Q1 2018 EARNINGS PRESENTATION

DARIUSZ MAŃKO
PRESIDENT OF THE BOARD

ADAM PIELA
BOARD MEMBER

PIOTR WYSOCKI
BOARD MEMBER

TOMASZ GRELA
BOARD MEMBER

RAFAŁ LECHOWICZ
BOARD MEMBER

A FEW WORDS ON Q1

DARIUSZ MAŃKO
PRESIDENT OF THE
BOARD

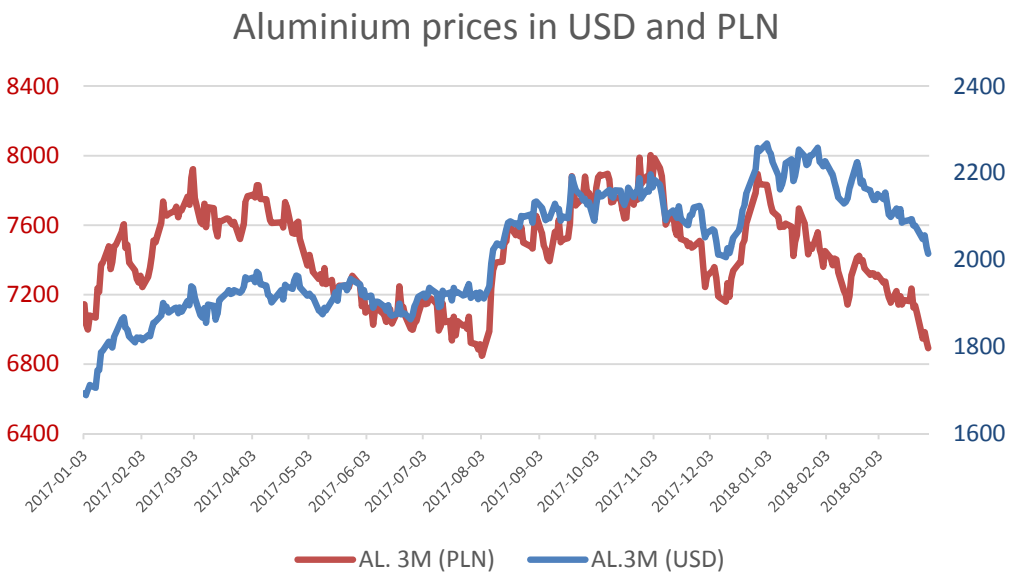
SOLID FIRST QUARTER IN ACCORDANCE WITH EXPECTATIONS

High rate of growth of the sales revenues both on domestic and foreign markets (approx. 12%).

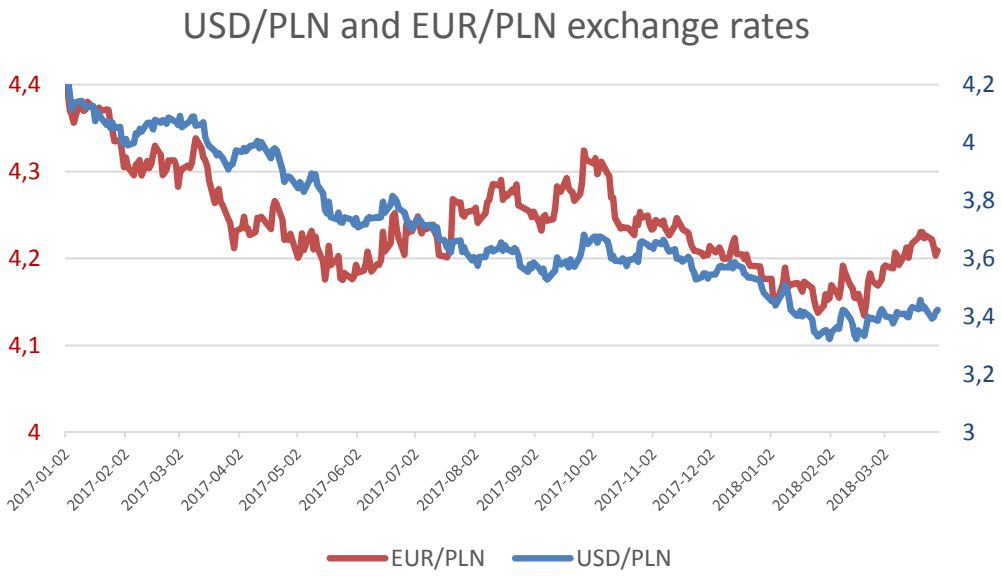
Another quarter of growth of the operating profit and EBITDA, by 7% and 6%, respectively.

