ŚNIEŻKA SA

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STANDALONE FINANCIAL STATEMENTS OF FFIL ŚNIEŻKA SA FOR THE YEAR ENDED December 31, 2023

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

26 march 2024

We believe colours matter.

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(in PLN '000)

1. Basic elements of the standalone financial statements

1.1. Standalone statements of comprehensive income for the year ended 31 December 2023

	Note	*year ended as at 31 December 2023*	*31 December 2022*
Continued activities			
Sales revenues	**3.2.1.**	**568 736**	**510 920**
Cost of sales	**3.2.6.**	392 426	394 835
Gross profit from sales		**176 310**	**116 085**
Dividend income		45 670	31 375
Other operating revenues	**3.2.2.**	1 727	2 888
Selling costs	**3.2.6.**	27 346	25 280
General administrative costs	**3.2.6.**	78 644	62 423
Other operating expenses	**3.2.3.**	5 759	4 651
Profit from operating activities		**111 958**	**57 994**
Financial revenues	**3.2.4.**	3 568	3 536
Financial expenses	**3.2.5.**	39 632	35 806
Gross profit		**75 894**	**25 724**
Income tax	**3.4**	6 367	2 116
Net profit for the period		**69 527**	**23 608**
Other comprehensive income that is not reclassified to profit /(loss):	**3.3**	**(355)**	**1 364**
Actuarial gains (losses) for defined benefit plans		(595)	1 114
Change in fair value of financial instruments measured at fair value through other comprehensive income		240	250
Other comprehensive income that can be reclassified to profit /(loss):		**(262)**	**12**
Cash flow hedge		(262)	12
Other net comprehensive income (losses)		**(617)**	**1 376**
COMPREHENSIVE INCOME FOR THE PERIOD		**68 910**	**24 984**
Profit (loss) per share:	**3.5**		
- basic, from profit for the reporting period		5.51	1.87
- basic, from profit on continued operations for the reporting period		5.51	1.87
- diluted, from profit for the reporting period		5.51	1.87
- diluted, from profit on continued operations for the reporting period		5.51	1.87

(in PLN '000)

1.2. Standalone statements of financial position as at 31 December 2023

	Note	31 December 2023	31 December 2022
ASSETS			
Fixed assets		**657 287**	**659 754**
Tangible fixed assets	**3.7**	423 732	422 896
Intangible assets	**3.9**	31 987	33 360
Shares and interests in other entities	**2.1.5. 3.10**	201 476	202 856
Long-term receivables	**3.8**	92	642
Current assets		**175 380**	**173 054**
Inventory	**3.12**	88 071	84 185
Trade and other receivables	**3.8; 3.13**	72 617	76 879
Income tax receivables		13 947	10 443
Cash and cash equivalents	**3.14; 3.23.3.**	745	1 547
TOTAL ASSETS		**832 667**	**832 808**
LIABILITIES			
Equity		**266 850**	**223 175**
Share capital	**3.15**	12 618	12 618
Revaluation reserve	**3.15**	88	110
Retained earnings	**3.15**	254 144	210 447
Long-term liabilities		**415 378**	**473 549**
Interest-bearing loans and borrowings	**3.16**	402 239	464 472
Provisions for employee benefits	**3.11**	4 316	2 980
Lease liabilities	**3.8**	1 733	1 694
Provision for deferred income tax	**3.4.3.**	7 090	4 403
Short-term liabilities		**150 439**	**136 084**
Trade and other liabilities	**3.17**	63 491	69 509
Current portion of interest-bearing loans and borrowings	**3.16**	75 417	58 094
Lease liabilities	**3.8**	393	288
Liabilities under option	**3.19**	8 890	6 860
Provisions for employee benefits	**3.11**	2 248	1 333
Total liabilities		**565 817**	**609 633**
TOTAL LIABILITIES		**832 667**	**832 808**

(in PLN '000)

1.3. Standalone statements of cash flows for the year ended 31 December 2023

Cash flows from operating activities	***Note***	***year ended as at 31 December 2023***	***31 December 2022***
Profit before tax		**75 894**	**25 725**
Adjustments:		**15 621**	**21 579**
Depreciation of PP&E, intangible assets and investment properties		25 005	21 208
(Profit) loss on investing activities		(385)	2 105
Exchange difference		(1 068)	(3 754)
Net interest		37 740	33 396
Dividends received		(45 671)	(31 375)
Operating cash before changes to working capital		**91 515**	**47 304**
Movement in inventories		(3 887)	13 664
Movement in receivables	3.18	4 245	19 427
Movement in liabilities	3.18	11 232	9 021
Movement in provisions	3.18	1 595	(2 960)
Cash generated by operating activities		104 700	86 457
Income tax paid		(23 200)	(12 531)
Net cash from operating activities		**81 500**	**73 925**
Cash flows from investing activities			
Proceeds from disposal of PP&E and investment properties		307	281
Expanses related to acquisition of PP&E and intangible assets		(21 672)	(50 636)
Expanses related to acquisition of shares and stocks		-	(125)
Proceeds from sale of shares		158	120
Expenses related to loans granted		(3 000)	-
Proceeds from repayment of loans and borrowings		3 008	-
Interest received		43	-
Dividends received		45 630	31 008
Net cash used in investing activities		**24 474**	**(19 352)**
Cash flows from financing activities			
Proceeds form loans and borrowings raised		261 126	359 008
Repayment of loans and borrowings		(301 410)	(359 226)
Repayment of liabilities on account of finance leases		(349)	(255)
Interest		(40 907)	(28 329)
Dividends		(25 236)	(31 543)
Net cash from financing activities		**(106 776)**	**(60 345)**
Net increase (decrease) in cash and cash equivalents		(802)	(5 772)
Cash and cash equivalents at the beginning of the period		1 547	7 319
Cash and cash equivalents at the end of the period		**745**	**1 547**

(in PLN '000)

1.4. Standalone statements of changes to equity for the year ended as at 31 December 2023

		Share capital	*Retained earnings*	*Revaluation reserve*	*Total equity*
As at 1 January 2023	**Note**	**12 618**	**210 447**	**110**	**223 175**
Net profit (loss) for the period		-	69 527	-	69 527
Other net comprehensive income for the period		-	(595)	(22)	(617)
Comprehensive income for the period		**-**	**68 932**	**(22)**	**68 910**
Dividend payment	**3.6**	-	(25 235)	-	(25 235)
As at 31 December 2023		**12 618**	**254 144**	**88**	**266 850**
					-
					-
As at 1 January 2022		**12 618**	**217 268**	**- 152**	**229 734**
Net profit for the period		-	23 608	-	23 608
Other net comprehensive income for the period		-	1 115	262	1 377
Comprehensive income for the period		**-**	**24 723**	**262**	**24 985**
Dividend payment	**3.6**	-	(31 544)	-	(31 544)
As at 31 December 2022		**12 618**	**210 447**	**110**	**223 175**

2. General information and accounting principles (policies)

2.1. General information

2.1.1 Company information

The standalone financial statements of Fabryka Farb i Lakierów Śnieżka SA cover the year ended as at 31 December 2023 and contain comparable data for the year ended as at 31 December 2022.

Fabryka Farb i Lakierów „Śnieżka" S.A. ("Company", "Entity") was established by virtue of Notarial Deed as of 16 January 1998. The registered office of the Company is Warsaw, ul. Chłodna 51, 00-867 Warsaw.

The 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 Company was formed for an unspecified time.

The Company's core scope of activity is manufacture of paints, varnishes and alike coatings as well as adhesives.

According to WSE classification the entity operates in the chemical industry.

2.1.2 Identification of the consolidated financial statements

The Company prepared the consolidated financial statements for the year ended as at 31 December 2023, which was approved to be published on 26 March 2024.

2.1.3 The composition of the Management Board

The Management Board of the Company as at 31 December 2023 and the day of preparing the statements was composed of:

- ✓ Piotr Mikrut - President of the Management Board,
- ✓ Witold Waśko – Vice President of the Management Board, CFO,
- ✓ Joanna Wróbel-Lipa– Vice President of the Management Board, Sales Director,
- ✓ Zdzisław Czerwiec - Vice President of the Management Board, Supply Chain Management Director

In the period from 31 December 2023 to the approval of the statements the composition of the parent company's Management Board was not subject to change.

2.1.4 Approval of the financial statements

The standalone financial statements were approved by the Management Board to be published on 26 March 2024.

(in PLN '000)

2.1.5 Company's investments

The Company holds investments in the following subsidiaries and affiliates:

Subsidiary	***Headquarters***	***The core scope of activity***	***Percentage share***	
			31 December 2023	***31 December 2022***
Śnieżka Ukraina Sp. z o.o.	Yavoriv Prywokzalna 1A,	manufacture of paints, varnishes, solvents, mortars, putties etc., wholesale and retail sale of construction materials	83.48%	83.48%
Limited liability company (OOO) Śnieżka BelPol	Zhodzina Dorożnaja 3/1,	manufacture of paints, varnishes, solvents, wholesale and retail sales of construction materials, road transport	100.00%	100.00%
Śnieżka Trade of Colours Sp. z o.o.	Warsaw, ul. Chłodna 51	marketing and sales of products, including the development and implementation of strategic solutions in the said areas as well as conducting and supervising operational activities in all markets where the Group conducts its operations.	100.00%	100.00%
Radomska Fabryka Farb i Lakierów SA	Radom, ul. Czarna 29	manufacture and sale of anti-corrosive products	94.15%	94.15%
Poli-Farbe Vegyipari Korlátolt Felelősségű Társaság	Hungary	manufacture of paints, varnishes, solvents, mortars, putties etc., wholesale and retail sale of construction materials	80.00%	80.00%

Affiliate	***Headquarters***	***The core scope of activity***	***% share of the Company in capital***	
			31 December 2023	***31 December 2022***
Plastbud Sp. z o.o.	Pustków 604, Poland	manufacture of resins, pigments	10.07%	10.07%

As at 31 December 2023 and 31 December 2022 the share in the total number of votes held by the Company in subsidiaries is equal to the share of the Company in the share capitals of such entities. The exception is Rafil company, where the Issuer as at 31 December 2022 held 90.62% of votes at the general meeting of Radomska Fabryka Farb i Lakierów SA. As at the above date the shares owned by the Issuer corresponded in total to 92.11% of the share capital of Radomska Fabryka Farb i Lakierów SA.

2.1.6 The basis for preparation of the standalone financial statements

The standalone financial statements were prepared in accordance with the historical cost principle, except for equity instruments measured at fair value through other comprehensive income.

The standalone financial statements were presented in Polish currency, i.e. PLN, and all values, unless stated otherwise, are provided in PLN' 000.

The standalone financial statements were prepared assuming that the Company 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 standalone financial statements, there is no evidence indicating that the Company 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 2023.

2.1.7 Declaration of compliance

The standalone 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 standalone 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 Company, 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")

2.1.8 Functional and financial report currency

Functional and financial report currency of the Company to these standalone financial statements is PLN.

2.2. Significant values based on professional judgement and estimate

The preparation of standalone financial statements requires the application of accounting estimates which, by definition, will rarely reflect the actual performance. 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 Company adopted estimates and assumptions related to the future on the basis of knowledge possessed during the preparation of the standalone financial statements. The estimates and assumptions may be subject to change due to events in the future resulting from market changes or changes being beyond the Company's control. Such changes are reflected in estimates and assumptions when they occur. In the period of 12 months ended 31 December 2023, there were no significant changes in the estimates and the methodology of making estimates.

The Management Board of the Company assessed the magnitude of the armed conflict in Ukraine on the future performance of the Company. The Company 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. Valuation of provisions for employee benefits

Valuation of provisions for employee benefits was calculated by actuarial method. The assumptions made for that purpose have been detailed in note 3.11.

2.2.2. Deferred tax assets

The Company recognizes the items of deferred tax assets basing on the assumption that in the future the tax gains will allow for its use. Deterioration of the future tax gains can cause that this assumption may be unreasonable.

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.

2.2.3. Depreciation rates

The amount of depreciation rates is determined on the basis of expected useful life of tangible non-current assets and intangible assets. PP&E, relatively their material and separate parts are depreciated according to the equal instalment method in their useful lives. Depreciation write-offs are conducted for as long as the closing value of an asset does not exceed its carrying amount. The Company 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 Company's gross bottom line would deteriorate by PLN 6,074 thousand in 2023.

2.2.4. Write-off of receivables

In order to determine the expected credit losses in relation to trade receivables, the Company applies the simplified approach provided for in IFRS 9, which consists in creating write-offs for expected credit losses throughout its life in relation to all trade receivables, hence the Company classified trade receivables to 2 and 3 level. For trade receivables, a simplified matrix of write-offs 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. The assumptions made for that purpose have been detailed in note 3.13.

2.2.5. Inventory write-off

In order to present the actual value of inventories, in accordance with the accounting policy, the Company creates revaluation write-offs 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 3.12.

2.2.6. Impairment of shares in subsidiaries in Ukraine and Belarus

Due to the war in Ukraine that has been going on for 2 years and the introduction of further legal restrictions in Belarus, premises occurred indicating the need to conduct impairment tests of fixed assets in subsidiaries located in Ukraine and Belarus in accordance with IAS 36 "Impairment of assets". The impact of the armed conflict in Ukraine on subsidiaries is presented in detail in note 3.26 Following the tests, a result was obtained indicating impairment of shares in the Belarusian subsidiary and no impairment in the Ukrainian one.

The key assumptions regarding the conducted impairment test for shares in Ukraine and Belarus are presented below, which require the management's judgment.

