

# The BORYSZEW Group

## FINANCIAL RESULTS

the 3rd quarter of 2017



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**1. The Boryszew Group – a summary of the 3rd quarter of 2017**

2. Market environment

3. Financial results – the 3rd quarter of 2017

4. Operating segments

5. Innovations in the Boryszew Group

6. Plans for next quarters



# THE BORYSZEW GROUP SUMMARY OF THE RESULTS OF THE 3RD QUARTER OF 2017

[million PLN]	Revenues	EBITDA	Net profit	EBITDA on core business
2017	4 693	393	233	386
2016	4 222	342	175	309
Change YOY %	+11%	+15%	+33%	+25%

\* with the exception of the Other segment and consolidation adjustments



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# FORECAST FOR 2017– IMPLEMENTATION

	FORECAST 2017	the 3rd quarter of 2017	Implementation %
<b>EBITDA</b>	<b>540</b>	<b>393</b>	<b>72.8%</b>
<b>NET PROFIT</b>	<b>306</b>	<b>233</b>	<b>76.4%</b>

- Despite seasonally lower sales in December a good result is expected for the 4th quarter;
- Good prospects for the automotive sector, seasonally better results in the chemicals sector and a stable situation in the metal sector.

Assumptions for the forecast:

- USD/PLN exchange rate: 3.9
- EUR/PLN exchange rate: 4.3
- WIBOR: 1.65%



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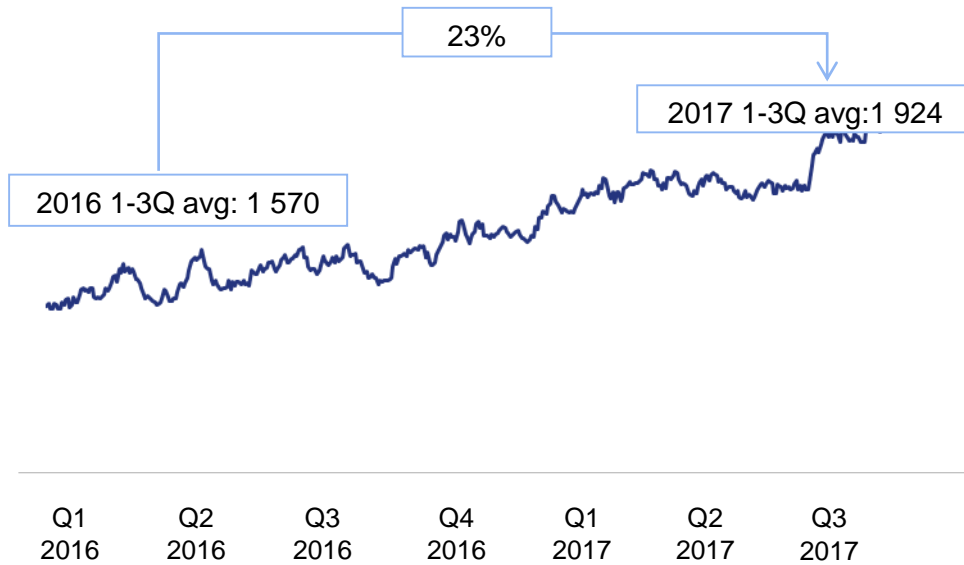
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# KEY METALS TRADING (in USD/t)

