

# Presentation of Śnieżka Group's performance for Q1 of 2023

17 May 2023





## Sales performance

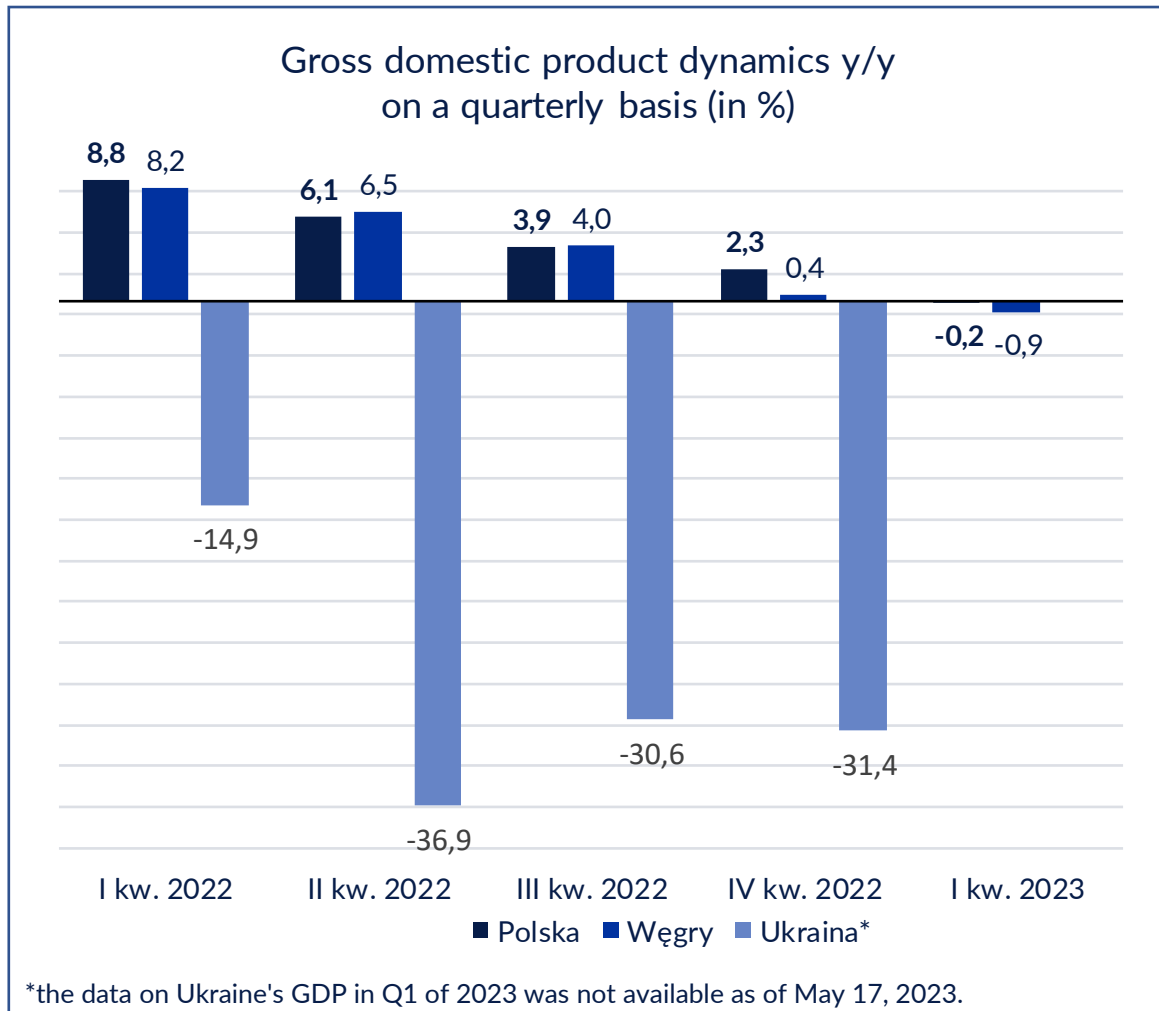
- Good sales performance in Q1 of 2023 in Poland and Ukraine.
- Performance on key markets:
  - Polish market: increase in sales related to preparations for the season in distribution channels;
  - Hungarian market: decrease in revenues due to a significant reduction in the purchasing power of local consumers and deterioration of consumer sentiment;
  - Increase in sales on the Ukrainian market resulting from limited activity in Q1 last year (low base effect), currently high demand for selected products of the Group and the strong competitive position of Śnieżka-Ukraine



## Financial performance:

- margins were positively affected by the effective implementation of the pricing policy as well as marketing and sales activity;
- further CAPEX reduction.





## Poland



- according to the Central Statistical Office, the Polish economy grew by 5.1% y/y in 2022, although the rate of economic growth slowed down in subsequent quarters
- GDP decline in Q1 of 2023 to -0.2%
- GDP forecasts in 2023 between 0.3 and 0.9%

