

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ŚNIEŻKA COMPANY AND CAPITAL GROUP for 1H of 2024

18 September 2024



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1. SUMMARY OF THE PERIOD

Highlights, including achievements and failures

In H1 of 2024, The Śnieżka Group generated sales revenues of PLN 402,6 thousand, i.e. 7.3% lower than in the corresponding period of the previous year. Lower performance is primarily a consequence of the decline in sales volume in the key markets in which the Group operates, as well as the strengthening of PLN against HUF and UAH.

It should also be noted that despite optimistic expectations regarding the increase in volumes, in H1 of 2024 the market of decorative paints and construction chemicals recorded a decline in the Group's markets. Relatively unfavourable macroeconomic conditions persist. In turn, the Group's performance was positively influenced by purchasing higher quality products, primarily in Poland., which has been continuing for several years.

In the reporting period, the Group generated: consolidated net profit of PLN 31.7 million (decrease by 23.2% y/y), operating profit of PLN 48,7 million (decrease by 19.6% y/y) and EBITDA of PLN 67.4 million (decrease by 15.9% y/y).

Net profit attributable to shareholders of the parent company amounted to PLN 30,0 mln (decrease by 21.7% y/y).

The amount of the Group's net profit generated in the period January-June 2024, in addition to the decline in sales, was affected by an increase in selling costs and general administrative expenses by a total of 13%, mainly due to higher expenditure on salaries and costs of external services. The Management Board of the Company indicates that the Group's performance should be analysed after the end of the year, due to the difficulty of predicting the future macroeconomic situation, future consumer demand, the situation on the raw materials and packaging market as well as the further course of the war in Ukraine, including short-term and, above all, long-term effects of this conflict.

Geographical structure of revenues

The Group's key markets are as follows: Poland (71.0% share in the revenue structure) Hungary (13.2% share) and Ukraine (10.7% share).

In Poland, the Group's sales revenues amounted to PLN 285.9 million and were lower by 5.8% than in the previous year. The decline in sales value in Poland was the aftermath, inter alia, of the weaker economic situation in the industry in the period subject to analysis and the drop in sales in volume terms compared to the same period in 2023.

The Group's revenues on other markets amounted to: in Hungary PLN 53.2 million (a decrease by 18.0% y/y due to the weakening of HUF against PLN), in Ukraine PLN 42.9 million (an increase by 5.2% y/y), and on other markets ("Other" segment) PLN 20.6 million (a decrease by 19.1% y/y).

The most important performance achieved in Q2 of 2024

In Q2 of 2024, the Group generated PLN 230.4 million in sales revenues (a decrease by 1.2% y/y), PLN 31.7 million in operating profit (a decrease by 3.9% y/y), PLN 41.1 million of EBITDA (a decrease by 3.8% y/y) and PLN 21.2 million of net profit (a decrease by 12.2% y/y). Profit attributable to shareholders of the parent company amounted to PLN 20,1 mln (a decrease by 8.8% y/y).

The impact of the armed conflict in Ukraine on the Group

The Company's Management Board indicates that the situation on the market in question remains uncertain and demanding and that the performance of Q2 of this year should not, in the Company's opinion, be any basis for estimating the performance of subsequent periods.

**Investments**

In H1 of 2024, the Group's capital expenditures (CAPEX) amounted to PLN 16.4 million against PLN 7.4 million in the same period last year. The expenditure incurred was in line with the investment plan for this period.

Dividend

During the OGM of FFil Śnieżka SA, held on April 26, 2024, the Company's shareholders adopted a resolution on the payment of dividend from the profit for 2023 in the total amount of PLN 39,998,356.26, i.e. PLN 3.17 per share. The dividend date was May 15, 2024, and its payment took place on May 29, 2024. Since the debut on the WSE, the Company's shareholders have received PLN 544.2 million in the form of dividend.

2. SELECTED FINANCIAL INFORMATION

The Śnieżka Group – consolidated data (unaudited)

	in PLN '000		in EUR '000	
	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
I. Net revenues from sale of products, goods and materials	402 648	434 545	93 402	94 200
II. Profit from operating activities	48 700	60 556	11 297	13 127
III. Gross profit	39 489	49 534	9 160	10 738
IV. Net profit	31 717	41 311	7 357	8 955
- Net profit attributable to shareholders of the parent company	30 026	38 335	6 965	8 310
- Net profit attributable to non-controlling interests	1 691	2 976	392	645
V. Comprehensive income for the period	26 959	36 377	6 254	7 886
- Comprehensive income for the period attributable to shareholders of the parent company	25 924	32 664	6 014	7 081
- Comprehensive income for the period attributable to non-controlling interests	1 035	3 713	240	805
VI. Net cash flows from operating activities	286	47 477	66	10 292
VII. Net cash flows from investing activities	(25 744)	(13 577)	(5 972)	(2 943)
VIII. Net cash flows from financing activities	6 314	(28 972)	1 465	(6 281)
IX. Total net cash flows	(19 144)	4 928	(4 441)	1 068
X. Total assets	877 698	827 195	203 501	185 874
XI. Liabilities and provisions for liabilities	518 845	490 168	120 298	110 143
XII. Long-term liabilities	288 141	280 185	66 808	62 959
XIII. Short-term liabilities	230 704	209 983	53 490	47 184
XIV. Equity	358 853	337 027	83 203	75 731
- Equity attributable to the shareholders of the parent company	337 003	312 485	78 137	70 217
- Equities attributable to non-controlling interests	21 850	24 542	5 066	5 515
XV. Share capital	12 618	12 618	2 926	2 835
XVI. Number of shares / weighted average number of shares (items)	12 617 778	12 617 778	12 617 778	12 617 778
XVII. Earnings per ordinary share in PLN/EUR	2.51	3.27	0.58	0.71
- Earnings per share attributable to shareholders of the parent company	2.38	3.04	0.55	0.66
XVIII. Diluted earnings per ordinary share in PLN/EUR	2.51	3.27	0.58	0.71
- Diluted earnings per ordinary share attributable to shareholders of the parent company	2.38	3.04	0.55	0.66
XIX. Carrying amount per share in PLN/EUR	28.44	26.71	6.59	6.00
XX. Diluted carrying amount per share in PLN/EUR	28.44	26.71	6.59	6.00
XXI. Declared or paid dividend per share attributable to shareholders of the parent company (in PLN/EUR)	3.17	2.00	0.73	0.45

FFIL ŚNIEŻKA SA - standalone data (unaudited)

	in PLN '000		in EUR '000	
	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
I. Net revenues from sale of products, goods and materials	273 280	286 657	63 393	62 141
II. Profit from operating activities	72 089	75 067	16 722	16 273
III. Gross profit	56 201	55 991	13 037	12 138
IV. Net profit	53 552	54 274	12 422	11 765
V. Comprehensive income for the period	53 800	51 712	12 480	11 210
VI. Net cash flows from operating activities	20 228	(16 731)	4 692	(3 627)
VII. Net cash flows from investing activities	25 869	31 173	6 001	6 758
VIII. Net cash flows from financing activities	(41 993)	(12 901)	(9 741)	(2 797)
IX. Total net cash flows	4 103	1 541	952	334
X. Total assets	889 548	905 872	206 248	203 553
XI. Liabilities and provisions for liabilities	608 896	656 221	141 177	147 455
XII. Long-term liabilities	452 001	515 400	104 800	115 812
XIII. Short-term liabilities	156 895	140 821	36 377	31 643
XIV. Equity	280 652	249 651	65 071	56 098
XV. Share capital	12 618	12 618	2 926	2 835
XVI. Number of shares / weighted average number of shares (items)	12 617 778	12 617 778	12 617 778	12 617 778
XVII. Earnings per ordinary share in PLN/EUR	4.24	4.30	0.98	0.93
XVIII. Diluted earnings per ordinary share in PLN/EUR	4.24	4.30	0.98	0.93
XIX. Carrying amount per share in PLN/EUR	22.24	19.79	5.16	4.45
XX. Diluted carrying amount per share in PLN/EUR	22.24	19.79	5.16	4.45
XXI. Declared or paid dividend per share attributable to shareholders of the parent company (in PLN/EUR)	3.17	2.00	0.73	0.45

The Euro exchange rates applied for conversion of the financial statements:

	6 months of 2024	6 months of 2023
Particular items of the condensed statement of comprehensive income were translated at the average EURO exchange rate in the period	4.3109	4.6130
	as at 30 June 2024	as at 30 June 2023
Particular items of the financial position statement were translated at the EURO exchange rate at the end of the period	4.3130	4.4503

3. THE COMPANY AND THE ŚNIEŻKA GROUP

The Śnieżka Group, whose history dates back to 1984, is one of the leaders in the decorative paints and construction chemicals market in Poland. The Group also operates actively on several foreign markets. In Hungary, it is a significant player in the decorative paints segment, and in Ukraine it is one of the dominant entities in the production of paints and putties. It is one of the 25 largest paint manufacturers in Europe (according to European Coatings 2024). In 2023, FFIL Śnieżka SA - the parent company of the Śnieżka Group - was awarded the EcoVadis Gold Medal (the world's largest provider of sustainability ratings in business) which places it among the top 5% of companies subject to certification.

What makes us different



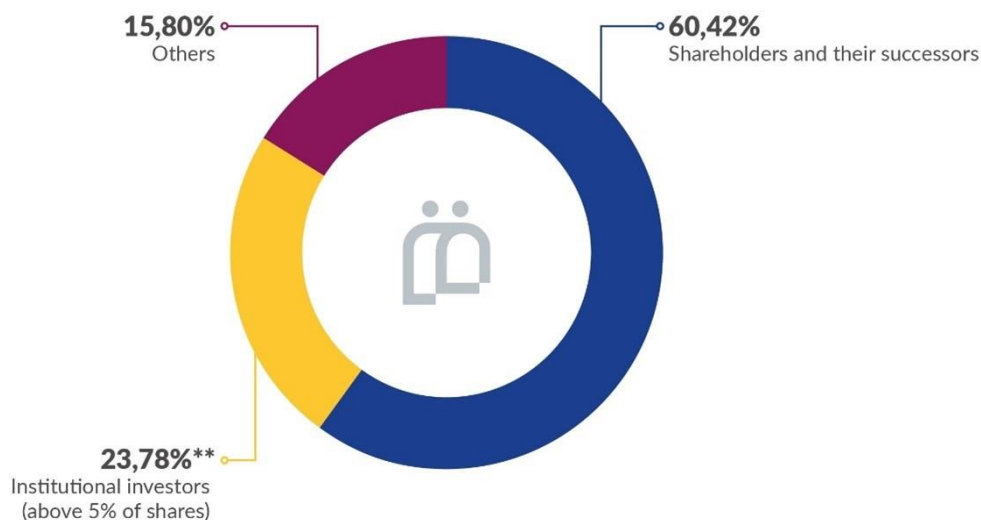
The Group takes on over 1,100 staff, and production facilities located in four countries manufacture on an annual basis over 140 million kg of products for decoration and protection of various types of substrates. The key brands of the Śnieżka Group are as follows: Śnieżka, Magnat, Poli-Farbe, Vidaron, Rafil and Foveo-Tech. In 2022, the Group launched its own Logistics Centre - this is the largest investment in the company's history to date.

The Group is comprised of: the parent company Fabryka Farb i Lakierów Śnieżka SA - whose shares have been listed on the Warsaw Stock Exchange since 2003 - and its subsidiaries in Poland and abroad. The shareholder structure of FFIL Śnieżka SA is dominated by its founders and their successors, who control over 60% of the votes at the general meeting. Since its debut on the stock exchange, the Company has regularly paid dividends to its shareholders from the generated profits, the total value of which, calculated since 2003, is PLN 544.2 million. In accordance with the shareholders' decision taken on April 26, 2024 during the OGM, the Company paid on May 29, 2024, in the form of a dividend from the profit for 2023, PLN 39,998,356.26, i.e. PLN 3.17 per share.

Figure 1. Shareholding structure of FFIL Śnieżka SA *

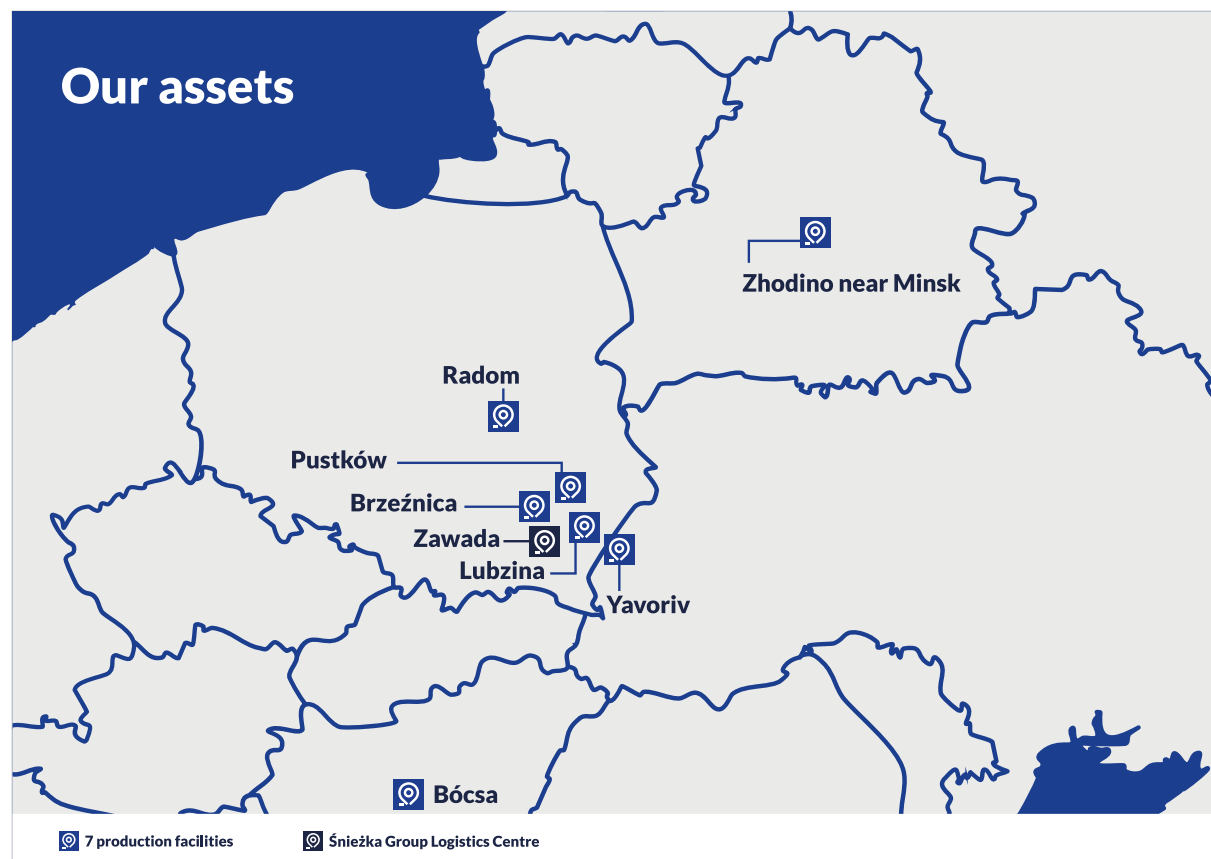
Shareholding structure of FFIL Śnieżka SA*

(share in the share capital in%)



* Data as at 18.09.2024

** PTE Allianz Polska: 14.39%; PTE Nationale –
Nederlanden: 9.39%





Key brands of the Group:



In H1 of 2024, the Śnieżka Group, as in the previous year, in addition to the markets where it has its production facilities, operated on several foreign markets, including: Moldova, Romania, Kazakhstan, Slovakia, Armenia, Georgia, the Czech Republic.

At the end of the first half of 2024, the Śnieżka Group employed 1,163 staff.

The Group entities are related by shares and have roles defined within the competence centre structure. Comprehensive organization, responsible management of resources contributes to efficient operation of the Group as well as higher profits for the shareholders. The cooperation involves mutually complementary activities, exchange of know-how and synergistic benefits. FFIL Śnieżka SA plays a leading role in these processes.

As part of this approach, key processes for the Group are developed at the level of two companies: FFIL Śnieżka SA and Śnieżka Trade of Colours Sp. z o.o. (Śnieżka ToC). FFIL Śnieżka SA, as the parent company, performs control functions in the supervisory bodies of the subsidiaries. In addition, it establishes a development strategy and coordinates the development of the entire Group in all aspects of its operations. It is also a competence centre in the field of Supply Chain Management, R&D, Quality and Climate Assurance, and also serves as a shared services centre. In turn, Śnieżka ToC develops competences in the field of: sales and marketing (revenue,

branding, product development). Both companies coordinate the activities of individual Group companies in the areas of their competence.

All transactions concluded by the Company and its subsidiaries with related entities are performed at arm's length. This means that they are agreed as if they were negotiated by unrelated parties. These transactions are consistent with applicable laws in Poland, European Union regulations and the regulations of the countries where the subsidiaries are located. Additionally, on an annual basis, the Company verifies whether the terms of mutual transactions within the Group are at arm's length.

Figure 1. The Śnieżka Group's structure (as at 30 June 2024)

Group structure and organization



In H1 of 2024, no changes in the structure of the Capital Group occurred.