Key investments carried out in accordance with the schedule.

MACRO FACTORS IN THE 1st QUARTER

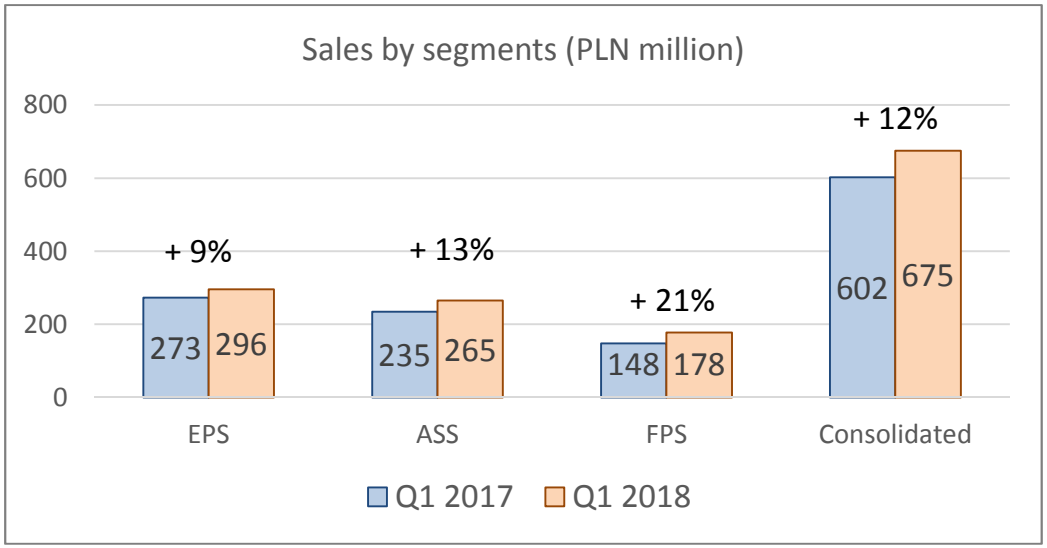


An increase in the average price of aluminum in USD in the first quarter of 2018 (yoy) by 17% has been fully offset by the appreciation of the PLN to USD.

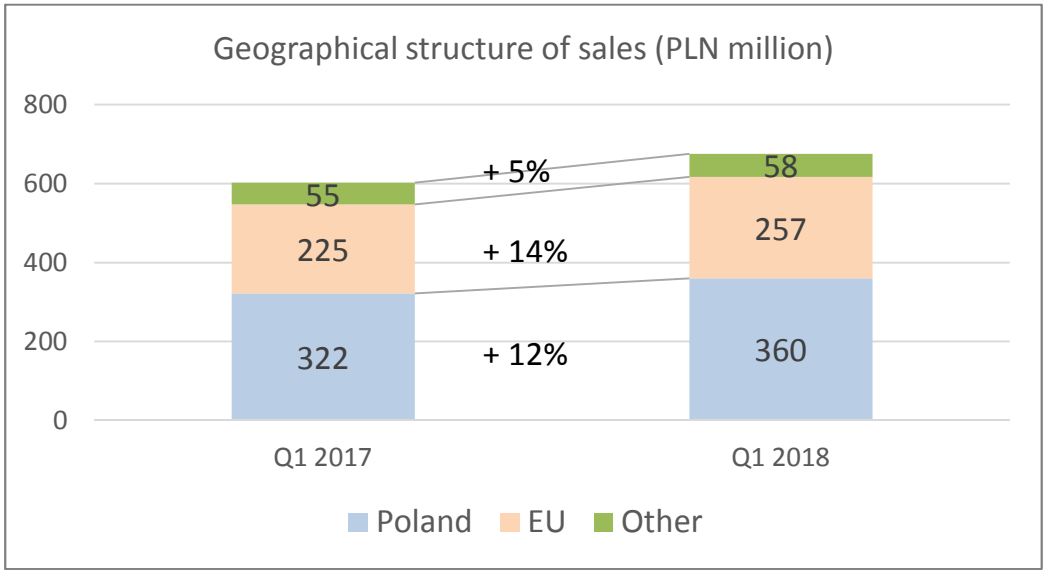


The fall on EUR / PLN in the first quarter by 3% had a negative impact on half of the consolidated sales

DYNAMIC SALES GROWTH IN SPITE OF POLISH ZLOTY APPRECIATION



Very good dynamics of revenues in all segments despite stronger zloty.