## Aluminium



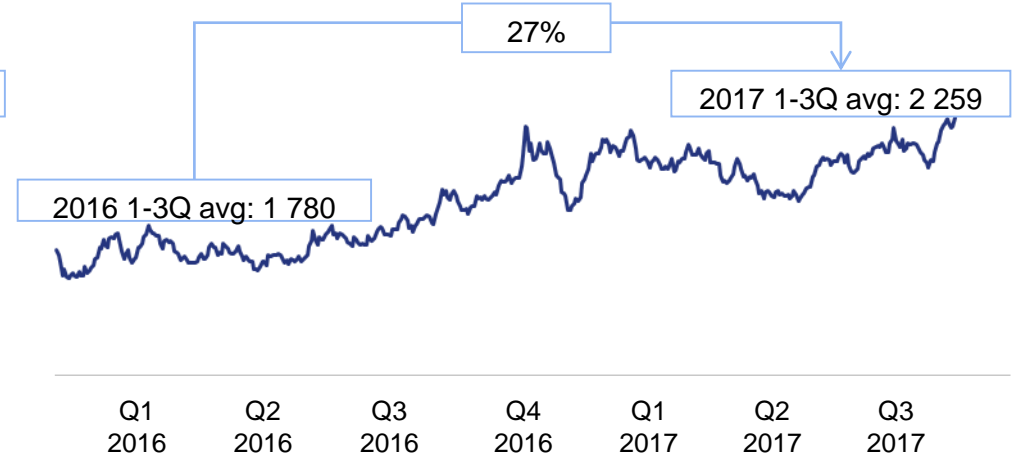
## Copper



## Zinc



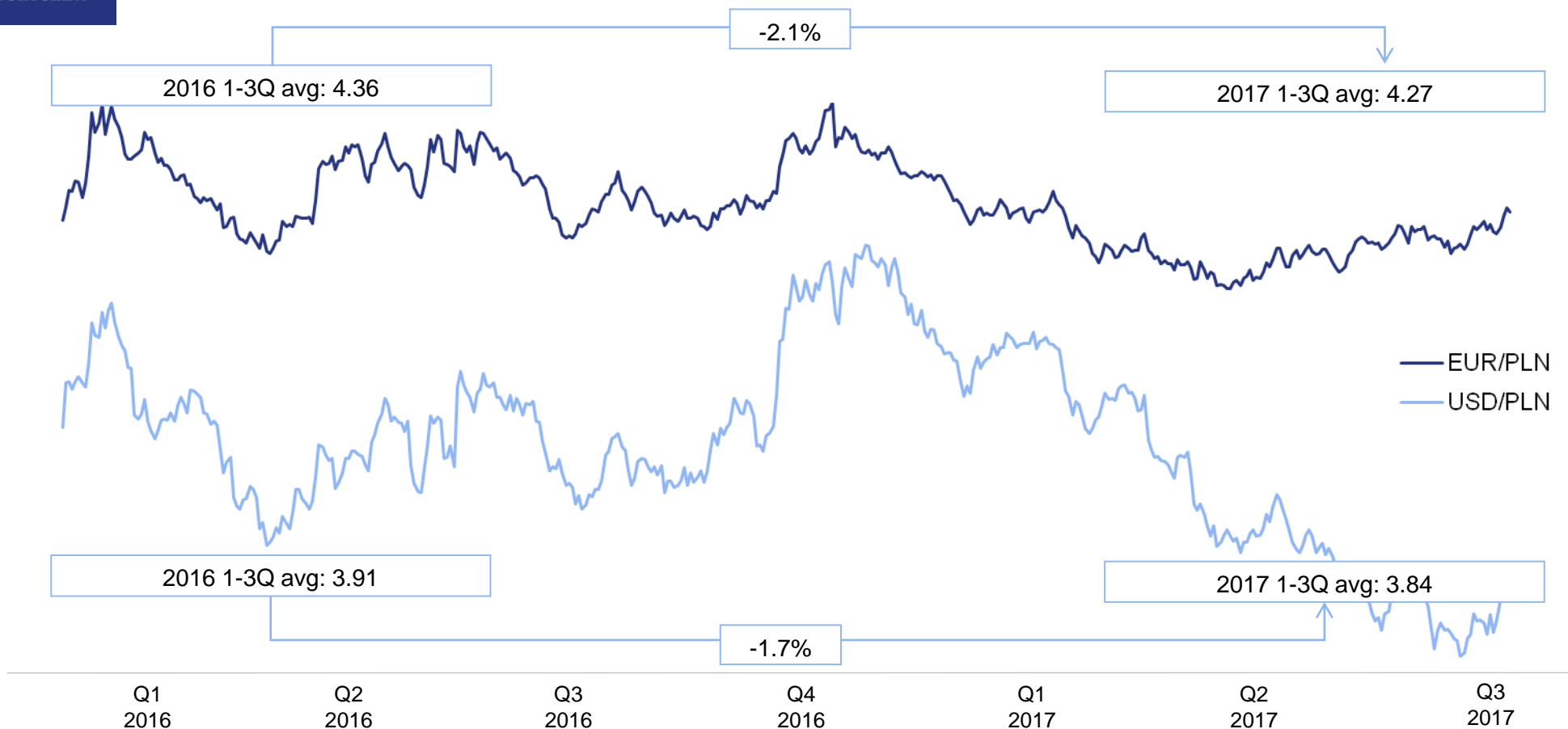
## Lead





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# EXCHANGE RATES



Due to the long open position in EUR (mainly in automotive and chemicals segment) the strengthening of the PLN negatively influenced the operational result in comparison to the previous year by about 15 million PLN.

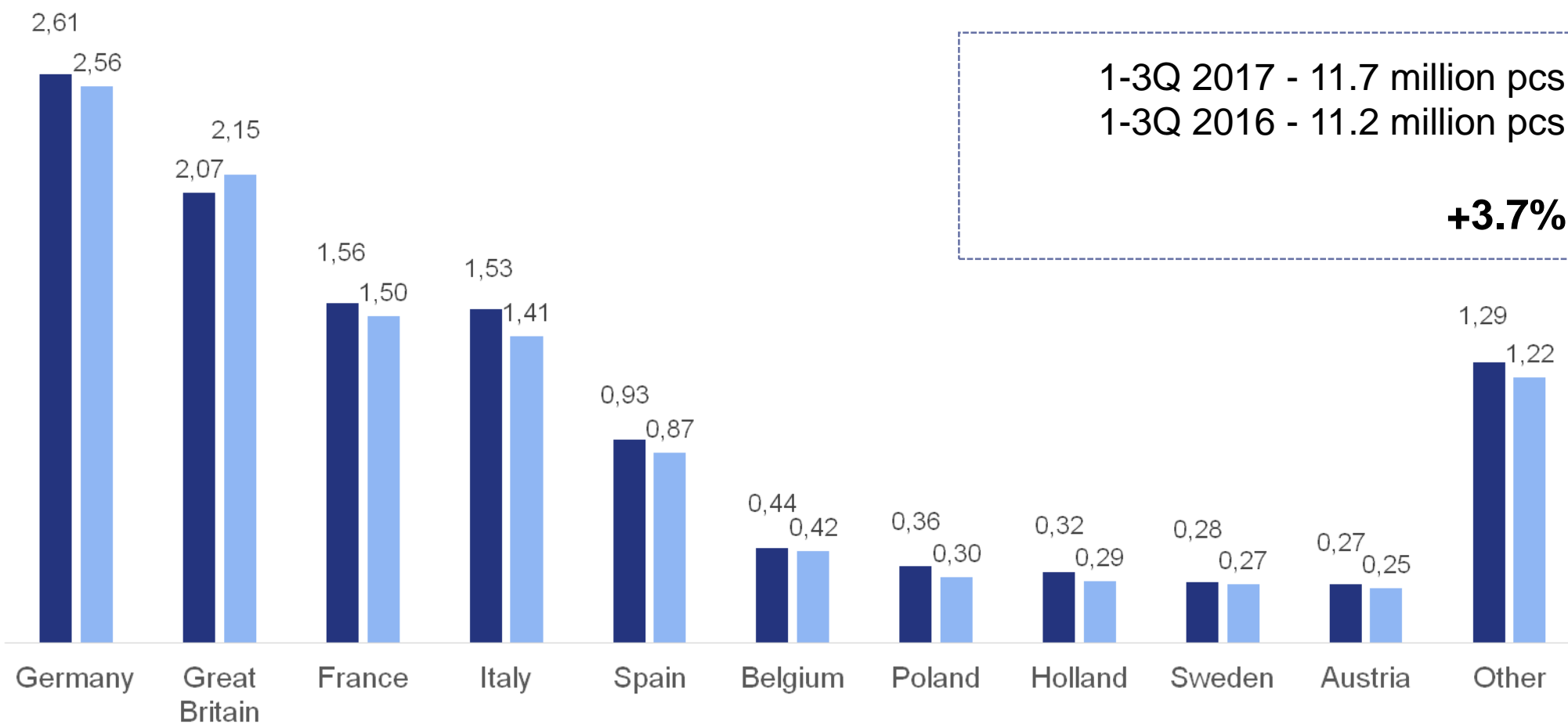


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# EUROPEAN AUTOMOTIVE MARKET

