

# CONSOLIDATED QUARTERLY REPORT OF THE ŚNIEŻKA GROUP

for the third quarter of 2023



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## SUMMARY OF THE PERIOD

### Highlights, including achievements and failures

In the finished 2023 season, the Śnieżka Group ("Group") produced very good business results.

The Group generated sales revenues of PLN 705.1 million, i.e. 8.3% higher than in the same period of the previous year. The performance in the reporting period was primarily influenced by higher sales on the Polish market, which dominates the Group's total revenues, and significantly higher sales on the Ukrainian market y/y, which is rebuilding its share in the Group's revenue structure.

The sales figures and profits in the reporting period were largely affected by the implementation of a long-term marketing and sales strategy, an element of which is the pricing policy. It assumes, inter alia: consistently implemented changes in product prices in response to rising prices of raw materials used in production and a number of other costs of conducting a business activity (e.g. transport costs, logistics prices and salaries).

It should be emphasized, however, that unfavourable macroeconomic conditions still persist affecting the entire industry, where the Group operates. This includes: high inflation contributing to a decline in consumers' purchasing power and still unfavourable, although improving compared to last year, consumer sentiment indicators reflected in surveys. The Group's performance was positively influenced by the trend of premiumization, i.e. purchasing higher quality products, having been observed on the Group's key Polish market for several years.

On the Polish market of decorative paints, the largest for the Group, in the first three quarters of 2023 a double-digit increase in value took place (in percentage terms) y/y, with a simultaneous single-digit decrease in the volume sold y/y (in percentage terms).

In the first nine months of this year the Group also achieved very good financial performance: consolidated net profit of PLN 82.5 million (an increase of 84.5% y/y), operating profit of PLN 115.9 million (an increase of 56.4% y/y) and EBITDA of PLN 145.1 million (increase by 43.1% y/y). Net profit attributable to shareholders of the parent company amounted to PLN 77,0 mln (increase of 93.0% y/y).

The Management Board of FFIL Śnieżka SA (the "Company") indicates that the Group's financial performance should always be analysed after the end of the entire year, primarily due to seasonality in the industry in which the Group's key companies operate. This is also due to the difficulty of predicting the future macroeconomic situation, consumer demand, the situation on the raw materials and packaging markets, as well as the further course of the war in Ukraine or its end, including the short- and, above all, long-term effects of this conflict.

### Geographical structure of revenues

The Group's key markets are as follows: Poland (with a 68.8% share in the revenue structure), Hungary (15.0%) and Ukraine (10.1%).

In Poland, the Group's sales revenues amounted to PLN 485.6 million and were 9.0% higher than in the previous year. The increase in the value of sales in Poland resulted primarily from: properly shaped pricing policy, marketing and sales activities and on-going migration of customers towards premium products.

The Group's revenues on other markets amounted to: in Hungary PLN 105.6 million (-6.6% y/y), in Ukraine PLN 70.9 million (an increase by 33.4% y/y), and on other markets ("Other" segment) PLN 42.9 million (an increase by 9.7% y/y).

#### **The impact of the armed conflict in Ukraine on the Group**

In the first quarter of 2022, Śnieżka-Ukraina temporarily suspended its operating activities, i.e. from February 25, 2022, it stopped deliveries and production. The production was resumed on April 11, 2022. Therefore, the performance of the first three quarters of 2023 is incomparable to the performance in Ukraine in the same period of 2022.

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

#### **The most important performance achieved in the Q3 of 2023**

In Q3 of 2023 alone, the Group produced PLN 270.5 million in sales revenues (an increase by 9.2% y/y), PLN 55.3 million in operating profit (an increase by 74.2% y/y), PLN 65.0 million of EBITDA (an increase by 58.7% y/y) and PLN 41.2 million of net profit (an increase by 89.6% y/y). Net profit attributable to shareholders of the parent company amounted to PLN 38,7 mln (an increase by 94.2% y/y).

#### **Investments**

After 9 months of 2023, the Group's capital expenditure (CAPEX) amounted to PLN 13.1 million and was 66% lower than in the same period last year. The fall in capital expenditure stems from the Company's policy and is related to the end of the record investment cycle carried out between 2018 and 2022.

## SELECTED FINANCIAL INFORMATION

The Śnieżka Group – consolidated data (unaudited, not subject to review)

	in PLN '000		in EUR '000	
	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022
<b>I. Net revenues from sale of products, goods and materials</b>	<b>705 067</b>	<b>651 023</b>	<b>154 036</b>	<b>138 870</b>
II. Profit from operating activities	115 865	74 093	25 313	15 805
III. Gross profit	100 068	59 482	21 862	12 688
<b>IV. Net profit</b>	<b>82 470</b>	<b>44 691</b>	<b>18 017</b>	<b>9 533</b>
- Net profit attributable to shareholders of the parent company	77 021	39 898	16 827	8 511
- Net profit attributable to non-controlling interests	5 449	4 793	1 190	1 022
V. Comprehensive income for the period	82 185	41 516	17 955	8 856
- Comprehensive income for the period attributable to shareholders of the parent company	75 532	38 090	16 501	8 125
- Comprehensive income for the period attributable to non-controlling interests	6 653	3 426	1 453	731
VI. Net cash flows from operating activities	167 957	75 725	36 693	16 153
VII. Net cash flows from investing activities	(16 224)	(39 540)	(3 544)	(8 434)
VIII. Net cash flows from financing activities	(110 313)	(26 484)	(24 100)	(5 649)
IX. Total net cash flows	41 420	9 701	9 049	2 069
<b>X. Total assets</b>	<b>832 645</b>	<b>864 104</b>	<b>179 620</b>	<b>177 441</b>
XI. Liabilities and provisions for liabilities	449 809	523 051	97 034	107 407
XII. Long-term liabilities	221 460	212 946	47 774	43 728
XIII. Short-term liabilities	228 349	310 105	49 260	63 679
<b>XIV. Equity</b>	<b>382 836</b>	<b>341 053</b>	<b>82 586</b>	<b>70 034</b>
- Equity attributable to the shareholders of the parent company	355 354	310 840	76 658	63 830
- Equities attributable to non-controlling interests	27 482	30 213	5 928	6 204
XV. Share capital	12 618	12 618	2 722	2 591
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	6.54	3.54	1.43	0.76
- Earnings per share attributable to shareholders of the Parent Company	6.10	3.16	1.33	0.67
XVIII. Diluted earnings per ordinary share in PLN/EUR	6.54	3.54	1.43	0.76
- Diluted earnings per ordinary share attributable to shareholders of the Parent Company	6.10	3.16	1.33	0.67
XIX. Carrying amount per share in PLN/EUR	30.34	27.03	6.55	5.55

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

XX. Diluted carrying amount per share in PLN/EUR	30.34	27.03	6.55	5.55
XXI. Declared or paid dividend per share attributable to shareholders of the parent company (in PLN/EUR)	2.00	2.50	0.43	0.51

### FFIL ŚNIEŻKA SA - standalone data (unaudited, not subject to review)

	in PLN '000		in EUR '000	
	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022
<b>I. Net revenues from sale of products, goods and materials</b>	<b>463 796</b>	<b>414 979</b>	<b>101 325</b>	<b>88 519</b>
II. Profit from operating activities	104 740	54 631	22 882	11 653
III. Gross profit	75 017	32 259	16 389	6 881
<b>IV. Net profit</b>	<b>69 788</b>	<b>29 045</b>	<b>15 247</b>	<b>6 196</b>
V. Comprehensive income for the period	69 464	29 816	15 176	6 360
VI. Net cash flows from operating activities	65 111	33 756	14 225	7 200
VII. Net cash flows from investing activities	30 750	(12 109)	6 718	(2 583)
VIII. Net cash flows from financing activities	(91 658)	(27 626)	(20 025)	(5 893)
IX. Total net cash flows	4 203	(5 979)	918	(1 275)
<b>X. Total assets</b>	<b>861 853</b>	<b>879 153</b>	<b>185 920</b>	<b>180 532</b>
XI. Liabilities and provisions for liabilities	594 449	651 146	128 236	133 711
XII. Long-term liabilities	442 422	484 458	95 440	99 482
XIII. Short-term liabilities	152 027	166 688	32 796	34 229
<b>XIV. Equity</b>	<b>267 404</b>	<b>228 007</b>	<b>57 685</b>	<b>46 821</b>
XV. Share capital	12 618	12 618	2 722	2 591
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	5.53	2.30	1.21	0.49
XVIII. Diluted earnings per ordinary share in PLN/EUR	5.53	2.30	1.21	0.49
XIX. Carrying amount per share in PLN/EUR	21.19	18.07	4.57	3.71
XX. Diluted carrying amount per share in PLN/EUR	21.19	18.07	4.57	3.71
XXI. Declared or paid dividend per share attributable to shareholders of the parent company (in PLN/EUR)	2.00	2.50	0.43	0.51

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

### Euro (EUR) exchange rates adopted for conversion of condensed statements:

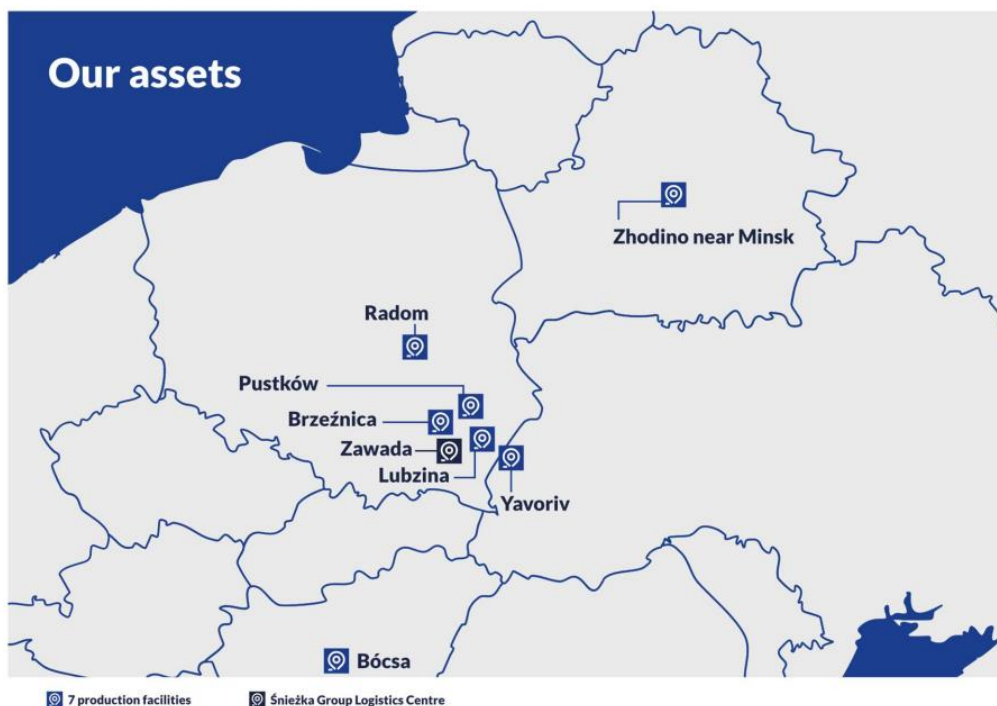
	9 months of 2023	9 months of 2022
Particular items of the condensed statement of comprehensive income were translated at the average EURO exchange rate in the period	4.5773	4.6880
	as at 30 September 2023	as at 30 September 2022
Individual items of the condensed statement of financial position were converted at the exchange rate of the euro (EUR) at the end of the period	4.6356	4.8698

## CONCISE DESCRIPTION OF THE ŚNIEŻKA GROUP

### What makes us different

<b>In numbers</b>		<b>Assets</b>
 <b>40 years</b> of experience in the industry	<b>One of the leaders of the paint market in the decorative products segment in Poland, Hungary and Ukraine.</b>	 <b>7 production facilities</b> in 4 countries
 <b>20 years</b> of presence on the WSE		 <b>Logistics Centre</b> the largest investment in the Group's history
 <b>Over 1100</b> employees in the Śnieżka Group		 <b>R&amp;D Centre</b> own research and innovation
 <b>140 million kg</b> of decorative products annually	<b>One of the 25 largest paint manufacturers in Europe.*</b>	 <b>Professional laboratories</b> incl. microbiological and chromatographic

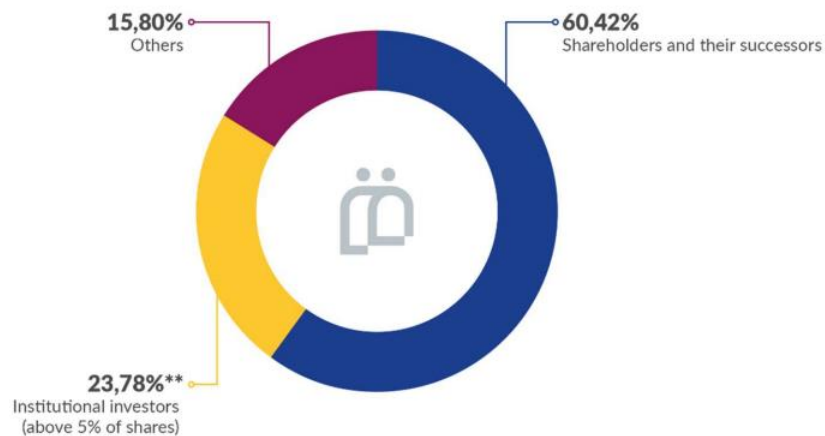
\*according to European Coatings, the largest manufacturers of paint coatings, 2023





### Shareholding structure of FFIL Śnieżka SA\*

(share in the share capital in %)



\*Data as at 20.11.2023

\*\*PTE Allianz Polska SA: 14,39%;  
PTE Nationale-Nederlanden SA: 9,39%

### Key brands of the Group:



## 1. Comment to financial performance

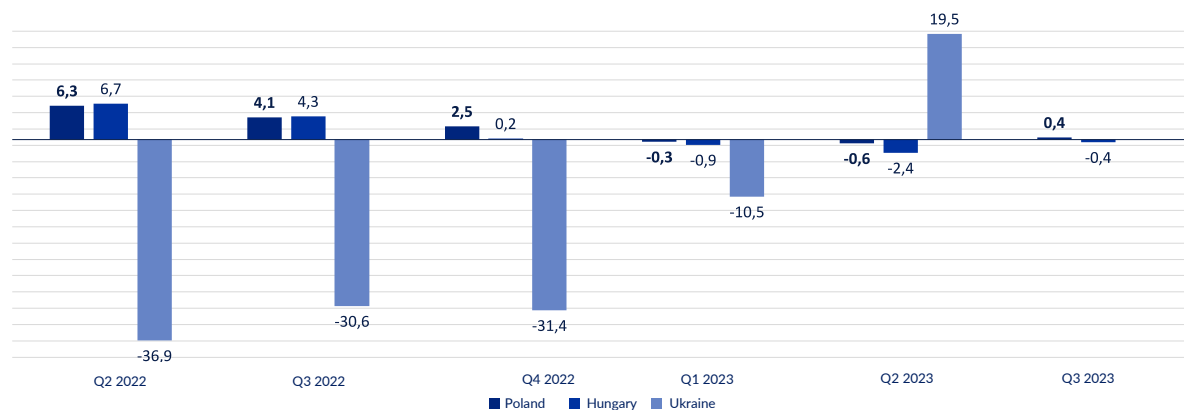
### 1.1 Macroeconomic situation and industry condition

#### 1.1.1 Macroeconomic situation

In the first three quarters of 2023, the European economy recorded growth, although not as dynamic as in the previous reporting periods. The International Monetary Fund estimates that the economic growth of the entire European Union will be 0.7% y/y in 2023 and 1.5% in 2024<sup>1</sup>. The European Commission shares the very same opinion, forecasting lately a slowdown in the economic growth rate in the European Union (to 0.8% in 2023 and 1.4% in 2024). As indicated, domestic demand remains weak and the economy is also affected by the effects of tightening the monetary policy. In addition, the EU economy cannot rely on strong support from external demand.