The domestic market does not slow down.

Diversification of markets within the EU helps to maintain high sales dynamics.

SEGMENTS' OPERATING ACTIVITIES

PIOTR WYSOCKI	TOMASZ GRELA	RAFAŁ LECHOWICZ
BOARD MEMBER	BOARD MEMBER	BOARD MEMBER

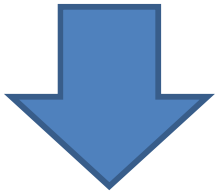
EXTRUDED PRODUCTS SEGMENT - Import duties on aluminium in the USA and sanctions imposed on Rusal and their impact on business

SALES

Sales to the USA - 0.9% of EPS sales

90% deliveries made based on EXW Kęty

Sales to the USA - about 1% of European output

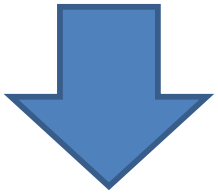


No impact on the level of supply of extruded products in Europe

PURCHASES

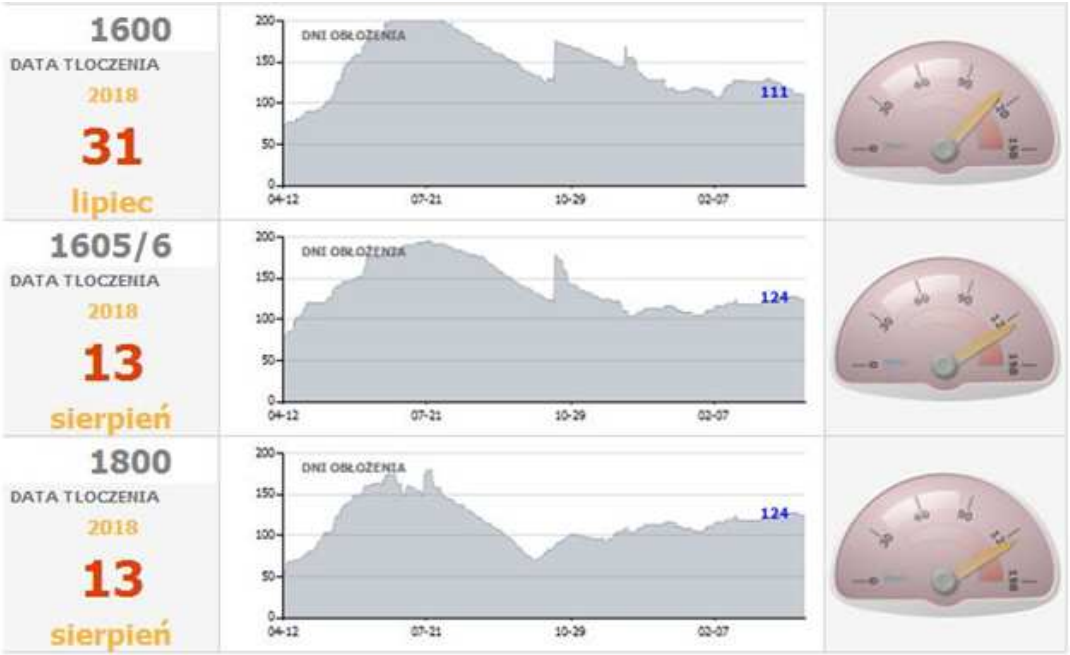
Rusal's share in billet purchases = 7.5%

Rusal's share in aluminum purchases = 0%



The extension of supply directions outside Europe

EXTRUDED PRODUCT SEGMENT – market situation is still at a good level



(PLN milion)	**Q1_2018**	**Q1_2017**	change
Sales (value)	296,4	272,7	9%
Domestic	165,4	145,9	13%
International	130,9	126,8	3%

(thousand tonnes)	**Q1_2018**	**Q1_2017**	change
Sales (volume)	18,4	17,4	6%
Domestic	11,7	10,6	10%
International	6,7	6,9	-3%

Sustainable, very good economic situation on domestic market.