## Hungary



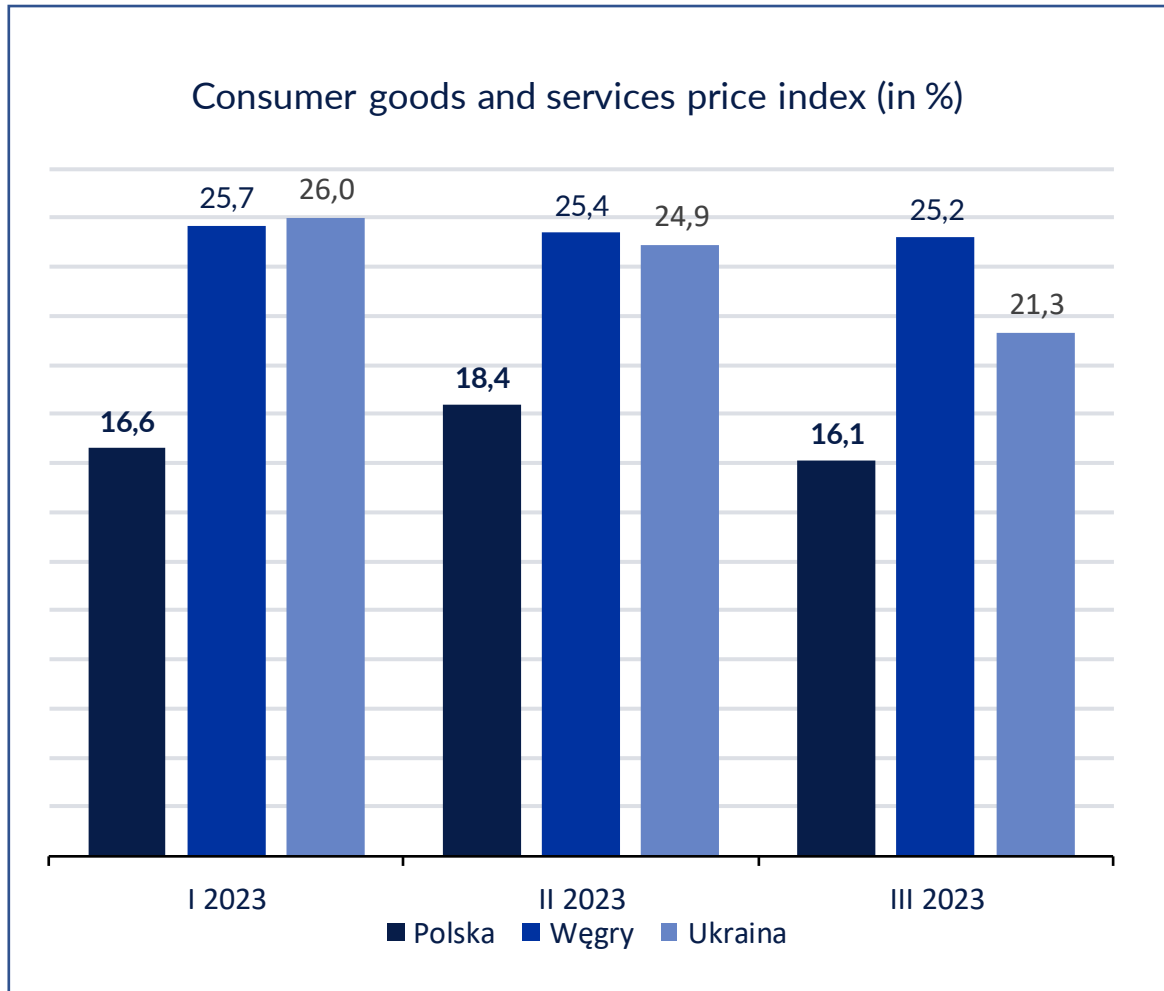
- throughout 2022, Hungary's GDP increased by 4.6%, yet in Q1 of 2023 a decrease of -0.9% was recorded
- forecasts for Hungary's GDP in 2023 reach approx. 0.5%

## Ukraine



- according to the National Bank of Ukraine, the fall in real GDP for 2022 is -29.1%
- in line with the preliminary data, in Q1 of 2023, the economy began to recover

# Macro 2/3 (inflation across the key markets)



- consumer price index (CPI inflation) increased in the first quarter by 17.0% y/y
- according to the central NBP projection, in each subsequent quarter until the end of 2025, lower inflation dynamics ought to be anticipated
- the March MNB report predicts that inflation in Hungary will slow down substantially in each subsequent quarter and will reach between 15.0% and 19.5% throughout the year
- in Ukraine in 2023, inflation stabilized although it still remains at a high level

PLN exchange rate against the euro and the dollar



- in Q1 of 2023, the **euro** fluctuated between PLN 4.67 and PLN 4.79, and the **US dollar** between PLN 4.28 and PLN 4.49
- the average NBP **EUR/PLN** exchange rate in Q1 of 2023 was 4.7096, **USD/PLN** 4.3905
- the strengthening of the zloty against the euro amounted to 0.3%
- the strengthening of the zloty against the dollar amounted to 2.5% (calculated on the basis of the exchange rate from the end dates of the analysed period)

PLN exchange rate against HUF (100HUF)



- the exchange rate of **100 HUF/PLN** in Q1 of 2023 fluctuated between 1.16 and 1.26
- the average NBP exchange rate of 100 HUF/PLN in Q1 of 2023 was 1.2121, while in Q1 of 2022 - 1.2686
- the appreciation of the zloty against the forint amounted to 4.8% (calculated on the basis of the exchange rate from the end dates of the analysed period)







PLN 201.4 mln  
of revenues (+6.1% y/y)



PLN 17.2 mln  
of net profit (+43.9% y/y)



18.6%  
of EBITDA margin (+4.6% y/y)

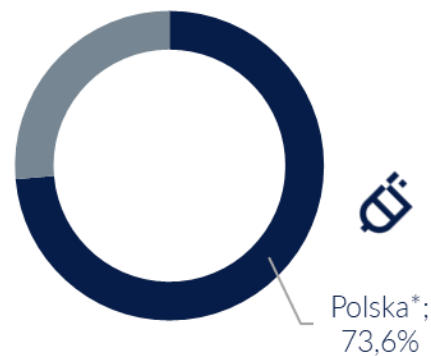
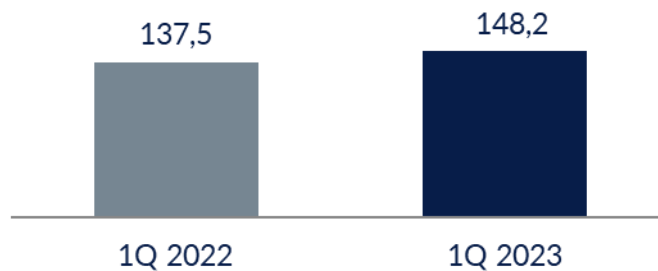
- **higher sales on the Group's dominant Polish market, high dynamics in Ukraine**
- continued premiumization of the market (Poland)
- effective implementation of a long-term pricing strategy
- a decrease in purchasing power and consumer sentiment
- uncertainty related to the armed conflict in Ukraine

- significantly higher debt servicing costs
- decrease in cost of sales
- higher general administrative expenses
- increase in selling costs

- higher margins y/y, mainly due to improved gross margin

## The Polish market

(in PLN  
million)



\* share in the sales structure in Q1 of 2023

**PLN 148 248 thousand – revenues from sales on the Polish market:**

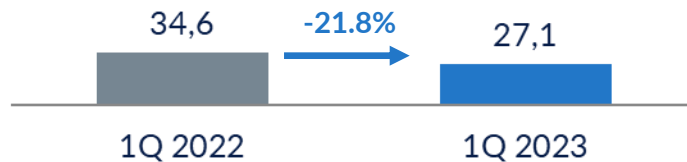
- share in the sales structure in Q1 of 2023: 73.6%,
- increase in sales revenues y/y by 7.8%.