However, the EC anticipates a slight rebound in growth in 2024 due to the expected decline in inflation, a strong labour market and an increase in real incomes<sup>2</sup>.

Figure 1. Annual gross domestic product dynamics y/y for the key markets of the Group on a quarterly basis (in %)



Source: CSO, Hungarian Central Statistical Office, State Statistics Service of Ukraine. The data on GDP in Q3 of 2023 in Ukraine were not available as at the date of publication of the Report.

<sup>1</sup> Source: International Monetary Fund, *World Economic Outlook*, November 2023

<sup>2</sup> Source: The European Commission, *Summer 2023 Economic Forecast: Easing growth momentum amid declining inflation and robust labour market*, September 2023

## Poland

Polish GDP in Q1 of 2023 shrank by 0.3%, in Q2 - by 0.6% y/y, and in Q3 (according to a flash estimate of the Central Statistical Office) it went up by 0.4% y/y. According to the NBP projection, the economy is to grow by 1.3% y/y in Q4 and by 0.3% throughout the year<sup>3</sup>.

Sold production of industry in the period January-September 2023 fell down by 1.9% compared to the same period last year<sup>4</sup>. In the period between January and September, construction and assembly production increased by 2.3% y/y, while in the "building construction" category it decreased by 8.1% y/y in the same period<sup>5</sup>.

In the period January-September, the number of dwellings commissioned decreased compared to the same period in 2022 when there were 161.3 thousand apartments (-3.4% y/y). The number of apartments with a building permit or a building design application declined significantly. The dynamics of the indicator amounted to -26.6% y/y (174.3 thousand). There was also a drop in the number of apartments whose construction had been initiated (-15.7% y/y; 138.9 thousand)<sup>6</sup>.

Consumer price index (CPI) in Poland in September 2023 was 8.2% y/y, and in the period January-September of 2023 13.2% compared to the same period last year. In the given period, the highest price increases were recorded in the categories of food and alcoholic beverages (+18.0% y/y), apartment or house use and energy (+16.3% y/y) and restaurants and hotels (+15.1% y/y)<sup>7</sup>.

The recorded unemployment rate in the period January-September of 2023 in Poland ranged between 5.0 and 5.6%, reaching 5.0% at the end of September compared to 5.1% in September 2022<sup>8</sup>. In September this year average employment in the enterprise sector remained at the same level compared to September 2022, and the average salary in this sector went up by 10.3%, to PLN 7,379.88. During the first three quarters of this year average employment in the enterprise sector increased by 0.5%, while average remuneration increased by 12.0%, to PLN 7,336.43<sup>9</sup>.

According to the Central Statistical Office data, in September 2023 entrepreneurs' assessment of the general business climate remained negative. The assessment of the economic situation in the industrial processing and construction sectors amounted to -12.8 and -9.5, respectively<sup>10</sup>. The PMI for the Polish industry, which reflects the sentiment among purchasing managers, increased to 43.9 points<sup>11</sup>.

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<sup>3</sup> Source: NBP, *Inflation Report*, July 2023

<sup>4</sup> Source: CSO, Dynamics of sold production of industry in September 2023, October 2023.

<sup>5</sup> Source: CSO, Dynamics of construction and assembly production in June 2023, July 2023.

<sup>6</sup> Source: CSO, Housing construction in the period January-September of 2023, October 2023.

<sup>7</sup> Source: CSO, *Consumer price index of goods and services in September 2023*, October 2023.

<sup>8</sup> Source: CSO, Recorded unemployed and unemployment rate. As at the end of September 2023, October 2023.

<sup>9</sup> Source: CSO, Average employment and remuneration in the enterprise sector in September 2023, October 2023.

<sup>10</sup> Source: CSO, Economic situation in industrial processing, construction, trade and services, September 2023.

<sup>11</sup> Source: Investing.com, Poland - Manufacturing PMI, September 2023.

The World Bank maintained its GDP forecast for 2023 for Poland published in January 2023 at the level of 0.7%<sup>12</sup>. The European Commission anticipates that the national GDP is to go up in 2023 to 0.5% and inflation of 11.4% y/y<sup>13</sup>. The International Monetary Fund (IMF) estimates economic growth in Poland in 2023 at the level of 0.6%<sup>14</sup>.

## Hungary

The Hungarian economy (GDP) consistently shrank in recent quarters: in Q1 of 2023 by 0.9% y/y, in Q2 by 2.4%, and in Q3 by 0.4%, keeping Hungary in a technical recession<sup>15</sup>. The National Bank of Hungary (MNB) forecasts that throughout 2023 the GDP dynamics is to maintain between -0.5 and 0.5% y/y.

Inflation in Hungary in September 2023 was 12.2% y/y, and throughout the period from January to September it reached 20.9% y/y. Inflation projections in September presented by MNB point out that the inflation peak occurred in January and that the market is currently undergoing the disinflation process. Following the MNB forecasts, by the end of 2023, the inflation should reach approximately 7.1% y/y<sup>16</sup>. In the first three quarters, the fastest price growth was recorded in the categories of fuels and energy carriers (34.8% y/y) and food (32.0% y/y).

The volume of construction production in the period January-September this year fell by 4.7% compared to the same period of the previous year. Industrial production declined by 4.9% y/y in the reporting period<sup>17</sup>.

Between January and September of 2023, the unemployment rate fluctuated between 3.8 and 4.1%, reaching 3.9% at the end of September, which denotes an increase by 0.3% y/y<sup>18</sup>. In the period from January to August 2023, average gross earnings in Hungary amounted to HUF 556,700 (i.e. approximately PLN 6,675), an increase by 14.0% compared to the same period of the previous year.

As at the date of this Report, the World Bank forecasts economic growth in Hungary this year at 0.6%, which means an increase in the January forecast by 0.1%<sup>19</sup>. The European Commission forecasts a similar approach - according to it, the Hungarian economy may end 2023 with growth of 0.5% y/y<sup>20</sup>. In turn, the IMF lowered the expected dynamics of Hungary's GDP in 2023 to -0.3%<sup>21</sup>.

## Ukraine

<sup>12</sup> Source: The World Bank, Global Economic Prospects, June 2023.

<sup>13</sup> Source: The European Commission, Summer 2023 Economic Forecast for Poland, September 2023.

<sup>14</sup> Source: International Monetary Fund, World Economic Outlook Database, October 2023.

<sup>15</sup> Source: Hungarian Central Statistical Office.

<sup>16</sup> Source: Magyar Nemzeti Bank, Inflation Report, September 2023.

<sup>17</sup> Source: Hungarian Central Statistical Office, Construction output volume, Industrial production decreased, November 2023.

<sup>18</sup> Source: Hungarian Central Statistical Office, Economic activity of population, October 2023.

<sup>19</sup> Source: The World Bank, Global Economic Prospects, June 2023.

<sup>20</sup> Source: The European Commission, *European Economic Forecast*. Spring 2023, May 2023.

<sup>21</sup> Source: International Monetary Fund, *World Economic Outlook*, October 2023.

Official data of the State Statistics Service of Ukraine reported that in Q1 of 2023, GDP fell down by 10.5% y/y, while Q2 brought the first rise in GDP since 2021 (+19.5% y/y), compared to a decline by 36.9% in Q2 last year)<sup>22</sup>. The National Bank of Ukraine predicts that the Ukrainian economy will grow by 4.6% y/y in Q3<sup>23</sup>. In its forecast, the International Monetary Fund (IMF) predicts an increase in Ukrainian GDP by 2.0% y/y<sup>24</sup>. The IMF also drew attention to the resilience of the Ukrainian economy operating in war conditions. Ukraine's economy is adapting and recovering at a faster pace than initially forecast.

In the period January-September 2023, the inflation in Ukraine continued its downward trend, as anticipated. The Ministry of Finance of Ukraine already in July indicated that the economic and financial situation had stabilized<sup>25</sup>. In September this year the CPI inflation was 7.1% y/y (compared to 24.6% y/y in September 2022)<sup>26</sup>. The rate of inflation decline was significantly below the NBU forecast from July 2023. Limited export opportunities were of great importance, resulting in lower prices of food products. The NBU predicts that the consumer inflation at the end of the year will be lower than according to the July forecast<sup>27</sup>. Over the course of the first three quarters of 2023, the hryvnia remained stable also due to seasonal factors and market saturation with the supply of foreign currency from households. Till the end of September, the NBU continued to maintain a fixed dollar exchange rate of 36.5686 UAH/USD. The central bank released the hryvnia to dollar exchange rate in the first days of October<sup>28</sup>.

In H2 of 2023, the NBU decided to reduce the main interest rate twice from 25% to 22% in July and to 20% in September<sup>29</sup>.

The effects of the war strongly affected the labour market. In Q1 of this year the unemployment still remained high (20–24%). However, its precise determination is difficult due to the inability to perform full-scale measurements and due to the mass emigration of Ukrainians from the country as the result of the war break-out. According to available data, unemployment was in decline in Q2 and Q3 reaching the level of approximately 15.9%, and the number of open vacancies has been gradually increasing since the beginning of the year<sup>30</sup>. On the contrary, employers are often unable to fully fill open vacancies due to the mobilization of people conscripted for military service. According to experts,

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<sup>22</sup> Source: State Statistics Service of Ukraine, Macroeconomic indicators, October 2023.

<sup>23</sup> Source: National Bank of Ukraine, Macroeconomic forecast (July 2023), July 2023.

<sup>24</sup> Source: International Monetary Fund, *World Economic Outlook*, October 2023.

<sup>25</sup> Source: Ministry of Finance of Ukraine, General Fund of State Budget Received UAH 133.7 billion of Revenues in June 2023, July 2023.

<sup>26</sup> Source: State Statistics Service of Ukraine, Macroeconomic indicators, October 2023.

<sup>27</sup> Source: The National Bank of Ukraine, *NBU September 2023 Inflation Update*, October 2023.

<sup>28</sup> Source: The National Bank of Ukraine, *Official exchange rates*.

<sup>29</sup> Source: National Bank of Ukraine, NBU interest rate.

<sup>30</sup> Source: Centre for Economic Strategy, *Ukraine War Economy Tracker*, October 2023.

although the Ukrainian labour market remains unbalanced (employers' expectations do not match the availability of employees), the percentage of people working is on the increase<sup>31</sup>.

From February 24, 2022 until the date of publication of the Report, the official data of the Ukrainian statistical office on average wages were not published.

#### 1.1.2 Market of decorative paints and construction chemicals

The main markets where the Śnieżka Group operated in the first three quarters of 2023 were as follows: Poland, Hungary and Ukraine. In the said markets, the Group generated approx. 93,9% of consolidated sales revenues in the reporting period.

##### **Poland**

According to the data of the Polish Association of Paint and Adhesive Producers, in the first three quarters of 2023, the decorative paint market recorded a double-digit increase in value (in percentage terms) y/y, with a simultaneous single-digit decrease in the volume sold y/y (in percentage terms).

The Group believes that there are two basic reasons for this situation. The first is the trend of premiumization (consumers purchasing higher quality products, which are usually characterized by higher prices), which has been observed for several years. The second one concerns the supply side and is related to the significant price change observed in the entire category of construction chemicals products.

Currently, the prices of paints and varnishes are slowly settling. In September, they recorded single-digit dynamics (in percentage terms) of price growth<sup>32</sup>. Although the geopolitical situation remains tense due to the war in Ukraine, the shock on the renovation and construction market observed in spring 2022, resulting from its impact on the market, has passed.

The economic situation on the Polish market of decorative paints and construction chemicals also depends on the consumer sentiment. In September 2023, compared to the previous month, there was an improvement in consumer sentiment, both current and regarding future periods. Current Consumer Confidence Indicator (BWUK), describing current trends in individual consumption, amounted to -20.3 and was 2.0% higher with reference to the previous month<sup>33</sup>. The Leading Indicator of Consumer Confidence (WWUK), describing the expected trends in individual consumption in the coming months, amounted to -9.4, which accounts for an increase of 1.1% on a monthly basis<sup>34</sup>.

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<sup>31</sup> Source: Eastern European Studies. University of Warsaw, Expert: Unemployment in Ukraine is falling, yet the imbalance in the labour market remains, <https://studium.uw.edu.pl/ekspertka-bezrobocie-na-ukrainie-spada-ale-nierownowaga-na-rynku-pracy-pozostaje/>, August 2023

<sup>32</sup> Source: PSB Group, Price trends, October 2023.

<sup>33</sup> 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.

<sup>34</sup> Source: CSO, Consumer economic situation - September 2023.

Currently, the industry is supported by the government's First Apartment program (including the "Safe 2% Loan") for the first apartment. In Q3, the program strongly stimulated demand for new apartments (over 20,000 loans granted), and therefore it may support demand for renovation and decoration products in the near future<sup>35</sup>.

According to internal data of the Company, as in previous years, decorative paints were used primarily for renovation or refurbishment of apartments<sup>36</sup>. The Group estimates that decisions to purchase interior emulsions are less likely to stem from the need to finish a new apartment. Last year, Poles most often acquired paint to refresh their living quarters (renovations). In the Group's opinion, this translates that a smaller number of commenced construction sites and issued building permits will not have a significant impact on the Company's sales performance in the coming years<sup>37</sup>.

In the first three quarters of 2023, 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% (in value terms).

## Hungary

According to the Group's data, in the period January-August 2023, the Hungarian market continued the trend of growth in value (single-digit y/y growth in percentage terms in local currency) and simultaneous decline in volume (double-digit decline y/y in percentage terms).

An important factor in the value growth of the local market is the increase in product prices, also observed in the category of paints and products for wood protection and decoration. According to the Group's analyses, over the last few years, the prices of products in this category have been subject to trends similar to those of the CPI inflation rates announced by the Hungarian Central Statistical Office (KSH). This means that after the peak of inflation in Q1 of 2023, a period of disinflation took place (decrease in inflation dynamics)<sup>38</sup>.