Last year's export "drivers" - Germany and Czechia this year flat. Other major markets from 7% to 15% sales increase.

Utilisation of domestic production capacities at the level of 90%.

Costs of employee benefits under control - 13% increase with 8% increase in the number of employees.

Employee turnover ratio close to last year's level (1.1%)

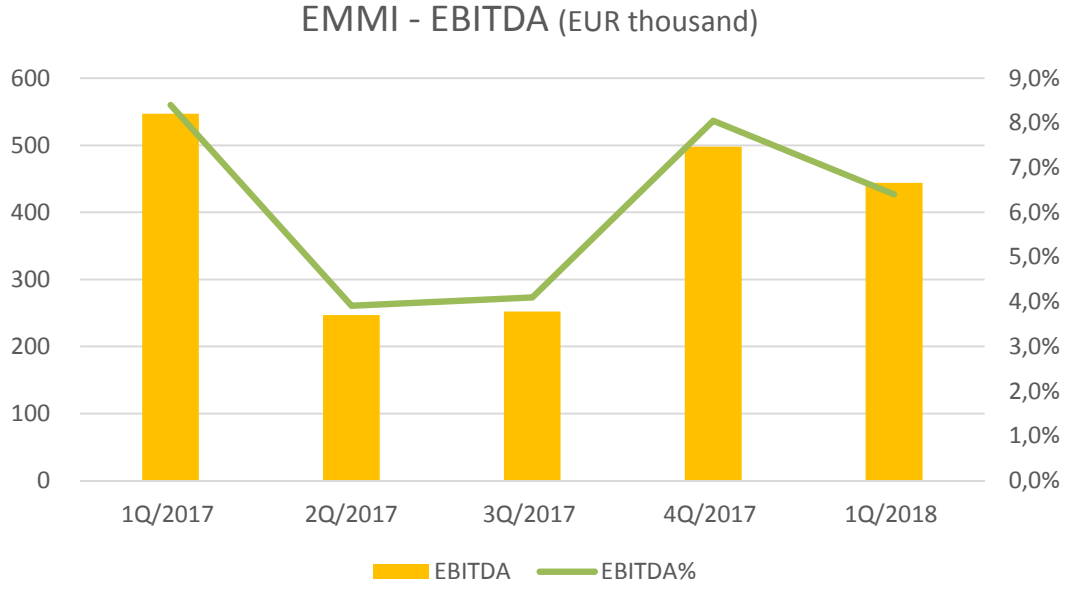
In the second quarter, the forecasted increase in sales revenues at 10-12% compared to last year.

EXTRUDED PRODUCT SEGMENT– Aluminium Kety Emmi

Relocation of production from Grupa Kęty to Aluminum Kety EMMI based on specificity of the machinery park of each plant.

Cooperation of sales departments - gaining new projects, implementing joint purchases.

The planned start of the contract for the production of car doorsteps for Mercedes postponed from the first to the second quarter



Project „Doorsteps for Mercedes G-class”

	2018	2019	2020	2021	2022	2023	2024
Estimated value of sales [EUR million]	**5,1**	**6**	**6,5**	**6,7**	**6,7**	**6,7**	**6,7**

EXTRUDED PRODUCT SEGMENT– Alupol LLC - Ukraine

Capacity utilization at the level of 75 - 80%

Improving production efficiency in the first half of the year

Month	efficiency in 2017 (kg/h)	efficiency in 2018 (kg/h)	change	avg in quarter
Jan	**883**	**981**	**11%**	**13%**
Feb	**887**	**1052**	**19%**	
Mar	**949**	**1036**	**9%**	
Apr	**791**	**1023 E**	**29%**	**15% E**
May	**949**	**1023 E**	**8%**	
Jun	**914**	**1023 E**	**12%**	

EXTRUDED PRODUCT SEGMENT– investment projects

Project (PLN million)	Project total value	Estimated spendings in 2018	Spendings in 1Q	Spendings beyond 2018
Production hall AAP (continuation)	12,3	1,6	1,3	0,0
Extrusion press – soft alloys	70 0	40,6	8,3	0,0
Extrusion press – hard alloys	54,4	42,7	3,4	0,0
Anodysing line	40,1	32,1	0,0	8,0
Main projects total	176,8	117,0	13,0	8,0

Production hall for soft alloys

Completion of the construction of the hall for the soft-alloy press planned in the second quarter - assembly of the device in the third quarter

Extension of the anodising plant at the stage of obtaining the necessary decisions and permits.