FFIL Śnieżka SA's Subsidiaries (i.e. Poli-Farbe Vegyipari Kft., Śnieżka-Ukraina Sp. z o.o., Śnieżka-BelPol Sp. z o.o., Śnieżka Trade of Colors Sp. z o.o. and Radomska Fabryka Farb i Lakierów SA) are consolidated using the full method.

The cooperation of the Group with entities related by capital also applies to Plastbud Sp. z o. o. (consolidated using the equity method), which manufactures Colorex pigment pastes and dyestuffs for Śnieżka's colour systems. Plastbud Sp. z o.o. is a Group's supplier of some raw materials and goods.

FFIL ŚNIEŻKA SA's operations

Fabryka Farb i Lakierów Śnieżka SA is one of the paint leaders in Poland in the segment of decorative products.

The Company has achieved such a high market position over the course of 40 years of operation - the beginning dates back to 1984. The Company's roots are linked with the Sub-Carpathian region, where the Group's core production facilities and state-of-the-art Research and Development Centre have been still operating. Since 2003 the Company - as the only one in the industry - has been listed on the Warsaw Stock Exchange.

The portfolio of FFI ŚNIEŻKA SA is comprised of products for protection and decoration of various substrates, both for internal and external applications. They comprise, i.a. paints for internal walls and facades, products for painting wood and metal, putties for walls and wood, as well as thermal insulation systems for buildings. In Poland, the products are sold under the following commercial brands: Śnieżka, Magnat, Vidaron, Foveo-Tech and Rafil.



FFiL Śnieżka SA runs research and development activities by taking advantage of its own professional facilities. The Company has research laboratories (including, chromatographic and microbiological ones), conducting advanced research on products and raw materials used in production.

Products manufactured by FFiL Śnieżka SA are available in many distribution channels, and Śnieżka ToC is responsible for their sale.

The Company's activity is based on a clearly defined set of values, as well as several years of involvement in supporting the society as part of programs and projects in the area of corporate social responsibility and through the activities conducted by the Śnieżka Foundation.

On June 30, 2024, the Company employed 623 employees (against 599 a year earlier), which accounted for nearly 53.6% of the entire Śnieżka Group's team.

Activities of other Group companies

Śnieżka Trade of Colours Sp. z o.o. („Śnieżka ToC")

The key tasks performed by the company are marketing and sales, which include the following areas:

- **Marketing**
As part of marketing activities, we distinguish three key functions: strategic, implementing and supportive. Each of them plays an important role in building and implementing an effective Group's marketing strategy.
- **Sales**
An area covering all distribution channels of the Group: independent market, retail chains, insulation systems, export sales and sales support.

Products are distributed through business partners, including wholesalers and construction materials warehouses, DIY markets, retail stores and e-commerce. A multi-channel distribution is one of the assumptions of the sales growth strategy in all the Group's markets, and at the same time it minimizes the risk associated with too high reliance on one distribution channel. Since the beginning of 2024, the Group has expanded the distribution model on the independent market in Poland - selected retail outlets that were previously serviced indirectly by distributors can simultaneously make purchases directly from Śnieżka ToC. The company is to continue the cooperation with its existing partners - wholesalers.

The company was established in 2010 (as TM Investment Sp. z o.o.). FFiL Śnieżka SA's share in this entity is 100%. As at 30 June 2024 the company employed 131 employees (against 115 at the end of June 2023).

Poli-Farbe Vegyipari Kft.

Poli-Farbe is a company with an established position in Hungary in the sector of decorative paints. Its product range under the Poli-Farbe commercial brand includes: interior decorative water-borne paints, enamels, products for wood protection and decoration, facade paints, primers, insulation systems, as well as putties.

The products are distributed through business partners, including wholesalers and construction materials warehouses, DIY markets, retail stores and e-commerce.

As at June 30, 2024, Poli-Farbe Vegyipari Kft. employed 172 employees (against 179 at the end of H1 of 2023).

Poli-Farbe Vegyipari Kft. was established in 1998. The share of FFiL Śnieżka SA in this entity is 80%, the remaining 20% of shares are owned by the minority shareholder Lampo Kft (Lampo Korlátolt Felelősségű Társaság).

Śnieżka-Ukraina Sp. z o.o.

Śnieżka-Ukraina is one of the leaders in the production of paints in Ukraine¹ as well as a manufacture of putties. Its products are sold under the Śnieżka brand.

The company is the main distributor of FFIL ŚNIEŻKA SA's products on the local market. The products are distributed through business partners, including wholesalers and construction materials warehouses, DIY markets, retail stores and e-commerce.

As at June 30, 2024, the company employed 175 employees (against 170 a year earlier).

Śnieżka Ukraina Sp. z o.o. was established in 1999. The share of FFIL Śnieżka SA in this entity is 83.48%, and the remaining shares belong to: Limited liability company "Sunsnow" - 15.60% and individual shareholders - 0.92%.

Śnieżka-BelPol Sp. z o.o.

Śnieżka-BelPol is a significant manufacturer of putties on the Belarusian market. It sells its products under the Śnieżka brand.

As at 30 June 2024, the company employed 15 employees (against 16 at the end of June 2023).

Śnieżka-BelPol Sp. z o.o. was established in 2003. FFIL Śnieżka SA's share in this entity is 100%.

Radomska Fabryka Farb i Lakierów SA

The company specializes in the production of decorative products (enamels for metal protection and decoration) and professional anti-corrosion systems.

As at June 30, 2024, the company employed 47 employees (against 46 a year earlier).

Radomska Fabryka Farb i Lakierów SA was established in 1995. The share of FFIL Śnieżka SA in this entity is 94.15%. The remaining 5.85% of the shares belong to individual shareholders.

Plastbud Sp. z o.o.

Cooperation with capital-related entities also applies to Plastbud Sp. z o.o. in Pustków, which supplies the Group with some raw materials and products. The share of FFIL Śnieżka SA in this entity as at June 30, 2024 is 10.07%.

Commercial brands

The owner of the commercial brands of the Śnieżka Group is Śnieżka Trade of Colours Sp. z o.o. (with the exception of brands belonging to Poli-Farbe Vegyipari Kft.) Śnieżka ToC, as the owner of the trademarks, markets the Group's products both directly (through cooperation with independent stores, DIY chains, end customers) and indirectly (through their sale to other Group companies).

In the reporting period, the products of the Śnieżka Group were sold under the following key commercial brands:

Śnieżka	being 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.
Magnat	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

¹ Estimated data (due to the war in Ukraine, access to research reports is limited).

	brand's portfolio also includes a selection of high-quality white paints. Magnat stands also for textures, providing numerous decorative options.
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: Platinum and Inntaler (including interior and facade emulsions), Cellkolor (paint for wood and metal) and Boróka (agents for wood protection and decoration).
Vidaron	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.
Rafil	a brand specializing in the production of decorative products (enamels for metal protection and decoration) and professional anti-corrosion systems.
Foveo-Tech	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.

Figure 2. Consumer brands on the markets where the companies of the Śnieżka Group operate



Research and development activities

Designing the highest quality product solutions and searching for new raw materials constitutes the innovativeness of the Śnieżka Group. All research and development activities are carried out at the Research and Development Centre. The Centre is formally composed of the Research and Development Department and the Quality and Climate Management Department operating within the structures of FFil Śnieżka SA. The Centre's experts have at their disposal modern laboratory facilities, the results of the latest scientific research as well as a rich raw material base and the Group's know-how acquired over the years.

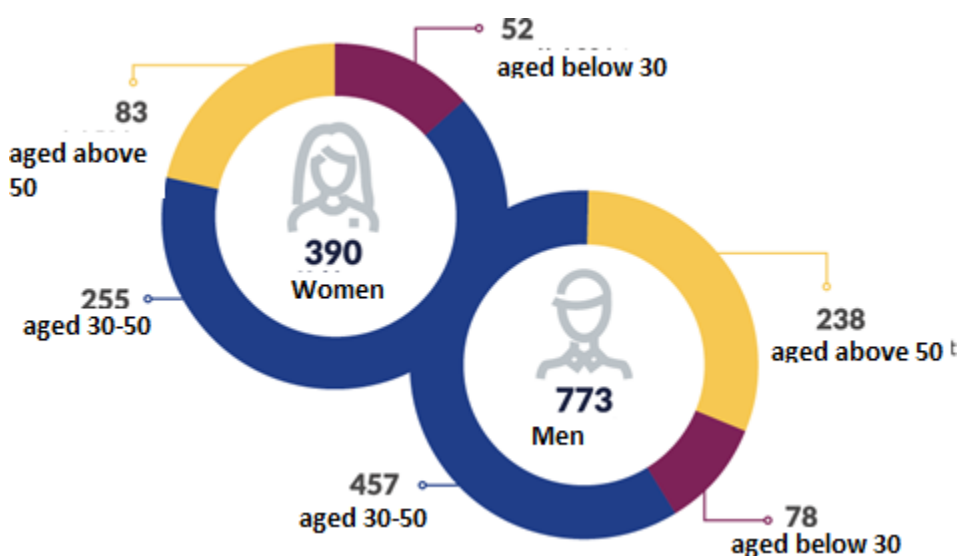
They monitor the raw materials market in search of solutions that optimize the existing product portfolio, also in terms of their impact on health and the environment.

Employment

At the end of the reporting period, the employment in the entire Śnieżka Group amounted to 1,163 staff, i.e. by 38 staff more than as at June 30, 2023.

In the first six months of 2024, the Śnieżka Group took on 1,155 staff on average per month, which is approximately 3% more than in the same period of 2023, when the average monthly employment was 1,124 staff. The change in employment volume resulted from the need to adapt the structure to operational and strategic requirements. Most of the employees of the Śnieżka Group were men. At the end of June 2024, their number was 773 (compared to 755 at the end of June last year) and they accounted for 66.5% of the total number of employees (67.1% a year earlier). The share of men in the Group's employee structure decreased by 0.6% during the year. The number of women employed in the Group companies increased from 370 at the end of June 2023 to 390 at the end of June 2024. As a result, the percentage of women among the Group's employees increased to 33.5% (0.6% more than a year earlier).

Figure 2. The Śnieżka Group's employees broken down by age



As at June 30, 2024, the majority of the Group's employees (61.2%) were aged 30-50 - that is 1.4% less than a year earlier. As in the previous year, 65.4% of all employed women and 59.1% of men were aged 30 to 50, which in the case of men represents a decrease of 2.1% y/y. The share of staff employed in the Group under 30 was 11.2%, and over 50 years of age - 27.6%. With regard to women, the shares in these age groups were respectively: 13.3% (under 30 years) and 21.3% (over 50 years), and for men 10.1% (under 30 years) and 30.8% (over 50 years).

Impact of operations on the environment and climate

As part of its activities for sustainable development, the Group analyses its impact on the surroundings, natural environment and climate on a day-to-day basis. The Group maintains the highest standards of care for the environment and the resources used at various levels - implemented technological solutions, offered products and built infrastructure.

The Group's companies conduct production, storage and accompanying activities, taking care of environmental protection aspects. In their activities, they take into account continuous formal and legal supervision by implementing the obligations set out in environmental decisions, as well as by conducting technological supervision and controlling raw materials and finished products.

Activities related to environmental protection in the Group are carried out in accordance with the applicable legal requirements and procedures. All processes related to the parent company's operations, such as purchasing, production, storage, and sales, are included in the procedures and on their basis the environmental analyses are performed. Monitoring and measurement data are used for:

- assessment of the effects and tracking of progress in meeting environmental activity obligations,
- assessment of compliance with legal requirements;

- removal of potential failures,
- assessment of the efficiency of the environmental management system.

Environmental priority activities of FFIL Śnieżka SA have been defined in *Śnieżka 2023 + Sustainable Development Strategy* and include the following:

- reduction the amount of waste,
- sustainable water management,
- increasing energy efficiency,
- transformation towards the use of green energy in business activities,
- measuring and reducing GHG emissions.

Owing to the records kept, it is possible to assess the environmental impact for specific aspects of the activity – both these defined as significant as well as other ones, for which the duty to monitor stems from legal and other requirements.

Material agreements and events

The most important agreements and events in H1 of 2024

The most important agreements and events in the reporting period are as follows:

- Adoption of the strategic goals of the Śnieżka Group – on March 6, 2024, the Management Board of Śnieżka passed a resolution on the adoption of the strategic goals of the Śnieżka Group. The strategic goals of the Śnieżka Group include achieving the following financial and non-financial goals by 2028:
 - consolidated net revenues of the Śnieżka Group at the level of PLN 1.1 billion,
 - a consolidated operating profit margin of the Śnieżka Group increased by depreciation (EBITDA margin) of 18%,
 - higher than 20% share of the Śnieżka Group achieved in each of the key markets: Poland, Hungary and Ukraine.
 - achieving brand recognition on key markets for the Śnieżka Group: Śnieżka, Magnat, Poli-Farbe and Vidaron as one of the first three paint brands indicated by consumers in the recognition study,
 - systematic improvement of sustainable development indicators of Śnieżka Group companies assessed by EcoVadis,
 - building an engaging work environment expressed by a positive level of recommendation by Śnieżka Group employees in the eNPS survey.

The Śnieżka Management Board adopted the above-mentioned strategic goals considering the following core assumptions:

- the conditions for conducting business activities will not change significantly, in particular the legal, tax and administrative regulations in the key markets where the Śnieżka Group operates: Poland, Hungary and Ukraine.
- there will be no extraordinary one-off events that could not be predicted on the date of adoption of the strategic goals,
- the value of the dividend will be in line with the adopted principle presented in current report 5/2022,
- Investment expenditure will be carried out in accordance with the adopted plan.

Śnieżka provided information on the adoption of strategic goals in report 2/2024 of March 26, 2024:

- adoption of resolutions by the Company's shareholders at the Ordinary General Meeting of FFIL Śnieżka SA, which was held on 26 April 2024 (current report no. 9/2024). Company's shareholders:



- approved the Management Board's report on the activities and financial statements of the Śnieżka Group and FFIL Śnieżka SA for 2023,
- divided the net profit for 2023 in the amount of PLN 69,528 thousand by establishing dividend in the amount of PLN 3.17 per share, i.e. in the total amount of PLN 39,998 thousand.
- approved the Annual Report of the Supervisory Board for 2023,
- granted a vote of acceptance to the members of the Company's bodies for performing their duties in 2023;
- provided a positive feedback on the Report on the remuneration of members of the Management Board and Supervisory Board of FFIL Śnieżka SA for 2023, adopted by the Company's Supervisory Board,
- adopted the updated Remuneration Policy for Members of the Management Board and Supervisory Board of FFIL Śnieżka SA,
- introduced changes to the principles of remuneration of Supervisory Board Members forming the Audit Committee of FFIL Śnieżka SA.

Material agreements and events after the balance sheet date

After the balance sheet date, the Company did not conclude any important agreements and no events of a significant nature occurred in the Group.

Awards and distinctions

▪ *European Coatings ranking*

For the seventh time, the Śnieżka Group has been ranked among the largest and best-selling producers of paints and coatings in Europe according to *European Coatings* magazine. Since 2018, Śnieżka has maintained its presence in the ranking as the only company from Poland and Central and Eastern Europe owing to revenues that secure a place among the European industry leaders. Śnieżka's 2023 performance contributed to 25th place in the Europe's Top 25 ranking. Europe's Top 25 is a ranking of the largest European manufacturers of paints and varnishes headquartered in Europe. It is compiled by the European Coatings Journal, published by Vincentz Network.

▪ **ESG POLITYKA White Leaf**

FFIL Śnieżka SA made its debut in the *Polityka ESG Leaves*. This is the 13th edition of the ranking, which distinguishes companies that pay special attention to caring for the environment, employees, local society and ethical conduct. *ESG Polityka White Leaf* awarded to Śnieżka is given to those organizations that continuously improve their activities to manage their impact on the environment and declare that they comply with the most important recommendations of the ISO 26000 standard.

ESG Polityka Leaves is a ranking considering companies that take real action in the environmental, social and governance areas. Organisations can receive ESG Polityka's Gold, Silver, White or Green Leaf. The assessment is made based on the analysis of surveys containing questions developed on the basis of ESG standards and regulations.

▪ **The 50 Best Polish Employers ranking**

The Śnieżka Group companies were included in the ranking of the 50 Best Polish Employers prepared by the editorial office of "Wprost". The evaluation criteria concerned primarily the stability of employment and working conditions. Over five hundred organisations submitted entries for the fifth edition of the ranking, of which fifty were selected that stood out for their approach to employees. The Śnieżka Group was classified at 23rd place and is the only representative of the paints and varnishes industry in the ranking.

The 50 Best Polish Employers is an annual ranking prepared by the editorial office of "Wprost". Assessments are made on the basis of a survey concerning, i.a. employment conditions, completed or planned group layoffs, and the number of staff who were given a pay rise.

▪ **The "Responsible Business in Poland 2023" report. Good practices**

The actions taken by the Śnieżka Group were recognized by the “Responsible Business in Poland 2023” report. *Good practices* All five submitted initiatives were highlighted: *Śnieżka 2023 + Sustainable Development Strategy “Green Matters”*, addressed to employees of Safe+ and Śnieżka Academy, as well as social programmes dedicated to children – “Przeogarniacze.” *Entrepreneurship Differently* and *The World in Colours*.

The “Responsible Business in Poland 2023” ranking. *Good practices* are an annual part of the report prepared by the Corporate Responsibility Forum. The publication considers the most important activities of companies in the area of ESG and CSR.

