Transcript teleconference 1Q 2018

As regards the results, in Q1 of 2018 we recorded a revenue of 6.7% quarter to quarter on all 16 European markets. This rate of organic growth was way below our expectations.

It should be pointed out, however, that this was largely due to the weather, primarily a longer winter in the entire Central European region, which delayed the beginning of the spring season.

During this period, our foreign distribution companies recorded a sales growth of merely 15.1% as compared with 20% last year.

The poor growth of the domestic sales of 1.7% in Q1 of 2018 can be largely attributed to the poorer results in the passenger cars segment and the negative sales growth of seasonal products, such as tires. As regards the passenger cars segment, the poor situation on the market forced the prices to go down more than normally. This was mainly due to high stock levels in the distributors' warehouses and a delayed spring season. Another factor responsible for lower sales was adding "premium" products by some of our competitors to their offer.

It is worth mentioning that the trucks segment stood out among all the other segments in Poland and abroad, where we have been growing faster than the market (which we believe to be growing at about 8% on average) despite the weaker season, putting us in front of our competition.

Our sales in April increased significantly. The April sales growth was impressive and yielded 26% in Poland and 40% abroad, 8% and 20% respectively, for 4 months cumulatively, translating into a 12.9% sales growth in the entire group cumulatively for 4 months.

Additionally, the lower sales in Romania and Bulgaria were largely attributed to IT system issue. We expect the problem to be removed entirely by Q2 of 2018 after an upgrade of the system is implemented.

At the end of 2017, we optimized our central logistics on the Polish market and now operate a logistics base capable of a further organic growth in the years to come. We believe that our investment in the European Logistics Centre in Zakroczym (automation system (sorter) and new software) will bring a measurable scale effect and result in cost optimization in the subsequent quarters. We assume that the logistics costs will grow at a lower rate than the sales.

In Q3 of 2018 we plan to open a regional warehouse in Bulgaria, which should additionally take some load off of the warehouses in Romania. This investment will also significantly improve the quality of customer service both in Bulgaria and Romania.

In Q4 of 2017 we decreased the stock turnover to 135 days. The worse turnover in Q1 of 2018 resulted from lower sales and high stocks. I would like to point out, though, that the stock turnover should be viewed in terms of the sales growth in the next quarter. In our opinion, the stock turnover ratio and, consequently, the group's debt ratio should be on a safe level by the end of Q2 of 2018.

In Q1 of 2018, we opened 12 new branches, of which only 2 in Poland. We plan to open further 30 new branches by the end of the year, mainly on the foreign markets. In 2018, we plan to limit the number of new branches in Poland and focus on the existing ones to foster further development of the aftermarket.

Our goal is a dynamic sales growth above the market, which we plan to achieve by using our advantages, such as the distribution network, logistics and the synergies between the segments.

We are currently focusing on the following areas, which we believe will improve our yield and add to our competitive advantage:

a) availability of goods in stock e.g. in Q1 of 2018 we moved goods between the branches,
b) optimisation of deliveries, e.g. we have been optimizing the central logistics and the routes to our customers and
c) prices e.g. we are running a “Pricing” project related to the price management processes in order to improve our profitability.

We have also been updating our purchasing strategies in order to improve our profitability, a good example of which is the optimization of the purchasing processes or modification of the delivery chain from some suppliers.

As regards the operating costs, the point of reference for 2018 is still the cost base for Q4 of 2017 of 14%.

Our consolidated EBITDA was PLN 82 m, a decrease of -.0.1 % compared with last year.

To sum up, Q1 of the current year wasn’t satisfactory in all segments in all 16 European countries. Our goal remains a 2-digit sales growth and an EBITDA improvement over the next 12 months. We believe that we will soon handle the problems which appeared in Q1 of 2018. We also believe that continuation of implementation of the segment strategies in all countries will bring the expected results

We are still set on achieving our goal: 15% sales growth in the Group in 2018.