Production hall for Aluminium Advanced Products

Press for hard alloys at the preparatory stage - in the third quarter, the assembly of devices begins

ALUMINIUM SYSTEMS SEGMENT - Import duties on aluminium in the USA and sanctions imposed on Rusal and their impact on business

SALES

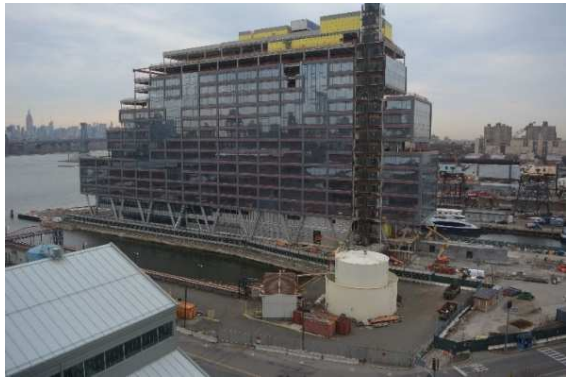
Sales to the USA - 5,0% of ASS sales
The product dedicated to the US market has not been subject to additional sanctions - the duty remained at 6.5%

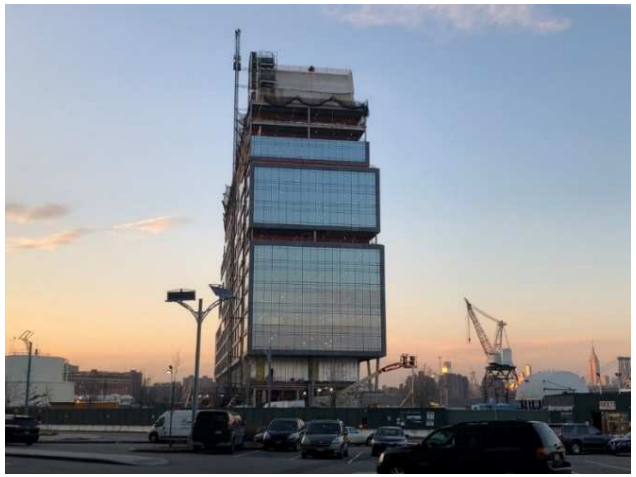
No impact on sales level
Current backlog on the US market - PLN 85 million

PURCHASES

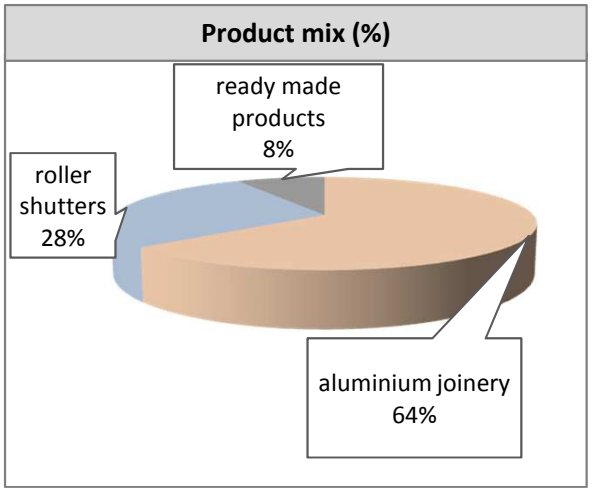
90% of demand for aluminium profiles covered by EPS
An increase of aluminium price in April

In the case of continuation of the upward trend possible increase in product prices in the third quarter





ALUMINUM SYSTEMS SEGMENT - another successful quarter, good prospects



	Q1_2018	Q1_2017	change
Sales	264,6	235,1	13%
Domestic	158,9	143,2	11%
International	105,7	91,9	15%

The market situation is still good. Sales in the current quarter on the domestic market increased by 11% and export sales by as much as 15%.

All markets have posted increases in sales only the British market has a 5% drop in revenues.

