



# PEGAS NONWOVENS

## Third Quarter 2015

### Financial Results

### Analyst Conference Call

26 November 2015

every single detail

# Cautionary Statement

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# Agenda

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- 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%
<b>EBITDA</b>	<b>11,914</b>	<b>8,173</b>	<b>(31.4%)</b>	<b>34,050</b>	<b>29,734</b>	<b>(12.7%)</b>
<b>EBITDA margin (%)</b>	<b>19.7%</b>	<b>14.1%</b>	<b>(5.6 pp)</b>	<b>19.8%</b>	<b>17.5%</b>	<b>(2.3 pp)</b>
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

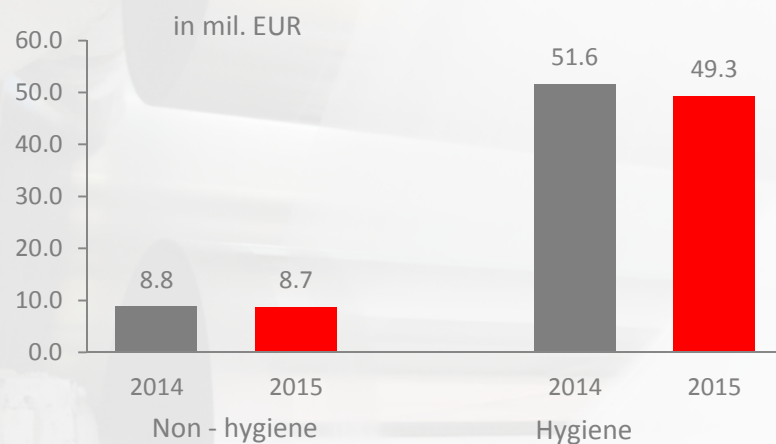
EUR (000')	Third quarter			Full Year		
	2014	2015	% change	2014	2015	% change
Revenues	60,371	57,967	(4.0%)	171,786	169,641	(1.2%)
Raw materials and consumables	(45,556)	(45,529)	(0.1%)	(129,362)	(127,176)	(1.7%)
Staff costs	(2,754)	(3,556)	29.1%	(7,746)	(11,127)	43.7%
Of which FV revaluation of share options	(500)	(951)	90.2%	(543)	(3,491)	542.9%
Other net operating income/(expense)	(147)	(709)	382.6%	(628)	(1,604)	155.4%
<b>EBITDA</b>	<b>11,914</b>	<b>8,173</b>	<b>(31.4%)</b>	<b>34,050</b>	<b>29,734</b>	<b>(12.7%)</b>
<b>EBITDA margin (%)</b>	<b>19.7%</b>	<b>14.1%</b>	<b>(5.6 pp)</b>	<b>19.8%</b>	<b>17.5%</b>	<b>(2.3 pp)</b>
Depreciation and amortization	(3,753)	(4,020)	7.1%	(11,118)	(11,955)	7.5%
<b>Profit from operations (EBIT)</b>	<b>8,161</b>	<b>4,153</b>	<b>(49.1%)</b>	<b>22,932</b>	<b>17,779</b>	<b>(22.5%)</b>
<b>EBIT margin (%)</b>	<b>13.5%</b>	<b>7.2%</b>	<b>(6.4 pp)</b>	<b>13.3%</b>	<b>10.5%</b>	<b>(2.9 pp)</b>
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%)
<b>Net profit</b>	<b>8,925</b>	<b>507</b>	<b>(94.3%)</b>	<b>19,458</b>	<b>16,834</b>	<b>(13.5%)</b>
<b>Net profit margin (%)</b>	<b>14.8%</b>	<b>0.9%</b>	<b>(13.9 pp)</b>	<b>11.3%</b>	<b>9.9%</b>	<b>(1.4 pp)</b>
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%)