Registrations of new cars by country in million pcs

■ 1-3Q 2017 ■ 1-3Q 2016



1-3Q 2017/2016 - European Automobile Manufacturers Association



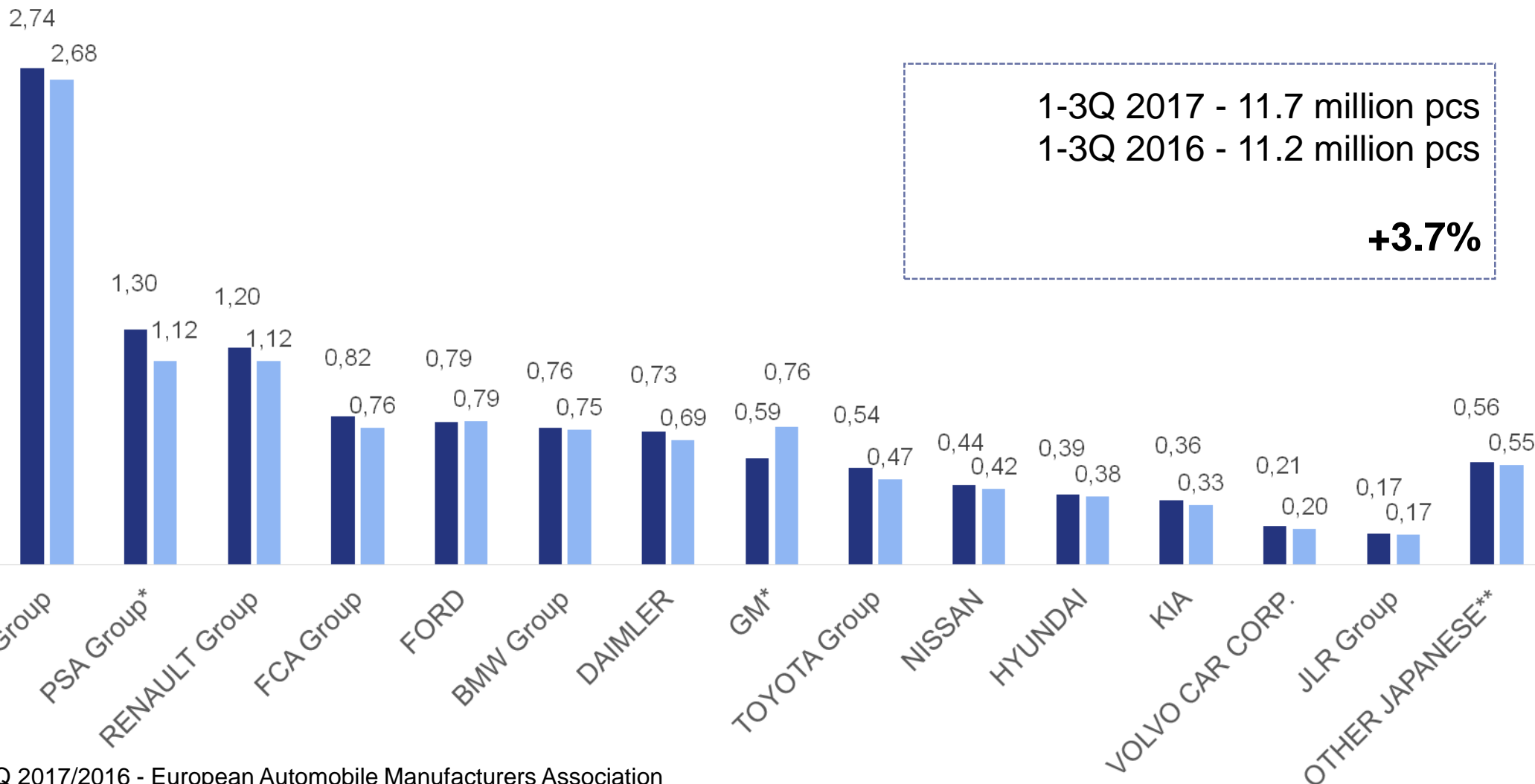


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# EUROPEAN AUTOMOTIVE MARKET

Registrations of new cars by manufacturer in million pcs

■ 1-3Q 2017 ■ 1-3Q 2016



1-3Q 2017/2016 - European Automobile Manufacturers Association

\* After the acquisition by PSA Opel and Vauxhall brands, from 1 August 2017 the registrations of Opel/Vauxhall are included in the PSA Group

\*\* Including Subaru, Daihatsu, Mitsubishi, Honda, Mazda, Suzuki



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## KEY EVENTS IN THE 3RD QUARTER OF 2017

- Starting regular production in Maflow in Toruń
- Signing a letter of intent regarding the sale of the FŁT Group companies
- Financial support for 4 innovative projects (from the beginning of the year 7 of 11 submitted)
- Preparing directional strategy in the chemical sector
- The development of innovation and continuing work on the consolidation of R&D team in the Boryszew Group



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## KEY FINANCIAL DATA YOY (in PLN million)

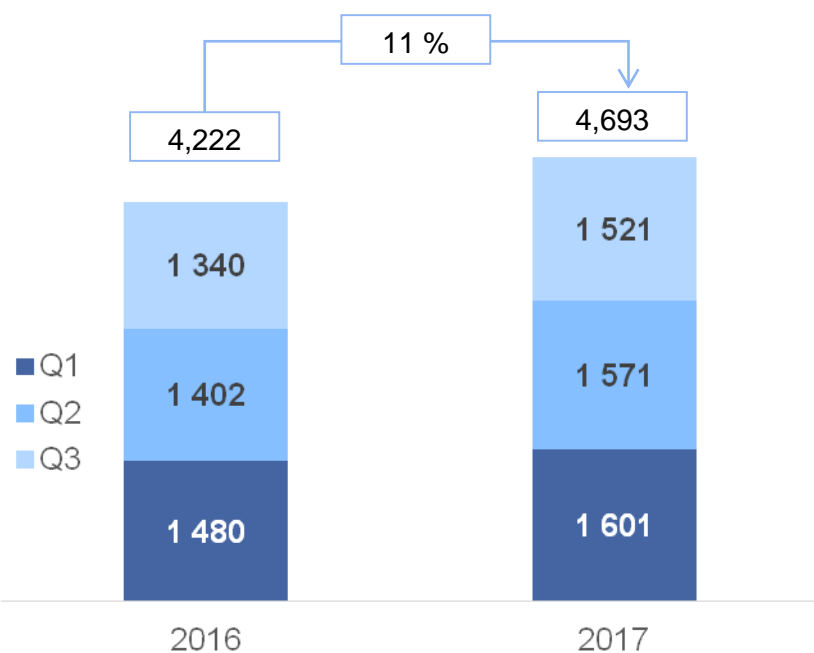
	Q3 2017	Q3 2016	Change YOY %	1-3Q 2017	1-3Q 2016	Change YOY %
<b>SALES REVENUES</b>	<b>1,521</b>	<b>1,340</b>	<b>14%</b>	<b>4,693</b>	<b>4,222</b>	<b>11%</b>
<b>EBIT</b>	<b>103</b>	<b>92</b>	<b>12%</b>	<b>292</b>	<b>249</b>	<b>17%</b>
<b>EBITDA</b>	<b>138</b>	<b>125</b>	<b>10%</b>	<b>393</b>	<b>342</b>	<b>15%</b>
<b>EBITDA MARGIN</b>	<b>9.0%</b>	<b>9.3%</b>		<b>8.4%</b>	<b>8.1%</b>	
<b>NET PROFIT</b>	<b>79</b>	<b>92</b>	<b>-14%*</b>	<b>233</b>	<b>175</b>	<b>33%</b>
<b>NET PROFIT (attributed to the shareholders of the parent company)</b>	<b>54</b>	<b>59</b>	<b>-8%*</b>	<b>185</b>	<b>126</b>	<b>47%</b>

\* The difference is mainly due to one-off event in Q3 2016



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# REVENUE (in millions of PLN)



Revenue by business segments (PLN million)	1-3Q 2017	1-3Q 2016	Change	Change %
<b>Automotive</b>	1,512	1,436	76	5%
<b>Metals</b>	2,833	2,429	405	17%
<b>Chemicals</b>	208	235	-26	-11%
<b>Other*</b>	140	122	17	14%

The increase in revenue by 11% resulting from:

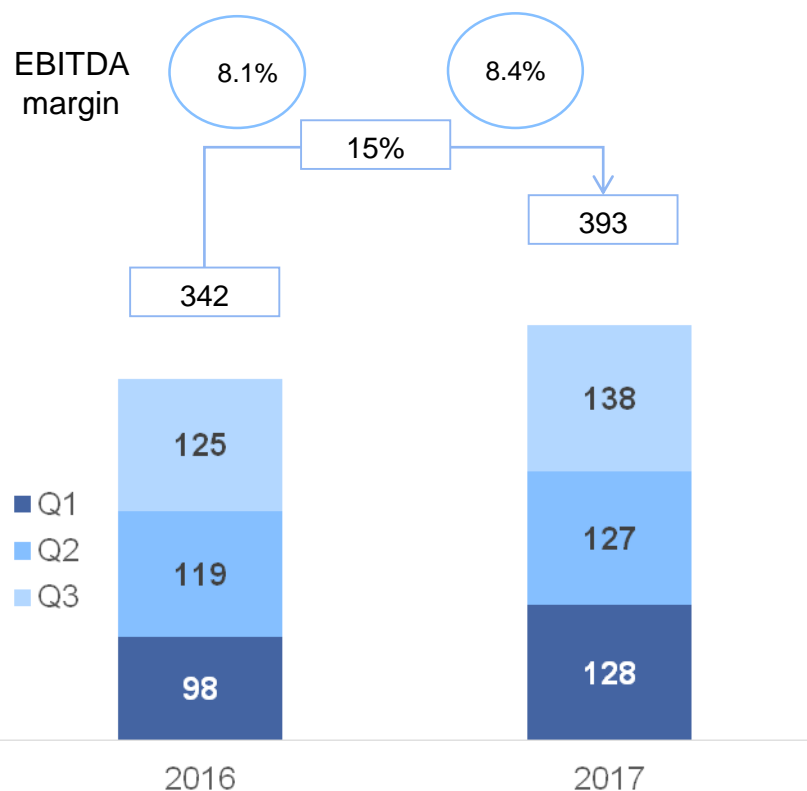
- (+ ) Business development in the Automotive sector (despite the strengthening of the PLN and smaller sales of tools);
- (+ ) Increase in the LME metal prices and increased sales volumes by 11 200 tons in the Metals segment
- (- ) Decrease in revenues in the Chemicals segment due to the lack of business continuation.

\* Including consolidation adjustments



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# EBITDA (in millions of PLN)



## EBITDA by business segments (PLN million)

	1-3Q 2017	1-3Q 2016	Change	Change %
<b>Automotive</b>	149	100	48	48%
<b>Metals</b>	216	197	19	10%
<b>Chemicals</b>	21	12	9	77%
<b>Other**</b>	7	33	-25	-77%

The increase in EBITDA by 15% results mainly from:

- (+ ) Increased sales of components and the effects of the restructuring program in the Automotive segment;
- (+ ) Increased productive capacity in the Aluminium Konin plant, decreased prices of the raw materials (lead scrap) for Baterpol and increased sales in O/NPA Skawina;
- (+ ) Development of the key areas (Borygo fluid, de-icing agents for airports and aircraft, PET fibers) in the Chemicals segment;
- (- ) Decrease in EBITDA in the Other segment results from the one-off event in Q3 2016 (sale of the real estate).

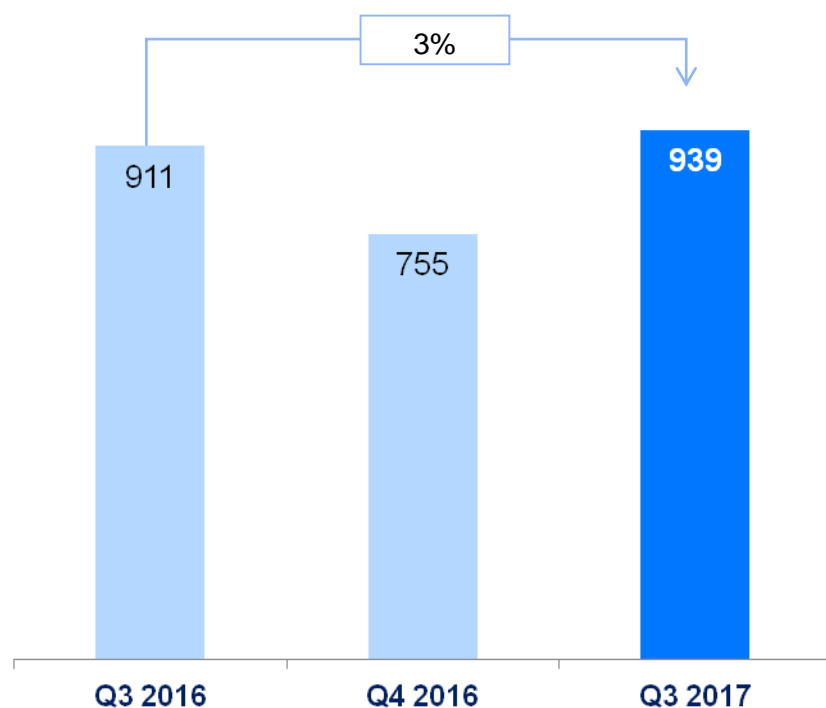
\* EBITDA margin

\*\* including consolidatin adjustments



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## CHANGE IN WORKING CAPITAL (PLN million)



Working capital



Receivables, inventories, and liabilities

- **The amount of working capital is slightly higher than in Q3 2016.**
- The increase in the amount of working capital compared to the end of 2016 results from:
  - (+) increase in receivables in the Metals segment resulting from the increased sales volumes and sales prices;
  - (+) increase in receivables in the Automotive segment as a result of increased revenues, increased stock, mainly for the construction of the new facility in Toruń and development of sales in Mexico.



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# CAPEX after 3Q 2017



PLN 197.4  
million

Automotive

Metals

Chemicals

Other



PLN 128.1  
million



PLN 58.9  
million



PLN 5.7  
million



PLN 4.7  
million





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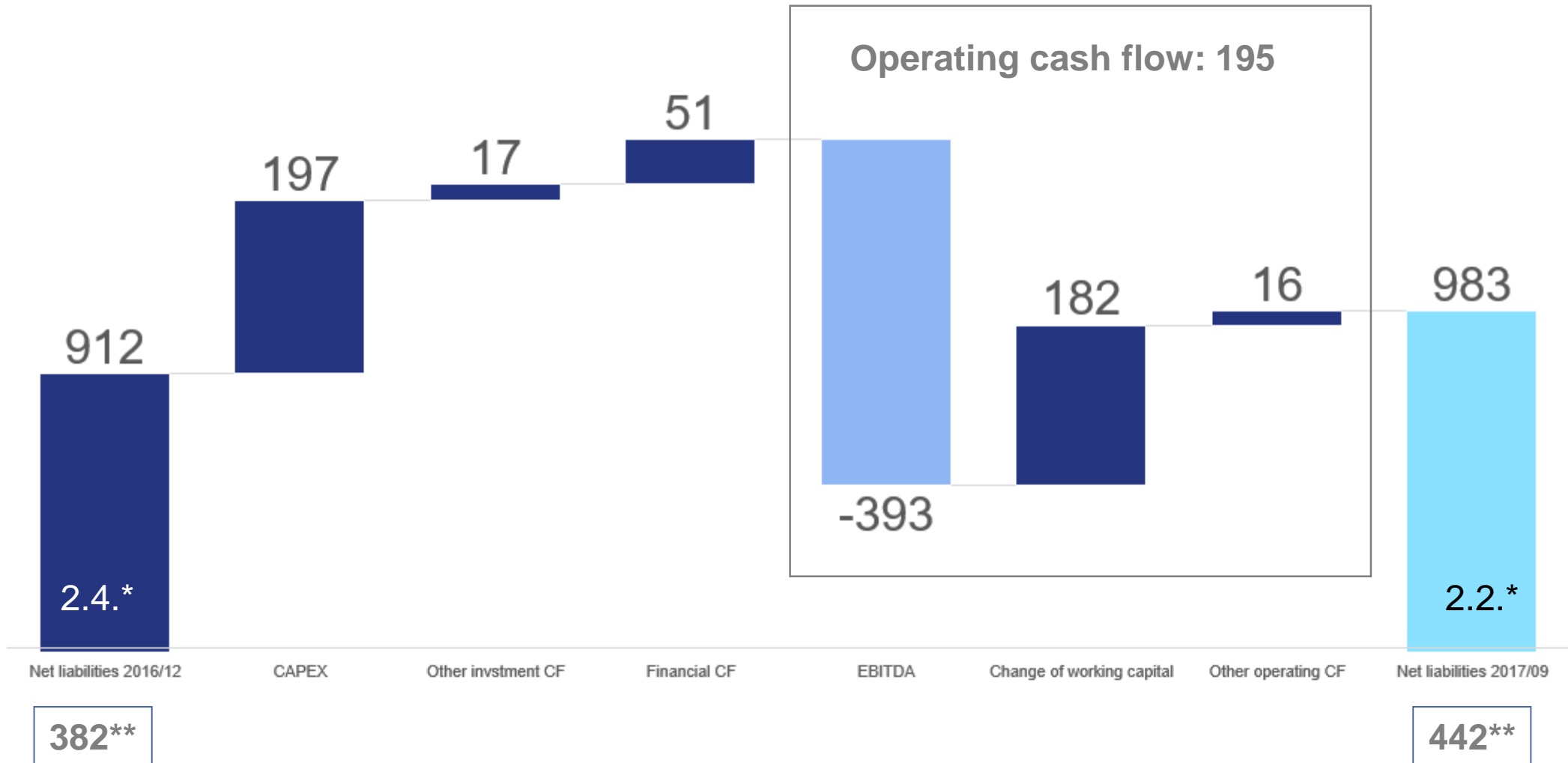
## CASH FLOW (in millions of PLN)