▪ **ESG ranking: Responsible Management 2024**

FFiL Śnieżka SA was recognized in the 18th edition of the *ESG Ranking: Responsible Management 2024* In the ranking of the largest companies in Poland, assessed in terms of the quality of responsible management in line with ESRS guidelines, the Company was ranked 7th in the industrial and chemical production category, and 28th in the general ranking. Śnieżka was also awarded the title of distinguished company. The 18th edition was attended by 62 organisations which were assessed in terms of responsible management in accordance with the guidelines of the European Sustainability Reporting Standards (ESRS).

ESG ranking. Responsible Management 2024 (former Responsible Companies Ranking) is organised by Koźmiński Business Hub. The assessments are made by a specially appointed Scientific Council of the ESG Ranking composed of experts from the Responsible Business Forum, Climate Leadership UNEP/GRID and the Kozminski Academy.

Shares and shareholding structure

As at June 30, 2024, FFiL ŚNIEŻKA SA's share capital was comprised of 12,617,778 shares of nominal value of PLN 1.00 each.

In H1 of 2024 the Company's equity was not subject to change.

The Company's share capital consists of the following series of shares:

- series A preferred registered shares - 100,000
- series B preferred registered shares - 400,000
- series C,D,E,F ordinary shares - 12,117,778

Series A and B registered shares are preferential for vote so that one share corresponds to 5 votes at the general meeting.

In addition, according to the Company's Articles of Association - series A shares entitle to elect three members of the supervisory board, including the chairman of the supervisory board, in a manner that every 30,000 shares entitle to appoint one member of the supervisory board, including the chairman of the supervisory board. If that preference expires over some series A registered shares, each remaining 20 000 series A shares entitle to indicate one member of the supervisory board, including the chairman of the supervisory board.

As at the Report publication date, the holders of series A and B shares were:

Table 1. The holders of series A and B shares as at 18 September 2024

Holders of series A shares	The number of shares held (items)
Stanisław Cymbor	33 334
Jerzy Pater	33 333
Piotr Mikrut	16 667
Rafał Mikrut	16 666

Holders of series B shares	The number of shares held (items)
Stanisław Cymbor	133 333
Jerzy Pater	133 334
Piotr Mikrut	133 333

Shares of all series are equally preferred as to dividends and return on equity.

No restrictions on the exercise of voting rights prevail at FFIL Śnieżka SA.

Restrictions regarding the transfer of ownership of the Company's securities concern holders of preferred registered shares of FFIL Śnieżka SA. The transfer of preferred registered shares under any legal title or their conversion into bearer shares requires prior submission of purchase offer to all shareholders holding series A shares by a shareholder interested in transferring or converting into a bearer share.

The decision to issue or redeem shares requires the consent of shareholders at the general meeting of the Company.

The Company did not have employee share schemes in H1 of 2024.

Company's shares held by managing and supervising persons

As at the Report publication date the Company's shares held by the managing and supervising persons were as follows:

Table 2 The Company's shares held by the managing and supervising persons as at 18 September 2024

Managing persons	The number of shares held (items)
Piotr Mikrut	1 270 833
Witold Waśko	198
Supervising persons	The number of shares held (items)
Stanisław Cymbor	2 541 667
Jerzy Pater	2 541 667
Rafał Mikrut	1 270 833

In the period from the date of publication of the last periodical report (for Q1 of 2024), i.e. on May 22, 2024, no changes in the ownership of the Company's shares by the managing and supervising persons occurred.

Ownership structure of significant blocks of shares of the Company

As at the Report publication date, significant shareholders of FFIL Śnieżka SA, holding at least 5% of the total number of votes at the General Meeting of the Company were the following persons and entities:

Table 3 Shareholders of FFIL Śnieżka SA holding at least 5% of the total number of votes at the General Meeting of the Company as at 18 September 2024

	The number of shares held (items)	Share in the share capital (in %)	Number of votes	Share in the total number of votes at GMS (in %)
Jerzy Pater *	2 541 667	20.14	3 208 335	21.95
	<i>including directly</i> 166 667	1.32	833 335	5.7
Stanisław Cymbor **	2 541 667	20.14	3 208 335	21.95
	<i>including directly</i> 166 667	1.32	833 335	5.7
Piotr Mikrut	1 270 833	10.07	1 870 833	12.8
Rafał Mikrut	1 270 833	10.07	1 337 497	9.15
Powszechne Towarzystwo Emerytalne Allianz Polska	1 816 307	14.39	1 816 307	12.43
Powszechne Towarzystwo Emerytalne Nationale-Nederlanden	1 185 323	9.39	1 185 323	8.11

**Jerzy Pater holds the Company's shares indirectly by PPHU Elżbieta i Jerzy Pater Sp. z o.o. (PPHU Elżbieta i Jerzy Pater Sp. z o.o. holds 2,375,000 shares, i.e. 18.82% share in the share capital and 16.25% in the total votes at the General Meeting of Shareholders).*

*** Stanisław Cymbor holds the Company's shares indirectly by PPHU Iwona i Stanisław Cymbor Sp. z o.o. (PPETU Iwona i Stanisław Cymbor Sp. z o.o. holds 2,375,000 shares, i.e. 18.82% share in the share capital and 16.25% in the total votes at the General Meeting of Shareholders).*

In the period from the date of publication of the last periodic report - i.e. the report for Q1 of 2024 on May 22, 2024 - based on information available to the Company, no changes in the significant block of shares issued by the Company occurred.

Figure 3. Shareholding structure at FFIL ŚNIEŻKA SA – share in the share capital (as at 18.09.2024, data in %)

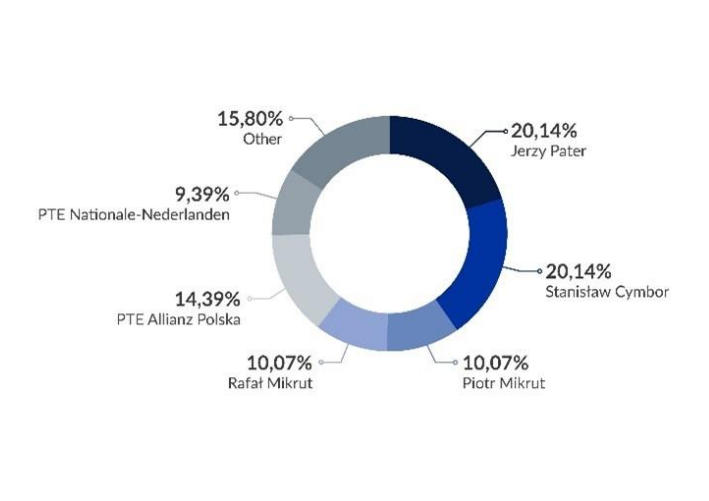
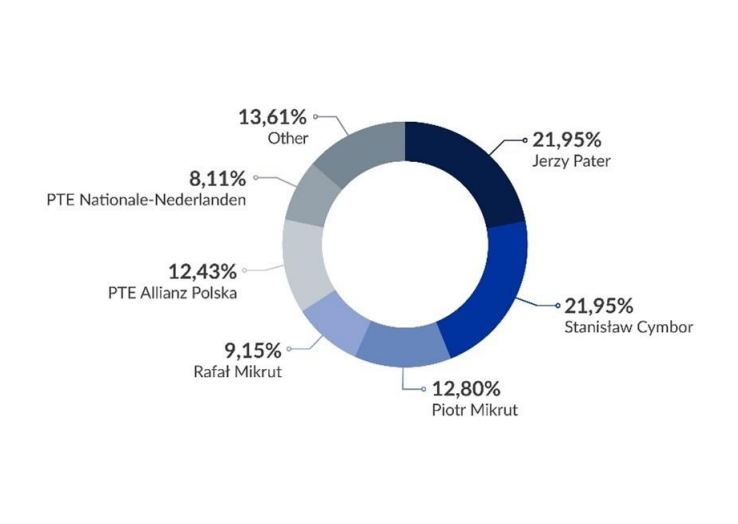


Figure 4. Shareholding structure at FFIL ŚNIEŻKA SA – share in the total number of votes (as at 18.09.2024, data in %)





Management Board and Supervisory Board

Management Board

In H1 of 2024 the Management Board of FFIL Śnieżka SA was composed of the following members:

- Piotr Mikrut - President of the Management Board,
- Joanna Wróbel-Lipa - Vice President of the Management Board,
- Witold Waśko - Vice President of the Management Board,
- Zdzisław Czerwiec - Vice President of the Management Board,

The Management Board in the above composition was appointed by the Supervisory Board for the ninth term of office on April 27, 2023. All Members of the Management Board were also members of the Management Board of the previous eighth term of office.

Supervisory Board

In H1 of 2024 and as at the date of Report publication the Supervisory Board of FFIL Śnieżka SA performed its duties in the following composition:

- Jerzy Pater - Chairman of the Supervisory Board,
- Stanisław Cymbor - Vice-Chairman of the Supervisory Board,
- Rafał Mikrut - Secretary of the Supervisory Board,
- Anna Sobocka - Member of the Supervisory Board,
- Piotr Kaczmarek - Member of the Supervisory Board,
- Zbigniew Łapiński - Member of the Supervisory Board,
- Dariusz Orłowski - Member of the Supervisory Board.

Stock exchange listings

The shares of FFIL Śnieżka SA have been listed on the Warsaw Stock Exchange since December 31, 2003 (the rights to shares debuted two days earlier - December 29).

At the end of June 2024, the Company's shares were included in the following stock exchange indices: WIG140, sWIG80, sWIG80TR, WIGdiv, WIG-Poland, WIG BUDOWNICTWO and WIG.

In the last year (30.06.2023 - 28.06.2024) the price of FFIL Śnieżka SA shares increased by 23.4%. For comparison, the main index of the Warsaw Stock Exchange, WIG, increased by 31.7% and WIG Budownictwo went up by 71.9%. During this period, the share price at closing ranged from PLN 71.60 (11.07.2023) to PLN 93.40 (13.05.2024).

At the end of 2024, the market value of FFIL Śnieżka SA increased to PLN 1,13 billion (from PLN 0.92 billion at the end of June 2023).

The P/BV ratio (share price/book value per share attributable to shareholders of the parent company) was 3.35 (vs. 2.93 at the end of June 2023), and P/E (price/earnings per ordinary share attributable to shareholders of the parent company) was at the level of 16.31 (vs. 16.64 in the corresponding period of the previous year).

Figure 5. FFIL ŚNIEŻKA SA's listings on WSE in 2023 and 2024
beginning 30.06.2023 = 100%, 28.06.2024 = the end of the period



Dividend

During the OGM of FFIL Śnieżka SA, held on April 26, 2024, the shareholders adopted a resolution on the payment of dividend from the profit for 2023 in the total amount of PLN 39,998,356.26, i.e. PLN 3.17 per share. The dividend date fell on May 15, 2024, and its payment was made on May 29, 2024. Since the debut on the WSE, the shareholders have received PLN 544.2 million.

In the coming years - until the net debt ratio is reduced to one times the consolidated EBITDA - the Management Board of Śnieżka intends to recommend to shareholders the payment of a dividend at the level of 50% of the consolidated net profit of the Śnieżka Group attributable to the shareholders of the parent company - Śnieżka - for individual financial years. In the event of circumstances that justify a change in the Management Board's recommendation, the Company will provide information in the appropriate ESPI report.

Auditing firm

On May 9, 2023, the Supervisory Board of FFIL Śnieżka SA made a selection of an entity PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. to conduct both the audit and statutory review of the standalone financial statements of FFIL Śnieżka SA as well as the consolidated financial statements of the Śnieżka Group for 2023-2025. The contract with the auditor was signed on July 19, 2023.

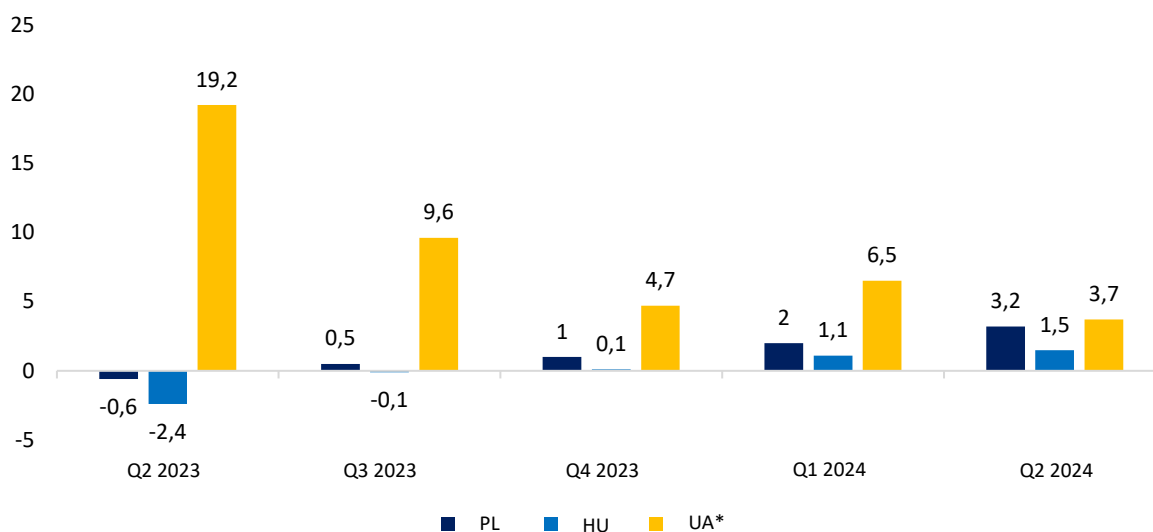
4. COMMENT TO THE PERFORMANCE

MARKET AND BUSINESS ENVIRONMENT

Macroeconomic situation

After a long period of stagnation, the European Union (EU) economy returned to growth in H1 of 2024. European Commission analysts estimate that economic expansion will be observed in almost all EU countries over the course of the year, and this trend is expected to continue throughout the forecast period (until 2025). Lower inflation and continued wage growth indicate the potential for a boost from rising household spending (observed mainly in the services sector), although tight monetary policy is to continue to encourage savings. Only a reduction in interest rates can be a more lasting factor contributing to higher consumption².

Figure 6. Annual gross domestic product dynamics y/y for the key markets of the Group on a quarterly basis (in %)



Source: GUS, Hungarian Central Statistical Office, State Statistics Service of Ukraine* (the data on GDP in Q2 of 2024 were not available as at the date of publication of the Report).

Poland

According to the flash estimate of the Central Statistical Office, Polish GDP in Q2 of 2024 recorded an increase of 3.2% y/y³. The National Bank of Poland in its July inflation and GDP projection predicts Poland's GDP growth of 3.0% in 2024, thus revising the forecasts from March this year (the expected growth was to oscillate between 3.2 and 3.5%)⁴.

Industrial production sold in April this year was higher by 7.9% than in April last year. In May, the increase was 0.3%, and in the entire first half of this year, industrial production went up by 0.1% compared to the same period last year.

In the same period, construction and assembly production fell by 8.9% y/y. Construction and assembly production in the "construction of buildings" category decreased by 8.7% in the first six months of 2024 compared to the same period of the previous year⁵.

² Source: The European Commission, Spring 2024 Economic Forecast, May 2024.

³ Source: CSO, Flash estimate of gross domestic product for the second quarter of 2024, August 2024

⁴ Source: NBP, Projections of inflation and GDP - July 2024, August 2024.

⁵ Source: CSO, Socio-economic situation of the country - June 2024 - unless otherwise indicated.

During the first six months of 2024, 95.5 thousand new apartments were commissioned, i.e. by 14.6% less than a year before. However, significantly more constructions began and clearly more building permits were issued than in the same period of 2023 - +43% (122 thousand) and +28% (143 thousand), respectively⁶.

Consumer price index (CPI inflation) was 2.5% y/y in Q2 (in June alone the CPI inflation was 2.6% y/y). According to the Central Statistical Office, the second quarter saw the strongest price increases in the categories: education (+9.0% y/y), restaurants and hotels (+8.0% y/y) as well as alcoholic beverages and tobacco products (+4.2% y/y)⁷. According to the NBP's inflation projection, it is anticipated to rise in the coming quarters. NBP forecasts assume the indicator in the entire 2024 at 3.7%⁸.

In April 2024, registered unemployment in Poland amounted to 4.9%, in May 5.0%, and in June 5.1%, which is equivalent to an increase of 0.1% y/y⁹. In June 2024, average employment in the enterprise sector was slightly lower than in June 2023 (-0.4% y/y). The average salary in the enterprise sector in March increased to PLN 8,077 which translates into an increase by 11.0% y/y.

The general business climate indicator for the manufacturing and construction sectors in June 2024 remained negative, at the level of -10.1 and -2.7, respectively. Despite the negative level, these indicators recorded an improvement compared to the same month in 2023¹⁰. Whereas, the PMI reading (Purchasing Managers' Index) for the industrial sector in June 2024 amounted to 45.0 points. This performance is slightly worse compared to June last year (45.1 points). Since the beginning of 2024, the PMI has oscillated between values of 48.0 and 45.0 points¹¹.

The World Bank's June publication on economic growth forecasts maintained the projected GDP growth in Poland at 3.0% in 2024¹². In turn, the European Commission forecasts GDP growth of 2.8% over the stated period with a concurrent inflation rate of 4.3%¹³. The International Monetary Fund, in an April update to its forecasts, estimated that Poland's GDP is to grow at a rate of 3.1% in 2024, with average annual inflation at 5.0%¹⁴.

