ŚNIEŻKA
GROUP

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CONSOLIDATED FINANCIAL STATEMENTS OF THE ŚNIEŻKA GROUP FOR THE YEAR ENDED DECEMBER 31, 2024

Prepared in accordance with the International Financial Reporting Standards in the version approved by the European Union

10 April 2025

We believe colours matter.

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(in PLN '000)

1. Basic elements of the financial statements

1.1. Consolidated statement of comprehensive income for the year ended 31 December 2024

	Note	*the period of 12 months ended as at 31 December 2024*	*the period of 12 months ended as at 31 December 2023*
Sales revenues	**3.2.1.**	798 440	857 773
Cost of sales	**3.2.4.**	404 678	473 569
Gross profit from sales		393 762	384 204
Other operating revenues	**3.2.2.**	2 290	5 785
Selling costs	**3.2.4.**	160 505	151 425
General administrative costs	**3.2.4.**	125 997	112 711
Other operating expenses	**3.2.2.**	4 318	4 849
Profit from operating activities		105 232	121 004
Financial revenues	**3.2.3.**	4 272	4 551
Financial expenses	**3.2.3.**	22 412	24 907
Share in associate's profit	**3.11**	250	366
Gross profit		87 342	101 014
Income tax	**3.4.1.**	15 251	17 533
Net profit from continued activities		72 091	83 481
Net profit for the period		72 091	83 481
Items subject to reclassification to profit / (loss) in subsequent net reporting periods:		(8 245)	(8 988)
Exchange differences from translation of foreign operations	**3.3**	(8 245)	(8 726)
Cash flow hedge		-	(262)
Net investment hedge in a foreign entity		-	-
Items not subject to reclassification to profit / (loss) in subsequent net reporting periods:		682	(471)
Change in fair value of financial instruments measured at fair value through other comprehensive income		420	240
Actuarial gains (losses) after considering deferred income tax	**3.3**	262	(711)
Other net comprehensive income		(7 563)	(9 459)
COMPREHENSIVE INCOME FOR THE PERIOD		64 528	74 022
Profit attributable to:		72 091	83 481
Shareholders of the Parent Company		69 351	77 634
Non-controlling interests		2 740	5 847
Total income attributable to:		64 528	74 022
Shareholders of the Parent Company		62 871	68 505
Non-controlling interests		1 657	5 517

Earnings per share (in PLN):

- basic, from profit for the period attributable to shareholders of the Parent Company	**3.6**	5.50	6.15
- basic, from profit on continued operations for the period attributable to shareholders of the Parent Company		5.50	6.15
- basic, from profit on discontinued operations for the period attributable to shareholders of the Parent Company		0.00	0.00
- diluted, from profit for the period attributable to shareholders of the Parent Company	**3.6**	5.50	6.15
- diluted, from profit on continued operations for the period attributable to shareholders of the Parent Company		5.50	6.15
- diluted, from profit on discontinued operations for the period attributable to shareholders of the Parent Company		0.00	0.00

(in PLN '000)

1.2. Consolidated statement of financial position as at 31 December 2024

	Note	*31 December 2024*	*31 December 2023*
Fixed assets		549 190	564 088
Tangible fixed assets	**3.8**	484 093	492 172
Goodwill	**3.5**	3 733	4 080
Intangible assets	**3.10**	56 189	62 509
Investments in associates using the equity method	**3.11**	1 921	2 037
Other financial assets	**3.12**	1 591	1 348
Long-term lease receivables	**3.9.2.**	84	176
Deferred tax assets	**3.4.3.**	1 579	1 766
Current assets		236 107	254 698
Current assets excluding non-current assets held for sale		235 273	254 698
Inventory	**3.14**	100 345	116 169
Trade and other receivables	**3.15**	65 463	58 760
Income tax receivables	**3.15**	13 842	14 104
Cash and cash equivalents	**3.16; 3.25.3.**	55 623	65 665
Fixed assets held for sale	**3.8**	834	-
TOTAL ASSETS		785 297	818 786
Equity (attributable to the shareholders of the Parent Company)		373 231	347 799
Share capital	**3.17.1.**	12 618	12 618
Option to acquire shares in minority ownership	**3.17.2.**	(31 119)	(33 679)
Other supplementary capital	**3.17.3.**	(70 860)	(64 118)
Retained earnings	**3.17.4.**	462 592	432 978
Equity of non-controlling interests		21 759	26 345
Total equity		394 990	374 144
Long-term liabilities		210 520	223 545
Interest-bearing loans and borrowings	**3.18**	188 567	203 054
Provisions, including:		6 163	6 014
- Provisions for employee benefits	**3.13**	5 888	5 659
- Other provisions		275	355
Lease liabilities	**3.9.1.**	4 299	3 135
Provision for deferred income tax	**3.4.3.**	11 491	11 342
Short-term liabilities		179 787	221 097
Short-term liabilities, excluding assets held for sale		179 787	221 097
Trade and other liabilities	**3.19**	74 888	101 448
Current portion of interest-bearing loans and borrowings	**3.18**	68 924	77 775
Lease liabilities	**3.9.1.**	646	2 186
Option liabilities to acquire shares in minority ownership	**3.19.2.**	30 700	33 261
Income tax liabilities	**3.19**	-	392
Provisions, including:		4 629	6 035
- Provisions for employee benefits	**3.13**	4 513	5 819
- Other provisions		116	216
Total liabilities		390 307	444 642
TOTAL LIABILITIES		785 297	818 786

(in PLN '000)

1.3. Consolidated statement of cash flows for the year ended 31 December 2024

	Note	*the period of 12 months ended as at 31 December 2024*	*the period of 12 months ended as at 31 December 2023*
Profit before tax		87 342	101 014
Adjustments:		47 510	78 851
Depreciation of tangible fixed assets, intangible assets and investment properties		37 604	38 411
Profit (loss) on investing activities		87	(2 181)
Exchange difference		3	972
Share in associates' profits		(250)	(366)
Interest expenses		20 230	23 117
Other adjustments		(230)	(103)
Movement in inventories	3.20	13 760	5 159
Movement in receivables	3.20	6 650	(423)
Movement in liabilities	3.20	(29 639)	10 943
Movement in provisions	3.20	(705)	3 322
Cash generated by operating activities		134 852	179 865
Income tax paid		(16 381)	(31 671)
Net cash from operating activities		118 471	148 194
Expanses related to acquisition of tangible fixed assets and intangible assets		(37 025)	(32 225)
Proceeds from sales of tangible fixed assets and intangible assets		1 795	2 941
Expanses related to acquisition of subsidiaries		-	-
Dividends received		38	-
Proceeds from sale of shares in subsidiaries		-	158
Net cash used in investing activities		(35 192)	(29 126)
Proceeds form loans and borrowings raised		64 187	183 334
Repayment of loans and borrowings		(84 716)	(200 683)
Repayment of financial lease liabilities		(2 270)	(1 157)
Interest		(21 113)	(22 651)
Dividends		(45 437)	(30 051)
Net cash from financing activities		(89 349)	(71 208)
Net increase (decrease) in cash and cash equivalents before exchange differences		(6 070)	47 860
Exchange differences from translation of foreign operations		(3 972)	(2 111)
Net increase (decrease) in cash and cash equivalents		(10 042)	45 749
Cash and cash equivalents at the beginning of the period	**3.16**	65 665	19 916
Cash and cash equivalents at the end of the period	**3.16**	55 623	65 665

(in PLN '000)

1.4. Consolidated statement of changes to equity for the year ended as at 31 December 2024

	Note	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**
As at 1 January 2024		12 618	(33 679)	(64 118)	432 978	347 799	26 345	374 144
Net profit for the period		-	-	-	69 351	69 351	2 740	72 091
Other net comprehensive income for the period		-	-	(6 742)	262	(6 480)	(1 083)	(7 563)
Comprehensive income for the period		-	-	(6 742)	69 613	62 871	1 657	64 528
Dividend payment	**3.7**	-	-	-	(39 999)	(39 999)	(6 243)	(46 242)
Acquisition of non-controlling interest		-	-	-	-	-	-	-
Put option measurment		-	2 560	-	-	2 560	-	2 560
Change in equity		-	2 560	(6 742)	29 614	25 432	(4 586)	20 846
As at 31 December 2024		12 618	(31 119)	(70 860)	462 592	373 231	21 759	394 990

	Note	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
As at 1 January 2023		12 618	(45 267)	(55 700)	381 291	292 942	28 300	321 242
Net profit for the period		-	-	-	77 634	77 634	5 847	83 481
Other net comprehensive income for the period		-	-	(8 418)	(711)	(9 129)	(330)	(9 459)
Comprehensive income for the period		-	-	(8 418)	76 923	68 505	5 517	74 022
Dividend payment	**3.7**	-	-	-	(25 236)	(25 236)	(7 472)	(32 708)
Acquisition of non-controlling interest		-	-	-	-	-	-	-
Put option measurment		-	11 588	-	-	11 588	-	11 588
Change in equity		-	11 588	(8 418)	51 687	54 857	(1 955)	52 902
As at 31 December 2023		12 618	(33 679)	(64 118)	432 978	347 799	26 345	374 144

2. General information and accounting principles (policies)

2.1. General information

2.1.1 Information about the Group

Entity's registered seat: ul. Chłodna 51, 00-867 Warsaw

State of registration: Poland

Description of business activities: manufacture of paint, varnish, solvent, mortar and putty products as well as wholesale and retail trade

Entity's seat: Poland ul. Chłodna 51, 00-867 Warsaw

Explanation of name changes: no name changes

Entity's legal form: Joint-stock company

Name of the Parent Company: FABRYKA FARB I LAKIERÓW ŚNIEŻKA SA

Name of the reporting entity: FABRYKA FARB I LAKIERÓW ŚNIEŻKA SA, the Parent Company within the Śnieżka Group

Name of the ultimate parent: FABRYKA FARB I LAKIERÓW ŚNIEŻKA SA

Basic area of business activity: Poland

The Śnieżka Group ("the Group") comprises Parent Company Fabryka Farb i Lakierów Śnieżka SA ("Parent Company", "Company", "Issuer") and its subsidiaries (see Note 2.1.2). The consolidated financial statements of the Group cover the year ended as at 31 December 2024 and contain comparative data for the year ended as at 31 December 2023.

The Parent Company was established by virtue of Notarial Deed as of 16 January 1998. The registered seat of the Company is Warsaw, ul. Chłodna 51, 00-867 Warsaw.

The Parent Company is entered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under the number KRS 0000060537. The Company holds a national Business Registry Number (REGON): 690527477.

The Parent Company and other entities comprising the Capital Group have an unlimited period of operation.
The core operation of the Group is the manufacture of paints, varnishes, solvents, mortars, putties etc., wholesale and retail sale of construction materials.

(in PLN '000)

2.1.2 Composition of the Group and consolidation methods

As at 31 December 2024 the Group is composed of Fabryka Farb i Lakierów Śnieżka SA and the following subsidiaries:

Name	***Seat***	***Scope of activity***	***Consolidation (and share in the share capital)***	
			31 December 2024	***31 December 2023***
Śnieżka Trade of Colours Sp. z o.o.	Warsaw, ul. Chłodna 51	marketing and sales of products, market analysis and monitoring, trademark management	Full consolidation (100%)	Full consolidation (100%)
Śnieżka Ukraina Sp. z o.o.	Ukraine, Yavoriv Prywokzalna 1A,	manufacture of paints, varnishes, solvents, mortars, putties etc., wholesale and retail sales of construction materials	Full consolidation (83.48%)	Full consolidation (83.48%)
Poli-Farbe Vegyipari Kft.	Węgry Bósca III.Kerult 2.	manufacture of paint, enamels, insulation systems, putties etc., wholesale and retail sales of construction materials	Full consolidation (80.00%)	Full consolidation (80.00%)
Radomska Fabryka Farb i Lakierów SA	Radom, ul. Czarna 29	manufacture and sales of anti-corrosive products	Full consolidation (94.15%)	Full consolidation (94.15%)
Śnieżka - BelPol sp. z o.o.	Belarus, Zhodzina Dorożnaja 3/1,	production of putties	Full consolidation (100%)	Full consolidation (100%)

As at 31 December 2024 and 31 December 2023 the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Group in the share capitals of such entities. The exception is Rafil company, where the Issuer as at 31 December 2024 held 93.09% of votes at the GM of Radomska Fabryka Farb i Lakierów SA. As at the above date the shares owned by the Issuer corresponded in total to 94.15% of the share capital of Radomska Fabryka Farb i Lakierów SA.

The Parent Company holds 10.07% shares in Plastbud Sp z o.o. company. Due to significant impact on Plastbud Sp z o.o. company, as a result of substantial trade with it, the company is regarded as an associate and measured with the equity method in the consolidated financial statements. Plastbud enters into significant transactions with the Śnieżka Group and therefore has a strong, long-term business relationship with it. Plastbud is responsible for over 50% of its sales to the Śnieżka Group companies. The companies are connected by a long-term agreement concluded in 2014, under which FFiL Śnieżka SA purchases goods manufactured by Plastbud marked with the Śnieżka ToC trademarks.

2.1.3 The composition of the Management Board of the Parent Company

As at the date of signing the report, the Management Board of the Parent Company was composed of:

- Piotr Mikrut - Chief Executive Officer,
- Witold Waśko - Vice President of the Management Board, Chief Financial Officer,
- Joanna Wróbel-Lipa - Vice President of the Management Board, Chief Commercial Officer,
- Zdzisław Czerwiec - Vice President of the Management Board, Chief Supply Chain Officer,
- Dawid Trojan - Vice President of the Management Board, Marketing Director.

2.1.4 Approval of the financial statements

The consolidated financial statements were approved by the Management Board to be published on April 10, 2025.

2.1.5 The basis for preparing the consolidated financial statements

The consolidated financial statements were prepared in accordance with the historical cost principle, except for equity instruments measured at fair value through other comprehensive income (note 2.4.5).
The consolidated financial statements were presented in Polish currency, i.e. PLN, and all values, unless stated otherwise, are provided in PLN' 000.
The consolidated financial statements were prepared assuming that the Group will continue its business activity in the foreseeable future and in accordance with the principles of fair presentation, accrual and materiality.
As at the date of approval of the consolidated financial statements, there is no evidence indicating that the Group will not be able to continue its operations for the period of at least 12 months after the balance sheet date, i.e. 31 December 2024.

2.1.6 Declaration of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ('IFRS') and approved by the EU. ('IFRS EU'). As at the date of approval of the consolidated 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")

2.1.7 Functional currency and the currency of financial statements

The consolidated financial statements of the Group were presented in PLN, which is the functional and presentation currency of the Parent Company.

2.2. Significant values based on professional judgement and estimates

The preparation of consolidated financial statements requires the application of accounting estimates which, by definition, will rarely equal the actual results. The Management is required to use subjective judgment in applying adopted accounting policies.

This note provides an overview of the areas where subjective judgment is used more closely or those more complex, and the items that are more likely to be adjusted due to inaccurate estimates and assumptions.

The Group adopted estimates and assumptions related to the future on the basis of knowledge possessed during the preparation of the financial statements. The occurring estimates and assumptions may be subject to change due to events in the future resulting from market changes or changes being beyond the Group's control. Such changes are reflected in estimates and assumptions when they occur. In 2024 there were no significant changes in the estimates and the methodology of making estimates.

The Management Board of the Parent Company assessed the magnitude of the armed conflict in Ukraine on the future performance of the Group. The Group did not make any significant changes in the estimates.

Within the process of applying the accounting principles (policy) the management's professional judgement was the most significant as regards issues provided below:

2.2.1 Tax settlement asset

In the light of the General Anti Avoidance Rule ("GAAR") in force from 15 July 2016, which is intended to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland, the Company's Management Board considered the impact of transactions that could potentially be covered by GAAR regulations, for deferred tax, tax value of assets and provisions for tax risk. In the opinion of the Management Board, the analysis did not show necessity to correct the measured current and deferred income tax items, however, in the opinion of the Management Board, in case of GAAR regulations there is inherently uncertainty that the tax authorities will interpret these provisions differently, will change their approach to their interpretation or the regulations themselves will be subject to change, which may affect the possibility of realizing deferred tax assets in future periods and the possible payment of additional tax for past periods.

2.2.2 Depreciation rates

The amount of depreciation rates for property, plant and equipment and intangible assets is determined on the basis of the expected period of economic usability of property, plant and equipment and intangible assets. PP&E, relatively their material and separate components are depreciated according to the straight line method in their useful lives. Depreciation write-down is conducted for as long as the closing value of the element does not exceed its carrying amount.
The acquired trademarks in the transaction of purchase of shares in the Hungarian company Poli-Farbe are amortized by the Group for a period of 25 years, while the acquired customer relations are amortized for 5 years. The Group verifies the adopted periods of useful lives on an annual basis, taking into account the current estimates. Sensitivity analysis indicates that assuming an increase in the depreciation rates of PP&E and intangible assets by 1%, the annual depreciation cost would increase, and thus the Group's gross profit would deteriorate by PLN 8,180 thousand in 2024.

2.2.3 Goodwill impairment

Goodwill recognized in the financial statements is the result of the settlement of the acquisition of shares of Poli-Farbe Vegyipari Korlátolt Felelősségű Társaság based in Bócsa, Hungary (Poli-Farbe).

Goodwill as an asset with an indefinite useful life is tested annually (or more frequently if there are indications of impairment) for impairment. The key assumptions on the goodwill impairment test, which required the management's judgment, have been provided below:

Due to the fact that the tested entity is a multi-plant organization applying the effect of interrelationships and benefits, the synergy effect and active market for products is considered together for the entire analysed entity, and thus the Polifarbe entity is treated as a cash-generating unit. The recoverable amount of this cash-generating unit was determined on the basis of value-in-use calculations that required the application of assumptions. The calculations used cash flow projections based on calculation assumptions for the years 2025-2029 approved by the management. Flows exceeding this period are extrapolated using the estimated growth rates below.

The following assumptions were adopted:

- the growth rate of operating activities (based on EBIT) in the analysis period was assumed at an average level of 7.4% - the growth rate was assumed on the one hand on the past performance of the Hungarian company and on the other the development possibilities of the Hungarian market,
- the average annual EBIT% margin in the five-year forecast period was assumed to be 7.67%, based on the past performance and management's expectations regarding market development,
- the growth rate of free financial flows after the analysis period was set at 1.25% since the market is expected to stabilize in the long term,
- the level of investment was set at the replacement value (depreciation amount), this assumption is consistent with the investment forecasts in the Group for the coming years,
- while the effective tax rate was assumed at 19.0%, based on historical calculations,
- the "annual WACC discount rate" parameter used in the calculation was set at 11.4%. The sensitivity analysis for this parameter, with the simultaneous assumption of no variability of other parameters - indicates that when the WACC increases above 14.0%, an impairment of goodwill is recorded.