	1-3Q 2017	1-3Q 2016
<b>EBITDA</b>	<b>393</b>	<b>342</b>
<b>Change in working capital</b>	<b>-182</b>	<b>-145</b>
<b>Other</b>	<b>-16</b>	<b>-85</b>
<b><u>Cash flow from operating activities</u></b>	<b>195</b>	<b>111</b>
<b>CAPEX</b>	<b>-197</b>	<b>-181</b>
<b>The acquisition of financial assets and shares in GKB</b>	<b>-40</b>	<b>-95</b>
<b>Other</b>	<b>23</b>	<b>143</b>
<b><u>Cash flow from investment activities</u></b>	<b>-215</b>	<b>-133</b>
<b>Borrowing/repayment of loans</b>	<b>110</b>	<b>133</b>
<b>Interest paid</b>	<b>-26</b>	<b>-27</b>
<b>Other (including financial leases)</b>	<b>-53</b>	<b>-22</b>
<b><u>Cash flow from financial activities</u></b>	<b>31</b>	<b>83</b>
<b>Total net cash flows</b>	<b>11</b>	<b>61</b>
<b>Closing balance of cash</b>	<b>216</b>	<b>199</b>
<b>Free cash flow</b>	<b>-20</b>	<b>-22</b>
<b>The EBITDA conversion rate / cash flow from the operating activity</b>	<b>49.6%</b>	<b>32.5%</b>



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# NET DEBT (million PLN)

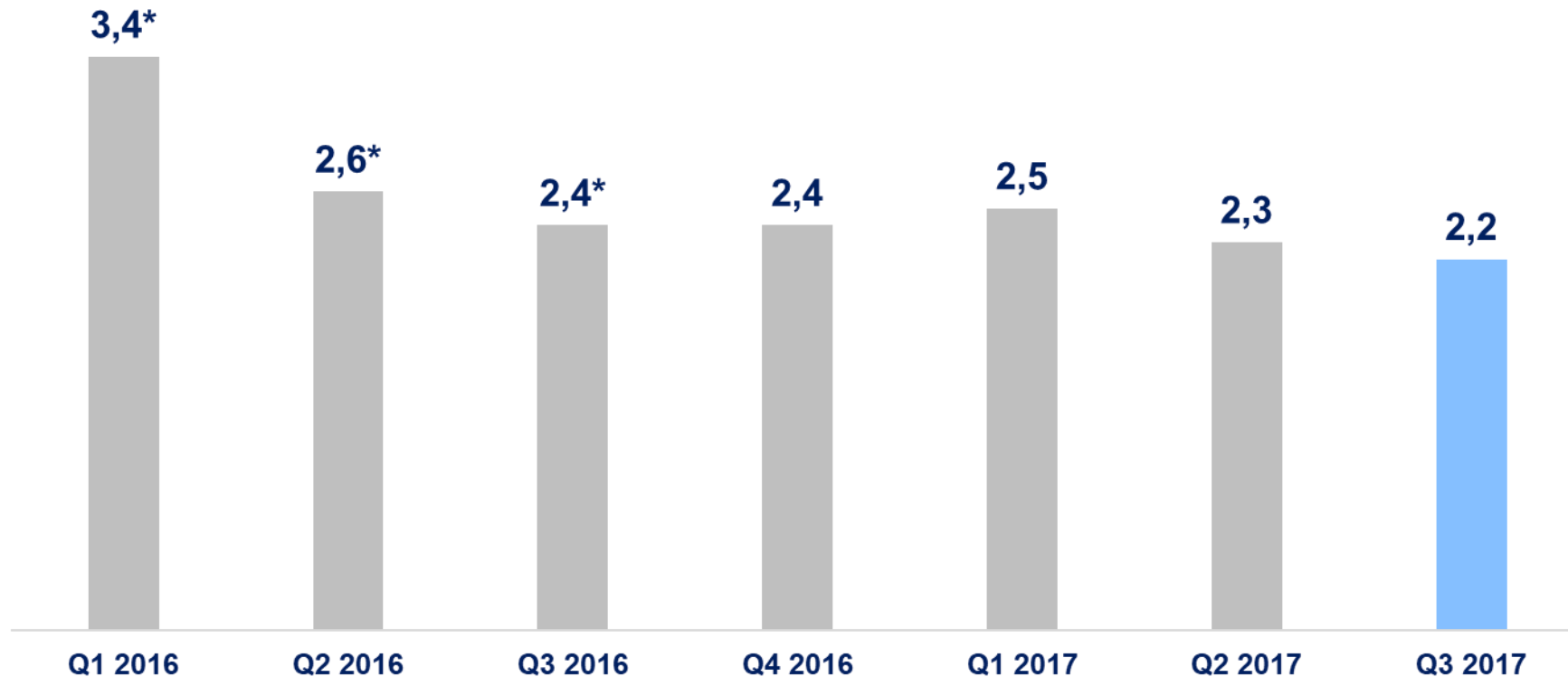


\* Net debt / EBITDA(LTM)

\*\* EBITDA (LTM)



## CHANGE IN THE NET DEBT / EBITDA



The net debt / EBITDA ratio in line with the decreased due to the increase in operating results and control the level of debt.