Hungary

In the second quarter of 2024, according to the flash estimate of the KSH (Hungarian Central Statistical Office), Hungary's gross domestic product (GDP) increased by 1.5%. This reversed last year's trend, when GDP recorded a decline of -2.4%¹⁵. Projections by the National Bank of Hungary (MNB) indicate that after a period of stagnation at the end of 2024, the Hungarian economy will gradually move forward recording GDP growth of 2.0 to 3.0% throughout 2024.

Hungary's inflation rate in Q1 of 2024 was 3.7% y/y, and 2.7% y/y in June alone. The MNB's June inflation report predicts that inflation in Hungary will reach between 3.0% and 4.5% throughout the year. Hungary's Central Bank indicated in its report that inflation is to return to its target (3.0% with a symmetric band of deviations of +/-1%) in a sustainable manner in 2025¹⁶.

In May this year, the volume of construction output increased by 7.2% against May 2023 and in the January-May period it went up by 6.1% y/y. In the January-June 2024 period, building permits were issued for 8,972 new

⁶ Source: CSO, Housing construction between January and June 2024, July 2024.

⁷ Source: CSO, Consumer price index of goods and services in June 2024, July 2024.

⁸ Source: NBP, Projections of inflation and GDP - July 2024, July 2024.

⁹ Source: CSO, Registered unemployment rate in 1990-2024, July 2024.

¹⁰ Source: CSO, Economic situation in industrial processing, construction, trade and services 2000 - 2024 (June 2024), August 2024.

¹¹ Source: PMI by S&P Global, S&P Global Poland Manufacturing PMI, August 2024.

¹² Source: The World Bank, Global Economic Prospects, June 2024.

¹³ Source: The European Commission, Spring 2024 Economic Forecast, May 2024.

¹⁴ Source: International Monetary Fund, World Economic Outlook Database, April 2024.

¹⁵ Source: Data source referring to Hungary: Hungarian Central Statistical Office (KSH) - unless otherwise indicated.

¹⁶ Source: Magyar Nemzeti Bank, Inflation Report, June 2024.

apartments, which accounts for a -17.5% decrease y/y. At the same time, industrial production declined by -8.2% y/y in June. In contrast, it shrunk by -3.1% in the January-May period y/y.

The unemployment rate in June 2024 was at the level of 4.2%, remaining marginally above the level from June last year (3.8%). In May 2024, the average gross earnings in Hungary amounted to 652 000 HUF (about PLN 7,145), which translates into an increase in remuneration by 14.8% y/y¹⁷.

Analyses of the International Monetary Fund as regards GDP forecasts indicate 2.2% growth in 2024 and inflation of 3.7%¹⁸. The European Commission forecasts that the Hungarian economy is to go up by 2.4% with an accompanying inflation rate of 4.1%¹⁹.

Ukraine

According to the National Bank of Ukraine, GDP growth in the first half of 2024 amounted to 4.1% (+/- 1%) compared to the same period last year²⁰. According to the Ukrainian Ministry of Economy data, the year-on-year slowdown in economic growth was caused by electricity shortages - a significant part of energy assets responsible for the transmission and distribution of electricity was lost. Negative factors affecting the economy also included logistical problems, high security risks and a difficult situation on the labour market as a result of the mobilization into the Ukrainian army. However, despite the above factors, the recovery of the Ukrainian economy is still observed.

In May 2024, satisfactory results were recorded in the construction industry. This was possible thanks to the renovation of damaged critical infrastructure that had been destroyed as a result of war operations and the continued construction of defence systems. Weather conditions also favoured construction and agricultural work²¹.

In May and June the situation on the currency market remained under control, but there was a noticeable increase in demand for foreign currencies. The NBU increased the sale of currencies, in these conditions. It allocated USD 3.1 billion in May and USD 3.0 billion in June this year to support UAH exchange rate²². Consequently, in June Ukraine's international currency reserves decreased by 2.9% (USD 1.1 billion) and amounted to USD 37.9 billion²³. As a result, USD strengthened against UAH and exceeded the level of 40 UAH/USD.

Following military operations, the number of damaged apartments and destroyed residential buildings is increasing on a daily basis: in January 2024, there were over 250,000 of them. During the *Coatings-UA* conference, it was emphasized that approximately 50 million m² of residential premises are currently damaged in Ukraine.

Ukraine therefore faces a significant challenge of real estate reconstruction. Construction resumption occurs mainly in the west of the country and in Kiev. The real estate market has already reached levels equivalent to about 70-80% of pre-war values. The demand caused by the influx of people who lost accommodation caused a rapid increase in prices, particularly in Lviv, Kyiv and Uzhgorod. About 10 million m² of apartments is under reconstruction.

The destruction and occupation of some industrial plants influenced the construction materials market and led to deficiencies and logistics disruptions. Russia's armed onslaught on Ukraine and uncontrolled imports of lower quality products have significantly affected the situation. Around 30% of pre-war industrial capacity has been

¹⁷ Source: <https://www.ksh.hu/gyorstajekoztatok#/en/document/ker2302>

¹⁸ Source: International Monetary Fund, World Economic Outlook, April 2023.

¹⁹ Source: The European Commission, Spring 2024 Economic Forecast for Hungary, May 2024.

²⁰ Source: NBU, Real GDP Change in 2023, April 2024.

²¹ Source: Ministry of Economy of Ukraine, Monitoring of the most important events in the Ukrainian economy, May 2024

²² Source: Ministry of Economy of Ukraine, Monitoring of the most important events in the Ukrainian economy, May 2024

²³ Source: NBU, <https://bank.gov.ua/ua/news/all/mijnarodni-rezervi-stanovili-379-mlrd-dol-ssha-za-pidsumkami-cherwnya>, July 2024

destroyed or is under Russian occupation. Logistics costs have increased several times. Numerous industrial plants are on the verge of bankruptcy for these reasons²⁴.

According to the National Bank of Ukraine, in May 2024 consumer inflation amounted to 3.3% (y/y), while in June 4.8% (y/y). Month-on-month prices increased by 2.2%²⁵.

Price pressure was primarily the aftermath of the increase in the costs of economic and business activities, in particular labour and electricity costs, as well as the expected increases in excise taxes²⁶ and the devaluation of UAH²⁷.

In Q2, the NBU cut interest rates twice. In April from 14.5% to 13.5%, and in June to 13%²⁸.

After the war had broken out, the number of vacancies fell sharply, but within two years it gradually returned to the 2022 level. Previously employees found it difficult to find work, in 2024 employers struggled with finding qualified specialists. The reasons for this phenomenon can be found in: increased mobilization, internal and external migration, slow adaptation to life in a new place²⁹.

Researchers from the Razumkov Center claim that by the beginning of 2024, the number of people of working age in Ukraine declined by 40% compared to 2021. The workforce decrease is mainly due to demographic losses³⁰. Labour shortage puts pressure on private sector wages³¹. Concurrently, companies are making additional investments in innovative solutions aimed at increasing productivity³².

From February 24, 2022 until the date of publication of the report, the data of the Ukrainian statistical office on average wages and unemployment rate were not published.

Market of decorative paints and construction chemicals

The main markets where the Śnieżka Group operated in Q2 of 2024 were as follows: Poland, Hungary and Ukraine. In these three markets, the Group generated approx. 94,9% of sales revenues in the reporting period.

Poland

Based on the Group's internal estimates, the market of decorative paints in Poland in Q1 of 2024 declined year-on-year both in value terms (percentage, lower single-digit limit) and in volume terms (percentage, upper single-digit limit).

According to the group's assessment, the condition of the industry has not changed fundamentally since the last quarter of last year. The main factors that shape it include: a slight increase in the real purchasing power of consumers with persistently high interest rates, uncertainty caused by the general geopolitical situation, including in particular war in Ukraine, economic stagnation observed last year and the fact that the Group's products are not necessities³³.

According to internal data of the Company, as in previous years, decorative paints were used primarily for renovation or refurbishment of apartments³⁴. In the Group's opinion, this means that a bigger number of commenced construction sites and issued building permits as well as further government support programs to

²⁴ Source: USPP.ua, <https://uspp.ua/news/ostanni-novyny/2019/budivelnna-promyslovist-krytychno-potribna-dlia-vidnovlennia-krainy-vid-naslidkiv-viiny>, April 2024

²⁵ Source: NBU, <https://bank.gov.ua/ua/news/all/komentar-natsionalnogo-banku-schodo-rivnya-inflyatsiyi-u-chervni-2024-roku>, July 2024

²⁶ Source: NBU, <https://bank.gov.ua/ua/news/all/komentar-natsionalnogo-banku-schodo-rivnya-inflyatsiyi-u-chervni-2024-roku> July 2024

²⁷ Source: NBU, https://bank.gov.ua/admin_uploads/article/MMR_2024-07.pdf?v=7 July 2024

²⁸ Source: NBU, <https://bank.gov.ua/ua/monetary/archive-rish>, June 2024

²⁹ Source: NBU, <https://www.epravda.com.ua/publications/2024/06/25/715689/>, June 2024

³⁰ Source: NBU, <https://www.epravda.com.ua/publications/2024/06/25/715689/>, June 2024

³¹ Source: NBU, https://bank.gov.ua/admin_uploads/article/MMR_2024-07.pdf?v=7 July 2024

³² Source: NBU, https://bank.gov.ua/admin_uploads/article/IR_2024-Q2.pdf?v=7, April 2024

³³ Source: CSO, Preliminary estimate of gross domestic product in Q4 of 2023, April 2024.

³⁴ Source: Group internal study.

support demand (including *Housing for Start*), will not have a major impact on the Company's sales performance in the coming years³⁵.

In view of the current geopolitical conditions and uncertainty regarding macroeconomic conditions, the Group still assesses the situation in the entire category of decorative paints and construction chemicals as stable.

In Q2 of 2024, no changes occurred among the main players on the Polish market of decorative paints and construction chemicals. The entities with the largest shares on the Polish market currently include: Śnieżka Group companies, PPG Deco Polska and AkzoNobel Polska. According to the Company's estimates, their share in the total sales of decorative products in Poland is over 80%.

Hungary

According to the Group's estimates, in Q2 2024 the Hungarian market of paints and agents for wood protection and decoration increased slightly year-on-year (percentage, lower single-digit limit), with a slight decrease in the volume sold (percentage, lower single-digit limit).

The main factors influencing the economic situation in the industry, in the Group's opinion, have changed slightly compared to the same period last year. The most important factors include: rising real wages and a low but gradually increasing level of consumer confidence³⁶ and interest rates remaining at a still elevated level but gradually reduced (6.75%)³⁷.

In the reporting period, the largest entities operating on the Hungarian market were as follows: Poli-Farbe (from the Śnieżka Group), PPG Trilak and AkzoNobel Coatings. Their total share on the above market is estimated at approx. 73% (in value terms).

Ukraine

According to internal data, the Group recorded higher consumer activity in April than in May and June. This was due to a number of factors, including an increase in the prices of basic goods and electricity, UAH devaluation, a decrease in purchasing power and tightening of military mobilization regulations, which directly affected the activities of enterprises and purchasing activity³⁸.

The first half of 2024 was challenging for manufacturers due to several factors: (1) staff shortages caused by the mobilization of men into the Ukrainian army; (2) operation of enterprises in a high-risk zone for missile attacks; (3) the need to use generators in production, which significantly boosts costs; (4) the need to adjust product prices to the rising costs of raw materials; (5) lower interest in renovation works due to restrictions in electricity supply to consumers³⁹.

According to the Group's estimates, in H1 of 2024 the Ukrainian market of paints and agents for wood protection and decoration increased in value (percentage, double-digit lower limit).

Major players currently operating on the Ukrainian market include: Śnieżka-Ukraina, Meffert Hanza Farben, Henkel, ZIP, DAW, Eskaro, Feidal, Polisan, Olejníkov.

³⁵ Ibidem.

³⁶ Source: Eurostat, Consumer confidence indicator, July 2024.

³⁷ Source: Magyar Nemzeti Bank, Inflation Report, June 2024

³⁸ Source: Chem-courier, Ukrainian paint and varnish manufacturers are unhappy with the commencement of the painting season, June 2024

³⁹ Source: Source: Chem-courier, Paint and varnish companies are struggling with problems that emerged in 2024, July 2024

Raw materials

The first half of 2024 was characterized by a stabilization or occasionally a slight increase in the prices of raw materials used in the production of paints and varnishes. In the reporting period, this increase occurred in some groups of raw materials, such as: pigments, whites, dolomite fillers and calcium carbonates.

As regards the availability of raw materials and packaging, the situation has improved significantly, occasional restrictions on access to certain purchase items have not affected the continuity of production by the Śnieżka Group companies. In addition, the operation of supply chains in Europe and worldwide has improved.

In H1 of 2024, no other significant events or threats in the area of procurement took place that would have a significant impact on ensuring the continuity of supplies of raw materials.

Changes in the exchange rates of the Group's key currencies

At the end of the first half of this year, PLN strengthened against EURO compared to the end of 2023, while USD weakened. As far as the USD/PLN exchange rate is concerned, a more dynamic impulse of weakening (2.47%) of the Polish currency is noticeable than in the case of strengthening (-0.80%) of EUR/PLN.

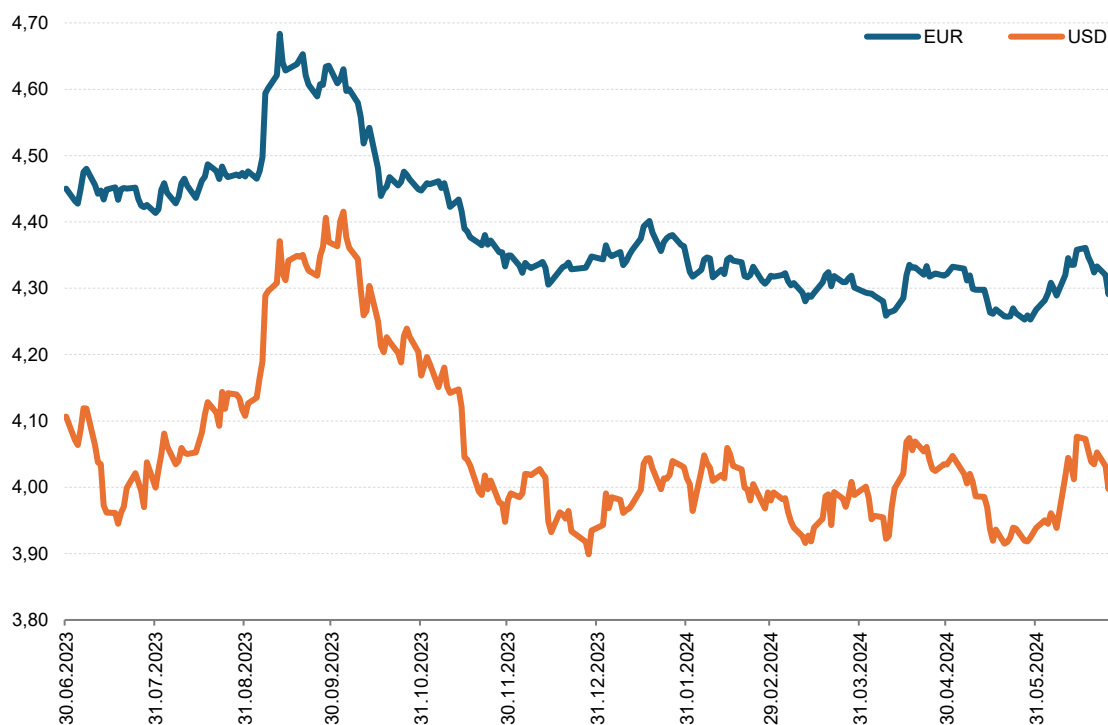
In the first half of 2024, the EUR/PLN exchange rate ranged from 4.2528 to 4.4016. The average NBP EUR/PLN exchange rate in the analysed period was 4.3181, while in the same period last year the average value was 4.6285, which represents a decrease in the current quote (y/y) by approx. -31 gr (-6.7%).

Over the last 12 months (from June 30, 2023 to June 28, 2024), the EUR/PLN exchange rate ranged from 4.2528 to 4.6836. The average NBP EUR/PLN exchange rate in the 12-month period was 4.3895, while in the same period last year the average value was 4.6835, which represents a decrease in the current quote (y/y) by approx. -29 gr (-6.3%).

In H1 of 2024, the USD/PLN exchange rate ranged from 3.9149 to 4.0760. The average NBP USD/PLN exchange rate in H1 was 3.9932, while in the same period last year the average value was 4.2837, which represents a decrease in the current quote (y/y) by approx. -29 gr (-6.8%).

Over the last 12 months the USD/PLN exchange rate ranged from 3.8990 to 4.4155. The average NBP USD/PLN exchange rate in the 12-month period was 4.0592, while in the same period last year the average value was 4.4818, which represents a decrease in the current quote (y/y) by approx. -42 gr (-9.4%).

Figure 7. EUR and USD quotations against PLN



Source: NBP.

