



PEGAS NONWOVENS Third Quarter 2015 Financial Results Analyst Conference Call

26 November 2015

every single detail

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Agenda

- Q3 & 9M 2015 Key Highlights
 - Q3 & 9M 2015 Financial Performance
 - 2015 Guidance Confirmation and Outlook
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Presentation Team



František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer



Q3 & 9M 2015 Key Highlights

Financial Performance

- Total Revenues in Q3 2015 were EUR 58.0 million, down by 4.0% yoy as a result of development in polymer prices
- Q3 2015 EBITDA EUR 8.2 million, down by 31.4% yoy due to significantly negative effect of polymer pass through mechanism, revaluation of the share option plan and lower production volume
- EBITDA for 9M and prospects for the Q4 indicate to achieve the lower end of the guidance range of 44.0 to 48.5 million EUR
- Q3 2015 EBIT EUR 4.2 million, down by 49.1% mainly caused by lower EBITDA and slightly higher depreciation
- Q3 2015 net profit amounted to EUR 0.5 million on the back of lower EBITDA and lower unrealized FX gains

Market & Business

- Average ICIS in Q3 2015 – stabilisation of prices in Q3
- Polymer prices reached their high at the end of June and held relatively stable during Q3, sharp drop occurred as of the end of August
- The level of inventories of finished goods decreased during Q3 2015 as a result of very good sales and lower production volume.

Production & Technology

- Q3 2015 production of 23,723 tonnes, down by 4% yoy
- Significantly higher number of planned maintenance breaks during 9M 2015 compared with the same period in 2014

Share buy back

- Over 2% of the share capital was bought back by the end of Q3 at the total acquisition cost of EUR 6.7 mil.

Key Financial Highlights

EUR (000')	Third quarter			Full Year		
	2014	2015	% change	2014	2015	% change
Revenues	60,371	57,967	(4.0%)	171,786	169,641	(1.2%)
Operating costs	(48,457)	(49,795)	2.8%	(137,736)	(139,907)	1.6%
EBITDA	11,914	8,173	(31.4%)	34,050	29,734	(12.7%)
EBITDA margin (%)	19.7%	14.1%	(5.6 pp)	19.8%	17.5%	(2.3 pp)
Profit from operations (EBIT)	8,161	4,153	(49.1%)	22,932	17,779	(22.5%)
<i>EBIT margin (%)</i>	<i>13.5%</i>	<i>7.2%</i>	<i>(6.4 pp)</i>	<i>13.3%</i>	<i>10.5%</i>	<i>(2.9 pp)</i>
Net profit	8,925	507	(94.3%)	19,458	16,834	(13.5%)
<i>Net profit margin (%)</i>	<i>14.8%</i>	<i>0.9%</i>	<i>(13.9 pp)</i>	<i>11.3%</i>	<i>9.9%</i>	<i>(1.4 pp)</i>
Production (tons net of scrap)	24,721	23,723	(4.0%)	74,284	75,559	1.7%
Number of Employees (average)	571	569	(0.4%)	569	565	(0.7%)
Average EUR/CZK exchange rate	27.618	27.075	(2.0%)	27.504	27.355	(0.5%)
Average EUR/USD exchange rate	1.326	1.112	(16.1%)	1.355	1.114	(17.8%)
				30 September 2014	30 September 2015	% change
Total assets				358,220	386,659	7.9%
Net debt				150,370	183,420	22.0%

