



# PEGAS NONWOVENS

## Second Quarter 2014

### Financial Results

#### Analyst Conference Call

28 August 2014

every single detail

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# Agenda

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- Q2 & H1 2014 Key Highlights
  - Q2 & H1 2014 Financial Performance
  - 2014 Guidance Confirmation and Outlook
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# Presentation Team



**František Řezáč**

Chief Executive Officer

**Marian Rašík**

Chief Financial Officer





# Q2 & H1 2014 Key Highlights

## Financial Performance

- Total Revenues in Q2 2014 were EUR 52.6 million, up by 9.3% yoy as a result of new capacity in Egypt
- Q2 2014 EBITDA EUR 9.9 million, up by 8.6% yoy on the back of Egypt; yoy increase reduced by rise of inventories in Q2 2014
- EBITDA in H1 in line with the guidance range of 12% to 22%
- Q2 2014 EBIT EUR 6.2 million, virtually unchanged yoy due to higher depreciation and amortization
- Q2 2014 net profit amounted to EUR 5.0 million up by 33.3% yoy due to FX changes

## Market & Business

- Average ICIS in Q2 2014 - a modest single digit increase over the first quarter
- Polymer prices continued to rise in June and July, however slightly declined in August
- The level of inventories of finished goods increased during Q2 2014 approximately to the EOY 2013 level

## Production & Technology

- Q2 2014 production of 24,685 tonnes, up by 13.0% yoy
- Higher number of planned maintenance breaks during H1 2014 compared with the same period in 2013

# Key Financial Highlights

EUR (000')	Second Quarter			First Half		
	2013	2014	% change	2013	2014	% change
Revenues	48,119	52,586	9.3%	98,052	111,415	13.6%
Operating costs	(39,020)	(42,702)	9.4%	(78,892)	(89,279)	13.2%
EBITDA	9,099	9,884	8.6%	19,160	22,136	15.5%
EBITDA margin (%)	18.9%	18.8%	(0.1bp)	19.5%	19.9%	0.4bp
Profit from operations (EBIT)	6,234	6,187	(0.8%)	13,406	14,771	10.2%
EBIT margin (%)	13.0%	11.8%	(1.2bp)	13.7%	13.3%	(0.4bp)
Net profit	3,748	4,997	33.3%	6,729	10,533	56.5%
Net profit margin (%)	7.8%	9.5%	1.7bp	6.9%	9.5%	2.6bp
Production (tonnes net of scrap)	21,847	24,685	13.0%	43,252	49,563	14.6%
Number of Employees (average)	555	566	2.0%	524	568	8.4%