\*transformed data Q1 2016, Q2 2016, Q3 2016



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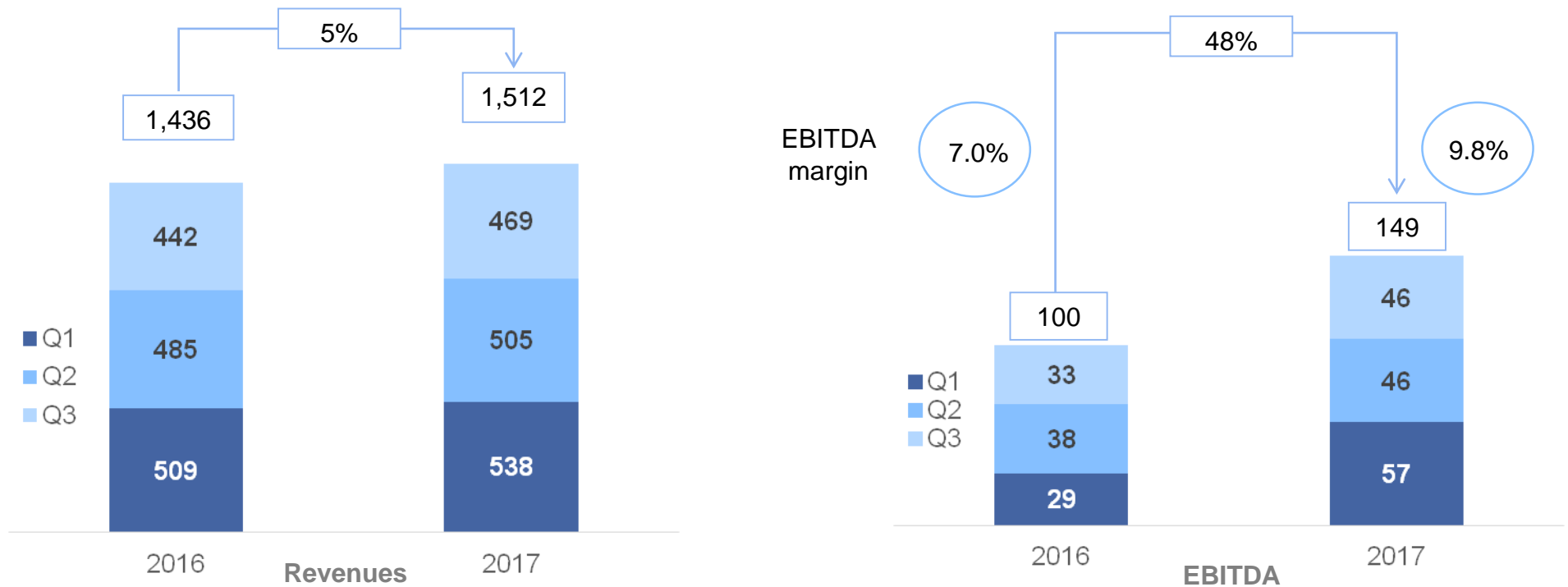
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## AUTOMOTIVE SEGMENT RESULTS (in PLN million)

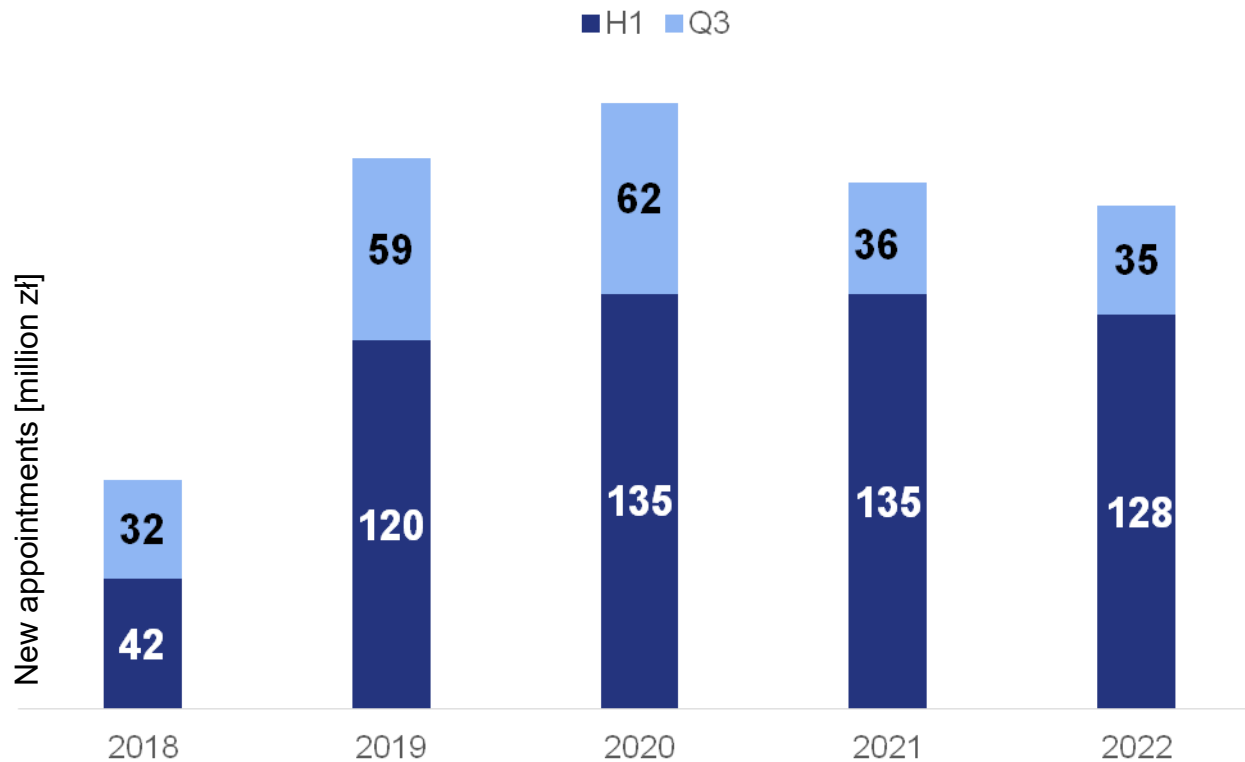


- (+) The increase in sales in the segment mainly as a result of Maflow business development in Poland, China, Mexico, Brazil, and the increase in sales of parts in the BAP;
- (+) EBITDA increase in the 3rd quarter of 2017 due to improved efficiency in both the Maflow Group and BAP: lower costs of poor quality, additional transportation, smaller penalties for delays, automation (resulting in a reduction of employment);



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# APPOINTMENTS FOR NEW PROJECTS



- 90 per cent of nominations acquired in Q3 2017 from the BAP Group (the effect of improving the qualitative assessment in the VW Group)
- In Q3 2017 we acquired projects with a total value of 358 million PLN, of which 63 per cent revenues realised in 2018-2022

## Methodology

New appointments – contracts concluded in 2017 and earlier, in which mass production begins in 2018 and subsequent years.

