

# Presentation of Śnieżka Group's performance for 2021

8 marca 2022 r.



# The most important events of 2021\*: Current standing.

## The most important events of 2021\*:

- **Group transformation:** implementation of a new operating model, investments in logistics and digitization of FFIL Śnieżka SA and Śnieżka ToC.
- **Logistics Centre in Zawada:** commissioning of the warehouse part of the facility as planned, i.e. at the beginning of 2022. The key benefits include a significant increase in efficiency in the area of product logistics and the possibility of more efficient management of production processes.
- **Consolidated sales revenues:** slightly lower y/y, but higher on the main Polish market than in the record, "pandemic" 2020.
- **The return of consumers to the habits from before the pandemic** (the renovation boom observed a year earlier was a one-off phenomenon). As a result, lower demand for paint products and agents for the wood protection and decoration on the most important markets of the Group, i.e. in Poland and Hungary.
- **Significant increase in the prices of raw materials and packaging and the overall increase in costs** - strong pressure on the Group's profits and margins, necessary price adjustments.
- **Annual CAPEX:** PLN 121.2 million (approx. 25% higher than planned. The largest expenses for the new logistics centre, increase mainly due to the very high increase in the prices of construction and finishing materials).

## Current standing:

- **Śnieżka-Ukraine:** currently, mainly focusing on supporting the staff, securing assets and effective management of production downtime.
- **The Polish and Hungarian markets are the key ones** providing 85% of the Group's revenues (the so-called safe havens).

\*The financial results of FFIL Śnieżka SA for 2021 - in connection with the acquisition of sales of products and goods by Śnieżka ToC (subsidiary) - are incomparable to the historical financial results.

## Śnieżka-Ukraine and activities on the Ukrainian market:

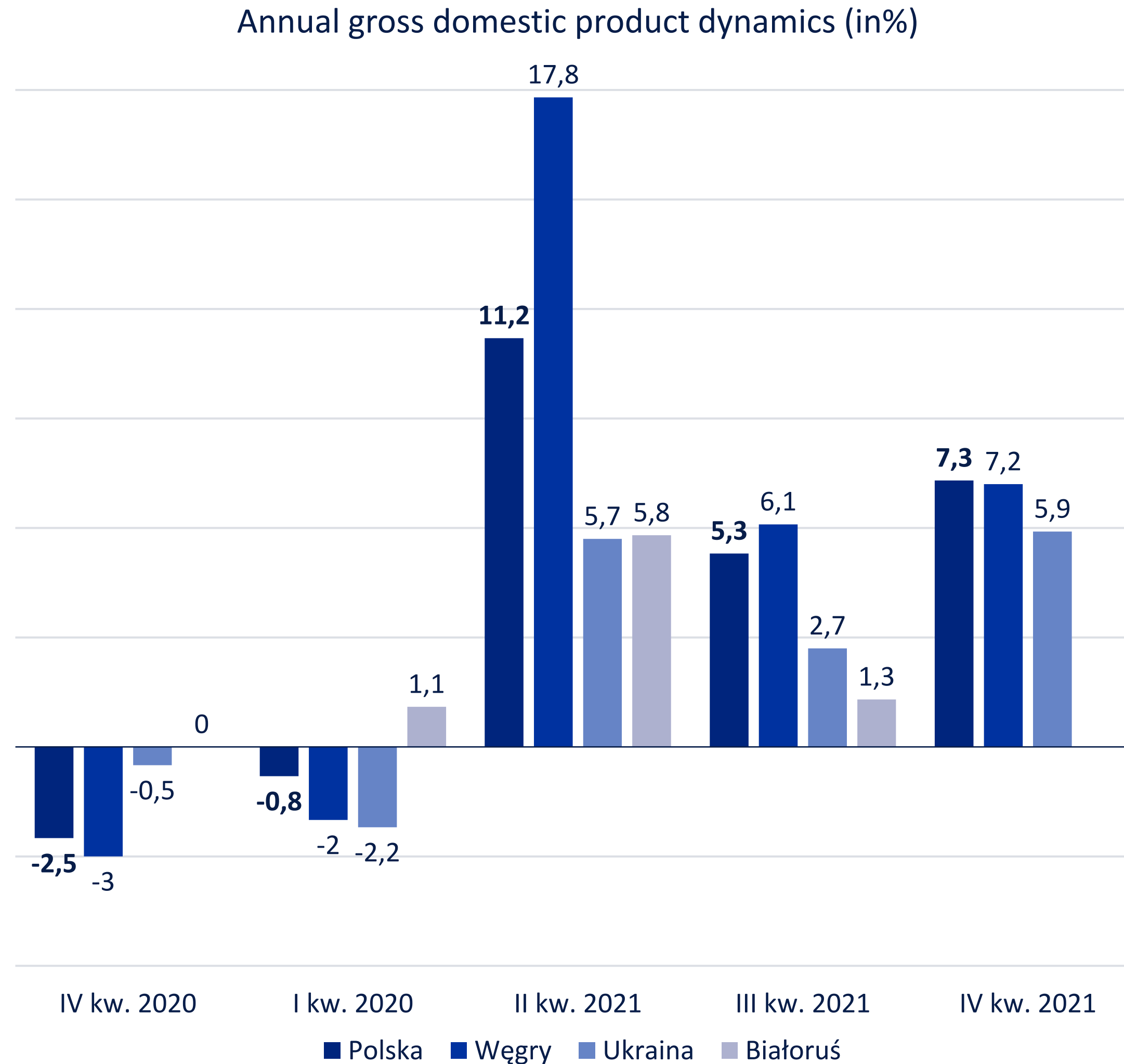
- **Temporary limitation of the operating activity** of Śnieżka-Ukraine: suspension of deliveries, as well as temporary suspension of production from February 25 this year.
- **Currently, the property of the Ukrainian company is not at risk** - its production facility is located in Jaworów (Lviv region), approx. 20 km from the Polish-Ukrainian border.
- In 2021, the **Group's sales revenues in Ukraine accounted for 10.1%** of the Group's total sales.
- The total **assets** (including tangible assets, inventories, receivables and cash) of Śnieżka-Ukraine as at December 31, 2021 amounted to approx. PLN 42 million (in net terms: PLN 38.5 mln).
- **No significant risk related to the receivables** - prior to the outbreak of the armed conflict, the Company took steps to accelerate the cash conversion cycle. As at December 31, 2021, the receivables of Śnieżka-Ukraine amounted to approximately PLN 5 million.
- **Currently, there are no indications that the Company may no longer be able to continue its operations** in Ukraine..

## Activity on the Belarusian and Russian markets:

- The Group's revenues generated on the Belarusian market in 2021 amounted to approx. 2%, and on the Russian market to approx. 1% of consolidated sales revenues.
- As yet, there have been no changes in the Group's operations and situation in Russia and Belarus.
- Currently, there is no risk of recovering receivables from contracts concluded prior to the commencement of the conflict in question (insurance of receivables at KUKE).



## Macro 1/4 (GDP in major markets)



Until the date of publication, the official GDP indicator of Belarus for the Q4 of 2021 has not been provided.

### Poland

In 2021, according to the preliminary estimate of the Central Statistical Office, GDP increased by 5.7% year-on-year. In the fourth quarter of 2021 alone, it amounted to 7.3% y/y.

### Hungary

In 2021, GDP increased by 7.1%, and in Q4 alone by 7.2% y/y.