The increase in the value of sales in Poland resulted, inter alia, from:

- properly shaped pricing policy,
- marketing and sales activities,
- continuing customer migration towards premium products.

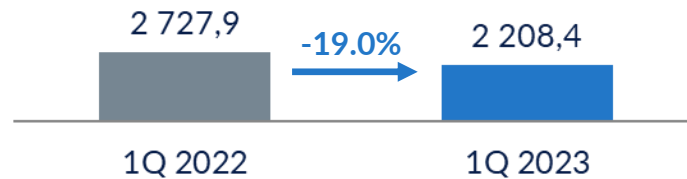
## The Hungarian market

(in PLN  
million)



## The Hungarian market

(in HUF mln)

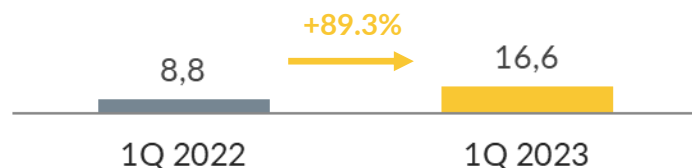


**PLN 27 051 thousand - revenues from sales on the Hungarian market**

- share in the sales structure in Q1 of 2023: 13.4%,
- decrease in sales revenues y/y by 21.8% (in local currency sales decrease by 19.0%),
- the effect of unfavourable macroeconomic conditions, including:
  - growing inflation,
  - falling purchasing power,
  - unfavourable consumer sentiment.

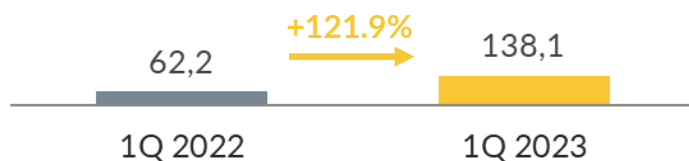
## The Ukrainian market

(in PLN  
million)



## The Ukrainian market

(in UAH mln)



### PLN 16 631 thousand – revenues from sales on the Ukrainian market:

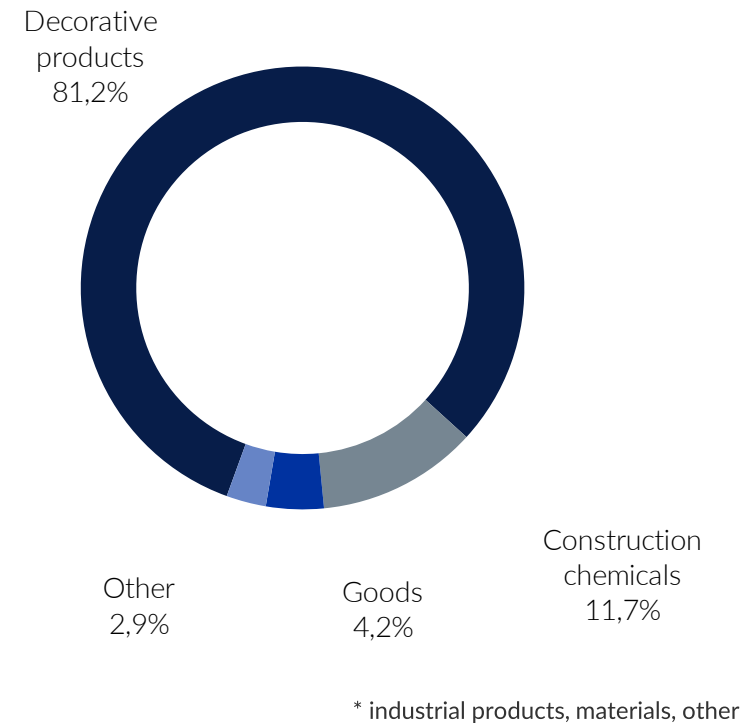
- share in the sales structure in Q1 of 2023: 8.3%,
- an increase in sales by 89.3% (in local currency by 121.9%) related to unrepresentative results of Q1 of 2022 - partial suspension of Śnieżka-Ukraina's operations at the beginning of hostilities;
- according to the Group's estimates, in Q1 of 2023, compared to the same period last year, there is a revival on the market of decorative paints and construction chemicals in Ukraine, particularly in its western and central regions;
- full adaptation of the operation of the plant in Yavoriv to the conditions, currently uninterrupted operations and preparations for the 2023 season;
- **there are still no indications of a significant risk of impairment of assets\*** and the impact of this phenomenon on future estimated cash flows;
- **the situation on the Ukrainian market remains demanding and difficult to forecast.**

\* the total assets (including tangible assets, inventories, receivables and cash) of Śnieżka-Ukraina as at December 31, 2023 amounted to approx. PLN 48,3 million (in net terms: PLN 42.9 mln).

# Revenue structure - product categories

(in PLN '000)	Q1 of 2023	Q1 of 2022	change (y/y)
Sales revenues of the Śnieżka Group by product categories			
Decorative products	163 663	151 703	7.9%
Construction chemicals	23 493	24 012	-2.2%
Industrial products	1 870	2 064	-9.4%
Goods	8 486	9 250	-8.3%
Other	1 956	1 344	45.5%
Materials	1 937	1 504	28.8%
Total	201 405	189 877	6.1%