The reported growth rates in % were calculated in PLN.

The management board's estimates regarding the optimistic and pessimistic scenario regarding the parameters used in the sensitivity analysis, i.e.: discount rate, growth rate after the analysis period and income tax change rate, as well as the EBIT level take into account the market conditions in which the company operates. The Hungarian market is stable and the Group does not anticipate any major changes than those shown in the analysis below. The table below presents the sensitivity analysis of the replacement value of goodwill to changes in the main assumptions adopted in the test:

Change parameters	**scope of changes**	**Replacement value (PLN thousand)**	**% of change**	**test result**
INCREASE by the number of percentage points	"+"			
Discount rate	2%	63 241	-19.05%	no impairment
FCF growth rate after the analysis period	1%	85 057	8.88%	no impairment
Income tax rate	1%	76 941	-1.51%	no impairment
INCREASE by the percentage indicated				
EBIT change level	5.00%	82 901	6.12%	no impairment
Changes in currency exchange rates	10.00%	85 287	9.17%	no impairment
DECREASE by the number of percentage points	"-"			
Discount rate	-2%	100 511	28.66%	no impairment
FCF growth rate after the analysis period	-1%	72 434	-7.28%	no impairment
Income tax rate	-1%	79 302	1.51%	no impairment
DECREASE by the percentage indicated				
EBIT change level	-5.00%	73 342	-6.12%	no impairment
Changes in currency exchange rates	-10.00%	70 956	-9.17%	no impairment

Following the test, no impairment of goodwill was determined. The tested value converted to PLN as at December 31, 2024 amounts to PLN 59,600 thousand.

2.2.4 Put option for the acquisition of the remaining 20% shares in PoliFarbe

The Management Board's judgment was subject to the Seller's put option as regards shares in Poli-Farbe.

One of the elements of the concluded agreement for the acquisition of 80% shares in PoliFarbe is the put option, under which the seller after 2 years of concluding the agreement in question may oblige FFiL Śnieżka SA to acquire the remaining 20% of shares in Poli-Farbe. It is not accompanied by a symmetrical call option enabling FFiL Śnieżka to acquire the remaining 20% of shares. FFiL Śniezka holds the call option, however this option can only be exercised in strictly defined circumstances, whose occurrence is controlled by the sellers, and therefore it is beyond FFiL Śnieżka's control.

The Management Board assessed the issue of transferring ownership of the remaining 20% of shares, as well as the risks and opportunities arising therefrom, to FFiL Śnieżka S.A. The obligation to buy out the minority share in the subsidiary is variable and calculated based on EBITDA, which denotes that the price depends on the Poli-Farbe's performance. In the Management Board's opinion, this transfer did not occur since that the minority shareholder remains in good relations with the Management Board of the Parent Company and participates in building a good position of Poli-Farbe on the Hungarian market.

The remaining 20% of shares owned by the seller is a non-controlling interest from the consolidated financial statements' standpoint. The capital of non-controlling shareholders is an element of the Group's equity, therefore non-controlling interest is treated as the Group's own equity instrument, and the put option issued constitutes the Group's obligation to purchase its own equity instruments.

Put option liability was reflected in the Group's balance sheet as at the date of acquisition of Poli-Farbe (2019) in the amount of PLN 28,252 thousand, was recognized as a decrease in equity in the Option item to acquire shares in minority ownership, as no risk and benefits were transferred from the remaining 20% of shares in Poli-Farbe.

The liability measurement corresponds to the current value of the exercise price. The current exercise price of the option results from the formula contained in the purchase agreement which is equal to 8 times the average EBITDA for the last two years preceding the option exercise date less net debt.

The value of the option liability as at December 31, 2024 is HUF 2,994.5 million, which, when converted into PLN is PLN 30,700 thousand and is lower than as at December 31, 2023 by PLN 2,561 thousand. The decrease in the liability in PLN was affected by the weakening of the Hungarian forint exchange rate. As at December 31, 2024, the liability is presented as short-term, as the option exercise may occur at any time at the holder's request.

Meaured at each balance sheet date after initial recognition, the value of the put option liability adjusts the equity. Details on the accounting policy of the above-mentioned title are described in note 2.4.22.

The tables below present a sensitivity analysis of the value of the option liability to the change in average EBITDA and net debt:

Change parameters	**scope of changes %**	**Liability value (HUF mln)**	**% of change**
INCREASE by the number of percentage points	**"+"**		
EBITDA for two years	5.00%	3 154	5.32%
EBITDA for two years	10.00%	3 313	10.63%
DECREASE by the number of percentage points	**"-"**		
EBITDA for two years	-5.00%	2 835	-5.32%
EBITDA for two years	-10.00%	2 676	-10.63%
INCREASE by the number of percentage points	**"+"**		
Net debt	5.00%	2 970	0.18%
Net debt	10.00%	2 975	0.36%
DECREASE by the number of percentage points	**"-"**		
Net debt	-5.00%	2 959	-0.18%
Net debt	-10.00%	2 954	-0.36%

2.2.5 Write-down of receivables

Due to the war in Ukraine that has been going on for over 3 years, in order to minimize the risk of loss of receivables by the Parent Company and the subsidiary operating on the Ukrainian market, restrictions on granting deferred payment terms have been introduced. At the end of 2024, a selected group of clients was granted deferred payment terms. The key to selecting this group of clients was, inter alia, the location criterion. As at the end of 2024, all receivables were repaid. The remaining group of clients cooperate on a prepayment basis.

In the subsidiary operating on the Belarusian market, however, most sales are made on a prepayment basis.

In connection with the above, there were no grounds for a significant increase in the ratios that were adopted to create write-down for expected credit losses. More information on write-down on receivables is included in note 3.15.

2.2.6 Impairment loss on inventory

In order to present the actual value of inventories, in accordance with the accounting policy, the Group creates impairment write-down for excessive and non-marketable inventories. Verification of accumulated inventories and their rotation is conducted regularly on a quarterly basis. The details are provided in note 3.14.

2.2.7 Impairment of Group’s assets

Due to the on-going war in Ukraine, an impairment tests was carried out on fixed assets in the subsidiary located in Ukraine in accordance with IAS 36 "Impairment of assets". The impact of the armed conflict in Ukraine on subsidiaries is presented in detail in note 3.30 The results of the impairment tests and the key assumptions made requiring management judgment are presented below.

Group assets located in Ukraine:

The replacement value of the cash-generating units was determined on the basis of value-in-use calculations that required the application of assumptions. The calculations used cash flow projections based on financial budgets for 2025. Whereas, flows for the years 2026-2029 are extrapolated using estimated growth rates.

The following assumptions were adopted:

- weighted average cost of capital (WACC) assumed at 28.9%;
  The sensitivity analysis carried out for this parameter, assuming the lack of variability of other parameters, indicates that when the annual discount rate increases above 41%, a loss in the value of fixed assets is recorded.
- the average growth rate of free flows in the analysis period is 20.9%
  The growth rate was adopted based on the past performance of the company operating in Ukraine, and the development opportunities of the Ukrainian market were also taken into account.
- the average EBIT% margin (calculated as EBIT/sales revenues) for the entire analysis period is 9.5%, it was adopted based on the past performance and the management's expectations related to the market development;
- the investment level was set at replacement value (depreciation level), which is consistent with the Group's assumptions regarding the investment volume in the following years;
- the effective tax rate was assumed at 18% in accordance with the rate applicable in Ukraine;
- the growth rate of FCF free flows after the analysis period was set at 3%, due to the expected stabilization of the market after the analysis period (at the inflation level);
- the currency rate in the current period was set at 0.0989 with a subsequent change by the inflation rate.

The tested value is the value of the Group's fixed assets located in Ukraine, which as at 31 December 2024 amounts to PLN 18,949 thousand. The replacement value converted into PLN as at 31 December 2024 is PLN 29,505 thousand.

The management board's estimates as far as the optimistic and pessimistic scenario is concerned regarding the parameters used in the sensitivity analysis, i.e.: discount rate, FCF growth rate after the analysis period and the income tax change rate, as well as the EBIT level and the exchange rate, take into account the market conditions in which the company operates. Due to the on-going armed conflict, the Ukrainian market is less stable, therefore the Group anticipates the possibility of greater changes in parameters, as presented in the table below.

The sensitivity analysis of the replacement value of the Group's fixed assets located in Ukraine to changes in the main assumptions adopted in the test:

Change parameters	**scope of changes %**	**Replacement value (PLN thousand)**	**% of change**	**test result**
INCREASE by the number of percentage points	"+"			
Discount rate	4.00%	22 722	-14.77%	no impairment
FCF growth rate after the analysis period	1.00%	27 169	1.91%	no impairment
Income tax rate	1.00%	26 314	-1.30%	no impairment
INCREASE by the percentage indicated				
EBIT change level	5.00%	28 076	5.31%	no impairment
Changes in currency exchange rates	10.00%	27 368	2.66%	no impairment
DECREASE by the number of percentage points	"-"			
Discount rate	-4.00%	32 094	20.39%	no impairment
FCF growth rate after the analysis period	-1.00%	26 188	-1.77%	no impairment
Income tax rate	-1.00%	27 005	1.30%	no impairment
DECREASE by the percentage indicated				
EBIT change level	-5.00%	25 243	-5.31%	no impairment
Changes in currency exchange rates	-10.00%	25 951	-2.66%	no impairment

Following the test, a result was obtained indicating no impairment of fixed assets.

Group assets located in Belarus:

The policies pursued by the Belarusian authorities have resulted in imposing economic sanctions by the European Union on the country in question. The restrictions following these sanctions introduced a complete ban on the sale of Śnieżka products on the Belarusian market. In addition, they will substantially limit the possibility of cooperation with Śnieżka's subsidiary – the Belarusian company Śnieżka-BelPol. For the purposes of the interim condensed consolidated financial statements prepared for H1 of 2024, an impairment test of fixed assets was performed, as a result of which all fixed assets were written off. As at December 31, 2024, the assessment of the Management Board of the Parent Company in this respect remains unchanged - the previously adopted assumptions are considered current, and the write-down made in 2024 is considered fully justified.

2.2.8 Judgment regarding the possible effects of a tax control

The management board of the Parent Company assessed the issue concerning the presentation of the results of the customs and tax control carried out by the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl regarding the reliability of the declared bases and the payment of corporate income tax for 2016. The issues regarding the result of this control and the method of recognizing the liability for corporate income tax arrears are described in Note 3.22.2

2.2.9 Foreign currency translation

In 2024, the Group continued the rules introduced in the previous year regarding the translation of financial statements of a company operating in Ukraine, for which the functional currency is the Ukrainian hryvnia (UAH), and for a company operating in Belarus, for which the functional currency is the Belarusian ruble (BYN). The details are provided in note 2.4.6.

2.3. Amendments to applicable accounting principles

2.3.1 New standards applied for the first time

The accounting principles (policies) used to prepare these consolidated financial statements are consistent with those used to prepare the consolidated financial statements of the Group for the year ended December 31, 2023, except for the application of the following amendments to standards and new interpretations applicable to annual periods beginning on on January 1, 2024.

New standards and interpretations were applied for the first time to these consolidated financial statements, which entered into force on 1 January 2024:

a) Amendments to IFRS 16 "Leases"

The amendment to IFRS 16 Leases supplements the requirements for the subsequent measurement of the lease liability in the case of a sale and leaseback transaction where the criteria in IFRS 15 are met and the transaction should be accounted for as a sale.

The amendment requires the seller-lessee to subsequently measure its lease liabilities under a sale and leaseback arrangement so that no gain or loss is recognized for the retained right of use. The new requirement is of particular importance where the sale and leaseback involves variable lease payments that do not depend on an index or rate, as these payments are excluded from "lease payments" under IFRS 16.

b) Amendments to IAS 1 "Presentation of Financial Statements"

The amendments to IAS 1 clarify the presentation of liabilities as long-term and short-term, and also address the issue of classification of liabilities when an entity is required to meet certain contractual requirements, so-called covenants. Consequently, the amended IAS 1 standard states that liabilities are classified as short-term or long-term depending on the rights existing at the end of the reporting period. The classification is not affected by either the entity's expectations or events after the reporting date (for example, loan covenants that the entity is required to comply with only after the balance sheet date).

c) Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "financial instruments: disclosures" - supplier finance arrangement

The amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures" introduce disclosure requirements for arrangements for financing liabilities to suppliers (so-called reverse factoring). These amendments require specific disclosures for these types of contracts to enable users of financial statements to evaluate the impact of these contracts on liabilities and cash flows and the entity's exposure to liquidity risk. These amendments are intended to enhance transparency in the disclosure of information about financing arrangements for liabilities but do not affect the recognition and measurement principles.

The aforementioned amendments did not have a significant impact on the financial situation or performance of the Group.

2.3.2 New standards or interpretation which have been published, but have not entered into force yet

A number of new accounting standards, amendments to accounting standards and interpretations have been published, which are not mandatory for the reporting periods ending on December 31, 2024 and had not been previously adopted by the Group. In the Management Board's opinion, these standards, amendments and interpretations will not have a significant impact on the Group in the current or future reporting periods:

a) Amendments to IAS 21 "The effects of changes in foreign exchange rates"
b) Amendments in the classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7.
c) Annual amendments to IFRS
d) d) Agreements relating to electricity dependent on natural factors: Amendments to IFRS 9 and IFRS 7
e) IFRS 18 "Presentation and disclosure in financial statements"
f) IFRS 19 "Subsidiaries without public accountability: Disclosures"
g) IFRS 14 "Regulatory deferral accounts"
h) Amendments to IFRS 10 and IAS 28 regarding the sale or transfer of assets between an investor and its associates or joint ventures.

2.4. Significant accounting principles

2.4.1 Rules of consolidation

The consolidated financial statements cover the financial statements of Fabryka Farb i Lakierów Śnieżka SA as well as the financial statements of its subsidiaries prepared for the year ended as at December 31, 2024.

The financial statements of subsidiaries are prepared for the same reporting period as the the Parent Company's applying coherent accounting principles based on uniform accounting principles applied for transactions and economic events of similar nature. In order to eliminate any discrepancies, the applied accounting principles are corrected and adjusted.

Any significant balances and transactions between entities of the Group, including not earned profits resulting from transactions within the Group, were entirely eliminated. Unrealized losses are eliminated unless they are an impairment indicator.

The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date such control ends. The control of the Parent Company over an entity occurs when it:

- holds authority over a particular entity,
- is exposed to the variable returns or holds rights to variable returns from its involvement with the entity,
- has the ability to affect those returns through its power over the investee.

The company verifies the fact of control over other entities, if there was a situation where one or more the aforementioned conditions occurred as regards the control exercising.

If the company holds minority number of votes in an entity, but the voting rights are sufficient to manage essential operations of this entity, it means the company exercises power over it. When assessing whether voting rights in a given entity are sufficient to exercise power, the Company analyses all relevant circumstances, including:

- the scope of voting rights compared to shares' scope and degree of voting rights held by other shareholders;
- potential voting rights held by the Company, other shareholders or other parties;
- rights resulting from other contractual arrangements, and

- additional circumstances, which might prove that the Company holds or not possibility to manage essential operations at times of making decisions, including voting patterns observed at previous meetings of shareholders.

2.4.2 Transactions with non-controlling shareholders

Non-controlling shares are recognized as a separate item of equity and represent this part of total revenues and net assets of subsidiaries that are attributable to entities other than the Capital Group companies. The Group allocates the comprehensive income of subsidiaries between the shareholders of the Parent Company and non-controlling entities based on their share in ownership.

Changes in a Parent Company's ownership interest in a subsidiary that do not result in a loss of control are recognized as equity transactions. In such cases, in order to reflect the changes in relative interests in a subsidiary, the Group adjusts the carrying amount of controlling interests and non-controlling interests. All differences between amount of non-controlling interest adjustment and fair value of the amount paid or received are recognized in equity attributable to controlling interest, i.e. the owners of the Parent Company.

2.4.3 Investments in associates

Associates are entities where the Parent Company exerts significant influence directly or indirectly through its subsidiaries, which are not subsidiaries.

Financial year is the same for associates and the Parent Company. Associates apply accounting policies as defined in the Accounting Act (Journal of Laws of 2023 item 120, 295, 1598). Before calculating the share in the net assets of the associate and joint ventures, appropriate adjustments are made in order to bring the financial data of this entity to compliance with the IFRS applied by the Group.

The Group's investments in associate are recognized in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate is initially recognized at cost, and then adjusted in order to take into consideration the Group's engagement in the financial result and other comprehensive income of the associate. When the Group's share of losses in an associate exceeds its interest in this entity, the Group discontinues recognizing its share of further losses. Additional losses are recognized exclusively to the extent stipulated by law or obligations applied by the Group or payments made on behalf of an associate.

2.4.4 Description of business segments

The Management Board analyses the Group's operations from a geographical perspective. For management purposes, the Group has been divided into segments based on geographic sales markets due to the fact of monitoring the shares in individual sales markets.

The Group presents the following reporting segments: Poland, Hungary, Ukraine and other.

The management monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transactional prices are applied for transactions among operating segments and fixed at arm's length basis as in transactions with non-related entities.

In 2024, a change was made in the presentation of costs, which previously were presented as non-allocated costs (these costs included general administrative costs and part of selling costs). As a result of this change, these costs were verified and allocated to the appropriate market segments. Also, the Group verified the existing cost allocation keys assigned to segments, which enabled more precise allocation of costs to individual segments. The change also impacted comparable data for 2023, which has been adjusted accordingly to be consistent with the new cost allocation method.

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.

The purpose of calculating profit in individual segments is to evaluate each separate market and indicate direction of actions as well as marketing and commercial activities.

Individual items of liabilities and receivables, which have been allocated by the Group to an individual segment by geographical criterion of business operations, are subject to the Management's analysis.

Assets allocated to segments are as follows:

- tangible fixed assets
- goodwill
- intangible assets
- trade and other receivables
- income tax receivables
- investment in other entities
- inventory
- cash and cash equivalents

Liabilities allocated to segments are as follows:

- interest-bearing loans
- provisions for employee benefits and other
- lease liabilities
- minority purchase option liabilities
- income tax liabilities
- trade and other liabilities

Non-allocated liabilities represent primarily equity.

Details regarding segments are provided in note 3.1.

