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## The Śnieżka Group in the first half of the year: performance above expectations

**In the first half of 2023, the Śnieżka Group generated sales revenues 7.7% higher than last year and recorded an increase in profits. The performance was primarily influenced by higher sales on the most important Polish market for the Group as well as high sales dynamics in Ukraine - the third market for the Śnieżka Group. In the second part of the season, the proprietor of the following brands: Magnat, Śnieżka and Vidaron is to focus on strengthening their market position. The margin protection remains essential to the Management Board.**

Over the course of the first six months of 2023 the Śnieżka Group generated sales revenues of PLN 434.5 million, i.e. 7.7% higher than a year earlier. This is primarily the effect of a 6.8% increase in sales y/y on the Polish market, on which the Group is currently generating over 69% of its consolidated revenues. This growth has also been supported by higher sales on the Ukrainian market, which is quickly rebuilding its share in the Group's revenue structure. Its current level is comparable to the one generated prior to the outbreak of the war.

The good performance achieved by the Śnieżka Group in H1 of 2023 is largely followed by the implementation of a long-term marketing and sales strategy, an element of which is the pricing policy. The entire industry, in which the Group operates, is still affected by a number of unfavourable macroeconomic factors. This is particularly high inflation, which translates into a decline in consumers' purchasing power, as well as still adverse consumer sentiment indicators - although improving compared to last year. However, the trend of premiumization, i.e. purchasing higher quality products, which has been continuing for several years, has had a positive impact on the Group's performance in Poland.

*– The market situation is still arduous, yet Śnieżka managed well in the conditions of high inflation and low levels of consumer sentiment. Therefore, I can say that the performance achieved in H1 of this year is above our expectations. Currently, we are returning to the margin levels achieved a few years ago, which is our priority - says Piotr Mikrut, the CEO of FFIL Śnieżka SA.*

### Negative circumstances on the Hungarian market, on-going recovery of sales in Ukraine

In Hungary, the Group faces similar challenges as on its domestic market, i.e. with plummeting purchasing power and unfavourable consumer sentiment. It should be emphasised, however, that the scale and dynamics of inflation, which is largely the cause of these phenomena, is significantly higher in Hungary than in Poland. This affects both lower demand and renovation plans of local customers. Consequently, the Group's revenues on the Hungarian market in H1 amounted to PLN 64.9 million, which accounts for 8.7% fall y/y (PLN 6.2 million).

In turn, on the Ukrainian market the Group generated revenues of PLN 40.8 million, i.e. as much as 57.5% (PLN 14.9 million) higher compared to the previous year. However, the performance of H1 of 2023 is incomparable to the one achieved in the same period last year, since for a significant part of the first half of the year (from February 24 to April 11 last year), Śnieżka-Ukraina stopped deliveries and suspended production.

During this period, revenues on the Hungarian market amounted to a 14.9% share in the total revenues of the Śnieżka Group (-2.7 %), whereas on the Ukrainian market - 9.4% (an increase of 3 %). On other foreign markets, where the Śnieżka Group's products are sold, sales in total amounted to PLN 25.4 million, i.e. 14.4% higher than in the first six months of last year and accounted for 5.9% of the total Group's revenues (increase by 0.4%).

– *The sales increase above the market achieved in Poland confirmed that an effectively implemented marketing and sales strategy still allows us to improve our share on the Polish market, which is key for the Group. The power of our brands: Magnat, Śnieżka and Vidaron brings in benefits. The situation is similar in Hungary, where customers are attached to the Poli-Farbe brand. In Ukraine, we record a significant boost in sales y/y. Not only is it related to the low base of last year's results, but also to the returning demand for renovation products -* comments Joanna Wróbel-Lipa, vice-president of the management board of FFIL Śnieżka SA, commercial director.

### **Improving profits**

During the first six months of this year the Group generated an operating profit of PLN 60.6 million (+43.0% y/y), an EBITDA of PLN 80.2 million (+32.6% y/y) and a consolidated net profit of PLN 41.3 million (+79.8% y/y).

In Q2 of 2023 alone, the Group generated PLN 233.1 million in sales revenues (+9.2% y/y), PLN 33.0 million in operating profit (+34.7% y/y), PLN million of EBITDA (+26.3% y/y) and PLN 24.1 million of net profit (+118.8% y/y). The profit attributable to the shareholders of the parent company amounted to PLN 22.0 million (+148.0% y/y).

The Group's profits generated in the period January-June this year were primarily influenced by the effectively implemented marketing and sales strategy and the favourable euro exchange rate. The positive dynamics of revenues had a positive impact on the performance, while increases in sales costs by 6.3% and general administrative costs by 9.6% had a negative impact.

As announced, the Group's capital expenditure was limited and in H1 of 2023 amounted to PLN 7.4 million. These were mainly expenses of FFIL Śnieżka SA related to continued investments in the new Logistics Centre located in Zawada near Dębica, in fixed assets, as well as for the modernization of installations in selected production departments, including Śnieżka-Ukraina. In 2023, the total value of investment expenditure within the Group is expected to be significantly lower than a year earlier and is planned at approximately PLN 35 million.

### **Contact for the media:**

Aleksandra Małozieć  
Corporate Communication and ESG Director  
FFIL ŚNIEŻKA SA  
mobile +48 667 660 399  
[aleksandra.maloziec@sniezka.com](mailto:aleksandra.maloziec@sniezka.com)

Dariusz Grębosz  
NOBILI PARTNERS  
mobile +48 513 284 119  
[dariusz.grebosz@nobili.pl](mailto:dariusz.grebosz@nobili.pl)