Note: Consolidated unaudited results

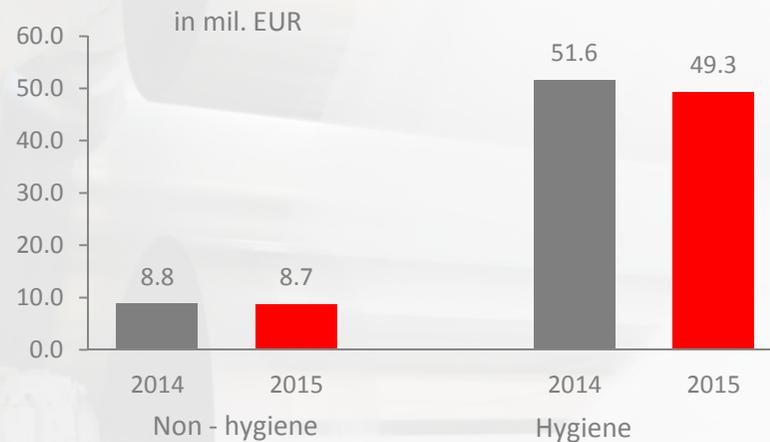
Statement of Comprehensive Income

EUR (000')	Third quarter			Full Year		
	2014	2015	% change	2014	2015	% change
Revenues	60,371	57,967	(4.0%)	171,786	169,641	(1.2%)
Raw materials and consumables	(45,556)	(45,529)	(0.1%)	(129,362)	(127,176)	(1.7%)
Staff costs	(2,754)	(3,556)	29.1%	(7,746)	(11,127)	43.7%
Of which FV revaluation of share options	(500)	(951)	90.2%	(543)	(3,491)	542.9%
Other net operating income/(expense)	(147)	(709)	382.6%	(628)	(1,604)	155.4%
EBITDA	11,914	8,173	(31.4%)	34,050	29,734	(12.7%)
EBITDA margin (%)	19.7%	14.1%	(5.6 pp)	19.8%	17.5%	(2.3 pp)
Depreciation and amortization	(3,753)	(4,020)	7.1%	(11,118)	(11,955)	7.5%
Profit from operations (EBIT)	8,161	4,153	(49.1%)	22,932	17,779	(22.5%)
EBIT margin (%)	13.5%	7.2%	(6.4 pp)	13.3%	10.5%	(2.9 pp)
FX changes and other fin. income/(expense) (net)	3,346	(1,501)	(144.9%)	4,455	6,695	50.3%
Interest income/(expense) (net)	(1,676)	(2,213)	32.1%	(5,877)	(5,746)	(2.2%)
Income tax income/(expense) (net)	(906)	69	(107.6%)	(2,052)	(1,894)	(7.7%)
Net profit	8,925	507	(94.3%)	19,458	16,834	(13.5%)
Net profit margin (%)	14.8%	0.9%	(13.9 pp)	11.3%	9.9%	(1.4 pp)
Other comprehensive income/(expense)	3,232	2,538	(21.5%)	2,488	(1,340)	(153.9%)
Total comprehensive income	12,157	3,045	(75.0%)	21,946	15,494	(29.4%)

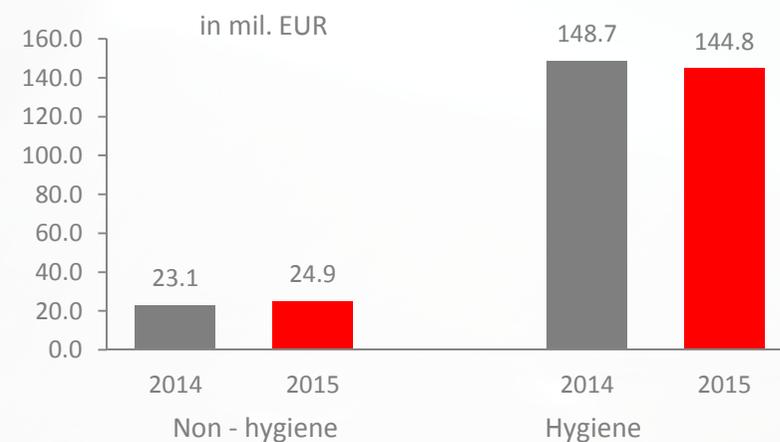
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Revenue Breakdown by Product