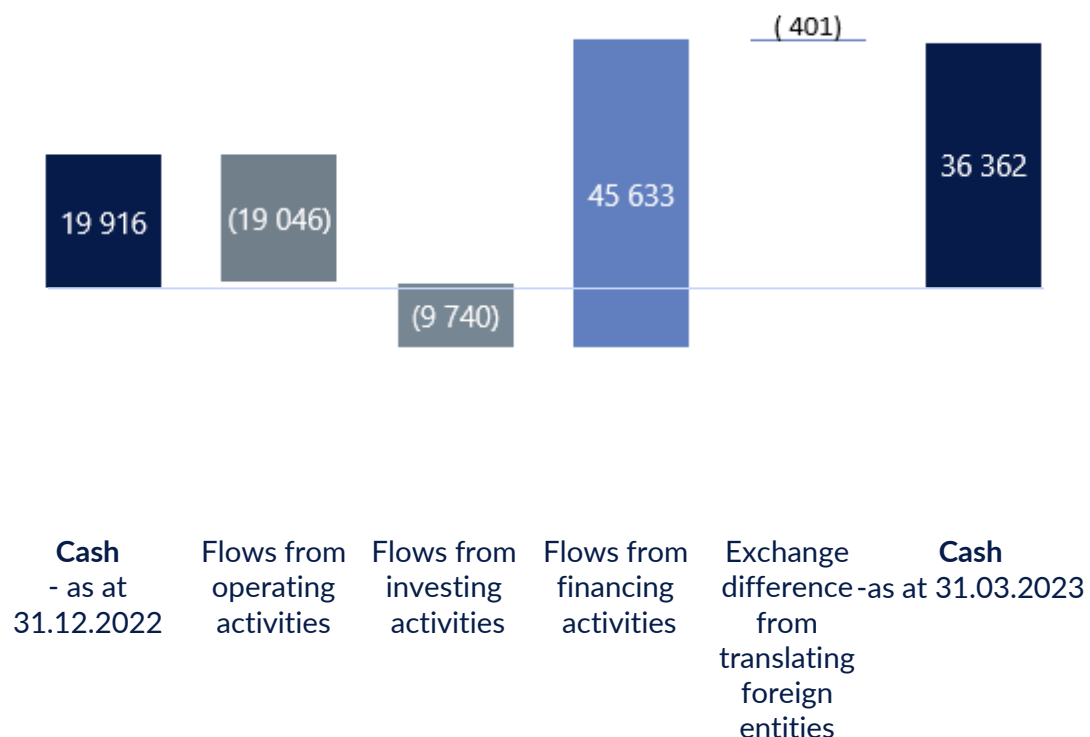
Sales revenues structure of the Group  
by product categories in Q1 of 2023.



Net profit of PLN 17,2 thousand, i.e., 43.9% higher y/y. The net profit attributable to the shareholders of the parent company amounted to PLN 16 310 thousand (an increase by 47% y/y).

	Q1 of 2023	Q1 of 2022	Change (y/y)
Revenues (in PLN million)	201.4	189.9	6.1%
Gross margin on sales (in %)	42.2%	38.4%	+3.8%
EBIT (in PLN million)	27.5	17.8	54.5%
EBIT margin (in %)	13.7%	9.4%	+4.3%
EBITDA (in PLN million)	37.5	26.6	40.6%
EBITDA margin (in %)	18.6%	14.0%	+4.6%
Net profit (in PLN million)	17.2	12.0	43.9%
Net profit margin (in %)	8.6%	6.3%	+2.3%

## The Śnieżka Group's cash flows in 2022



**Positive cash flows in Q1 of 2023 in the amount of PLN 16,446 thousand (adjusted for exchange differences).**

**Cash and cash equivalents amounted to PLN 36,362 thousand for the Group at the end of the reporting period.**

▪ **Negative cash flows from operating activities generated by the Group as a result of:**

- generating a gross profit of PLN 21,327 thousand,
- changes in liabilities by PLN -57,654 thousand,
- changes in inventories by PLN -18,409 thousand.

▪ **Negative cash flows from investing activities:**

- a total of PLN 10,269 thousand was allocated for the purchase of tangible fixed assets and intangible assets,
- the vast majority of this amount are expenses incurred by FFiL Śnieżka SA.

▪ **Positive cash flows from financing activities:**

- proceeds from existing credit lines in the amount of PLN 238,230 thousand; - resulting from investment needs as well as current operating activities,
- partial repayment of loans (PLN 185,589 thousand) and interest (PLN 6,760 thousand).

- As at 31 March 2023, the value of assets of the Śnieżka Group amounted to PLN 877,565 thousand, which is a decrease y/y (by PLN 34,195 thousand, i.e. 3.8%)
- the value of the Group's fixed assets (representing 64.6% of its total assets) decreased by 3.4% during the year to PLN 566,684 thousand
- the main component of the Group's current assets were inventories, the value of which decreased in total by 14.2% y/y
- As at 31 December 2023, the Group had equity in the amount of PLN 340,584 thousand, i.e. lower by 1.5% y/y, while the level of its external debt decreased

(in PLN million)	31.03.2023	31.03.2022	change (y/y)
Fixed assets	566.7	586.7	-3.4%
Inventory	144.5	168.4	-14.2%
Trade and other receivables	118.3	132.0	-10.4%
Equity	340.6	345.8	-1.5%
Trade and other liabilities	117.9	132.3	-10.9%





Despite lower unfavourable impact of some factors in Q1 of 2023, as in 2022, the performance of the entire 2023 season will still be strongly affected by most of them, i.e.:

- high inflation translating into lower consumer sentiment, which contributes to a negative pressure on demand in terms of volume,
- high interest expenses,
- persistent geopolitical uncertainty in Ukraine and Eastern Europe,
- rising costs of logistics and wages.

The Group has a number of strategic competitive advantages that allow it to compete effectively on the market in an unfavourable and highly volatile environment, also in the 2023 season:

- strong brands, effective pricing processes, a wide product portfolio (including products with a good quality-to-price ratio, i.e. the value for money segment), efficient distribution channels, invested production assets and the structure of selling costs, which are largely variable;
- strong market position on the Group's key markets;
- optimized logistics and production processes;
- supply chain, on the one hand, diversified, on the other hand, in many cases based on long-term, strategic partnerships;
- digitization of key processes (planned implementations in some Group companies);
- long-term: stable cash flow
- high level of automation and digitization of processes and a significant reserve of production capacity allowing for planning smaller capital expenditures (CAPEX) in the coming years.

The Management Board intends to maintain the current approach to dividend distribution.