Shares in the Ukrainian subsidiary:

The recoverable amount 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 2024. Whereas, flows for the years 2025-2028 are extrapolated using estimated growth rates.

The tested value is the value of shares in Sniezka-Ukraina, which as at 31 December 2023 amounts to PLN 17,217 thousand. The recoverable value of the shares based on the tests carried out, converted into PLN as at 31 December 2023, is PLN 33,667 thousand.

The following assumptions were adopted:

- weighted average cost of capital (WACC) assumed at 41.3%;

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 72%, an impairment of share value is recorded.

- the average growth rate of free flows in the analysis period is 14.8%;
  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 14.8%, 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 Company and 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 0.1141 with a subsequent change by the inflation rate

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 armed conflict lasting over two years, the Ukrainian market is less stable, therefore the Company anticipates the possibility of major changes in parameters, as shown in the table below.

The sensitivity analysis of the recoverable amount of shares in Snieżka-Ukraina to changes in the main assumptions adopted in the test is presented in the table below:

		Equity Value (DCF)		
Change parameters	scope of changes %	Recoverable amount (PLN thousand)	% of change	test result
INCREASE by the number of percentage points	"+"			
Discount rate	4.0%	30 165	-10.4%	no impairment
FCF growth rate after the analysis period	1.0%	33 967	0.9%	no impairment
Income tax rate	1.0%	33 234	-1.3%	no impairment
INCREASE by the percentage indicated				
EBIT change level	5.0%	35 443	5.3%	no impairment
Changes in currency exchange rates	11.0%	45 742	35.9%	no impairment
DECREASE by the number of percentage points	"-"			
Discount rate	-4.0%	38 023	12.9%	no impairment
FCF growth rate after the analysis period	-1.0%	33 382	-0.8%	no impairment
Income tax rate	-1.0%	34 100	1.3%	no impairment
DECREASE by the percentage indicated				

(in PLN '000)

EBIT change level	-5.0%	31 892	-5.3%	no impairment

<u>Shares in the Belarusian subsidiary:</u>

Due to the introduction of further legal restrictions in Belarus, external premises occurred indicating the need to conduct impairment tests for shares in subsidiary located in Belarus in accordance with IAS 36 "Impairment of assets". Following the test, a result was obtained indicating impairment of the shares. Therefore, the Company recognized an impairment loss on these assets in the standalone financial statements for 2023.

The recoverable amount 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 2024. Whereas, flows for the years 2025-2028 are extrapolated using estimated growth rates.

The following assumptions were adopted:

- weighted average cost of capital (WACC) assumed at 29.8%;
- the average growth rate of free flows in the analysis period is 56.7% in line with the Company and Group's expectations and the capabilities of the Belarusian market;
- the average EBIT% margin (calculated as EBIT/sales revenues) for the entire analysis period is 4.11%, 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 Company and Group's assumptions regarding the investment volume in the following years;
- the effective tax rate was assumed at 18% based on the current tax rate in Belarus;
- 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 1.3926 with a subsequent change by the inflation rate

The tested value accounts for the value of the shares in the Belarusian subsidiary - BelPol, which as at December 31, 2023 amounts to PLN 2,275 thousand, while the recoverable value converted into PLN as at December 31, 2023 is PLN 654 thousand. Therefore, in the financial statements for 2023, the Company recognized an impairment loss of these shares in the amount of PLN 1,621 thousand.

The table below presents the sensitivity analysis of the recoverable amount of shares in BelPol:

		Equity Value (DCF)		
Change parameters	scope of changes %	Recoverable amount (PLN thousand)	% of change	test result
INCREASE by the number of percentage points	"+"			
Discount rate	2.0%	611	-6.7%	impairment in the amount = PLN -1,664 thousand
FCF growth rate after the analysis period	1.0%	666	1.7%	impairment in the amount = PLN -1,609 thousand
Income tax rate	1.0%	648	-0.9%	impairment in the amount = PLN -1,626 thousand
INCREASE by the percentage indicated				
EBIT change level	5.0%	679	3.8%	impairment in the amount = PLN -1,596 thousand
Changes in currency exchange rates	10.0%	868	32.6%	impairment in the amount = PLN -1,407 thousand
DECREASE by the number of percentage points	"-"			
Discount rate	-2.0%	706	7.9%	impairment in the amount = PLN -1,596 thousand
FCF growth rate after the analysis period	-1.0%	644	-1.6%	impairment in the amount = PLN -1,631 thousand
Income tax rate	-1.0%	660	0.9%	impairment in the amount = PLN -1,614 thousand
DECREASE by the percentage indicated				
EBIT change level	-5.0%	630	-3.8%	impairment in the amount = PLN -1,645 thousand

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

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

Pursuant to the agreement of acquiring 80% shares in Poli-Farbe, the Sellers are entitled to put option, under which, 2 years after the completion of the first stage of the Transaction, Śnieżka will be obliged to acquire, at the Sellers' request, the remaining 20% shares in Poli-Farbe in one or several transactions - under condition that the Sellers must present for sale at least 5% shares. The put option is unlimited in time. The terms of the option are fixed, included in the contract and are not subject to change.

Implementation of the above-mentioned option will be available at a price equal to the higher of the following two values:

- 20% of the value of Poli-Farbe shares (the base value for the calculation will be 8 times the average of EBITDA operating profit from the last two years preceding the Transaction less the net financial standing - understood as the debt amount less the cash amount), or

(in PLN '000)

- HUF 2 billion, less the amount paid to the Sellers by Poli-Farbe of an extraordinary dividend (in the amount of two hundred million HUF), i.e. HUF 1.8 billion.

The fair value of the underlying asset was calculated based on the acquisition of 80% shares in Poli-Farbe as of May 2019. Poli-Farbe company is not a listed entity. The exercise price was calculated based on the EBITDA forecast (calculated as operating profit plus depreciation) and net debt based on financial budgets for 2024-2028 approved by the management. Based on the EBITDA forecast and net debt, assuming a 3% increase in EBITDA in subsequent years, it was assumed that the most favourable period for the exercise of the option will be 2024-2026 and thus the value resulting from the possible measurement of the option was based on the average of these years. When calculating the option measurement a 5.943% discount rate (risk-free rate in Hungary) was adopted.

A sensitivity analysis of the option liability shows:

- if the discount rate changes by 2% in relation to the base value of the discounted liability it will change by approx. PLN 0.45 mln.
- if the discount rate changes by 5% in relation to the base value of the discounted liability it will change by approx. PLN 0.1 mln.

The table of movements in liabilities for options in 2023 and 2022 is as follows:

As at 1 January 2023	**6 860**
Liability increase - valuation	2 030
As at 31 December 2023	**8 890**

As at 1 January 2022	**6 080**
Liability increase - valuation	780
As at 31 December 2022	**6 860**

2.2.8. Judgment regarding the possible effects of a tax audit

The management board of the company assessed the issue concerning the presentation of the results of the customs and tax audit 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 and 2017. The issues regarding the result of this inspection and the method of recognizing the liability for corporate income tax arrears are described in note 3.20.2

2.3. Amendments to applicable accounting principles

2.3.1 New standards applied for the first time.

In these standalone financial statements, the following new and amended standards and interpretations, which came into force on January 1, 2023, were applied for the first time:

a) ISFR 17 "Insurance contracts" and amendments to ISFR 17

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on May 18, 2017 while the amendments to IFRS 17 were announced on June 25, 2020.

IFRS 17 Insurance Contracts was replaced by the previously applicable IFRS 4, which allowed for various practices in the settlement of insurance contracts. The new standard fundamentally changes the accounting of all entities dealing with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies, and contracts concluded by entities other than insurance companies may also contain an element meeting the definition of an insurance contract (as defined in IFRS 17).

b) Amendments to ISFR 17 "Insurance contracts"

The amendment refers to transitional requirements in connection with the first-time application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments". The purpose of the amendment is to ensure the usefulness of financial information for investors during the first application of the new standard by introducing certain facilitations in relation to the presentation of comparative data.

It applies only to the application of the new IFRS 17 standard and does not affect any other requirements contained in IFRS 17.

c) Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board regarding disclosures of accounting policies in practice

The amendment to IAS 1 introduces the requirement to disclose material information regarding accounting principles that are defined in the standard. The amendment clarifies that information about accounting policies is material if, in its absence, users of the financial statements would not be able to understand other material information contained in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been amended to provide guidance on the application of the concept of materiality to accounting disclosures.

d) Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"

In February 2021, the Board published an amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors" regarding the definition of accounting estimates. The amendment to IAS 8 explains how entities should distinguish changes in accounting principles from changes in accounting estimates.

e) Amendments to IAS 12 "Income taxes"

The amendments to the standard published in 2021 define how to settle deferred tax on transactions such as leasing and decommissioning liabilities. Prior to the amendment to the standard, there was uncertainty as to whether the recognition of equal amounts of assets and liabilities for accounting purposes (e.g. initial recognition of a lease) without affecting current tax settlements necessitates the recognition of deferred tax balances or whether the so-called initial recognition exemption, which states that deferred tax balances are not recognized if the recognition of assets or liabilities does not affect the accounting or tax result at the time of recognition. The amended IAS 12 regulates this issue by requiring the recognition of deferred tax in the above scenario by introducing an additional provision that initial recognition exemption does not apply if the entity simultaneously recognizes an asset and an equivalent liability and each of them creates temporary differences.

Amendments were introduced in the presented accounting policies resulting from the amendment to IAS 1 "Presentation of financial statements" and the guidelines of the IFRS Board regarding disclosures regarding accounting policies in practice. The other aforementioned amendments did not have a significant impact on the financial situation or performance of the Company.

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 as at December 31, 2023 and had not been previously adopted by the Company. In the Company's opinion, these standards, amendments and interpretations will not have a significant impact on it in the current or subsequent reporting periods:

a) Amendments to IFRS 16 "Leases"

b) Amendments to IAS 1 "Presentation of financial statements"

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

d) Amendments to IAS 21 "The effects of changes in foreign exchange rates"

e) IFRS 14 "Regulatory deferral accounts"

f) Amendments to IFRS 10 and IAS 28 regarding the sale or transfer of assets between an investor and its affiliates or joint ventures.

2.4. Significant accounting principles

2.4.1 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 standalone 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:

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

The Company measures financial instruments such as shares in other entities at fair value. Shares in the capital of other entities include equity instruments of other entities that do not give control, joint control or significant influence on those entities. Shares in other entities are initially recognized at fair value, increased by transaction costs. In subsequent periods, they are recognized at fair value.

After initial recognition, the Company measures all investments in equity instruments at fair value.

For all investments held, the Company selected an option to present gains and losses on changes in the fair value of equity instruments in other comprehensive income. In the event of such a choice, gains and losses arising from changes in fair value are not subsequently reclassified to the financial result when the investment is derecognised.

Shares in other entities are level 2 in the fair value hierarchy.

2.4.2 Foreign currency translation

Transactions in foreign currency are recognized initially by the Company in functional currency (PLN), applying spot foreign exchange to translate the amount in foreign currency. It's an average NBP exchange for a particular currency as of the last business day preceding the date of currency transaction conclusion.

As at the balance sheet date:

- cash items in foreign currency are translated by applying closing quote for a particular currency. Closing rate is the spot exchange rate at the balance sheet date. (The Company adopts an average NBP exchange rate as of 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 in the result of the period they occur, while favourable exchange rate variances increase financial revenues of a particular period, unfavourable exchange rate variances increase financial costs of a particular period.

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

(in PLN '000)

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

	29 December 2023	*30 December 2022*
USD	3.9350	4.4018
EUR	4.3480	4.6899
UAH	0.1037	0.1258
BYN	1.2955	1.2955
100 HUF	1.1359	1.1718

2.4.3 Tangible fixed assets

The elements of tangible fixed assets are recognized on the basis of their acquisition price or estimated manufacturing cost, decreased by cumulated amortisation/ depreciation write-offs 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 Company applies a capitalization rate of 6% to 7% applies a capitalization rate of 1% to 2% 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-offs are commenced when a particular fixed asset is complete and fit for use. Depreciation write-offs are 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**	**Period**
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 entity verifies utilization periods as well as residual value of tangible fixed assets on an annual basis.

2.4.4 Intangible assets

Expenditures incurred on intangible assets that were acquired in a separate transaction are valued at the initial recognition at purchase price less impairment write-off. These expenditures are recognized as intangible assets under construction until their completion and recognition as intangible assets. The main reason of performing write-offs 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 Company 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 amortisation of intangible assets with a definite useful life are verified at least as at the end of each reporting period.

(in PLN '000)

A summary of the policies applied to the Company's intangible assets is as follows:

	Patents and licences	*Computer software*	*Other e.g. copyrights, licences*
Useful time	Indefinite. In case of patents and licenses utilised by virtue of agreement for definite period of time, such time is adopted considering additional period for which their use can be extended.	2-10 years	2-10 years
Applied method depreciation	Assets that have an indefinite useful life are not subject to depreciation and revaluation. Depreciated over the duration of the contract (2-10 years) -straight-line method.	2-10 years straight-line method	2-10 years straight-line method
Internally produced or acquired	Acquired	Acquired	Acquired
The impairment test	Annual appraisal whether grounds for possible impairment loss occurred.	Annual appraisal whether grounds for possible impairment loss occurred.	Annual appraisal whether grounds for possible impairment loss occurred.