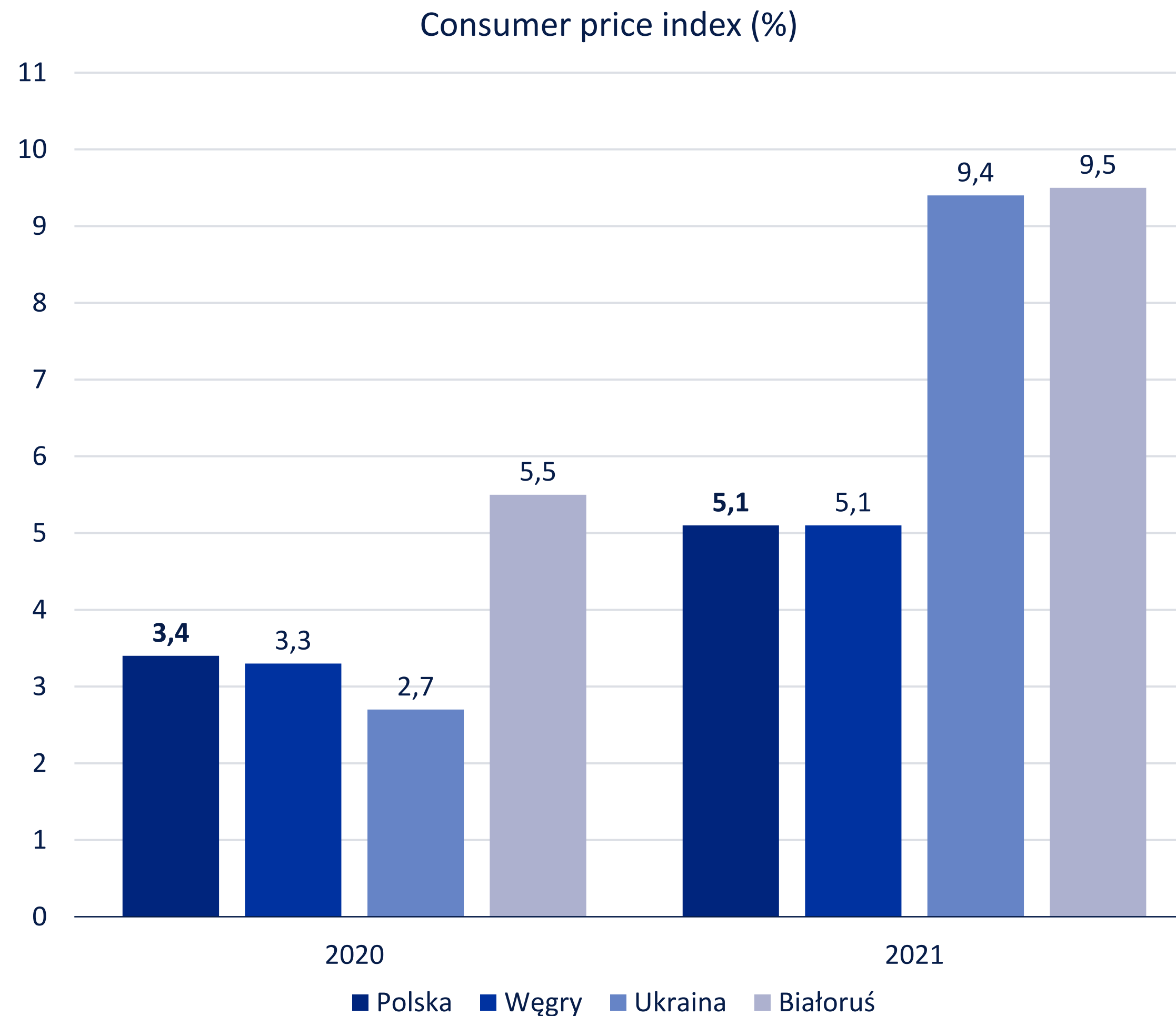
### Ukraine

According to the estimates of the NBU, the annual GDP growth may amount to approx. 3%. The increase in the fourth quarter of 2021 alone is estimated at 5.9%.

### Belarus

According to Belstat data, the Belarusian economy recorded a 2.3% increase in GDP in 2021.

## Macro 2/4 (inflation across the key markets for the Group)



In 2021 - in line with the global price growth trend - a significant increase in inflation was recorded in the main markets in which the Group operates. In Poland and Hungary, CPI inflation reached 5.1%, while in the eastern markets it oscillated around 9.5%. The beginning of the year brought a continuation of inflationary pressure.



PLN exchange rate against the euro and the dollar

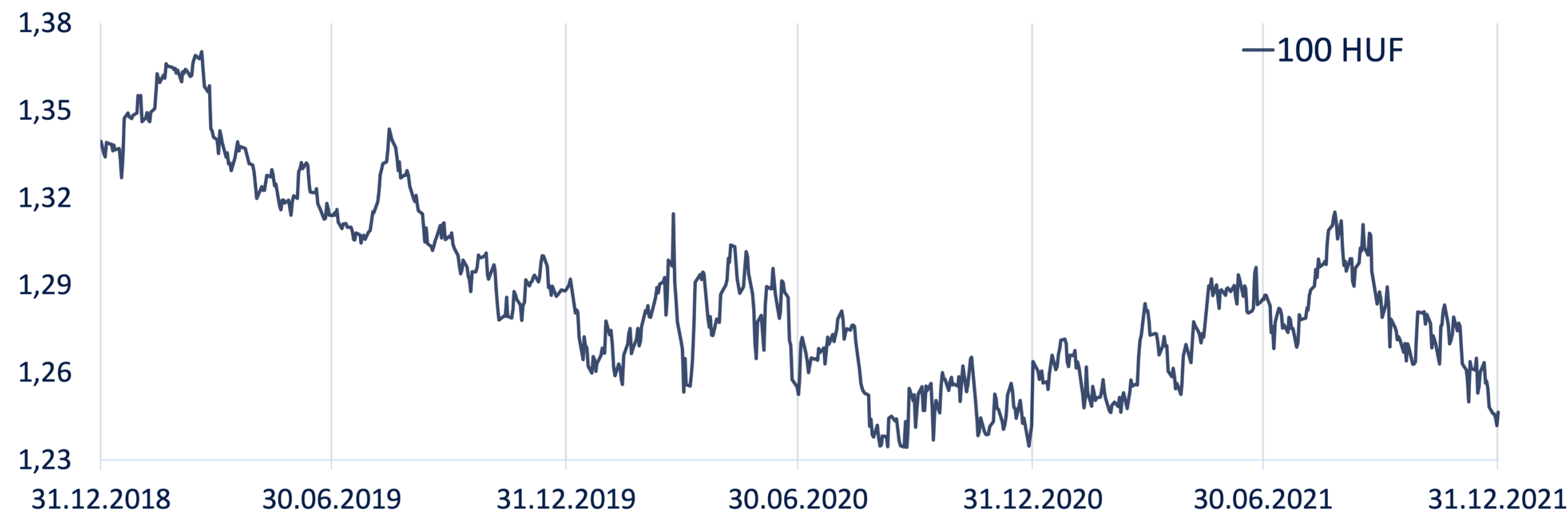


In 2021, the zloty depreciated against major currencies, especially against the euro. The average exchange rate of the common **European currency** in 2021 amounted to PLN 4.58, while in 2020 it was PLN 4.47. In the reporting period, the EUR/PLN exchange rate fluctuated between approx. 4.45 and 4.72 PLN. The average US dollar exchange rate showed less volatility y/y (PLN 3.86 in 2021 to PLN 3.90 in 2020).