Note: Consolidated unaudited results

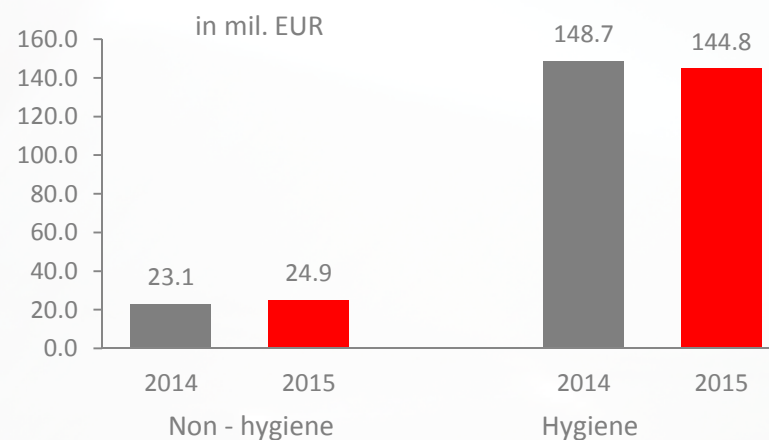


# Revenue Breakdown by Product

## Third Quarter



## Nine Months

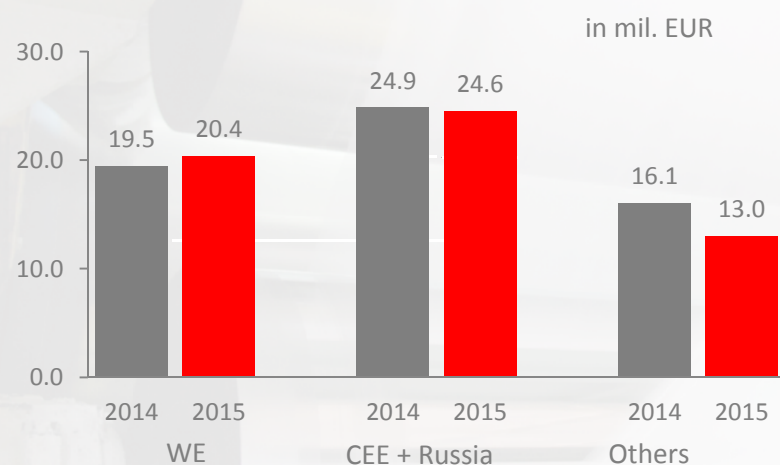


- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in EMEA
- Revenue breakdown by product is in line with the prior year figures as well as with Q2 2015