2.4.5 Leasing

The Company as a lessee

The Company leases land, office space and means of transport. Contracts are usually concluded for a period of 3 to 5, 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 leasing interest rate. If the rate cannot be readily determined - as is the case of most of the Company's leases - the lessee'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 Company 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 2023, the entity concluded leaseback agreements for the equipment of the logistics centre (agreements concluded in 2022).

The Company classifies machinery and equipment leased back as property, plant and equipment due to the fact that the concluded 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 leaseback agreement. Leaseback liabilities are presented as financial liabilities in the item "Loans and advances" as the concluded agreement is a financing agreement.

The Company 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 entity 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).

Lease agreements concluded by the Company with the lessee, according to which the entire risk and benefits resulting from holding assets are transferred to the lessee, are classified as financial lease agreements and presented as receivables in the amount equal to the net lease investment.

2.4.6 Impairment of non-financial non-current assets

As at each balance sheet date the entity 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 Company estimates the recoverable amount for a given asset or a cash-generating unit the asset is allocated to.

2.4.7 Shares and stocks in subsidiaries and associates

Shares and stocks in subsidiaries and associates are recognized in accordance with historical costs, after taking into account revaluation write-offs. In the event of share sales, the sales value of shares is calculated on the basis of average weighted price.

2.4.8 Financial assets

Financial assets are classified in the following categories:

- Financial assets measured at amortized cost - the Company classifies "Trade and other receivables" and "Cash and cash equivalents" into this category.
- Financial assets measured at fair value through other comprehensive income. This category includes "Shares and stock in other entities" not included in 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 Company as at 31 December 2023 are presented in note 3.10.

2.4.9 Impairment of financial assets

Impairment of financial assets at amortized cost the Company 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 Company 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 Company applies a write-off matrix in which write-offs are calculated for trade receivables classified to different age ranges or overdue periods.

In order to determine the general failure ratio, an analysis of non-recoverability is carried out for the last 3 years preceding the year (receivables were analysed as one homogeneous portfolio of clients) for which the standalone financial statements are prepared. Failure ratios 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.
The Company analysed the receivables as at December 31, 2023 and concluded that the risk of bad debt is close to 0. This conclusion stems from the changes in the sales within the Company, i.e. the main client of the Company is Śnieżka ToC, which settles payments in a timely manner, more on this subject in note 3.23. Objectives and principles of financial risk management.

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 90 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 Company 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.

2.4.10 Hedge accounting

The Company 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 3.23.2.

2.4.11 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 and goods - purchase price, whereas the outlaws are valued according to average weighted 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-off is created for excessive or non-tradable inventories. Verification of accumulated inventories and their rotation is conducted regularly on a quarterly basis.

Advances on deliveries are recognized in 'Inventory' item by the Company.

2.4.12 Trade and other receivables

Trade receivables include amounts due from customers for goods sold or services rendered in the ordinary course of business. They usually have a maturity of 60 days and are therefore classified as short-term. Trade receivables are initially recognized in the amount of unconditionally due remuneration. The Company 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 2.2.4. and 3.13.

2.4.13 Cash and cash equivalents

In the standalone statements 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 with a repayment period of up to one year are presented in the balance sheet as short-term liabilities as a component of loans and borrowings, while those with a longer repayment period are presented in long-term liabilities.

2.4.14 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 Company 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.

2.4.15 Trade and other liabilities

These amounts represent unpaid liabilities for goods and services that the Company received before the end of the financial year. These amounts are not hedged and are typically repaid within 53 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.

2.4.16 Provisions

Provision is recognized in the case when the Company 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 entity as a result of the contract are lower than the costs of fulfilling the contractual liability that cannot be avoided. The Company applies division into long and short-term provisions.

2.4.17 Employee benefits

According to the company remuneration schemes, employees of the Company are entitled to jubilee bonuses and retirement severance pay. Jubilee bonuses are payable to those employees who worked a specified number of years. Retirement severance pay is payable on a one-off basis, when an employee retires. The amount of retirement severance pay and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The present value of those liabilities is estimated at the end of each reporting year by an independent 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.

2.4.18 Liabilities under option to acquire shares

The Company adopted a simplified valuation method consisting in analysing only the intrinsic value of the option without taking into account the time value. In order to determine the intrinsic value, the Company estimated the fair value of the underlying asset as well as calculated the exercise price. The put option valuation was included in the standalone financial statements in the amount of the option premium constituting the differences between these values.

As of the date of the initial recognition of the put option, it is recognized in the report under "Shares and stocks in other entities" and on the other side as "Liabilities under options". As at each balance sheet date after the initial recognition, the Company values put options, updating the EBITDA forecast, the debt and the discount rate. The value of the liability under the put option, valued as at each balance sheet date after the initial recognition, is referred to in the statement of comprehensive income in the part relating to other operating income or costs.

2.4.19 Revenues

The Company generates revenues mainly from the sale of manufactured products (paint and varnish products), goods and materials, and obtains revenues from services rendered. Manufactured products, goods and advertising materials are sold mainly to the subsidiary Śnieżka ToC So. z o.o., which, in accordance with the group's developed operating model, is responsible for their distribution. Revenues from the sale of products and goods are recognized by the Company when control over these products is transferred, i.e. when they are released from the warehouse (INCOTERMS EXW). The Company also sells production materials (raw materials) to subsidiaries. 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.

The transaction price is determined on the basis of price lists. An average period of crediting customers is up to 60 days and is in line with market practice, therefore, no significant financing element is identified.

The Company'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.

2.4.20 Taxes

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 the TCG. The balance of these settlements between the companies as at the balance sheet date is presented in the standalone statement of financial position in the item "Trade and other receivables" or in "Trade payables and other liabilities".

In the relationship between TCG and the tax office, FFiL Śnieżka SA, as the company representing TCG, reports the entire income tax calculated for TCG in the standalone financial statement in the item "Income tax receivables" or "Income tax liabilities". In the standalone cash flow statement, the "Income tax paid" item presents the amount of payments made to the tax office by the Company on behalf of the entire TCG.

Deferred tax

The concluded TCG agreement does not affect the method of recognizing deferred tax 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).

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 value added tax recoverable or payable to the tax authorities is recognized in the standalone statements of financial position as part of receivables or liabilities.

2.4.21 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 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 Company do not occur.

2.4.22 Equity

The Company's share capital is recognized at nominal value. The details on equity are provided in note 3.15.

2.4.23 Dividends

The Company 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.

2.4.24 Method of preparing the cash flows statement

Cash flow statements are prepared using the indirect method.

2.4.25 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).

3. EXPLANATORY NOTES

3.1. 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 Company 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. Financing of the Company (including finance costs and revenues) and corporate income tax are monitored at the Company's level and is not allocated to segments.

Transactional prices are applied for transactions among operating segments and fixed at arm's length basis as in transactions with non-related entities. Segment outcome is calculated by reducing own cost of sale and part of cost sale from revenues from sales (mainly marketing and transportation costs), attributable to particular segments.

Non-allocated costs include total overheads, as well as this part of sale costs which cannot be attributed directly to individual segments.

The purpose of calculating outcome 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 attributed by the Company to a individual segment, are subject to analysis of the Management.

Assets allocated to segments are as follows:

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

Liabilities allocated are trade and other liabilities.

(in PLN '000)

Segment results ***for the period of 12 months ended as at 31 December 2023***	***Continued operations***					***Total operations***
	Poland	***Hungary***	***Ukraine***	***Other***	***Total***	
Segment revenues, including:	**554 997**	**1 565**	**11 678**	**496**	**568 736**	568 736
Revenues from sale of products	481 055	231	2	49	481 337	481 337
Revenues from sale of goods	33 434	-	-	-	33 434	33 434
Revenues from sale of materials	10 418	735	7 528	398	19 079	19 079
Sales revenues from sale of services	30 090	599	4 148	49	34 886	34 886
Total segment revenues	**554 997**	**1 565**	**11 678**	**496**	**568 736**	**568 736**
Segment results	**170 682**	**628**	**1 726**	**(179)**	**172 857**	172 857
Non-allocated selling costs						23 893
General expenses	78 644	-	-	-	78 644	78 644
Other revenues and operating costs	(4 032)	-	-	-	(4 032)	(4 032)
Dividend income	45 670	-	-	-	45 670	45 670
Profit from operating activities						**111 958**
Interest revenue	682	-	-	-	682	682
Interest expenses	39 633	-	-	-	39 633	39 633
Other financial income and expenses	2 887	-	-	-	2 887	2 887
Profit before tax						**75 894**
Income tax						6 367
Net profit						**69 527**

The Company did not discontinue operations in the reporting period

(in PLN '000)

Segment results ***for the period of 12 months ended as at 31 December 2022***	***Continued operations***					***Total operations***
	Poland	***Hungary***	***Ukraine***	***Other***	***Total***	
Segment revenues, including:	**499 255**	**2 642**	**8 391**	**632**	**510 920**	510 920
Revenues from sale of products	424 399	-	32	404	108 259	108 259
Revenues from sale of goods	32 349	-	-	-	9 286	9 286
Revenues from sale of materials	12 318	2 527	7 522	158	7 346	7 346
Sales revenues from sale of services	30 189	115	837	70	7 321	7 321
Total segment revenues	**499 255**	**2 642**	**8 391**	**632**	**510 920**	**510 920**
Segment results	**111 224**	**(55)**	**1 169**	**(170)**	**112 168**	112 168
Non-allocated costs						**21 363**
General expenses	62 423	-	-	-	62 423	62 423
Other revenues and operating costs	(1 763)	-	-	-	(1 763)	(1 763)
Dividend income	31 375	-	-	-	31 375	31 375
Profit from operating activities						**57 994**
Interest revenue	343	-	-	-	343	343
Interest expenses	35 806	-	-	-	35 806	35 806
Other financial income and expenses	3 193	-	-	-	3 193	3 193
Profit before tax						**25 724**
Income tax						2 116
Net profit						**23 608**

The Company did not discontinue operations in the reporting period

(in PLN '000)

Other information regarding segments at 31 December 2023

	Poland	*Hungary*	*Ukraine*	*Other*	*Total*
Segment's assets	**702 266**	**107 882**	**17 486**	**960**	**832 667**
Tangible fixed assets	423 732	-	-	-	423 732
Intangible assets	31 987	-	-	-	31 987
Trade and other receivables	67 405	657	269	305	68 636
Income tax receivables	13 947				13 947
Investment in other entities	76 379	107 225	17 217	655	201 476
Inventory	88 071	-	-	-	88 071
Cash and cash equivalents	745	-	-	-	745
Non-allocated entity's assets	-	-	-	-	4 073
Segment liabilities	**33 049**	**-**	**-**	**8 426**	**832 667**
Trade and other liabilities	33 049		-	8 426	41 475
Non-allocated company's liabilities	-	-	-	-	791 192

Other information regarding segments as at 31 December 2022

	Poland	*Hungary*	*Ukraine*	*Other*	*Total*
Segment assets	**701 923**	**107 369**	**17 255**	**3 221**	**832 808**
Tangible fixed assets	422 896	-	-	-	422 896
Intangible assets	33 360	-	-	-	33 360
Trade and other receivables	73 353	144	38	946	74 481
Income tax receivables	10 443	-	-	-	10 443
Investment in other entities	76 139	107 225	17 217	2 275	202 856
Inventory	84 185	-	-	-	84 185
Cash and cash equivalents	1 547	-	-	-	1 547
Non-allocated entity's assets	-	-	-	-	3 040
Segment liabilities	**38 679**	**413**	**-**	**14 695**	**832 808**
Trade and other liabilities	38 679	413	-	14 695	53 787
Non-allocated company's liabilities	-	-	-	-	779 021

(in PLN ‘000)

3.2. Revenues and expenses

3.2.1 Sales revenues

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

	year ended 31 December 2023	***year ended 31 December 2022***
Revenues from sale of products	481 337	424 835
Sales revenues from sale of services	34 886	31 212
Revenues from sale of goods	33 434	32 349
Revenues from sale of materials	19 079	22 525
Sales revenues	**568 736**	**510 920**

The breakdown of revenues into product segments is presented in the table below:

	year ended 31 December 2023	***year ended 31 December 2022***
Decorative products	446 575	384 903
Construction chemicals	34 579	39 752
Industrial products	183	179
Goods	33 434	32 349
Sale of services	34 886	31 212
Materials	19 079	22 525
Total revenues by product segments	**568 736**	**510 920**

3.2.2 Other operating revenues

	year ended 31 December 2023	***year ended 31 December 2022***
Compensations	1 112	2 552
Gain on disposal of non-financial fixed assets	237	-
PFRON relief	214	169
Other	164	167
Other operating revenues	**1 727**	**2 888**

(in PLN '000)

3.2.3 Other operating expenses

	year ended 31 December 2023	***year ended 31 December 2022***
Revaluation of non-financial assets	-	1 768
Loss on sales of tangible fixed assets	-	337
Impairment write-off on receivables	1	896
Valuation of the option to purchase shares in a subsidiary	2 030	780
Donations	888	745
Write-down of shares	1 620	-
Costs related to removal of fortuitous events	897	55
Other	323	70
Other operating expenses	**5 759**	**4 651**

3.2.4 Financial revenues

	year ended 31 December 2023	***year ended 31 December 2022***
Interest revenue	682	343
Foreign exchange gains	2 315	2 892
Cash discounts received	571	301
Total financial revenues	**3 568**	**3 536**

3.2.5 Financial expenses

	year ended 31 December 2023	***year ended 31 December 2022***
Interest, commission on bank loans and borrowings	39 632	35 806
Total financial expenses	**39 632**	**35 806**

(in PLN '000)