Systematic increase of sales in Germany, France and the Balkan countries.

More than 80% growth of sales on the Dutch market.

Czechia & Slovakia posted 16% increase in sales (yoy).

In the second quarter, expected 10% growth of sales (yoy).

ALUMINUM SYSTEMS SEGMENT – information on staff

AVG NUMBER OF EMPLOYEES

	IQ 2018	IQ 2017	change
Aluminium Systems Segment	**2 133**	**2 052**	**+4%**

STAFF TURNOVER RATIO

	IQ 2018	IQ 2017	change
Aluminium Systems Segment	**3,6 %**	**4,1 %**	**-14%**

Turnover rate below the industry average

Unit labor cost increase by 7%

New major at ATH and at the Silesian University of Technology
Specialization: ALUMINUM - GLASS CONSTRUCTIONS

Lecturers: University's staff with the participation of Aluprof's highly qualified employees.

ALUMINIUM SYSTEMS SEGMENT – investment projects

Project (PLN million)	Project total value	Estimated spendings in 2018	Spendings in 1Q	Spendings beyond 2018
R&D Center	33,0	26,0	5,3	6,0
Verical powder coating line	15,5	8,5	0,0	7,0
Production hall (Opole)	11,0	5,0	0,0	6,0
Main projects total	59,5	39,5	5,3	19,0

R&D Center - purchased land, construction permit received, General Contractor selected, construction site ready to start

Vertical powder coating line - submitted application for a building permit

Production hall (Opole) - during the selection of the extension concept, the estimated date of commencement of construction - the fourth quarter

FLEXIBLE PACKAGING SEGMENT – succesful quarter

	Q1_2018	Q1_2017	change
Sales	178,4	147,5	21%
Domestic	100,3	86,6	16%
International	78,1	60,9	28%
% of export	44%	41%	

Main export markets

PLN million	1Q'2018	1Q'2017	change
The Netherlands	19,1	11,1	+ 72%
Germany	13,5	13,2	+ 2%
Hungary	7,4	4,9	+ 49%
Ukraine	5,2	3,5	+ 48%
Czechia	5,0	4,5	+ 11%
UK	4,5	1,1	+ 321%
Lithuania	4,3	1,6	+ 176%

FLEXIBLE PACKAGING SEGMENT– investment projects

Project (PLN million)	Project total value	Estimated spendings in 2018	Spendings in 1Q	Spendings beyond 2018
Second BOPP line	110,0	42,6	0,6	55,5
Other items		7,2	0,8	
Main projects total	110,0	49,8	1,4	55,5

Implementation of the main project (the second BOPP production line) according to plan.

The construction of the production hall will start in the third quarter

Start of production expected in the first quarter of 2020 years

FLEXIBLE PACKAGING SEGMENT – expected continuation of sales increases

Information on staff

	1Q'2016	1Q'2017	1Q'2018
No of employees	632	726	779
Avg cost per emploee (PLN thousand)	6,0	6,4	6,4
Turnover ratio	2%	4%	4%
Sales per employee (PLN thousand)	193	203	229

Current capacity utilisation at 80-90 %

Forecasted sales growth in the second quarter at 5-10% yoy

CONSOLIDATED RESULTS

ADAM PIELA
BOARD MEMBER

OPERATING PROFIT IN ACCORDANCE WITH EXPECTATION

PLN million	1Q 2018	1Q 2017	change
Revenues	**674,8**	**601,5**	**+12%**
Operating profit	**74,5**	**69,8**	**+7%**
margin	11,0%	11,5%	
EBITDA	**105,1**	**99,5**	**+6%**
margin	15,6%	16,4%	
Result on financial activity	**-5,2**	**-0,6**	
interests	-2,8	-2,4	
fx gains/loses on bank loans	-1,4	2,3	
other	-1,0	-0,5	
Profit before tax	**69,3**	**69,2**	**0%**
Corpotare tax	-16,0	-14,5	
Consolidated net profit	**53,3**	**54,7**	**-2%**

Factors affecting the reduction of the consolidated margin as compared to 1Q 2017:

- change of the product portfolio
- higher dynamics of external services costs

Negative valuation of foreign currency loans compared to the same quarter of the previous year