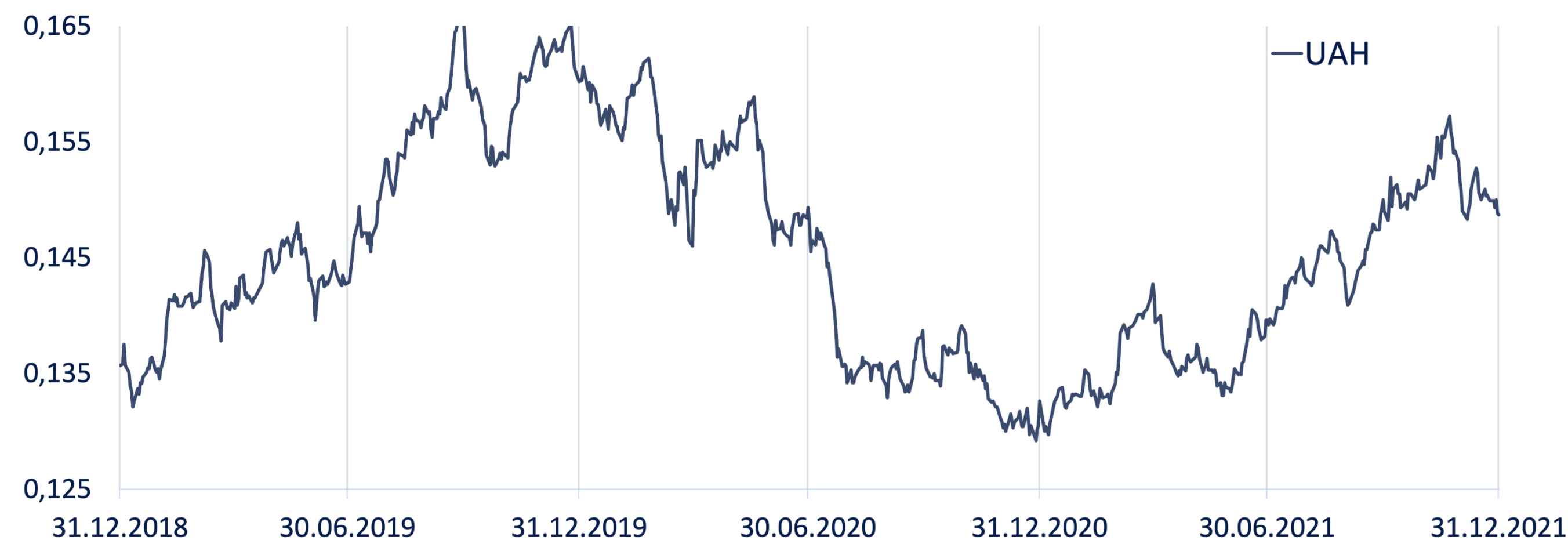
## Macro 4/4 (currencies: HUF/PLN and UAH/PLN)

PLN exchange rate against HUF (100HUF)



Until August 25, 2021, the **Hungarian forint** exchange rate demonstrated a strengthening trend against the Polish currency. Then it reached the annual maximum quotation of PLN 1.3151 (for 100 HUF). Next the trend of quotations reversed and the Polish currency started to appreciate significantly. At the end of the year, the HUF/PLN exchange rate was PLN 1.2464 (for HUF 100).

PLN exchange rate against UAH



In 2021, the **Ukrainian hryvnia** gradually appreciated against the Polish zloty, and this process significantly accelerated in the second half of the year. From the level of 0.1326 the value of UAH increased at the end of 2021 to PLN 0.1487, which means an annual increase by as much as 12.1%. At the same time, the average exchange rate in 2021 was 2.0% lower than in the previous year.





PLN **794.9** million of revenues (-3.2% y/y)

In 2021, the Śnieżka Group generated consolidated sales revenues lower than in the previous year, yet sales on the Polish market increased - despite the very high base from 2020.



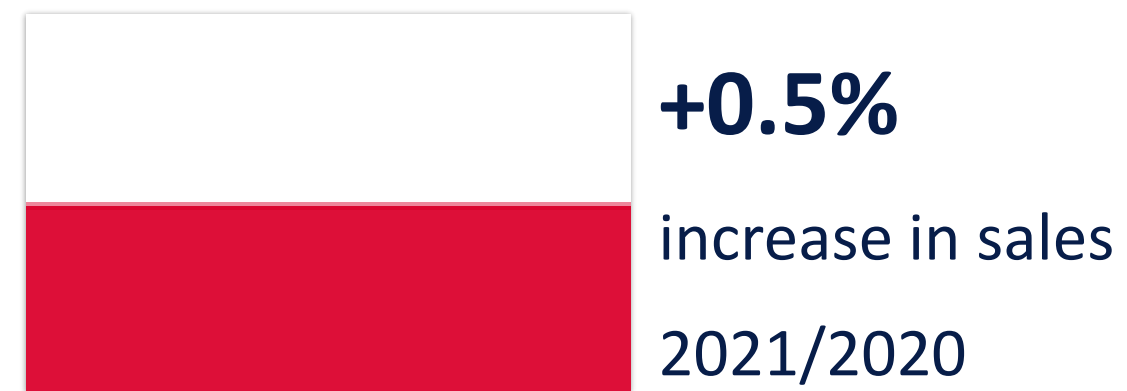
PLN **64.3** million of net profit (-25.4% y/y)

Lower profit primarily due to an increase in the cost of sales (pressure triggered by the prices of raw materials and packaging) and general and administrative expenses. The decrease in selling costs and lower income tax had a positive impact.



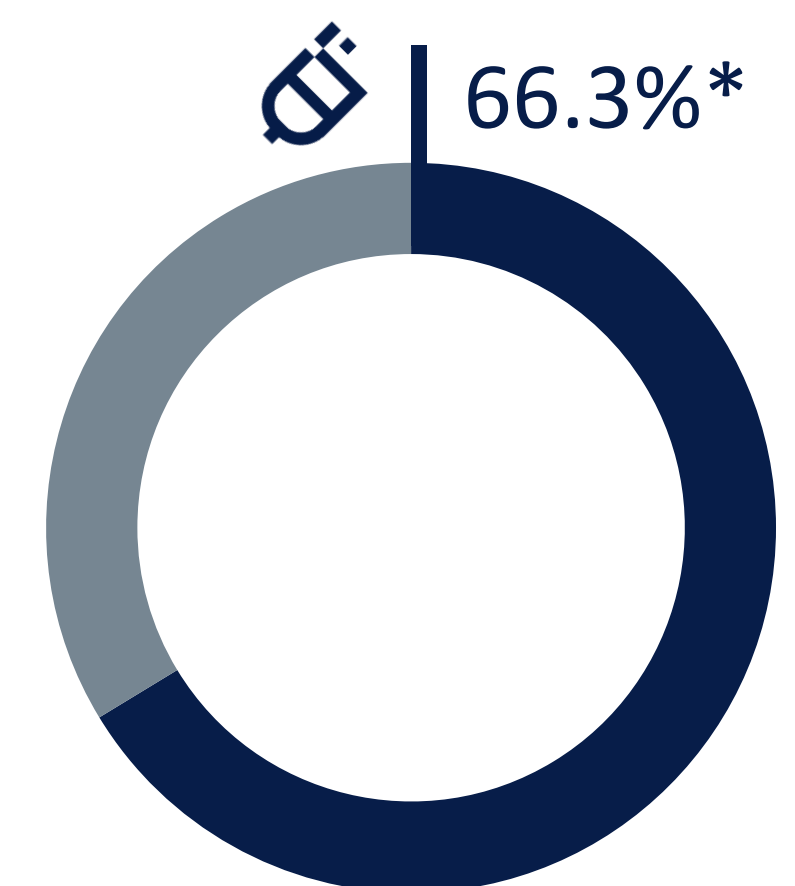
**14.0%** EBITDA margin (-2.6% y/y)

The margin reduction is the result of, inter alia, high comparative base and higher expenses- both of production and general administration.