Comments: The presented sales figures do not include:

-EOP – the loss of sales due to the completion of contracts concluded in previous years

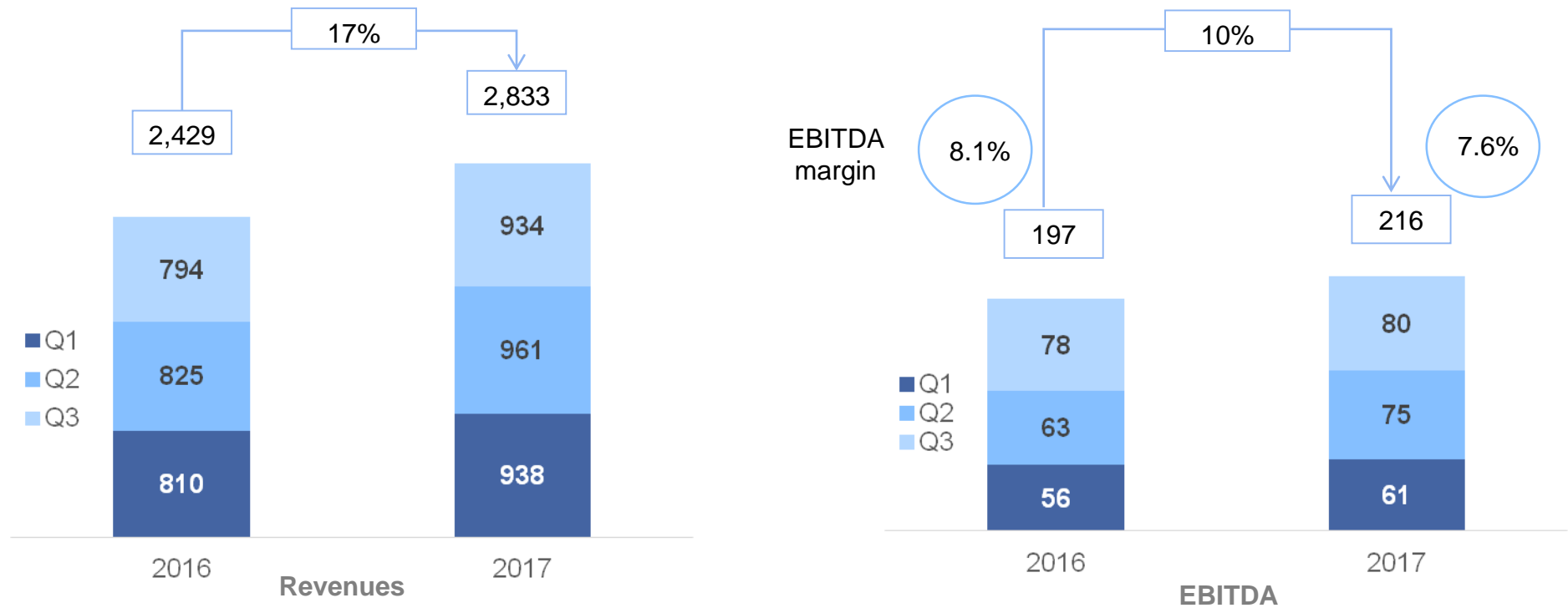
-Opportunities – the new sales opportunities as part of ongoing and future negotiations, the contracts which have not been formally not concluded yet

-Others – the rest of the sales (tools, non-automotive)



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# METALS SEGMENT RESULTS (in PLN million)

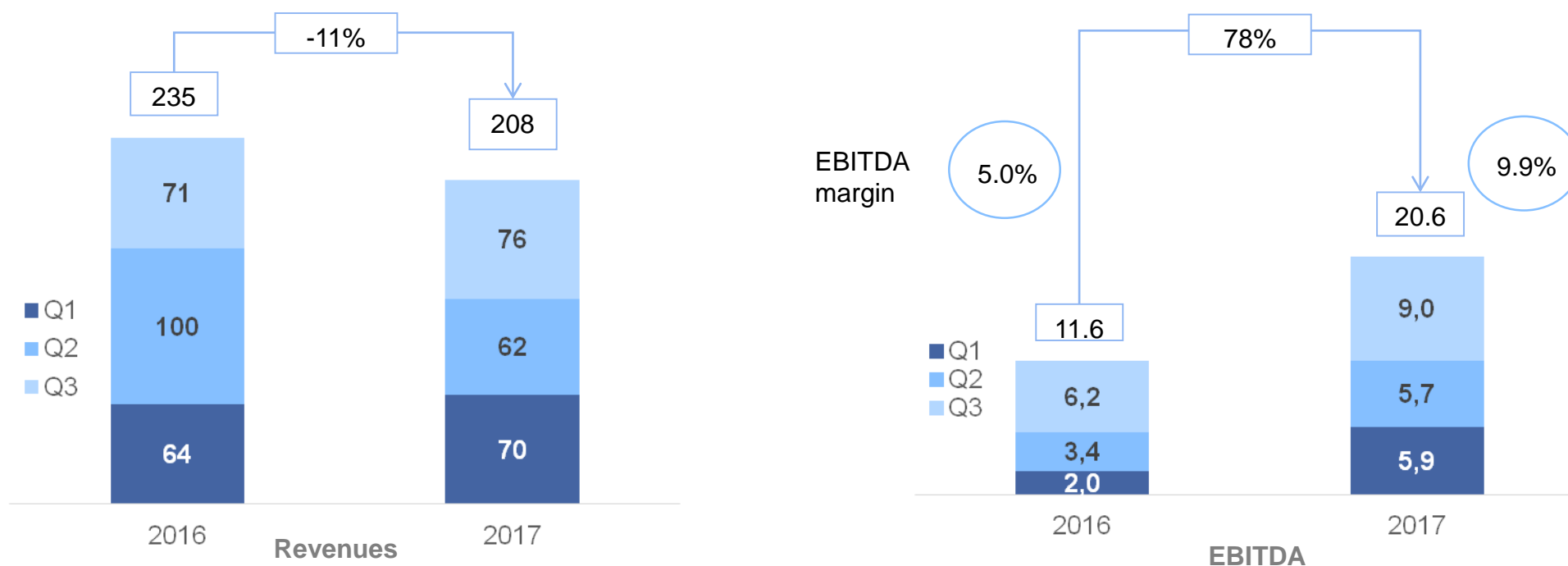


- (+) Increase in EBITDA in Impexmetal, NPA Skawina and Baterpol mainly due to higher sales volumes;
- (-) Time Lag of achieving the full productive capacity in Impexmetal and Huta Oława;
- (-) Lower margins in copper companies (WM Dziedzice and Hutmen).



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# CHEMICALS SEGMENT RESULTS (in PLN million)



- (+) Improved profitability of the EBITDA in ERG Sochaczew as a result of the sales development of Borygo fluid and de-icing agents, despite lower sales volumes in the Chemicals department;
- (+) Improving the profitability of the EBITDA in O/Elana due to increased sales of staple fibers.