Other important factors influencing the economic situation in the industry, in the Group's opinion, remain similar to those prevailing in the first half of this year, including:

- persistently high interest rates, which result in lower disposable household income;
- economic slowdown;

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<sup>35</sup> Source: W. Żurawski, Safe 2% loan breaks records. The government did not foresee such interest, <https://www.wnp.pl/budownictwo/bezpieczny-kredyt-2-proc-bije-rekordy-takiego-zainteresowania-rzadzacy-nie-przewidzeli,765188.html>.

<sup>36</sup> Source: Group internal study.

<sup>37</sup> Ibidem.

<sup>38</sup> Source: Hungarian Central Statistical Office, Prices, July 2022.

- increase in salary levels<sup>39</sup>
- consumer confidence index remaining at a relatively low level, which causes consumers more often to refrain from purchasing activities<sup>40</sup>.

In the Group's opinion, no significant changes in consumer attitudes occurred compared to previously reported periods.

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. 75% (in value terms).

## **Ukraine**

The decorative paints and construction chemicals market in Ukraine saw signs of recovery in the first three quarters of 2023. Still in Q1, the country was affected massive missile attacks, which in the case of the paints and varnishes industry resulted in unstable operation of production plants due to power cuts. The market situation, however, improved at the end of March this year, and in Q2 of this year electricity supplies became stable.

According to the Group's estimates, the total value of the market of paints and agents for wood protection and decoration in Ukraine increased in the period between January and September of 2023 by approximately 60% compared to the same period last year. This is the result of the low base of last year's performance due to the outbreak of the war, as well as the on-going reconstruction of devastated buildings and renovation and construction works in households and new buildings, carried out mainly in the western and central regions of Ukraine. In the first three quarters of this year many industry enterprises located in the eastern regions of Ukraine suffered from further supply of raw materials<sup>41</sup>. One of the main challenges for manufacturers of decorative paints and construction chemicals is the logistics and delivery of raw materials, the majority of which are imported from Europe or Turkey. This affects high production costs.

An essential issue for enterprises is the availability of staff<sup>42</sup>. Fleeing the war, many workers went abroad and to other regions of Ukraine, and some were mobilized.

The consequences of the war and the destruction of infrastructure in eastern Ukraine had a negative impact on the activities of companies producing paints and other decorative products, the factories of

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<sup>39</sup> Source: Hungarian Central Statistical Office (KSH), National accounts – GDP, October 2023.

<sup>40</sup> Source: GKI, *Consumer Confidence Index*, September 2023.

<sup>41</sup> Source: Chem-Courier, July 2023 [https://chem-courier.com.ua/ru/latestissue?issue=2&select=HK\\_LKMUKRAINE](https://chem-courier.com.ua/ru/latestissue?issue=2&select=HK_LKMUKRAINE)

<sup>42</sup> Source: Ukraine Business News, The Ukrainian economy is struggling with a serious problem: lack of employees, October 2023.

which are located near the front line. To the best of the Group's knowledge, investments in the reconstruction of damaged warehouse space or modernization of production lines are still suspended.

Due to the on-going war, forecasting the situation on the market of paints and agents for wood protection and decoration on the Ukrainian market in subsequent periods is currently very difficult. The key entities currently operating on the Ukrainian market include: Śnieżka-Ukraina from the Śnieżka Group, Meffert Hanza Farben, Eskaro, Polisan, Henkel, DAW, Feidal and ZIP.

### 1.1.3 Raw materials and currencies

#### **Raw materials**

The Group is constantly exposed to risk related to changes in prices of key raw materials, which stems from the global demand/supply relationship, their availability and currency exchange rates.

During the first three quarters of 2023, the prices of some raw materials and packaging used in paint production went up slightly, while some raw materials stabilized. Price increases were recorded, inter alia, in such groups of raw materials as: phthalic resins, solvents, dolomite fillers and calcium carbonates.

The following factors contributed to the surge in prices of some raw materials in the reporting period: higher transport prices, as well as higher prices of electricity, gas and crude oil.

Between January and September 2023, the Śnieżka Group had stable and continuous access to the raw materials it acquires. The continuity of supplies of raw materials to the Śnieżka Group companies may still be affected by difficulties or congestion on the Belarusian and Ukrainian borders.

Further increases in raw material prices are also possible in the coming quarters, but in the current market situation it is impossible to predict their dynamics.

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

At the end of Q3 of 2023 the Polish zloty strengthened slightly against the main currencies compared to the end of 2022. As for the USD/PLN exchange rate it is 0.7%, while in the EUR/PLN exchange rate the strengthening is marginally stronger and amounts to 1.2%.

Over the course of nine months of 2023, the EUR/PLN exchange rate fluctuated between approx. PLN 4.4135 and 4.7895. The average NBP EUR/PLN exchange rate in this period was 4.5850, approximately PLN 0.09 (1.9%) less than in the same period last year. In Q3 of this year alone the average NBP EUR/PLN exchange rate was 4.4988 and was approximately PLN 0.25 (5.2%) lower than in the same period last year.

At the end of Q3 this year<sup>43</sup>, the euro was PLN 0.23 (4.8%) cheaper than at the end of Q3 last year.

The USD/PLN exchange rate in the period of nine months remained between 3.9451 and 4.4888. The average NBP USD/PLN exchange rate in this period was 4.2339, approximately PLN 0.16 (3.7%) less than in the same period last year. In Q3 alone, the average NBP USD/PLN exchange rate was 4.1361 and was approximately PLN 0.57 (12.1%) lower than in the same period last year.

At the end of Q3 this year<sup>44</sup>, the USD was PLN 0.58 (11.8%) cheaper than at the end of Q3 last year.

The valuation of the zloty during the reporting period was determined by various factors - including the continuing consequences of the war in Ukraine, globally elevated inflation and the monetary policy of leading central banks and the NBP.

*Figure 2. EUR and USD quotations against PLN*



Source: NBP.

During the first nine months of 2023 the HUF/PLN exchange rate fluctuated between approx. PLN 1.1339 and 1.2551 (PLN for HUF 100). The average NBP HUF/PLN exchange rate in the reporting period amounted to 1.2011 for 100 HUF against 1.2174 in the corresponding period of the previous year. (-1.3%). In Q3 alone, the average NBP HUF/PLN exchange rate was 1.1729 (PLN per 100 HUF) and was approximately 0.4% lower than in the same period last year.

<sup>43</sup> Source: The last day of trading in Q3 this year was September 29, 2023.

<sup>44</sup> Source: The last day of trading in Q3 this year was September 29, 2023.

At the end of Q3 this year<sup>45</sup>, the HUF was PLN 0.03 (2.5%) more expensive than at the end of Q3 last year, and compared to the end of last year it was more expensive by about PLN 0.01 (1.1%).

Figure 3. HUF quotations against PLN



Source: NBP.

Since the outbreak of the war on February 24, 2022, the official UAH exchange rate according to the National Bank of Poland was periodically "frozen" and maintained a constant rate until the beginning of April this year. During the first nine months of 2023 the UAH/PLN exchange rate fluctuated between approx. PLN 0.1073 and 1.1258. The average NBP UAH/PLN exchange rate between January and September of 2023 was 0.1171 compared to 0.1396 in the same period last year. In Q3 alone, the average NBP UAH/PLN exchange rate was 0.1121 compared to 0.1307 in the same period last year.

Due to the "freezing" of the UAH/PLN exchange rate at the end of Q3 this year this rate has changed since the end of last year and the end of Q3 of 2022 by the same value and was lower by 6.0%.

<sup>45</sup> Source: The last day of trading in Q3 this year was September 29, 2023.

Figure 4. UAH quotations against PLN



Source: The National Bank of Ukraine (NBU).

In the three quarters of 2023, the Śnieżka Group continued the rules introduced last year regarding the translation of financial statements of the Śnieżka-Ukraine company operating in Ukraine, for which the functional currency is the Ukrainian hryvnia (UAH).

As a rule, when converting the reports of foreign entities, the Group adopted the closing rate, defined as the immediate exchange rate as at the balance sheet date (the parent company assumed that it was the average NBP exchange rate from the last business day preceding the balance sheet date).

Due to the extraordinary situation on the Ukrainian market caused by the war, the Group compares the NBP exchange rate from the last business day preceding the balance sheet date with the NBU (National Bank of Ukraine) exchange rate on each balance sheet date. If the differences are not significant, the Group applies the exchange rate set by the NBP as the closing rate, and if the differences are significant, the Group applies the NBU exchange rate.

As at September 30, 2023, the Group adopted the closing rate set by the National Bank of Poland at which the Group exchanges UAH for PLN, i.e. 1 UAH = PLN 0.1183.

Financial data of foreign entities are translated into the presentation currency, i.e. PLN, for the purposes of recognition in the consolidated financial statements of the Group applying the following principles:

- assets and liabilities of foreign entities are translated from the functional currency into the Group's presentation currency (PLN) at the closing rate;

- statements of comprehensive income of foreign entities are translated from functional currency into the Group's reporting currency (PLN) for each reporting period. The conversion rate is the arithmetic mean of the average rates;
- the resulting exchange differences are recognized by the Group in other comprehensive income.

## **1.2 Sales figures**

Between January and September of 2023, sales revenues of the Group went up by 8.3% y/y and amounted to PLN 705,067 million.

The performance in the reporting period was primarily influenced by higher sales on the Polish market, which dominates the Group's total revenues, and significantly higher sales on the Ukrainian market, which is rebuilding its share in the Group's revenue structure.

The implementation of the long-term marketing and sales strategy, which includes the pricing policy, had a positive impact on the performance of the nine months of 2023. It assumes, inter alia: consistently implemented changes in product prices in response to rising prices of raw materials used in production as well as due to higher costs of conducting a business activity (e.g. transport costs, logistics prices and salaries).

It should be emphasized that similarly to the first half of 2023 unfavourable macroeconomic conditions still persist affecting the entire industry, where the Group operates. This includes: high inflation contributing to a decline in consumers' purchasing power and still unfavourable, although improving compared to last year, consumer sentiment indicators reflected in surveys.

Throughout the 2023 season, the unwavering trend of premiumization, i.e. purchasing higher-quality products, observed mainly in Poland, had a positive impact on the Group's performance.

The Group's performance in the reporting period of 2023 was also significantly affected by the on-going armed conflict in Ukraine and its effects on the entire region of Central and Eastern Europe, where key markets for the Group are located. In 2022 - especially in the last days of February and March - sales in Ukraine were not possible.

Moreover, following the outbreak of war in 2022, the Company's Management Board decided to withdraw from the Russian market.

The sales figures in the period January-June 2023 on the Group's core markets and the main factors contributing to them:

- **Poland** (68.8% share in the revenue structure)

The sales value generated by the Group on the Polish market rose by 9% y/y to PLN 485,661 thousand. Primarily, this is the result of continued customer migration and the selection of premium products, as well as price list updates in response to rising costs. According to the Group's own data, the above-mentioned revenue growth by 9% is a result better than the result of the entire market.

▪ **Hungary** (15.0% share in the revenue structure)

The revenues generated by the Group in Hungary in the reporting period amounted to PLN 105,595 thousand and were by 6.6% higher than a year earlier. This is mainly followed by a significant weakening of the purchasing power of local customers. Record high inflation affects negatively consumer sentiment and renovation plans of Hungarians, which in turn limits the demand for products of the entire industry. In the Group's revenue structure, the share of revenues from the Hungarian market decreased from 17.4% in 2022 to 15% cumulatively after three quarters of 2023. Based on the Group's own data, the decline in the Group's sales in the market in question was lower than the sales fall in the entire market of decorative paints and agents for the protection and decoration of wood in Hungary.

▪ **Ukraine** (10.1% share in the revenue structure)

In Ukraine, the Group generated revenues of PLN 70,869 thousand, i.e. 33.4% higher than in the same period of 2022.

The performance on this market is incomparable to the corresponding period of 2022 due to the fact that, as a result of the outbreak of war in the territory of this country, the Śnieżka Group temporarily suspended the operating activities of the Śnieżka-Ukraine company in 2022, suspending deliveries and production from February 25, 2022. On April 11, 2022, this company was the first to resume both production (initially for one shift, then full-time) and sales on the local market.

In the local currency, the Śnieżka-Ukraine company on the local market achieved a 61.9% higher sales figures in the 2023 season (Q1 - Q3). The share of the Ukrainian market in the Group's revenue structure increased to 10.1% i.e. it approached the levels from the years preceding the war.

On other markets ("Other" segment), the Group in the reporting period generated sales revenues of PLN 42,942 thousand, i.e. 9.7% higher than the year before.

In total, the Group's revenues generated in the three quarters of 2023 on foreign markets accounted for 31.2% of its total revenues.

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Data in PLN thousand

*Table 1 Sales revenues of the Śnieżka Group by countries*

	the period of 9 months ended as at 30 September 2023	Structure	the period of 9 months ended as at 30 September 2022	Change (y/y)
Poland	485 661	68.8%	445 662	9.0%
Hungary	105 595	15.0%	113 088	-6.6%
Ukraine	70 869	10.1%	53 129	33.4%
Other	42 942	6.1%	39 144	9.7%
<b>Total sales</b>	<b>705 067</b>	<b>100.0%</b>	<b>651 023</b>	<b>8.3%</b>

The Group's sales structure is dominated by decorative products. In the 2023 season (Q1 - Q3), sales of this product group reached PLN 570,391 thousand. In the analysed period, they accounted for 80.9% of the Group's total sales revenues. Construction chemicals featured the second highest share in the sales structure (11.9%). The Group's revenues from the sale of products in this category amounted to PLN 83,808 thousand.

Data for Q3 of 2022 were restated to include reclassification between construction chemicals (plus PLN 1,937 thousand) and industrial products (minus PLN 1,937 thousand). As a result, the value initially included in the sale of industrial products in the Group was correctly transferred to the sale of construction chemicals.

Revenues from the sale of goods - the third most important group in the product structure - amounted to PLN 33,395 thousand (4.7% share).