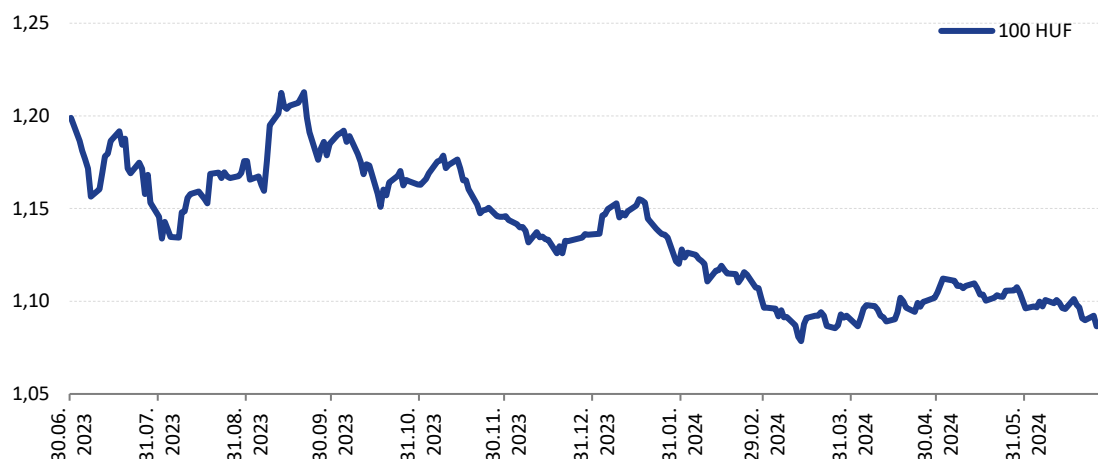
The valuation of the zloty during the reporting period was determined by various factors, including the continuing consequences of the war in Ukraine, the global phenomenon of inflation, the monetary policy of leading central banks and the issue of obtaining EU aid funds.

At the end of June of 2024, PLN strengthened against HUF by 3.90% compared to the end of 2023.

In H1 of 2024, the 100 HUF/PLN exchange rate ranged from 1.0785 to 1.1551. The average NBP 100 HUF/PLN exchange rate in H1 of this year was 1.1080, while in the same period last year the average value was 1.2148, which represents a decrease in the current quote (y/y) by approx. -11 gr (-8.8%).

Over the last 12 months (July 2023 - June 2024) the 100 HUF/PLN exchange rate ranged from 1.0785 to 1.2128. The average NBP 100 HUF/PLN exchange rate in the 12-month period was 1.1367, while in the same period last year (July 2023 - June 2024) the average value was 1.1893, which represents a decrease in the current quote (y/y) by approx. 5 gr (-4.4%).

Figure 8. HUF quotations against PLN



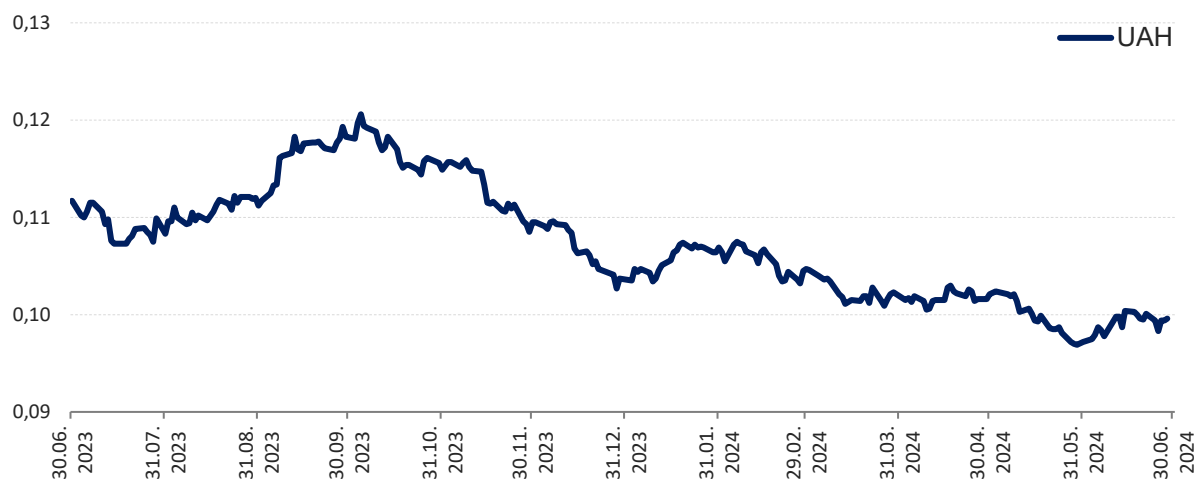
Source: NBP.

At the end of June of 2024, PLN strengthened against UAH by 3.95% compared to the end of 2023.

In H1 of 2024, the UAH/PLN exchange rate ranged from 0.0969 to 0.1075. The average NBP UAH/PLN exchange rate in H1 was 0.1024, while in the same period last year the average value was 0.1197, which represents a decrease in the current quote (y/y) by approx. 2 gr (-14.5%).

Over the last 12 months (July 2023 - June 2024) the UAH/PLN exchange rate ranged from 0.0969 to 0.1206. The average NBP UAH/PLN exchange rate in the 12-month period was 0.1074, while in the same period last year (July 2023 - June 2024) the average value was 0.1241, which represents a decrease in the current quote (y/y) by approx. 2 gr (-13.5%).

Figure 9. UAH quotations against PLN



Source: NBP.

In 2022, due to the extraordinary situation on the Ukrainian market, the Group introduced a change in the rules regarding the translation of financial statements of Śnieżka-Ukraine, for which the Ukrainian hryvnia (UAH) is the functional currency. The mentioned change was also in force in H1 of 2024.

The policy that the Group applies when converting items expressed in foreign currencies is described in item 2.4.6. *Translation of items expressed in foreign currencies* of the Consolidated Financial Statements for 2023.



In the context of the above changes, the Group adopted the closing rate as at June 30, 2024, set by the National Bank of Poland at which the Group exchanges UAH for PLN, i.e. 1 UAH = PLN 0.0996.

4.2 SALES RESULTS

Between January and June 2024, the Śnieżka Group generated sales revenues of PLN 402,648 thousand, i.e. by PLN 31,897 thousand (7.3%) lower than in the corresponding period of the previous year. The performance was primarily influenced by lower sales on the Polish market, which dominates the total revenues of the Group, as well as on the Hungarian one.

Unfavourable macroeconomic conditions and geopolitical uncertainty that persist in the market continue to adversely impact consumer sentiment. Despite the growing purchasing power of consumers in H1 of 2024, the economic situation in the industry, in which the Group operates in Poland, remained weak. Sales results for the period January-June 2024 on the main markets (and the main factors that contributed to them) are as follows:

Poland (71.0% share in the revenue structure)

Sales revenues generated by the Group on the Polish market amounted to PLN 285,899 thousand and thus were lower by 5.8% (PLN 17,457 thousand) compared to the previous year.

The decline in sales volume in H1 of 2024 in Poland resulted primarily from the changes in the distribution model on the independent market, a high base arising from the increased level of purchases by Partners in the corresponding period of 2023 as well as the weaker economic situation in the industry in the reporting period.

Hungary (13.2% share in the revenue structure)

In Hungary, sales revenues generated by the Group amounted to PLN 53,248 thousand and thus were lower by 18.0% (PLN 11,695 thousand) compared to the previous year. Lower revenues on the Hungarian market are the result of persistent unfavourable macroeconomic and geopolitical conditions affecting consumer sentiment and the economic situation in the industry, in which the Group operates. The decline in revenues in local currency on the Hungarian market amounted to 9.6% y/y.

Ukraine (10.7% share in the revenue structure)

In Ukraine, the Group generated revenues in the amount of PLN 42,908 thousand, i.e. higher by 5.2% (PLN 2,103 thousand) compared to the previous year. The dynamics of revenues in the local currency on the Ukrainian market was positive and amounted to 19.8% y/y.

This is another good quarter on the Ukrainian market achieved in the conditions of the on-going war. The situation in the western and central regions of Ukraine is far better than in the eastern part of the country. Consumer demand for paints and varnishes has risen steadily since the outbreak of the war, which may be due to the partial resumption of renovation works.

The outbreak of war disrupted supply chains and forced producers to reorient their supply and logistics directions.

The Company's Management Board indicates that the situation on the market in question remains uncertain and demanding and that the performance of the first half of this year should not, in the Company's opinion, be any basis for estimating the Group's performance of subsequent periods.

On other markets ("Other" segment), the Group generated sales revenues of PLN 20,593 thousand, i.e. by 19.1% lower than the year before. In total, the Group's revenues generated in the first six months of 2024 on foreign markets accounted for 5.1% of its total revenues.

Table 4. Sales revenues of the Śnieżka Group by countries

	the period ended as at 30 June 2024	Structure	the period ended as at 30 June 2023	Change (y/y)
Poland	285 899	71.0%	303 356	-5.8%
Hungary	53 248	13.2%	64 943	-18.0%
Ukraine	42 908	10.7%	40 805	5.2%
Other	20 593	5.1%	25 441	-19.1%
Total sales	402 648	100.0%	434 545	-7.3%

The Group's sales structure is dominated by decorative products. In the first six months of 2024, the Group generated from their sale the amount of PLN 334,270 thousand - i.e. 4.9% less than in the corresponding period of the previous year. Thus, decorative products accounted for 83.0% of the Group's total sales revenues, and their share in the sales structure was higher by 2.1% than the year before.

Construction chemicals featured the second highest share in sales structure (11.2%). The Group's revenues from the sale of products in this category amounted to PLN 44,978 thousand and were by 11.0% lower than a year earlier.

Table 5 Sales revenues of the Śnieżka Group by product categories

	the period ended as at 30 June 2024	Structure	the period ended as at 30 June 2023	Change (y/y)
Decorative products	334 270	83.0%	351 537	-4.9%
Construction chemicals	44 978	11.2%	50 558	-11.0%
Industrial products	3 350	0.8%	4 663	-28.2%
Goods	15 132	3.8%	19 654	-23.0%
Other revenues	2 956	0.7%	4 016	-26.4%
Materials	1 962	0.5%	4 117	-52.3%
Total sales	402 648	100.0%	434 545	-7.3%

FFiL ŚNIEŻKA SA

Since the change of the business model that took place at the beginning of 2021, Śnieżka SA has generated revenues primarily from:

- the sale of products and goods (based on agreed transfer prices) to Śnieżka ToC responsible in the Group for marketing and sales to customers and other Group companies;
- dividends received from subsidiaries.

Additional revenues, constituting a small share of the total, are generated by FFiL Śnieżka SA from the sale of raw materials for production and services to its subsidiaries.

In H1 of 2024, FFiL Śnieżka SA generated sales revenues in the amount of PLN 273,280 thousand i.e. 4.7% lower than in the same period last year. The dominant share in the total revenues of the Company (96.9%) in the reporting period was the sale of products and goods to Śnieżka ToC, recognized in the "Poland" segment. Compared to the previous year, it decreased by 5.8%, i.e. to PLN 264,922 thousand.

In addition, in the reporting period, FFiL Śnieżka SA also generated revenues from the sale of raw materials to its subsidiaries located in Hungary and Ukraine, as well as from the sale of advertising materials to Śnieżka ToC, in the total amount of PLN 7,921 thousand. The Company's sales to foreign markets which are key from the Group's point of view (the "Hungary" and "Ukraine" segments) accounted for 2.9% of its total revenues.

Table 6 Sales revenues of the FFIL ŚNIEŻKA SA by countries

	the period of 6 months ended as at 30 June 2024	Structure	the period of 6 months ended as at 30 June 2023	Change (y/y)
Poland	264 922	96.9%	281 374	-5.8%
Hungary	168	0.1%	621	-72.9%
Ukraine	7 756	2.8%	4 124	88.1%
Other	434	0.2%	538	-19.3%
Total sales	273 280	100.0%	286 657	-4.7%

In the breakdown by product categories, the Company's sales structure - as in the case of the entire Group - was dominated by decorative products. Their share in revenues was 78.8% and remained unchanged year-on-year. The next places in the sales structure were occupied by: other revenues (services) 6.6%, goods (5.6%) and construction chemicals (5.0%).

Table 7 Sales revenues of the FFIL ŚNIEŻKA SA by product categories

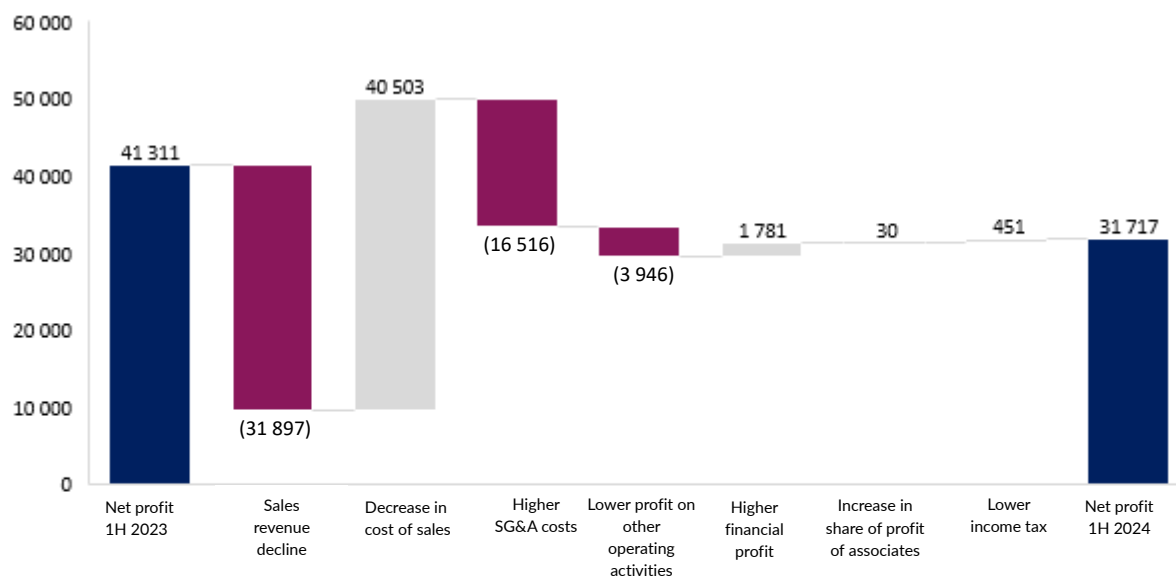
	the period of 6 months ended as at 30 June 2024	Structure	the period of 6 months ended as at 30 June 2023	Change (y/y)
Decorative products	215 489	78.8%	225 765	-4.6%
Construction chemicals	13 647	5.0%	18 498	-26.2%
Industrial products	103	0.0%	89	15.7%
Goods	15 253	5.6%	15 918	-4.2%
Other revenues	17 900	6.6%	15 413	16.1%
Materials	10 888	4.0%	10 974	-0.8%
Total sales	273 280	100.0%	286 657	-4.7%

4.3. MAJOR FACTORS AFFECTING FINANCIAL RESULTS

The Śnieżka Group

In the first six months of 2024, the Śnieżka Group generated a consolidated net profit of PLN 31,717 thousand, i.e. 23.2% lower than in the corresponding period of the previous year.

Figure 10. The impact of individual items in the statement of comprehensive income on the Group's net profit



The Group's net profit between January and June of 2024 was primarily affected by:

- a decrease in sales revenues by 7.3% (PLN 31,897 thousand), including: worse performance on the Polish market (-5.8%), on the Hungarian market (-18.0%), on other markets (-19.1%), while the Ukrainian market recorded an increase (+5.2%);
- an increase in general and administrative expenses by 13% (PLN 16,516 thousand), caused mainly by an increase in remuneration and the costs of external services,
- negative profit from other operating activities in the first quarter of this year compared to positive one last year (change PLN -3,946 thousand),
- profit improvement from financial activities by PLN 1,781 thousand, mainly through lower costs of servicing interest-bearing debt.
- lower income tax by PLN 451 thousand.

Table 8 The basic elements of the profit and loss account of the Śnieżka Group

THE ŚNIEŻKA GROUP

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	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023	Change (y/y)
Sales revenues	402 648	434 545	-7.3%
Cost of sales	207 966	248 469	-16.3%
Selling and general administrative costs	143 488	126 972	13.0%
Profit from other operating activities	(2 494)	1 452	-271.8%
Profit from financial activities	(9 345)	(11 126)	-16.0%
Share in affiliate's profit	134	104	28.8%
Gross profit	39 489	49 534	-20.3%
Profit from operating activities (EBIT)	48 700	60 556	-19.6%
Profit from operating activities + depreciation (EBITDA)	67 373	80 154	-15.9%
Income tax	7 772	8 223	-5.5%
Net profit, including:	31 717	41 311	-23.2%
<i>profit attributable to shareholders of the parent company</i>	30 026	38 335	-21.7%

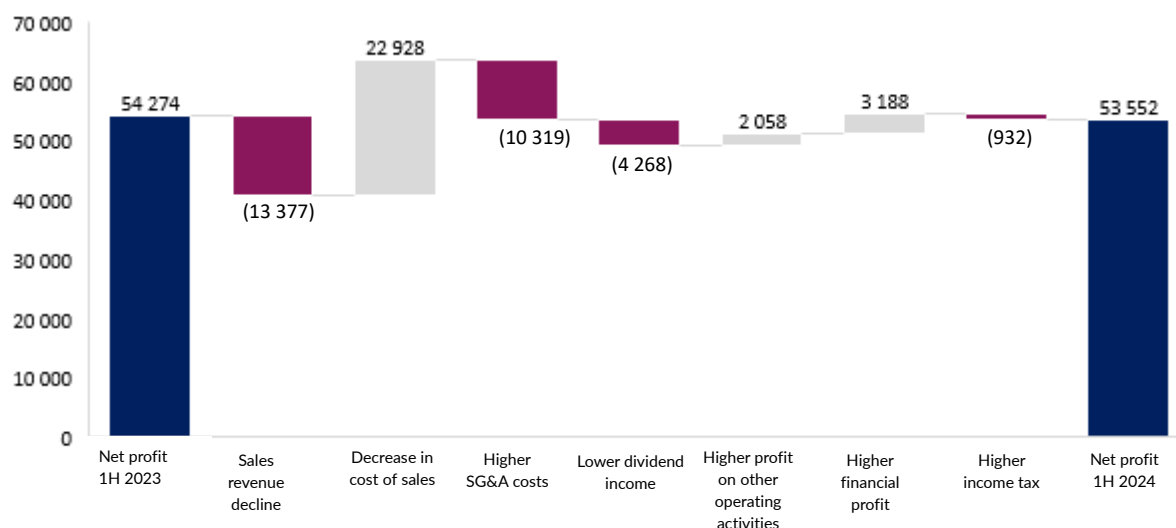
The Company did not publish forecasts of financial results for 2024, both on a consolidated and standalone basis, however, on March 26, 2024, Current Report No. 2/2024 was released, informing about the strategic goals of the Śnieżka Group. The strategic goals for 2028 include the following:

- achieving consolidated net revenues of PLN 1.1 billion,
- achieving a consolidated operating profit margin of the Śnieżka Group increased by depreciation (EBITDA margin) of 18%,
- higher than 20% share of the Śnieżka Group achieved in each of the key markets: Poland, Hungary and Ukraine.