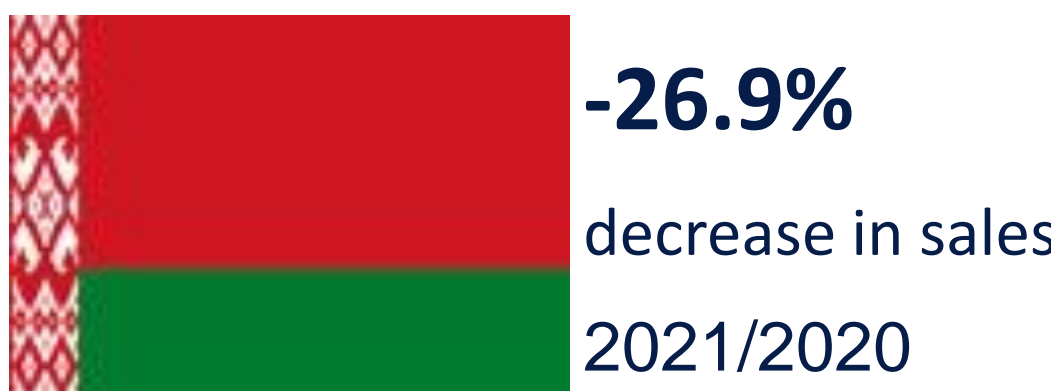
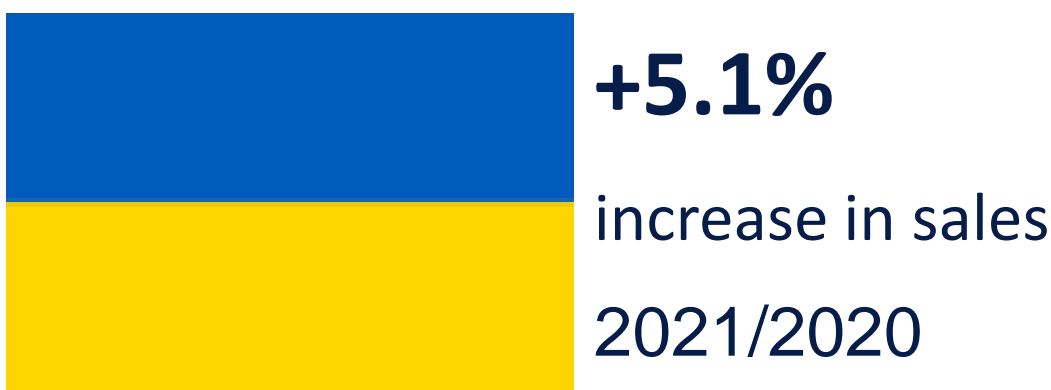
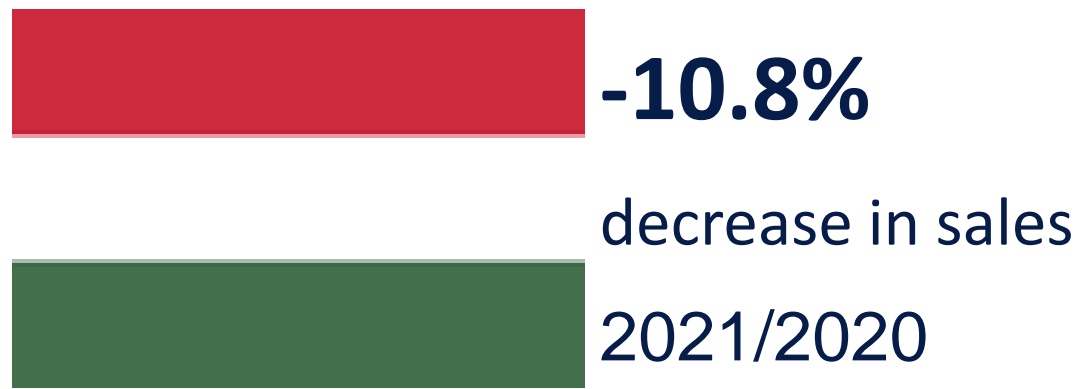


Sales on the Polish market increased to PLN 527 112 thousand (+0.5% y/y). After the renovation boom in Poland, which was observed mainly in May and June 2020 last year, **the consumer behaviour related to acquiring and taking advantage of decorative products has returned to the pre-pandemic trend.**

**The fact that the Group achieved a slight increase in sales on the Polish market in 2021 is primarily the result of high marketing and sales activity and maintaining market shares in selected product categories.** It is also a further impact of the continuing premiumization trend (higher sales of Magnat paint) and an appropriately shaped pricing policy.

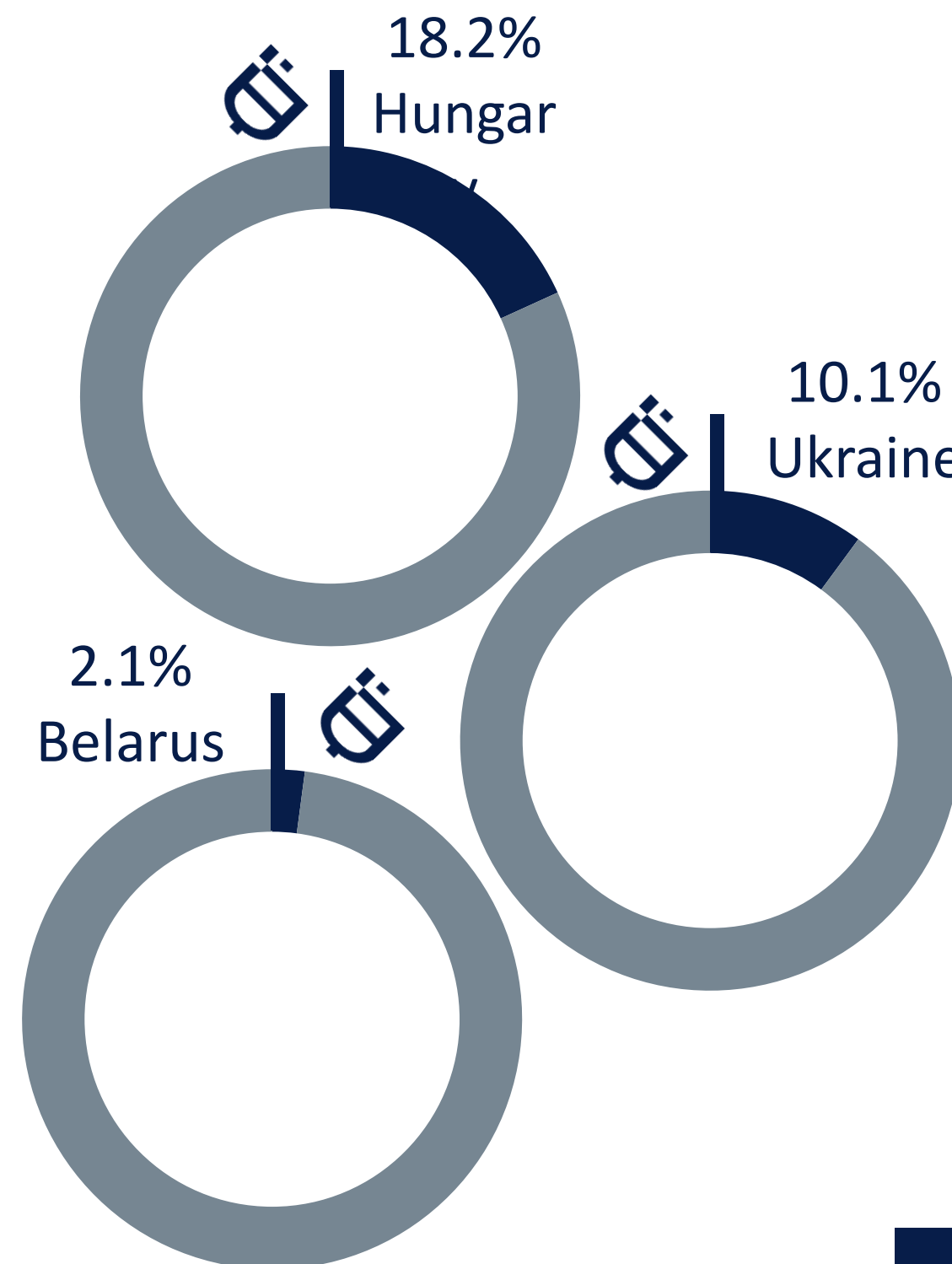


\* share in the sales structure in 2021



Lower sales on the Hungarian market is, inter alia, the result of the changes in Poli-Farbe - including the reorganization of the sales force - as part of the implementation of the new operating model of the Group, the reconstruction of the portfolio of offered products and the quantitative decline of the entire market.

The increase in revenues in the Ukrainian market was influenced by consumer interest in higher-quality products as well as a slight quantitative increase in the market of paint and products for wood protection and decoration. The final result achieved on this market is influenced by approx. 2% lower year-on-year average exchange rate of the Ukrainian hryvnia to the zloty (in local currency the result is higher than after conversion into zlotys). This was followed by the socio-political situation, the continued demand for low-price products and the lower exchange rate of the Belarusian ruble toward the zloty on a year-to-year basis. The Group's result achieved in 2021 in Belarus is also a derivative of introducing changes in the model of the market handling, including further changes adjusting the local Group company (Śnieżka-BelPol) to the current scale of operations.