	31 December 2013	30 June 2014	% change
Total assets	356,742	350,020	(1.9%)
Net debt	149,323	145,236	(2.7%)

Note: Consolidated unaudited results

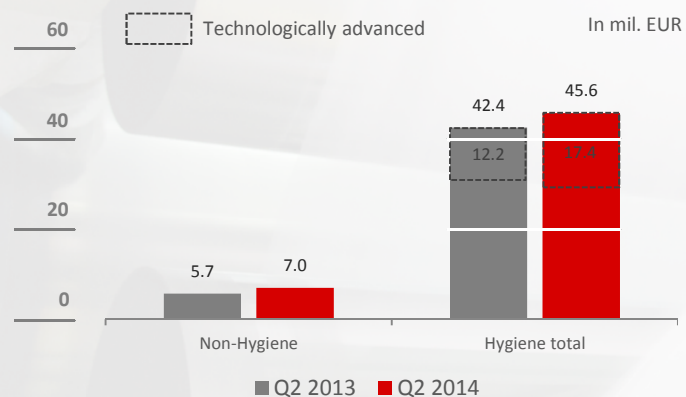
# Statement of Comprehensive Income

EUR (000')	Second Quarter			First Half		
	2013	2014	% change	2013	2014	% change
Revenues	48,119	52,586	9.3%	98,052	111,415	13.6%
Raw materials and consumables	(36,172)	(39,765)	9.9%	(73,679)	(83,806)	13.7%
Staff costs	(2,566)	(2,328)	(9.3%)	(4,998)	(4,992)	(0.1%)
Of which FV revaluation of share options	(90)	46	n/a	(216)	(43)	(80.1%)
Other net operating income/(expense)	(282)	(609)	116.0%	(215)	(481)	123.7%
<b>EBITDA</b>	<b>9,099</b>	<b>9,884</b>	<b>8.6%</b>	<b>19,160</b>	<b>22,136</b>	<b>15.5%</b>
<b>EBITDA margin (%)</b>	<b>18.9%</b>	<b>18.8%</b>	<b>(0.1bp)</b>	<b>19.5%</b>	<b>19.9%</b>	<b>0.4bp</b>
Depreciation and amortization	(2,865)	(3,697)	29.0%	(5,754)	(7,365)	28.0%
<b>Profit from operations (EBIT)</b>	<b>6,234</b>	<b>6,187</b>	<b>(0.8%)</b>	<b>13,406</b>	<b>14,771</b>	<b>10.2%</b>
<b>EBIT margin (%)</b>	<b>13.0%</b>	<b>11.8%</b>	<b>(1.2bp)</b>	<b>13.7%</b>	<b>13.3%</b>	<b>(0.4bp)</b>
FX changes and other fin. income/(expense) (net)	(348)	1,451	n/a	(3,368)	1,109	n/a
Interest expense (net)	(1,088)	(2,072)	90.4%	(2,118)	(4,201)	98.3%
Income tax (expense)/income (net)	(1,050)	(569)	(45.8%)	(1,191)	(1,146)	(3.8%)
<b>Net profit</b>	<b>3,748</b>	<b>4,997</b>	<b>33.3%</b>	<b>6,729</b>	<b>10,533</b>	<b>56.5%</b>
<b>Net profit margin (%)</b>	<b>7.8%</b>	<b>9.5%</b>	<b>1.7bp</b>	<b>6.9%</b>	<b>9.5%</b>	<b>2.6bp</b>
Other comprehensive income/(expense)	(1,708)	(980)	(42.6%)	(1,906)	(744)	(61.0%)
Total comprehensive income	2,040	4,017	96.9%	4,823	9,789	102.9%

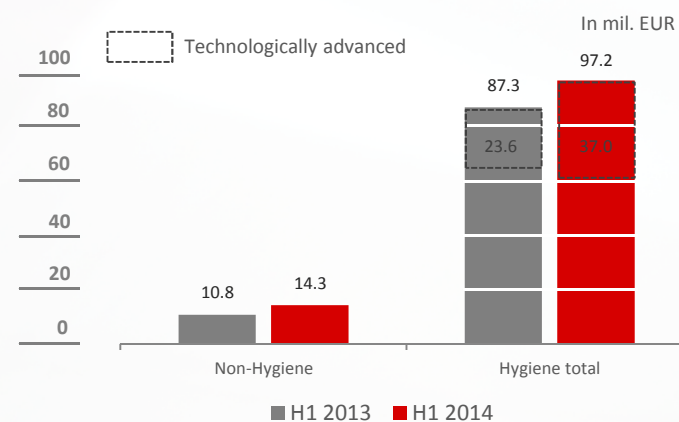
Note: Consolidated unaudited results

# Revenue Breakdown by Product

## Second Quarter



## First Half

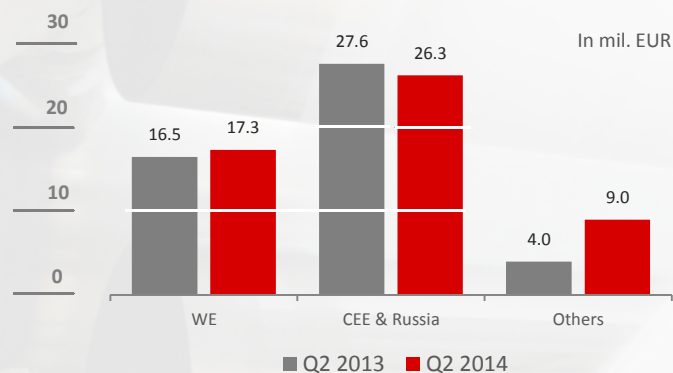


- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in EMEA
- A higher share of technologically advanced materials on total sales based on the successful commercialisation of new materials in 2012 and 2013