3.2.6 Expenses by type

	Note	*year ended 31 December 2023*	*year ended 31 December 2022*
Depreciation	3.2.7.	25 005	21 208
Consumption of materials and energy		307 212	296 555
Third party services		39 413	35 908
Taxes and charges		3 266	2 125
Costs of employee benefits	3.2.8.	77 462	65 395
Other costs		1 650	1 064
Value of goods and materials sold		51 112	52 663
Total expenses by type, including:		**505 120**	**474 918**
Items recognized in cost of sales		392 426	394 835
Items recognized in selling costs		27 346	25 280
Items recognized in general administrative costs		78 644	62 423
Change in products		8 276	(8 789)
Cost of manufacturing products for own purposes of the entity		(1 572)	1 169

3.2.7 Depreciation expenses, impairment losses, foreign exchange differences and inventory recognized in profit and loss

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Items recognized in cost of sales:		
Depreciation of fixed assets	6 442	6 196
Depreciation of intangible fixed assets	18	28
Items recognized in selling costs		
Depreciation of fixed assets	8 088	5 567
Depreciation of intangible fixed assets	1 707	1 716
Items recognized in general administrative costs:		
Depreciation of fixed assets	5 628	4 991
Depreciation of intangible fixed assets	3 122	2 710

(in PLN '000)

3.2.8 Costs of employee benefits

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Remuneration	63 325	52 802
Social insurance costs	11 017	9 409
Other costs of employee benefits	3 120	3 184
Total costs of employee benefits, including:	**77 462**	**65 395**
Items recognized in cost of sales	17 731	16 288
Items recognized in selling costs	10 851	10 283
Items recognized in general administrative costs	48 880	38 824

3.3. Other comprehensive income

Other comprehensive income was the following:

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Actuarial gains/losses	(595)	1 114
Valuation of equity instruments at fair value through other comprehensive income	240	250
Cash flow hedge	(262)	12

3.4. Income tax

3.4.1 Tax burden

Main components of the tax charge for the year ended 31 December 2023 and 31 December 2022 are as follows:

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Current income tax	**3 619**	**2 759**
Current income tax liability	3 366	135
Adjustments regarding current income tax in previous years	253	2 624
Deferred income tax	**2 748**	**(643)**
Related to certain and reversal of transitional differences	2 748	(643)
Tax liability recognized in the statement of comprehensive income	**6 367**	**2 116**

(in PLN '000)

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 Company for the year ended as at 31 December 2023 and 31 December 2022 is as follows:

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Gross profit (loss) before tax from continued operations	75 894	25 724
Other comprehensive income	(355)	1 364
Total income	**75 539**	**27 088**
Statutory income tax rate of 19% applicable in Poland, (2022: 19%)	**14 352**	**5 147**
Non-deductible costs including:	**1 185**	**804**
Representations costs	229	116
Put option valuation	386	149
Share value update	308	-
Other	262	539
Revenues not subject to taxation, including:	**(8 846)**	**(6 041)**
Dividends*	(8 677)	(5 961)
Other	(169)	(80)
Deducted donations (art. 18)	**(134)**	**-**
Tax relieves	**(450)**	**(304)**
Other	**7**	**(114)**
Tax adjustment from previous years	**1 564**	**-**
Release of provisions for tax risk described in note 3.20.2	**(1 311)**	**2 624**
Total income tax recognized in the statement of comprehensive income**	**6 367**	**2 116**

*The permanent difference is due to the tax on dividends received from related companies

**Tax according to effective tax rate of 10.07 % (2022: 7.80%)

(in PLN '000)

3.4.3 Deferred income tax

The table below presents the reconciling net deferred income tax to the standalone statements of financial position:

	Statement of financial position		Statement of comprehensive income for the year ended	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Deferred tax provisions				
- difference between the tax and balance sheet value of fixed assets	11 378	9 063	(2 315)	(2 135)
- capitalised costs of external financing	1 436	1 488	52	(410)
- fixed assets under leasing	2 019	2 107	88	(2 107)
- other	141	225	84	135
Deferred tax provisions	**14 974**	**12 883**	**(2 091)**	**(4 517)**
Deferred tax assets				
- impairment write-off of inventory	589	751	(162)	(183)
- provisions for retirement, jubilee awards, disability benefits, bonuses	1 178	820	358	(203)
- fixed assets under leasing	398	412	(14)	(15)
- leasing liabilities	2 002	2 284	(282)	2 284
- interest on loans, borrowings and liabilities	518	1 105	(587)	924
- fair value of hedging instruments	61	-	61	(3)
- limited costs of debt financing	2 704	2 704	-	2 704
- other	434	404	30	(351)
Deferred tax assets	**7 884**	**8 480**	**(596)**	**5 157**
the amount offset by the provision against the deferred tax asset	(7 884)	(8 480)		
Provision for deferred tax after offsetting	**7 090**	**4 403**		
Deferred tax assets after offsetting	**-**	**-**		
Deferred income tax liability recognized in the statement of comprehensive income	**7 090**	**4 403**	**(2 748)**	**643**
Deferred income tax liability recognized directly in equity	**-**	**-**	**(61)**	**3**

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 value and the balance sheet value of fixed assets and intangible assets in the part exceeding the annual depreciation, in this case the long-term part is the amount of PLN 9,540 thousand and
- provisions for retirement, jubilee awards and disability benefits, where long-term part amounts to PLN 820 thousand.

(in PLN '000)

3.5. Earnings per share

Basic earnings per share are calculated by dividing net profit for the financial period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period. The weighted average number of ordinary shares equalled to all shares i.e. 12 617 778 shares between the period of 1 January 2023 and 31 December 2023.

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

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

	year ended as at 31 December 2023	*year ended as at 31 December 2022*
Net profit	69 527	23 608
Net profit attributable to ordinary shareholders, applied to calculate diluted earnings per share	69 527	23 608
A weighted average number of ordinary shares applied to calculate basic earnings per share	12 617 778	12 617 778
An adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	**12 617 778**	**12 617 778**
Basic and diluted earnings per share in PLN	**5.51**	**1.87**

In the period between the balance sheet date and the date of preparation of these standalone financial statements, there were no other transactions involving ordinary shares or potential ordinary shares.

3.6. Dividends paid and proposed

Dividends per the ordinary shares for 2022, paid on 31 May 2023 amounted to PLN 25,235 thousand (for 2021, paid on 1 May 2022: PLN 31,544 thousand).

The value of dividend per ordinary share paid in 2022 amounted to PLN 2.00 (for 2021: PLN 2.50).

In the Company the very same amount of dividend per 1 share is attributable to both ordinary and preference shares.

The Company did not pay dividend advances for 2023.

3.7. Tangible fixed assets

As at 31 December 2023 and as at 31 December 2022 tangible fixed assets were as follows:

	31 December 2023	*31 December 2022*
TANGIBLE FIXED ASSETS		
a) fixed assets, including:	**418 165**	**419 633**
- lands (including the right of perpetual usufruct)	17 333	17 537
- buildings, premises and civil engineering structures	284 580	287 514
- technical devices and machinery	96 104	97 312
- means of transport	12 301	8 928
- other fixed assets	7 847	8 342
b) fixed assets under construction	**5 567**	**3 263**
Total tangible fixed assets	**423 732**	**422 896**

(in PLN '000)

The table below presents tangible fixed assets movements in 2023:

Year ended as at 31 December 2023	***Lands, buildings and structures***	***The right to use***	***Machinery and devices***	***Means of transport***	***Other fixed assets***	***Total***
Net value as at 1 January 2023	**303 129**	**1 922**	**97 312**	**8 928**	**8 342**	**419 633**
Increases due to transfer from fixed assets under construction	4 952	-	8 800	2 671	75	16 498
Increase due to leasing	-	-	-	492	-	492
Increase due to the reversal of impairment losses	-	-	-	1 768	-	1 768
Decrease due to disposal or liquidation	-	-	(13)	(55)	-	(68)
Increase due to IFRS 16	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Depreciation	(7 886)	(204)	(9 995)	(1 503)	(570)	(20 158)
Adjustment of PP&E value due to business combination	-	-	-	-	-	-
Net value as at 31 December 2023	**300 195**	**1 718**	**96 104**	**12 301**	**7 847**	**418 165**
Net value as at 1 January 2022	**111 441**	**2 126**	**59 607**	**7 323**	**1 545**	**182 042**
Increases due to transfer from fixed assets under construction	198 528	-	46 333	4 374	7 285	256 520
Decrease due to disposal or liquidation	-	-	(476)	(123)	-	(599)
Increase due to leasing	-	-	-	192	-	192
Decreases due to write-offs	-	-	-	(1 768)	-	(1 768)
Depreciation	(6 840)	(204)	(8 152)	(1 070)	(488)	(16 754)
Adjustment of PP&E value due to business combination	-	-	-	-	-	-
Net value as at 31 December 2022	**303 129**	**1 922**	**97 312**	**8 928**	**8 342**	**419 633**

(in PLN '000)

Gross carrying amounts, depreciation and net carrying amounts of tangible fixed asset were as follows in 2023 and 2022:

	Lands, buildings and structures	*The right to use*	*Machinery and devices*	*Means of transport*	*Other fixed assets*	*Total*
As at 1 January 2023						
Gross carrying amount	361 173	2 443	201 254	22 049	16 566	603 485
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(58 044)	(521)	(103 942)	(13 121)	(8 224)	(183 852)
Net carrying amount	**303 129**	**1 922**	**97 312**	**8 928**	**8 342**	**419 633**
As at 31 December 2023						
Gross carrying amount	366 125	2 443	208 958	23 817	16 535	617 878
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(65 930)	(725)	(112 854)	(11 516)	(8 688)	(199 713)
Net carrying amount	**300 195**	**1 718**	**96 104**	**12 301**	**7 847**	**418 165**
As at 1 January 2022						
Gross carrying amount	162 645	2 443	155 970	18 450	9 280	348 788
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(51 204)	(317)	(96 363)	(11 127)	(7 735)	(166 746)
Net carrying amount	**111 441**	**2 126**	**59 607**	**7 323**	**1 545**	**182 042**
As at 31 December 2022						
Gross carrying amount	361 173	2 443	201 254	22 049	16 566	603 485
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(58 044)	(521)	(103 942)	(13 121)	(8 224)	(183 852)
Net carrying amount	**303 129**	**1 922**	**97 312**	**8 928**	**8 342**	**419 633**

(in PLN '000)

The table of movements in expenditure on fixed assets under construction in 2023 is as follows:

	Year 2023	***Year 2022***
As at 1 January	**3 263**	**214 333**
Capital expenditure	19 454	45 558
Acceptance for use	(17 150)	(256 628)
As at 31 December	**5 567**	**3 263**

As at December 31, 2023, the Company had tangible fixed assets used under finance leases and leases with an option to purchase in the amount of PLN 2,406 thousand which comprised right of perpetual usufruct to lands, de-farming of land and a car fleet (as at 31 December 2022: PLN 2,242 thousand). The Company also had fixed assets used under leaseback agreements. The subject of these agreements are storage racks and automatic pallet transport and wrapping lines with robots with a net value of PLN 9,940 thousand.

As at 31 December 2023, the pledges on tangible fixed assets as a liability security of bank loans, amounted to PLN 51,962 thousand whereas collateral mortgages on properties of the Company as at 31 December 2023 amounted in total to PLN 345,000 thousand.

Expenditure on fixed asset under construction in 2023 amounted to PLN 19,454 thousand. In 2022, expenditure on fixed assets under construction amounted to PLN 45,558 thousand, most of which was spent on the erection of the Logistics Centre in Zawada. The value of capitalized costs of external financing in the year ended as at 31 December 2023 amounted to PLN 296 thousand (in 2022: PLN 2,358 thousand).

3.8. Leasing

3.8.1 Lease liabilities

Lease liabilities as at 31 December 2023, including:	**2 126**
Short-term	393
Long-term	1 733

Lease liabilities as at 31 December 2022, including:	**1 982**
Short-term	288
Long-term	1 694

(in PLN '000)

Changes in lease debt as at December 31, 2023 are presented in the table below:

Leasing	***year ended as at 31 December 2023***	***year ended as at 31 December 2022***
as at 1 January	**1 982**	**2 079**
repayment	(517)	(353)
increase	492	192
interest	169	64
as at 31 December	**2 126**	**1 982**

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

As at 31 December 2023 subsequent minimal lease charges under financial lease agreements and the current amount of minimal net lease payments are as follows:

	As at 31 December 2023		***As at 31 December 2022***	
	min. payments	**current amount of payments**	min. payments	current amount of payments
Payable within 1 year	630	549	630	541
Payable from 1 to 5 years	105	92	736	642
Value of lease payments, including:	**735**	**641**	**1 366**	**1 183**
Short-term	630	549	630	541
Long-term	105	92	736	642

As at 31 December 2023 the FFIL ŚNIEŻKA SA held receivables under finance lease in the amount of PLN 641 thousand (including short-term part: PLN 549 thousand and the long-term part: PLN 92 thousand), and the value of unrealized future financial revenues under finance lease agreements amounted to PLN 94 thousand. The object of lease is real estate 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 hall. 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 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".