*Table 2 Sales revenues of the Śnieżka Group by product categories*

	the period of 9 months ended as at 30 September 2023	Structure	the period of 9 months ended as at 30 September 2022*	Change (y/y)
Decorative products	570 391	80.9%	515 071	10.7%
Construction chemicals	83 808	11.9%	86 658	-3.3%
Industrial products	6 050	0.9%	7 479	-19.1%
Goods	33 395	4.7%	31 964	4.5%
Other revenues	5 925	0.8%	4 238	39.8%
Materials	5 498	0.8%	5 613	-2.0%
<b>Total sales</b>	<b>705 067</b>	<b>100.0%</b>	<b>651 023</b>	<b>8.3%</b>

\* converted data

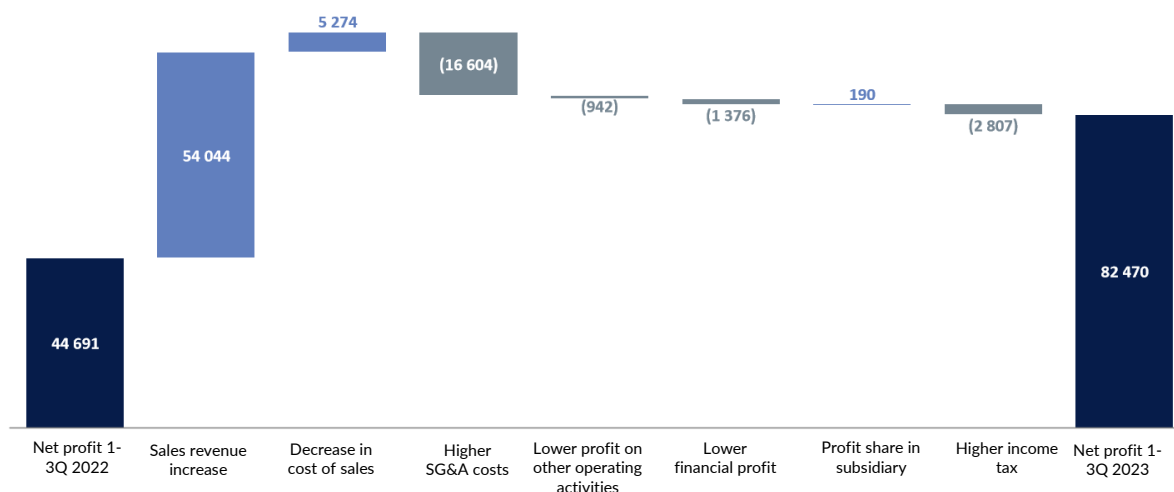
FFiL Śnieżka SA, the parent company of the Group, after the first three quarters of 2023 generated sales revenues of PLN 463,796 thousand in , i.e. 11.8% higher than in the corresponding period of the previous year.

## 1.3 Major factors affecting the financial performance

### 1.3.1 The Śnieżka Group

In the first nine months of 2023, the Śnieżka Group generated a consolidated net profit of PLN 82,470 thousand, i.e. 84.5% higher than in the corresponding period of the previous year.

Figure 5. The impact of individual items in the statement of comprehensive income on the Group's net performance after III quarters of 2023



The Group's net bottom line between January and September of 2023 was primarily affected by:

- an increase in sales revenues by 8.3% (PLN 54,044 thousand), with higher performance achieved on the Polish market (9.0%), where the demand for premium brand products and mid-priced products continuous, a lot better on the the Ukrainian market (33.4%) and other markets (9.7%), and a decrease on the Hungarian market expressed in PLN by 6.6%;
- a decrease in selling costs by 1.3% (PLN 5,274 thousand), which was related to a decrease in sales in quantitative terms;
- an increase in selling costs by 4.3%, (PLN 4,773 thousand) and an increase in general and administrative expenses by 16.9%, (PLN 11,831 thousand), resulting mainly from an increase in salaries;
- profit fall by PLN 942 thousand on other operating activities;
- deterioration of the performance on financial activities by PLN 1,376 thousand, mainly due to higher interest-bearing debt servicing costs;

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Data in PLN thousand

- higher income tax by PLN 2,807 thousand.

Table 3 The basic elements of the profit and loss account of the Śnieżka Group

	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022	Change (y/y)
<b>Sales revenues</b>	<b>705 067</b>	<b>651 023</b>	<b>8.3%</b>
Cost of sales	392 683	397 957	-1.3%
Selling costs	115 919	111 146	4.3%
General administrative expenses	81 943	70 112	16.9%
Profit on other operating activities	1 343	2 285	-41.2%
Profit on financial activities	(16 122)	(14 746)	9.3%
Share in associate's profit	325	135	140.7%
Gross profit	100 068	59 482	68.2%
Profit on operating activities (EBIT)	115 865	74 093	56.4%
Profit on operating activities + depreciation (EBITDA)	145 145	101 395	43.1%
Income tax	17 598	14 791	19.0%
<b>Net profit, including:</b>	<b>82 470</b>	<b>44 691</b>	<b>84.5%</b>
<i>profit attributable to shareholders of the parent company</i>	77 021	39 898	93.0%

The Company did not publish forecasts of financial performance for 2023, both on a consolidated and standalone basis.

### 1.3.2 Fabryka Farb i Lakierów Śnieżka SA

In the first nine months of 2023, FFil Śnieżka SA recorded a rise in sales revenues by 11.8% compared to the corresponding period of the previous year. The Company generated a net profit of PLN 69,788 thousand, i.e. by PLN 40,743 thousand higher than in the corresponding period of the previous year.

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

- an increase in sales revenues by 11.8% to PLN 463,796 thousand;
- an increase in selling costs by 8.0%, to PLN 21,058 thousand and an increase in general and administrative expenses by 20.4%, to PLN 58,177 thousand, resulting mainly from an increase in salaries;
- profit fall by PLN 560 thousand on other operating activities;

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Data in PLN thousand

- higher loss on financial activities by PLN 7,351 thousand, mainly due to higher interest-bearing debt servicing costs;
- higher income tax by PLN 2,015 thousand (up to the value of PLN 5,229 thousand).

Table 4 The basic elements of the profit and loss account of FFIL ŚNIEŻKA SA

	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022	Change (y/y)
<b>Sales revenues</b>	<b>463 796</b>	<b>414 979</b>	<b>11.8%</b>
Cost of sales	325 381	324 373	0.3%
Selling costs	21 058	19 490	8.0%
General administrative expenses	58 177	48 310	20.4%
Dividend income	45 670	31 375	45.6%
Profit on other operating activities	(110)	450	-124.4%
Profit on financial activities	(29 723)	(22 372)	32.9%
Gross profit	75 017	32 259	132.5%
Profit on operating activities (EBIT)	104 740	54 631	91.7%
Profit on operating activities + depreciation (EBITDA)	123 405	69 979	76.3%
Income tax	5 229	3 214	62.7%
<b>Net profit</b>	<b>69 788</b>	<b>29 045</b>	<b>140.3%</b>

## 1.4 Financial standing

### 1.4.1 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. 1.7 of the Report). Therefore, the values of such balance sheet items as: total assets, trade receivables and trade liabilities as at the end of September, 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 nine months of the year: as at September 30, 2023 and September 30, 2022.

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

Table 5 The Śnieżka Group's assets

Group's assets	30.09.2023	30.09.2022	Change (y/y)
<b>Fixed assets, including:</b>	<b>558 111</b>	<b>579 124</b>	<b>-3.6%</b>
- Tangible fixed assets	486 774	496 115	-1.9%
- other fixed assets	71 337	83 009	-14.1%
<b>Current assets, including:</b>	<b>274 376</b>	<b>284 775</b>	<b>-3.7%</b>
- Inventory	104 946	126 226	-16.9%
Trade and other receivables	108 023	117 533	-8.1%
- Cash and cash equivalents	60 925	24 739	146.3%
- other current assets	482	16 277	-97.0%
<b>Non-current assets classified as held for sale</b>	<b>158</b>	<b>205</b>	<b>-22.9%</b>
<b>Total</b>	<b>832 645</b>	<b>864 104</b>	<b>-3.6%</b>

On September 30, 2023, the value of assets of the Śnieżka Group amounted to PLN 832,645 thousand, which is a fall by PLN 31,459 thousand (by 3.6%) compared to the end of September last year. The value of the Group's fixed assets (representing 67.0% of its total assets) went down by 3.6% during the year, i.e. to PLN 558,111 thousand.

The value of the Group's current assets amounted to PLN 274,376 thousand, which denotes a drop by 3.7% compared to September 30, 2022. The main item of the Group's current assets were trade and other receivables worth PLN 108,023 thousand, the value of which decreased by 8.1% compared to the previous year.

The second largest item were inventories valued at PLN 104,946 thousand, i.e. 16.9% lower than a year earlier.

As at September 30, 2023, the Group held PLN 60,925 thousand cash (an increase by 146.3%) and fixed assets classified as held for sale worth PLN 158 thousand.

*Table 6 The Śnieżka Group's liabilities*

Group's liabilities	30.09.2023	30.09.2022	Change (y/y)
<b>Total equity, including:</b>	<b>382 836</b>	<b>341 053</b>	<b>12.3%</b>
- Equity (attributable to the shareholders of the parent company)	355 354	310 840	14.3%
- Equity of non-controlling interests	27 482	30 213	-9.0%
Total liabilities	449 809	523 051	-14.0%
<b>Long-term liabilities</b>	<b>221 460</b>	<b>212 946</b>	<b>4.0%</b>
<b>Short-term liabilities, including:</b>	<b>228 349</b>	<b>310 105</b>	<b>-26.4%</b>
- Trade and other liabilities	117 995	134 724	-12.4%
- Short-term liabilities on loans and borrowings	53 918	110 034	-51.0%
- Other short-term liabilities (including provisions, option liabilities, income tax, leasing)	56 436	65 347	-13.6%
<b>Total</b>	<b>832 645</b>	<b>864 104</b>	<b>-3.6%</b>

As at 30 September 2023, the Group had equity of PLN 382,836 thousand, i.e. 12.3% higher than at the end of September last year. At the same time, its external debt level decreased. Consequently, the Group financed its operations from its own resources at 46.0%, which denotes an increase of this ratio by 6.5% over the year.

At the end of the reporting period, the Group's long-term liabilities amounted to PLN 221,460 thousand, which accounts for a rise by 4.0% (PLN 7,885 thousand) y/y. This is primarily the result of utilizing the funds from the existing credit lines for investment purposes. Liabilities due after twelve months from the balance sheet date accounted for 26.6% of the balance sheet total.

The Group's short-term liabilities amounted to PLN 228,349 thousand, i.e. a decline by 26.4% y/y. They accounted for 27.4% of the balance sheet total. Their fall is primarily due to a change in the debt structure, i.e. repayment of some short-term liabilities and incurring long-term liabilities in their place. Consequently, current bank loans decreased by PLN 56,116 thousand up to PLN 53,918 thousand and as at 30 September 2023 accounted for 6.5% of the balance sheet total.

Compared to the end of September last year the Group's trade and other liabilities decreased by PLN 16,729 thousand (i.e. by 12.4% y/y). This was mainly due to a decrease in liabilities related to taxes, customs duties, insurance and other benefits as well as trade liabilities.

In addition, other short-term liabilities of the Group decreased by 13.6% (PLN 8,911 thousand) - primarily as a result of a decrease in income tax liabilities as well as share purchase option liabilities in Poli-Farbe Vegyipari Kft. Concurrently, the decline was slowed down by an increase in provisions for employee benefits.

## 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 (i.e. by PLN 33,152 thousand as at September 30, 2023). The bottom-line 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 acquire 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.

### 1.4.1 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 three months of the year: as at September 30, 2023 and September 30, 2022.

*Table 7 FFIL ŚNIEŻKA SA's assets*

Company's assets	30.09.2023	30.09.2022	Change (y/y)
<b>Fixed assets, including:</b>	<b>650 507</b>	<b>654 436</b>	<b>-0.6%</b>
- Tangible fixed assets	415 979	418 047	-0.5%
- Shares and stocks in other entities	203 096	202 734	0.2%
- other fixed assets	31 432	33 655	-6.6%
<b>Current assets, including:</b>	<b>211 346</b>	<b>224 717</b>	<b>-6.0%</b>
- Inventory	69 690	82 998	-16.0%
- Trade and other receivables	135 746	124 102	9.4%
- Cash and cash equivalents	5 750	1 340	329.1%
- other current assets	160	16 277	-99.0%
<b>Non-current assets classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>861 853</b>	<b>879 153</b>	<b>-2.0%</b>

As at September 30, 2023, the Company's assets amounted to PLN 861,853 thousand, which accounts for a decrease of PLN 17,300 thousand by 2.0% compared to the end of September last year.

The value of the Company's fixed assets (representing 75.5% of its total assets) decreased by 0.6% during the year, to PLN 650,507 thousand, predominantly as a result of a decline in other fixed assets by PLN 2,223 thousand (6.6%) and fixed assets by PLN 2,068 thousand (0.5%).

The value of the Company's current assets amounted to PLN 211,346 thousand, i.e. it was 6.0% lower than on September 30, 2022. The main item of these assets were trade and other receivables, higher by 9.4% than in the previous year, valued at PLN 135,746 thousand.

Inventories, despite the increase in the prices of raw materials translating into a boost in the prices of finished products in stock, were valued at PLN 69,690 thousand, significantly below then last year (by 16.0%, i.e. PLN 13,308 thousand).

It is a derivative of the supply chain management optimization process, e.g. by commencement of full operation of the Logistics Centre.

At the end of September 2023, the Company held PLN 5,750 thousand cash and cash equivalents (an increase by PLN 4,410 thousand y/y) and PLN 160 thousand of other current assets in the form of other short-term financial assets.

*Table 8 FFIL ŚNIEŻKA SA's liabilities*

Company's liabilities	30.09.2023	30.09.2022	Change (y/y)
<b>Equity</b>	<b>267 404</b>	<b>228 007</b>	<b>17.3%</b>
Total liabilities	594 449	651 146	-8.7%
<b>Long-term liabilities, including:</b>	<b>442 422</b>	<b>484 458</b>	<b>-8.7%</b>
- Long-term interest-bearing loans and borrowings	431 673	464 498	-7.1%
- Other long-term liabilities	10 749	19 960	-46.1%
<b>Short-term liabilities, including:</b>	<b>152 027</b>	<b>166 688</b>	<b>-8.8%</b>
- Trade and other liabilities	74 739	82 218	-9.1%
- Current portion of interest-bearing loans and borrowings	55 860	71 145	-21.5%
- Other short-term liabilities (including provisions, option liabilities, income tax, leasing)	21 428	13 325	60.8%
<b>Total</b>	<b>861 853</b>	<b>879 153</b>	<b>-2.0%</b>

As at 30 September 2023, FFIL Śnieżka SA financed its operations with its own funds in 31.0%, which means a significant increase in this ratio (by 5.1%) compared to the end of September last year. At the end of the reporting period, the Company's long-term liabilities amounted to PLN 442,422 thousand ( a decrease by PLN 42,036 thousand y/y) and accounted for 51.3% of the balance sheet total.

On the contrary, the Company's short-term liabilities decreased by 8.8% (PLN 14,661 thousand). This balance sheet item was primarily influenced by a decrease in the Company's current credit liabilities (by PLN 15,284 thousand), which as at September 30, 2023 amounted to PLN 55,860 thousand. There was also a decrease of 9.1% (PLN 7,480 thousand) in trade and other liabilities.