Third Quarter



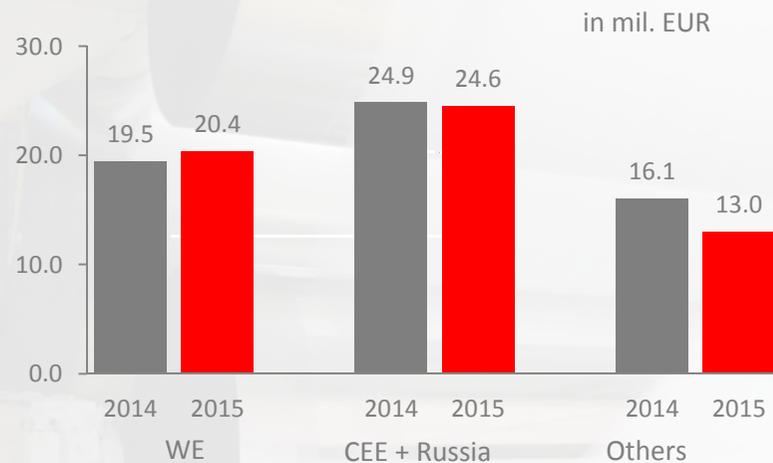
Nine Months



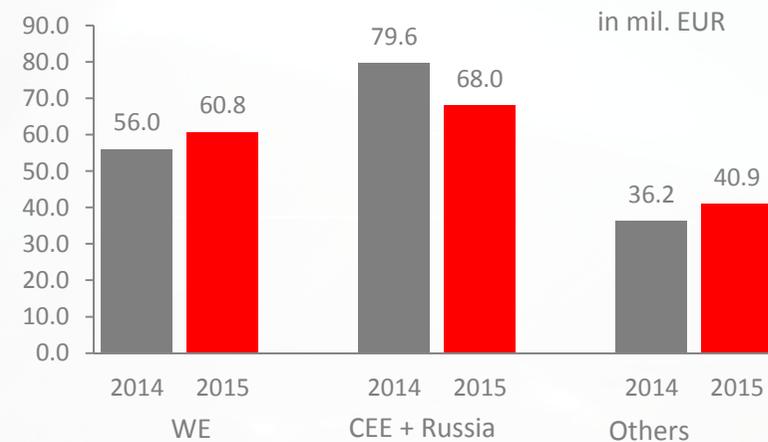
- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in EMEA
- Revenue breakdown by product is in line with the prior year figures as well as with Q2 2015

Revenue Breakdown by Geography

Third Quarter

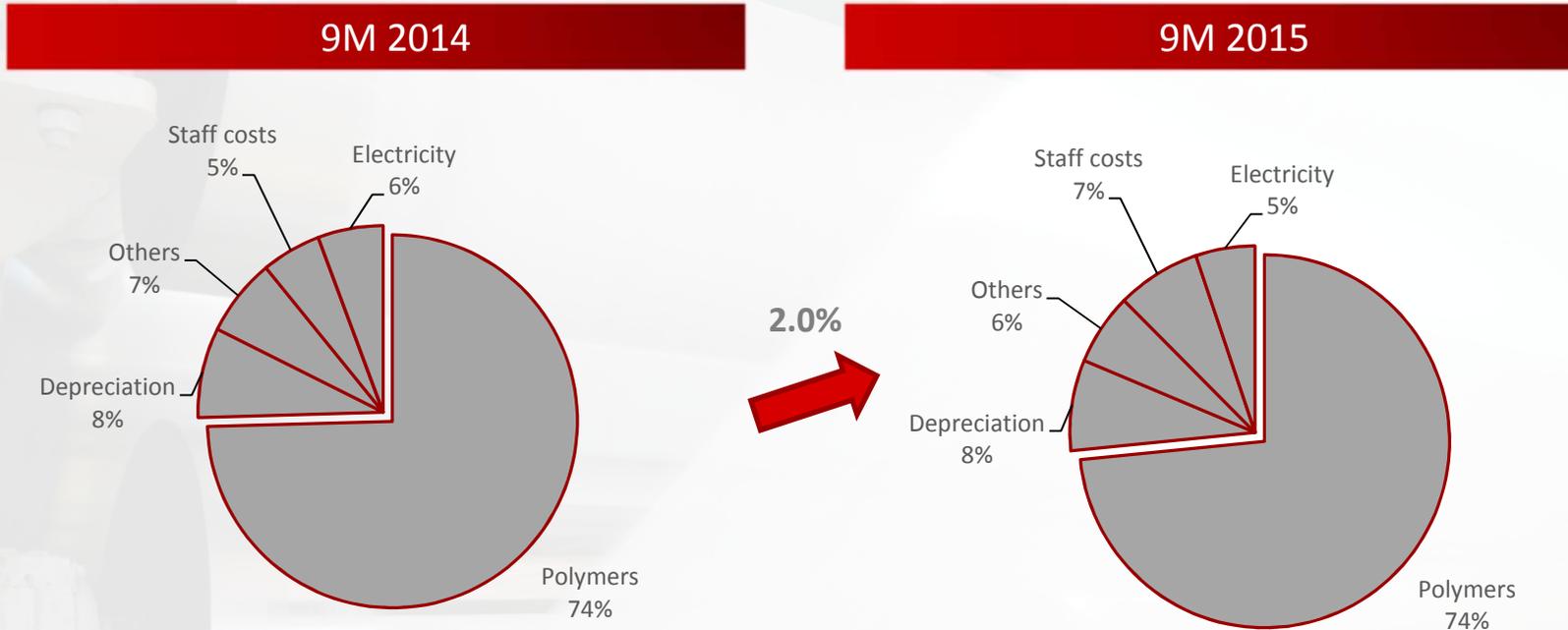


Nine Months



- Europe remains the key market for PEGAS
- Decline in sales within central Europe and Russia is compensated by increase of exports to countries outside Europe

Cost Composition



- Overall cost base virtually unchanged year-on-year, resp. up by 2.0%
- Proportion of staff costs increased as a result of the revaluation of phantom options
- Electricity expenses slightly lower in a year-on-year comparison due to the decrease in the prices of power electricity