2.4.5 Measurement at fair value

The fair value is comprehended as the price which would be obtained from sales of an asset, or paid for the purpose of transferring the liability on the basis of regular sales of an asset between the market participants, at the date of measurement at applicable market conditions.

All assets and liabilities, which are measured at fair value or their fair value is disclosed in the financial statements, are classified in fair value hierarchy in a manner described below on the basis of the lowest level of inputs which is significant for measurement of fair value treated as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - Measurement technique for which the lowest level of inputs, which is significant for measurement of fair value as a whole, is directly or indirectly observable,
- Level 3 - Measurement technique for which the lowest level of inputs, which is significant for measurement at fair value as a whole, is unobservable.

As at each balance sheet, in the event of assets and liabilities at particular balance dates in the financial statements, the Group assesses whether transfers between hierarchy levels occurred through classification re-evaluation to particular levels, driven by significance of inputs from the lowest level, which is essential to measure at fair value treated as a whole.

(in PLN '000)

2.4.6 Foreign currency translation

Transactions in a foreign currency are initially recognized by the Parent Company in the functional currency (PLN), using, as a rule, the closing rate, defined as the spot exchange rate as at the balance sheet date (the Parent Company assumed that this is the average exchange rate of the National Bank of Poland from the last working day preceding the balance sheet date).

As at the balance sheet date:

- cash items in foreign currency are translated by applying closing quote for a particular currency. The closing rate is the immediate exchange rate as at the balance sheet date (the Group assumes that it is the average NBP exchange rate from the last business day preceding the balance sheet date).
- non-cash items assessed by historical cost determined in foreign currency are translated by applying a spot foreign exchange as of the day of transaction.

Currency differences arise from settlement of cash items or translation the items as at the balance sheet date in different currency rates than those converted at the beginning of recognition. They are recognized over the period in which they arise as financial income or expense.

Currency differences arising from settlement of non-cash items are recognized in the statement of comprehensive income in the period, where the settlement was conducted.

The following currency rates were adopted to the balance sheet measurement:

	30 December 2024	*29 December 2023*
USD	4.0960	3.9350
EUR	4.2738	4.3480
UAH	0.0974	0.1027
HUF/100	1.0392	1.1359
BYN	1.2179	1.2276

The above rates were established by the National Bank of Poland. The Group adopted them as the closing prices as at December 31, 2024.

<u>Financial statements of foreign entities</u>

As at the balance sheet date assets and liabilities of foreign entities are translated from functional currency, which is applicable in principle economic environment where the entity operates, into the Group's statement currency (PLN), at the closing rate. The closing rate is the *spot exchange rate* at the balance sheet date.

The Group's share in monetary assets and liabilities denominated in a foreign currency in financial statements of subsidiaries, which are located abroad, is translated by applying *the spot exchange rate (defined above).* Capitals are translated at the rate as of the day of taking control.

Statements of comprehensive income of foreign entities are translated from functional currency, which is applicable in principle economic environment where the entity operates, into the Group's reporting currency (PLN) for each reporting period. The conversion rate is the arithmetic average of average exchange rates on the penultimate working day of a given month. In order to receive a statement of comprehensive income for a particular reporting period, it's necessary to add all costs and revenues translated for each fiscal period.

Foreign exchange differences arising from translation of assets, liabilities and statement of comprehensive income of foreign entities are accumulated under separate item of equity. - "Other reserve capitals. In the statement of comprehensive income in item „Other comprehensive income" there are foreign exchange differences of foreign entities referring to a particular reporting period.

At the time of disposal of a foreign entity, deferred exchange differences are accumulated under equity, regarding the foreign entity, are recognized in the statement of comprehensive income.

(in PLN '000)

Arithmetic average of exchange rates on the penultimate working day of a given month for specific reporting periods were as follows:

Weighted average exchange rates	30 December 2024	29 December 2023
UAH	0.0989	0.1141
HUF/100	1.0843	1.1904
BYN	1.2268	1.3926

2.4.7 Tangible fixed assets

Tangible fixed assets, including fixed assets under construction, are recognized based on:

- acquisition price, or
- adopted manufacturing cost, or
- initial measurement to fair value as at the date of acquisition of the subsidiaries,

decreased by cumulated depreciation write-down and permanent asset impairment.

The manufacturing cost includes external financing costs, which are the costs of credit and loans that can be directly related to the purchase or production of a given qualifying fixed asset. The Group applies a capitalization rate of 6% to 7% assuming that all capital expenditure is financed with loans and borrowings. The capitalization rate is the average annual interest rate of loans and borrowings taken in a given period, based on the monthly WIBOR and BUBOR rates, increased by the average bank margin.

Fixed assets account is conducted in terms of quantities and values included in assets by category.

Items of property, plant and equipment are depreciated using the straight-line method over their economic useful lives. Depreciation write-down is commenced when a particular fixed asset is complete and fit for use. Depreciation write-down is conducted for as long as the closing value of the element does not exceed its carrying amount. Lands are not subject to deprecation.

Useful time periods of tangible fixed assets for particular asset categories:

Type group	**Type of tangible fixed assets**	**Useful time**
0	The right of perpetual usufruct to lands	to 70 years
1-2	Buildings and structures	20-50 years
3-6	Machinery, equipment	3-20 years
7	Means of transport	3-20 years
8	Tools, devices, movables and equipment	3-15 years

The Group verifies utilization periods as well as residual value of tangible fixed assets on an annual basis.

2.4.8 Intangible assets

Expenditures incurred on intangible assets that were acquired in a separate transaction are measured at the initial recognition at purchase price less impairment loss. These expenditures are recognized as intangible assets under construction until their completion and recognition as intangible assets. The main reason of performing write-down is a probability that the created intangible asset will not generate gains in the long run. Intangible assets under construction are not subject to depreciation.

The Group determines whether the useful time for the intangibles is limited or undefined. An intangible asset with a definite useful time is amortised throughout its useful time and subject to impairment tests whenever there are grounds for assuming impairment. The period and method of depreciation of intangible assets with a definite useful life are verified at least as at the end of each reporting period.

Depreciation rates for individual intangible assets in the Group:

- Patents and licenses - from 2 to 10 years, unless the contract provides otherwise
- Trademarks - from 10 to 40 years
- Customer relations - 5 years (short period as a derivative of hardly predictable customer behaviours)

2.4.9 Business combinations and goodwill identification

All business combinations are accounted for using the purchase method.

With limited exceptions, identifiable assets acquired and liabilities assumed in business combinations are initially recognized at their fair values at the acquisition date. The Group recognizes non-controlling interests in the acquired entity each time after their acquisition at fair value or in the amount of the corresponding share of these non-controlling interests in the identifiable net assets of the acquired entity. Acquisition-related costs are recognized when incurred. Surplus:

- payment transferred,
- the value of all non-controlling interests in the entity being acquired and
- the fair value of previously held equity instruments of the acquiree belonging to the acquirer

over the fair value of the identifiable net assets acquired is recognized as goodwill. If these amounts are lower than the fair value of the identifiable net assets of the acquiree, the difference is recognized directly in profit or loss as a bargain purchase gain.

Goodwill on the acquisition of subsidiaries is recognized in intangible assets. Goodwill is not amortized, but is tested annually for impairment (or more frequently if there are any indications of possible impairment) and is recognized at the initial value less impairment losses. In order to perform the impairment test, goodwill is allocated to cash-generating units. The allocation is made for those units or groups of cash-generating units that are expected to benefit from the combination through which this goodwill was established. Goodwill is monitored at the operating segment level.

2.4.10 Leases

The Group as a lessee

The Group leases land, office space and means of transport. Agreements are usually concluded for a definite period of 3 to 5 years, in the case of land, up to 70 years.

Lease assets and liabilities are initially recognized at their current value.

Lease payments for the lease extension option, when the exercise of that option is sufficiently certain, are also included in the liability measurement. Lease payments are discounted using the lease interest rate. If the rate cannot be readily determined - as is the case of most of the Group's leases - the lessor's incremental borrowing rate is applied.

The right-of-use assets are amortized on a straight-line basis over the useful life of the assets, not longer than the lease term. If the Group is reasonably certain that it will exercise the call option, the right-of-use asset is amortized over the useful life of the asset.

In 2024, the Parent Company continued the sale and leaseback agreement for the logistics centre equipment concluded in 2022.

The Group classifies machinery and equipment leased back as property, plant and equipment due to the fact that the concluded sale and leaseback agreements meet the criteria of a repurchase agreement in line with IFRS 15. Under the concluded agreements, the Company is to repurchase machinery and equipment at an amount equal to the original sale price, due to the fact that they are the key assets of the unit generating profits. The Company did not intend to sell the equipment and machinery, it is to use them after the term of the sale and leaseback agreement. Sale and leaseback liabilities are presented as financial liabilities in the item "Loans and advances" as the concluded agreement is a financing agreement.

The Group as a lessor

Lease agreements are classified as a financial or operating lease agreements depending on the terms of the concluded agreement. In 2022, the Parent Company concluded operating lease agreements for the sublease of some warehouse properties, but did not reclassify them as investment properties, as they cannot be sold separately (or leased separately). In 2024, this agreement was terminated.

The Parent Company transferred the property in Biała Podlaska to financial lease. The property consists of the right of perpetual usufruct to lands and a production-warehouse facility. Pursuant to the provisions of the agreement, the Company guarantees the user the right to acquire the leased asset after the agreement termination. The above-mentioned receivables are presented in the balance sheet in the long-term section as "Long-term receivables", while in the short-term section in item "Trade and other receivables".

2.4.11 Impairment of non-financial non-current assets

As at each balance sheet date the Group estimates whether there are any indications for occurrence of impairment of any assets. In the event of determination that such indications exist or a necessity of conducting an annual impairment test, the Group estimates the recoverable amount for a given asset or a cash-generating unit the asset is allocated to.

Details on how to conduct the impairment test for goodwill and non-current assets are included in notes no. 2.2.3 and 2.2.7.

2.4.12 Financial assets

Financial assets are classified in the following categories:

- Financial assets measured at amortized cost - the Group classifies "Trade and other receivables" and "Cash and cash equivalents" into this category.
- Financial assets at fair value through other comprehensive income. In this category, the Group includes "Shares and stocks in other entities" not subject to consolidation.
- Financial assets measured at fair value through profit or loss. As at the balance sheet date, no financial assets included in this category were identified.

Financial assets and financial liabilities held by the Group as at 31 December 2024 are presented in note 3.12.

2.4.13 Impairment of financial assets

Impairment of financial assets at amortized cost the Group assesses expected credit losses ("ECL") related to debt instruments measured at amortized cost and at fair value through other comprehensive income, irrespective of whether there is any indication of impairment.

In the case of short-term trade receivables which do not have a significant element of financing, the Group applies the simplified approach required in IFRS 9 and measures impairment losses in the amount of loan losses expected over the entire period of the receivables from the moment of its initial recognition. The Group applies a write-down matrix in which write-down is calculated for trade receivables classified to different age ranges or overdue periods.

In order to determine expected credit loss ratios for trade receivables, an analysis of defaults for the last 3 years is performed (receivables were analysed as one homogeneous customer portfolio), for which the financial statements are prepared. The expected credit loss ratios for trade receivables are calculated for the following ranges: (1) to 30 days; (2) from 30 to 60 days; (3) from 60 to 90 days; and (4) over 90 days. In order to determine the failure ratio for a given aging range, the balance of written receivables is compared to the balance of unpaid receivables. The impact of future factors on the amount of credit losses was also taken into account.

An impairment loss is calculated taking into account failure ratios adjusted for future factors and the amount of unpaid balances as at the balance sheet date for each age analysis interval.

Trade receivables are included in 2 or 3 degree:

- Degree 2 - includes trade receivables to which the simplified approach has been applied to measure expected credit losses over the entire period of the receivables, except for some trade receivables included in 3 degree;
- Degree 3 - includes overdue trade receivables over 180 days or identified individually as non-performing.

The Group applies a three-degree impairment model for financial assets other than trade receivables:

- Degree 1 - balances for which the credit risk has not increased significantly since the initial recognition. The expected credit losses are based on the probability of failure to fulfil obligation within 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur over the next 12 months);
- Degree 2 - includes balances for which there has been a significant increase in credit risk since the initial recognition, but there is no objective evidence of impairment; expected credit losses are determined on the basis of the probability of failure to fulfil obligation for the entire contractual life of the asset;
- Degree 3 - includes balances with objective evidence of impairment;

To the extent that, in accordance with the above-mentioned model, it is necessary to assess whether there has been a significant increase in credit risk, the Group takes into account the following premises when making this assessment:

- the loan is overdue by at least 30 days;
- there have occurred legislative, technological or macroeconomic changes that have a significant negative impact on the debtor;

- information about significant adverse circumstances regarding a loan or other loan of the same debtor from another lender appeared, e.g. termination of the loan agreement, breach of its terms or renegotiation of conditions due to financial difficulties, etc.
- the debtor lost a significant customer or supplier or experienced other adverse changes in his market.

2.4.14 Hedge accounting

In hedge accounting, the Group classifies cash flow hedges resulting from the currency risk of a probable future liability.

The Group uses forward transactions as hedge for EUR purchase transactions for the purchase of raw materials. Profits or losses relating to the effective part of the change in the value of the current (spot) element of the forward contract are recognized in the reserve capital for cash flow hedging, which is part of equity.

Profits or losses generated in result of changes in fair value of derivatives that do not meet the criteria allowing application of special hedge accounting principles, are recognised directly in the net profit for the current period.

Details of the hedging instruments applied are described in note 3.25.2.

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2.4.15 Inventory

Inventories are measured at purchase prices or manufacturing costs not higher than their net selling price as at the balance sheet date. The achievable net sales price is the assessed sales price made in the course of business activity, reduced by the cost of finishing and estimated costs necessary for performing the sale.

Inventory value is based on the following:

- Materials, goods - purchase price, and the outflow is measured using the weighted average method,
- Finished goods, semi-finished goods – the fixed price set at the level of the planned production cost of the product, adjusted for deviations in the cumulative system, leading to the actual production cost not higher than the net selling price, with the outflow being measured using the weighted average method. The production cost includes the direct costs of materials, labour and an appropriate fraction of variable and fixed indirect production costs, which are systematically attributed under the assumption of using a regular production capacity.

Write-down created for excessive or non-tradable inventories. Verification of accumulated inventories and their rotation is conducted regularly on a quarterly basis.

Advances on deliveries in 'the Statement of financial position' are recognized by the Group in item 'Inventory'.

2.4.16 Trade and other receivables

Trade receivables include amounts due from customers for goods sold or services rendered in the ordinary course of business. Their payment terms range from 30 to 75 days and are therefore classified as short-term. Trade receivables are initially recognized in the amount of unconditionally due remuneration. The Group maintains trade receivables in order to receive contractual cash flows and, therefore, measures them after initial recognition at amortized cost using the effective interest method, less an impairment loss. The description of the principles for recognizing an impairment loss is described in note 3.15.

2.4.17 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held with financial institutions payable on demand, other highly liquid short-term investments with an original maturity of up to three months that can be converted into cash on demand and for which the risk of changes in value is negligible, as well as overdraft facilities. Overdrafts are presented in the balance sheet under short-term liabilities as a component of loans and borrowings.

2.4.18 Interest-bearing loans, borrowings and debt securities

At the initial recognition, all the bank loans, borrowings and debt securities are initially recognized at their fair value, reduced by costs related to obtaining the credit or loan.

After the initial recognition, bank loans, borrowings and debt securities are measured at amortised cost on an effective interest rate basis. While setting the depreciated cost the costs connected with obtaining the loan or borrowing and any discount or premium related to raising the funds. Financing liabilities are classified as short-term liabilities, unless the Group has the unconditional right to defer the settlement of the liability for a period not shorter than 12 months from the balance sheet date.

The revenues and costs are recognised in profit or loss when the liability is removed from the balance sheet and also as a result of accounting using the effective interest rate.

2.4.19 Trade and other liabilities

These amounts represent unpaid liabilities for goods and services that the Group received before the end of the financial year. These amounts are not hedged and are typically repaid within 83 days of the recognition. Trade and other liabilities are recognized in short-term liabilities, unless their maturity is longer than 12 months from the balance sheet date. They are initially recognized at fair value and then measured at amortized cost using the effective interest rate method.

2.4.20 Provisions

Provision is recognized in the case when the Group has a legal or customary obligation resulting from past events and it is probable that the fulfilment of this obligation will be associated with the outflow of economic benefits from the Group. Material provisions are determined by discounting expected future cash flows basing on the pre-tax rate which reflects present market estimates of changes in money in time and, where applicable, the risk associated with a particular liability.

The provision for contracts under which the company is obliged to pay liabilities, is recognized when the expected benefits possible to be obtained by the Group as a result of the contract are lower than the costs of fulfilling the contractual liability that cannot be avoided. The Group applies division into long and short-term provisions.

2.4.21 Employee benefits

In accordance with the corporate remuneration regulation, all the Group's employees are eligible to retirement, disability and severance payments, death benefit and jubilee awards, as well as allowance in lieu of leave. Jubilee bonuses are payable to those employees who served a specified number of years, the amount of the bonuses depends mainly on employee's years of experience and their basic salary level. Retirement severance pay is payable on a one-off basis, when an employee retires. Retirement severance pay is an equivalent of one-month remuneration.

The current value of those liabilities is calculated by a licensed actuary. Accrued liabilities equal to discounted payments which are to be made, including employee turnover and refer to the period of the balance sheet date. Gains and losses from actuarial calculations are recognized in other comprehensive incomes and are not subject to subsequent reclassification to profit or loss.

2.4.22 Option liabilities to acquire shares in minority ownership

Put option - sales of shares by a non-controlling shareholder (a non-controlling shareholder's request).

The put options issued, giving the right to non-controlling shareholders to dispose of their shares in favour of the Group, constitute the Group's obligation to acquire its own equity instruments.

If the liability for the purchase of minority shares in subsidiaries is a variable price, calculated based on the EBITDA (calculated as the company's operating result plus depreciation) of that company, it is considered that the risks and benefits have not been transferred to the Parent Company as at the date of the option occurrence. Such liability is initially recognized at fair value representing the current value of the redemption amount. The liability is initially recognized in correspondence with the equity attributable to the shareholders of the Parent Company

(as "Liability under the option to purchase shares held by minorities "). At the same time, the non-controlling shareholders' capital is recognized in equity.
After initial recognition, the liability is measured at amortized cost. Changes in the amount of the liability resulting from the change in the estimate of the amounts payable are recognized in equity under "Option to purchase minority interest".
Pursuant to IAS 32 item 23 a contract imposing an obligation on an entity to acquire own equity instruments (put option) in exchange for cash gives rise to a financial liability equal to the current value of the exercise price. This liability was reflected in the Group's balance sheet at the time of the Poli-Frabe acquisition. For each subsequent reporting period, the liability is measured in accordance with the terms and conditions contained in the contract. Details are described in note 2.2.4.