As at the balance sheet date, the Company's other short-term liabilities went up in total by PLN 8,103 thousand, which was mainly due to: an increase in income tax liabilities and an increase in provisions for employee benefits.

As part of the liabilities presented in the report, the Company has a loan from its subsidiary - Śnieżka ToC. This is an element of optimal liquidity management within the Group. As at September 30, 2023, the value of this loan was PLN 248,948 thousand, including: PLN 247,493 thousand (long-term liability) and PLN 1,455 thousand interest (short-term liability).

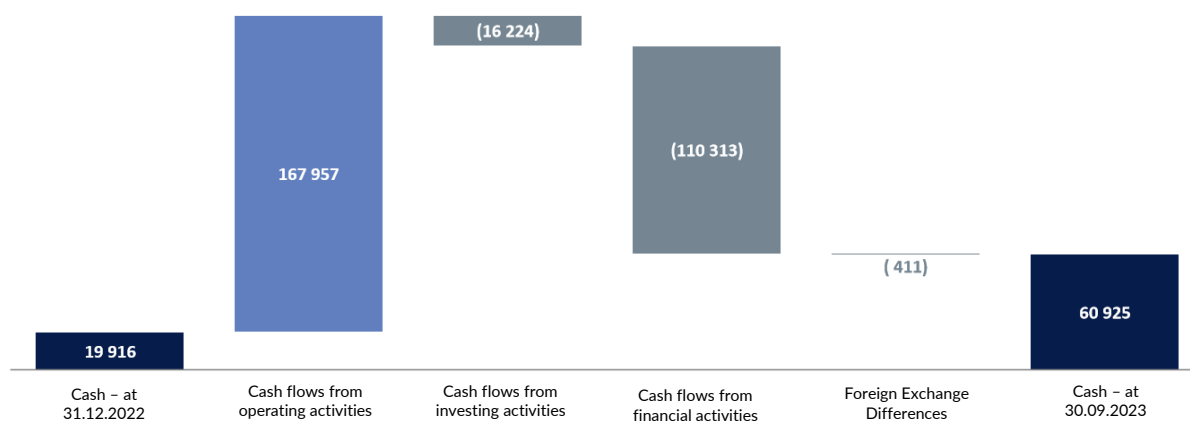
## 1.5 Cash flows

### 1.5.1 The Śnieżka Group

After nine months of 2023, the Group generated positive cash flows of PLN 41,009 thousand (after adjustment for exchange rate differences from the conversion of foreign units), compared to PLN 8,549 thousand a year earlier.

Consequently, at the end of the reporting period, cash and cash equivalents for the Group amounted to PLN 60,925 thousand.

*Figure 6. The Group's cash flows after III quarters of 2023*



This performance was affected by:

- **positive cash flows on operating activities in the amount of PLN 157,957 thousand**

Their value was positively influenced primarily by the gross result of PLN 100,068 thousand, change in inventories by PLN 17,795 thousand, change in liabilities by PLN 62,044 thousand and change in provisions by PLN 15,061 thousand; however, the following had a significant negative impact: income tax paid PLN 20,004 thousand and change in receivables PLN 51,944 thousand.

- **negative cash flows on investing activities in the amount of PLN 16,224 thousand**

The Group companies spent a total of PLN 18,305 thousand for the purchase of tangible fixed assets and intangible assets. The vast majority of this amount is accounted for by expenses incurred by FFIL Śnieżka SA.

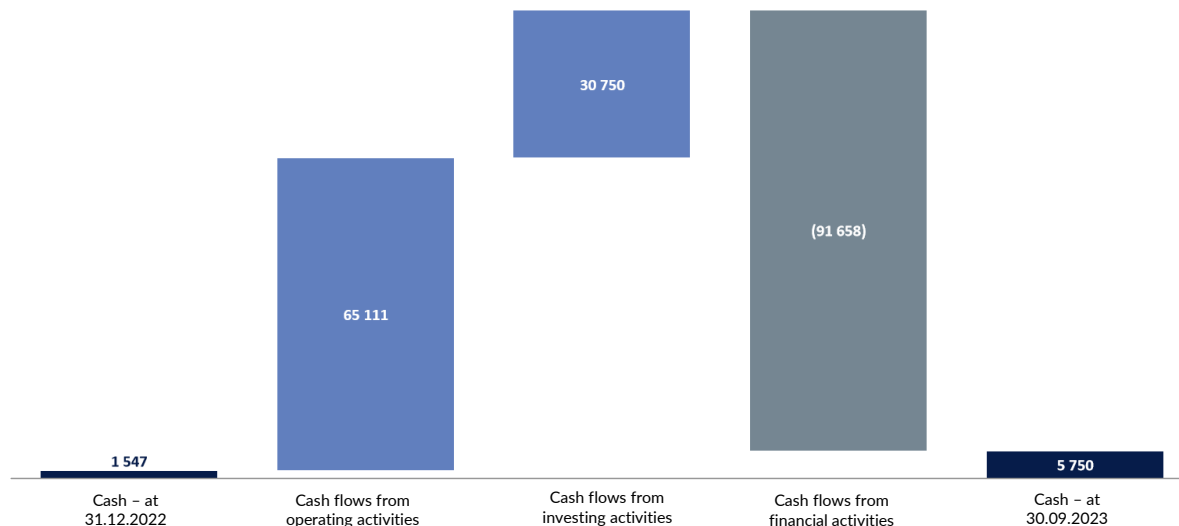
- **negative flows on financial activities at the level of PLN 110,313 thousand**

In addition to the proceeds from existing credit lines in the amount of PLN 153,762 thousand - resulting from investment needs and current operating activities - the greatest impact on cash flows on financial activities had the partial repayment of loans (PLN 212,513 thousand), debt servicing costs (PLN 19,233 thousand) and paid dividends (PLN 31,529 thousand).

#### 1.5.2 Fabryka Farb i Lakierów Śnieżka SA

Following nine months of 2023, the Company generated positive cash flows of PLN 4,203 thousand (compared to negative ones of PLN 5,979 thousand a year earlier). Consequently, at the end of the reporting period, the Company had cash worth PLN 5,750 thousand, i.e. by PLN 4,409 thousand more than a year earlier.

Figure 7. FFIL ŚNIEŻKA SA's cash flows after III quarters of 2023



This performance was affected by:

- **positive cash flows on operating activities in the amount of PLN 65,111 thousand**

Their value was positively influenced primarily by the direction of changes in inventories and liabilities (a total of PLN 47,713 thousand) and profit before tax of PLN 75,017 thousand. The income tax paid (PLN 10,815 thousand) and change in receivables (PLN -59,491 thousand) had a significant negative impact.

- **positive cash flows on investing activities in the amount of PLN 30,750 thousand**

The Company spent PLN 15,359 thousand, mainly in connection with investments in the areas of production, logistics, IT implementation and fleet purchases; on the other hand, the Company recorded income from dividends received (PLN 45,630 thousand).

- **negative cash flows on financing activities in the amount of PLN 91,658 thousand**

The greatest positive impact on this item had proceeds from existing credit lines and loans, totalling PLN 238,108 thousand. The greatest negative impact had: partial repayment of loans and borrowings (PLN 270,353 thousand), interest repayment (PLN 33,870 thousand) and dividend payment (PLN 25,236 thousand).

## 1.6 Financial ratios

### Group's profitability ratios

During the first nine months of 2023, the Śnieżka Group achieved significantly higher margins than in the corresponding period of the previous year. The level of the gross margin was influenced primarily by the increase in sales with a simultaneous decrease in production costs. Net profit margins were negatively affected by significantly higher interest costs and a 17% increase in general and administrative expenses, however, the scale of rises in these costs was significantly lower than the surge in sales and margin, which in total led to an increase in the net performance in y/y terms by almost 85%, to the level of PLN 82,470 thousand. In the reporting period, ROA and ROE ratios were also higher, chiefly as a result of higher net profit calculated on a cumulative basis over the last 12 months.

*Table 9 The Group's profitability ratios*

	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022
EBIT margin in % (EBIT / Sales revenues) x 100%	16.4%	11.4%
EBITDA margin in % (EBITDA / Sales revenues) x 100%	20.6%	15.6%
Gross margin on sales in % (Gross profit on sales / Sales revenues) x 100%	44.3%	38.9%
Net profit (loss) in % (Net profit / Sales revenues) x 100%	11.7%	6.9%
Return on assets (ROA) * (Net profit / Total assets *) x 100%	9.4%	5.2%
Return on equity (ROE) ** (Net profit / equity - attributable to the shareholders of the parent company) x 100%	23.3%	13.0%

\* 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 (AJD) for the last 4 quarters divided by the average value of equity attributable to AJD at the end of the last 5 quarters.

### Group's liquidity and debt ratios

As at September 30, 2023, the general debt ratio of the Śnieżka Group, as a result of reducing bank liabilities, decreased by 6.5% y/y. At the same time, owing to the decline in the value of fixed assets and the increase in equity, the equity coverage ratio for fixed assets increased (by 9.7% y/y).

The Group's current liquidity ratio was 0.3% higher than a year earlier, primarily owing to a significant decline in the level of short-term liabilities. The accelerated liquidity ratio maintained a similar dynamics of change as the general liquidity ratio (an increase of 0.2%), while the cash liquidity ratio was higher (y/y), as a result of a significant increase in cash holdings (by 146% y/y).

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 as well as the capital expenditures- it embarks on actions to maintain the optimal, safe level of the Group's liquidity.

As at September 30, 2023 the Group's net debt/EBITDA ratio was 1.38 (compared to 2.64 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.

In 2023, the total value of capital expenditures in the Group is to be significantly lower than in the previous year and may amount to approximately PLN 35 million. In order to ensure financing at the optimal level, the Company prolongs credit agreements accordingly.

*Table 10. The Śnieżka Group's liquidity and debt ratios*

	30.09.2023	30.09.2022
Current liquidity ratio (Current assets / Short-term liabilities)	1.2	0.9
Quick liquidity ratio (Current assets - inventories)/Short-term liabilities	0.7	0.5
Cash liquidity ratio (Cash and cash equivalents / Short-term liabilities)	0.27	0.08
Total debt ratio (Total liabilities / Total assets) x 100%	54.0%	60.5%
Fixed-assets-to-equity ratio (Equity/Fixed assets) x 100%	68.6%	58.9%

### **Group's rotation ratios**

During the first three quarters of 2023, the cash conversion cycle in the Group was 32 days, which - compared to the corresponding period of the previous year - denotes its shortening by less than 11 days.

This result was positively influenced by: faster inflow of receivables from the sale of products and

goods (by approx. 7 days) and an improvement in the inventory turnover by 14 days, while shortening the liabilities cycle by approx. 10 days had a negative impact.

*Table 11. The Śnieżka Group's rotation ratios*

	the period of 9 months ended as at 30 September 2023	the period of 9 months ended as at 30 September 2022
Inventory cycle (Inventory level x 270 / Cost of sales) in days	72.2	85.6
Receivables cycle (Trade and other receivables x 270 / Sales revenues) in days	41.4	48.7
Current liabilities cycle (Trade and other liabilities x 270 / Cost of sales) in days	81.1	91.4
Cash conversion cycle (Inventory cycle + receivable cycle - liability cycle) in days	32.4	43.0

## 1.7 Seasonality

The activity of the Śnieżka Group's companies is characterized by the phenomenon of seasonality. It is related to the intensity of renovation and construction works in particular periods of the year, which is generally higher in spring and summer. 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 output level in selected companies of the Group in particular months of the year and - to a certain extent - the resulting level of employment (seasonality does not apply to FFIL Śnieżka SA, in which the production cycle lasts all year round).

## 1.8 Factors that may affect the Group's performance in the following quarters

The performance of the Śnieżka Group in the coming quarters will be primarily influenced by the performance of FFIL Śnieżka SA (parent company) and Śnieżka Trade of Colours Sp. z o. o. Additionally, due to their significant share in the Group's consolidated revenues and profits, the performance of selected foreign subsidiaries will be essential: 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, financial condition of consumers and their purchasing intentions in the product categories most important for the Group in its key markets (Poland, Hungary and Ukraine).

Future demand may be influenced by negative consumers' sentiment and lower purchasing power, long-term negative demographic trends, as well as a greater tendency to save on expenses or temporarily limit them, including on the Group's products. This may relate to, inter alia: the high level of interest rates.

In turn, according to the Central Statistical Office, consumer sentiment in Poland - based on the current consumer confidence indicator (BWUK)<sup>46</sup> in September this year - has improved insignificantly. The BWUK indicator was -20.3 (+2.0% compared to August this year). The Leading Indicator of Consumer Confidence (WWUK), describing the trends in individual consumption expected in the next 12 months, also boosted. In September it was at the level of -9.4 (+1.1% compared to August this year)<sup>47</sup>.

In the reporting period, the Group observed a decrease in demand in terms of volume for decorative products on the Polish market, which is responsible for over 2/3 of its sales revenues.

On the Hungarian market, the sales volume recorded a decrease as a consequence of weaker macroeconomic indicators. In turn, on the Ukrainian market, demand increased in volume terms despite the ongoing armed conflict.

The Group analyses how global factors (e.g. the effects of the war in Ukraine) and local factors (e.g. raising interest rates) affect GDP in individual countries, with which the decorative paints industry is strongly connected. 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.

## **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 on the Ukrainian market.

At the moment, there are no premises that would indicate the loss of the ability to continue further business operations in Ukraine. Nevertheless, the in-progress armed conflict and the concentration of the Russian troops on destroying the infrastructure e.g. periodic disruptions in the energy supply, which may also affect the efficiency of the production plant's operations in the future. It may also have

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<sup>46</sup> Source: 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.

<sup>47</sup> Source: CSO, Consumer economic situation - June 2023

a negative impact on the demand for products related to renovation or finishing works of new apartments and houses, and thus the demand for the Group's products.

According to the information available to the Company at the time of publication of the Report, the assets of Śnieżka-Ukraine are still not at risk (its production facility is located in Yavoriv in the Lviv Oblast, i.e. in the western part of Ukraine). It cannot be ruled out, however, that the on-going hostilities in Ukraine may have a significant impact on the future performance of Śnieżka-Ukraine and, as a result, of the entire Group.

Having analysed the situation of the first three quarters of 2023, it should be noted that the final sales results of Śnieżka-Ukraine in the reporting period appeared better than anticipated. At the same time, the Company's Management Board is currently unable to estimate the impact of the war's effects on the Group's future performance on the market in question.

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.

The exposure to risk of assets held in Ukraine as at September 30, 2023 is as follows (data in PLN thousand):

*Table 12. Śnieżka Group's assets in Ukraine*

	As at 30 September 2023
Tangible fixed assets	24 626
Inventory	12 708
Short-term receivables	5 190
Cash	17 236
Other assets	282
<b>Total assets</b>	<b>60 342</b>
<b>Net assets (Equity)</b>	<b>53 535</b>

### **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) at the end of August 2023 was 99.1 points (an increase compared to the reading of 95.6 points from May this year). A reading close to 100 indicates that commodity trading volume has shown growth for the first time in two quarters, but is still below trend. According to the WTO comment, there is no certainty whether it will be possible to return to a lasting recovery in the coming quarters. The result of the indicator is

slightly lower than the WTO forecast - according to which the increase in trade in goods in 2023 is to amount to 1.7%<sup>48</sup>.