Statement of Financial Position

EUR (000´)	30 September	30 September	% change
	2014	2015	
	(unaudited)	(unaudited)	
Non-current assets	264,499	265,411	0.3%
Property, plant and equipment	179,601	179,658	0.0%
Intangible assets (including goodwill)	84,898	85,753	1.0%
Current assets	93,721	121,247	29.4%
Inventories	34,786	34,311	(1.4%)
Trade and other receivables	52,439	57,489	9.6%
Tax receivables	1	0	(100.0%)
Bank balances and cash	6,495	29,447	353.4%
TOTAL ASSETS	358,220	386,659	7.9%
Total share capital and reserves	137,357	155,809	13.4%
Non-current liabilities	138,498	200,692	44.9%
Bank loans due after 1 year	124,870	0	(100.0%)
Deferred tax	13,628	17,272	26.7%
Other long-term liabilities	0	183,420	n/a
Current liabilities	82,365	30,157	(63.4%)
Short-term financial debt	25,500	0	(100.0%)
Trade and other payables	56,751	29,579	(47.9%)
Tax liabilities	114	578	407.4%
Provisions	0	0	n/a
TOTAL LIABILITIES	358,220	386,659	7.9%

Note: Consolidated unaudited results

Cash Flow Statement

EUR (000')	Nine-month period to		% change
	30 September 2014	30 September 2015	
	(unaudited)	(unaudited)	
Profit before tax	21,510	18,727	(12.9%)
Depreciation and amortization	11,118	11,955	7.5%
FX	(1,759)	(6,561)	273.0%
Interest expense	5,884	5,766	(2.0%)
Other changes in equity	304	3,232	963.2%
Other financial expense/(income)	633	1,549	144.8%
Change in inventories	1,230	9,040	634.9%
Change in receivables	(12,471)	(9,074)	(27.2%)
Change in payables	(8,260)	(26,298)	218.4%
Income tax paid	(619)	(712)	15.0%
Net cash flow from operating activities	17,570	7,624	(56.6%)
Purchases of property, plant and equipment	(7,878)	(4,325)	(45.1%)
Net cash flow used in investment activities	(7,878)	(4,325)	(45.1%)
Change in external debt	(9,887)	31,066	(414.2%)
Other changes in capital	0	(6,711)	n/a
Interest paid	(5,740)	(5,621)	(2.1%)
Other financial income/(expense)	(633)	(1,549)	144.8%
Net cash flow from financing activities	(16,260)	17,185	(205.7%)
Bank balances and cash at the beginning of the year	13,063	8,962	(31.4%)
Change in cash and cash equivalents	(6,568)	20,484	(411.9%)
Effect of FX fluctuation on cash held	0	0	n/a
Bank balances and cash at the end of the year	6,495	29,446	353.4%

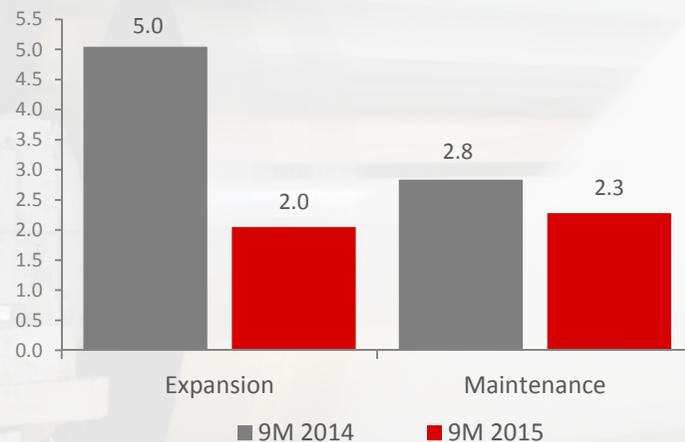
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CAPEX Development

CAPEX overview in 2015

- Expansion CAPEX in 9M 2015 includes advance payments for the 2nd line in Egypt, the rest is maintenance CAPEX
- 2015 CAPEX guidance of up to EUR 10 million confirmed

CAPEX for 9M



2015 Guidance Confirmation

Overview

- 9M 2015 slightly below management expectations especially due to a significantly adverse development in polymer prices.

EBITDA Guidance

- Based on the developments to date and with respect to the expected development in the polymer market, the management aims to reach the lower end of the 2015 EBITDA guidance
 - 2015 EBITDA is estimated in range of EUR 44.0 to 48.5 million

CAPEX Guidance

- 2015 CAPEX guidance of up to EUR 10 million confirmed
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Dividend Declaration

- The AGM held in June approved a dividend payout of EUR 10,613,810, i.e. EUR 1.15 per share.
 - The source of the dividend is the 2014 profit and retained earnings from previous years.
 - The AGM approved the record date as 16 October 2015 and the dividend was paid on 28 October 2015.
 - The dividend was not paid out on 229,558 of the Company's own shares. Therefore, the total dividend payout amounted to EUR 10,349,818.
 - 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

