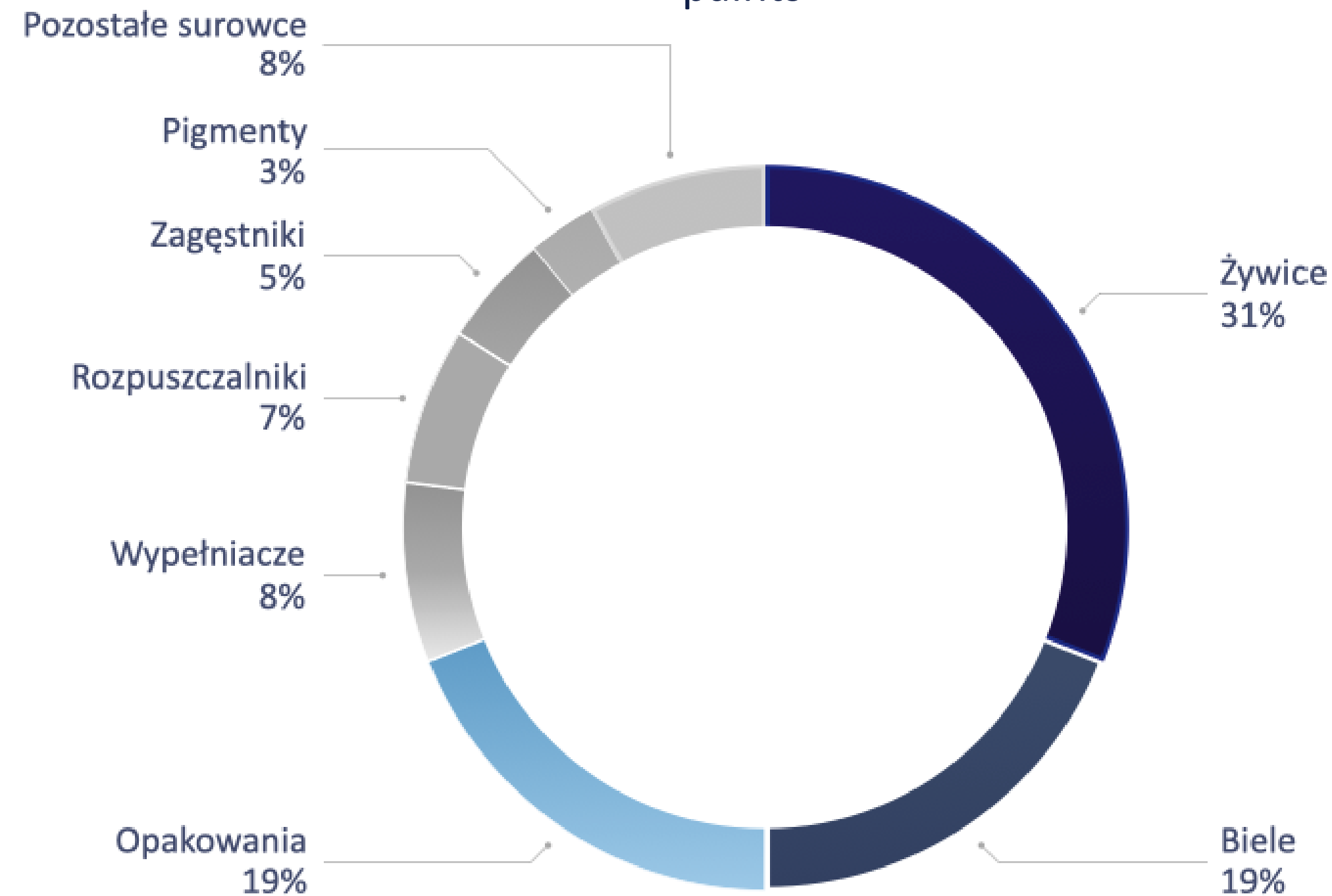
TIKKURILA

Scandinavian manufacturer in the dyeing field listed on Nasdaq Helsinki. Since June 2021 controlled by PPG.