## Consolidated

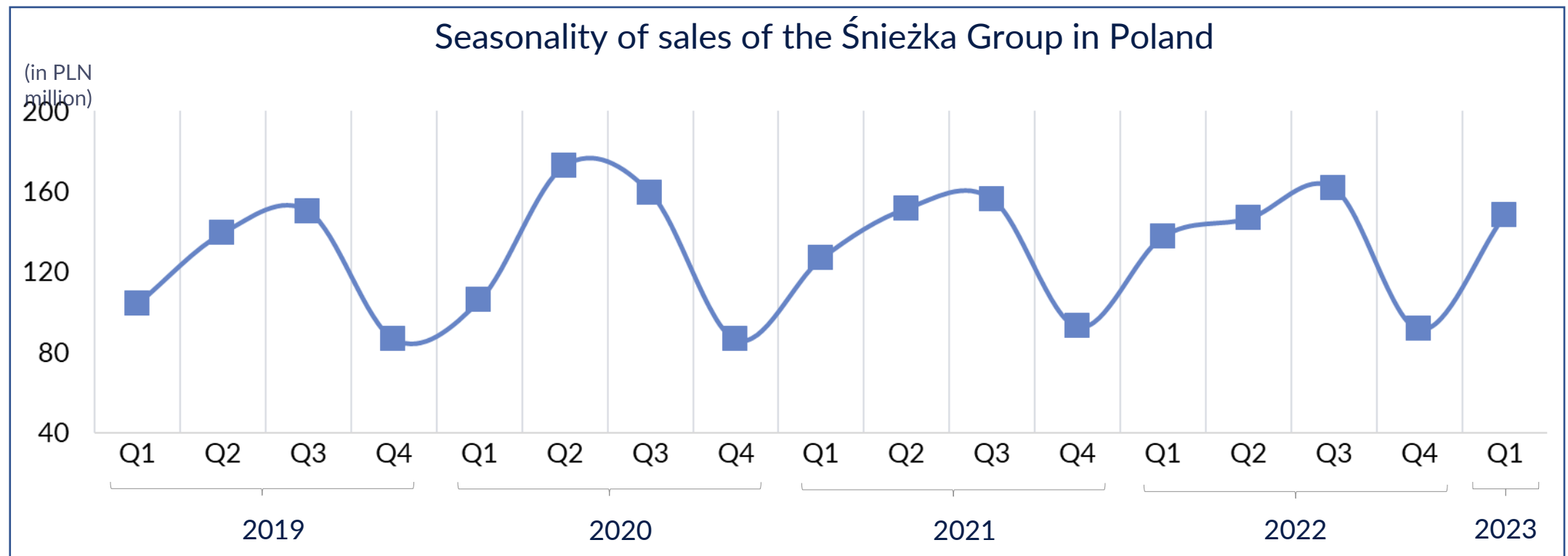
(in PLN '000)	As at/period 3 months ended 31.03.2023	As at/period 3 months ended 31.03.2022
Net sales revenues	201 405	189 877
Profit from operating activities	27 540	17 824
Gross profit	21 327	14 193
Net profit	17 227	11 969
Net cash flows from operating activities	(19 046)	(51 875)
Net cash flows from investing activities	(9 740)	(18 572)
Net cash flows from financing activities	45 633	65 461
Total net cash flows	16 846	(4 986)
Total assets	877 565	911 760
Total liabilities	536 981	565 921
Long-term liabilities	315 251	307 366
Short-term liabilities	221 730	258 555
Equity	340 584	345 839

## Standalone

(in PLN '000)	As at/period 3 months ended 31.03.2023	As at/period 3 months ended 31.03.2022
Net sales revenues	134 131	125 035
Profit from operating activities	13 513	6 146
Gross profit	2 913	(532)
Net profit	2 169	(678)
Net cash flows from operating activities	(1 198)	(21 185)
Net cash flows from investing activities	(9 568)	(17 688)
Net cash flows from financing activities	20 919	32 522
Total net cash flows	10 152	(6 351)
Total assets	883 188	901 457
Total liabilities	657 843	672 122
Long-term liabilities	512 572	540 416
Short-term liabilities	145 271	131 706
Equity	225 345	229 335

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 2022, the revenues generated in Q2 and Q3 accounted for 58.2% of consolidated sales revenues.



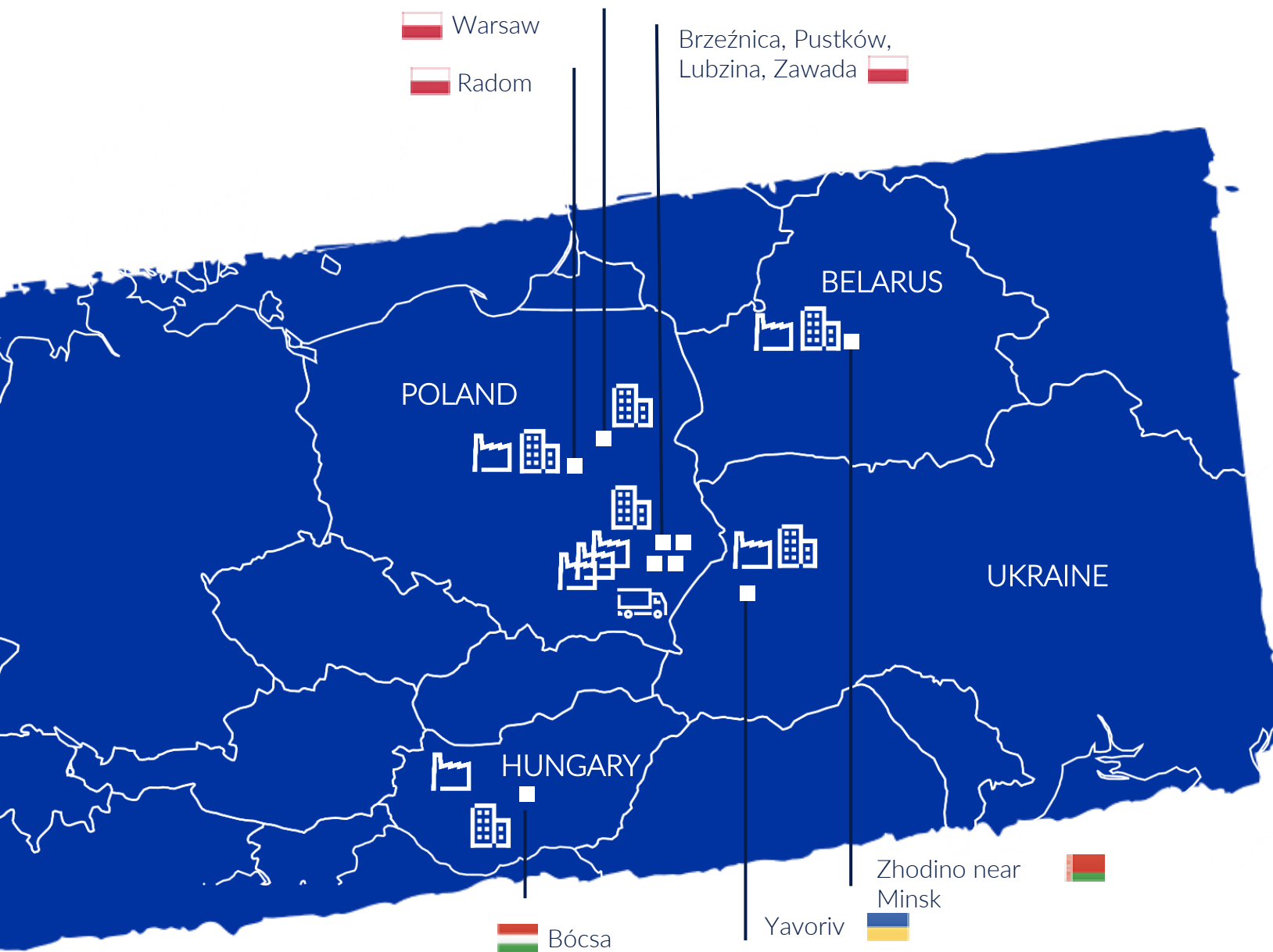


The markets  
where our  
companies are  
based



Other foreign markets  
where we actively operate:

Moldova  
Slovakia  
Romania  
Kazakhstan  
Armenia  
Lithuania  
Georgia  
Algeria  
Czech Republic  
Kyrgyzstan  
Serbia



7 production facilities



4 countries, where our offices, facilities and warehouses are located



Production facilities



Offices

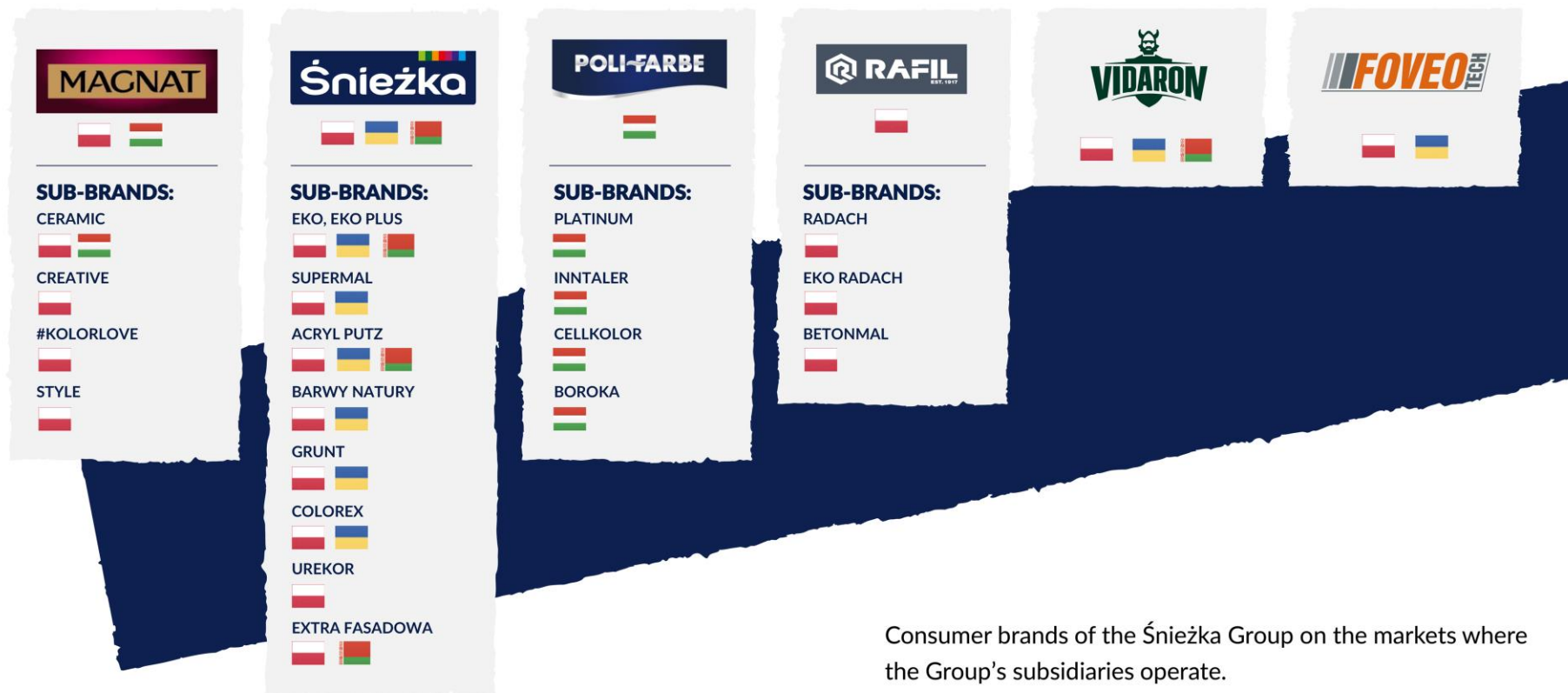


Logistics centres

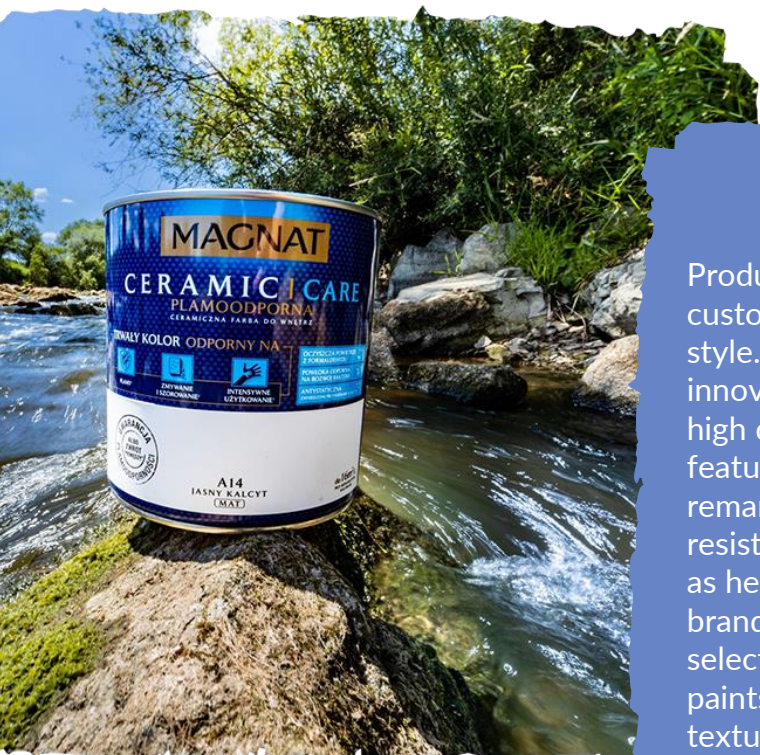




## Brand structure



Consumer brands of the Śnieżka Group on the markets where the Group's subsidiaries operate.