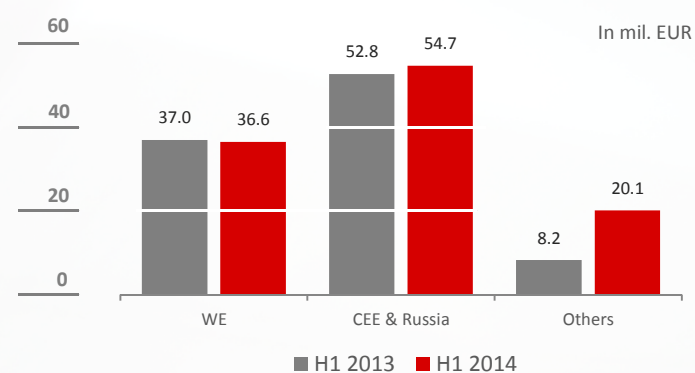


# Revenue Breakdown by Geography

Second Quarter

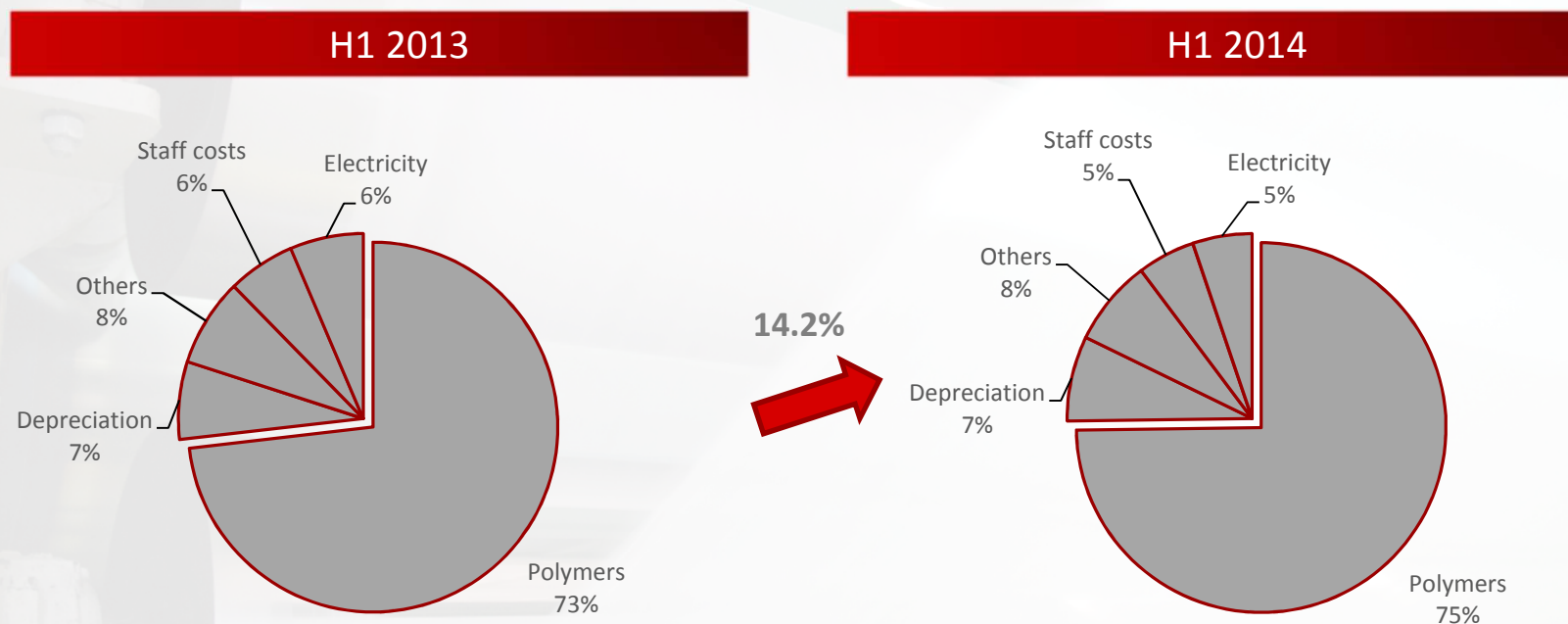


First Half



- Europe remains the key market for PEGAS
- Sharp increase in other regions reflects the entry on to the markets of the Middle East

# Cost Composition



- An increase in PP/PE costs of 19.7% yoy due to production in Egypt
- Staff costs virtually unchanged as a result of the revaluation of phantom options and depreciation of CZK against EUR
- Electricity down by 5.4% due to yoy price decrease related to a limitation of the mandatory support of renewable resources

# Statement of Financial Position

EUR (000')	31 December 2013 (audited)	30 June 2014 (unaudited)	% change
<b>Non-current assets</b>	<b>266,769</b>	<b>261,936</b>	<b>(1.8%)</b>
Property, plant and equipment	181,584	176,867	(2.6%)
Intangible assets (including goodwill)	85,185	85,069	(0.1%)
<b>Current assets</b>	<b>89,973</b>	<b>88,084</b>	<b>(2.1%)</b>
Inventories	32,618	32,692	0.2%
Trade and other receivables	43,250	44,544	3.0%
Income tax receivables	1,042	1,185	13.7%
Bank balances and cash	13,063	9,663	(26.0%)
<b>TOTAL ASSETS</b>	<b>356,742</b>	<b>350,020</b>	<b>(1.9%)</b>
<b>Total share capital and reserves</b>	<b>125,633</b>	<b>125,200</b>	<b>(0.3%)</b>
<b>Non-current liabilities</b>	<b>159,326</b>	<b>143,972</b>	<b>(9.6%)</b>
Bank loans due after 1 year	146,200	130,913	(10.5%)
Deferred tax	13,126	13,059	(0.5%)
<b>Current liabilities</b>	<b>71,783</b>	<b>80,848</b>	<b>12.6%</b>
Trade and other payables	56,489	58,733	4.0%
Tax liabilities	1,094	115	(89.5%)
Bank overdrafts and loans	14,200	22,000	54.9%
<b>TOTAL LIABILITIES</b>	<b>356,742</b>	<b>350,020</b>	<b>(1.9%)</b>