The core brands are as follows:



Approximate, averaged share of raw materials in the production of paints *



* all products excluding putties, adhesives and plasters, for the last 12 months; shares based on value.

Core raw materials:

Resins - natural or synthetic substances that bind pigments and fillers in paint with each other and with the substrate. They ensure paint properties such as: wash and scrub resistance and gloss. Generally, the higher the resin content, the higher the quality and resistance of the paint.

Titanium white - the core raw material used for the production of paints featuring high coverage efficiency. It is obtained by the sulfate (older) or chloride (latest) method - allowing to obtain titanium white of better quality, used in the production of high quality paints (the one used by the Group).

MAGNAT

The products addressed to the most demanding customers, who value quality and style. The portfolio of this innovative premium brand includes high quality ceramic paints featuring colour durability, remarkable colour range, resistance to stains and dirt as well as heavy duty purposes. Magnat stands also for textures, providing numerous decorative options, imitating various surfaces: from “raw concrete”, “rubbed” plaster through to marble or pearl gloss. The brand portfolio is also complemented by painting tools that feature high quality and comfort of use.

Śnieżka

The core brand of the Group, which offers a wide range of products. Its portfolio is comprised of products for protection and decoration of various substrates, both for internal and external applications (i.a. paints for walls and facades, products for painting metal and wood as well as putties for smoothing walls). It is a comprehensive offer meeting customers’ needs at every stage of a flat or house finishing or renovation.

POLI-FARBE

An umbrella brand, which offers a wide portfolio of products for the protection and decoration of various surfaces. It comprises one of the most recognizable brands on the Hungarian market: Platinium and Inntaler (including interior and facade emulsions), Cellkolor (paints for wood and metal) and Boróka (preservatives for wood protection and decoration).



A top quality brand for wood protection and decoration. The brand's offer has been prepared for all of those who are willing to take care of wood used both indoors or outdoors in a comprehensive manner. The brand portfolio includes, inter alia,: high-quality preservatives ensuring comprehensive wood protection, both from the inside (priming agent) and from the outside (topcoat agent), as well as renovation agent intended for pre-painted wood, stain and varnish as well as oils and varnishes.



A brand providing undercoat and surface anticorrosive industrial paints. Its portfolio consists of alkyd, polyvinyl, polyurethane, epoxy and heat-resistant systems. The brand's offer includes environmentally friendly products with a reduced content of organic solvents and waterborne products. Rafil also offers roof coatings, floor paints as well as paints for fences, windows and doors.



A brand of professional thermal insulation systems based on excellent quality of decorative plasters and facade paints available in a rich palette of colours. They are widely used in both newly built and existing buildings. These are excellent materials for renovating buildings for thermal insulation, structural protection and exterior appearance.



„European Coatings” ranking

The Śnieżka Group took 23rd position (up from 24th) in the prestigious ranking of the "European Coatings" magazine. The ranking summarized the results of the largest European manufacturers of paint and varnish products for 2020. Śnieżka is the only one to represent both Poland and the region of Central and Eastern Europe.



Ranking of the most valuable Polish brands

The Company was found in the Most Valuable Polish Brands ranking, prepared by the "Rzeczpospolita" daily, and in the 15th edition of the ranking it was advanced to the 93rd place. The value of the Śnieżka brand was estimated by the authors of the ranking at PLN 106.2 million. It reappeared in the ranking as the only representative of the domestic paint market.



The 50 Best Employers ranking

The Polish companies of the Śnieżka Group were distinguished as one of the most employee-caring ones in Poland. This is the second year in a row that Śnieżka appeared in the ranking of the 50 Best Employers - this time taking the 27th place. The Group companies operating in Poland are the only enterprises in the paint and varnish industry that were among the best employers according to the criteria adopted by the editorial office.

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