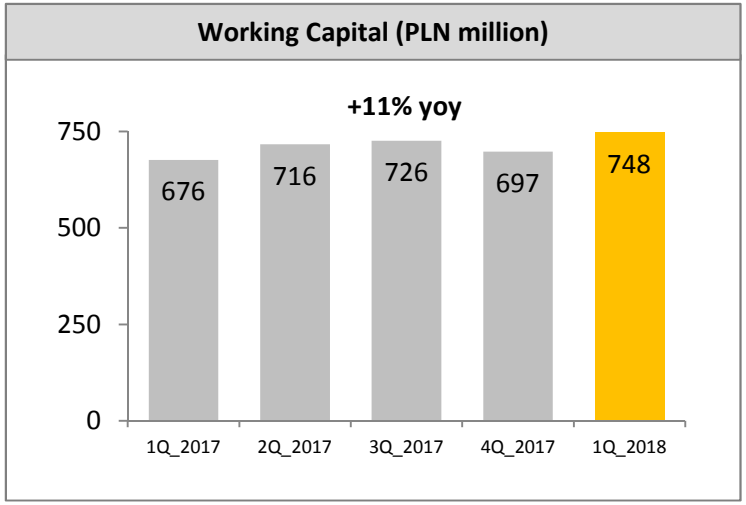
Higher tax due to settlement of tax assets established in previous years (increase by approx. PLN 2 million)

COST INCREASEMENT UNDER CONTROL

PLN million	Q1 2018	Q1 2017	change
Revenues	**674,8**	**601,5**	**+12%**
Total operating costs, including:	**619,8**	**556,3**	**+11%**
Depreciation	30,6	29,7	+2%
Raw materials, Energy, cost of goods sold	432,0	387,5	+11%
External services	47,5	40,0	+19%
Taxes and fees	3,7	3,7	0%
Employee benefits	100,8	90,0	+12%
Other operating costs	5,3	5,5	-4%

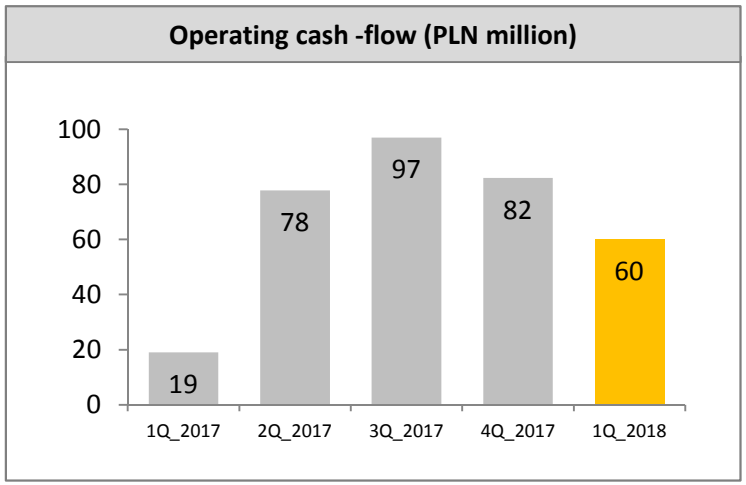
Raw material costs (Q1'18/Q1'17) - an increase of the volume sales (+5% in EPS and +37% in FPS),
External services (Q1'18/Q1'17) – increase resulting from higher sales volumes (transport services) and limited capacity on some production lines (eg anodising line in EPS and povder coating in ASS)
Employee benefits (Q1'18/Q1'17) – increase in the number of employees by 6% (based on average levels in a given period)

STRONG CASH FLOW FROM OPERATING ACTIVITY DESPITE THE WORKING CAPITAL GROWTH



PLN million	1Q_2017	2Q_2017	3Q_2017	4Q_2017	1Q_2018
Working Capital	**676**	**716**	**726**	**697**	**748**
Inventories	419	429	437	458	476
Receivables	480	531	543	475	531
Liabilities	223	244	254	236	258
Turnover ratio (in days)	101	97	91	95	100