Changes in the value of the liability are recognized in equity under "Option to purchase minority interest".

If the option is exercised, the liability is derecognised, and the capital included in the Option to purchase minority interest is accounted for in correspondence with retained earnings and non-controlling capital.

2.4.23 Revenues

The Group manufactures and sells primarily decorative products, construction chemicals and industrial products. Also, it sells purchased goods and materials as well as services. Revenues from the sale of products, goods and materials are recognized by the Group when control over them is transferred in favour of the customer. The transfer of control occurs in accordance with the INCOTERMS conditions, most of which are INCOTERMS DAP, i.e. the transfer of control occurs at the time of delivery of products, materials and goods to the contractually indicated location. Revenues from the sale of services are recognized in the period in which the services were rendered.

The Group's products and goods are often sold at retrospective discounts that depend on the volume of purchases over a 12-month period. Sales revenues are recognized based on the prices specified in the sales contracts, less estimated quantitative discounts. When estimating discounts, the Group bases on the past experience. Estimates are made using the expected value method, and revenues are recognized only when it is highly likely that no significant reversal will take place. Liabilities on account of remuneration return (presented in trade liabilities) are recognized in relation to the anticipated quantity discounts in favour of customers on the sales by the end of the reporting period.

As a rule, the Group's customers are not granted the right to return purchased goods, except for complaints and planned marketing campaigns, and in these cases an obligation to return is recognized. A significant element of financing is not identified due to the fact that the sale is made with a payment term of 30 to 90 days, which is in line with market practice.

Receivables are recognized when the goods are delivered since at this point the payment becomes unconditionally due and only a certain period of time is required to receive it.

2.4.24 Taxes

2.4.24.1 Current tax

FFiL Śnieżka SA and two of its subsidiaries in Poland have applied the provisions on tax consolidation since January 1, 2023, which means that they have concluded a Tax Capital Group (TCG) agreement. This agreement was concluded for a period of 3 years and, in accordance with its provisions, all obligations related to the settlement of corporate income tax (CIT) will be performed at the level of TCG as a CIT payer by FFiL Śnieżka SA - as the company representing TCG. Income tax liabilities and receivables determined for a TCG are settled among the participants forming the TCG in accordance with the share of the taxable income of these companies in the total income of theTCG.

The concluded TCG agreement does not affect the presentation of the tax in the consolidated financial statements.

2.4.24.2 Deferred tax

The concluded TCG agreement does not affect the method of recognizing deferred tax in the consolidated financial statements and in the companies forming the TCG. Each company calculates deferred tax as if it were a separate taxpayer.

Deferred tax is calculated using the balance sheet method, taking into consideration temporary differences between the value of assets and liabilities determined for booking purposes and the value determined for tax purposes. The recognized deferred tax amount is based on expected method of the realization of the balance sheet value of assets and liabilities, with the application of tax rates binding or adopted as at the balance sheet date.

Deferred tax assets and liabilities are subject to compensation when a company has an enforceable title to carry out compensation of deferred tax assets and liabilities and when they relate to income tax imposed by the same tax authority.

Deferred tax assets are recognized only when it is probable that future tax income will be available against which the asset can be realized. Deferred tax assets are reduced if it may be stated that it is not likely that the economic benefits represented by them will be realized.

Current and deferred tax is recognized in the income statement, except for taxes resulting from transactions or events, which are recognized in other comprehensive income or directly in equity (deferred tax is then recognized in other comprehensive income or directly in equity).

2.4.24.3 Goods and services tax

Revenues, expenses, assets and liabilities are recognized after deducting the tax on goods and services, except for:

- when tax on goods and services incurred on purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- liabilities and receivables, which are recognized with the tax on goods and services.

The net amount of the goods and services tax payable to fiscal authorities, is recognized in the balance sheet as part of receivables or liabilities.

2.4.25 Net earnings per share

Net earnings per share for each reporting period is calculated as the quotient of the net profit for the given accounting period and the weighted average of shares in that period.

Basic earnings per share are calculated by dividing the net profit / (loss) for the reporting period attributable to ordinary shareholders of the Parent Company, by the weighted average number of ordinary shares in a given reporting period. Diluted earnings per share are calculated by dividing the net profit / (loss) for the reporting period attributable to ordinary shareholders (after deducting interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares in a given reporting period (adjusted for impact dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Diluted earnings per share are equal to basic earnings per share, since dilutive instruments in the Group do not occur.

2.4.26 Equity

The Issuer's share capital is recognized at nominal value.

2.4.27 Dividends

The Group has a liability for the amount of declared dividend that has been duly approved and is no longer dependant on the entity's discretion at or before the end of the reporting period, but has not been paid at the end of the reporting period.

2.4.28 Method of preparing the cash flows statement

Cash flow statements are prepared using the indirect method.

2.4.29 Definition of a related entity

Definition of a related entity covers the following persons and entities:

a) A person (or a close family member of that person) is related to the reporting entity if that person:
- has control or joint control of the reporting entity
- has a significant impact on the reporting entity, or
- is a member of the key management personnel of the reporting entity or its parent entity.

b) A reporting entity (A) is related to another entity (B) if A and B are members of the same group (meaning that all entities in the group are related).

(in PLN '000)

3. Explanatory notes

3.1. Segments

The tables below present revenues and costs as well as assets and liabilities by segments:

the period of 12 months ended as at 31 December 2024	***Continued operations***					***Exclusions***	***Total operations***
	Poland	***Hungary***	***Ukraine***	***Other***	***Total***		
Segment revenues after exclusions	**576 814**	**102 786**	**80 595**	**38 245**	**798 440**		**798 440**
Revenues from sale of products	*548 466*	*100 301*	*73 869*	*32 916*	*755 552*		*755 552*
Revenues from sale of goods	*21 028*	*2 076*	*6 424*	*4 495*	*34 023*		*34 023*
Revenues from sale of materials	*2 004*	*235*	*-*	*694*	*2 933*		*2 933*
Revenues from sale of services	*5 316*	*174*	*302*	*140*	*5 932*		*5 932*
Sales to external customers	576 814	102 786	80 595	38 245	798 440		798 440
Sales between segments (exclusions)	-	9 981	26 871	545	37 397	(37 397)	-
Total segment revenues without exclusions	576 814	112 767	107 466	38 790	835 837		835 837
Segment revenues after exclusions	**403 407**	**79 496**	**57 884**	**24 395**	**565 183**		**565 183**
Profits after exclusions	**173 407**	**23 290**	**22 711**	**13 850**	**233 257**		**233 257**
General expenses	106 419	11 136	7 645	797	125 997		125 997
Other revenues and operating costs	(2 754)	(426)	87	1 065	(2 028)		(2 028)
Profit from operating activities	**64 234**	**11 728**	**15 153**	**14 118**	**105 232**		**105 232**
Interest revenue	676	999	2 546	-	4 221		4 221
Interest expenses	20 845	1 393	-	-	22 238		22 238
Other financial income and expenses	842	(561)	(368)	(36)	(123)		(123)
Share in the net profit of subsidiaries under the equity method	250			-	250		250
Profit before tax	**45 157**	**10 773**	**17 331**	**14 082**	**87 342**		**87 342**
Income tax	11 379	1 894	1 846	132	15 251		15 251
Net profit, attributable to:	**33 778**	**8 879**	**15 485**	**13 950**	**72 091**		**72 091**
- shareholders of the Parent Company							69 351
- minority shareholders							2 740

The Group did not discontinue operations in the reporting period

(in PLN '000)

the period of 12 months ended as at 31 December 2023	***Continued operations***					***Exclusions***	***Total operations***
	Poland	***Hungary***	***Ukraine***	***Other***	***Total***		
Segment revenues after exclusions	**591 090**	**128 153**	**88 439**	**50 091**	**857 773**		**857 773**
Revenues from sale of products	*555 051*	*125 848*	*80 236*	*43 812*	*804 947*		*804 947*
Revenues from sale of goods	*24 143*	*1 647*	*7 704*	*5 339*	*38 833*		*38 833*
Revenues from sale of materials	*5 531*	*430*	*-*	*371*	*6 332*		*6 332*
Revenues from sale of services	*6 365*	*228*	*499*	*569*	*7 661*		*7 661*
Sales to external customers	591 090	128 153	88 439	50 091	857 773		857 773
Sales between segments (exclusions)	-	8 036	22 449	200	30 685	(30 685)	-
Total segment revenues without exclusions	591 090	136 189	110 888	50 291	888 458		888 458
Segment revenues after exclusions	**433 718**	**98 610**	**59 874**	**32 791**	**624 994**		**624 994**
Profits after exclusions	**157 372**	**29 543**	**28 565**	**17 300**	**232 779**		**232 779**
General expenses	91 352	12 831	7 678	850	112 711		112 711
Other revenues and operating costs	(1 444)	456	1 329	595	936		936
Profit from operating activities	**64 576**	**17 168**	**22 216**	**17 045**	**121 004**		**121 004**
Interest revenue	530	1 787	1 897	-	4 214		4 214
Interest expenses	24 029	879	-	-	24 908		24 908
Other financial income and expenses	44	335	190	(231)	338		338
Share in the net profit of subsidiaries under the equity method	366	-	-	-	366		366
Profit before tax	**41 487**	**18 411**	**24 303**	**16 814**	**101 014**		**101 014**
Income tax	10 882	3 334	3 308	9	17 533		17 533
Net profit, attributable to:	**30 605**	**15 077**	**20 995**	**16 805**	**83 481**		**83 481**
- shareholders of the Parent Company							77 634
- minority shareholders							5 847

The Group did not discontinue operations in the reporting period

(in PLN '000)

Other information regarding geographical segments as at 31 December 2024

Consolidated assets	Poland	Hungary	Ukraine	Other	Total
Tangible fixed assets	432 893	30 778	20 422	-	484 093
Goodwill	-	3 733	-	-	3 733
Intangible assets	31 057	25 093	39	-	56 189
Trade and other receivables	48 231	7 198	3 899	369	59 697
Income tax receivables	12 708	605	529	-	13 842
Investment in other entities	3 512	-	-	-	3 512
Inventory	78 686	12 688	8 249	722	100 345
Cash and cash equivalents	10 394	27 233	17 746	250	55 623
Total consolidated assets allocated by segment	**617 481**	**107 328**	**50 884**	**1 341**	**777 034**
Non-allocated Group's assets					8 263
Total consolidated assets					**785 297**

Consolidated liabilities	Poland	Hungary	Ukraine	Other	Total
Interest-bearing loans	220 411	37 079	-	-	257 490
Provisions for employee benefits and other	9 005	730	1 031	25	10 792
Lease liabilities	4 935	5	6	-	4 945
Option liabilities to acquire shares in minority ownership	-	30 700	-	-	30 700
Trade and other liabilities	36 132	4 714	867	5 383	47 096
Total consolidated liabilities allocated by segment	**270 483**	**73 228**	**1 905**	**5 408**	**351 024**
Non-allocated Group's liabilities					434 273
Total consolidated liabilities					**785 297**

(in PLN '000)

Other information regarding geographical segments as at 31 December 2023

Consolidated assets	Poland	Hungary	Ukraine	Other	Total
Tangible fixed assets	439 463	34 512	17 709	488	492 172
Goodwill	-	4 080	-	-	4 080
Intangible assets	33 013	29 436	60	-	62 509
Trade and other receivables	28 757	9 786	3 400	750	42 693
Income tax receivables	14 018	86	-	-	14 104
Investment in other entities	3 385	-	-	-	3 385
Inventory	89 179	17 865	8 634	491	116 169
Cash and cash equivalents	12 813	28 939	23 734	179	65 665
Total consolidated assets allocated by segment	**620 628**	**124 704**	**53 537**	**1 908**	**800 777**
Non-allocated Group's assets					18 009
Total consolidated assets					**818 786**

Consolidated liabilities	Poland	Hungary	Ukraine	Other	Total
Interest-bearing loans	257 918	22 911	-	-	280 829
Provisions for employee benefits and other	8 975	1 358	1 685	32	12 050
Lease liabilities	5 296	21	4	-	5 321
Option liabilities to acquire shares in minority ownership	-	33 261	-	-	33 261
Income tax liabilities	-	-	392	-	392
Trade and other liabilities	50 632	9 714	540	8 456	69 342
Total consolidated liabilities allocated by segment	**322 821**	**67 265**	**2 621**	**8 488**	**401 195**
Non-allocated Group's liabilities					417 591
Total consolidated liabilities					**818 786**

(in PLN '000)

3.2. Revenues and expenses

3.2.1 Sales revenues

The Group generates sales revenues, which include its own manufactured products, purchased goods and materials, as well as rendered services.

	year ended	
	31 December 2024	*31 December 2023*
Revenues from sale of products	755 552	804 947
Revenues from sale of goods	34 023	38 833
Revenues from sale of materials	2 933	6 332
Revenues from sale of services	5 932	7 661
Total sales revenues	**798 440**	**857 773**

Capital Group revenues by product segments

	year ended	
	31 December 2024	*31 December 2023*
Decorative products	662 026	694 659
Construction chemicals	86 943	102 803
Industrial products	6 583	7 485
Goods	34 023	38 833
Other revenues	5 932	7 661
Materials	2 933	6 332
Total sales	**798 440**	**857 773**

(in PLN '000)

3.2.2 Other revenues and operating costs

	year ended	
	31 December 2024	31 December 2023
Operating revenues	**2 290**	**5 785**
Gain on disposal of non-financial fixed assets	**768**	**2 252**
Subsidies	**1**	**2**
Other operating revenues:	**1 521**	**3 531**
Compensations	932	2 068
Release of receivables write-down	5	497
PFRON relief	182	-
Reversal of the environmental provision	159	212
Other	243	754
Operating expenses	**4 318**	**4 849**
Revaluation of non-financial assets	**1 916**	**1 140**
- Impairment write-down of fixed assets	346	1 140
Write-down of the value of technical materials	356	-
- Impairment write-down of receivables	1 214	-
Other operating expenses:	**2 402**	**3 709**
Donations	527	1 219
Compensations, fines, penalties	272	482
Costs related to removal of fortuitous events	259	1 002
Receivables redeemed	226	-
Other	1 118	1 006
Net operating revenues (costs)	**(2 028)**	**936**

3.2.3 Financial income and costs

	year ended	
	31 December 2024	31 December 2023
Financial revenues	**4 272**	**4 551**
Interest	4 221	4 214
Exchange difference	-	337
Dividends	51	-
Financial costs	**22 412**	**24 907**
Interest	22 238	24 907
Exchange difference	174	-
Net financial revenues (costs)	**(18 140)**	**(20 356)**

(in PLN '000)

3.2.4 Costs by type

	Note	year ended 31 December 2024	year ended 31 December 2023
Depreciation	3.2.5.	**37 604**	**38 411**
- including depreciation of tangible fixed assets		30 188	29 619
- including depreciation of intangible assets		7 416	8 792
Consumption of materials and energy		360 934	438 453
Third party services		103 825	96 861
Taxes and charges		5 519	4 802
Costs of employee benefits	3.2.6.	149 448	132 940
Other costs		4 098	4 586
Value of goods and materials sold		21 547	27 806
Total other costs, including:		**661 428**	**716 053**
Items recognized in cost of sales		383 131	445 763
Items recognized in selling costs		160 505	151 425
Items recognized in general administrative costs		125 997	112 711
Change in products		(7 554)	8 892
Cost of manufacturing products for own purposes of the entity		(651)	(2 738)
		661 428	**716 053**

3.2.5 Depreciation costs

	year ended 31 December 2024	year ended 31 December 2023
Depreciation of fixed assets recognized:	**30 188**	**29 619**
in cost of sales	11 413	10 356
in selling costs	12 228	12 724
in general costs	6 547	6 539
Depreciation of intangible assets recognized:	**7 416**	**8 792**
in cost of sales	67	112
in selling costs	3 743	5 486
in general costs	3 606	3 194
	37 604	**38 411**

(in PLN '000)

3.2.6 Costs of employee benefits

	year ended 31 December 2024	year ended 31 December 2023
Remuneration	120 118	108 385
Social insurance costs	20 182	18 172
Other costs of employee benefits	9 148	6 383
Total costs of employee benefits, including:	**149 448**	**132 940**
Items recognized in cost of sales	29 355	28 544
Items recognized in selling costs	46 826	39 715
Items recognized in general administrative costs	73 267	64 681

3.3. Other comprehensive income

Components of other comprehensive income include foreign exchange differences on translating foreign entity's statements, actuarial gains or losses, foreign exchange differences arising from hedging of a net investment in a foreign entity, and the measurement of equity instruments. As at December 31, 2024, the foreign exchange differences from the translation of foreign entities compared to the end of the previous period were subject to change by PLN 8,693 thousand, which is mainly related to the large fluctuations in the exchange rate of the Ukrainian hryvnia Hungarian forint compared to the previous year. The currency rates at which the reports of foreign entities were translated are described in item 2.4.6. The items of other comprehensive income are as follows:

	year ended 31 December 2024	year ended 31 December 2023
Exchange differences from translation of foreign operations	(8 245)	(8 726)
Cash flow hedge	-	(262)
Change in fair value of financial instruments measured at fair value through other comprehensive income	420	240
Actuarial gains (losses) after considering deferred income tax	262	(711)
	(7 563)	**(9 459)**

3.4. Income tax

3.4.1 Tax liability

Major items of tax liability for the year ended as at 31 December 2024 and 31 December 2023 are as follows:

(in PLN '000)

	year ended	
	31 December 2024	*31 December 2023*
Current income tax	**14 957**	**17 109**
Current income tax liability	16 496	17 377
Adjustments regarding current income tax from previous years	(1 539)	(268)
Deferred income tax	**294**	**424**
Related to certain and reversal of transitional differences	294	424
Tax liability recognized in the statement of comprehensive income	**15 251**	**17 533**

3.4.2 Reconciliation of effective tax rate

Reconciliation of income tax on profit before tax at the statutory tax rate with income tax computed at the effective tax rate of the Group for the year ended as at 31 December 2024 and 31 December 2023 is as follows:

	year ended	
	31 December 2024	*31 December 2023*
Gross profit (loss) before tax from continued operations	87 342	101 014
Other comprehensive income	262	(973)
Gross profit before tax	**87 604**	**100 041**
Statutory income tax rate of 19% applicable in Poland, (2023: 19%)	16 645	19 008
Non-deductible costs including:	**940**	**733**
Representations costs	419	355
Donations	87	180
Budget interest	2	41
Other	432	157
Revenues not subject to taxation, including:	**(197)**	**-**
Other	(197)	-
Donations (art. 18)	**(60)**	**(134)**
Unrecognized tax losses	**-**	**(862)**
The effect of higher / lower tax rates of foreign entities	**(92)**	**(632)**
Tax relieves	**(581)**	**(450)**
Other	**135**	**138**
Income tax	**16 790**	**17 801**
Tax adjustment from previous years	**(228)**	**1 043**
Release of provisions for tax risk described in note 3.22.2	**(1 311)**	**(1 311)**
Total income tax recognized in the statement of comprehensive income	**15 251**	**17 533**
Tax according to effective tax rate of 17.41 % (2023: 17.53%)	**15 251**	**17 533**

(in PLN '000)

3.4.3 Deferred income tax

The temporary differences based on which the asset and the deferred tax reserve were created will be performed within 12 months, except for:

- temporary difference between the tax and balance sheet value of fixed assets and intangible assets in the part exceeding the annual depreciation, long-term part PLN 19,430 thousand,
- provisions for retirement, jubilee awards and disability benefits, long-term part PLN 1,119 thousand.