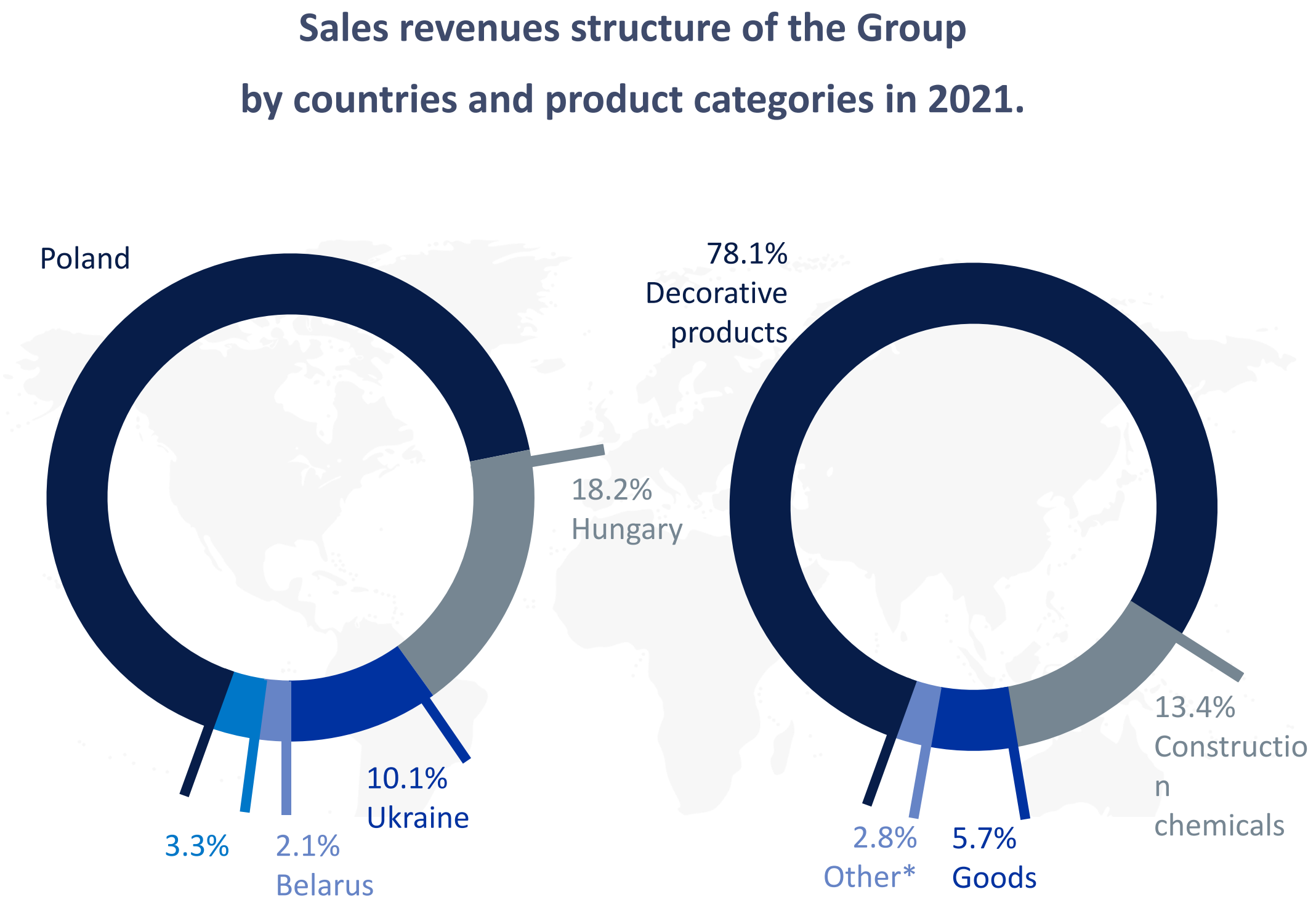


\* sales structure in 2021

# Geographical structure of revenues

(in PLN '000)	2021	2020	change (y/y)
<b>Sales revenues of the Śnieżka Group by product categories</b>			
Decorative products	620 547	635 534	-2.4%
Construction chemicals	106 329	109 508	-2.9%
Industrial products	10 551	8 979	17.5%
Goods	44 996	55 070	-18.3%
Other revenues	6 663	6 895	-3.4%
Materials	5 777	5 344	8.1%
<b>Total sales</b>	<b>794 863</b>	<b>821 330</b>	<b>-3.2%</b>

<b>Sales revenues of the Śnieżka Group by countries</b>			
Poland	527 112	524 473	0.5%
Hungary	144 546	162 071	-10.8%
Ukraine	80 273	76 358	5.1%
Belarus	16 543	22 630	-26.9%
Other countries	26 389	35 798	-26.3%
<b>Total sales</b>	<b>794 863</b>	<b>821 330</b>	<b>-3.2%</b>



\* industrial products, materials, other revenues



In 2021, the Śnieżka Group generated lower profits than in the previous year. This is primarily the effect of ending the so-called renovation boom (lockdown effect) and margin pressure on resulting from rising costs of raw materials and packaging.

	2021	2020	change (y/y)
Revenues (in PLN million)	794.9	821.3	-3.2%
Gross margin on sales (in %)	39.7%	42.1%	-2.4%
EBIT (in PLN million)	75.5	102.5	-26.4%
EBIT margin (in %)	9.5%	12.5%	-3.0%
EBITDA (in PLN million)	111.4	136.1	-18.2%
EBITDA margin (in %)	14.0%	16.6%	-2.6%
Net profit (in PLN million)	64.3	86.2	-25.4%
Net profit margin (in %)	8.1%	10.5%	-2.4%



# Profit and Loss Account (key items): Q4 of 2021

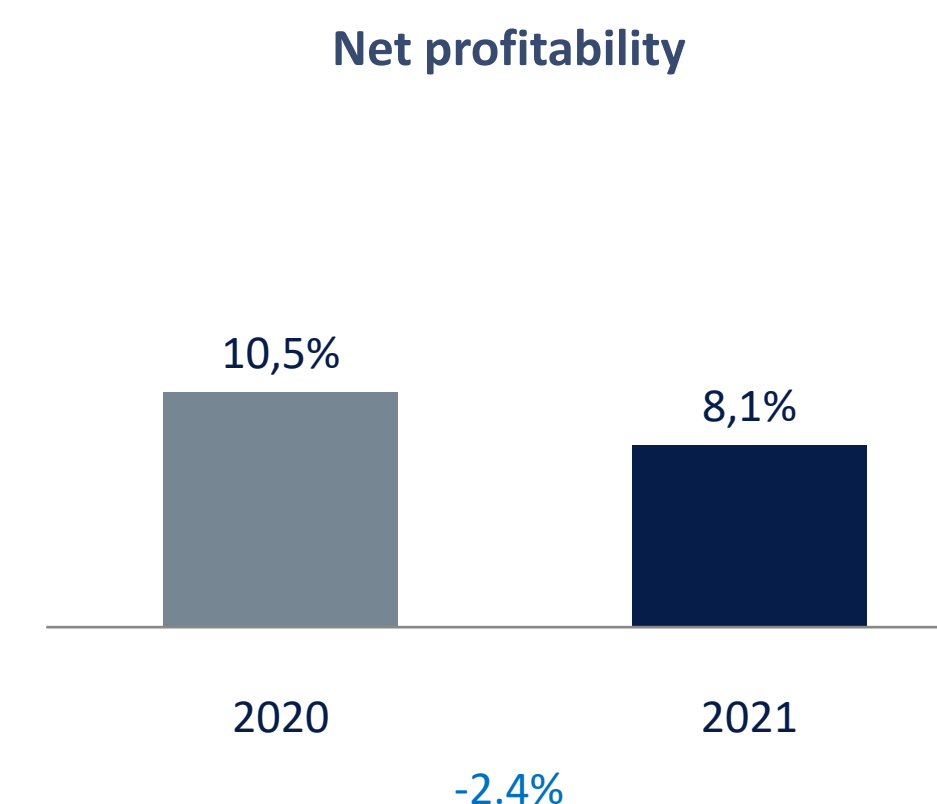
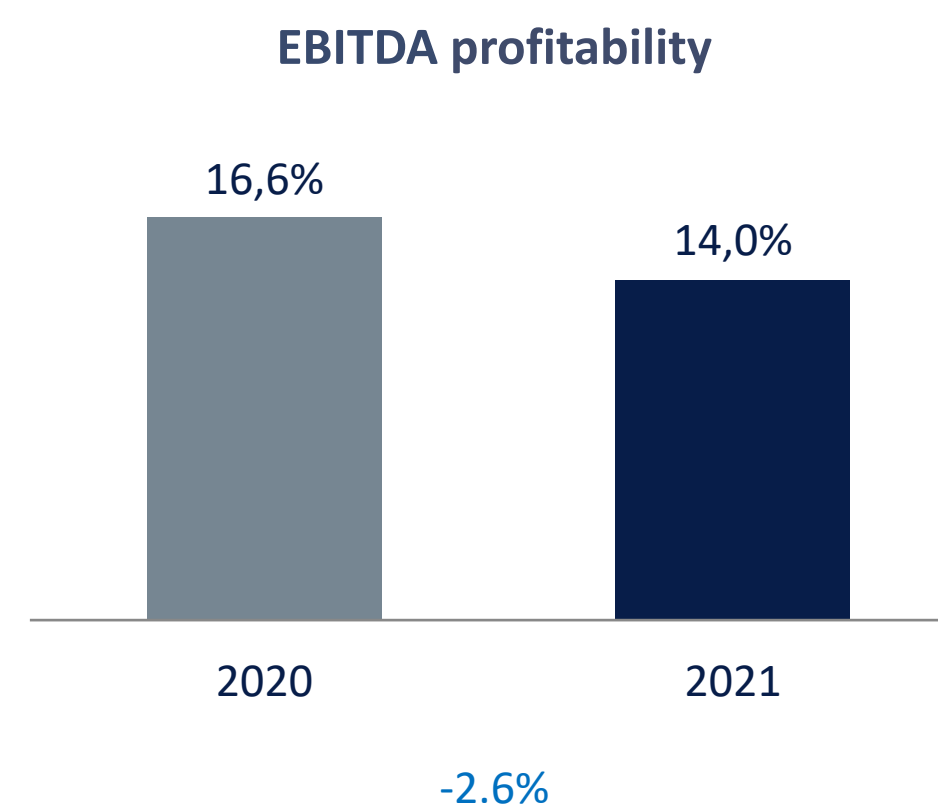
Revenues in Q4 of 2021 slightly increased year-on-year.