(in PLN '000)

3.9. Intangible assets

As at 31 December 2023 and as at 31 December 2022 intangible assets were as follows:

	31 December 2023	*31 December 2022*
INTANGIBLE ASSETS		
- licences, computer software, copyrights and alike values:	31 509	30 624
- intangible assets under construction	478	2 736
Total intangible assets	**31 987**	**33 360**

A table of intangible assets movements in 2023 is presented below:

	Licences, computer software, copyrights	*Total*
Net value as at 1 January 2023	**30 624**	**30 624**
Increases due to transfer from fixed assets under construction	5 733	5 733
Depreciation	(4 848)	(4 848)
Net value as at 31 December 2023	**31 509**	**31 509**
Net value as at 1 January 2022	**32 092**	**32 092**
Increases due to transfer from fixed assets under construction	2 985	2 985
Depreciation	(4 453)	(4 453)
Net value as at 31 December 2022	**30 624**	**30 624**

Intangible assets under construction in the amount of PLN 478 thousand are expenditures for the implementation of the EWM and other systems.

(in PLN '000)

Gross carrying amounts, depreciation and net carrying amounts of intangible assets were as follows in 2023 and 2022:

	Licences, computer software, copyrights	***Total***
As at 1 January 2023		
Gross carrying amount	44 615	44 615
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(13 991)	(13 991)
Net carrying amount	**30 624**	**30 624**
As at 31 December 2023		
Gross carrying amount	49 967	49 967
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(18 458)	(18 458)
Net carrying amount	**31 509**	**31 509**
As at 1 January 2022		
Gross carrying amount	41 630	41 630
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(9 538)	(9 538)
Net carrying amount	**32 092**	**32 092**
As at 31 December 2022		
Gross carrying amount	44 615	44 615
Total accumulated depreciation and impairment losses less the liquidated and sold non-current assets	(13 991)	(13 991)
Net carrying amount	**30 624**	**30 624**

As at 31 December 2023 the intangible assets were not subject to liability pledges.
The table of movements in expenditure on intangible assets in 2023 is as follows:

	Year 2023	***Year 2022***
As at 1 January	**2 736**	**2 474**
Capital expenditure	3 315	3 331
Acceptance for use	(5 573)	(3 069)
As at 31 December	**478**	**2 736**

(in PLN '000)

Expenditure on intangible assets in 2023 amounted to PLN 3,315 thousand (in 2022: PLN 3,331 thousand). As at 31 December 2023 the balance of intangible assets under construction comprises mainly expenditure on implementing EWM and other systems.

The Company conducted an analysis of intangible fixed assets under construction and stated that it was not necessary to make impairment write-off with respect to the said assets.

3.10. Financial assets and liabilities

The carrying amount of classes and categories of financial instruments as at 31 December 2023 as well as 31 December 2022 are presented in the tables below. The Company presents particular categories and classes of financial instruments in the carrying amount, whose fair value approximates the carrying amount.

Financial assets	***as at 31 December 2023***	***as at 31 December 2022***
Financial assets at amortized cost		
Trade and other receivables	80 814	76 345
Cash and cash equivalents	745	1 547
Shares and interests in other entities	200 121	201 742
Financial assets at fair value through other comprehensive income		
Shares and interests in other entities	1 355	1 115
Receivables measured in accordance with IFRS 16		
Lease receivables	633	1 175

Financial liabilities

Liabilities at amortized cost		
Interest-bearing loans and borrowings	477 656	522 567
Trade and other liabilities	63 491	69 508
Liabilities measured at fair value through profit or loss		
Liabilities arising from the measurement of the put option	8 890	6 860
Liabilities measured in accordance with IFRS 16		
Lease liabilities	2 126	1 968

(in PLN '000)

The list of shares and stocks is presented in the table below.

Company name, legal form and city where the seat of the management board is located	***Carrying amount of shares as at 31 December 2023***	***Carrying amount of shares as at 31 December 2022***
Subsidiaries		
Poli-Farbe - Bócsa	107 225	107 225
Śnieżka Ukraina Sp. z o. o. - Yavoriv	17 217	17 217
Śnieżka-BelPol Sp. z o.o. - Zhodino	654	2 275
Śnieżka ToC Sp. z o.o. - Warsaw	70 584	70 584
Radomska Fabryka Farb i Lakierów SA - Radom	4 441	4 441
Total shares in subsidiaries	**200 121**	**201 742**
Affiliates		
Plastbud Sp. z o. o. - Pustków	48	48
Total shares in affiliates	**48**	**48**
Minority interests		
Grupa PSB Handel S.A.	790	550
Polifarb Łódź Sp. z o.o.	517	517
Total minority interests	**1 307**	**1 067**

A detailed list of percentage shares is presented in note 2.1.5.

3.11. Employee benefits

The entity pays retirement bonuses to its retiring employees in the amount provided for in the Labour Code and jubilee awards in accordance with the Company's regulations. The table below summarizes the amounts of the provision and movements in the benefit liability over the period:

	year ended as at 31 December 2023	***year ended as at 31 December 2022***
As at 1 January	**4 313**	**8 455**
Use of provision	(1 205)	(4 508)
Creation of provision	3 456	366
As at 31 December	**6 564**	**4 313**
- long-term part	4 316	2 980
- short-term part	2 248	1 333

(in PLN '000)

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

	31 December 2023	***31 December 2022***
Real return on investment (%)	5.20%	6.90%
Employee turnover ratio/ related to age (%)	1%-13%	1%-13%
Anticipated remuneration growth rate (%)	3.70%	3.50%

	Retirement and disability benefits	**Death benefits**	**Jubilee awards**	**Unused holiday leaves**	**Bonus provisions**	**Total**
Opening balance as at 1 January 2023	**792**	**937**	**1 639**	**945**	**-**	**4 313**
Current employment expenses	69	63	123	1 338	363	1 956
Actuarial gains, losses - after termination of the employment relationship	432	163	-	-	-	595
Actuarial gains, losses - during the employment relationship	-	-	694	-	-	694
Benefits paid	(36)	(18)	(206)	(945)	-	(1 205)
Post-employment expenses	-	-	-	-	-	-
Interest expenses	51	58	102	-	-	211
Closing balance as at 31 December 2023	**1 308**	**1 203**	**2 352**	**1 338**	**363**	**6 564**
Short-term provisions	163	114	270	1 338	363	2 248
Long-term provisions	1 145	1 089	2 082	-	-	4 316

	Retirement and disability benefits	**Death benefits**	**Jubilee awards**	**Unused holiday leaves**	**Bonus provisions**	**Total**
Opening balance as at 1 January 2022	**1 074**	**1 120**	**2 038**	**1 153**	**3 069**	**8 454**
Current employment expenses	75	69	138	945	-	1 227
Actuarial gains, losses - after termination of the employment relationship	(351)	(294)	-	-	-	(645)
Actuarial gains, losses - during the employment relationship	-	-	(373)	-	-	(373)
Benefits paid	(46)	-	(239)	(1 153)	(3 069)	(4 507)
Post-employment expenses	-	-	-	-	-	-
Interest expenses	40	42	75	-	-	157
Closing balance as at 31 December 2022	**792**	**937**	**1 639**	**945**	**-**	**4 313**
Short-term provisions	118	101	169	945	-	1 333
Long-term provisions	674	836	1 470	-	-	2 980

Sensitivity analysis

Change of adopted discount rate by up to one percentage point:

	Increase (in PLN '000)	Decrease (in PLN '000)
31 December 2023	**(500)**	**559**
Impact on total current employment and interest expenses	5	(4)
Impact on defined benefits	(505)	563
31 December 2022	**(318)**	**461**
Impact on total current employment and interest expenses	6	(7)
Impact on defined benefits	(324)	468

Change of remuneration increase rate by up to one percentage point:

	Increase (in PLN '000)	Decrease (in PLN '000)
31 December 2023	**601**	**(547)**
Impact on total current employment and interest expenses	33	(29)
Impact on defined benefits	568	(518)
31 December 2022	**512**	**(360)**
Impact on total current employment and interest expenses	35	(22)
Impact on defined benefits	477	(338)

3.12. Inventory

	31 December 2023	*31 December 2022*
Materials	35 647	40 750
Semi-finished products	1 972	959
Finished products	43 705	36 442
Goods	6 747	6 034
Total inventory	**88 071**	**84 185**

In the year ended December 31, 2023, the Company dissolved and used the write-off on the value of inventories in the amount of PLN 951 thousand the value of the write-off at the end of 2023 was PLN 3,498 thousand. Loan collaterals were established against the entity's inventories, which in the year ended December 31, 2023 had a value of PLN 15,000 thousand (in the year ended December 31, 2022: PLN 15,000 thousand).

(in PLN '000)

3.13. Trade and other receivables

	as at: 31 December 2023	as at: 31 December 2022
Total gross trade and other receivables:	**69 627**	**75 474**
Impairment write-off	(990)	(991)
Trade and other receivables:	**68 637**	**74 483**
from related entities	68 249	73 814
from other entities	388	669
Current income tax receivables	**13 947**	**10 443**
Other receivables from other entities	**796**	**901**
- taxes, customs, insurance and other	-	-
- other	796	901
Other receivables from related entities	**-**	**405**
- dividend	-	405
Accruals	**3 184**	**1 090**
Total receivables, including	**86 564**	**87 322**
- long-term part	-	-
- short-term part	86 564	87 322

Transaction conditions with related entities are presented in note 3.21.

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

	as at: 31 December 2023	as at: 31 December 2022
Trade and other receivables:	**68 637**	**74 483**
Receivables in PLN	67 772	74 396
Receivables in EUR	850	87
Receivables in USD	15	**-**

Trade and other receivables are not interest-bearing and their usual payment term is 60 days.

(in PLN '000)

Total trade and other receivables with remaining maturities from the balance sheet date	**as at:** ***31 December 2023***	***31 December 2022***
To 1 month	41 232	30 063
More than 1 month up to 3 months	26 986	44 141
More than 3 months up to 6 months	24	36
More than 6 months up to 12 months	214	302
More than 12 months	46	457
Overdue	1 125	475
Total gross trade and other receivables:	**69 627**	**75 474**
Impairment write-off	(990)	(991)
Total net trade and other receivables:	**68 637**	**74 483**
Receivables with a repayment period of up to 12	68 591	74 026
Receivables with a repayment period over 12	46	457

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

	year ended as at: ***31 December 2023***	***31 December 2022***
Impairment write-off of receivables at the beginning of the period	**991**	**103**
- increase	1	889
- decrease/use	(2)	(1)
Write-off of receivables at the end of the period	**990**	**991**

(in PLN '000)

The calculation of write-off of receivables in accordance with IFRS 9 is presented in the table below.

		2nd degree receivables					3rd degree receivables	
	Total	**Dividend receivables** ***(without write-off)***	**Current**	**1-30 days**	**31-90 days**	**90-180 days**	**> 180 days**	**disputed and doubtful**
Gross value of receivables as at 31 December 2023	69 627		68 503	79	3	48	4	990
Gross value of receivables as at December 31, 2023 being the basis for write-off	68 636		68 503	79	3	48	4	
Expected credit loss ratio			0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Expected credit losses	990		-	-	-	-	-	990
Gross value of receivables as at December 31, 2022 being the basis for write-off	75 877	405	74 109	296	43	30	3	991
Gross value of receivables as at December 31, 2022 being the basis for write-off	74 481		74 109	296	43	30	3	
Expected credit loss ratio			0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Expected credit losses	991		-	-	-	-	-	991

The Company presents accruals under the "trade and other receivables" item. Details of this item has been presented below:

	31 December 2023	***31 December 2022***
Insurances	925	672
Right to return goods	857	-
IT services (licences, subscriptions)	990	286
Other costs settled in time	413	132
Total	**3 185**	**1 090**
- short-term	3 185	1 090
- long-term	-	-

3.14. Cash and cash equivalents

Fair value of cash and cash equivalents as at 31 December 2023 amounted to PLN 745 thousand (as at 31 December 2022: PLN 1,547 thousand).

	as at: 31 December 2023	31 December 2022
Cash at bank and in hand	745	1 547
including cash in VAT accounts	149	8
	745	**1 547**

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

Cash currency	as at (in PLN '000) 31 December 2023	31 December 2022
PLN	149	9
EUR	569	1 467
USD	27	70
UAH	-	1
Total cash	**745**	**1 547**

3.15. Equity, supplementary and reserve capital

3.15.1 Equity

As at 31 December 2023, the Company's equity amounted to 12 617 778 shares of nominal value of PLN 1,00 each. In 2023 the equity was not subject to change.

Equity capital	*31 December 2023*	*31 December 2022*
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

3.15.2 Nominal value per share

All issued shares have the nominal value of PLN 1 per share and have been fully paid.

3.15.3 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.

(in PLN ‘000)

3.15.4 Majority shareholders

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 GMS (%)
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 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 General Meeting of Shareholders).

** 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 General Meeting of Shareholders).

(in PLN '000)

As at 31 December 2022:

Shareholder	Number of shares held	Share in the share capital (%)	Number of votes	Share in the total number of votes at GMS (%)
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 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 General Meeting of Shareholders).

** 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 General Meeting of Shareholders).

3.15.5 Retained earnings

Retained earnings include supplementary capital, profit from previous years, profit for the current year. Movements in retained profits are presented in the table below.

