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The Śnieżka Group defended its sales results despite the difficult season

Following the first three quarters of 2022, the Śnieżka Group generated slightly higher revenues than a year ago. This is the result of a better sales result in Poland and a clear recovery of demand for Śnieżka's products on the Ukrainian market - despite the on-going war in that country. The Group's profits, however, were strongly affected by the effects of rising interest rates and rocketing costs.

In the first three quarters of this year, The Śnieżka Group generated sales revenues of PLN 651.0 million, i.e. 0.1% higher than in the previous year. This is primarily the effect of a 2.6% increase in sales on the key Polish market for Śnieżka, which is responsible for approximately 70% of the Group's sales.

Śnieżka managed to boost sales in Poland, despite the fact that between January and September 2022 the entire market of paints and varnishes recorded a single-digit percentage decrease in terms of value and a significant decrease as far as the volume is concerned (drop in the number of products sold). The high performance on the Polish market in the already finished 2022 season - featured by relatively good weather, favouring renovations from spring to autumn - were influenced by two factors. They were: continuing consumer trends in opting for premium products, as well as marketing and sales activities carried out by the Group and a dynamic pricing policy.

- Our performance on the domestic market is good, since Poles know and eagerly go for Polish products, e.g. Magnat, Vidaron and Śnieżka brands. The trust in our products, built over the years, pays off, both among end customers and our business partners. This is the foundation of our trading strategy, which proves to be effective especially in such difficult times. This is confirmed by our increased market share after this year's season - sums up Joanna Wróbel-Lipa, Vice-President of the Management Board of FFIL Śnieżka SA.

Although the performance of this year's season does not reflect this, Śnieżka observes that the growing inflation and the persistently unfavourable macroeconomic environment have a negative impact on consumer sentiment in Poland. This, in turn, translates into a weakening of demand, including for decorative products.

Limiting the sales decline in Ukraine, stable sales volume on the Hungarian market

The performance of the 2022 season in Ukraine - in the context of the full-scale war on-going in numerous regions of the country - is a positive surprise. In the 2nd and 3rd quarter of this year, the demand for the Group's products on the Ukrainian market was gradually growing (particularly in western and central Ukraine). This translated into the generation of revenues for the period January-September this year at the level of PLN 53.1 million. This denotes that the sales decline has been limited to -15.2% y/y (compared to a decrease of 28.2% y/y recorded in the first half of this year). Consequently, the share of the Ukrainian market in the Śnieżka Group's revenues increased by 1.8 % compared to the previous quarter to 8.2%.

In spite of the improvement in the situation in the third quarter of this year, it remains uncertain and demanding in many respects. Therefore, it is impossible to estimate the impact of the war in Ukraine on the future performance of the Group.

The Group's revenues on the Hungarian market amounted to PLN 113.1 million, which accounts for 3.4% fall y/y. This is primarily the effect of the weakening of the Hungarian forint against the Polish złoty. In the local currency, i.e. in HUF, the Group recorded a sales boost by 8.7%. The sales volume remained at a similar level as in the previous year. On the Hungarian market, the Group faces similar challenges as on the Polish one, resulting in growing costs of conducting business activities.

Revenues generated on the Hungarian market had a share of 17.4% in the total revenues of the Śnieżka Group in the period in question, and 8.2% on the Ukrainian market. On other markets where the Group's products are sold, sales amounted to PLN 39.1 million, i.e. 7.7% higher than in the first nine months of last year.

Rising debt servicing costs reduced profit

In the first three quarters of this year, the Group generated: operating profit in the amount of PLN 74.1 million (-3.2% y/y), EBITDA of PLN 101.4 million (-1.9% y/y) and consolidated net profit in PLN 44.7 million (-30.5% y/y).

– Our financial performance shows that the main challenge for the Group in the 2022 season were external factors, primarily rising costs. However, we were ready for worse times as well as possible, which was reflected by a slight decline in profits at the operating level. We predicted the trends in the right way and reacted to them accordingly - comments Piotr Mikrut, President of the Management Board of FFIL Śnieżka SA.

The amount of the Group's net profit generated in the period of January-September 2022 was mainly affected by the increase in debt servicing costs (interest on loans taken). General costs related to running the business also went up which contributed to higher income tax. In turn, the performance was positively influenced by the reduction of selling costs, the increase in sales revenues and the previously announced reduction of the Group's capital expenditures.

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