Products for 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. The brand's portfolio also includes a selection of high-quality white paints. Magnat stands also for textures, providing numerous decorative options.



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.



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 (sub)brands on the Hungarian market: Platinum and Inntaler (including interior and facade emulsions), Cellkolor (paint for wood and metal) and Boróka (agents 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.



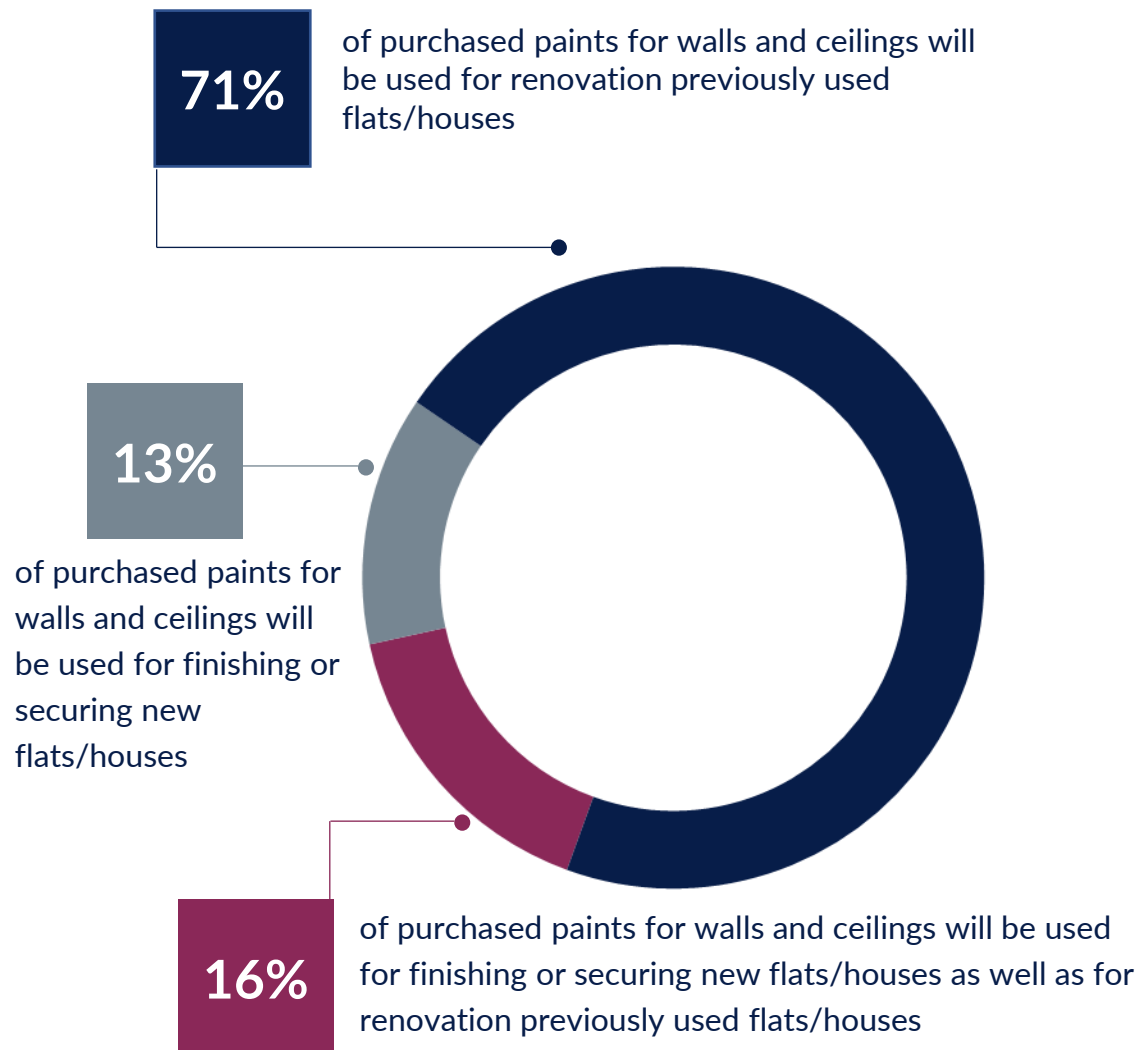
A brand providing undercoat and surface anticorrosive industrial paints. Its portfolio consists of alkyd, polyvinyl, polyurethane, epoxy and heat-resistant systems. The brand's offer includes products with a reduced content of organic solvents and waterborne products. Rafil also offers roof coatings,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



A brand of facade products based on decorative plasters and facade paints, available in a wide range of colours. They are widely used in both newly built and existing buildings. These are materials for renovating buildings for thermal insulation, structural protection and exterior appearance.