	Supplementary capital	*Profit from previous years*	*Net profit*	*Total retained earnings*
As at 1 January 2023	**186 513**	**23 934**	**-**	**210 447**
Net profit (loss) for the period	**-**	**-**	69 527	**69 527**
Other net comprehensive income for the period	-	-	(595)	(595)
Comprehensive income for the period	**-**	**-**	**68 932**	**68 932**
Change in supplementary capital resulting from the profit distribution	(1 627)	1 627	-	-
Dividend payment	-	(25 235)	-	(25 235)
As at 31 December 2023	**184 886**	**326**	**68 932**	**254 144**
				-

				-
As at 1 January 2022	**157 721**	**59 547**	**-**	**217 268**
Net profit (loss) for the period	-	-	23 608	23 608
Other net comprehensive income for the period	-	-	1 115	1 115
Comprehensive income for the period	**-**	**-**	**24 723**	**24 723**
Change in supplementary capital resulting from the profit distribution	28 792	(28 792)	-	-
Dividend payment	-	(31 544)	-	(31 544)
As at 31 December 2022	**186 513**	**(789)**	**24 723**	**210 447**

The 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 Company transfers optionally a specified part of its net profit for a financial year to increase the supplementary capital in a given year or uses part of the supplementary capital to pay dividends. In 2023, the supplementary capital was reduced by PLN 1,627 thousand, allocating this amount for the payment of dividend exceeding the value of net profit for 2022.

3.15.6 Revaluation reserve

Revaluation reserve includes the following:

- valuation of shares at fair value through other comprehensive income,
- forward valuations - the details are provided in note 3.23.

3.16. Interest-bearing loans and borrowings

As at 31 December 2023 the balance of interest-bearing loans and borrowings was as follows:

	31 December 2023	*Interest rate*	***31 December 2022***
Loan in Bank PEKAO S.A.	58 222	1M WIBOR /1M EURIBOR + margin	73 389
Loan in PKO BP SA	4 100	1M WIBOR / 1M SOFR / 1M EURIBOR / 1M BUBOR + margin	8 072
Loan in Bank Handlowy Warsaw S.A	6 075	1M WIBOR / 1M SOFR / 1M EURIBOR / 1M BUBOR + margin	17 475
Loan in BNP Paribas	64 591	1M WIBOR /1M SOFR / 1M EURIBOR + margin	104 297
Loan in ING Bank Śląski S.A.	103 115	1M WIBOR /1M EURIBOR / 3M BUBOR + margin	56 584
ING LEASING - Leaseback agreement of key assets - presented as a loan	8 410	1M WIBOR + margin	10 036
Total loans	**244 513**		**269 853**
Borrowings	**233 143**		**252 713**
Loan from related company Śnieżka ToC Sp. z o.o. - investment loan	233 143	1M WIBOR + margin	241 221
Loan from related company Poli-Farbe Hungary	-	1M BUBOR + margin	11 492

Total loans and borrowings	**477 656**	**522 566**

The structure of loans and borrowings maturity is as follows:

	31 December 2023	*31 December 2022*
Short-term loans and borrowings	75 418	58 094
Long-term loans and borrowings	402 238	464 472
Total loans and borrowings	**477 656**	**522 566**

The structure of loans and borrowings as at 31 December 2023 is as follows:

Liability on account of loans and borrowings	**The amount of loan/borrowing by agreement**		**Outstanding amount of loan/borrowing in the currency of utilised loan**		**Outstanding amount of loan/borrowing in PLN**	**Outstanding amount of loan/borrowing in PLN**		
Name (company) along with legal form	**in '000**	**currency**	**in '000**	**currency**	**in '000**	**long-term part**	**short-term part**	**Repayment date**
Bank PEKAO S.A. Dębica branch	40 000	PLN	-	-	15 722	483	239	18.12.2027
	50 000	PLN	-	-	42 500	30 000	12 500	18.12.2027*
Bank PKO BP SA Rzeszów branch	15 000	PLN	-	-	1 389	-	1 389	24.04.2024**
	30 000	PLN	-	-	2 711	2 703	8	14.06.2028
ING Bank Śląski S.A. Katowice branch	36 500	PLN	-	-	4 115	3 340	775	31.12.2027
	110 000	PLN	-	-	99 000	66 000	33 000	31.12.2027***
BNP Paribas Bank Polska S.A. Warsaw	50 000	PLN	-	-	10 591	10 256	335	22.12.2027
	54 000	PLN	-	-	54 000	36 000	18 000	22.12.2027****
Bank Handlowy Warsaw branch	20 000	PLN	-	-	6 075	-	6 075	27.02.2024
Śnieżka ToC Sp. z o.o.	300 000	PLN	-	-	194 017	192 680	1 337	31.12.2025
		EUR	8 999	EUR	39 126	39 126	-	
Hungary	3 000 000	HUF	-	-	-	-	-	31.12.2024
ING LEASING - Leaseback agreement	11 226	PLN	-	-	8 410	6 650	1 760	31.07.2027
Total loans and borrowings				**-**	**477 656**	**402 238**	**75 418**	

* amount PLN 12,500 thousand repayment in 2024 (1 instalment for Q4 of 2023, 4 instalments at the end of each quarter of 2024 of PLN 2,500 thousand), amount of PLN 30,000 thousand repaid over the next 3 years 2025 - 2027 in instalments of PLN 2,500,000 at the end of each quarter

** amount PLN 1,389 thousand payable in fixed monthly instalments until April 24, 2024

*** amount PLN 33,000 thousand payable by December 31, 2024 (one instalment of PLN 11,000 thousand for Q4 of 2023, two instalments of PLN 11,000 thousand at the end of Q3 and Q4 of 2024), in the next 3 years (2025 - 2027) repayments at the end of Q3 and Q4 of PLN 11,000 thousand each (i.e. PLN 22,000 thousand per year) after the next tranche of PLN 80,000 thousand is released in January 2023.

(in PLN '000)

**** amount PLN 18,000 thousand repayment in 2024 (one instalment for Q4 of 2023, 2 instalments at the end of Q3 and Q4 of 2024 of PLN 6,000 thousand each), amount of PLN 36,000 thousand repaid over the next 3 years 2025 - 2027 in instalments of PLN 6,000 thousand at the end of Q3 and Q4 of each year

The currency structure of loans and borrowings is as follows:

	31 December 2023	***31 December 2022***	***31 December 2023***	***31 December 2022***
	currency value	***currency value***	***PLN value***	***PLN value***
PLN	438 530	497 539	438 530	497 539
HUF	-	980 749	-	11 492
EUR	8 999	2 886	39 126	13 535
Total loans and borrowings			**477 656**	**522 566**

Changes in debt due to loans and borrowings as at 31 December 2023 have been presented in the table below:

	year ended as at 31 December 2023	***year ended as at 31 December 2022***
Loans		
as at 1 January	**269 853**	**256 578**
proceeds form borrowings	157 500	281 508
repayment	(181 962)	(277 065)
proceeds from sale-leaseback	-	10 676
repayment of the leaseback liability	(1 626)	(640)
interest calculated	19 707	17 370
interest paid	(18 959)	(14 623)
Realized exchange rate differences	-	(3 280)
Foreign currency differences	-	1 687
activated external financing costs	-	(2 358)
as at 31 December	**244 513**	**269 853**

Borrowings		
as at 1 January	**252 713**	**265 072**
proceeds form borrowings	103 626	66 825
repayment	(117 823)	(81 521)
interest calculated	18 084	18 384
interest paid	(21 888)	(13 705)
Foreign currency differences	(1 082)	(1 066)
Realized exchange rate differences	(427)	(1 059)
other	(60)	(217)
as at 31 December	**233 143**	**252 713**

Loan collaterals as at 31 December 2023:

Name (company) along with legal form	**Loan amount in PLN '000**	***Collateral***	***Other***
Bank PEKAO S.A. Dębica branch	58 222	Contractual joint mortgage in the amount of PLN 30,000,000.00 on real estate located in Pustków along 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 for PLN 32,200,000.00 with assignment of rights under the insurance policy.	Loan for financing current activity PLN 50 million and investment loan PLN 50 million for refinancing of capital expenditures
Bank PKO BP S.A. Rzeszów branch	4 100	Registered pledge on fixed assets for PLN 19,761,885.35 with assignment of rights under the insurance policy, promissory note declaration.	Working capital on current account 30 mln for financing current activity, and investment loan PLN 15 million for refinancing of capital expenditures
ING Bank Śląski S.A. Katowice branch	103 115	Contractual joint mortgage up to PLN 195,000,000.00 on real estate (Warehouse and Logistics Centre) located in Zawada and blank promissory note.	A credit line with a part of an investment loan in the amount of PLN 110 million (a loan for the purchase of shares in Polifabe Kft) and a part of an overdraft facility up to the amount of PN 50 million with the possibility of using the following currencies: PLN, EUR, HUF, and credit sublimits for companies: ToC (PLN 10 million), Rafil SA (PLN 3.5 million).
BNP Paribas Bank Polska S.A. Warsaw	64 591	Contractual joint mortgage in the amount of PLN 30,000,000.00 on real estate located in Lubzina, PLN 90,000,000.00 on real estate located in Brzeźnica. Registered pledge on finished products located in the finished goods warehouse at Logistic and Warehouse Centre in Zawada up to the amount of PLN 15,000,000.00.	Financing of the Borrower's current activity in the amount of PLN 60 million, investment loan of PLN 60 million to refinance the capital expenditures incurred.
Citi Handlowy SA	6 075	Contractual joint mortgage on real estate of Rafil SA located in Radom in the amount of PLN 37,500,000.00 blank promissory note	Financing of the Borrower's current activity.
ING LEASING - Leaseback agreement	8 410	blank promissory note	Financing of the Borrower's current activity.
Śnieżka ToC Sp. z o.o.	233 143	none	Loan from the related entity can be used in PLN or convertible currencies.

Loan collaterals as at 31 December 2022:

Name (company) along with legal form	**Loan amount in PLN '000**	***Collateral***	***Other***
Bank PEKAO S.A. Dębica branch	73 389	Contractual joint mortgage in the amount of PLN 30,000,000.00 on real estate located in Pustków along 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 for PLN 32,200,000.00 with assignment of rights under the insurance policy.	Loan for financing current activity PLN 50 million and investment loan PLN 50 million for refinancing of capital expenditures
Bank PKO BP S.A. Rzeszów branch	8 072	A joint contractual mortgage in the amount of PLN 120,000,000.00 on the property located in Brzeźnica and a blank promissory note. Registered pledge on fixed assets for PLN 19,761,885.35 with assignment of rights under the insurance policy.	Working capital on current account 80 million to finance current needs - use in PLN, USD, EUR and HUF (up to 40% of the loan, i.e. PLN 13 million, can be used in HUF), investment loan 15 million to refinance capital expenditures.
ING Bank Śląski S.A. Katowice branch	56 584	Contractual joint mortgage up to PLN 195,000,000.00 on real estate (Warehouse and Logistics Centre) located in Zawada and blank promissory note.	A credit line with a part of an investment loan in the amount of PLN 110 million (a loan for the purchase of shares in Polifabe Kft) and a part of an overdraft facility up to the amount of PN 50 million with the possibility of using the following currencies: PLN, EUR, HUF, and credit sublimits for companies: ToC (PLN 10 million), Rafil SA (PLN 3.5 million).
BNP Paribas Bank Polska S.A. Warsaw	104 297	Contractual joint mortgage in the amount of PLN 30,000,000.00 on real estate located in Lubzina, PLN 90,000,000.00 on real estate located in Brzeźnica. Registered pledge on finished products located in the finished goods warehouse at Logistic and Warehouse Centre in Zawada up to the amount of PLN 15,000,000.00.	Financing of the Borrower's current activity in the amount of PLN 60 million, investment loan of PLN 60 million to refinance the capital expenditures incurred.
Citi Handlowy SA	17 475	Contractual joint mortgage on real estate of Rafil SA located in Radom in the amount of PLN 37,500,000.00 blank promissory note	Financing of the Borrower's current activity.
ING LEASING - Leaseback agreement	-	blank promissory note	Financing of the Borrower's current activity.

In 2023 the Company concluded the following loan agreements or annexes:

- On June 15, 2023, the Company signed a Multi-Purpose Credit Limit agreement with PKO Bank Polski Spółka Akcyjna for the amount of PLN 30 million, the loan is secured by a pledge on fixed assets along with an assignment of the insurance policy and a blank promissory note, which also constitute collateral for the active investment loan.

3.17. Trade and other liabilities

(in PLN '000)

As at 31 December 2023 trade and other liabilities were the following:

	as at: *31 December 2023*	as at: *31 December 2022*
Trade and other liabilities toward related entities	**2 433**	**3 132**
Liabilities due to income tax refunds to related entities (TCG)	**5 117**	**-**
Liabilities towards related entities under advance payments received	**182**	**6 694**
Trade and other liabilities toward other entities	**39 042**	**50 655**
including liabilities related to the return of remuneration (discounts and refunds granted)	-	-
Other liabilities toward other entities	**16 717**	**9 028**
- taxes, customs, insurance and other	7 454	5 575
- remuneration	7 537	3 096
- other	544	152
- accruals*	1 182	205
Total liabilities, including	**63 491**	**69 509**
- long-term part	-	-
- short-term part	63 491	69 509

* the item details below

Transaction conditions with related entities are presented in note 3.21. All trade and other liabilities are settled on an on-going basis, within the statutory payment periods.

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

Trade and other liabilities	as at: **31 December 2023**	as at: **31 December 2022**
Trade liabilities in PLN	31 268	37 375
Trade liabilities in EUR	10 207	16 406
Trade liabilities in HUF	-	6

Accruals are presented in the standalone statements of financial position under the "trade and other liabilities" item.