Fabryka Farb i Lakierów Śnieżka SA

FFiL Śnieżka SA in the first six months of 2024 recorded a decrease in sales revenues by 4.7% compared to the same period of the previous year. The Company generated a net profit of PLN 53,552 thousand, i.e. by PLN 772 thousand lower than in the corresponding period of the previous year.

Figure 11. The impact of individual items in the statement of comprehensive income on the FFIL Śnieżka SA's net performance



The performance of the Company in this period was mainly due to:

- a decrease in sales revenues by 4.7% to PLN 273,280 thousand;
- an increase in gross margin, in value by PLN 9,551 thousand and in terms of % profitability by 4.9%;
- an increase in general and administrative expenses by 20% (PLN 10,319 thousand), caused mainly by an increase in remuneration and the costs of external services,
- higher profit from other operating activities by PLN 2 058 thousand;
- lower loss from financial activities (by PLN 3,188 thousand), primarily due to lower interest on loans and borrowings;
- higher income tax by PLN 932 thousand (up to the value of PLN 2 649 thousand).

Table 9 The basic elements of the profit and loss account of FFIL ŚNIEŻKA SA

	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023	Change (y/y)
Sales revenues	273 280	286 657	-4.7%
Cost of sales	183 726	206 654	-11.1%
Selling and general administrative costs	61 825	51 506	20.0%
Dividend income	41 402	45 670	-9.3%
Profit from other operating activities	2 958	900	228.7%
Profit from financial activities	(15 888)	(19 076)	-16.7%
Gross profit	56 201	55 991	0.4%
Profit from operating activities (EBIT)	72 089	75 067	-4.0%
Profit from operating activities + depreciation (EBITDA)	85 020	87 390	-2.7%
Income tax	2 649	1 717	54.3%
Net profit	53 552	54 274	-1.3%

4.4. FINANCIAL STANDING

The Śnieżka Group

The level of the Group's balance sheet values is influenced by the phenomenon of seasonality related to the volatile intensity of renovation and construction works in particular periods of the year (described in more detail in sec. 4.7 of the Report). Therefore, the values of such balance sheet items as: total assets, trade receivables and trade liabilities as at the end of June, as a rule, differ significantly from the values of these balance sheet items at the end of the previous year.

Due to the above, the Group decided to provide a commentary on the performance presenting the state of assets and liabilities after six months of the year: as at June 30, 2024 and June 30, 2023.

Table 10. The Śnieżka Group's assets

Group's assets	30.06.2024	30.06.2023	Change (y/y)
Fixed assets, including:	559 836	560 851	-0.2%
- Tangible fixed assets	491 628	488 537	0.6%
- other fixed assets	68 208	72 314	-5.7%
Current assets, including:	317 517	266 179	19.3%
- Inventory	131 484	125 411	4.8%
- Trade and other receivables	138 942	105 234	32.0%
- Cash and cash equivalents	44 745	23 677	89.0%
- other current assets	2 346	11 857	-80.2%
Non-current assets classified as held for sale	345	165	109.1%
Total	877 698	827 195	6.1%

On June 30, 2024, the value of the assets of the Śnieżka Group was PLN 877,685 thousand, which represents an increase of PLN 50,503 thousand (6.1%) compared to the end of June last year. The value of the Group's fixed assets (representing 63.8% of its total assets) decreased by 0.2% during the year to PLN 559,836 thousand.

The value of the Group's current assets amounted to PLN 317,517 thousand, increasing by 19.3% compared to June 30, 2023. The main item of the Group's current assets were inventories valued at PLN 138,942 thousand, the value of which, compared to the previous year, went up by 32.0%.

The second largest item were inventories worth PLN 131,484 thousand, which is 4.8% higher than the year before.

As at June 30, 2024, the Group held PLN 44,745 thousand cash (increase by 89% y/y) and non-current assets classified as held for sale worth PLN 345 thousand.

Table 11. The Group's liabilities

Group's liabilities	30.06.2024	30.06.2023	Change (y/y)
Total equity, including:	358 853	337 027	6.5%
- Equity (attributable to the shareholders of the parent company)	337 003	312 485	7.8%
- Equity of non-controlling interests	21 850	24 542	-11.0%
Total liabilities	518 845	490 168	5.9%
Long-term liabilities	288 141	280 185	2.8%
Short-term liabilities, including:	230 704	209 983	9.9%
- Trade and other liabilities	109 917	109 109	0.7%
- Short-term liabilities on loans and borrowings	71 591	48 912	46.4%
- Other short-term liabilities	49 196	51 962	-5.3%
Total	877 698	827 195	6.1%

As at June 30, 2024 the Group had equity in the amount of PLN 358,853 thousand, i.e. higher by 6.5% than by the end of June 2023. At the same time, its level of external debt increased. Consequently, the Group financed its operations from its own resources at 40.9%, which represents an increase of this level by 0.2% over the year.

At the end of the reporting period, the Group's long-term liabilities amounted to PLN 288,141 thousand, which represents a rise by 2.8% (PLN 7,956 thousand) y/y. This is primarily the result of using the funds from the existing credit lines for investment purposes. Liabilities due after twelve months from the balance sheet date accounted for 32.8% of the balance sheet total.

The Group's short-term liabilities amounted to PLN 230,704 thousand, i.e. an increase by 9.9% y/y and accounted for 26.3% of the balance sheet total.

As a result of changes in the financing structure - the value of bank loans (total, short and long-term) increased by PLN 29,058 thousand, to the level of PLN 342,888 thousand and as at June 30, 2024, the bank loans accounted for 39.1% of the balance sheet total.

Compared to the end of June last year the Group's trade and other liabilities increased by PLN 808 thousand to the level of PLN 109,917 thousand.

Put and call options

The Group's balance sheet includes a put option, i.e. a liability under the option to purchase shares of Poli-Farbe Vegyipari Kft. held by a minority shareholder. It reduces the Group's equity (by PLN 30,401 thousand as at June 30, 2024). The essence of this option is that Lampo Kft. – the other shareholder of Poli-Farbe Vegyipari Kft. – has the right to sell (put option), and FFIL Śnieżka is obliged to purchase the remaining 20% of shares in this company. Whereas the call option entitles the Company, in special circumstances, to acquire the remaining 20% of shares.

Fabryka Farb i Lakierów Śnieżka SA

Similarly as in the case of the Group, the level of balance sheet values of FFIL Śnieżka SA is affected by seasonality. Consequently, the Company decided to provide a commentary on the performance presenting the state of assets and liabilities after six months of the year: as at June 30, 2024 and June 30, 2023.

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Table 12. FFIL ŚNIEŻKA SA's assets

Company's assets	30.06.2024	30.06.2023	Change (y/y)
Fixed assets, including:	652 086	655 704	-0.6%
- Tangible fixed assets	420 349	417 706	0.6%
- Shares and stocks in other entities	200 822	203 096	-1.1%
- other fixed assets	30 915	34 902	-11.4%
Current assets, including:	237 462	250 168	-5.1%
- Inventory	91 743	87 388	5.0%
- Trade and other receivables	139 116	148 275	-6.2%
- Cash and cash equivalents	4 848	3 088	57.0%
- other current assets	1 755	11 417	-84.6%
Total	889 548	905 872	-1.8%

As at June 30, 2024, the Company's assets amounted to PLN 889,548 thousand, which represents a decrease by 16,324 thousand (1.8%) compared to the end of June last year.

The value of the Company's fixed assets (representing 73.3% of its total assets) decreased by 0.6% during the year, to PLN 652,086 thousand, predominantly as a result of a decline in other fixed assets and shares in other entities.

The value of the Company's current assets amounted to PLN 237,462 thousand, i.e. it was 5.1% lower than as at June 30, 2023. The main item of these assets were trade and other receivables worth PLN 139,116 thousand by 6.2% lower than a year earlier. Inventories were valued at PLN 91,743 thousand, above the price from the previous year (by 5.0%, i.e. PLN 4,355 thousand).

At the end of June 2024, the Company held PLN 4,848 thousand cash and cash equivalents (an increase by PLN 1,760 thousand y/y) and PLN 1,755 thousand of other current assets in the form of income tax receivables.

Table 13. FFIL ŚNIEŻKA SA's liabilities

Company's liabilities	30.06.2024	30.06.2023	Change (y/y)
Equity	280 652	249 651	12.4%
Total liabilities	608 896	656 221	-7.2%
Long-term liabilities, including:	452 001	515 400	-12.3%
- Long-term interest-bearing loans and borrowings	440 945	504 436	-12.6%
- Other long-term liabilities	11 056	10 964	0.8%
Short-term liabilities, including:	156 895	140 821	11.4%
- Trade and other liabilities	90 066	71 454	26.0%
- Current portion of interest-bearing loans and borrowings	50 396	50 432	-0.1%
- Other short-term liabilities	16 433	18 935	-13.2%
Total	889 548	905 872	-1.8%

As at June 30, 2024, FFIL Śnieżka SA financed its activities in 31.5% from its own funds, which represents an increase of this ratio by 4.0% compared to the end of June 2023.

At the end of the reporting period, the long-term liabilities of the Company amounted to PLN 452,001 thousand (a decrease by PLN 63,399 thousand y/y) and accounted for 50.8% of the balance sheet total.

As part of the liabilities presented in the report, as at June 30, 2024, the Company has a loan from its subsidiaries Śnieżka ToC and Rafil, which is an element of optimal liquidity management within the Group.

The total value of the loans (capital) is PLN 186,274 thousand (long-term liability including: ToC PLN 181,274 thousand Rafil PLN 5,000 thousand and PLN 938 thousand of interest (short-term liabilities including ToC PLN 914 thousand, Rafil PLN 24 thousand).

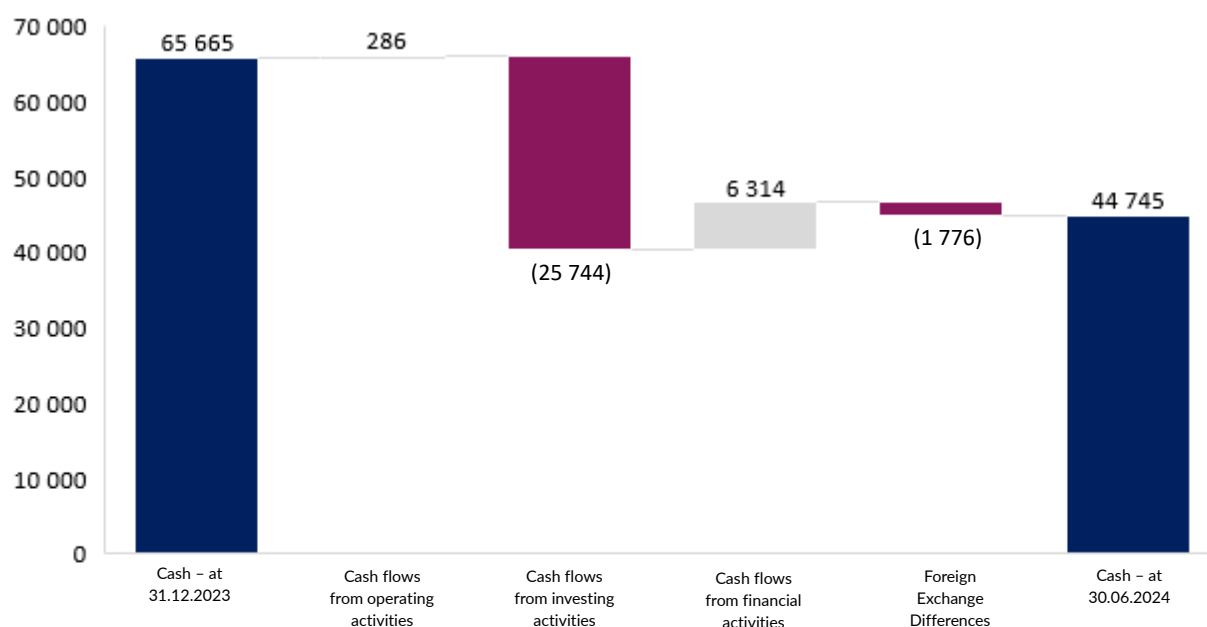
The Company's short-term liabilities increased by 11,4% (PLN 16,074 thousand). This balance sheet item was affected by the increase in trade and other liabilities. The level of the current portion of interest-bearing loans and borrowings amounted to PLN 50,396 thousand at the end of the reporting period, which represents a slight decrease by 0.1% compared to the previous year.

4.5. CASH FLOWS

The Śnieżka Group

In H1 of 2024, the Group generated negative cash flows of PLN 20,920 thousand (after adjustment for exchange rate differences from the translation of foreign units) against positive cash flows in the amount of PLN 3,761 thousand a year earlier. As a result, at the end of the reporting period, the Group's cash and cash equivalents amounted to PLN 44,745 thousand.

Figure 12. The Group's cash flows in H1 of 2024



This performance was affected by:

positive cash flows from operating activities in the amount of PLN 286 thousand

Their value was positively influenced primarily by the value of profit before tax of PLN 39,489 thousand, the change in liabilities by PLN 8,007 thousand, the change in provisions by PLN 11,560 thousand, depreciation by PLN 18,673 thousand and interest costs by PLN 10,462 thousand; on the other hand, the following items had a significant negative impact: the change in receivables by PLN 66,493 thousand and the change in inventories by PLN 15,958 thousand.

negative cash flows from investing activities in the amount of PLN 25,744 thousand

The Capital Group presents total Capex expenditures in the amount of PLN 26,000 thousand in cash flows from investing activities; in addition, flows from the sale of property, plant and equipment were recorded in the amount of PLN 256 thousand.

positive flows from financial activities at the level of PLN 6,314 thousand

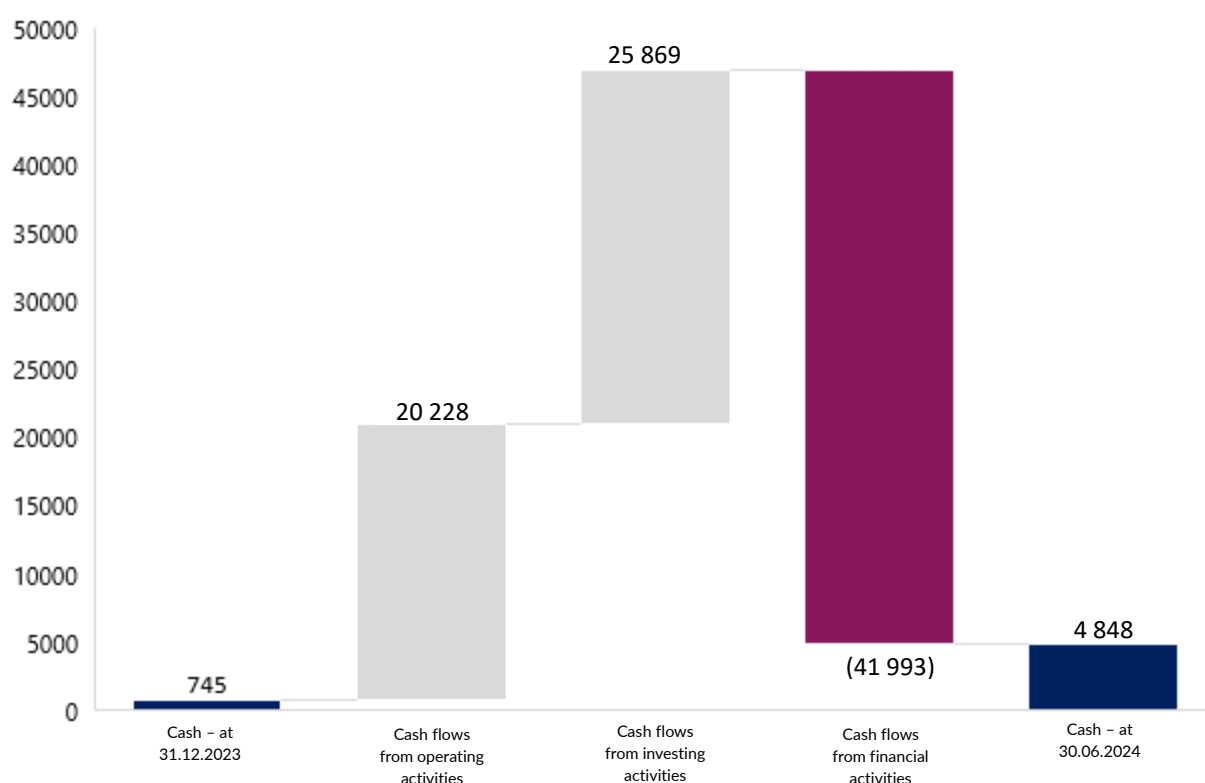
In addition to flows from the existing credit lines in the amount of PLN 90,984 thousand, - resulting from investment needs and current operating activities - the partial repayment of loans (PLN -27,765 thousand) and interest (PLN -10,771 thousand) and dividend paid (PLN -45,403 thousand) had a significant impact on the final cash flows from financial activities.