Each Group company offsets deferred tax assets and liabilities at the level of the separate financial statements and recognizes this item in the report after offsetting. The table below shows the reconciliation of net deferred income tax to the consolidated statement of financial position.

	Consolidated statement of financial position	
	31 December 2024	*31 December 2023*
Net deferred income tax, including:	**9 912**	**9 576**
Deferred tax assets	1 579	1 766
Provision for deferred income tax	11 491	11 342

Deferred income tax results from the following items:

	Consolidated statement of financial position		*Consolidated statement of comprehensive income for the year ended*	
	31 December 2024	*31 December 2023*	*31 December 2024*	*31 December 2023*
Deferred tax provisions				
temporary difference between the tax base and the carrying amount of fixed assets and intangible assets	15 406	14 467	(939)	(2 353)
provision recognized from the allocation of the purchase price resulting from the temporary difference between the carrying amount and tax value of intangible assets	1 292	2 560	1 268	1 226
accrued, unpaid interest on loans granted	187	254	67	697
capitalised costs of external financing	1 535	1 436	(99)	52
value of leased fixed assets	1 890	2 353	463	197
other	211	142	(69)	89
Deferred tax provisions	**20 521**	**21 212**	**691**	**(92)**
Deferred tax assets				
impairment write-down of inventory	611	629	(18)	(152)
lease liabilities	1 962	2 349	(387)	(386)
provisions for retirement, jubilee awards, disability benefits, bonuses	1 577	1 529	48	382
fixed assets under lease	382	398	(16)	(14)
interest on loans, borrowings and liabilities	295	525	(230)	(594)
accrued, unpaid bonuses for customers	82	333	(251)	(191)

(in PLN '000)

unrealized margin on inventories	508	490	18	188
provision for losses	810	862	(52)	750
provision for marketing costs	630	955	(325)	(153)
debt financing cost limit	2 704	2 704	-	-
other	1 029	801	228	(162)
fair value of hedging instruments	19	61	(42)	61
Deferred tax assets	**10 609**	**11 636**	**(1 027)**	**(271)**
the amount offset by the provision against the deferred tax asset	(9 030)	(9 870)		
Provision for deferred tax after offsetting	**11 491**	**11 342**		
Deferred tax assets after offsetting	**1 579**	**1 766**		
Impact on net profit			**(294)**	**(424)**
Impact on other net comprehensive income			**(42)**	**61**

3.5. Goodwill and information on business combination and acquisition of non-controlling interests

At the end of 2024, the goodwill increased as a result of the final settlement of the transaction for the acquisition of shares in Poli-Farbe was tested for impairment, details in note 2.2.3.

3.6. Earnings per share

Basic earnings per share are calculated by dividing net profit for the financial period attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share are calculated by dividing net profit for the financial period attributable to ordinary shareholders by the weighed average number of ordinary shares outstanding during the financial period, adjusted by the weighted average number of ordinary shares that would be issued as a result of conversion of all dilutive equity instruments into ordinary shares.

In the current and comparative period no transactions that diluted the number of ordinary shares occurred.

(in PLN '000)

The data on share gains have been presented below, which stipulated a basis to calculate basic and diluted earnings per share:

	year ended	
	31 December 2024	*31 December 2023*
Net profit from continued activities	69 351	77 634
Net profit	69 351	77 634
Net profit attributable to ordinary shareholders	**69 351**	**77 634**
A weighted average number of ordinary shares applied to calculate basic earnings per share	12 617 778	12 617 778
Earnings per share attributable to shareholders of the Parent Company in PLN	5.50	6.15

In the period between the balance sheet date and the date of preparing the consolidated financial statements no transactions were reported which would be related to ordinary shares or potential ordinary shares.

3.7. Dividends paid and proposed

In the Parent Company, the dividend per ordinary shares for 2023, paid on May 29, 2024, amounted to PLN 39,999 thousand (for 2022, paid on August 31, 2023: PLN 25,236 thousand). The value of dividend per ordinary share paid in 2023 amounted to PLN 3.17 (for 2022: PLN 2.00). The Issuer did not pay dividend advances for 2024.

The dividend paid to minority shareholders amounted to PLN 6,243 thousand.

The difference between the value of the dividend paid in the statement of cash flows (PLN 45,437 thousand) and the value recognized in the statement of changes in equity (PLN 46,242 thousand) results from exchange rate differences and WHT.

	2024	**2023**
Dividends recognized as distributions to owners per share	3.17	2.00
Dividends proposed or enacted up to the date of approval of the financial statements for issue, but not recognized as distributed to holders of shares, per share	0	0
Dividends proposed or enacted up to the date of approval of the financial statements for issue, but not recognized as distributed to holders of shares	0	0

(in PLN '000)

3.8. Property, plant and equipment classified as held for sale

Property, plant and equipment as at December 31, 2024 and December 31, 2023 were as follows:

PROPERTY, PLANT AND EQUIPMENT	*As at* 31 December 2024	31 December 2023
a) fixed assets, including:	476 591	483 009
- lands (including the right of perpetual usufruct)	24 539	23 339
- buildings, premises and civil engineering structures	301 783	305 531
- technical devices and machinery	108 152	116 669
- means of transport	24 849	19 947
- other fixed assets	17 268	17 523
b) fixed assets under construction	7 501	9 163
c) advances for fixed assets under construction	1	-
Total PP&E	**484 093**	**492 172**

The table below presents the gross carrying amounts, accumulated depreciation, net carrying amounts of property, plant and equipment and movements in fixed assets in 2024 and 2023.

	Lands, buildings and structures	*Machinery and equipment*	*Means of transport*	*The right to use*	*Other fixed assets*	*Total*
Gross value as at 1 January 2024	**409 718**	**270 548**	**42 188**	**4 106**	**69 570**	**796 130**
Total accumulated depreciation and impairment losses less the liquidated and sold PP&E	(84 119)	(153 879)	(22 241)	(835)	(52 047)	(313 121)
Net value as at 1 January 2024	**325 599**	**116 669**	**19 947**	**3 271**	**17 523**	**483 009**
Increase due to commissioning for use	6 737	6 103	12 362	-	2 962	28 164
Decrease due to disposal or liquidation	(145)	(748)	(766)	-	-	(1 659)
Increase due to lease (commissioning for use)	-	-	293	-	-	293
Increase due to the increase in fees for perpetual usufruct of land (commissioning for use)	-	-	-	1 618	-	1 618
Assets held for sale - distribution	-	-	(834)	-	-	(834)
Depreciation	(8 803)	(12 223)	(4 772)	(228)	(4 162)	(30 188)
Impairment write-down	(133)	(85)	(103)	-	(25)	(346)
Exchange difference	(1 594)	(1 564)	(1 278)	-	970	(3 466)
Gross value as at 31 December 2024	**414 583**	**274 254**	**52 696**	**5 724**	**73 477**	**820 734**
Net value as at 31 December 2024	**321 661**	**108 152**	**24 849**	**4 661**	**17 268**	**476 591**

(in PLN '000)

	Lands, buildings and structures	*Machinery and equipment*	*Means of transport*	*The right to use*	*Other fixed assets*	*Total*
Gross value as at 1 January 2023	406 598	263 119	40 888	3 785	69 146	783 536
Total accumulated depreciation and impairment losses less the liquidated and sold PP&E	(74 489)	(144 912)	(23 458)	(607)	(47 610)	(291 076)
Net value as at 1 January 2023	**332 109**	**118 207**	**17 430**	**3 178**	**21 536**	**492 460**
Increase due to commissioning for use	5 243	12 129	4 261	-	773	22 406
Decrease due to disposal or liquidation	(160)	(179)	(178)	-	(4)	(521)
Increase due to lease (commissioning for use)	-	-	604	-	-	604
Increase due to the increase in fees for perpetual usufruct of land (commissioning for use)	-	-	-	321	-	321
Impairment write-down	(818)	(320)	1 768	-	-	630
Depreciation	(8 676)	(12 374)	(3 574)	(228)	(4 767)	(29 619)
Other adjustments	-	-	-	-	134	134
Exchange difference	(2 099)	(794)	(364)	-	(149)	(3 406)
Gross value as at 31 December 2023	**409 718**	**270 548**	**42 188**	**4 106**	**69 570**	**796 130**
Net value as at 31 December 2023	**325 599**	**116 669**	**19 947**	**3 271**	**17 523**	**483 009**

Movements in fixed assets under construction	*year ended 31 December 2024*	*31 December 2023*
As at the beginning	**9 163**	**3 632**
Expenditure increase	27 055	29 986
Increase due to the increase in fees for perpetual usufruct of land	1 618	-
Expenditure decrease (commissioning for use)	(30 075)	(23 472)
Exchange difference	(260)	(983)
As at the end	**7 501**	**9 163**

The value of capitalized costs of external financing in the fiscal year ended as at 31 December 2024 amounted to PLN 505 thousand (the year ended as at 31 December 2024 - PLN 296 thousand).

As as at 31 December 2024 the Group had PP&E used under lease agreements. As at 31 December 2024, these assets constituted rights to perpetual usufruct of land and de-farming of land with a total value of PLN 4,661 thousand and a car fleet worth PLN 842 thousand (as at 31 December 2023, these were rights to perpetual usufruct of land and de-farming worth PLN 3,271 thousand and a car fleet worth PLN 2,451 thousand). The Group also had fixed assets used under sale and leaseback agreements. The subject of these agreements were storage racks and automatic pallet transport and wrapping lines with robots with a net value of PLN 9,113 thousand.

(in PLN '000)

As at 31 December 2024, the Group transferred means of transport in the amount of PLN 834 thousand from the fixed assets category to the held for sale one. These are passenger cars owned by Śnieżka ToC sp. z o.o. and in accordance with the adopted operational strategy, which assumes the replacement of the car fleet in this company, they were held for sale. They are ready for immediate sale and are expected to be sold during 2025.

As at 31 December 2024, the pledges on PP&E as a collateral for bank loan liabilities amounted to PLN 78,814 thousand whereas collateral mortgages on properties of the Group as at 31 December 2024 amounted in total to PLN 380,907 thousand. The details are provided in note 3.18.

Expenditure on PP&E under construction in 2024 amounted to PLN 27,055 thousand (whereas in 2023 - PLN 29,986 thousand). Capital expenditure was financed by the Group from working capital and loans.

3.9. Leases

3.9.1 Lease liabilities

As at 31 December 2024 the Group had lease liabilities in the amount of PLN 4,945 thousand. The value of these liabilities includes liabilities under the right of perpetual usufruct of land, as well as land de-farming and liabilities under lease and long-term rental agreements relating to means of transport (cars). The value of liabilities under perpetual usufruct of land and de-farming as at 31 December 2024 amounted to PLN 4,091 thousand, while liabilities under lease and long-term rental of means of transport amounted to PLN 854 thousand. Short-term lease liabilities amounted to PLN 646 thousand, while long-term ones accounted for PLN 4,299 thousand.

Lease liabilities as at 31 December 2024, including:	**4 945**
short-term	646
long-term	4 299
Lease liabilities as at 31 December 2023, including:	**5 321**
short-term	2 186
long-term	3 135

As at 1 January 2024	**5 321**
Repayment of lease liabilities	(2 287)
Increase due to lease	1 911
Accrued interest	433
Paid interest	(433)
As at 31 December 2024	**4 945**

(in PLN '000)

3.9.2 Receivables under financial lease and lease agreements with a purchase option

	31 December 2024		*31 December 2023*	
	Min. payments	*Current amount of payments*	*Min. payments*	*Current amount of payments*
Up to 1 year	105	92	630	549
Between 1 and 5 years	-	-	105	92
Value of lease payments, including:	**105**	**92**	**735**	**641**
short-term	105	92	630	549
long-term	-	-	105	92

As at 31 December 2024 the Group held receivables under finance lease in the amount of PLN 92 thousand (including short-term) and the value of unrealized future financial revenues under finance lease agreements amounted to PLN 13 thousand. The object of lease is the real property located in Biała Podlaska. The property in Biała Podlaska was transferred into finance lease on 28 February 2017. The property consists of the right of perpetual usufruct to lands and a production-warehouse facility. The value of the leased asset pursuant to the agreement concluded amounted to PLN 4,180 thousand. The agreement was concluded for 8 years. Pursuant to the provisions of the agreement, the Group guarantees the user with the right to acquire the leased asset after the agreement termination. The above-mentioned receivables are presented in the balance sheet in the long-term section as "Long-term receivables", while in the short-term section in item "Trade and other receivables".

3.10. Intangible assets

As at 31 December 2024 and as at 31 December 2023 intangible assets were as follows:

INTANGIBLE ASSETS	*As at 31 December 2024*	*As at 31 December 2023*
a) research and development costs	24	80
b) acquired concessions, patents, licences and similar assets, including:	29 405	32 731
- computer software	29 405	32 731
c) trademarks	24 843	28 536
d) customer relations	-	479
e) intangible assets under construction	1 917	683
Total intangible assets	**56 189**	**62 509**

(in PLN '000)

The table below presents the gross carrying amounts, accumulated depreciation and net carrying amounts of intangible assets in 2024 and 2023:

	Patents and licences	*Development costs*	*Trademarks*	*Customer relations*	*Total*
Gross value as at 1 January 2024	**57 555**	**435**	**41 124**	**8 411**	**107 525**
Total accumulated depreciation and impairment losses	(24 824)	(355)	(12 588)	(7 932)	(45 699)
Net value as at 1 January 2024	**32 731**	**80**	**28 536**	**479**	**61 826**
Increase due to commissioning for use	2 215	-	-	-	2 215
Depreciation	(5 605)	(21)	(1 325)	(465)	(7 416)
Exchange difference	64	(35)	(2 368)	(14)	(2 353)
Gross value as at 31 December 2024	**59 834**	**400**	**38 756**	**8 397**	**107 387**
Net value as at 31 December 2024	**29 405**	**24**	**24 843**	**-**	**161 659**

	Patents and licences	*Development costs*	*Trademarks*	*Customer relations*	*Total*
Gross value as at 1 January 2023	**51 354**	**435**	**41 124**	**8 411**	**101 324**
Total accumulated depreciation and impairment losses	(19 180)	(276)	(10 237)	(6 438)	(36 131)
Net value as at 1 January 2023	**32 174**	**159**	**30 887**	**1 973**	**65 193**
Increase due to commissioning for use	6 201	-	-	-	6 201
Depreciation	(5 738)	(79)	(1 471)	(1 504)	(8 792)
Exchange difference	94	-	(880)	10	(776)
Gross value as at 31 December 2023	**57 649**	**435**	**40 244**	**8 421**	**106 749**
Net value as at 31 December 2023	**32 731**	**80**	**28 536**	**479**	**61 826**

Movements in intangible assets under construction are presented in the table below:

	year ended	
	31 December 2024	*31 December 2023*
As at 1 January	**683**	**2 978**
Capital expenditure	3 455	3 861
Commissioning for use - intangible assets	(2 215)	(6 201)
Exchange difference	(6)	45
As at 31 December	**1 917**	**683**

As at 31 December 2024 the intangible assets were not subject to liability pledges. Expenditure on intangible assets in 2024 amounted to PLN 3,455 thousand (whereas in 2023 - PLN 3,861 thousand).

(in PLN '000)

3.11. Investments in associates using the equity method and involvement in a joint venture.

The Group holds 10.07% of shares in Plastbud sp. z o.o. with its registered seat in Pustków, which is treated as an associate and measured using the equity method in the consolidated financial statements, as described in note 2.1.2.

The table below presents abbreviated information regarding investments (10.07%) in Plastbud Sp. z o.o.:

	As at		*As at*	
Share in associate's balance:	*31 December 2024*	*31 December 2024*	*31 December 2023*	*31 December 2023*
Current assets (short-term)	18 403	1 853	20 331	2 047
Non-current assets (long-term)	7 477	753	5 918	596
Short-term liabilities	4 925	496	4 679	471
Long-term liabilities	1 881	189	1 338	135
Share in net assets		**1 921**		**2 037**

	Year ended	
	31 December 2024	*31 December 2023*
Revenues	40 115	49 639
Profit	2 481	3 639
Share in associate's profit:	**250**	**366**

As at 31 December 2024 and 31 December 2023 the Group did not participate in any joint ventures.

(in PLN '000)

3.12. Financial assets and liabilities

The carrying amount of classes and categories of financial instruments as at 31 December 2024 as well as 31 December 2023 are presented in the table below.

	As at	
Financial assets	***31 December 2024***	***31 December 2023***
Financial assets at amortized cost		
Trade and other receivables	65 463	58 760
Cash and cash equivalents	55 623	65 665
Financial assets at fair value through other comprehensive income		
Shares and interests in other entities	1 591	1 348
Financial assets measured in accordance with IFRS 16		
Lease receivables	92	641
Financial liabilities		
Liabilities at amortized cost		
Interest-bearing loans and borrowings	257 491	280 829
Option liabilities to acquire shares in minority ownership	30 700	33 261
Trade and other liabilities	74 888	101 448
Liabilities measured in accordance with IFRS 16		
Lease liabilities	4 945	5 321

All assets and liabilities, which are measured at fair value or their fair value is disclosed in the financial statements, are classified in fair value hierarchy in a manner described in note 2.4.13.