The net profit was positive (improvement compared to last year's loss) and the EBITDA result more than doubled.

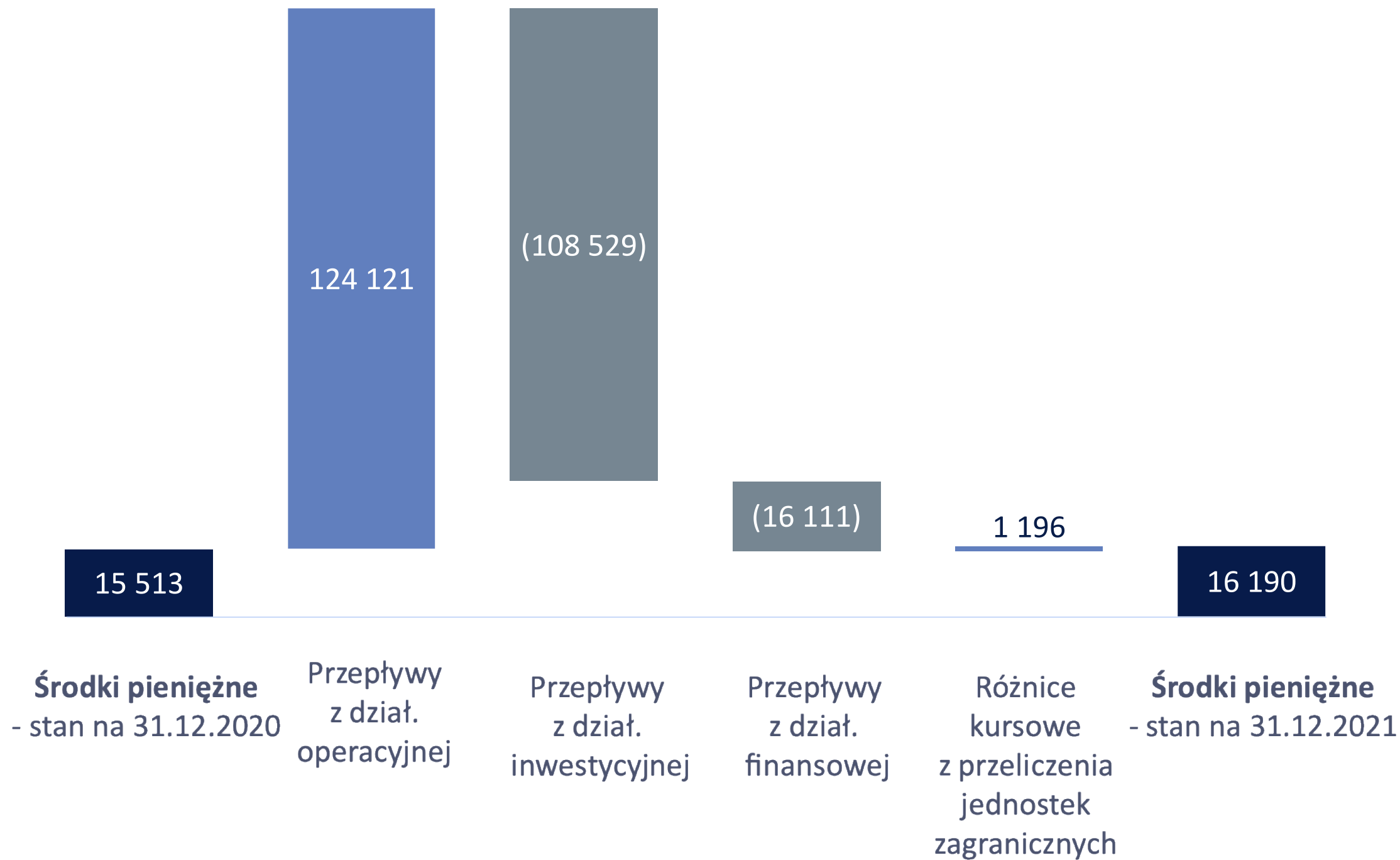
	Q4 of 2021	Q4 of 2020	change (y/y)
Revenues (in PLN million)	144.5	139.1	3.9%
EBIT (in PLN million)	(1.1)	(4.6)	-
EBITDA (in PLN million)	8.1	3.9	105.6%
Net profit (loss) (in PLN million)	0.07	(1.8)	-

In 2021, the Group achieved lower than in the previous year margins on net profit (by 2.4%), EBIT (by 3.0%), EBITDA (by 2.6%), as well as the gross margin on sales (by 2.4% pp.)

This is primarily the result of a high comparative base (the 2020 renovation boom, the aftermath of the fight against the COVID-19 pandemic, in the Company's opinion, translated into the Group's record-breaking sales results and profit margins on a one-off basis) and higher production costs (increase in the prices of raw materials used for production and packaging) as well as general administrative expenses.



Przepływy pieniężne Grupy Kapitałowej Śnieżka w 2021 r.



In 2021, the Group achieved negative cash flows of PLN 519 thousand (against negative cash flows of PLN 16,920 thousand a year earlier). At the end of this period, the Group's cash amounted to PLN 16,190 thousand.

Positive cash flows from **operating activities**

Their value was positively influenced by the profit generated by the Group (before tax) in the amount of PLN 76,810 thousand. Negative adjustments were made (in total PLN 64,755 thousand) and income tax paid (PLN 17,444 thousand).

Negative cash flows from **investing activities**

The Group companies spent a total of PLN 110,485 thousand for the purchase of tangible fixed assets and intangible assets. The vast majority of this amount is due to the expenses incurred by FFIL Śnieżka SA in connection with the construction of the new Logistics Centre in Zawada.