	31 December 2023	*31 December 2022*
Accrued expenses related to:		
Consulting services, audits	502	166
Other	642	-
Accrued revenues related to:		
Subsidies	38	39
Total	**1 182**	**205**
- short-term	1 182	205
- long-term	-	-

(in PLN '000)

3.18. Reasons for differences between changes resulting from the standalone statements of financial position of certain items and changes resulting from the standalone statements of cash flows

Reasons for differences between changes resulting from the standalone statements of financial position of certain items and changes resulting from the standalone statements of cash flows are presented in below tables:

	the period of 12 months ended as at	
	31 December 2023	***31 December 2022***
Balance sheet change in trade and other receivables	**(4 261)**	**(10 366)**
Change in receivables in the cash flow statement	**4 245**	**19 427**
difference	**(16)**	**9 061**
Receivables from disposal of fixed assets	(3)	(3)
Receivables - disposal of shares	158	120
Interest and dividends	405	(405)
Acquisition of shares (prepayment)	-	544
CIT receivables	-	(8 773)
Long-term receivables	(549)	(541)
Other	5	(3)
Total difference	-	**-**

Balance sheet change in liabilities under supplies and services and other obligations	**(6 018)**	**5 918**
Change in liabilities in the cash flow statement	**11 232**	**9 021**
difference	**17 250**	**3 103**
Investment liabilities	603	(1 906)
Forward valuation	262	-
Option valuation liabilities	(2 030)	(780)
TCG change and compensation for public law liabilities	(16 080)	(509)
Other	(5)	92
Total difference	**-**	**-**

Balance sheet change in short and long term provisions	**2 251**	**(4 142)**
Change in provisions in the cash flow statement	**1 595**	**(2 960)**
difference	**656**	**(1 182)**
Provisions for employee benefits - other comprehensive income	(595)	1 114
Other	(61)	68
Total difference	-	-

3.19. Investment liabilities

As at 31 December 2023 the Company undertook to incur expenditure on property, plant and equipment in the amount of PLN 10,420 thousand. The amounts are to be earmarked to cover expenses connected with development, modernization and acquisition of PPE of the entity.

As at 31 December 2022 the Company's obligation to incur expenditure on PPE amounted to PLN 9,817 thousand and as at 1 January 2022 - PLN 11,723 thousand.

Pursuant to the agreement of acquiring 80% shares in Poli-Farbe, the Sellers are entitled to put option, under which, 2 years after the completion of the first stage of the Transaction, Śnieżka will be obliged to acquire, at the Sellers' request, the remaining 20% shares in Poli-Farbe. The valuation of options and liabilities in this respect is described in note 2.2.7.

3.20. Contingent liability

The Company is a party to credit agreements, the so-called "umbrella" with other entities comprising the capital group. Under these agreements, joint and several liability of the borrowers is established. Under these agreements, the company is the guarantor of the debt incurred by other group companies under umbrella agreements. As at December 31, 2023, the amount of the limit used under these agreements was PLN 13,406 thousand and was entirely attributable to Śnieżka ToC.

3.20.1 Legal affairs

There are no proceedings pending which would constitute at least 10% of the Company' equity.

3.20.2 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 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 Company paid the tax liability in the amount of PLN 2.62 million together with interest in the amount of PLN 0.88 million in September 2022.

At the same time, the Management Board did not agree with the findings of the inspection and appealed to the Head of the Sub-Carpathian Customs and Tax Office. On December 23, 2022, the Company was served with the final decision of the Head of the Sub-Carpathian Customs and Tax Office in Przemyśl, upholding the findings of the tax office audit. 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. Śnieżka responded to the cassation appeal, emphasizing the correctness of the decision of the Provincial Administrative Court in Rzeszów. The judgment is not final.

Corporate income tax liability for 2017

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

On June 28, 2023, the representative of Śnieżka obtained the findings of the Tax Office of June 14, 2023, regarding the reliability of the declared tax bases and the accuracy of calculating and settling corporate income tax for 2017. The findings obtained indicate that the customs and fiscal control against Śnieżka has been completed. In the aforementioned document, tax office deemed that in the audited period the Company overstated its tax-deductible costs by nearly PLN 12 million in connection with the expenses incurred to acquire the rights to use intangible assets and indicated a tax arrears of PLN 2.27 million. The Customs and Tax Office's view is consistent with the one expressed regarding the tax liability for 2016.

Śnieżka's management board, after obtaining recommendations from its representatives, decided not to submit a correction of the CIT return for the period subject to control pursuant to Art. 82 section 3 of the Act of

(in PLN '000)

November 16, 2016 on the National Tax Administration, deeming that the settlement of corporate income tax for the period covered by the control was correct.

On October 16, 2023, Śnieżka's representative received the Tax Office's decision of October 2, 2023 issued in the first instance. The content of the decision coincides with the content of the control findings. Tax Office determined Śnieżka's corporate income tax liability for 2017 in the amount of PLN 11.6 million, which is PLN 2.27 million higher than the parent company declared in its CIT-8 tax return. In accordance with the recommendation of Śnieżka's representatives, an appeal was filed against the decision in line with the provisions of law. In order to prevent further default interest from being charged, the Management Board of the Company decided to pay the tax liability together with interest on the non-final abovementioned decision.

By decision of January 29, 2024, the Head of the Tax Administration Chamber in Rzeszów - acting as an appeal body - overturned the decision of October 16, 2023 and discontinued the proceedings due to its groundlessness. In February 2024, the Company received a refund of the tax paid for 2017 together with interest.

Summary

In the standalone annual statement of comprehensive income for 2022, the entity assessed the risk and recognized the amount of tax arrears paid (PLN 2.62 million) as an increase in the burden in the "Income tax" item, and the cost of interest on tax arrears (PLN 0.88 million) in the "Financial costs" item, which, in the opinion of the entity's Management Board, reflected the risk associated with an unfavourable outcome for the Company of the results of both fiscal controls for 2016 and 2017.

The Company's management board maintains its assessment of the resolution of the CIT tax settlement for 2016 and maintained a provision in the amount of PLN 1.75 million.

Due to the discontinuation of the CIT settlement control for 2017, the provision in the amount of PLN 1.75 million was reversed so that the amount of PLN 1.75 million was recognized in the standalone statement of financial position as at December 31, 2023 as a tax office receivable, while the standalone annual statement of comprehensive income for 2023 included a reduction in the tax burden in the "Income tax" item in the amount of PLN 1.31 million and in the "Financial income" item in the amount of PLN 0.44 million.

3.21. Information on related entities

The table below presents total amounts of transactions entered into with subsidiaries and affiliates during the current and previous fiscal year:

Transactions with subsidiaries	***for the period ended 31 December 2023 / as at 31 December 2023***	*for the period ended 31 December 2022 / as at 31 December 2022*
Sales	**564 938**	515 014
Purchase	**39 320**	36 288
Trade and other receivables	**68 248**	73 813
Trade and other liabilities	**2 433**	8 309
Loan liabilities	**233 143**	247 536

Transactions with affiliates	***for the period ended 31 December 2023 / as at 31 December 2023***	*for the period ended 31 December 2022 / as at 31 December 2022*
Sales	**788**	682
Purchase	**22 857**	19 460
Trade and other receivables	**-**	405
Trade and other liabilities	**1 586**	3 379

(in PLN '000)

Transactions with personally related entities	***for the period ended 31 December 2023 / as at 31 December 2023***	*for the period ended 31 December 2022 / as at 31 December 2022*
Sales	**10**	17
Purchase	**12 338**	11 521
Trade and other receivables	**-**	4
Trade and other liabilities	**304**	894

3.21.1 Transaction conditions with related entities

Transaction nature with related entities:

- Plastbud Sp. z o.o. in Pustkow whose scope of business activity is manufacture of paint pigments, which are sold under the Śnieżka brand. Mutual transactions between the companies regard trade of raw materials, products and goods.
- Śnieżka - Ukraina Sp. z o.o. in Yavorov is one of the manufacturers of paint and varnish products in Ukraine. Its products are sold under the "Śnieżka" brand. Mutual transactions between the companies regard trade of raw materials, products and goods.
- Śnieżka - BelPol Wspólna Sp. z o.o. acquires from FFiL Śnieżka SA raw materials and goods to manufacture paint and solvent products.
- Śnieżka Trade of Colours Sp. z o.o. in Warsaw - from the date of the contribution in kind from the Commercial Division, the Company took over all functions in the field of sales and marketing (including pricing and revenue) from FFiL Śnieżka SA, as well as market analysis and management of selected trademarks within the Group. The main activity of Śnieżka Trade of Colours Sp. z o.o. is marketing and sales of products, including the development and implementation of strategic solutions in the said areas as well as conducting and supervising operational activities in all markets where the Group conducts its operations.
- Radomska Fabryka Farb i Lakierów SA in Radom deals with manufacture and sale of anticorrosive products. Mutual transactions between the companies regard trade of raw materials, products, goods as well as administrating and accounting services.
- Poli – Farbe Ltd. in Bocsa, Hungary. Mutual transactions between the companies regard trade of raw materials, products and goods.

Transactions between the aforementioned associates are made on equivalent terms to those that prevail in arm's length transactions.

3.21.2 Loan granted to a Member of the Management Board

As at 31 December 2023 and 31 December 2022 the Company did not hold any receivables under loans granted to the members of the Management Board.

3.21.3 Other transactions with participation of members of the Management Board

The Company did not conclude any transactions with the members of the Management Board.

(in PLN '000)

3.21.4 Remuneration of Company's senior executives

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Company:

	year ended 31 December 2023	*year ended 31 December 2022*
Management Board	**5 506**	**2 267**
Short-term employee benefits	5 506	2 267
Supervisory Board	**1 681**	**1 435**
Short-term employee benefits	1 681	1 435
Total	**7 187**	**3 702**

Remuneration paid or payable to other members of the senior executives:

	year ended 31 December 2023	*year ended 31 December 2022*
Short-term employee benefits (without charges)	5 027	4 488
Total amount of remuneration paid to management and executive personnel	**5 027**	**4 488**

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

The table below presents remuneration of the entitled entity to carry out the audit of financial statements paid or due for the year ended as at 31 December 2023 and 31 December 2022 by the following types of services:

Types of services	*year ended 31 December 2023*	*year ended 31 December 2022*
Statutory audit within the meaning of Art. 2 item 1 of the Act on statutory auditors	330	245
Other attestation services *	154	33
Audit of the interim financial statements	86	40
Total	**570**	**318**

* Report on the compliance of the format of the consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF") and Evaluation of the remuneration report and the attestation service of selected non-financial ESG indicators.

3.23. Objectives and principles of financial risk management

The main financial instruments used by the Company are bank loans, bonds, leasing contracts, cash and short-term deposits. The main objective of these financial instruments is to raise funds for the Company's operations.

The Company 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 3.10.

The main types of risk resulting from the Company'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 Company also monitors the risk of market prices applicable to all financial instruments managed by it.

3.23.1 Interest rate risk

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

Currently, the Company takes advantage of variable interest rates, does not conclude additional contracts to alter the interest rates (interest rate swaps).

Interest rate risk – susceptibility to changes

The table below presents the sensitivity of the gross financial result to potential changes in interest rates, assuming that other factors remain unchanged (in connection with liabilities with a variable interest rate).

Determining the potential change in interest rates in PLN 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. In 2022, the standard deviation was 1.67%, while in 2023 - 0.4567%. These results were subject to the professional judgment of the Management Board in terms of their stability and the expectations of the economic environment in which the Issuer operates. The volatility in 2023 differed from the one in 2022 by 1.21%, so the Management Board considered the potential change to be stable and adopted 1% for the sensitivity analysis.

Determining the potential change in interest rates in EUR 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. In 2022, the standard deviation was 0.82%, while in 2023 - 0.61%. These results were subject to the professional judgment of the Management Board in terms of their stability and the expectations of the economic environment in which the Issuer operates. The volatility in 2023 differed from the one in 2022 by 0.21%, so the Management Board considered the potential change to be stable and adopted 0,50% for the sensitivity analysis. The impact on the Company's equity and comprehensive income has not been presented.

	Amount in PLN '000	*Amount in currency (in '000)*	*Increase/decrease of interest rate*	*Impact on gross profit / loss in PLN '000*
Year ended as at 31 December 2023				
PLN	438 530	438 530	+1%	4 385
EUR	39 126	8 999	+0.5%	196
PLN	438 530	438 530	- 1%	(4 385)
EUR	39 126	8 999	-0.5%	(196)
Year ended as at 31 December 2022				
PLN	497 539	497 539	+1%	4 975
HUF	11 492	980 749	+1%	115
EUR	13 535	2 886	+1%	135
PLN	497 539	497 539	- 1%	(4 975)
HUF	11 492	980 749	- 1%	(115)
EUR	13 535	2 886	- 1%	(135)

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

31 December 2023

Variable interest rate	**< 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Overdraft facility	7 432	-	-	29 079	2 703	39 214
Bank credit, loan, leaseback	67 986	277 712	46 064	46 680	-	438 442

31 December 2022

Variable interest rate	**< 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Overdraft facility	3 958	-	-	-	113 637	117 595
Bank credit, loan, leaseback	54 135	42 141	259 951	24 064	24 680	404 971

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 Company, 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.

3.23.2 Currency risk

The Company is exposed to currency risk due to concluded transactions. The said risk results from sales or purchases carried out by the Company in currencies other than its reporting currency. In 2023, approximately 1.6% of sales transactions concluded by the Company were expressed in currencies other than the Company's reporting currency, while in the same period approximately 40% of costs were expressed in a currency other than the reporting currency. The Company acquires raw materials such as titanium white, resins, naphtha and fillers in foreign currencies.