The Parent Company holds shares in:

- Polskie Składy Budowlane Handel SA Group, the fair value of these shares after measurment as at December 31, 2024 is PLN 970 thousand,
- Polifarb Łódź Sp. z o.o., the fair value of these shares as at December 31, 2024 is PLN 517 thousand,

As at December 31, 2024, Radomska Fabryka Farb i Lakierów SA holds shares in:

- Polifarb Gliwice Sp. z o. o. in the amount of PLN 20,000,
- Huta Stalowa Wola in the amount of PLN 21,000.

3.13. Employee benefits

In accordance with the corporate remuneration regulation, all the Group's employees are eligible to retirement, disability and severance payments, death benefit and jubilee awards, as well as allowance in lieu of leave. Therefore, the Group forms provisions for current amount of liabilities to due to retirement bonuses, by virtue of the estimation executed by professional actuary company. The table below summarizes the amounts of the provision and movements in the benefit liability over the period:

(in PLN '000)

	year ended 31 December 2024	*year ended* 31 December 2023
As at 1 January	**11 478**	**8 190**
Use of provision	(5 586)	(4 094)
Creation of provision	4 509	7 382
As at 31 December	**10 401**	**11 478**

Core assumptions adopted by the actuary as at the balance-sheet date for calculation of the amount of liability are as follows:

Core assumptions adopted by actuaries	***31 December 2024***	***31 December 2023***
Return on investment (%) for domestic entities	5.9%	5.2%
Real rate of return (%) for foreign entities	5.9%	5.2%
Employee turnover ratio for domestic entities - depended on age %	1-13%	1-13%
Employee turnover ratio for foreign entities - depended on age %	1-17%	1-16%
Anticipated remuneration growth rate (%)	2.7%	3.7%

The amount of this provision and a reconciliation showing the change during the financial period are presented in the tables below:

	Retirement and disability benefits	**Death benefits**	**Jubilee awards**	**Unused holiday leaves**	**Bonus provisions**	**Total**
Opening balance as at 1 January 2024	**1 782**	**1 444**	**3 127**	**2 638**	**2 487**	**11 478**
Adjustment due to acquisition of a subsidiary						-
Current employment expenses	130	94	269	2 568	1 130	4 191
Actuarial gains, losses – after the employment relationship	(11)	(251)	-	-	-	(262)
Actuarial gains, losses - during the employment relationship	-	-	268	-	-	268
Benefits paid	(128)	-	(333)	(2 638)	(2 487)	(5 586)
Post-employment expenses	-	-	7	-	-	7
Interest expenses	81	69	155	-	-	305
Closing balance as at 31 December 2024	**1 854**	**1 356**	**3 493**	**2 568**	**1 130**	**10 401**
Short-term provisions	243	140	432	2 568	1 130	4 513
Long-term provisions	1 611	1 216	3 061	-		5 888

	Retirement and disability benefits	Death benefits	Jubilee awards	Unused holiday leaves	Bonus provisions	Total
Opening balance as at 1 January 2023	**1 146**	**1 139**	**2 200**	**2 388**	**1 317**	**8 190**
Current employment expenses	96	79	178	2 638	2 487	5 478
Actuarial gains, losses - after the employment relationship	508	203	-	-	-	711
Actuarial gains, losses - during the employment relationship	-	-	884	-	-	884
Benefits paid	(40)	(47)	(302)	(2 388)	(1 317)	(4 094)
Post-employment expenses	-	-	49	-	-	49
Interest expenses	72	70	118	-	-	260
Closing balance as at 31 December 2023	**1 782**	**1 444**	**3 127**	**2 638**	**2 487**	**11 478**
Short-term provisions	220	135	339	2 638	2 487	5 819
Long-term provisions	1 562	1 309	2 788	-		5 659

Change of adopted return on investment by up to one percentage point:	**Increase (in PLN '000)**	**Decrease (in PLN '000)**
for the period ended / as at 31 December 2024	**(654)**	**729**
Impact on total current employment and interest expenses	7	(9)
Impact on defined benefits	(661)	738
for the period ended / as at 31 December 2023	**(651)**	**748**
Impact on total current employment and interest expenses	4	(3)
Impact on defined benefits	(655)	751

Change of remuneration increase rate by up to one percentage point:	**Increase (in PLN '000)**	**Decrease (in PLN '000)**
for the period ended / as at 31 December 2024	**793**	**(736)**
Impact on total current employment and interest expenses	54	(51)
Impact on defined benefits	739	(685)
for the period ended / as at 31 December 2023	**801**	**(711)**
Impact on total current employment and interest expenses	46	(41)
Impact on defined benefits	755	(670)

(in PLN '000)

3.14. Inventory

	As at 31 December 2024	*As at* 31 December 2023
Materials	42 423	52 540
Production in progress	3 064	1 692
Finished products	45 903	50 903
Goods	8 850	10 818
Advances for deliveries	105	216
Total inventory	**100 345**	**116 169**

In the year ended 31 December 2024, the Group reversed or utilized an inventory write-down of PLN 359 thousand (in 2023, the inventory write-down was utilized in the amount of PLN 951 thousand).

Loan collateral was established on the Group's inventories, which in the year ended December 31, 2024 had a value of PLN 15,000 thousand, and in the year ended December 31, 2023 it amounted to PLN 15,000 thousand. The details are provided in note 3.18.

3.15. Trade and other receivables

	as at *31 December 2024*	as at *31 December 2023*
Total gross trade and other receivables:	**62 969**	**44 676**
Impairment write-down	(3 189)	(1 983)
Trade and other receivables:	**59 780**	**42 693**
from other entities:	59 780	42 693
Current income tax receivables	**13 842**	**14 104**
Other receivables from other entities	**1 147**	**10 908**
- taxes, customs, insurance and other	369	9 369
- other	778	1 539
Other receivables from related entities	**256**	**-**
- other	256	-
Accruals	**4 364**	**5 419**
Total receivables, including	**79 389**	**73 124**
- long-term	84	176
- short-term	79 305	72 948

The currency structure of receivables is presented in the table below:

Currency trade receivables	*As at (in PLN '000)*	
	31 December 2024	*31 December 2023*
Receivables in PLN	48 173	28 214
Receivables in EUR	414	1 141
Receivables in USD	229	366
Receivables in UAH	3 892	3 395
Receivables in RON	464	384
Receivables in HUF	6 555	9 193
Receivables in HUF	53	-
Total trade and other receivables	**59 780**	**42 693**

The Group in the item "Accruals" recognized the following items of accrued costs:

	As at	
	31 December 2024	*31 December 2023*
Insurances	1 531	1 408
Right to return goods	-	856
Marketing services	721	535
IT services (licences, subscriptions)	874	1 375
Other services	329	536
Other	909	709
Total	**4 364**	**5 419**
- short-term	4 364	5 419
- long-term	-	-

Total trade and other receivables with remaining maturities from the balance sheet date	*As at*	
	31 December 2024	*31 December 2023*
To 1 month	27 325	19 816
More than 1 month up to 3 months	26 456	15 075
More than 3 months up to 6 months	3 654	420
More than 6 months up to 12 months	-	-
More than 12 months	84	-
Overdue	5 450	9 365
Total gross trade and other receivables:	**62 969**	**44 676**
Impairment	(3 189)	(1 983)
Total net trade and other receivables:	**59 780**	**42 693**
Receivables with a repayment period of up to 12 months	59 697	42 633
Receivables with a repayment period over 12 months	83	60

(in PLN '000)

The terms of transactions with related entities are presented in note 3.23.2.

The vast majority of outstanding receivables as at 31 December 2024 were repaid after the balance sheet date. Some of the overdue receivables were not covered by the write-down due to the security for repayment of the receivables.

The Group has implemented a relevant policy based on selling its goods to reliable customers only. Consequently, according to the management's opinion, there is no additional credit risk that would exceed the doubtful debts allowance recognized for trade receivables of the Group.

In order to determine the expected credit losses in relation to trade receivables, the Group applies the simplified approach provided for in IFRS 9, which consists in creating write-down for expected credit losses throughout its life in relation to all trade receivables, hence the Group classified trade receivables to 2 and 3 level. For trade receivables, a simplified matrix of write-down was applied in individual age ranges. The analyses were performed separately for customer receivables belonging to the specified groups based on the assumed probability of credit losses, adjusted for actual credit losses based on historical data from 3 last years.

Changes to receivables of impairment write-down were the following:

Impairment write-down on trade and other receivables	*Year ended*	
	31 December 2024	*31 December 2023*
Impairment write-down of receivables at the beginning of the period	**1 983**	**2 259**
- increase	1 214	21
- write-down used	8	297
Impairment write-down of receivables at the end of the period	**3 189**	**1 983**

The calculation of impairment losses on receivables in accordance with IFRS 9 is presented in the table below:

			2nd degree receivables				**3rd degree receivables**	
	Total	**Current (without write-down)**	**Current**	**1-30 days**	**31-90 days**	**90-180 days**	**> 180 days**	**disputed and doubtful**
Gross value of receivables as at 31 December 2024	62 969	218	57 139	2 149	749	644	615	1 455
Expected credit loss ratio			1.1%	4.3%	9.3%	57.1%	96.1%	100.0%
Expected credit losses	3 189	-	613	92	70	368	591	1 455
Net value of receivables as at December 31, 2024	59 780							
Gross value of receivables as at 31 December 2023	44 676	-	35 980	4 588	2 539	383	106	1 080
Expected credit loss ratio			1.3%	0.9%	5.4%	42.0%	96.2%	100.0%
Expected credit losses	1 983	-	464	39	137	161	102	1 080
Net value of receivables as at 31 December 2023	42 693							

3.16. Cash and cash equivalents

Fair value of cash and cash equivalents as at 31 December 2024 amounted to PLN 55,623 thousand (whereas as at 31 December 2023: PLN 65,665 thousand). The balance sheet of cash and cash equivalents recognized in the statement of cash flows comprised the following items:

	As at	
	31 December 2024	*31 December 2023*
Cash at bank and in hand	55 623	65 665
- including cash in VAT accounts	692	784
- including restricted cash - cash in Ukraine	17 746	23 734
Total	**55 623**	**65 665**

The currency structure is presented in the table below:

Cash currency	As at (in PLN '000)	
	31 December 2024	*31 December 2023*
PLN	1 157	4 862
EUR	7 194	2 056
USD	2 141	6 547
UAH	17 715	23 734
HUF	27 024	28 107
RON	107	180
BYN	250	179
GBP	35	-
Total cash	**55 623**	**65 665**

The subsidiary in Ukraine may freely dispose of cash to settle payments resulting from its operating activities. The restriction applies to the payment of dividends to the Parent Company for 2022-2023 years. For 2024, in accordance with applicable regulations, the subsidiary in Ukraine may pay dividends for each completed quarter of 2024. As at 31 December 2024, the Group analysed the possible cash impairment. The cash value as at 31 December 2024 amounted to PLN 17,746 thousand. Part of it was accumulated in KredoBank, with an A2 rating (PLN 17,616 thousand), and the remaining part - PLN 114 thousand was at JSC State Savings Bank of Ukraine with a CCC- rating.

3.17. Equity and other capitals

3.17.1 Equity

As at 31 December 2024, the Issuer's equity amounted to 12 617 778 shares of nominal value of PLN 1.00 each. In 2024 the equity was not subject to change.

(in PLN '000)

Equity capital	As at *31 December 2024*	*31 December 2023*
Registered preference shares of A series holding the nominal value of PLN 1.00 each	100 000	100 000
Registered preference shares of B series holding the nominal value of PLN 1.00 each	400 000	400 000
Ordinary shares of C,D,E,F series holding the nominal value of PLN 1.00 each	12 117 778	12 117 778
	12 617 778	**12 617 778**

3.17.1.1 Nominal value per share

All the issued shares have the nominal value of PLN 1.00 per share and have been fully paid.

3.17.1.2 Shareholders' rights

Registered shares of A and B series are preferential for vote so that one share corresponds to 5 votes. Shares of C, D, E and F series are entitled to one vote per each share. Shares of all series are equally preferred as to dividends and return on equity.

In accordance with the Issuer's Articles of Association, shares of 'A' series entitle their holder to indicate a member of the Supervisory Board in such a way, that each 25 000 of shares bear the right to indicate one such member.

3.17.1.3 Majority shareholders

Shareholders holding over 5% of total number of votes, as at 31 December 2024:

Shareholder	**Number of shares held**	**Share in the share capital (%)**	**Number of votes**	**Share in the total number of votes at AGM (%)**
Jerzy Pater *	2 541 667 including directly 166 667	20.14 1.32	3 208 335 833 335	21.95 5.7
Stanisław Cymbor **	2 541 667 including directly 166 667	20.14 1.32	3 208 335 833 335	21.95 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 Towarystwo Emerytalne Allianz Polska SA	1 816 307	14.39	1 816 307	12.43
Nationale-Nederlanden Open Pension Fund	1 185 323	9.39	1 185 323	8.11

(in PLN ‘000)

*Jerzy Pater holds the Issuer’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 of the Issuer, i.e. 18.82% share in the share capital and 16.25% in the total votes at the Annual General Meeting).

** Stanisław Cymbor holds the Company’s shares indirectly by voting control over Iwona i Stanisław Cymbor Fundacja Rodzinna, which holds 100% of the shares in the share capital of PPHU Iwona i Stanisław Cymbor Sp. z o.o. holding 2,375,000 shares of the issuer, which represents 18.82% of the share capital and 16.25% of the total number of votes at the Annual General Meeting).

Between the date of publication of the last periodic report - i.e. the report for Q3 of 2024, according to the information held by the Issuer, there was a change in the scope of significant blocks of shares issued by it, consisting in the indirect exceeding of the 15% threshold in the total number of votes of the Issuer by the family foundation Iwona i Stanisław Cymbor Fundacja Rodzinna with its registered office in Nagawczyna (hereinafter referred to as "Foundation"), which, based on donation agreements concluded on February 28, 2025 (hereinafter referred to as "Transaction"), acquired 100% of shares in the share capital of PPHU Iwona i Stanisław Cymbor Sp. z o.o. holding 2,375,000 shares of the Issuer.

At the same time, it should be noted that the dominant entity in relation to the Foundation (directly) and PPHU Iwona i Stanisław Cymbor Sp. z o.o. (indirectly) is Mr. Stanisław Cymbor. As a result of the Transaction, there has been no change in the number of shares in the Issuer's share capital or in the number of votes that Mr. Stanisław Cymbor holds directly or indirectly (i.e. through the Foundation and its subsidiary, i.e. PPHU Iwona i Stanisław Cymbor Sp. z o.o.).

Shareholders holding over 5% of total number of votes, as at 31 December 2023:

Shareholder	Number of shares held	Share in the share capital (%)	Number of votes	Share in the total number of votes at AGM (%)
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 SA	1 816 307	14.39	1 816 307	12.43
Nationale-Nederlanden Open Pension Fund	1 185 323	9.39	1 185 323	8.11

*Jerzy Pater holds the Issuer’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 of the Issuer, i.e. 18.82% share in the share capital and 16.25% in the total votes at the Annual General Meeting).

(in PLN '000)

** Stanisław Cymbor holds the Issuer'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 of the Issuer, i.e. 18.82% share in the share capital and 16.25% in the total votes at the Annual General Meeting).

3.17.2 Option to purchase minority interest

The put option liability (sale of shares by a non-controlling shareholder) is recognized in correspondence with the equity attributable to the shareholders of the Parent Company under "Option to purchase minority interest". The details are described in note 2.2.4.

3.17.3 Other reserve capital

Other reserve capital movement in the period 2024 and 2023 are presented in the table below:

	Exchange differences from translation of foreign operations	Capital from the measurement of financial instruments at fair value through other comprehensive income	Other reserve capital
As at 1 January 2024	**(64 254)**	**136**	**(64 118)**
Other net comprehensive income for the period	(7 162)	420	(6 742)
As at 31 December 2024	**(71 416)**	**556**	**(70 860)**
As at 1 January 2023	**(55 858)**	**158**	**(55 700)**
Other net comprehensive income for the period	(8 395)	(23)	(8 418)
As at 31 December 2023	**(64 253)**	**135**	**(64 118)**

Other reserve capitals are not subject to distribution and include the following items described below.

3.17.3.1 Exchange differences from translation of foreign operations

Foreign exchange differences arising from translation of assets, liabilities and statement of comprehensive income of foreign entities are accumulated under separate item of equity. - "Other reserve capitals. The details are described in note 2.4.6.

3.17.3.2 Capital from the measurement of financial instruments at fair value through other comprehensive income

The revaluation reserve mainly results from the measurement of non-consolidated shares made in 2024 in accordance with IFRS 9.

(in PLN '000)

3.17.4 Retained earnings

Retained earnings include reserve capital, other reserve capitals, profit from previous years, profit for the current year. Movement in retained earnings is presented in the table:

	Supplementary capital	Other reserve capital	Profit from previous years	Net profit	Retained earnings
As at 1 January 2024	**222 466**	**323**	**95 355**	**114 834**	**432 978**
Net profit for the period	-	-	-	69 351	69 351
Other net comprehensive income for the period	-	-	-	262	262
Comprehensive income for the period	**-**	**-**	**-**	**69 613**	**69 613**
Change in supplementary capital resulting from the profit distribution	32 952	-	(32 952)	-	-
Dividend	-	-	(39 999)	-	(39 999)
As at 31 December 2024	**255 418**	**323**	**22 404**	**184 447**	**462 592**
As at 1 January 2023	**223 006**	**323**	**120 051**	**37 911**	**381 291**
Net profit for the period	-	-	-	77 634	77 634
Other net comprehensive income for the period	-	-	-	(711)	(711)
Comprehensive income for the period	**-**	**-**	**-**	**76 923**	**76 923**
Change in supplementary capital resulting from the profit distribution	(540)	-	540	-	-
Dividend	-	-	(25 236)	-	(25 236)
As at 31 December 2023	**222 466**	**323**	**95 355**	**114 834**	**432 978**

3.17.4.1 Supplementary capital

The Parent Company established the supplementary capital, resulting from an obligation for joint-stock companies, to one third of its share capital, transferring 8% of net profit for a given financial year. In addition, the Parent Company transfers optionally a specified part of its net profit for a financial year to increase the supplementary capital in a given year.

In 2024 the supplementary capital was increased by PLN 32,952 thousand from the profit distribution in the Parent Company and Radomska Fabryka Farb i Lakierów SA.