## 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:

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

# Market in Poland: other key manufacturers

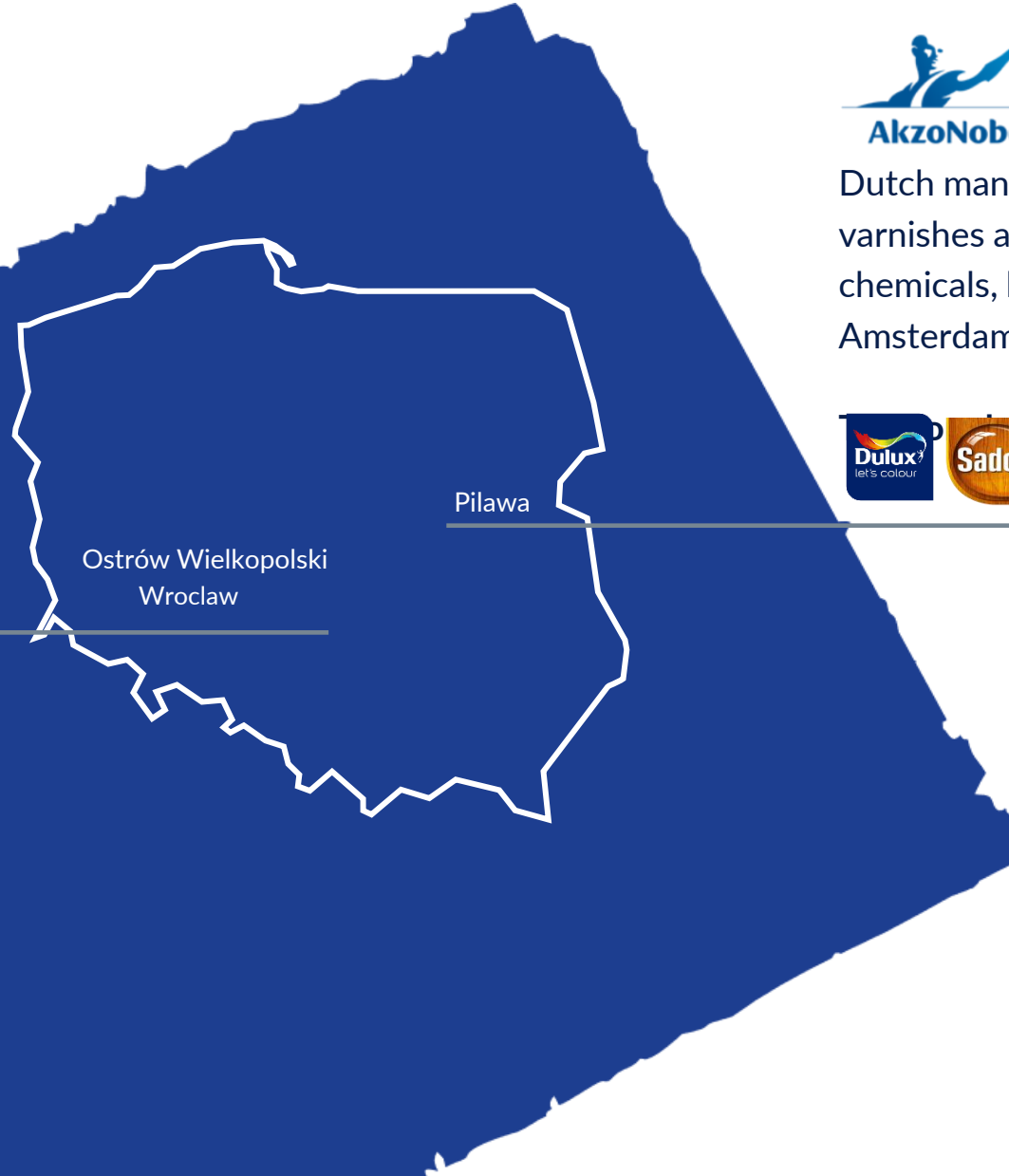


A manufacturer of paint, varnishes, chemicals, optical products, glass and glass fibres, listed on the New York Stock Exchange.

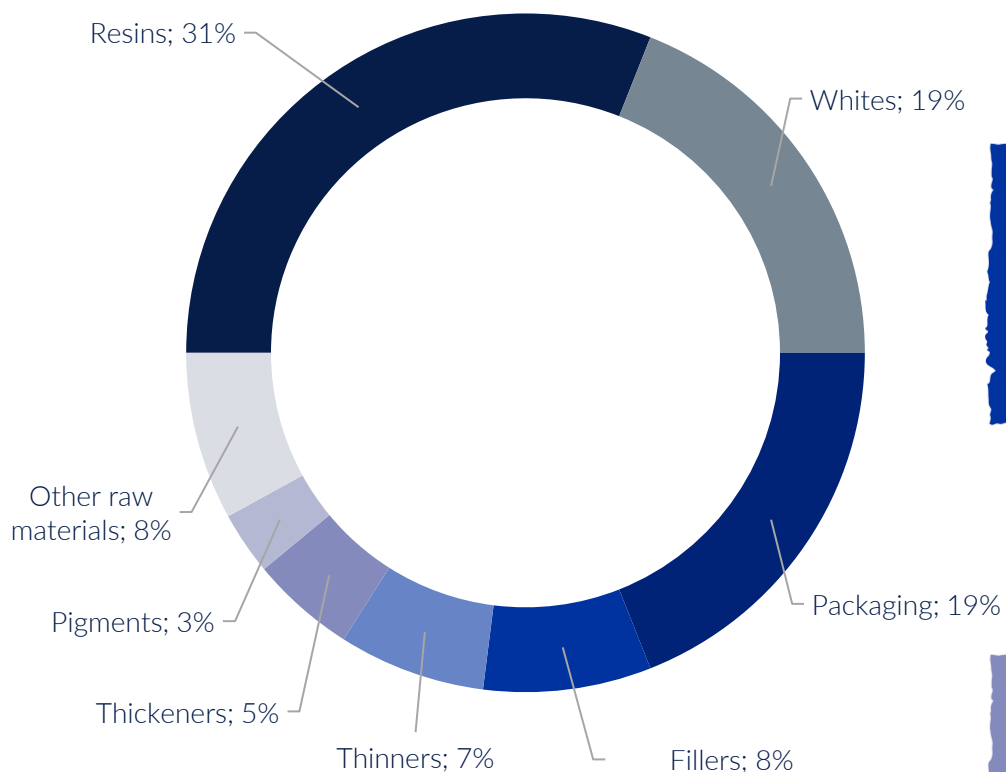
The core brands are as follows:



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



# Raw materials for the paint production



**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. Emulsion paints are thinned with water.

# Selected awards and distinctions



## Forbes

### "Forbes Diamonds"

Śnieżka Trade of Colours from the Śnieżka Group was ranked 17th in this year's ranking of "Forbes Diamonds" from the Mazowieckie Province in the category of companies with revenues over PLN 250 million.

This year's ranking was based on 2021 data, when the company generated PLN 567.4 million in sales revenues and a net profit of PLN 20.5 million.

In 2021, the company took over activities in the Group in the areas of e.g. sales and marketing, coordinating them at the level of all Group companies.

### The report "Responsible Business in Poland. Good practices"

Four activities initiated by Śnieżka qualified for the report "Responsible Business in Poland. Good practices" for 2022.

Two initiatives in the area of social involvement and development of the local community were appreciated ("The World in Colours" and "Koloratorium") and two more in the areas of the environment and organizational governance (the educational campaign "Don't mix", promoting waste segregation, and updating the Book of Organizational Values).

Currently, Śnieżka is involved in further activities on favour of the environment, people and business in accordance with the new sustainable development strategy.

## Builder

### The ranking of the largest manufacturers

The Śnieżka Group was found among the 100 largest domestic manufacturers of construction and finishing materials for another year in a row. The editors of the "Builder" magazine ranked the Group 1st among paint manufacturers and 37th on the general list.

Positions in the ranking are determined on the basis of sales and financial results as well as total assets - in the latest ranking the 2021 data were taken into account, Śnieżka generated sales revenues of PLN 794.9 million and net profit of PLN 64.3 million, while its total assets reached PLN 803.0 million.



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