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 decorative paints and construction chemicals industry is correlated with the level and dynamics of GDP and the level of consumption of renovation and construction products. This is particularly essential for the Polish market (one of the key markets from the perspective of the sales revenues generated), where private consumption remains one of the main driving forces of the economy.

In 2023, tension or escalation of local conflicts around the world are on the increase. It cannot be ruled out that a change in the geopolitical situation may affect the Group's performance in the future and may have an impact on the value chain, primarily in terms of costs (e.g. rise in prices of raw materials or fuels) and the continuity of their supplies.

The greatest threat from the trade's perspective is the prolonged conflict in Ukraine. It may affect the sales dynamics in the industry both directly (due to the Group's presence on the Ukrainian market) and indirectly (by affecting the consumer's sentiment).

#### **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 the Central and Eastern Europe region and in the world, including the pending war in Ukraine, in subsequent quarters, as for some raw materials and packaging, there may be another increase in their prices. Determining the future price level of key raw materials used by the Group may be subject to significant error. At the same time, historical restrictions in access to raw materials have intensified work on the search for new substitutes for raw materials necessary for the production of decorative paints and agents for wood protection.

The Company also monitors the changes to the European Union regulations on an on-going basis, described 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

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<sup>48</sup> Source: WTO, Goods barometer signals upturn in trade backed by strong auto demand, August 2023.

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 Group conducts analyses aimed at implementing investments that will significantly increase the share of green energy in its energy consumption structure in two key markets, i.e. in Ukraine and Hungary. These activities are part of *Śnieżka 2023 + Sustainable Development Strategy*.

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

The legal regulations of the European Union, which relate to decorative paints and construction chemicals are becoming more and more restrictive. They are also characterized by increasing complexity. For example, the legal regulations governing the content of biocides allowed in the formulation of paint are becoming more and more stringent. The greater emphasis is placed on the use of natural components in paint, which on the one hand are responsible for greater environmental friendliness and safety of the product, and on the other hand, shorten its usability. The adaptation works are therefore focused on ensuring that the eco-friendliness is followed by equally high durability and usability of the products.

The Group constantly monitors changes in legal regulations. This applies to both new legal acts and changes introduced to applicable regulations - the so-called ATP. Adapting to changes is extremely important since they can have an enormous impact on a product's classification, its safe use, and even its ability to be sold.

Regulation No. 1272/2008 of the European Parliament and of the Council on the classification, labelling and packaging of substances and mixtures is constantly updated by the European Commission. Updates are made through cyclical assessments of substances and their impact on health and the environment to ensure increasingly safe use of substances and mixtures. The updates are summarized in the regulations introducing changes, i.e. ATP (Adaptation to Technical Progress).

Owing to own Microbiological Laboratory, the Group is able to perform the tests necessary to meet new legal requirements, and even exceed them, while ensuring high quality of the offered products.

#### **8. Actions to prevent climate change**

In the following years, the situation on the market of decorative paints and construction chemicals, may also be influenced by measures addressed to stop unfavourable climate change - including regulatory and stimulating measures aimed at implementing the Paris Agreement and the EU strategy - *European Green Deal*.

The production of decorative paints and wood protection agents is low-energy at levels 1 and 2 (scope 1 and 2), therefore the activities conducted by the Group do not contribute to high carbon emissions. However, in the entire value chain (scope 3), a certain part is constituted by high-emission activities (e.g. production of packaging based on petroleum products and extraction or production of certain raw materials used by the Group). It cannot be ruled out that future regulations regarding limiting the emission and energy consumption of production plants may affect the Group's business model and performance.

The Company is pursuing the *2023+ Sustainable Development Strategy*, in which an essential part is the action to prevent climate change. Since 2022 the carbon footprint for the Śnieżka Group has been calculated in the scope of 1, 2 and 3.

## **2. Quarterly condensed consolidated financial statements of the Śnieżka Group**

The interim condensed consolidated financial statements of the Group cover the 9-month period ended 30 September 2023 and contain comparative data for the 9-month period ended 30 September 2022 and as at 31 December 2022. These data have not been reviewed or audited by a statutory auditor, except for the data as at December 31, 2022.

These interim condensed consolidated financial statements of the Group for the period of 9 months ended September 30, 2023 were approved for publication by the Company's Management Board as at November 20, 2023.

### **The basis for preparing the interim condensed consolidated financial statements**

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU ("IFRS EU"), in accordance with the requirements of IAS 34 "Interim Financial Reporting", and the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state ("Regulation").

As at the date of approval of the condensed financial statements to be published, taking into account a pending process within the EU on implementation IFRS standards as well as conducted business activity by the Group, in the scope of accounting principles applied by the Company, IFRS differ from IFRS UE.

The IFRS UE comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC")

These interim condensed financial statements are presented in Polish currency, i.e. PLN, and all values, unless stated otherwise, are provided in PLN' 000.

These interim condensed financial statements have been prepared assuming that the Group will continue its business activity in the foreseeable future.

**Essential accounting principles (policy)**

These condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended as at December 31, 2022, which was published on March 14, 2023.

## 2.1 Condensed consolidated statement of comprehensive income

	<i>the period of 3 months ended as at 30 September 2023</i>	<i>the period of 9 months ended as at 30 September 2023</i>	<i>the period of 3 months ended as at 30 September 2022</i>	<i>the period of 9 months ended as at 30 September 2022</i>
	<i>(unaudited) (data not subject to review)</i>	<i>(unaudited) (data not subject to review)</i>	<i>(unaudited) (data not subject to review)</i>	<i>(unaudited) (data not subject to review)</i>
<b>Continued activities</b>				
<b>Sales revenues</b>	<b>270 524</b>	<b>705 067</b>	<b>247 647</b>	<b>651 023</b>
Cost of sales	144 214	392 683	153 081	397 957
<b>Gross profit on sales</b>	<b>126 310</b>	<b>312 384</b>	<b>94 566</b>	<b>253 066</b>
Other operating revenues	2 117	6 095	1 155	5 635
Selling costs	41 967	115 919	41 583	111 146
General administrative costs	28 922	81 943	21 741	70 112
Other operating expenses	2 226	4 752	644	3 350
<b>Profit on operating activities</b>	<b>55 312</b>	<b>115 865</b>	<b>31 753</b>	<b>74 093</b>
Financial revenues	1 547	3 710	2 514	2 861
Financial expenses	6 543	19 832	7 815	17 607
Share in associate's profit	221	325	65	135
<b>Gross profit</b>	<b>50 537</b>	<b>100 068</b>	<b>26 517</b>	<b>59 482</b>
Income tax	9 375	17 598	4 802	14 791
<b>Net profit from continued activities</b>	<b>41 162</b>	<b>82 470</b>	<b>21 715</b>	<b>44 691</b>
<b>Discontinued activities</b>				
Profit for the period of discontinued activities	-	-	-	-
<b>Net profit for the period</b>	<b>41 162</b>	<b>82 470</b>	<b>21 715</b>	<b>44 691</b>
<b>Other comprehensive income</b>				
<b>Items subject to reclassification to profit / (loss) in subsequent reporting</b>				
Exchange differences from translation of foreign operations	2 134	89	(4 392)	(6 678)
Cash flow hedge	582	123	-	12
Net investment hedge in a foreign entity	-	-	(342)	2 643
<b>Items not subject to reclassification to profit / (loss) in subsequent</b>				
Change in fair value of equity instruments measured at fair value through other comprehensive income	-	240	-	127
Actuarial gains (losses) after considering deferred income tax	1 933	(737)	-	721
<b>Other net comprehensive income</b>	<b>4 649</b>	<b>(285)</b>	<b>(4 734)</b>	<b>(3 175)</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>45 811</b>	<b>82 185</b>	<b>16 981</b>	<b>41 516</b>
Profit attributable to:	41 162	82 470	21 715	44 691
Shareholders of the parent company	38 689	77 021	19 926	39 898
Non-controlling interests	2 473	5 449	1 789	4 793
<b>Total income attributable to:</b>	<b>45 811</b>	<b>82 185</b>	<b>16 981</b>	<b>41 516</b>
Shareholders of the parent company	42 871	75 532	16 053	38 090
Non-controlling interest	2 940	6 653	928	3 426
<b>Earnings per share (in PLN):</b>				
- basic, from profit for the period attributable to shareholders of the parent company	3,07	6,10	1,58	3,16
- basic, from profit on continued operations for the period attributable to shareholders of the parent company	3,07	6,10	1,58	3,16
- diluted, from profit for the period attributable to shareholders of the parent company	3,07	6,10	1,58	3,16
- diluted, from profit on continued operations for the period attributable to shareholders of the parent company	3,07	6,10	1,58	3,16

## 2.2 Condensed consolidated statement of financial position

	30 September 2023 (unaudited) (data not subject to review)	31 December 2022
<b>Assets</b>		
<b>Fixed assets</b>	<b>558 111</b>	<b>572 889</b>
Tangible fixed assets	486 774	496 131
Goodwill	4 209	4 209
Intangible assets	62 405	68 171
Investments in subsidiaries using the equity method	2 108	1 783
Other financial assets (long-term)	1 348	1 108
Long-term lease receivables	452	725
Deferred tax assets	815	762
<b>Current assets excluding non-current assets held for sale</b>	<b>274 376</b>	<b>220 946</b>
Inventory	104 946	124 553
Trade and other receivables	108 023	65 339
Income tax receivables	330	11 138
Cash and cash equivalents	60 925	19 916
<b>Non-current assets classified as held for sale</b>	<b>158</b>	<b>180</b>
<b>Current assets</b>	<b>274 534</b>	<b>221 126</b>
<b>TOTAL ASSETS</b>	<b>832 645</b>	<b>794 015</b>
<b>LIABILITIES</b>		
<b>Equity (attributable to the shareholders of the parent company)</b>	<b>355 354</b>	<b>292 942</b>
Share capital	12 618	12 618
Option to acquire shares in minority ownership	(33 152)	(45 267)
Other supplementary capital	(56 452)	(55 700)
Retained earnings	432 340	381 291
<b>Equity of non-controlling interests</b>	<b>27 482</b>	<b>28 300</b>
<b>Total equity</b>	<b>382 836</b>	<b>321 242</b>
<b>Long-term liabilities</b>	<b>221 460</b>	<b>244 850</b>
Interest-bearing loans and borrowings	208 082	225 886
Provisions, including:	5 848	4 454
- Provisions for employee benefits	5 334	3 940
- Other provisions	514	514
Lease liabilities	4 607	4 535
Liabilities under option to acquire shares in minority ownership	-	-
Provision for deferred income tax	2 923	9 975
<b>Short-term liabilities, excluding assets held for sale</b>	<b>228 349</b>	<b>227 923</b>
Trade and other liabilities	117 995	103 216
Current portion of interest-bearing loans and borrowings	53 918	70 904
Lease liabilities	954	1 078
Liabilities under option to acquire shares in minority ownership	32 734	44 848
Income tax liabilities	4 590	3 356
Provisions, including:	18 158	4 521
- Provisions for employee benefits	18 099	4 250
- Other provisions	59	271
Liabilities related to assets held for sale	-	-
<b>Short-term liabilities</b>	<b>228 349</b>	<b>227 923</b>
<b>Total liabilities</b>	<b>449 809</b>	<b>472 773</b>
<b>TOTAL LIABILITIES</b>	<b>832 645</b>	<b>794 015</b>

## 2.3 Condensed consolidated statement of cash flows

	<i>the period of 9 months ended as at 30 September 2023 (unaudited) (data not subject to review)</i>	<i>the period of 9 months ended as at 30 September 2022 (unaudited) (data not subject to review)</i>
<b>Cash flows from operating activities</b>		
Profit before tax	100 068	59 482
<b>Adjustments:</b>	<b>87 893</b>	<b>36 707</b>
Depreciation / amortisation of PP&E, intangible assets	29 280	27 302
Profit (loss) on investing activities	(3 179)	(2 326)
Exchange difference	972	(1 399)
Shares in subsidiaries' profits	(325)	(135)
Interest expenses	18 746	16 046
Other adjustments	(557)	(165)
Movement in inventories	17 795	7 700
Movement in receivables	(51 944)	(57 242)
Movement in liabilities	62 044	44 851
Movement in provisions	15 061	2 075
<b>Cash generated by operating activities</b>	<b>187 961</b>	<b>96 189</b>
Income tax paid	(20 004)	(20 464)
<b>Net cash from operating activities</b>	<b>167 957</b>	<b>75 725</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of intangible assets	-	21
Expenses related to acquisition of PP&E and intangible assets	(18 305)	(45 301)
Proceeds from sales of PP&E	1 923	5 775
Expenses related to acquisition of subsidiaries	-	(125)
Proceeds from sale of shares	158	90
<b>Net cash used in investing activities</b>	<b>(16 224)</b>	<b>(39 540)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings raised	153 762	261 068
Repayment of loans and borrowings	(212 513)	(236 457)
Repayment of liabilities on account of finance leases	(800)	(1 069)
Interest	(19 233)	(15 790)
Dividends and promoter certificates paid	(31 529)	(34 236)
<b>Net cash from financing activities</b>	<b>(110 313)</b>	<b>(26 484)</b>
<b>Net increase (decrease) in cash and cash equivalents before exchange differences</b>	<b>41 420</b>	<b>9 701</b>
Exchange differences from translation of foreign operations	(411)	(1 152)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>41 009</b>	<b>8 549</b>
Cash and cash equivalents at the beginning of the period	19 916	16 190
<b>Cash and cash equivalents at the end of the period</b>	<b>60 925</b>	<b>24 739</b>

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Data in PLN thousand

### 2.4 Condensed consolidated statement of changes to equity

	Share capital	Option to acquire shares in minority ownership	Other supplementary capital	Retained earnings	Equity (attributable to the shareholders of the parent company)	Equity of non- controlling interests	Total equity
<b>As at 1 January 2023</b>	<b>12 618</b>	<b>(45 267)</b>	<b>(55 700)</b>	<b>381 291</b>	<b>292 942</b>	<b>28 300</b>	<b>321 242</b>
Net profit for the period	-	-	-	77 021	77 021	5 449	82 470
Other net comprehensive income for the period	-	-	(752)	(736)	(1 488)	1 203	(285)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(752)</b>	<b>76 285</b>	<b>75 533</b>	<b>6 652</b>	<b>82 185</b>
Acquisition of shares in a subsidiary - option valuation	-	12 115	-	-	12 115	-	12 115
Dividend	-	-	-	(25 236)	(25 236)	(7 470)	(32 706)
<b>Change in equity</b>	<b>-</b>	<b>12 115</b>	<b>(752)</b>	<b>51 049</b>	<b>62 412</b>	<b>(818)</b>	<b>61 594</b>
<b>As at 30 September 2023</b>	<b>12 618</b>	<b>(33 152)</b>	<b>(56 452)</b>	<b>432 340</b>	<b>355 354</b>	<b>27 482</b>	<b>382 836</b>
<b>As at 1 January 2022</b>	<b>12 618</b>	<b>(42 726)</b>	<b>(40 711)</b>	<b>374 918</b>	<b>304 099</b>	<b>29 864</b>	<b>333 963</b>
Net profit for the period	-	-	-	39 898	39 898	4 793	44 691
Other net comprehensive income for the period	-	-	(2 529)	721	(1 808)	(1 367)	(3 175)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(2 529)</b>	<b>40 619</b>	<b>38 090</b>	<b>3 426</b>	<b>41 516</b>
Acquisition of shares in a subsidiary	-	-	-	7	7	(158)	(151)
Acquisition of shares in a subsidiary - option valuation	-	188	-	-	188	-	188
Dividend	-	-	-	(31 544)	(31 544)	(2 919)	(34 463)
<b>Change in equity</b>	<b>-</b>	<b>188</b>	<b>(2 529)</b>	<b>9 082</b>	<b>6 741</b>	<b>349</b>	<b>7 090</b>
<b>As at 30 September 2022</b>	<b>12 618</b>	<b>(42 538)</b>	<b>(43 240)</b>	<b>384 000</b>	<b>310 840</b>	<b>30 213</b>	<b>341 053</b>

### 3. Quarterly condensed standalone financial statements of FFIL Śnieżka SA

The interim condensed financial statements of FFIL Śnieżka SA cover the period of 9 months ended September 30, 2023 and contain comparative data for the period of 9 months ended September 30, 2022 and December 31, 2022. These data have not been reviewed or audited by a statutory auditor, except for the data as at December 31, 2022.