Negative cash flows from **financing activities**

In addition to the proceeds from the existing lines of credit in the amount of PLN 208,171 thousand, - resulting from investment needs and current operating activities - the greatest impact on cash flows on financial activities had: repayment of loans (PLN 166,179 thousand) and payment of dividends (in total PLN 53,222 thousand).

At the end of 2021, the Group's assets amounted to PLN 802,960 thousand, which is an increase by PLN 93,396 thousand (13.2%) compared to the end of the previous year - mainly as a result of investments carried out by FFiL Śnieżka SA and an increase in the value of fixed assets.

(in PLN million)	31.12.2021	31.12.2020	change (y/y)
Fixed assets	577.3	492.4	17.2%
Inventory	136.0	104.1	30.7%
Trade and other receivables	63.2	95.3	-33.6%
Equity	334.0	326.3	2.4%
Trade and other liabilities	103.2	72.3	42.7%



## (owing to the situation only for the key markets: Polish and Hungarian)

- Key external factors likely to have the greatest impact on the 2022 performance:
  - the situation on the market of raw materials and packaging (record oil prices, strong depreciation of the PLN, possible further disturbances in the supply chains),
  - consumer purchasing power (including inflation pressure and a likely further increase in the fiscal burden related to the geopolitical situation),
  - market situation (including the possibility of neutralizing the impact of rising raw material and packaging prices through a pricing policy),
  - interest rates.

**Business and financial performance in the medium-term will also be influenced by:**

- **Follow-up of the implementation of the new operating model in the Group's key companies** - including work on the operational efficiency of the Hungarian company Poli-Farbe by implementing the standards and processes applicable in the Group.
- **Process automation at the Logistics Centre in Zawada.**
- **Preparation for digitization of key processes in foreign companies of the Group.**

In the following years, the planned reduction of the Group's expenditure on tangible investments and, ultimately, their return to the depreciation level. The planned **CAPEX for 2022** is approx. PLN 55 million.





## Consolidated

(in PLN '000)	As at/period 12 months ended 31 December 2021	As at/period 12 months ended 31 December 2020
Net sales revenues	<b>794 863</b>	<b>821 330</b>
Profit from operating activities	75 455	102 536
Gross profit	76 810	103 980
Net profit	<b>64 340</b>	<b>86 194</b>
Net cash flows from operating activities	124 121	120 691
Net cash flows from investing activities	(108 529)	(124 813)
Net cash flows from financing activities	(16 111)	(12 798)
Total net cash flows	(519)	(16 920)
Total assets	<b>802 960</b>	<b>709 564</b>
Total liabilities	468 997	383 295
Long-term liabilities	270 552	119 323
Short-term liabilities	198 445	263 972
Equity	<b>333 963</b>	<b>326 269</b>

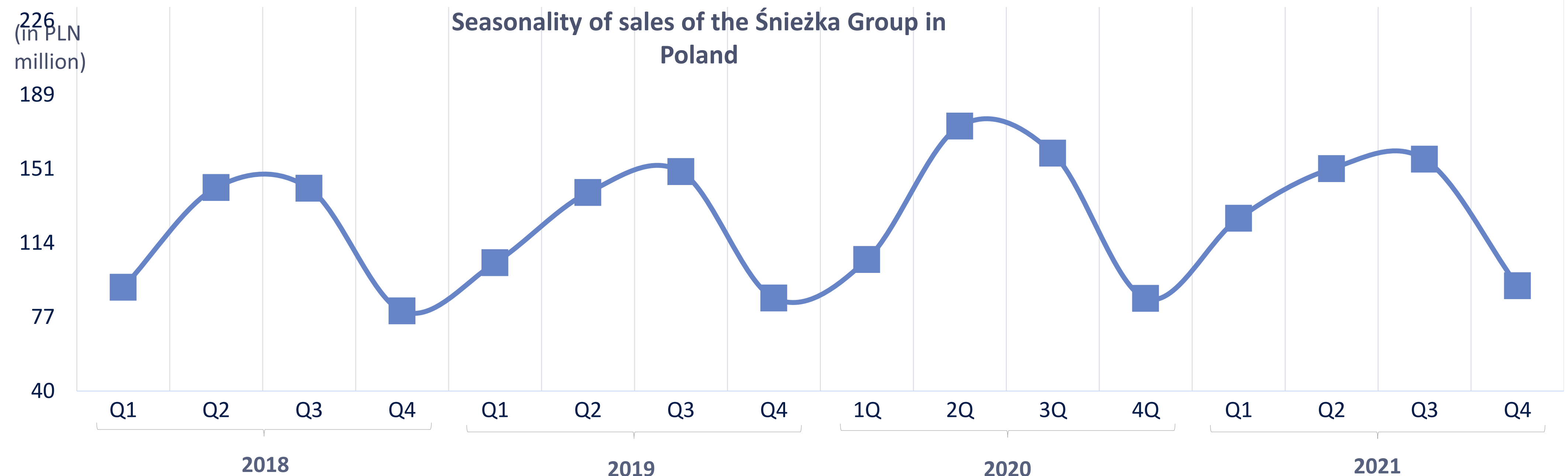
## Standalone

(in PLN '000)	As at/period 12 months ended 31 December 2021	As at/period 12 months ended 31 December 2020
Net sales revenues	<b>484 916</b>	<b>583 703</b>
Profit from operating activities	66 861	67 036
Gross profit	62 944	66 649
Net profit	<b>60 335</b>	<b>56 381</b>
Net cash flows from operating activities	(47 135)	45 259
Net cash flows from investing activities	(58 853)	(80 059)
Net cash flows from financing activities	107 374	34 275
Total net cash flows	1 386	(525)
Total assets	<b>836 646</b>	<b>660 562</b>
Total liabilities	606 912	444 886
Long-term liabilities	514 990	200 512
Short-term liabilities	91 922	244 374
Equity	<b>229 734</b>	<b>215 676</b>

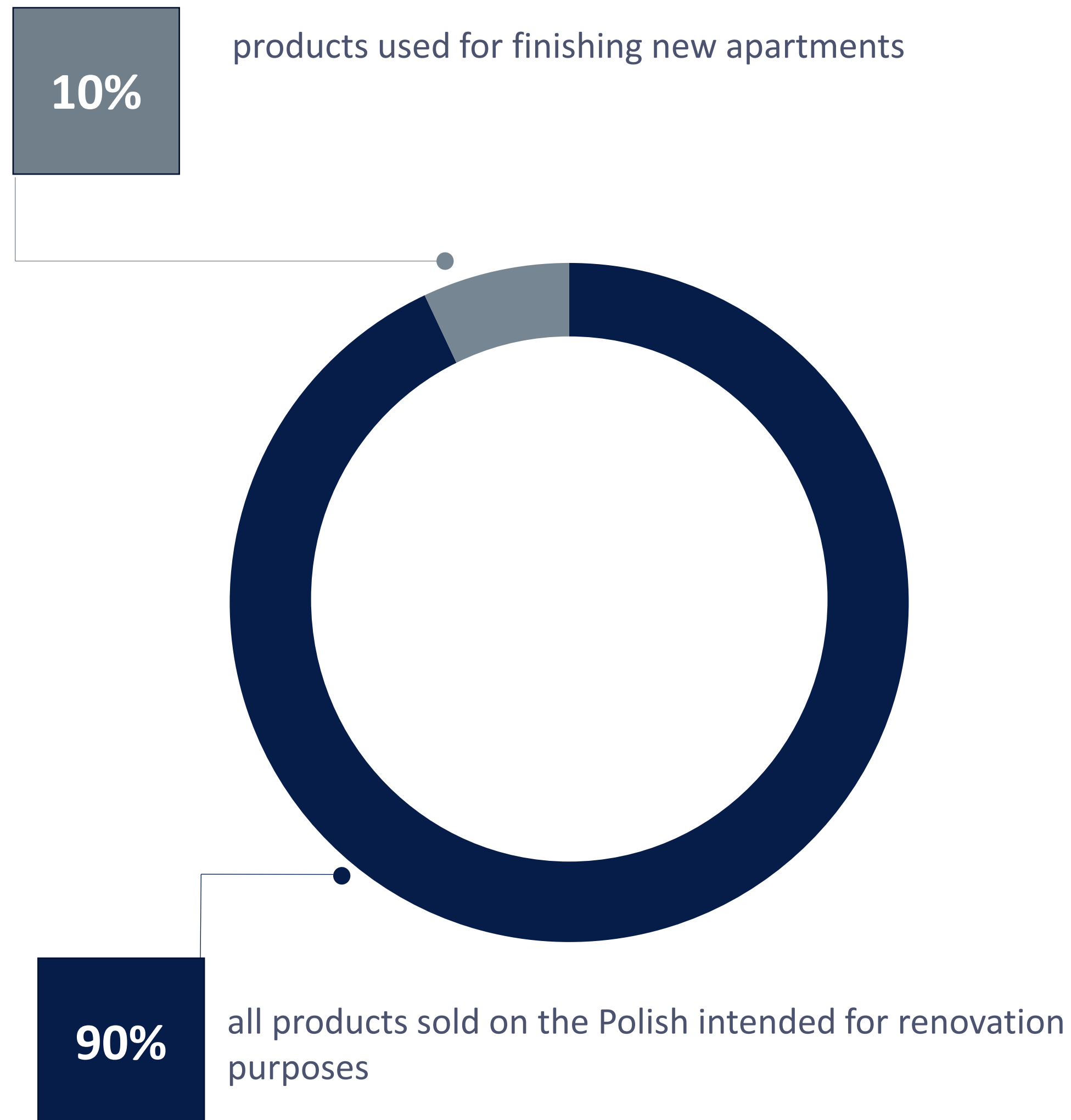
# Seasonality - return to pre-pandemic trends following the 2020 boom.

