

A hectic year for Śnieżka

In 2019, the Śnieżka Group generated better sales results, but the costs - related to, inter alia, the consolidation of the Hungarian company Poli-Farbe and the parent company's development - translated into profits and margins, which decreased compared to the bumper year of 2018. Śnieżka intends to focus its activity on its key markets, adapting it to the developments in connection with the COVID-19 pandemic on an on-going basis.

In 2019, the Śnieżka Group generated consolidated sales revenues in the amount of PLN 717.1 million, i.e. 22.2% higher than in the previous year. This is mainly the result of incorporating Poli-Farbe Vegyipari Kft. to the Group and the consolidation of its performance, as well as higher sales in Poland and Ukraine. The Śnieżka Group, however, generated lower revenues in Belarus.

At the end of 2019, the four main markets - Poland, Hungary, Ukraine and Belarus - accounted for 95.4% of consolidated sales revenues. Despite the consolidation of Poli-Farbe's performance from mid-May last year, the Hungarian market increased its share to 13.9%, ranking second in the sales structure, right after the Polish market, where Śnieżka generated approx. 2/3 of the total sales revenues. The share of the other two key markets - Ukrainian and Belarusian - amounted to 10.8% and 3.7%, respectively.

Investments affect profits

Not only did the Group's expansion by Poli-Farbe contribute to higher revenues, but also costs. The 2019 performance was mainly affected by recognizing in the statements the production and sales costs incurred by the Hungarian company, but also by the increase in the number of the Group's employees by 261. The increase in the Group's costs was also influenced, inter alia, by higher expenditure of FFIL Śnieżka SA on marketing and costs borne in connection with its development - including higher employment rate, digital transformation as well as the acquisition of Poli-Farbe and the integration processes of the Hungarian company.

- Notwithstanding the series of investments carried out in 2019 and the consolidation of Poli-Farbe performance, which currently generates lower margins than Śnieżka in Poland, the liquidity situation of the Group remains stable and its profitability is high compared to foreign competitors - comments Piotr Mikrut, CEO of FFIL Śnieżka SA .

Last year, the Group generated a consolidated net profit of PLN 62.7 million, i.e. 1.2% lower than in the previous year. The EBITDA increased to PLN 106.8 million (+ 8.6% y/y), although higher selling costs and general administrative expenses contributed to the EBITDA margin, which amounted to 14.9% (decrease by 1.9% y/y). The gross margin also increased slightly to 42.4% - mainly due to the continuing demand for paints and varnishes from the premium and average price segments both in Poland, Hungary and Ukraine.

Record-breaking expenditure on investments

Capital expenditure within the Group's companies in 2019 reached a record level of PLN 196.4 million, which denotes an increase by 165.7% compared to the previous year. The largest Śnieżka's investment was the acquisition of shares in Poli-Farbe, which allowed it to promptly take a significant position on the Hungarian market.

Concurrently, high financial expenditure was allocated to developing manufacturing facilities in Poland - including the boost of manufacturing capacity, improvement of product quality and optimization of production costs. Last year the work was related to modernization (including automation) and expansion of the colour paints production line at the facility in Lubzina and white paints in Pustków. The Group's parent company, Fabryka Farb i Lakierów Śnieżka SA, also implemented the key stages arranged as part of the digital transformation (Change IT project), connected with sales management and maintaining customer relations.

At the end of 2019, the net debt/EBITDA ratio for the Śnieżka Group was 1.71. After completing the current investment cycle, the Group's debt is to be gradually reduced to a conservative level of 1x EBITDA.

Further development with the coronavirus in the background

The Group's strategy for the coming years assumes concentration on its four key markets (Poland, Hungary, Ukraine, Belarus). FFIL Śnieżka is the leader on the market of paints and varnishes in Poland and desires to hold this position. Intensive measures are also to take place to improve the profitability of the Hungarian company Poli-Farbe Vegyipari Kft.

The first effects of integration - such as gaining access by Poli-Farbe to less expensive raw materials are already noticeable. Other synergies are to be achieved gradually within the next few years. The main goal of these activities is to improve the Poli-Farbe's margins. As far as the strategic horizon is concerned, I see no obstacles for them to increase to the level achieved by FFIL Śnieżka SA - says Piotr Mikrut.

In addition to the integration of the Hungarian company, in 2020 the Company intends to proceed with the investment cycle. Currently, inter alia, the construction of the Logistics Centre in Zawada and completion of investments in manufacturing facilities in Lubzina and Pustków are taking place. At the same time, owing to the on-going COVID-19 pandemic caused by the coronavirus, the management board is priming for various scenarios of the evolving situation and does not rule out taking measures to strengthen Śnieżka's financial liquidity - including temporary reduction of expenses not directly related to operating activities.

Since the beginning of the global struggle with this disease, we have been painstakingly monitoring the situation. Very quickly, at the beginning of March, we implemented solutions providing the best possible protection measures for our employees. We introduced changes in the organization of production in all the Group companies - emphasizes Piotr Mikrut. - We are also aware that the perturbations caused by the actions of the authorities in the countries where we operate, aimed at preventing the spread of the SARS-CoV-2 virus, may also affect our Group, as shown by the recent decision to temporarily limit some of the production in our subsidiary in Ukraine. We will respond quickly to all challenges related to the spread of the virus, he adds.

Fabryka Farb i Lakierów Śnieżka SA is a company with over 35 years of experience in the construction chemicals market and a leading company in the Śnieżka Group, which is one of the leaders in the market of decorative paints, varnishes and putties in Poland, Hungary, Ukraine and Belarus. Its key brands are as follows: Śnieżka, Magnat, Vidaron, Foveo Tech, Beston and Rafil, as well as popular brands on the Hungarian market: Platinum, Inntaler, Cellkolor and Boróka.

The Śnieżka Group is classified among the 25 largest paint manufacturers in Europe, being at the same time the only representative of the industry in the central-eastern part of the continent. About 1,400 employees are hired in all companies comprising the Group, and factories located in four countries



(Poland, Hungary, Ukraine and Belarus) produce about 190 million kg of various types of construction chemicals on an annual basis. By the end of 2019, the Group actively operated on 15 foreign markets.

Since 2003, the shares of FFIL Śnieżka SA have been listed on the Warsaw Stock Exchange, and its founders and their successors still control approx. 60% of the share capital. Since its debut on the stock exchange, FFIL Śnieżka SA has regularly paid dividends to shareholders from the generated profits.

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