Fabryka Farb i Lakierów Śnieżka SA

After six months of 2024, the Company achieved positive cash flows of PLN 4,103 thousand (compared to also positive flows in the amount of PLN 1,541 thousand a year earlier).

At the end of the reporting period, the Company's cash amounted to PLN 4,848 thousand.

Figure 13. FFIL ŚNIEŻKA SA's cash flows in H1 of 2024



They were a result of:

positive cash flows from operating activities in the amount of PLN 20,228 thousand.

Their value was positively affected primarily by profit before tax of PLN 56,201 thousand, change in liabilities of PLN 29,718 thousand, adjustment of financial costs of PLN 15,773 thousand and depreciation value of PLN 12,931 thousand; the negative result was significantly influenced by change in receivables of PLN -55,155 thousand and dividends received of PLN -41,402 thousand.

positive cash flows from investing activities in the amount of PLN 25,869 thousand.

The Company presents total Capex expenditures in the amount of PLN 15,514 thousand and the value of dividends received in the amount of PLN 41,257 thousand in cash flows from investing activities.

negative cash flows from financing activities in the amount of PLN 41,993 thousand.

This item was positively influenced by flows from the existing credit lines and loans (PLN 117,903 thousand in total); while the greatest negative impact had: partial repayment of loans and borrowings (PLN 103,196 thousand) and repayment of interest (PLN -16,432 thousand) as well as dividends paid (PLN -39,998 thousand).

4.6. FINANCIAL RATIOS

Group's profitability ratios

During the first six months of 2024, the Śnieżka Group achieved lower percentage margins than in the corresponding period of the previous year, with the exception of the gross margin. The gross margin was primarily influenced by a significant 16.3% decline in production costs compared to sales (-7.3%). Profitability margins were negatively affected by higher selling costs and general and administrative expenses in total (+13%); thus, indirect margins calculated on the basis of EBIT and EBITDA recorded year-on-year declines, by -1.8% and -1.7% respectively, similarly to the net profit margin, which amounted to 7.9% this year and 9.5% a year earlier.

In the reporting period, ROA (1.8%) and ROE (2.2%) were higher, chiefly due to the higher value of net profit calculated on a cumulative basis from the last 12 months.

Table 14. The Group's profitability ratios

	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
EBIT margin in % (EBIT / Sales revenues) x 100%	12.1%	13.9%
EBITDA margin in % (EBITDA / Sales revenues) x 100%	16.7%	18.4%
Gross margin on sales in % (Gross profit on sales / Sales revenues) x 100%	48.4%	42.8%
Net profit (loss) in % (Net profit / Sales revenues) x 100%	7.9%	9.5%
Return on assets (ROA) * (Net profit / Total assets *) x 100%	8.8%	7.0%
Return on equity (ROE) ** (Net profit / equity - attributable to the shareholders of the parent company) x 100%	20.3%	18.1%

* Total net profit of the Group for the last four quarters divided by the average value of total assets of the Group at the end of the last 5 quarters.

** Total net profit attributable to the shareholders of the parent company for the last 4 quarters divided by the average value of equity attributable to shareholders of the parent company at the end of the last 5 quarters.

Group's liquidity and debt ratios

As at June 30, 2024 the general debt ratio of the Śnieżka Group decreased by 0.2% y/y as a result of slower rate of increase in liabilities in relation to the balance sheet total.

Due to the decrease in the value of fixed assets by 0.2% y/y and the concurrent increase in equity (by 6.5%), the ratio of coverage of fixed assets with equity improved by 4.0%, reaching the value of 64.1%.

The Group's current liquidity ratio reached 1.4 and was by 0.1% higher than a year earlier, primarily owing to a significant boost in the level of current assets.

The quick liquidity ratio increased to 0.8 and the cash liquidity ratio increased by 0.08 y/y to 0.19.

The Management Board of the Company monitors on an on-going basis the situation related to the war in Ukraine and also analyses the economic and social situation on the main markets as far as the demand for the Group's products is concerned. Taking the above into consideration it embarks on actions to maintain the optimal, safe level of the Group's liquidity.

At the end of H1 of 2024, the Group's net debt/EBITDA ratio was 2.08 compared to 2.35 a year earlier. The Śnieżka Group manages its interest-bearing debt in a conservative manner, assuming the optimal debt level at the level of 1x EBITDA in the long term.

Concurrently, in order to ensure financing at the optimal level, the Company prolongs credit agreements as needed.

Table 15. The Group's liquidity and debt ratios

	30.06.2024	30.06.2023
Current liquidity ratio (Current assets / Short-term liabilities)	1.4	1.3
Quick liquidity ratio (Current assets - inventories)/Short-term liabilities	0.8	0.7
Cash liquidity ratio (Cash and cash equivalents / Short-term liabilities)	0.19	0.11
Total debt ratio (Total liabilities / Total assets) x 100%	59.1%	59.3%
Fixed-asset to equity-capital ratio (Equity/Fixed assets) x 100%	64.1%	60.1%

Group's rotation ratios

In H1 of 2024, the cash conversion cycle in the Group was 81 days, which compared to the corresponding period of the previous year represents its extension by 25 days. The above was influenced by: slower collection of receivables from the sale of products and goods (by approx. 19 days), extension of the inventory rotation by 23 days, while the extension of the liabilities cycle by approx. 16 days had a positive effect.

Table 16. The Śnieżka Group's rotation ratios

	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
Inventory cycle (Inventory level x 180 / Cost of sales) in days	113.8	90.9
Receivables cycle (Trade and other receivables x 180 / Sales revenues) in days	62.1	43.6
Current liabilities cycle (Trade and other liabilities x 180 / Cost of sales) in days	95.1	79.0
Cash conversion cycle (Inventory cycle + receivable cycle - liability cycle) in days	80.8	55.4

FFiL ŚNIEŻKA SA**Company's profitability ratios**

Since the change of the operating model at the beginning of 2021, FFiL Śnieżka SA has been selling products and goods to Śnieżka ToC on the basis of agreed transfer prices - i.e. without the commercial margin it achieved by selling its products directly. This affected the level of gross margin on sales compared to previous years.

In the reporting period, the Company achieved a sales margin of 32.8%, i.e. by 4.9% higher than the year before. This is a result of lower sales revenues (-4.7%), the pace of which was significantly lower than the pace of decline in cost of sales (-11.1%)

At the same time, in the first half of 2024, FFiL Śnieżka SA achieved higher margins than a year earlier at the level of: operating profit EBIT (+0.2%), EBITDA (+0.6%) and net profit (+0.7%).

Table 17. FFiL ŚNIEŻKA SA's profitability ratios

	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
EBIT margin in % (EBIT / Sales revenues) x 100%	26.4%	26.2%
EBITDA margin in % (EBITDA / Sales revenues) x 100%	31.1%	30.5%
Gross margin on sales in % (Gross profit on sales / Sales revenues) x 100%	32.8%	27.9%
Net profit (loss) in % (Net profit / Sales revenues) x 100%	19.6%	18.9%
Return on assets (ROA) * (Net profit / Total assets *) x 100%	7.9%	5.8%
Return on equity (ROE) (Net profit / equity**) x 100%	25.8%	22.1%

* Total net profit for the last 4 quarters divided by the average value of total assets as at the end of the last 5 quarters.

** Total net profit for the last 4 quarters divided by the average value of equity at the end of the last 5 quarters.

Company's liquidity and debt ratios

As at June 30, 2024, the Company's total debt ratio decreased by 4% and the equity to fixed assets ratio increased by 5.0%, which is mainly due to the increase in the level of equity (+12.4%) and a simultaneous slight decrease in the level of fixed assets.

The Company's current liquidity ratio improved by 0.3 compared to the previous year, which results from an increase in the value of short-term liabilities (by 11.4%), while the decrease in the level of current assets (by 5.1%) additionally strengthened the downward trend of the ratio.

Table 18. The FFIL ŚNIEŻKA SA's liquidity and debt ratios

	30.06.2024	30.06.2023
Current liquidity ratio (Current assets / Short-term liabilities)	1.5	1.8
Quick liquidity ratio (Current assets - inventories) Short-term liabilities	0.9	1.2
Cash liquidity ratio (Cash and cash equivalents / Short-term liabilities)	0.03	0.02
Total debt ratio (Total liabilities / Total assets) x 100%	68.5%	72.4%
Fixed-asset to equity-capital ratio (Equity/Fixed assets) x 100%	43.0%	38.1%

Rotation ratios

In H1 of 2024, the Company's cash conversion cycle was 93 days, which represents its shortening by almost 14 days compared to the previous year. This is mainly the result of the Company taking advantage of trade credit to manage liquidity to a greater extent than a year earlier. This extended the current liabilities cycle by over 26 days.

The inventory turnover cycle was extended by almost 14 days, and the receivables cycle shortened by nearly 2 days. Since the change of the Group's operating model, a significant part of the receivables of FFIL Śnieżka SA comes from Śnieżka ToC, which is related to the takeover of commercial contracts by it.

Table 19. FFIL ŚNIEŻKA SA's rotation ratios

	the period of 6 months ended as at 30 June 2024	the period of 6 months ended as at 30 June 2023
Inventory cycle (Inventory level x 180 / Cost of sales) in days	89.9	76.1
Receivables cycle (Trade and other receivables x 180 / Sales revenues) in days	91.6	93.1
Current liabilities cycle (Trade and other liabilities x 180 / Cost of sales) in days	88.2	62.2
Cash conversion cycle (Inventory cycle + receivable cycle - liability cycle) in days	93.3	107.0

4.7. SEASONALITY

The activity of the Śnieżka Group's companies is characterized by the phenomenon of seasonality. It is related to the rise in demand for the Group's products, due to the intensity of renovation and construction works, falling primarily in the spring and summer months. The Group usually generates higher revenues in the second and third quarters of each financial year. They constitute approx. 60-65% of its annual sales revenues.

The occurring phenomenon of seasonality also affects:

- the change in the need for working capital, which is a lot higher in the second and third quarters of the financial year compared to the end of December of the previous year,
- the level of production in selected Group companies in individual months of the year.

4.8. FACTORS THAT MAY AFFECT THE GROUP'S PERFORMANCE IN THE FOLLOWING QUARTERS

The performance of the Śnieżka Group in 2024 will be primarily influenced by the performance of FFil Śnieżka SA (parent company) and Śnieżka Trade of Colours Sp. z o.o.

In addition, due to the significant share in the Group's consolidated revenues and profits, the performance of selected subsidiaries operating on key foreign markets will be of crucial importance, particularly Poli-Farbe Vegyipari Kft. (Hungary) and Śnieżka-Ukraina Sp. z o.o. (Ukraine).

The Company's Management Board estimates that the main external factors that will affect the performance of the Group and individual companies in the coming quarters will be:

1. Demand for the Group's products and possible changes in consumer behaviour

The Śnieżka Group monitors consumer sentiment, the financial condition of consumers and their purchasing plans in its key markets (Poland, Hungary, Ukraine) and in its most important product categories.

Demand in the coming months may be influenced by improved consumer sentiment, stabilization in purchasing power, as well as a higher tendency to save and temporary restrictions on large expenditures related to the monetary policy pursued by the National Bank of Poland, which largely boils down to maintaining relatively high interest rates in order to limiting lending and thus reducing the amount of money on the market. According to the analyses of the Central Statistical Office (CSO), the consumer sentiment in Poland - aggregated in the Current Consumer Confidence Indicator (BWUK)⁴⁰ - improved in Q2 of 2024 and amounted to -12.4 (+17.7% y/y). The Leading Indicator of Consumer Confidence (WWUK), describing the trends in individual consumption expected in the next 12 months, also boosted. Currently, it is at -7.8 (+8.8% y/y)⁴¹.

The Group analyses, including: how global factors (e.g. the effects of the war in Ukraine) and local ones (e.g. inflation and changes in wages) affect the GDP indicator in individual countries, with which the condition of the decorative paints industry is strongly correlated. A constant element of the activities carried out is the monitoring of situation in this sector on key markets, which provides the possibility of predicting alternations in consumer attitudes, as well as adapting the offer as well as marketing and sales activities to volatile conditions.

⁴⁰ BWUK and WWUK indicators range from -100 to +100. Values above zero indicate an improvement in the economic situation whereas negative values indicate its deterioration.

⁴¹ Source: CSO, Consumer economic situation – August 2024

2. Consequences of the armed conflict on the territory of Ukraine

Military operations in the territory of Ukraine had a negative impact on the Group's operations and performance on the Ukrainian market at the beginning.

According to the Company's knowledge at the time of the publication of this report, the property of Śnieżka-Ukraina is not endangered (its production plant is located in Yavoriv, Lviv region).

At the moment, there are no premises that would indicate the loss of the ability to continue business operations in Ukraine. Nevertheless, the in-progress armed conflict and the concentration of the Russian army on destroying the energy infrastructure cause disruptions in the energy supply, which affects the efficiency of the production plant. It also has a negative impact on renovation works, and thus the demand for the company's products.

The on-going warfare in Ukraine may have an essential effect on the future performance of Śnieżka-Ukraina and, as a result, the entire Capital Group. The industry's performance in 2023 and in H1 of 2024 significantly improved compared to the first period when the conflict broke out. At the same time, due to external factors and the current market environment, the Management Board of the Company is currently unable to estimate the impact of the war on the future performance of the Group on the said market. The Śnieżka Group monitors the conditions in Ukraine on a regular basis and adapts its activities and plans to the current situation. It also continues to monitor its core markets, constantly verifying, inter alia, the impact of the armed conflict in Ukraine on the condition of economies, the sentiment and financial condition of consumers or their purchasing plans.

Table 20. The exposure to risk of assets held in Ukraine as at June 30, 2024 is as follows (data in PLN thousand):

Data in PLN '000	Balance sheet as at 30.06.2024
Tangible fixed assets	16 643
Inventory	13 987
Short-term receivables	6 438
Cash	18 891
Other assets	522
Total assets	56 481
Net assets (Equity)	49 495

3. The situation in global trade and its impact on the pace of economic growth

The reading from the Goods Trade Barometer of the World Trade Organization (WTO) in March 2024 was 100.6 points (symbolically lowering the level compared to the reading of 100.7 points in November last year)⁴². WTO analysts maintain their forecasts for growth in world trade in 2024 and 2025, although they marginally revise their dynamics to +2.6% and +3.3%, respectively. Concurrently, they indicate possible changes to the forecast if the situation in the conflict regions worsens or geopolitical tensions increase⁴³.

The global trade situation translates into trade on the key markets the Group operates on - and, as a result, also on the condition of the economies of the countries that constitute the core sales markets for the Group's products. The sector of paint and wood products and the level of consumption of renovation and construction products are correlated with the level and dynamics of GDP. This is particularly essential in the case of Poland

⁴² Source: World Trade Organization (WTO), WTO trade barometers – March 2024, April 2024.

⁴³ Source: WTO, Global Trade Outlook and Statistics, April 2024

(the key market of the Group from the perspective of the sales revenues generated), where private consumption remains one of the main driving forces of the economy.

The greatest threat from the trade's perspective is the escalation of the conflict in Ukraine, which affects the sales dynamics in the industry both directly (due to the Group's presence on the Ukrainian market) and indirectly (by affecting the prices of energy raw materials).

4. Changes in the prices of raw materials and packaging and their availability

The Company's Management Board envisages that due to the current economic and political situation in Europe and in the world, including the pending war in Ukraine, in 2024, in the case of some raw materials and packaging as well as other products, there may be further price increases. Determining the level of prices of key raw materials used in production may be subject to a significant error. At the same time, restrictions in access to raw materials intensified work on the search for substitutes for raw materials necessary for the production of paint and varnish products.

The Company also monitors the changes to the European Union regulations on an on-going basis, describe later in this chapter, and takes appropriate steps to adapt to them. At present, the Company does not anticipate any events related to the purchase of raw materials that could jeopardize its proper functioning.

5. Changes in currency exchange rates

The Group's bottom-line may be significantly affected by changes in currency exchange rates, in particular: EUR/USD, EUR/PLN, USD/PLN, HUF/PLN and UAH/PLN. The greatest current currency risk for the Śnieżka Group is related to the potential strengthening of the EUR/PLN exchange rate, which may affect the change in the cost of purchasing raw materials used for production.