In 2023, the Company realized forwards, which were acquired between June and October of 2023. These instruments constituted cash flows hedges resulting from purchases of raw materials in Euro. The total value of hedging instruments realized in 2023 related to raw materials used in production amounted to PLN 208 thousand. In 2022 the Issuer acquired forwards, which served as collateral for cash flows resulting from purchases of raw materials in Euro. The total value of hedging instruments realized in 2022 related to raw materials used in production amounted to PLN 38 thousand. As at December 31, 2023, the Company had unrealized hedging instruments related to the purchase of raw materials. The valuation amount of unrealized hedging instruments related to the purchase of currency transferred to the revaluation capital is PLN 323 thousand adjusted for deferred tax assets in the amount of PLN 61 thousand, which accounts for a total amount of PLN 262 thousand. The table below presents open positions (all transactions are FX Forward):

Denomination (in EUR '000)	**Maturity date**
2 500	15.01.2024
2 500	15.02.2024
2 500	15.03.2024
2 500	15.04.2024

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

As at the balance sheet date, the Company had no loans in foreign currencies, but it had a loan in EUR, which was the equivalent of PLN 39 million. The standard deviation of the average rates for 2023 was 0.1290, which translates into an exchange rate volatility of 2.84%. Comparing the volatility from 2023 to the loan value, the value at risk accounts for PLN 1.1 million. The value of trade and other receivables amounted to (rounded to PLN

(in PLN '000)

1 million) PLN 80 million, and the value of trade and other liabilities was PLN 57 million (rounded to PLN 1 million). The value of receivables in EUR amounted to PLN 0.85 million, while the value of liabilities amounted to 10.2 million. The difference is therefore the amount of 9.25 million expressed in EUR. Taking into account the average arithmetic exchange rate from 2023 (PLN/EUR 4.5437), this gives an amount of PLN 42.48 million. The standard deviation of the average rates for 2023 was 0.1290, which translates into an exchange rate volatility of 2.84%. Comparing the volatility from 2023 to the net exposure (liabilities - receivables) at risk, it accounts for PLN 1.2 million. The total value of amounts at risk is PLN 2.3 million. Considering almost half of this amount is held by the Capital Group and that the remaining part is immaterial from the point of view of the scale of the Company's business, the identified currency risk is immaterial.

3.23.3 Credit risk

With regard to the Company's financial assets, such as cash and cash equivalents, the Company's credit risk arises as a result of the counterparty's inability to make payment, and the maximum exposure to this risk equals the carrying amount of these instruments.

There is a significant concentration of credit risk in the Company in relation to trade and other receivables. The Company performs production and logistics functions in the Capital Group, while the distribution and marketing functions are performed by Śnieżka ToC Sp. z o. o. (subsidiary) to which the Company sells manufactured products and goods purchased for further sale. This form of distribution may expose the Company to settlement risk as a result of the contractor's default. In order to minimize this risk, appropriate procedures have been introduced in the Capital Group in which the Company is the parent entity, such as: assessment of the creditworthiness of contractors, granting credit limits and periodic verification of the amounts of these limits, as well as on-going monitoring and enforcement of overdue receivables. This method of managing receivables means that there are no significant problems with settling receivables in the distribution company, which denotes that it can settle its liabilities towards the Company on a regular basis.

Cash as at December 31, 2023 in the amount of PLN 745 thousand is accumulated in the following banks:

	Bank RATING	**PLN value**
Bank Pekao SA	BBB+	231
PKO BP SA	A2	22
Bank Handlowy in Warsaw SA	A-	24
ING Bank Śląski S.A.	A+	153
BNP Paribas SA	A+	314
Other cash	-	1
Total cash		**745**

(in PLN '000)

As at 31 December 2022 cash in the amount of PLN 1,547 thousand was accumulated in the following banks:

	Bank RATING	PLN value
Bank Pekao SA	BBB	165
PKO BP SA	A2	263
Bank Handlowy in Warsaw SA	A-	96
ING Bank Śląski S.A.	A+	573
BNP Paribas SA	A+	449
Other cash	-	1
Total cash		**1 547**

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.

3.23.4 Liquidity risk

The Company 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 Company'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 table below presents financial liabilities of the Company at 31 December 2023 as well as 31 December 2022 by due dates/maturities pursuant to contractual non-discounted payments. The Company has derivative and non-derivative financial liabilities. The details are presented in the table below:

	Maturity less than 3 months	**Maturity from 3 to 12 months**	**Maturity from 1 to 5 years**	**Maturity over 5 years**
Non-derivative financial liabilities	96 488	48 888	438 143	454
Derivative financial liabilities	269	54	-	
Available limits during the maturity period *	342	308 030	244 384	
Available loan from Śnieżka ToC*	300 000	300	300	
Liquidity buffer	**545 243**	**559 088**	**106 241**	-

*cumulative value in a given range

As at December 31, 2023, the Company settled its liabilities in a timely manner.
To summarize the liquidity management method, it should be noted that:

- The Company monitors the maturity dates of both assets and liabilities on an on-going basis,
- The Company monitors forecast cash flows from operating activities on an on-going basis,
- The basic sources of financing are bank loans and leasing,
- 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 Company, thus the Company gave a lot of attention to this aspect in the consolidated financial statements for 2023 - note 2.4.9 Financial assets, last point, and note 2.4.14 Cash and cash equivalents.

(in PLN '000)

31 December 2023	***Less than 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***
Interest-bearing credits, loans, leaseback	34 567	39 662	436 864	-	511 093
Lease and options liabilities	57	9 226	1 279	454	11 016
Trade and other liabilities	63 491	-	-	-	63 491
Total	**98 115**	**48 888**	**438 143**	**454**	**585 600**

31 December 2022	***Less than 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***
Interest-bearing credits, loans, leaseback	11 087	51 072	496 986	-	559 146
Lease and options liabilities	30	7 118	1 087	607	8 842
Trade and other liabilities	69 509	-	-	-	69 509
Total	**80 626**	**58 190**	**498 073**	**607**	**637 497**

3.24. Capital management

The main objective of the Company's capital management is to maintain favourable credit rating and safe level of equity ratios that would support not only the Company's operating activities but the entire Group and increase the value for its shareholders.

The Company 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 Company may change dividends payments to shareholders, return capital to shareholders or issue new shares. In the year ended as at 31 December 2023 and 31 December 2022, no major changes were implemented to objectives, principles and processes applicable within this area. The Company's Management Board monitors the debt status at the Group level applying the net debt/EBITDA ratio. Net liabilities include interest-bearing loans and borrowings (excluding debt to related parties) less cash and cash equivalents. 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. The debt level varies between the companies in the Group, but at the Group level the target is met.

EBITDA is an alternative measure of the bottom line calculated in the case of the Company as operating profit increased by depreciation. The level of this profit reflects the ability of the Company 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.

(in PLN '000)

	31 December 2023	*31 December 2022*
Interest-bearing credits, loans and leases	479 782	524 548
less loans from related entities	(233 143)	(252 713)
Cash and cash equivalents	(745)	(1 547)
Net debt	**245 894**	**270 288**
Profit from operating activities	66 288	26 619
Depreciation	25 005	21 208
EBITDA	**91 293**	**47 827**
Net debt / EBITDA	**3**	**6**

3.25. Employment structure

An average employment rate within the Company for the year ended as at 31 December 2023 and 31 December 2022 was the following:

	year ended 31 December 2023	*year ended 31 December 2022*
White-collar workers	464	448
Blue-collar workers	147	158
Total	**611**	**606**

3.26. The impact of the armed conflict in Ukraine

The situation in Ukraine

In 2023, the Ukrainian economy slowly recovered from the initial shock related to the war that had been lasting since February 24, 2022, and which caused significant damage to the national economy.

Despite troublesome war conditions, the Ukrainian economy showed great resilience, and Ukraine's GDP increased by 5% in 2023. The GDB increase was possible due to the greater adaptability of business and people to war conditions than in the initial phase of the conflict, increased harvests of agricultural produce, faster development of alternative supply routes, and also thanks to financial support from international partners. These conditions also had a positive impact on the operations of Śnieżka Ukraina. Despite the pending conflict, Śnieżka Ukraina's operations are also facilitated by its location, virtually outside the war zone. The company's factory, as one of the few in the paints and varnishes industry in Ukraine, is located in the western part of Ukraine - in Yavoriv, Lviv Oblast, about 20 km from the border with Poland, where the situation in these regions of Ukraine is slightly better and consumer demand for paints and varnishes – higher, which may result from the partial resumption of construction works. The assets of Śnieżka Ukraina are not currently at risk, and the company has high production capacity, which is described in more detail in the Report on the activities of the Capital Group.

The on-going conflict, however, may still have an adverse impact on the Company's operations on the Ukrainian market affected by hostilities. Factors that may adversely affect the company's operations include:

- depreciation of the zloty (similarly to other currencies in Central and Eastern Europe), which may translate into an increase in the prices of the Company's products, and, on the other hand, to the weakening of the purchasing power of individual customers;
- inflation level, with inflation slowing down significantly in 2023, mainly due to the actions taken by the National Bank of Ukraine in 2023;
- difficult flow of Company's receivables;
- disruptions in the supply chains of imported raw materials, materials and fuels, especially considering the fact that at the end of 2023 there were difficulties in deliveries due to blockades of the border with Ukraine by Polish and Slovak carriers;

- increase in prices and extension of delivery times of imported construction materials and increase in transport costs, mainly due to blockades at the border;
- increase in fuel, natural gas and electricity costs;
- rating downgrades for selected countries in the conflict region and a general further increase in the risk of running business in these countries;
- decline in demand on the Ukrainian market in regions where active hostilities are taking place.

The Company's Management Board monitors the conditions on the Ukrainian market on an on-going basis and adjusts its activities and plans to the current circumstances. Due to external factors and the current market situation, and despite optimistic forecasts, the Company's Management Board is currently unable to estimate the impact of the effects of the war on future performance on the market in question. More information about the situation on the Ukrainian market and forecasts regarding the activities of Śnieżka Ukraina is described in the Report on the activities of the Capital Group. Due to the on-going war in Ukraine, there were indications that it was necessary to carry out tests for the impairment of the shares. The details are described in note 2.2.6.

The situation in Belarus

The armed conflict in Ukraine, sanctions imposed on Belarus and constant legal changes in Belarus contribute to the fact that conducting business activities on the Belarusian market is connected with a number of risks, however, the management board of the parent company constantly identifies risks that may affect the activities of the Company and the Group on the Belarusian market.

The main risk is the unstable socio-political situation in Belarus, particularly the activities carried out by the Belarusian government, which result in difficulties in trade with European Union countries, including Poland. The policy pursued by the Belarusian authorities may end up in further sanctions imposed on this country, which will result in a reduction in exports, a reduction in Belarusian GDP and an increase in currency risk (devaluation of the Belarusian ruble).

The Company's Management Board also monitors the dynamically changing conditions on the Belarusian market on an on-going basis and adapts its activities and plans to the current circumstances. The receivables are not at risk, the sale is partly subject to prepayment terms. No reasons occur to create increased write-offs for receivables.

Due to external factors and the current market situation, the Company's Management Board is currently unable to estimate the impact of the war on the Group's future performance on the said market.

Due to the introduction of further legal restrictions in Belarus, external premises occurred indicating the need to conduct impairment tests for fixed assets located in Belarus in accordance with IAS 36 "Impairment of assets". Following the test, a result was obtained indicating impairment of non-current assets. Therefore, in the report for 2023, the Company recognized an impairment loss for shares in Belpol, which is described in detail in note 2.2.6.

3.27. Climate risk

Environmental and climatic aspects are monitored on a regular basis and managed in a responsible manner in the Śnieżka Group. Due diligence in this area is maintained, inter alia: by implementing its own good practices related to environmental protection and limiting the impact of its activities on the climate.

The Group treats environmental risk in a multidimensional manner and strives to identify the full range of potential negative effects of its activities on the environment. The analyses are used to plan and take actions to mitigate risks and minimize negative impacts, and the entire process is part of the sustainable management of the Group companies.

All operations related to the core business of the Śnieżka Group, i.e. collection and processing of raw materials, production, storage and transport of products, may have a negative impact on the environment.

Some activities in the Group's value chain feature high carbon intensity. This applies, for example, to the production of packaging from petroleum products or the acquisition of some raw materials.

Therefore, the Group identifies the risk of impact on the business model and the results of future European Union regulations - they may limit the permissible emission and energy consumption of production plants in the EU.

In order to prevent the materialization of this risk, the Group has adopted the obligations described in the Śnieżka Group's 2023+ Sustainable Development Strategy, the Śnieżka Group's climate policy, and the Śnieżka Group's quality, environment and health and safety policy.

Following the risk analysis conducted in 2023, the Company identified risks that could affect its financial situation and performance. At the same time, the entity's 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 Company's business model. The identified risks did not significantly affect the Company's financial situation and performance in 2023.

This issue is described in more detail in the Report on the Management Board's activities for 2023 in item 8.3.1 and 8.3.2.

3.28. Macroeconomic risks

Changes in the economic, social and political environment in Poland and other foreign markets may adversely affect the Company's operations and its business and financial performance.

Risk associated with macroeconomic situation for the Company 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 industry's condition
- monetary and housing policy,
- the condition and credit policy of banks.

The factors and phenomena indicated above may in the future affect the Company'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 Company's business model. Macroeconomic risk has been extensively described in the Report on the activities of the Capital Group in item 8.2 "Identified business risks".

3.29. Events after the balance sheet date

By decision of January 29, 2024, the Head of the Tax Administration Chamber in Rzeszów - acting as an appeal body - overturned the decision of October 2, 2023 regarding corporate income tax for 2017 and discontinued the proceedings in the case due to its groundlessness. Further information regarding this subject is presented in item 3.20.2.