Information on the principles adopted in the preparation of the condensed financial statements of FFIL Śnieżka SA are analogous to those for the Group.

#### 3.1 Condensed standalone statement of comprehensive income

	<i>the period of 3 months ended as at 30 September 2023 (unaudited, data not subject to review)</i>	<i>the period of 9 months ended as at 30 September 2023 (unaudited, data not subject to review)</i>	<i>the period of 3 months ended as at 30 September 2022 (unaudited, data not subject to review)</i>	<i>the period of 9 months ended as at 30 September 2022 (unaudited, data not subject to review)</i>
<b>Continued activities</b>				
Sales revenues	177 138	463 796	154 900	414 979
Cost of sales	118 727	325 381	120 605	324 373
Gross profit on sales	58 411	138 415	34 295	90 606
Dividend income	-	45 670	-	31 375
Other operating revenues	683	3 287	233	1 585
Selling costs	7 066	21 058	6 845	19 490
General administrative costs	20 663	58 177	14 507	48 310
Other operating expenses	1 692	3 397	83	1 135
Profit on operating activities	29 673	104 740	13 093	54 631
Financial revenues	279	947	205	2 923
Financial expenses	10 926	30 670	10 970	25 295
Gross profit	19 026	75 017	2 328	32 259
Income tax	3 513	5 229	241	3 214
Net profit for the period	15 513	69 788	2 087	29 045
<b>Other comprehensive income that is not reclassified to profit/(loss):</b>	1 656	(447)	-	759
Actuarial gains (losses) for defined benefit plans	1 656	(687)	-	632
Change in fair value of financial instruments measured at fair value through other comprehensive income	-	240	-	127
<b>Other comprehensive income that can be reclassified to profit/(loss):</b>	582	123	-	12
Cash flow hedge	582	123	-	12
<b>Other net comprehensive income (losses)</b>	2 238	(324)	-	771
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>17 751</b>	<b>69 464</b>	<b>2 087</b>	<b>29 816</b>
Profit (loss) per share:				
- basic, from profit for the reporting period	1,23	5,53	0,17	2,30
- basic, from profit on continued operations for the reporting period	1,23	5,53	0,17	2,30
- diluted, from profit for the reporting period	1,23	5,53	0,17	2,30
- diluted, from profit on continued operations for the reporting period	1,23	5,53	0,17	2,30

### 3.2 Condensed standalone statement of financial position

	30 September 2023 (unaudited, data not subject to review)	31 December 2022
<b>ASSETS</b>		
<b>Fixed assets</b>	<b>650 507</b>	<b>659 754</b>
Tangible fixed assets	415 979	422 896
Intangible assets	31 064	33 360
Shares and interests in other entities	203 096	202 856
Long-term receivables	368	642
Deferred tax assets	-	-
<b>Current assets</b>	<b>211 346</b>	<b>173 054</b>
Inventory	69 690	84 185
Trade and other receivables	135 746	76 879
Income tax receivables	-	10 443
Other financial assets	160	-
Cash and cash equivalents	5 750	1 547
<b>TOTAL ASSETS</b>	<b>861 853</b>	<b>832 808</b>
<b>LIABILITIES</b>		
<b>Equity</b>	<b>267 404</b>	<b>223 175</b>
Share capital	12 618	12 618
Revaluation reserve	473	110
Retained earnings	254 313	210 447
<b>Long-term liabilities</b>	<b>442 422</b>	<b>473 549</b>
Interest-bearing loans and borrowings	431 673	464 472
Provisions for employee benefits	4 199	2 980
Lease liabilities	1 819	1 694
Liabilities under option	-	-
Provision for deferred income tax	4 731	4 403
<b>Short-term liabilities</b>	<b>152 027</b>	<b>136 084</b>
Trade and other liabilities	74 739	69 509
Current portion of interest-bearing loans and borrowings	55 860	58 094
Lease liabilities	348	288
Liabilities under option	6 890	6 860
Income tax liabilities	2 781	-
Provisions for employee benefits	11 409	1 333
<b>Total liabilities</b>	<b>594 449</b>	<b>609 633</b>
<b>TOTAL LIABILITIES</b>	<b>861 853</b>	<b>832 808</b>

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Data in PLN thousand

## 3.3 Condensed standalone statement of cash flows

	<i>the period of 9 months ended as at 30 September 2023 (unaudited, data not subject to review)</i>	<i>the period of 9 months ended as at 30 September 2022 (unaudited, data not subject to review)</i>
<b>Cash flows from operating activities</b>		
Profit before tax	75 017	32 260
<b>Adjustments:</b>	<b>909</b>	<b>11 591</b>
Depreciation of PP&E, intangible assets	18 665	15 348
(Profit) loss on investing activities	(1 989)	(145)
Exchange difference	1 136	(3 885)
Net interest	29 909	24 216
Interest revenue	-	-
Dividends received	(45 671)	(31 375)
Movement in inventories	14 495	14 851
Movement in receivables	(59 491)	(36 312)
Movement in liabilities	33 218	27 958
Movement in provisions	10 637	936
<b>Cash generated by operating activities</b>	<b>75 926</b>	<b>43 851</b>
Income tax paid	(10 815)	(10 095)
<b>Net cash from operating activities</b>	<b>65 111</b>	<b>33 756</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of PP&E and intangible assets	279	199
Expenses related to acquisition of PP&E and intangible assets	(15 359)	(43 281)
Expenses related to acquisition of shares and stocks	-	(125)
Proceeds from sale of shares	158	90
Expenses related to loans granted	(3 000)	-
Proceeds from repayment of loans and borrowings	3 000	-
Interest received	43	-
Dividends received	45 630	31 008
<b>Net cash used in investing activities</b>	<b>30 750</b>	<b>(12 109)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings raised	238 108	220 087
Repayment of loans and borrowings	(270 353)	(192 887)
Repayment of liabilities on account of finance leases	(308)	(270)
Interest	(33 870)	(23 011)
Dividends	(25 236)	(31 544)
<b>Net cash from financing activities</b>	<b>(91 658)</b>	<b>(27 626)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4 203</b>	<b>(5 979)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 547</b>	<b>7 319</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5 750</b>	<b>1 340</b>

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

### 3.4 Condensed standalone statement of changes to equity

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Revaluation reserve</i>	<i>Total equity</i>
<b>As at 1 January 2023</b>	<b>12 618</b>	<b>210 447</b>	<b>110</b>	<b>223 175</b>
Net profit (loss) for the period	-	69 788	-	69 788
Other net comprehensive income for the period	-	(687)	363	(324)
<b>Comprehensive income for the period</b>	<b>-</b>	<b>69 101</b>	<b>363</b>	<b>69 464</b>
Setting off losses from previous years	-	-	-	-
Dividend payment	-	(25 235)	-	(25 235)
<b>As at 30 September 2023 (unaudited data, not subject to review)</b>	<b>12 618</b>	<b>254 313</b>	<b>473</b>	<b>267 404</b>
				-
				-
<b>As at 1 January 2022</b>	<b>12 618</b>	<b>217 268</b>	<b>(152)</b>	<b>229 734</b>
Net profit for the period	-	29 045	-	29 045
Other net comprehensive income for the period	-	632	139	771
<b>Comprehensive income for the period</b>	<b>-</b>	<b>29 677</b>	<b>139</b>	<b>29 816</b>
Dividend payment	-	(31 544)	-	(31 544)
<b>As at 30 September 2022 (unaudited data, not subject to review)</b>	<b>12 618</b>	<b>215 401</b>	<b>(13)</b>	<b>228 006</b>

## **4. Additional information**

### **Factors and events, including of unusual nature, having a significant impact on the condensed statements**

The Management Board of the parent company monitors the conditions on the Ukrainian market on an on-going basis and adjusts its activities and plans to the situation related to the armed conflict in Ukraine, which commenced in February 2022. Due to external factors and the current market situation, the Company's Management Board is currently unable to estimate the impact of the war on the Group's future performance on the said market.

Due to the extraordinary situation on the Ukrainian market, the Capital Group continues the change of rules implemented in 2022 regarding the translation of financial statements of the company operating in Ukraine, for which the Ukrainian hryvnia (UAH) is the functional currency. The details are provided in the interim condensed consolidated financial statements prepared as at 30 June 2023 in item 2.5.9.9 - Translation of items expressed in foreign currencies.

Polish companies belonging to the Śnieżka Group concluded an agreement on the establishment of a Tax Capital Group (TCG) from 1 January 2023 between the companies FFIL Śnieżka SA, Śnieżka Trade of Colours Sp. z o.o. and Rafil S.A. The establishment of the TCG enables the companies included in it to jointly settle corporate income tax, as well as simplify its settlement, which allows for the effective use of resources in the Group.

No other factors or events occurred in Q3 of 2023 than those described in the financial statements, including those of unusual nature, having a significant impact on the statements of the Group and the Company.

### **Significant proceedings**

In March 2021, the Company received the result of a customs and tax audit carried out by the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl on the accuracy of the declared grounds and payment of corporate income tax for 2016. The Customs and Tax Office decided that in the audited period, the Company overestimated the tax-deductible costs by PLN 13.8 million in connection with the expenses incurred for the acquisition of rights to use intangible assets and indicated a tax arrears of PLN 2.62 million. The amount of interest amounted to PLN 0.88 million. Based on the decision, the Company paid the tax liability in the amount of PLN 2.62 million together with interest in the amount of PLN 0.88 million in September 2022. At the same time, the Management Board did not agree with the findings of the inspection and appealed to the Head of the Sub-Carpathian Customs and Tax Office.

On December 23, 2022, the Company was served with the final decision of the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl, upholding the findings of the tax office inspection. On January 23, the Company's attorney filed a complaint to the Provincial Administrative Court in Rzeszów.

By judgment of April 25, 2023, the Provincial Administrative Court in Rzeszów revoked the Decision of the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl. The Customs and Tax Office in Przemyśl filed a cassation appeal against this judgment to the Supreme Administrative Court. Śnieżka

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responded to the cassation appeal, emphasizing the correctness of the decision of the Provincial Administrative Court in Rzeszów.

In November 2022 a customs and tax inspection was initiated against the Company regarding the accuracy of the declared tax bases and payment of corporate income tax for 2017.

In June 2023, Śnieżka's representative collected the result of the customs and tax inspection conducted by the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl. The Customs and Tax Office decided that in the audited period, the Company overestimated the tax-deductible costs by PLN 12 million in connection with the expenses incurred for the acquisition of rights to use intangible assets and indicated a tax arrears of PLN 2.27 million. The Customs and Tax Office's view is consistent with the one expressed regarding the tax liability for 2016. The Management Board of Śnieżka, in accordance with the recommendation of the Company's advisors, decided not to correct the tax return for 2017, considering that the settlement of corporate income tax for the period covered by the audit was correct. In July 2023, Śnieżka's representative received a decision to transform the completed customs and tax inspection into tax proceedings.

On October 16, 2023 the Company received the decision of the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl regarding the determination of the Company's corporate income tax liability for 2017. The Customs and Tax Office decided that in the audited period, the Company overestimated the tax deductible costs by PLN 12 million in connection with the expenses incurred for the acquisition of rights to use intangible assets and indicated a tax arrears of PLN 2.27 million. The amount of interest as at October 17, 2023 amounted to PLN 1.19 million. The decision is not final. In order to prevent further interest, on October 17, 2023, Śnieżka paid the tax liability determined by the decision along with interest (PLN 3.56 million). The Company appealed against the decision.

#### **Transactions with related entities**

In Q3 of 2023 neither the Company nor its subsidiaries concluded any transactions with related entities other than arm's length transactions. Transactions between the aforementioned associates are made on equivalent terms to those that prevail in arm's length transactions.

#### **Granted sureties and guarantees**

As at 30 September 2023, there were no significant credit or loan sureties or guarantees granted to a single entity or its subsidiary by the Company or its subsidiary.

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**Other information relevant to the assessment of the personnel, property and financial situation, the profit of the Company and their changes and information relevant to the assessment of the Company's ability to fulfil its obligations**

On September 13, 2023 FFIL Śnieżka SA was repaid by its subsidiary Poli-Farbe in the amount of PLN 3,000 thousand.

In addition, in July 2023, the working capital loan was partially disbursed in PKO Bank Polski SA, in accordance with the signed Multi-Purpose Credit Limit Agreement for the amount of PLN 30,000 thousand.

Other information that, in the Company's opinion, is important for assessing its personnel, property, financial situation, profit and their changes in the third quarter of 2023, as well as information that is important for assessing the Company's ability to fulfil its obligations, is included in this Report.

**Amount and type of items affecting assets, liabilities, equity, net profit or cash flows that are unusual due to their type, value or frequency**

In Q3 of 2023, there are no items affecting assets, liabilities, equity, net profit or cash flows that would be unusual due to their type, value or frequency.