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 - they account for approx. 60-65% of its annual sales revenues. **In 2021**, the revenues generated in **Q2 and Q3 accounted for 58.8%** of consolidated sales revenues (compared to 62.6% a year earlier).

- The share of **Q1** in the total results for 2021 was slightly higher y/y. This is the result of an increased level of orders from trading partners in various distribution channels (DIY stores, independent paint stores) - particularly in March last year.
- In **Q2** of this year the pattern of seasonality of sales commenced a return to the long-term trend - which is associated with the return to the pre-pandemic state of consumer behaviour related to buying and taking advantage of decorative products.



## Decorative paint products – use\*



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).

\*GfK, Study of the effectiveness of communication and brand condition 2021.

## 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**

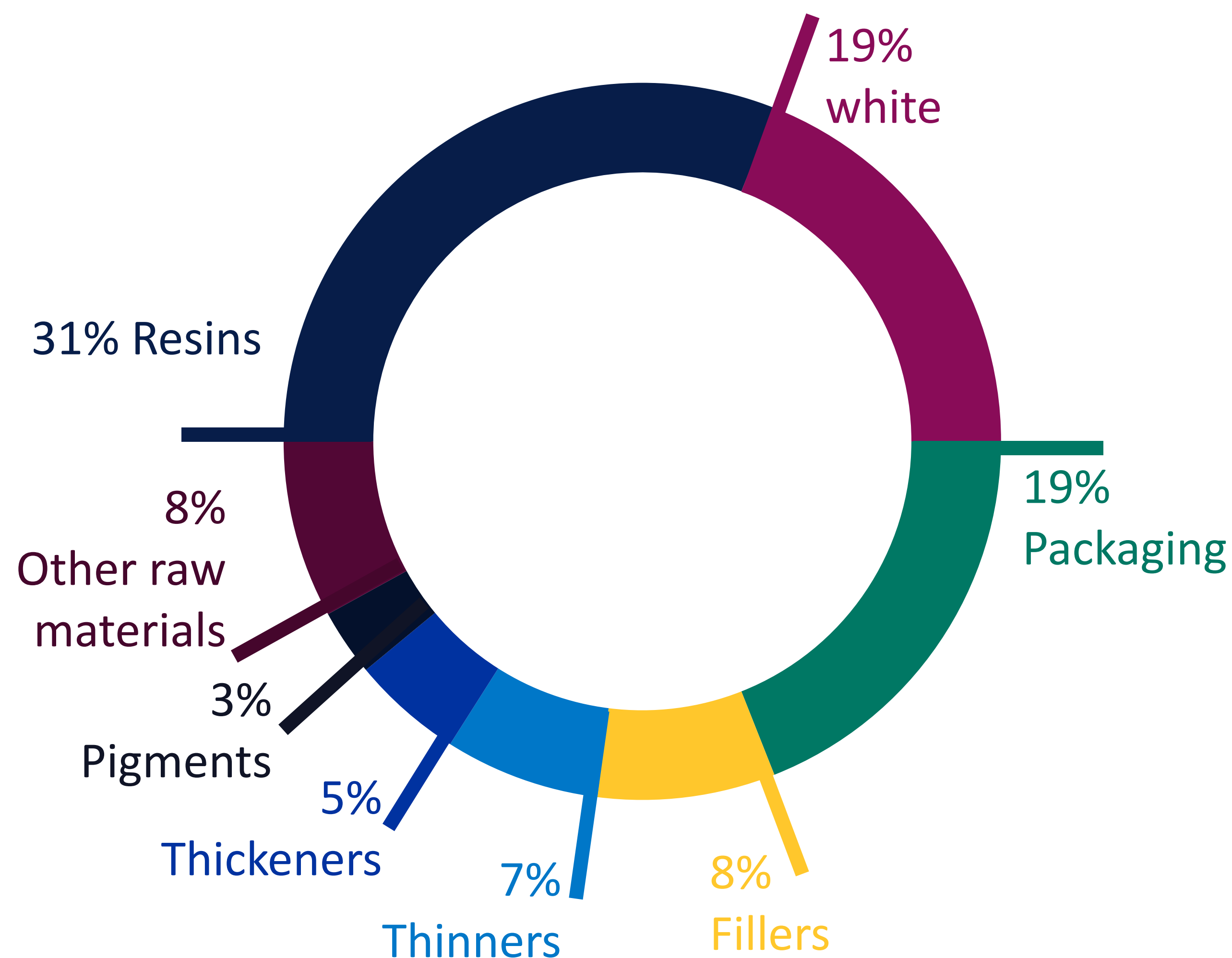
Scandinavian manufacturer in the dyeing field listed on Nasdaq Helsinki. Since June 2021 controlled by PPG.

The core brands are as follows:





## Raw materials for the production of paint



**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).

**Fillers** - substances insoluble in the binder or water used to modify or affect some of the physical properties of paints. Fillers regulate the viscosity, thickness and structure of the coating, as well as the gloss/matt degree of the paint.

**Pigments** - substances used for dyeing paints and varnishes. Due to their origin, they are divided into organic and inorganic ones. Generally, the more pigments in the paint the higher covering efficiency. One of the most popular pigments used in the production of paints is titanium white.

**Thinner** - the diluent can be water or a solvent (e.g. white spirit, xylene). It is responsible for application properties, such as the thickness of the applied coating using a painting tool, easy application and drying time. Water is used in emulsion paints.

 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 smoothening 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.





## The 100 largest producers of construction and finishing materials

The annual ranking of the 100 largest "Builder" monthly advanced Śnieżka from 28th to 26th place on the list. Once again, the Group was ranked the highest-ranked company among manufacturers of decorative paint products. The order on the ranking list is determined by the sales and financial performance obtained in the last financial year, as well as the total assets. In 2020, the Śnieżka Group generated sales revenues of PLN 821.3 million and PLN 86.2 million of net profit.



## Ranking of the 100 Largest Polish Private Companies

For the sixth time, Śnieżka has appeared in the Ranking of 100 Largest Polish Private Companies by the Forbes magazine. In this year's ranking, it took 81<sup>st</sup> place. The position in the ranking is determined by the company's value, calculated on the basis of the EV (Enterprise Value) indicator. As regards Śnieżka, the authors of the ranking for 2021 estimated it at PLN 1,258 million.



## Economic Award of the Podkarpace Region

FFiL Śnieżka SA was awarded the title of the Company of the 10th Anniversary in the Economic Award of the Podkarpace Region competition. This year's statuette crowns the years of the company's success in a plebiscite bringing together the best and most economically active companies in the region.

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