6. Increase in energy prices affecting production costs

In the current macroeconomic and geopolitical environment, energy prices have stabilized, which translate into the final cost of production. The Company in Poland is guaranteed electricity at a fixed price for the entire 2024 and 2025, and it is 100% energy from renewable sources. At Śnieżka Ukraina, the photovoltaic system completed last year was launched, producing electricity for the plant's needs and ensuring approximately 20% of demand coverage. In turn, after carrying out the formal stage, the system built in the Hungarian company Poli-Farbe is to provide 30% coverage of energy demand. In Poland, work is underway to obtain the required formal approvals and permits to erect PV system, but the actual implementation of the investment in photovoltaic systems depends on obtaining funding. In the current half-year, actions were taken to obtain funding for the implementation of a photovoltaic system in Zawada - work on preparing the application is underway. These activities are part of *Śnieżka 2023 + Sustainable Development Strategy*.

7. The European Union regulations on paint and other products of the Group

The Śnieżka Group constantly monitors changes in legal regulations that may affect production and implements activities enabling dynamic adjustment of the technological process to these changes. It actively seeks to obtain various types of approvals and certificates, such as Ecolabel, hygiene or hypoallergenic certificate, which confirm that its products, used as intended, are environmentally friendly and safe for human health.

The currently amended regulations that require special attention are Regulation (EC) No 1272/2008 of the European Parliament and of the Council on classification, labelling and packaging of substances and mixtures (CLP Regulation), together with the amending regulations (ATP) concerning the classification of products and their appropriate labelling, depending on the content of biocidal substances in the final product.

Thanks to having its own microbiological laboratory, the Śnieżka Group is able to conduct on-going tests necessary to meet new legal requirements, and even anticipate them, while ensuring high quality of the products offered.

8. Actions to prevent climate change

The Śnieżka Group is engaged in activities aimed at reducing its impact on the environment, including limiting climate change. Although the Company's activity related to the production of paints and varnishes features low energy consumption, some elements of the value chain, such as the production of packaging based on petroleum products and the extraction or production of certain raw materials, are high in emissions. The Group is aware that the European Union's strategy to transform it into a modern, resource-efficient and competitive economy may impact Śnieżka's business model and financial results.

The assumptions of the Green Deal have been included in *Śnieżka 2023 + Sustainable Development Strategy*. In addition to calculating the carbon footprint for the entire Capital Group in scopes 1, 2 and 3, the Group undertakes reduction initiatives aimed at mitigating the effects of climate change. Since 2023, the Group has been preparing for reporting in accordance with the CSRD Directive and ESRS standards. 224 / 5 000 As part of these preparations, scenario analyses were conducted for risks related to climate change, which allowed for the identification of threats and opportunities related to climate change and energy transformation.

Other information

Investments

In the first half of 2024, the Śnieżka Group implemented investments in accordance with the approved plan, focusing on areas that ensure the follow-up of effective operating activities. Total capital expenditures (CAPEX) in this period amounted to PLN 16.4 million which represented more than double the amount of the same period last year. The largest share in these expenditures was accounted for by Śnieżka Trade of Colours and FFIL Śnieżka SA, mainly in connection with the replacement and expansion of the vehicle fleet.

At the same time, finishing works were carried out in the Logistics Centre and investments were made in the IT and instore areas, primarily related to the development of the distribution model. In H1 of 2024, investments also continued in the areas of production, research and development and quality assurance. The investments were implemented in accordance with the approved budget plan, considering necessary modifications to adapt the material and financial plan to the current needs of the Group companies and the current situation on the markets and in the external environment. The aforementioned investments were financed essentially from own funds and bank loans.

Suppliers (sources of supply)

As part of the purchasing policy the Śnieżka Group takes advantages of a variety of raw materials and technical materials, such as titanium white, acrylic dispersions, styrene-acrylic dispersions, thickeners, solvents, pigments and fillers, resins and plastic, metal and paper packaging. The Group purchases strategic raw materials from suppliers with significant production capacities, while ensuring an optimal level of diversification. The Group has signed agreements with all key suppliers and is constantly looking for new partners, both domestic and foreign, in order to optimize and diversify the supply chain, reduce costs, shorten delivery times and increase the innovation of the formulations used.

In each case, the Group conducts detailed analysis of offers to ensure the best possible conditions for the purchase of raw materials, technical materials, equipment and services. Since 2022, the cooperation with suppliers has also been based on sustainable development guidelines, which is confirmed, among others, by: introduced the Śnieżka Group's Supplier Code, which covers suppliers of goods and services, sellers, contractors, subcontractors, intermediaries, as well as consultants and agents.

In the opinion of the Company's Management Board, current supply agreements do not contribute to dependence on any supplier in any manner that could adversely affect the operations of the entire Group.

5. RISK MANAGEMENT SYSTEM

Risk factors and threats

The risk management system in the Śnieżka Group was comprehensively described in the annual report for 2023. This chapter presents significant risk factors and threats to the activities of the Śnieżka Group, related to the remaining months of the 2024 financial year.

5.1. RISK ASSOCIATED WITH MACROECONOMIC SITUATION

Macroeconomic conditions and changes in the economic, social and political environment (both in Poland and beyond) have a significant impact on the operations and business performance of the Śnieżka Group. The risk related to the macroeconomic situation is mainly related to:

Consequences of the war in Ukraine

The Management Board of Śnieżka constantly monitors the situation related to the war in Ukraine and its regional and global consequences, adapting actions and plans to the current circumstances. The markets in which the Group companies operate and the Group's operations are and/or may be influenced by the following factors:

- **a decrease in the real purchasing power of society and in consumer sentiment** on the Group's main sales markets as a result of inflation and economic slowdown or recession, and consequently, reduced demand for the Group's products;
- **loss of property due to war operations** - the Group's property insurance contracts contain standard clauses excluding the insurer's liability in the event of war;
- **disturbances in the supply chains** of imported raw materials, components and fuels, as well as temporarily constricted access to some of them;
- **downgrading of ratings for selected countries from the conflict region** and a general further increase in the risk of conducting business activities in those countries, which may ultimately translate into higher costs for selected Group companies operating on these markets;
- **new hardships in the operation of the Śnieżka-Ukraine plant**, resulting from, for example, the lack or interruption of electricity supply, the lack of access to qualified employees or conscription of current employees for military service;
- **extension of communication routes to selected countries** and the resulting increase in transport costs;

Śnieżka-Ukraine is capable of conducting its business activities due to its location outside the current war zone. The company's plant, as one of the few in the decorative paints and construction chemicals industry in Ukraine, is located in the western part of Ukraine - in Yavoriv, in the Lviv region, approx. 20 km from the Polish border. The production activity in H1 of 2024 in Ukraine was stable (partly due to the stabilization of electricity supplies).

Lowering the purchasing power of society

The purchasing power of consumers has a decisive impact on decisions on the purchase of paints and products for decorating and protecting wood. The purchasing power of society and customer purchasing decisions in the second half of 2024 may be influenced by: inflation and its effects (including an increase in consumer spending related to goods other than the Group's products - e.g. expenses for electricity, gas, fuels and food) and possible new fees and taxes. In addition, the effects of the aggression of the Russian Federation against Ukraine and the military operations in the Middle East, including a potential war between Israel and Iran, may contribute to the decline in purchasing power in the long term, e.g. through the increase in the prices of raw materials, especially crude oil.

The Śnieżka Group continues to monitor its core markets, constantly verifying, inter alia, the impact of armed conflicts on the condition of economies, consumer sentiment and financial situation, and their purchasing plans.

Moreover, the decline in consumption and deterioration of social sentiment may lead to a decrease in demand for apartments on both the primary and secondary markets, as well as to a decrease in spending on their renovation and modernization. This, in turn, may affect the demand for the Group's products.

5.2. RISK ASSOCIATED WITH OPERATIONAL ACTIVITIES

As a result of the identification and mapping process within the operational activities, risks were identified and assigned to the following operational areas of the Group's activities: production planning and production, purchasing and logistics.

The most important risks in the area of production planning and production

Risk of microbiological contamination of the production line.

Due to the risk of microbiological contamination of the production line, the production line may be temporarily shut down, resulting in reduced production capacity and loss of sales. The sale of microbiologically contaminated products may give rise to loss of reputation and the need to incur the costs of withdrawing defective products from the market. In order to prevent this risk, Śnieżka conducts systematic testing of the microbiological purity of production lines and raw materials, periodic disinfection, testing of samples of finished products and checking the expiration dates of products and raw materials.

The most important risks in the procurement area

Risk of lack of availability of raw materials or packaging and risk of significant delays in the supply of raw materials or packaging

The occurrence of the risk of unavailability of raw materials or packaging and the risk of significant delays in their delivery may lead to delays in the production and delivery of Śnieżka products. In addition, if this risk occurs, Śnieżka will be forced to bear additional costs related to the search for substitutes for raw materials and their purchase at higher prices. Also, a negative impact on the quality of products is possible as a result of the need to use lower quality substitutes for raw materials. Śnieżka reduces the risk of unavailability of raw materials or packaging and the risk of significant delays in deliveries by maintaining appropriate levels of inventory and geographically diversifying suppliers of key raw materials. Additionally, it concludes agreements with at least two suppliers for each of the key raw materials and packaging, and identifies and uses appropriate quality substitutes for production.

Risk of significant fluctuations in raw material prices

The materialization of the risk of a significant increase in raw material prices, which are also influenced by changes in exchange rates (as the prices of key raw materials are denominated in foreign currencies), leads to an increase in production costs. This in turn directly affects Śnieżka's financial results. The Company manages the risk of essential fluctuations in raw material prices by concluding long-term supply agreements that enable price stabilization and concluding agreements with at least two suppliers for each of the key raw materials. Moreover, Śnieżka minimizes the exchange rate risk by purchasing the currencies necessary to acquire raw materials when their quotations are favourable.

The most important risks in the logistics area

Risk of loss of value of products and commercial goods due to improper storage conditions

The occurrence of this risk may result in the loss of quality parameters of products and goods, and consequently, the inability to sell them, the unavailability of products and goods and lost sales. In addition, there is the need to incur additional costs associated with the production of goods that are not suitable for sale, the costs of manufacturing new products, the costs of disposing of unsold goods and costs resulting from warehouse downtime. Śnieżka limits the risk of loss of value of products and commercial goods as a result of improper storage conditions by technically securing the warehouse against failures, such as opening flaps, doors, fire or activation



of fire gates, and by regularly inspecting the efficiency of devices and warehouse management systems. Additionally, the Company insures products, goods and storage facilities, supervises compliance with procedures and trains employees in the area of proper warehouse management.

Risk of delay in timely delivery of customer orders

The occurrence of this risk may result in delays in the delivery of goods to customers, extension of order lead times as a result of the accumulation of orders exceeding the warehouse's production capacity, lack of availability of goods at the customer, loss of sales and the need to pay contractual penalties. Śnieżka reduces the risk of delays in the timely delivery of customer orders by dynamically managing warehouse production capacity, ongoing monitoring of order delivery indicators and managing employee working time. In the event of increased demand, the Company organizes additional working hours, engages employees from other departments and increases employment.

5.3. FINANCIAL RISK

The Group identifies the following categories of financial risks:

- Interest rate risk
- Currency risk
- Credit risk
- Liquidity risk

Each of the categories mentioned above includes risks that may increase the costs of business operations and, consequently, reduce profitability. Additionally, it cannot be ruled out that further development of the geopolitical and macroeconomic situation in the long term will cause a number of adverse effects in the area of the Group's finances - including, for example, contractors' failure to meet their obligations or problems with financial liquidity.

More details about these risks can be found in the condensed consolidated financial statements of the Śnieżka Group in note 2.18.

Interest rate risk

The Śnieżka Group has credit and financial lease liabilities with a variable interest rate and is therefore exposed to the risk of an increase in interest rates. As at June 30, 2024, the Group's total liabilities on loans and borrowings and financial leasing amounted to PLN 349,982 thousand.

In the first half of 2024, interest rates were consolidated at the level from the end of 2023. The WIBOR1M reference interest rate as at June 30, 2024 was 5.84%, and as at December 31, 2023 it was 5.80%. In the reporting period, the Group did not apply interest rate risk hedging, and the Hungarian daughter company signed a loan agreement based on a fixed interest rate.

Currency risk

In its activity, the Śnieżka Group is exposed to the risk of fluctuating exchange rates. The Group imports raw materials used for the production of paint and varnish products, which are mostly paid in Euro. Therefore, the greatest currency risk for the Group is related to the strengthening of the EUR - PLN/HUF exchange rate. The Group exports products mainly to the countries of Central and Eastern Europe, where settlements are made in currencies most commonly used in international trade (USD, EUR), as well as in PLN. The risk may materialize if

it is not possible to transfer higher costs of imported raw materials to the price of products manufactured by the Group.

In order to minimize the negative impact of currency exchange rate fluctuations on the generated revenues and profits, the Group monitors its currency exposure on an on-going basis, conducts currency risk analysis and makes decisions on the use of appropriate mechanisms limiting the impact of exchange rate fluctuations.

The mechanisms limiting the impact of exchange rate fluctuations used by the Group include hedging transactions, optimal arrangement of cash flows between the Group companies and appropriate pricing. In H1 of 2024, the Group concluded forward transactions that hedged cash flows resulting from the purchase of raw materials in EUR.

Moreover, the currency risk resulting from the Group's capital investments in foreign companies should be taken into account. The most important exposures in this respect are investments in companies in Hungary and Ukraine.

High volatility on the currency market is conditioned, inter alia, by the pending conflict in Ukraine. Also, macroeconomic indicators of the Polish economy affect the value of PLN in relation to other currencies.

The purpose of the currency risk analysis is to identify the importance of exchange rate volatility for the Group's revenues and profits. These include: standard deviation over the period, net exposure value, deviation from the adopted budget rate.

Credit risk

The Group actively manages the contractors' credit risk, comprehended as contractors' failure to comply with their obligations toward the Group. In order to reduce the credit risk of contractors, the Śnieżka Group develops and improves tools used to support the adopted receivables management policy based on cooperation mainly with reliable partners.

The Śnieżka Group concludes transactions with companies with high creditworthiness. All customers willing to take advantage of trade credit, are subject to procedures of initial verification. In addition, owing to current monitoring balances of receivables, the Group's exposure to the risk of non-collectible debts is insignificant.

Liquidity risk

Liquidity risk is related to the company's ability to repay current liabilities and the ability to obtain funds to finance its operations, both from the banking system and trade credit.

In order to minimize such risk, the Group companies ensure good financial condition, which allows for the continuation of credit agreements providing a multi-year financing period. The agreements primarily concern FFIL Śnieżka SA,

As at June 30, 2024, the Group settled its liabilities in a timely manner, which is confirmed by the liquidity ratios presented in the Report.

More details can be found in note 2.18 Objectives and principles of financial risk management in the Consolidated Financial Statements as at June 30, 2024.

5.4. IT RISK - CYBER THREATS

Failures of key IT systems, attacks on the Company's IT systems and other IT security incidents may have a direct impact on the production processes, competitive position and reputation of the Śnieżka Group.

In order to minimize IT and cyber risks, Śnieżka develops and updates systems used to ensure information security, regularly creates backup copies of key data, has very modern, extensive antivirus protection cooperating with the monitoring centre, including against phishing e-mails aimed at extorting data. In addition, the Group companies in Poland are constantly monitored by the IT security operations centre (so-called SOC, *Security Operation Centre*), which responds to security incidents.

5.5. THE RISK RELATED TO THE LOSS AND THE INABILITY TO OBTAIN QUALIFIED STAFF

An important risk factor that may directly translate into the possibility of implementing the strategy adopted by the Group is the risk in the area of employees: related to both the loss and the inability to recruit staff with high qualifications, competences and experience, open to new knowledge and development, values and adapted to the organization's objectives and culture. The staff with appropriate, specialist or practical knowledge in specific business areas is crucial to building and maintaining the Group's competitive advantage.

Fluctuation and potential loss of essential competencies for the Group may lead to a decline in the effectiveness of operations and temporary difficulties in implementing the assumed business plans. To counteract this, the Group conducts constant monitoring of employee departures and acquisitions, which includes analysis of the reasons for departures, the turnover rate, as well as the length of the recruitment and adaptation processes.

5.6. LEGAL RISK

The EU legal regulations which affect the paints and varnishes industry are constantly becoming more severe and complex. In order to prevent this risk, the Group constantly monitors legal changes by implementing an internal report covering legal changes and related recommendations for actions to be taken.

6. MANAGEMENT BOARD'S STATEMENT

The Management Board's statement regarding financial statements and reports on operations

(pursuant to the requirements of § 69 section 1 item 4 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by the issuer of securities and conditions for recognizing as equivalent information required by the law of a non-member state)

The Management Board of FFIL Śnieżka SA declares that, to the best of its knowledge, the consolidated financial statements of the Śnieżka Group for H1 of 2024 and the condensed financial statements of FFIL Śnieżka SA for H1 of 2024, as well as comparative data, have been prepared in accordance with the applicable accounting principles and reflect real, reliable and transparent asset and financial situation of the Company and the Group as well as the financial performance of the Company and the Group. In addition, the semi-annual report on the activities of the Śnieżka Group, including the semi-annual report on the activities of FFIL Śnieżka SA, contains a true picture of the development, achievements and situation of the Group and the Company, including a description of the basic risks and threats.

8. CONTACT REGARDING THE REPORT

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Signatures of the Management Board of FFIL ŚNIEŻKA SA

Piotr Mikrut

President of the Management Board

Zdzisław Czerwiec

Vice President of the Management Board

Joanna Wróbel-Lipa

Vice President of the Management Board

Witold Waśko

Vice President of the Management Board

Warsaw, 18 September 2024