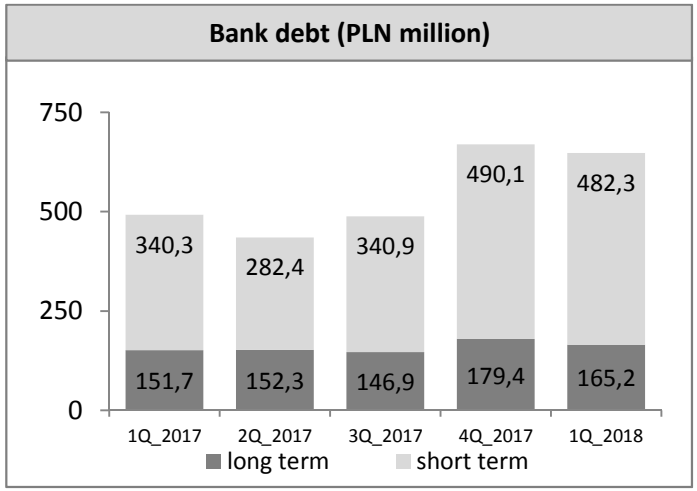
The main factor influencing the level of working capital was the significant increase in Group sales.

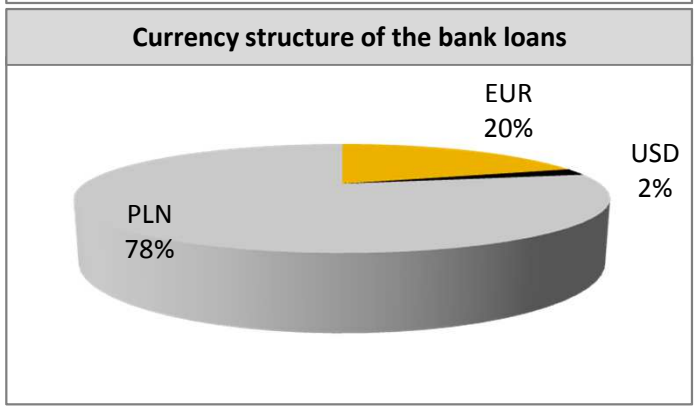


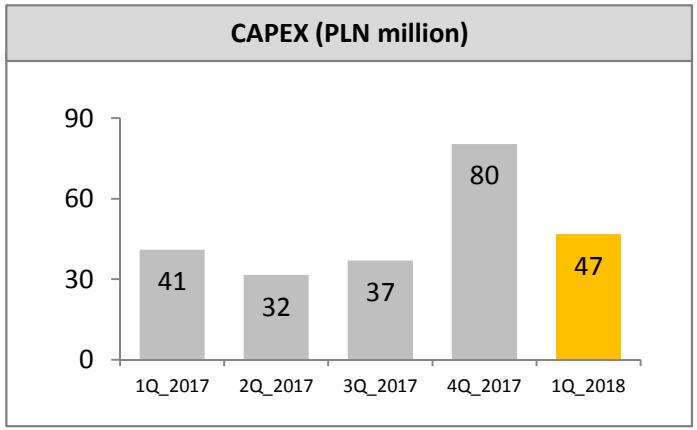
Time structure of repayment of receivables without significant changes.

Very good quarter in terms of cash flows from operating activity.

STABLE FINANCING







Increase in debt compared to last year resulting from the need to finance a significant investment program and working capital.

Net debt at PLN 583 million.

Optimal indebtedness ratios - net debt / equity ratio (0.4) and net debt / EBITDA (1,4),

Estimated debt at the end of the second quarter will increase by approximately PLN 50 million, assuming aluminum prices at 2300 - 2400 USD / t.

Key investments carried out in accordance with the schedule

SUMMARY

Very good financial results.

Optimistic prospects for the second quarter.

The Management maintains the forecast of results published at the beginning of the year.

SUPPLEMENTARY INFORMATION

VOLUME SALES (thousands of tons)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Extruded Products Segment	17,4	19,2	19,8	16,3	18,3
Flexible Packaging Segment	11,1	12,5	13,6	13,7	15,2

EBITDA per Segment (PLN million)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Extruded Products Segment	32,7	38,8	48,3	30,2	38,8
Aluminium Systems Segment	40,2	49,6	54,6	27,7	38,8
Flexible Packaging Segment	28,5	27,1	32,3	24,6	30,3

Current forecast for 2018 (PLN million)	2018	2017	change
Revenues	2 893,0	2 642,6	+9%
EBIT	317,0	301,2	+6%
EBITDA	448,0	421,2	+5%
Net profit	253,0	236,9	+7%
CAPEX	335,0	190,0	

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