**Explanations regarding the seasonality or cyclicity of activities**

Information on seasonality is described in sec. 1.7 of the Report.

**Information on write-downs of inventories to net realizable value and reversal of write-downs on this account**

In Q3 of 2023, the amount of write-downs on inventories (compared to June 30, 2023) decreased by PLN 362 thousand and as at September 30, 2023 these write-downs amount to PLN 4,092 thousand.

**Information on impairment losses on financial assets, property, plant and equipment, intangible assets or other assets and the reversal of such write-downs**

As at September 30, 2023, impairment losses on receivables decreased by PLN 174 thousand compared to June 30, 2023. Currently, their value is PLN 2,267 thousand.

Compared to the value as at June 30, 2023, there was a decrease of PLN 545 thousand impairment losses on non-current assets. As at September 30, 2023, they amount to PLN 43 thousand.

**Information on the creation, increase, use and release of provisions**

Provisions created in the Group relate to future employee benefits and as at September 30, 2023 their total value is PLN 23,433 thousand (including PLN 5,334 thousand is a long-term provision and PLN 18,099 thousand is a short-term one). In Q3 of 2023, the amount of these provisions increased (compared to June 30, 2023) by a total of PLN 3,442 thousand with an increase of PLN 9 thousand in the case of the long-term provision and PLN 3,433 thousand in the case of the short-term one.

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Other provisions decreased by PLN 107,000 in Q3 of 2023 compared to June 30, 2023 and at the end of the third quarter amount to PLN 573,000.

#### **Information on deferred tax liabilities and assets**

In the statement of financial position, the deferred tax liability is offset against the deferred tax asset at the level of each Group entity.

The amount of deferred tax assets in Q3 of 2023 increased by PLN 13,000 compared to 30 June 2023 and currently amounts to PLN 815 thousand.

The value of deferred income tax provisions decreased by PLN 1,896 thousand. As at September 30, 2023, these provisions amount to PLN 2,923 thousand.

#### **Information on significant transactions of purchase and sale of PP&E**

Between January 1, 2023 and September 30, 2023, the Group purchased property, plant and equipment and intangible assets in the amount of PLN 13,094 thousand. In addition to the above, in the period subject to analysis there were no significant transactions of purchase and sale of PP&E.

#### **Information on a significant liability for the purchase of PP&E**

As at September 30, 2023, the Group has a liability for the purchase of property, plant and equipment in the amount of PLN 1,768 thousand. A significant part of these liabilities constitute the ones of the parent company for expenses related to the implementation of IT systems and equipment of the new Logistics Centre in Zawada.

#### **Information on significant settlements of court cases**

In the analysed period no significant settlements of court cases occurred.

#### **Indication of corrections of errors from previous periods**

In the analysed period no corrections of errors from previous periods were made.

#### **Information on changes in the economic situation and operating conditions that have a significant impact on the fair value of the entity's financial assets and financial liabilities, regardless of whether these assets and liabilities are recognized at fair value or at adjusted purchase price (amortized cost)**

The change in the economic situation and operating conditions had no significant impact on the value of financial assets and financial liabilities of the Śnieżka Group.

#### **Information on failure to repay a credit or loan or breach of material provisions of a credit or loan agreement**

In Q3 of 2023, no failure to repay a credit or loan or breach of material provisions of a credit or loan agreement with respect to the parent company or its subsidiaries belonging to the Śnieżka Group occurred.

**Information on the change in the method of determining the fair value as regards financial instruments measured with the method in question**

No changes in the method of determining the value of financial instruments measured at fair value occurred.

**Information on a change in the classification of financial assets following the change in the purpose or use of these assets**

No changes in the classification of financial assets following the change in the purpose or use of these assets occurred.

**Information on the issue, redemption and repayment of non-equity and equity securities**

In Q3 of 2023 there were no issues, redemptions or repayments of non-equity and equity securities.

**Information on the paid (or declared) dividend**

On April 27, 2023, the Ordinary General Meeting of FFIL Śnieżka SA adopted a resolution on the payment of dividend from net profit for 2022 and supplementary capital created from profits from previous years. The dividend was approved in the amount of PLN 2.00 (two zlotys and zero groszy) per share, i.e. in the total amount of PLN 25,235,556.

The dividend date was established to May 16, 2023, and the dividend payment was carried out on May 31, 2023. The dividend was paid for all 12,617,778 shares issued by the Company.

In the coming years, the Management Board - until the net debt ratio is reduced to the level of one-time consolidated EBITDA - intends to recommend to Śnieżka's shareholders a dividend payment of 50% of the consolidated net profit of the Śnieżka Group attributable to the shareholders of the parent company (FFIL Śnieżka SA) for individual financial years.

**Significant events after the end of the reporting period**

After the balance sheet date, no other significant events other than those described in the Report occurred.

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

### Information on changes in contingent liabilities or contingent assets from the end of the last financial year

As at 30 September 2023, the Śnieżka Group did not have any liabilities or contingent assets. Compared to June 30, 2023, liabilities and contingent assets did not change.

### Segment reporting

The following data has been calculated and presented in accordance with IFRS No. 8. Revenues and costs were allocated to geographical segments.

“Segment performance after exclusions” is calculated by deducting the cost of sales and part of the selling costs (mainly marketing costs and transport costs) allocated to individual segments from the sales revenues.

Non-allocated costs include that part of selling costs that cannot be allocated directly to individual segments. General expenses, other operating income and expenses, interest income and expenses, other financial income and expenses as well as income tax have been allocated to segments according to the geographical location of the company's business.

Segment performance for the 9-month period ended September 30, 2023:

the period of 9 months ended as at 30 September 2023 (unaudited data, not subject to review)	Continued operations					Discontinued operations	Exclusions	Total operations
	Poland	Hungary	Ukraine	Other	Total			
<b>Segment revenues after exclusions</b>	<b>485 661</b>	<b>105 595</b>	<b>70 869</b>	<b>42 942</b>	<b>705 067</b>			<b>705 067</b>
Revenues from sales of products	455 976	103 033	64 019	37 221	660 249			660 249
Revenues from sales of goods	19 802	2 232	6 457	4 904	33 395			33 395
Revenues from sales of materials	5 035	90	-	373	5 498	The Group did not discontinue operations in the reporting period		5 498
Sales revenues from sales of services	4 848	240	393	444	5 925			5 925
Sales to external customers	485 661	105 595	70 869	42 942	705 067		-	705 067
Sales between segments (exclusions)	465 038	5 659	18 363	168	489 228		(489 228)	-
Total segment revenues without exclusions	950 699	111 254	89 232	43 110	1 194 295			1 194 295
<b>Segment revenues after exclusions</b>	<b>314 895</b>	<b>84 230</b>	<b>48 262</b>	<b>31 484</b>	<b>478 871</b>			<b>478 871</b>
<b>Profits after exclusions</b>	<b>170 766</b>	<b>21 365</b>	<b>22 607</b>	<b>11 458</b>	<b>226 196</b>			<b>226 196</b>
Non-allocated selling costs				-				29 731
General expenses	66 863	9 203	5 234	643	81 943			81 943
Other revenues and operating costs	92	530	631	90	1 343			1 343
<b>Profit from operating activities</b>	<b>103 995</b>	<b>12 692</b>	<b>18 004</b>	<b>10 905</b>	<b>145 596</b>			<b>115 865</b>
Interest income	67	1 153	1 181	-	2 401			2 401
Interest expenses	19 286	546	-	-	19 832			19 832
Other financial income and expenses	1 238	225	39	(193)	1 309			1 309
Share in the net profit of subsidiaries under the equity method	325	-	-	-	325			325
<b>Profit before tax</b>	<b>86 339</b>	<b>13 524</b>	<b>19 224</b>	<b>10 712</b>	<b>129 799</b>			<b>100 068</b>
Income tax	11 422	3 431	2 780	(35)	17 598			17 598
<b>Net profit, attributable to:</b>	<b>74 917</b>	<b>10 093</b>	<b>16 444</b>	<b>10 747</b>	<b>112 201</b>			<b>82 470</b>
- shareholders of the parent company								77 021
- minority shareholders								5 449

## The Śnieżka Group - Consolidated quarterly report for the third quarter of 2023

Data in PLN thousand

Segment performance for the 9-month period ended September 30, 2022:

the period of 9 months ended as at 30 September 2022 (unaudited data, not subject to review)	Continued operations					Discontinued operations	Exclusions	Total operations
	Poland	Hungary	Ukraine	Other	Total			
<b>Segment revenues after exclusions</b>	<b>445 662</b>	<b>113 088</b>	<b>53 129</b>	<b>39 144</b>	<b>651 023</b>			<b>651 023</b>
Revenues from sales of products	415 666	110 448	48 154	34 940	609 208			609 208
Revenues from sales of goods	21 195	2 363	4 504	3 902	31 964			31 964
Revenues from sales of materials	5 435	96	-	82	5 613	The Group did not discontinue operations in the reporting period		5 613
Sales revenues from sales of services	3 366	181	471	220	4 238			4 238
Sales to external customers	445 662	113 088	53 129	39 144	651 023			651 023
Sales between segments (exclusions)	418 187	4 671	10 625	5 785	439 268		(439 268)	-
Total segment revenues without exclusions	863 849	117 759	63 754	44 929	1 090 291			1 090 291
<b>Segment revenues after exclusions</b>	<b>327 941</b>	<b>93 900</b>	<b>34 559</b>	<b>29 885</b>	<b>486 285</b>			<b>486 285</b>
<b>Profits after exclusions</b>	<b>117 721</b>	<b>19 188</b>	<b>18 570</b>	<b>9 259</b>	<b>164 738</b>			<b>164 738</b>
Non-allocated selling costs								22 818
General expenses	57 457	7 206	4 135	1 314	70 112			70 112
Other revenues and operating costs	959	2 069	(303)	(440)	2 285			2 285
<b>Profit from operating activities</b>	<b>61 223</b>	<b>14 051</b>	<b>14 132</b>	<b>7 505</b>	<b>96 911</b>			<b>74 093</b>
Interest income	74	977	439	2	1 492			1 492
Interest expenses	16 509	1 096	-	2	17 607			17 607
Other financial income and expenses	1 254	(732)	31	816	1 369			1 369
Share in the net profit of subsidiaries under the equity method	135	-	-	-	135			135
<b>Profit before tax</b>	<b>46 177</b>	<b>13 200</b>	<b>14 602</b>	<b>8 321</b>	<b>82 300</b>			<b>59 482</b>
Income tax	9 024	3 391	2 210	166	14 791			14 791
<b>Net profit, attributable to:</b>	<b>37 153</b>	<b>9 809</b>	<b>12 392</b>	<b>8 155</b>	<b>67 509</b>			<b>44 691</b>
- shareholders of the parent company								39 898
- minority shareholders								4 793

The structure of sales in the Śnieżka Group according to the criteria of products and services is presented in sec. 1.2 of the Report.

## 5. Corporate information

### 5.1 About the Group

The Śnieżka Group is made up of entities operating on the paint and varnish as well construction chemicals market: Fabryka Farb i Lakierów Śnieżka SA (parent company) and its subsidiaries. In seven modern production facilities of the Group located in four countries (Poland, Hungary, Ukraine and Belarus) approximately 140 million kg of various types of products are manufactured both on the domestic and foreign markets. The Group's products are intended for decorating and protecting various types of substrates.

The Śnieżka Group is one of the leaders on the market of decorative paints in Poland<sup>49</sup>, one of the largest players in this area in Hungary as well as one of the leaders in the segment of paints and putties in Ukraine<sup>50</sup>. The Śnieżka Group is classified among the 25 largest paint manufacturers in Europe (according to the "European Coatings" magazine), being at the same time the only representative of the industry in the central-eastern part of the continent.

In Q3 of 2023, the Śnieżka Group, as in the previous year, was active in Poland and on several foreign markets, including: Moldova, Slovakia, Romania, Kazakhstan, Armenia, Lithuania, Georgia, the Czech Republic, Kyrgyzstan and Serbia.

At the end of Q3 of 2023, the Śnieżka Group employed 1,142 staff.

The Group entities are related by shares, have roles defined within the structure of competence centres and build the Group's production value chain. Comprehensive organization and responsible management of resources and procurement contributes to efficient operation of the Group and 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., as the parent company, FFIL Śnieżka SA 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 as regards supply chain management (purchasing, distribution, warehousing, logistics, information flow), IT, production and technology as well as research and development (R&D), and plays a role as a shared service centre. In turn, Śnieżka Trade of Colours Sp. z o.o. develops competences in the field of: sales and marketing as well as pricing and revenue, and also market analysis and management of selected trademarks in the Group. Both companies coordinate the activities of individual Group companies in the areas of their competence.

All transactions with related parties carried out by the Company and its subsidiaries are performed at arm's length, i.e. those that would be agreed between unrelated entities, based on the applicable laws

<sup>49</sup> Source: Polish Association of Paint and Adhesive Producers, 2023

<sup>50</sup> Source: Estimated data (due to the war in Ukraine, access to research reports is limited).

in Poland, EU regulations and the laws in force in the countries where the subsidiaries are located, the market value of the transaction is balanced on an annual basis.

Figure 1. The Śnieżka Group's structure (as at 30.09.2023)

## Group structure and organization



In Q3 of 2023, 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 Colours 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.

## 5.2 Shares and shareholding structure

As at September 30, 2023, FFIL ŚNIEŻKA SA's share capital was comprised of 12,617,778 shares of nominal value of PLN 1.00 each. The Company's share capital consists of the following series of shares:

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

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.

In Q3 of 2023 the Company's equity was not subject to change.

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

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 in the Company.

Restrictions regarding the transfer of ownership of the Company's securities concern holders of preferred registered shares. 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 general meeting of the Company must express its consent on the decision on issuing or purchasing shares.

The Company did not have employee share schemes in Q3 of 2023.

#### **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:

<b>Managing persons</b>	<b>The number of shares held (items)</b>
Piotr Mikrut	1,270,833
Witold Waśko	198

<b>Supervising persons</b>	<b>The number of shares held (items)</b>
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 - i.e. the report for H1 of 2023 published on September 19, 2023, 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:

	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
	including directly 166,667	1.32	833,335	5.7
Stanisław Cymbor **	2,541,667	20.14	3,208,335	21.95
	including directly 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 S.A.	1,816,307	14.39	1,816,307	12.43
Powszechne Towarzystwo Emerytalne Nationale-Nederlanden S.A.	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 H1 of 2023 as of September 19, 2023 - based on information available to the Company, no changes in the significant block of shares issued by the Company occurred.

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## **5.3 Management Board and Supervisory Board**

### **5.3.1 Management Board**

In Q3 of 2023 and as at the date of Report publication, the Management Board of the ninth term of office of FFIL Śnieżka SA was composed of:

- 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

### **5.3.2 Supervisory Board**

In Q3 of 2023 and as at the date of Report publication the Supervisory Board 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.

**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, 20 November 2023