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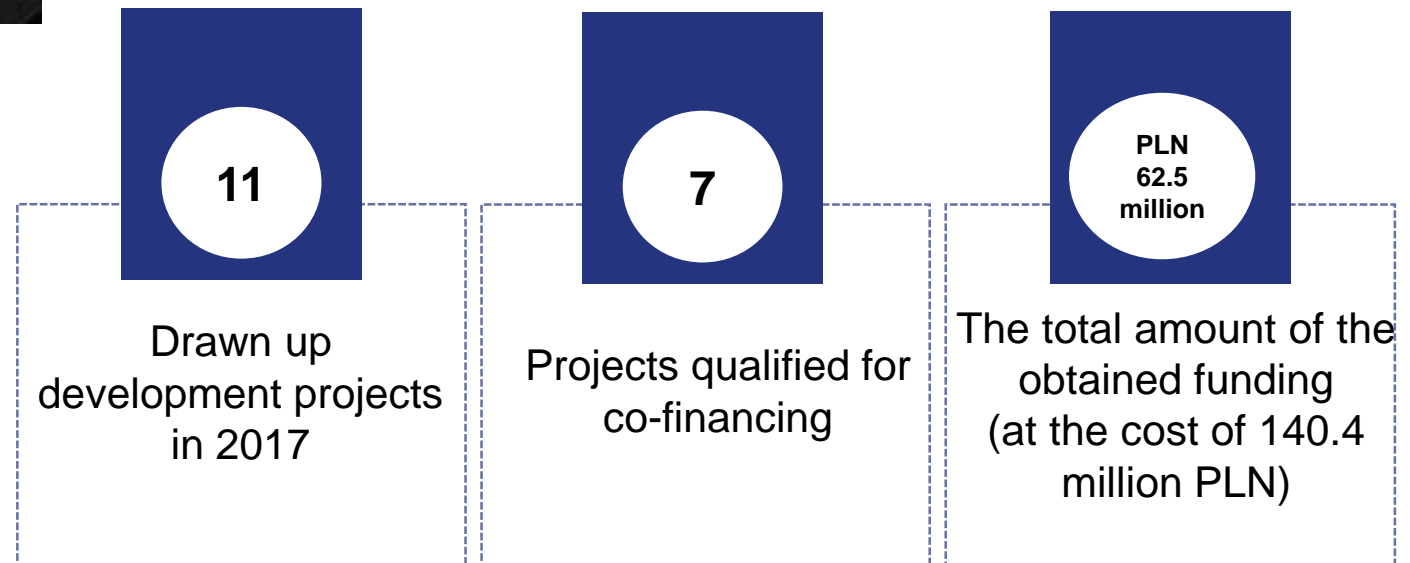
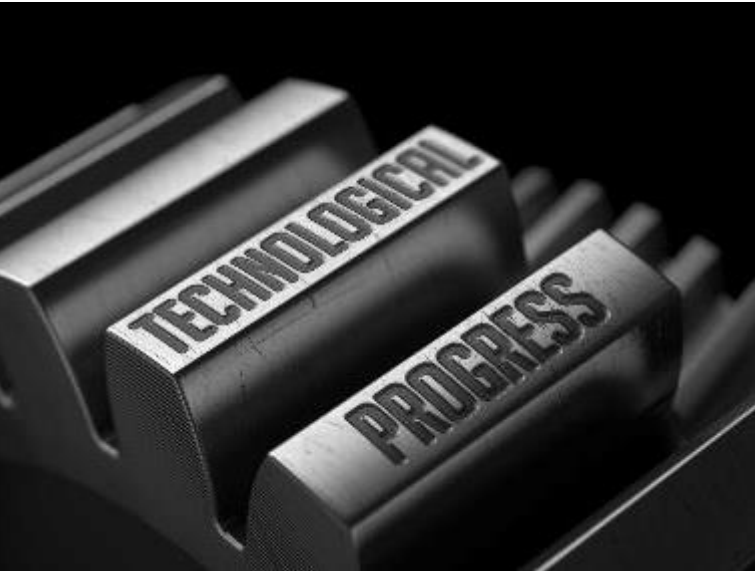
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## SCOPE OF ACTIVITIES IN 2017

**Projects of the Boryszew Group are focused on two areas of innovation:**

**Product innovations** - new products that allow the group to achieve the leadership position in particular industries and e.g. get TIER 1 position as a supplier of modules/products for direct mounting on the producer's line (BAP)

**Process innovations** – new technologies for processing of materials (Maflow Industry 4.0). Innovation allow not only to reduce the cost of current production and improve working conditions, but also to extend the scope of technological capabilities, so that the new products are prepared prospectively.



# SOURCES OF PROJECT FINANCING

**Current projects:** POIR competitions 1.1.1. and Innomoto

## **New projects:**

- In 2017 a new programme InnoAlu was initiated (as a part of POIR 1.1.1.), it will be announced in February 2018 and will be dedicated only to aluminium sector;
- The projects are being prepared as a part of POIR 2.1. and POIR 1.1.1. for the plants: Aluminium Konin, NPA, BAP, Maflow, Hutmen and Silesia.



impexmetal s.a.  
ALUMINIUM KONIN

**NPA**  
SKAWINA



**BORYSZEW**  
AUTOMOTIVE PLASTICS

**MAFLOW**  
member of BORYSZEW GROUP










hutmen®





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# FUNDING IN 2017 QUALIFIED PROJECTS

Name of the plant:	Description of the project	Value of the eligible costs	Value of the contribution	Expected effect
 <b>BAP</b>	Development and implementation of advanced components production technologies and their integration in the form of an innovative door panel for motor vehicles	PLN 33.2 million	<b>PLN 18.4 million</b>	<ul style="list-style-type: none"> <li>a new innovative product</li> </ul>
	eco-friendly nanofluid to automotive radiators with innovative performance parameters	PLN 6.5 million	<b>PLN 3.3 million</b>	<ul style="list-style-type: none"> <li>the implementation of a new product - nanoBORYGO - on the basis of the glycols from renewable sources with nanoparticles</li> </ul>
 <b>M</b>	Implementation of the innovative technologies in the production process of cables for fluids transmission	PLN 10.9 million	<b>PLN 4.3 million</b>	<ul style="list-style-type: none"> <li>reducing production costs, increasing productivity</li> </ul>
 <b>Flana PFT</b>	creation of a Research And Development Centre of PET Recycling	PLN 10.7 million	<b>PLN 2.4 million</b>	<ul style="list-style-type: none"> <li>creation of B+R centre in Toruń</li> </ul>
 <b>Impexmetal</b>	Preparing highly advanced production technology of multi-layer aluminium HSAA-P30 strips used for automotive heat exchangers of new generation	PLN 18.3 million	<b>PLN 8.3 million</b>	<ul style="list-style-type: none"> <li>implementation for production the new multi-layer product with a higher margin</li> </ul>
 <b>Impexmetal</b>	Implementing the innovative production technology of metal sheet and strips of AlMg for pressing the parts of car bodies and construction components	PLN 37.1 million	<b>PLN 14.8 million</b>	<ul style="list-style-type: none"> <li>a new innovative product</li> </ul>
 <b>ZM SILESIA</b>	Developing the technology and implementation for production a full range of assortment of wires of Zn-Al alloy used for corrosion protection with a metal spraying method	PLN 23.8 million	<b>PLN 11 million</b>	<ul style="list-style-type: none"> <li>a new innovative product</li> </ul>

<b>TOTAL:</b>	<b>PLN 140.4 million</b>	<b>PLN 62.5 million</b>
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## PLANS FOR NEXT QUARTERS

- Prepare and submit subsequent applications for funding the innovative projects
- Implementation of investment programs
- Completing works on the concept of R&D and strategy for the automotive segment
- BAP – intensification of efforts to diversify the customer's portfolio
- Increased sales of Maflow plants in Mexico and China

# Thank you



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