Note: Consolidated unaudited results

# Cash Flow Statement

EUR (000´)	Six Months to 30 June		
	2013 (unaudited)	2014 (unaudited)	% change
<b>Profit before tax</b>	<b>7,920</b>	<b>11,679</b>	<b>47.5%</b>
Depreciation and amortization	5,754	7,365	28.0%
FX	(547)	(4,599)	740.8%
Interest expense	2,138	4,218	97.3%
Fair value changes of interest rate swaps	1,783	99	(94.4%)
Other financial income/(expense)	(292)	(131)	(55.1%)
Change in inventories	1,546	2,518	62.9%
Change in receivables	(6,582)	(3,714)	(43.6%)
Change in payables	(1,807)	(6,103)	237.7%
Income tax paid	(1,065)	(1,710)	60.6%
<b>Net cash flow from operating activities</b>	<b>8,848</b>	<b>9,622</b>	<b>8.7%</b>
Purchases of property, plant and equipment	(31,991)	(1,539)	(95.2%)
<b>Net cash flow used in investment activities</b>	<b>(31,991)</b>	<b>(1,539)</b>	<b>(95.2%)</b>
Change in bank loans	8,437	(7,541)	n/a
Change in long term debt	--	--	--
Interest paid	(1,993)	(4,073)	104.4%
Other financial income/(expense)	292	131	(55.1%)
<b>Net cash flow from financing activities</b>	<b>6,736</b>	<b>(11,483)</b>	<b>n/a</b>
<b>Bank balances and cash at the beginning of the year</b>	<b>25,758</b>	<b>13,063</b>	<b>(49.3%)</b>
Change in cash and cash equivalents	(16,407)	(3,400)	(79.3%)
<b>Bank balances and cash at the end of the period</b>	<b>9,351</b>	<b>9,663</b>	<b>3.3%</b>

Note: Consolidated unaudited results

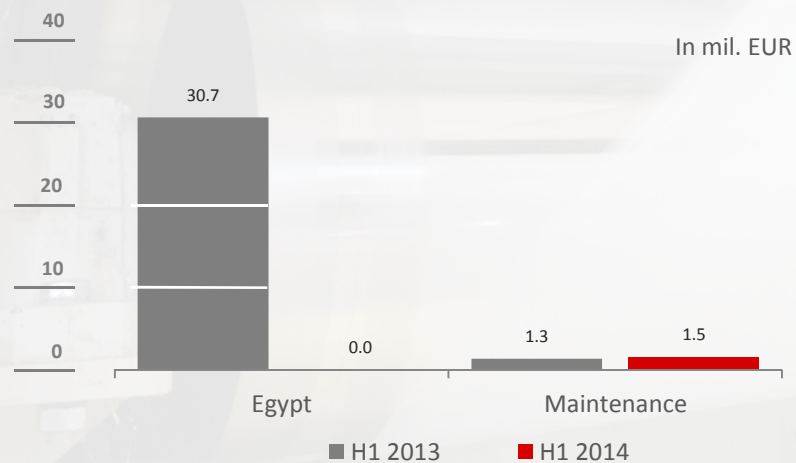


# CAPEX Development

## Majority of Capital Investments Dedicated to Expansion

- Current investment in H1 2014 boosted by projects related to the optimisation of existing production facilities and to the implementation of an additional quality control system in the Czech Republic
- 2014 CAPEX guidance of up to EUR 12 million confirmed

## CAPEX in H1



# 2014 Guidance Confirmation

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## Overview

- H1 2014 financial results in line with the announced guidance for the entire year 2014
- Substantial reduction of inventories in Q1 2014 was followed by a gradual build-up to the original levels during the Q2

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## EBITDA Guidance

- Based on the developments to date, management confirms 2014 EBITDA guidance
  - 2014 EBITDA should increase by 12 – 22% compared with 2013 (EUR 38.6 million)

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## CAPEX Guidance

- 2014 CAPEX guidance of up to EUR 12 million confirmed (at constant FX rate CZK/EUR 27)
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# Dividend Declaration

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- The AGM held in June approved a dividend payout of EUR 10,152,340, i.e. EUR 1.10 per share
  - The source of the dividend is the 2013 profit and retained earnings from previous years
  - The AGM approved the record date as 17 October 2014 and the payment date as 29 October 2014
  - Subject to maintaining satisfactory financial performance and the absence of other attractive opportunities, PEGAS will endeavour to continue with a progressive dividend policy in the future
  - No specific payout ratio in terms of net profit or an anticipated dividend yield for future years has been set
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# Development of Polymer Prices

## Polymer Prices Illustrative Index