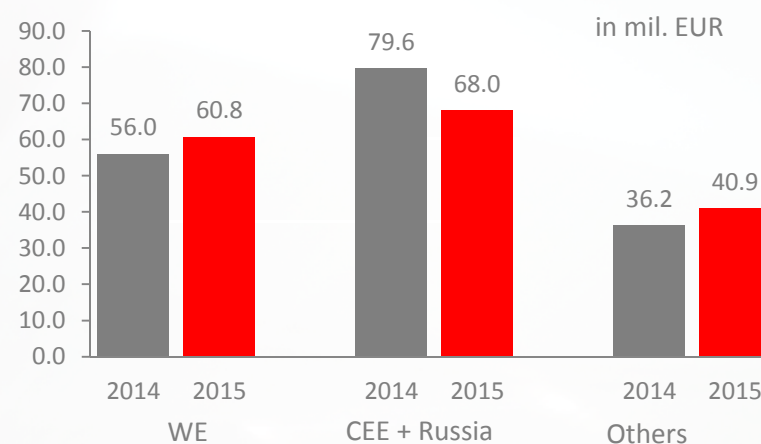


# Revenue Breakdown by Geography

## Third Quarter

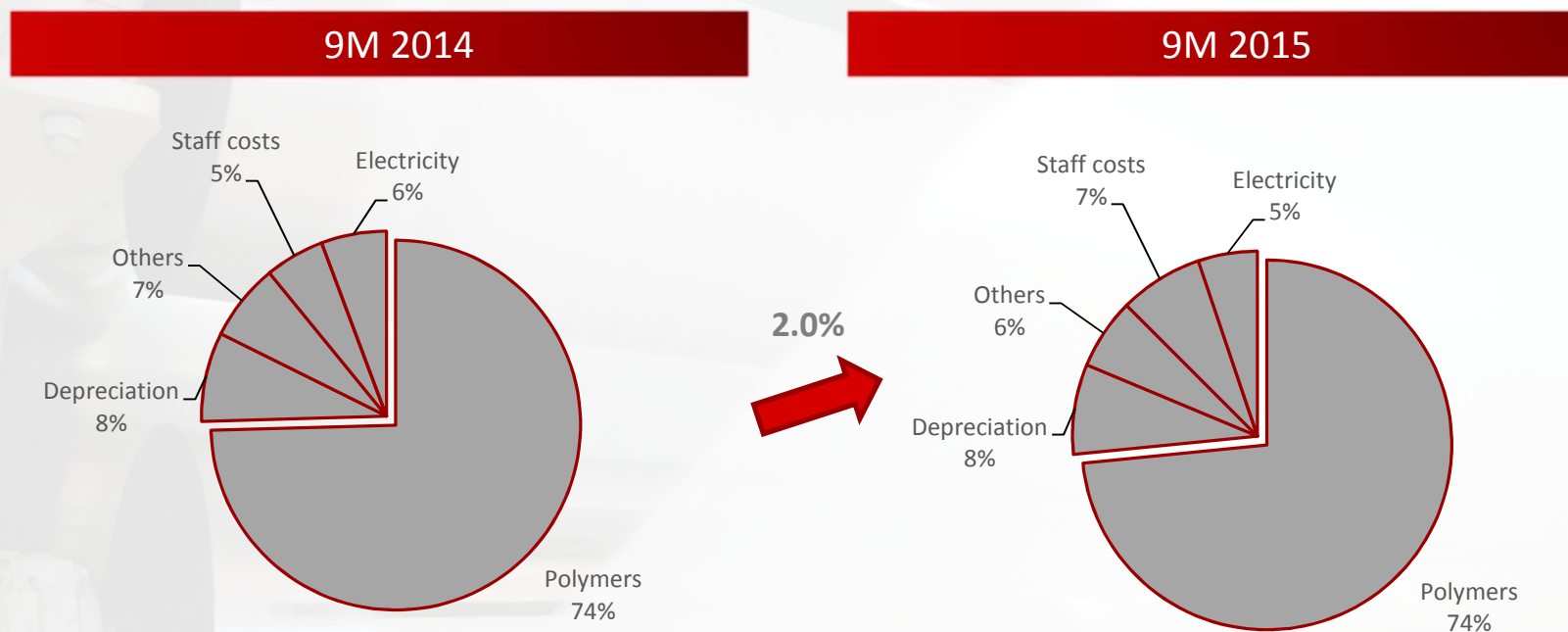


## Nine Months



- 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 2014 (unaudited)	30 September 2015 (unaudited)	% change
<b>Non-current assets</b>	<b>264,499</b>	<b>265,411</b>	<b>0.3%</b>
Property, plant and equipment	179,601	179,658	0.0%
Intangible assets (including goodwill)	84,898	85,753	1.0%
<b>Current assets</b>	<b>93,721</b>	<b>121,247</b>	<b>29.4%</b>
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%
<b>TOTAL ASSETS</b>	<b>358,220</b>	<b>386,659</b>	<b>7.9%</b>
<b>Total share capital and reserves</b>	<b>137,357</b>	<b>155,809</b>	<b>13.4%</b>
<b>Non-current liabilities</b>	<b>138,498</b>	<b>200,692</b>	<b>44.9%</b>
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
<b>Current liabilities</b>	<b>82,365</b>	<b>30,157</b>	<b>(63.4%)</b>
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
<b>TOTAL LIABILITIES</b>	<b>358,220</b>	<b>386,659</b>	<b>7.9%</b>

Note: Consolidated unaudited results

# Cash Flow Statement

EUR (000')	Nine-month period to		
	30 September 2014	30 September 2015	% change
	(unaudited)	(unaudited)	
<b>Profit before tax</b>	<b>21,510</b>	<b>18,727</b>	<b>(12.9%)</b>
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%
<b>Net cash flow from operating activities</b>	<b>17,570</b>	<b>7,624</b>	<b>(56.6%)</b>
Purchases of property, plant and equipment	(7,878)	(4,325)	(45.1%)
<b>Net cash flow used in investment activities</b>	<b>(7,878)</b>	<b>(4,325)</b>	<b>(45.1%)</b>
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%
<b>Net cash flow from financing activities</b>	<b>(16,260)</b>	<b>17,185</b>	<b>(205.7%)</b>
<b>Bank balances and cash at the beginning of the year</b>	<b>13,063</b>	<b>8,962</b>	<b>(31.4%)</b>
Change in cash and cash equivalents	(6,568)	20,484	(411.9%)
Effect of FX fluctuation on cash held	0	0	n/a
<b>Bank balances and cash at the end of the year</b>	<b>6,495</b>	<b>29,446</b>	<b>353.4%</b>

Note: Consolidated unaudited results

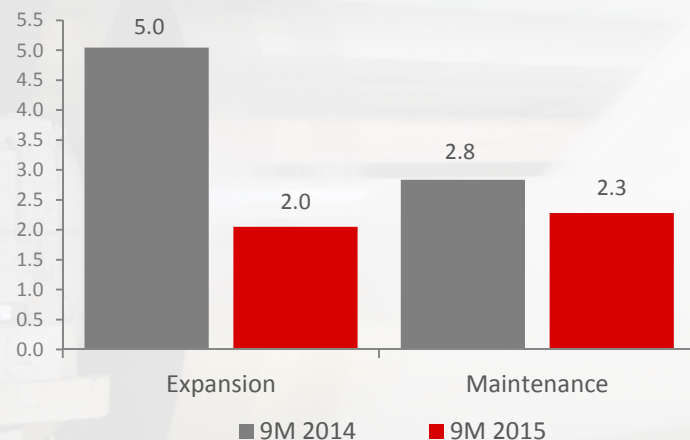


# CAPEX Development

## CAPEX overview in 2015

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

## CAPEX for 9M



# 2015 Guidance Confirmation

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## Overview

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

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## 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

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## CAPEX Guidance

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

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- 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