3.17.4.2 Retained profit (loss) and dividend restrictions

In the Parent Company, the dividend per ordinary shares for 2023, paid on May 29, 2024, amounted to PLN 39,999 thousand (for 2022, paid on August 31, 2023: PLN 25,236 thousand). The value of dividend per ordinary share paid in 2023 amounted to PLN 3.17 (for 2022: PLN 2.00). The Issuer did not pay dividend advances for 2024.

3.17.5 Non-controlling interest

The table presenting changes in non-controlling capital in 2024:

Equity change of non-controlling interests	*Year ended 31 December 2024*	*31 December 2023*
As at the beginning	**26 346**	**28 300**
Minority earnings	2 740	5 847
Other comprehensive income - foreign exchange differences from the translation of foreign entities	(1 083)	(329)
Dividend payment to minority shareholders	(6 245)	(7 472)
As at the end	**21 758**	**26 346**

3.18. Interest-bearing loans and borrowings

The balance of interest-bearing loans and borrowings as at 31 December 2024 is presented in the table below:

Loan and borrowing liabilities	The amount by agreement		Outstanding amount in PLN thousand		Repayment date
			- long-term	- short-term	
Loans	100 000	PLN	26 249	10 249	18.12.2027*
	30 000	PLN	21 300	(1)	14.06.2028
	160 000	PLN	62 731	23 569	31.12.2027**
	120 000	PLN	57 426	12 239	22.12.2027***
	1 700 000	HUF	16 118	-	indefinitely
	717 000	HUF	-	7 451	03.04.2025
	1 300 000	HUF	-	13 510	28.03.2025
Sale and leaseback	11 226	PLN	4 743	1 907	31.07.2027
Total			**188 567**	**68 924**	

* the amount of PLN 10,000 thousand repayment in 2025 (instalments at the end of each quarter of PLN 2,500 thousand), the amount of PLN 30,000 thousand repaid over the next 2 years 2026 - 2027 in instalments of PLN 2,500 thousand at the end of each quarter

** the amount of PLN 22,000 thousand payable by December 31, 2025 (two instalments of PLN 11,000 thousand at the end of the 3rd and 4th quarter of 2025), in the next 4 years (2026 - 2027) in subsequent 2 years (2026 - 2027) repayment at the end of the 3rd and 4th quarter of PLN 11,000 thousand each (i.e. PLN 22,000,000 annually)

*** the amount of PLN 12,000 thousand repayment in 2025 (instalments at the end of the 3rd and 4th quarter of PLN 6,000 thousand), the amount of PLN 24,000 thousand repaid over the next 2 years 2026 - 2027 in instalments of PLN 6,000 thousand at the end of the 3rd and 4th quarter in each year

Balance of interest-bearing loans and borrowings as at 31 December 2023 are presented in the table below:

Loan and borrowing liabilities	**The amount by agreement**		**Outstanding amount in PLN thousand**		**Repayment date**
			- long-term	**- short-term**	
Loans	100 000	PLN	49 832	12 739	18.12.2027
	15 000	PLN	-	1 389	24.04.2024
	30 000	PLN	2 703	8	14.06.2028
	160 000	PLN	72 585	33 775	31.12.2027
	114 000	PLN	48 373	18 348	22.12.2027
	30 000	PLN	-	9 756	27.02.2024
	1 300 000	HUF	-	-	indefinitely
	717 000	HUF	8 144	-	03.04.2025
	1 300 000	HUF	14 767	-	28.03.2025
Sale and leaseback	11 226	PLN	6 650	1 760	31.07.2027
Total			**203 054**	**77 775**	

The Group companies utilize variable interest rate loans, determined as the sum of the base reference rate and the bank's margin. The exception is the fixed interest rate loan in the amount of HUF 2,017,000 thousand (as at 31 December 2024).

As for loans in PLN, the reference rate is WIBOR. In the case of HUF loans, BUBOR is applied, while a EURO loan is based on the EURIBOR index. The bank's margin, which is an additional component of interest, is determined individually in the negotiation process when entering into loan agreements.

Loans and borrowings by currency are presented in the table below:

	As at		*As at*	
Loan currency	*31 December 2024*	*31 December 2023*	*31 December 2024*	*31 December 2023*
	loan currency value (in '000)		*value in PLN '000*	
PLN	220 412	257 918	220 412	257 918
HUF	2 535 192	2 017 000	26 346	22 911
EUR	2 511	-	10 733	-
Total loans and borrowings			**257 491**	**280 829**

(in PLN '000)

Changes to the balance of interest-bearing loans and borrowings as at 31 December 2024 are presented in the table below:

	Year ended	
	31 December 2024	*31 December 2023*
At the beginning of the period	**280 829**	**296 790**
proceeds form borrowings	64 187	183 334
repayment	(84 716)	(201 840)
interest calculated	22 238	24 907
interest paid	(21 113)	(22 651)
Realized exchange rate differences	1 950	-
activated external financing costs	(500)	(296)
other	580	585
At the end of the period	**263 455**	**280 829**

Loans and borrowings by collateral as at 31 December 2024:

Name (company) along with legal form	**Collateral**
Bank PEKAO S.A. Dębica branch	Contractual aggregate mortgage on the real property located in Pustków in the amount of PLN 30,000,000.00 with the assignment of rights under the insurance policy. Registered pledge on fixed assets in the amount of PLN 29,213,643.33 with assignment of rights under the insurance policy.
Bank PKO BP S.A. Rzeszów branch	Registered pledge on fixed assets located in Lubzina in the amount of PLN 49,600,000.00 with assignment of rights under the insurance policy and a blank promissory note.
ING Bank Śląski S.A. Katowice branch	Contractual mortgage on the real property of the Warehouse and Logistics Centre in Zawada in the amount of PLN 195,000,000.00 with assignment of rights under the insurance policy and a blank promissory note.
BNP Paribas Bank Polska S.A. Warsaw	Contractual mortgage on the real property located in Brzeźnica in the amount of PLN 108,000,000.00 with the assignment of rights under the insurance policy. Registered pledge on finished products located in the Warehouse and Logistics Centre in Zawada in the amount of PLN 15,000,000.00 with an assignment of rights under the insurance policy and a blank promissory note.
ING Leasing - Sale and leaseback	a blank promissory note
Loan in CIB Bank, Hungary	Collateral on the real property, fixed assets and assignment of receivables up to HUF 1,800,000,000
Loan in Raiffeisen Bank Zrt	Collateral on the real property and assignment of receivables up to HUF 1,610,000,000

(in PLN '000)

Loans and borrowings by collateral as at 31 December 2023:

Name (company) along with legal form	**Collateral**
Bank PEKAO S.A. Dębica branch	Contractual aggregate mortgage in the amount of PLN 30,000,000.00 on the real property located in Pustków with the assignment of rights under the insurance policy and power of attorney to the Company's accounts in Bank Polska Kasa Opieki S.A. Registered pledge on fixed assets in the amount of PLN 32,200,000.00 with assignment of rights under the insurance policy.
Bank PKO BP S.A. Rzeszów branch	Registered pledge on fixed assets in the amount of PLN 19,761,885.35 with assignment of rights under the insurance policy, promissory note declaration.
ING Bank Śląski S.A. Katowice branch	Contractual mortgage up to PLN 195,000,000.00 on the real property (Logistics Centre) located in Zawada and a blank promissory note.
BNP Paribas Bank Polska S.A. Warsaw	Contractual aggregate mortgage in the amount of PLN 30,000,000.00 on the real property located in Lubzina, PLN 90,000,000.00 on the real property of the Company located in Brzeźnica. Registered pledge on finished products located in the finished goods warehouse at the Warehouse and Logistics Centre in Zawada up to the amount of PLN 15,000,000.00.
Loan in CITI Bank Handlowy SA in Warsaw	Contractual aggregate mortgage on the real property of Rafil SA located in Radom in the amount of PLN 37,500,000.00 a blank promissory note
ING Leasing - Sale and leaseback	a blank promissory note
Loan in CIB Bank, Hungary	Collateral on the real property, fixed assets and assignment of receivables up to HUF 1,800,000,000
Loan in Raiffeisen Bank Zrt	Collateral on the real property and assignment of receivables up to HUF 1,610,000,000

(in PLN '000)

3.19. Trade and other liabilities as well as accruals

3.19.1 Trade and other liabilities

As at 31 December 2024 trade and other liabilities were the following:

	As at	
	31 December 2024	*31 December 2023*
Trade and other liabilities	**47 096**	**69 342**
including toward other entities	47 096	69 342
- incl. liabilities due to reimbursement of remuneration (granted discounts)	**4 563**	**10 925**
Other liabilities toward other entities	**38**	**-**
- other	38	-
Other liabilities toward other entities	**24 477**	**26 310**
- taxes, customs, insurance and other	12 376	11 866
- remuneration	10 975	11 551
- advances received for supplies	573	2 057
- other	553	836
Current income tax liabilities	**-**	**392**
Passive accruals	**3 277**	**5 794**
Total liabilities, including	**74 888**	**101 838**
- short-term	74 888	101 838
- long-term	-	-

The currency structure of trade and other liabilities is presented in the table below:

Currency of trade and other liabilities	***As at (in PLN '000)***	
	31 December 2024	***31 December 2023***
Trade liabilities in PLN	34 973	48 808
Trade liabilities in EUR	8 039	12 892
Trade liabilities in HUF	3 288	6 998
Trade liabilities in RON	18	74
Trade liabilities in UAH	680	539
Trade liabilities in BYN	51	24
Trade liabilities in USD	47	7
Trade and other liabilities	**47 096**	**69 342**

In the item "Passive accruals", the Group presents the following items:

	As at	
	31 December 2024	*31 December 2023*
Consulting services, audits	948	959
Other services	111	180
Other	-	658
Marketing services, bonuses	2 182	3 959
Deferred revenue	36	38
Total passive accruals	**3 277**	**5 794**
- short-term	3 277	5 794
- long-term	-	-

The terms of transactions with related entities are presented in note 3.23.2.

All trade and other liabilities are settled on an on-going basis, in accordance with the statutory payment periods.

3.19.2 Option liabilities to acquire shares in minority ownership

As at December 31, 2024, the short-term liabilities related to the option to purchase shares held by minorities were recognized in the consolidated financial statements. The measurement method of the option in question has been described in item 2.4.23.

The total liability as at 31 December 2024 amounted to PLN 33,261 thousand.

(in PLN '000)

The table of movements in the value of the option liability from the acquisition date to the balance sheet date is presented in the table below:

As at 1 January 2024	33 261
liability decrease - as at the balance sheet date	(11 587)
As at 31 December 2024	**33 261**

As at 1 January 2023	44 848
liability decrease - as at the balance sheet date	(11 587)
As at 31 December 2023	**33 261**

3.20. Causes of differences between changes in the statement of financial position of certain items and changes in the statement of cash flows

	Year ended	
	31 December 2024	*31 December 2023*
Inventory movement	(15 824)	(8 384)
Inventory movement in the cash flow statement	13 760	5 159
Difference	**(2 064)**	**(3 225)**
exchange differences from translation of financial statements	2 064	3 225
Total difference	-	-

	Year ended	
	31 December 2024	*31 December 2023*
Balance sheet change in short-term trade and other receivables	6 703	(6 579)
Change in receivables in the cash flow statement	6 650	(423)
difference	**13 353**	**(7 002)**
exchange differences from translation of financial statements	637	6 813
income tax	(13 399)	-
receivables from disposal of shares	-	158
dividend receivables	(496)	405
long-term receivables	(92)	(549)
other adjustments	(3)	175
Total difference	-	-

	Year ended	
	31 December 2024	*31 December 2023*

(in PLN '000)

Balance sheet change in liabilities (trade and other liabilities, taxes)	(26 560)	(1 768)
Change in liabilities in the cash flow statement	(29 639)	10 943
Difference	**3 079**	**(12 711)**
exchange differences from translation of financial statements	(371)	3 576
investment liabilities	6 842	(603)
income tax	(9 746)	10 057
other adjustments	196	(319)
Total difference	-	-

	Year ended	
	31 December 2024	*31 December 2023*
Balance sheet change in short and long term provisions	(1 257)	3 074
Change in provisions in the cash flow statement	(705)	3 322
Difference	**(552)**	**(248)**
exchange differences from translation of financial statements	389	874
other adjustments	(99)	85
comprehensive income	262	(711)
Total difference	-	-

	Year ended	
	31 December 2024	*31 December 2023*
Increase/decrease in cash and cash equivalents	**(6 070)**	**47 860**
Cash and cash equivalents at the beginning of the period	65 665	19 916
Impact of exchange rate changes on the balance of cash and cash equivalents	(3 971)	(2 111)
Cash and cash equivalents at the end of the period	**55 624**	**65 665**

3.21. Investment liabilities

As at December 31, 2024, the Group committed to incur expenditure on property, plant and equipment in the amount of PLN 3,865 thousand. The amounts are to be earmarked to cover expenses connected with development, modernization and acquisition of fixed assets. As at December 31, 2023 the Group's obligation to incur expenditure on property, plant and equipment amounted to PLN 10,707 thousand.

3.22. Contingent liability

As at 31 December 2024 and 31 December 2023 the Group did not have any liabilities under guarantees and sureties granted to other entities.

3.22.1 Legal affairs

(in PLN '000)

There are no proceedings pending which would constitute at least 10% of the Issuer and subsidiaries' share capital.

3.22.2 Tax settlements

Corporate income tax liability for 2016

By decision of December 9, 2022, the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl deemed that in the audited period the Parent Company overstated its tax-deductible costs by PLN 13.8 million in connection with the expenses incurred to acquire the rights to use intangible assets and indicated a tax arrears of PLN 2.62 million. The Parent Company paid the tax liability determined by the decision in the amount of PLN 2.62 million along with interest in the amount of PLN 0.88 million in September 2022.

At the same time, the Management Board of the Parent Company did not agree with the results of the fiscal control and filed an appeal to the Head of the Sub-Carpathian Customs and Tax Office. On December 23, 2022, the Parent 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 control. On January 23, 2023, a complaint against the Tax Office's decision was submitted to the Provincial Administrative Court in Rzeszów. In its judgment of April 25, 2023, the Provincial Administrative Court overturned the Tax Office's decision. The Customs and Tax Office in Przemyśl filed a cassation appeal against this judgment to the Supreme Administrative Court. The Parent Company responded to the cassation appeal, emphasizing the correctness of the decision of the Provincial Administrative Court in Rzeszów. The judgment is not final.

In the consolidated annual statement of comprehensive income for 2022, the Management Board of the Parent Company assessed the risk and recognized the amount of tax arrears paid (PLN 2.62 million) as an increase in the liability in the "Income tax" item, and the cost of interest on tax arrears (PLN 0.88 million) in the "Financial costs" item. In the opinion of the Management Board of the Parent Company, this estimate reflected the risk associated with an unfavourable outcome for the Parent Company of the results of both fiscal controls for 2016.

The Parent Company's management board after consulting with a law firm that reviewed the current case law in similar cases, verified its assessment of the resolution of the CIT tax settlement case for 2016 and as of December 31, 2024, released a provision in the amount of PLN 1.75 million. As a result, the amount of PLN 1.75 million was recognized in the consolidated statement of financial position as at December 31, 2024 as a receivable from the tax office, while in the consolidated annual statement of comprehensive income for 2024 it was recognized as a decrease in the tax under the item "Income tax" in the amount of PLN 1.31 million and under the item "Financial income" in the amount of PLN 0.44 million.

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3.23. Information on subsidiaries and associates

The table below presents total amounts of transactions entered into with subsidiaries (not subject to consolidation, except for Plastbud, consolidated by the equity method) during the current and previous fiscal year:

Transactions with associates	for the period ended/as at	
	31 December 2024	*31 December 2023*
Sales	812	793
Purchases	15 652	22 857
Trade and other receivables	29	-
Trade and other liabilities	933	1 586

(in PLN '000)

Transactions with personally related entities	for the period ended/as at	
	31 December 2024	*31 December 2023*
Sales	7	32
Purchases	8 866	12 338
Trade and other receivables	-	6
Trade and other liabilities	901	304

3.23.1 Associate

As at 31 December 2024 the Group holds 10.07% of shares in Plastbud Sp z o.o. company (31 December 2023: 10.07%).

3.23.2 Transaction conditions with related entities

Plastbud Sp. z o.o. in Pustkow manufactures paint pigments, which are sold under the Śnieżka brand. Mutual transactions between the companies regard trade of raw materials, products and goods. Transactions between the aforementioned company and the Parent Company are made on equivalent terms to those that prevail in arm's length transactions.

3.23.3 Loan granted to a Member of the Management Board

As at 31 December 2024 and 31 December 2023 the Group did not hold any receivables under loans granted to members of the Management Board.

3.23.4 Other transactions with participation of members of the Management Board

The Group did not conclude any transactions with members of the Management Board in the reporting and comparative period.

(in PLN '000)

3.23.5 Remuneration of Issuer's senior executives

Remuneration in the Parent Company:

Remuneration of the Management Board, Supervisory Board and senior (key) executives (excluding surcharges)	*Year ended* *31 December 2024*	*31 December 2023*
Management Board	**5 333**	**5 506**
Short-term employee benefits	5 333	5 506
Supervisory Board	**2 092**	**1 681**
Short-term employee benefits	2 092	1 681
Key senior executives (directors)	**5 459**	**5 027**
Short-term employee benefits	5 459	5 027

Remuneration in subsidiaries (excluding surcharges)	*Year ended* *31 December 2024*	*31 December 2023*
Management Board	**231**	**235**
Short-term employee benefits	231	235

3.24. Information on remuneration of the key certified auditor or the entitled entity to carry out the audit of financial statements

The table below presents the net remuneration, net of additional costs, of the entity authorized to audit financial statements, for the audit of standalone and consolidated statements, paid or payable for the year ended December 31, 2024 and December 31, 2023, broken down by type of services:

Service type	*Year ended* *31 December 2024*	*31 December 2023*
Obligatory audit of financial statements	371	330
Other assurance services *	354	154
Audit of the interim financial statements	99	86
Total	**824**	**570**

* Assurance of the ESG report, Assessment of the remuneration report, Report on the compliance of the consolidated financial statements format with the requirements of the Single European Electronic Format ("ESEF")

In addition, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. has received/will receive reimbursement of necessary direct costs, such as travel costs, accommodation, etc. up to a maximum of 5% of the net remuneration.

In connection with the requirements referred to in Article 55 of the Act on Statutory Auditors, supervision fees were also added to the remuneration. The supervision fee rate for 2024 is 2.29% (for 2023 it was 2.18%)

(in PLN '000)

The table below presents the net remuneration without additional costs of the entity authorized to audit the financial statements of the Group companies.

Service type	*Year ended* 31 December 2024	31 December 2023
Obligatory audit of financial statements	395	416
Total	**395**	**416**

3.25. Objectives and principles of financial risk management

The main financial instruments used by the Group are bank loans, bonds, lease contracts, cash and short-term deposits. The main objective of these financial instruments is to raise funds for the Group's operations. The Group holds also other financial instruments such as trade receivables and payables which arise directly in the course of its business. The details are provided in note 3.12.

The main types of risk resulting from the Group's financial instruments include interest, currency, liquidity and credit risk. The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below. The Group also monitors the risk of market prices applicable to all financial instruments managed by it.

3.25.1 Interest rate risk

Exposing the Group to risk resulting from changes in interest rates refers mainly to short-term and long-term financial liabilities.

Currently, the Śnieżka Group takes advantage of financing in PLN and EUR with variable interest rates and does not enter into additional interest rate swaps. Poli-Farbe uses both variable interest rate financing and a preferential HUF loan based on a fixed interest rate.

The table below presents the sensitivity of the gross financial result to potential changes in interest rates, assuming that other factors remain unchanged. Determining the potential change in interest rates was calculated based on its recent volatility, i.e. from the previous two years, calculated on the basis of historical volatility using the standard deviation method. For the PLN currency in 2024 the standard deviation was 0.02%., while in 2023 – 0.45%. For the EUR currency in 2024 the standard deviation was 0.33%., while in 2023 – 0.61%. For the HUF currency in 2024 the standard deviation was 1.28%, while in 2023 – 2.18%.

These results were subject to the professional judgment of the Management Board with respect to their stability and the expectations of the economic environment in which the Issuer operates. Volatility in 2023 differed from volatility in 2024 by 0.43% for PLN, 0.28% for EUR and 0.90% for HUF, and therefore the Management Board considered the potential change as stable and adopted for the sensitivity analysis 1% for PLN, 0.50% for EUR and 1% for HUF. The impact on the Group's equity and comprehensive income has not been presented.

Loans	In PLN '000	Currency (in '000)	Increase/decrease of interest rate	Impact on gross profit/loss in PLN '000
Year ended as at 31 December 2024				
PLN	220 412	220 412	1.0%	(2 204)
HUF	5 385	518 192	1.0%	(54)
HUF *	20 961	2 017 000	0.0%	-
EUR	10 733	2 511	0.5%	(54)
PLN	220 412	220 412	-1.0%	2 204
HUF	5 385	518 192	-1.0%	54
HUF *	20 961	2 017 000	0.0%	-
EUR	10 733	2 511	-0.5%	54
Year ended as at 31 December 2023				
PLN	257 918	257 918	1.0%	(2 579)
HUF *	22 911	2 017 000	0.0%	-
EUR	-	-	1.0%	-
PLN	257 918	257 918	-1.0%	2 579
HUF *	22 911	2 017 000	0.0%	-
EUR	-	-	-1.0%	-

* fixed interest rate loan

The table below presents the carrying amount of Group's financial instruments exposed to interest rate risk, by age categories.

31 December 2024						
Variable interest rate	**< 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Overdraft facility	2 056	-	79 705	-	16 118	97 879
Interest-bearing loans	45 907	46 064	46 680	-	-	138 651
Variable interest rate	**< 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Interest-bearing loans	20 961	-	-	-	-	20 961

31 December 2023						
Variable interest rate	**< 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Overdraft facility	11 126	-	-	38 790	2 703	52 619
Interest-bearing loans	66 649	45 906	46 064	46 680	-	205 299

Interest rates on financial instruments with variable interest is updated in periods up to one year. Interest on financial instruments with fixed interest rate are fixed for the whole period until maturity date. Other financial instruments of the Group, which have not been presented in the above tables, are not subject to interest and as a result are not subject to interest rate risk.

(in PLN '000)

In 2024, PLN interest rate fluctuations were virtually eliminated, which contributed to rates stabilizing at the comparable level of 2023. The WIBOR1M reference interest rate was 5.80% as at December 29, 2023 and 5.82% as at December 31, 2024.

During the same period, EUR interest rate fluctuations stabilised and decreased. The EURIBOR 1M reference interest rate decreased from 3.85% as at December 31, 2023 to 2.85% as at December 31, 2024.

During the same period, there was a strong reduction in HUF interest rate fluctuations, which consequently led to a reduction in rates compared to the end of 2023. The BUBOR 1M reference interest rate was 10.60% as at December 29, 2023 and 6.50% as at December 31, 2024.

3.25.2 Currency risk

The Śnieżka Group is exposed to currency risk due to concluded transactions. The Group imports raw materials used for the production of paint and varnish products, which are mostly paid in Euro. Therefore, the greatest currency risk for the Group is related to the strengthening of the EUR - PLN/HUF exchange rate. The Group exports products mainly to the countries of Central and Eastern Europe, where settlements are made in currencies most commonly used in international trade (USD, EUR), as well as in PLN. The risk may materialize if it is not possible to transfer higher costs of imported raw materials to the price of products manufactured by the Group.

In order to minimize the negative impact of currency exchange rate volatility on the generated revenues and profits in 2024, the Group implemented forward contracts that were concluded in 2023 and also during 2024. In addition, forward contracts were concluded in 2024, which will be exercised in 2025. These instruments constitute a hedge of cash flows resulting from purchases of raw materials in EUR.

The total value of hedging instruments realized in 2024 related to raw materials used in production amounted to PLN 315 thousand.

The total value of unrealized hedging instruments relating to currency purchases charged to the revaluation reserve amounts to PLN 100 thousand, adjusted for deferred tax assets of PLN 19 thousand, which gives a total of PLN 81 thousand.

The table below presents open positions (all transactions are FX Forward):

Amount [EUR]	Maturity date
1 000 000	07.01.2025
1 000 000	21.01.2025
1 500 000	04.02.2025
1 500 000	18.02.2025

The rule applied by the Group now and throughout the reporting period is not to engage in instruments trading.

As at the balance sheet date, the Group had loans in the following foreign currencies: PLN, HUF, EUR. The value of receivables in EUR amounted to EUR 500 thousand, while the value of liabilities amounted to EUR 4,800 thousand, and in HUF to cash 2,620,000 thousand and liabilities 2,535,000 thousand, respectively. The difference (net exposure) in individual currencies was as follows: EUR - 4,300 thousand; HUF – 85,000 thousand. The amounts are presented in the table below:

Currency	Currency receivables	Currency liabilities	Currency net exposure	Net exposure in PLN
EUR	500	4 800	4 300	18 380
HUF	2 620 000	2 535 000	(85 000)	(890)

(in PLN '000)

The table below presents the impact of volatility on the risk exposure of the EUR/PLN and HUF/PLN currency pairs.

Currency pair	Standard deviation of average rates in 2024	Exchange rate volatility 2024	Currency exposure measurement	Exposure measurment in PLN
EUR/PLN	0.0326	0.76%	33	140
HUF/PLN	0.0260	2.39%	2 039	(20)

Comparing the volatility from 2024 to the net exposure (liabilities – receivables) in the above currencies, a risk amount of PLN 160 thousand is obtained. This value is irrelevant from the point of view of the scale of the Group's business.

3.25.3 Credit risk

The Śnieżka Group concludes transactions with reputable companies which have a good credit rating. All customers willing to take advantage of trade credit, are subject to procedures of initial verification. In addition, owing to current monitoring balances of receivables, the Group's exposure to the risk of non-collectible debts is insignificant. The calculation of expected credit losses in relation to trade receivables is presented in note 2.5.4. With regard to other financial assets of the Group, such as cash and cash equivalents, and certain derivatives, credit risk arises for the Group if the other party to an agreement fails to pay, and the maximum exposure to this risk is equal to the carrying amount of those instruments. Cash and short-term deposits as at December 31, 2024 in the amount of PLN 55,623 thousand are accumulated in the following banks, which have adequate equity and an established market position.

	Bank rating	PLN value
Bank Pekao S.A. **	BBB	616
PKO BP SA ***	A2	1 067
City Handlowy in Warsaw S.A **	A-	-
ING Bank Śląski SA **	A+	3 352
BNP Paribas Bank Polska SA **	A+	5 357
PRIOBank	none	1
MTBank	none	249
CIB Bank **	BBB	6 480
Raifeissen Bank ***	A1	20 753
JSC State Savings Bank of Ukraine (Oszczabank) **	CCC-	114
KredoBank *	A2	17 616
Other cash	-	18
Total:		55 623

* FitchRating, ** Moody's

As at 31 December 2023 cash and short-term deposits were accumulated in the following banks:

(in PLN '000)

	Bank rating	PLN value
Bank Pekao S.A. **	BBB	469
PKO BP SA ***	A2	650
City Handlowy in Warsaw S.A **	A-	365
ING Bank Śląski SA **	A+	8 840
BNP Paribas Bank Polska SA **	A+	2 486
PRIOBank	none	1
MTBank	none	178
CIB Bank **	BBB	4 554
Raifeissen Bank ***	A3	24 385
JSC State Savings Bank of Ukraine (Oszczabank) **	CCC-	1 142
KredoBank *	A2	22 589
Other cash	-	6
Total:		65 665

* Standard Rating Agency, ** Fitch, *** Moody's

Given the short-term nature of the investment and the well-established position of banks, it is considered that the credit risk for cash and bank deposits is low. No particular concentration of credit risk occurs within the Śnieżka Group.

3.25.4 Liquidity risk

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

The Śnieżka Group monitors liquidity risk of funds shortage using the tool for periodic planning of liquidity. This tool takes into account due dates/maturities of both investments and financial assets (e.g. receivable accounts, other financial assets) and projected cash flows from operating activities. The Group's objective is to maintain a liquidity buffer by using various sources of financing, such as overdrafts, bank loans, financial leases agreements and lease agreements with a purchase option.

The Group is subject to certain covenants that primarily relate to its financial obligations. Failure to comply with these covenants may lead to negative consequences, such as increased financial costs and the risk of insolvency. As at December 31, 2023 and December 31, 2024, the Group met all required covenants, which demonstrates its financial stability and ability to manage liabilities.

The table below presents the available credit limits and financial liabilities of the Śnieżka Group as at December 31, 2024 by maturity date based on contractual undiscounted payments at nominal value. The Group has derivative and non-derivative financial liabilities. The details are presented in the table below:

(in PLN '000)

31 December 2024	Maturity within the period of			
	up to 3 months	**from 3 to 12 months**	**from 1 to 5 years**	**over 5 years**
Non-derivative financial liabilities	93 914	86 671	203 526	2 539
Derivative financial liabilities	100	-	-	-
Cash and cash equivalents	134 928	-	-	-
Available limits during the maturity period *	368 131	321 176	265 205	2 539
Liquidity buffer **	**409 045**	**234 505**	**61 679**	**-**

*cumulative value in a given range
** assuming the exercise of the option held by the minority

The Group actively manages liquidity risk by:

- limiting and monitoring trade credit to individual clients depending on their financial condition and development dynamics,
- applying financial instruments (e.g. factoring).

In this process, the Group takes advantage of modern tools and procedures as well as cooperation with business intelligence agencies. The policy of establishing trade credit limits and payment terms and conditions is closely related to bonuses granted to customers for timely payments, which additionally protects the Group's interests. Trade credit limits and other risks related to sales development are secured by:

- real property mortgages;
- statements on submission to enforcement,
- bill of exchange;
- bank guarantees.

As at December 31, 2024, the Group settled its liabilities in a timely manner.

To summarize the liquidity management method, it should be noted that:

- The Group monitors the maturity dates of both assets and liabilities on an on-going basis,
- The Group monitors forecast cash flows from operating activities on an on-going basis,
- the basic sources of financing are bank loans and leases,
- the goal is to maintain a safe liquidity buffer in each maturity period.

Liquidity risk management is one of the key elements of financial risk management for the Group, thus the Group paid a lot of attention to this aspect in the consolidated financial statements for 2024 - note 2.4.12 Financial assets, last point, and note 2.4.17 Cash and cash equivalents. In the report on activities - item 7.5. Financial ratios in the Group's liquidity and debt ratios section, item 8.2.5. Financial risk in the Liquidity risk section.

Liabilities by type as at December 31, 2024	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing loans and borrowings	18 179	55 569	201 767	-	275 515
Lease liabilities	245	402	1 759	2 539	4 945
Trade and other liabilities	75 490	-	-	-	75 490
Option liabilities in minority ownership	-	30 700	-	-	30 700
Total	**93 914**	**86 671**	**203 526**	**2 539**	**386 650**
Liabilities by type as at December 31, 2023					
Interest-bearing loans and borrowings	37 090	39 662	223 737	-	300 489

(in PLN '000)

Lease liabilities	224	1 963	2 680	454	5 321
Trade and other liabilities	101 448	-	-	-	101 448
Option liabilities in minority ownership	-	33 261	-	-	33 261
Total	**138 762**	**74 886**	**226 417**	**454**	**440 519**

3.26. Capital management

The main objective of the Group's capital management is to maintain favourable credit rating and safe level of equity ratios that would support the Group's operating activities and increase the value for its shareholders.

The Group manages its capital structure and makes adjustments to it, in response to changing economic conditions. In order to maintain or adjust its capital structure, the Group may change dividends payments to shareholders, return capital to shareholders or issue new shares. In the year ended as at 31 December 2024 and 31 December 2023, no major changes were implemented to objectives, principles and processes applicable within this area. The Śnieżka Group monitors its debt applying the net debt/EBITDA ratio. Net debt include interest-bearing loans, borrowings and lease liabilities less cash and cash equivalents. At the end of 2024, the net debt/EBITDA ratio was at 1.45 level. The Group's strategic goal is indebtedness at the level of one EBITDA, yet during the period of larger investments the Group allows for safe indebtedness at the level of 3 x EBITDA.

EBITDA is an alternative measure of the bottom line calculated in the case of the Group as operating profit increased by depreciation. The level of this profit reflects the ability of the Group to generate cash in recurring conditions, yet it is not a measure of liquidity or cash. The EBITDA level is not defined by the EU IFRS and may be calculated differently by other entities.

	Year ended	
	31 December 2024	*31 December 2023*
Interest-bearing loans and borrowings	257 491	280 829
Leases	4 945	5 321
Cash and cash equivalents	(55 623)	(65 665)
Net debt	**206 813**	**220 485**
Profit from operating activities	105 232	121 004
Depreciation	37 604	38 411
EBITDA	**142 836**	**159 415**
Net debt / EBITDA	**1.45**	**1.38**

3.27. Employment structure

An average employment rate within the Group for the year ended as at 31 December 2024 and 31 December 2023 was the following:

	Year ended	
	31 December 2024	*31 December 2023*
White-collar workers	238	895
Blue-collar workers	906	245
Total	**1 144**	**1 140**

3.28. Climate risk

The Śnieżka Group has prepared a sustainable development report for 2024, which is part of the management board's activity report. This report includes information on climate risk management, sustainable development policies and the impact of operations on the environment and society. These issues are described in the Management Board's Report on the activities of the Company and the Śnieżka Group in 2024 in the section entitled "Sustainability reporting".

3.29. The impact of the armed conflict in Ukraine on the Group

The situation in Ukraine

Military operations in the territory of Ukraine had a negative impact on the Group's operations and performance on the Ukrainian market. The on-going warfare in Ukraine may have an essential effect on the future performance of Śnieżka-Ukraina and, as a result, the entire Capital Group. The industry's results in 2024 deteriorated year-on-year, giving a signal that a return to the volumes sold before the war may not be easy to achieve in the short term. At the same time, due to external factors and the current market environment, the Management Board of the Parent Company is currently unable to estimate the impact of the war on the future performance of the Group on the said market.

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

The note 3.1 of this report presents the Group's revenues on the Ukrainian market and the Group's assets located in Ukraine.

The exposure to risk of assets held in Ukraine as at December 31, 2024 is as follows:

Data in PLN '000	**Balance as at 12.2024**
PP&E	18 949
Inventory	8 249
Short-term receivables	4 706
Cash	17 746
Other assets	524
Total assets	**50 174**
Equity	**46 849**

At the moment, there are no premises that would indicate the loss of the ability to continue business operations in Ukraine. However, the possible escalation of the conflict may also have a negative impact on renovation works and, consequently, on the demand for the Company's products.

The company's receivables in Ukraine are not at risk, the sale is partly subject to prepayment terms. No reasons occur to create increased write-down for receivables.

The Management Board of the Company indicates, however, that the circumstances on the Ukrainian market remain uncertain and demanding. It constantly monitors the situation related to the war in Ukraine and its regional and global consequences, adapting actions and plans to the current circumstances.

The markets in which the Group companies operate and the Group's operations are and/or may be influenced by the following factors:

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

The Śnieżka Group 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.

In accordance with IAS 36 "Impairment of assets" in connection with the on-going war in Ukraine, the Capital Group analysed the key assets located in Ukraine. The analysis provided indications of a significant risk of asset impairment and their impact on future estimated cash flows. The Group performed an asset impairment test. The test result did not indicate the need to make impairment losses on assets in the consolidated statements prepared as at December 31, 2024. The details are described in note 2.2.7.

The situation in Belarus

As a result of sanctions imposed on Belarus, the Group cannot conduct active trade with its subsidiary Śnieżka-BelPol. Nevertheless, this company, as a manufacturer of putty on the Belarusian market, can produce and sell its products on that market. The Parent Company assessed its control over this company in accordance with IFRS 10. As a result of this assessment, it was concluded that no loss of control over Śniezka-BelPol occurred.

3.30. Macroeconomic risks

The changing economic, social and political environment - in Poland and on other foreign markets where the individual Group companies operate (mainly Hungary and Ukraine) - may adversely affect the Group's operations and its business and performance.

Risk associated with macroeconomic situation for the Śnieżka Group is mainly connected with:

- consequences of the war in Ukraine,
- lowering the purchasing power of society as a result of economic slowdown or recession,
- deterioration of the construction and housing industry's condition
- monetary policy of central banks,
- the condition and credit policy of banks.

The factors and phenomena indicated above may in the future affect the Group's performance on individual markets. At the same time, the Management Board, supported by area directors, makes every effort to constantly monitor and mitigate key risks that could generate potential financial consequences or affect the Group's business model.

Macroeconomic risk has been extensively described in the Management's Report on the activities the Śnieżka Group in item 8.2 "Identified business risks".

3.31. Events after the balance sheet date

There were no events after the balance sheet date that would require reflection or disclosure in the Consolidated Financial Statements of the Śnieżka Group for 2024.