



PEGAS NONWOVENS SA

Second Quarter 2016 Financial Results

Analyst Conference Call

25 Aug 2016

every single detail

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Agenda

- Q2 and 1H 2016 Key Highlights
 - Q2 and 1H 2016 Financial Performance
 - 2016 Guidance Confirmation
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Presentation Team



František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer



Q2 and 1H 2016 Key Highlights

Financial Performance

- Total revenues in Q2 2016 EUR 51.6 million, up by 0.9% yoy mainly as a result of increase in sales (in tonnage terms)
- EBITDA EUR 11.2 million, up by 25.5% yoy, on strong production levels, very good sales and insignificant effect of the pass through mechanism and only relatively small negative impact of revaluation of the share option bonus scheme
- 1H 2016 EBITDA in line with the 2016 EBITDA guidance (EUR 43.0-49.0 million)
- Q2 2016 EBIT EUR 7.2 million, up by 43.3% yoy due to the same reasons impacting EBITDA
- Q2 2016 Net profit amounted to EUR 7.1 million, up by 259.5% primarily as a consequence of unrealized foreign exchange losses related to the development of the exchange rate of USD against EUR

Market & Business

- ICIS in Q2 2016 fairly stable. Average value for 2Q 2016 increased by single digits in a quarter on quarter comparison
- The level of inventories of finished goods remains at near optimal levels and remained virtually unchanged during Q2 2016

Production & Technology

- Q2 2016 production of 25,659 tons, up by 0.1% yoy
- No major unexpected shutdowns or production disruptions in Q2 2016
- One day shutdown in Znojmo, due to planned electricity network maintenance outside the production plant
- Most of the production lines are still scheduled for regular maintenance before the end of 2016

Key Financial Highlights

EUR (000')	Second quarter			First half		
	2015	2016	% change	2015	2016	% change
Revenues	51,113	51,584	0.9%	111,674	106,664	(4.5%)
Operating costs	(42,177)	(40,373)	(4.3%)	(90,112)	(83,851)	(6.9%)
EBITDA	8,936	11,210	25.5%	21,561	22,813	5.8%
EBITDA margin (%)	17.5%	21.7%	4.2 pp	19.3%	21.4%	2.1 pp
Profit from operations (EBIT)	4,998	7,163	43.3%	13,626	14,706	7.9%
<i>EBIT margin (%)</i>	<i>9.8%</i>	<i>13.9%</i>	<i>4.1 pp</i>	<i>12.2%</i>	<i>13.8%</i>	<i>1.6 pp</i>
Net profit	1,969	7,078	259.5%	16,327	7,548	(53.8%)
<i>Net profit margin (%)</i>	<i>3.9%</i>	<i>13.7%</i>	<i>9.9 pp</i>	<i>14.6%</i>	<i>7.1%</i>	<i>(7.5 pp)</i>
Production (tons net of scrap)	25,634	25,659	0.1%	51,836	51,695	(0.3%)
Number of Employees (average)	561	563	0.3%	563	566	0.5%
Average EUR/CZK exchange rate	27.379	27.061	(1.2%)	27.502	27.040	(1.7%)
Average EUR/USD exchange rate	1.105	1.123	1.6%	1.116	1.116	0.0%
				30 June 2015	30 June 2016	% change
Total assets				359,203	385,449	7.3%
Net debt				142,160	144,652	1.8%

Note: Consolidated unaudited results

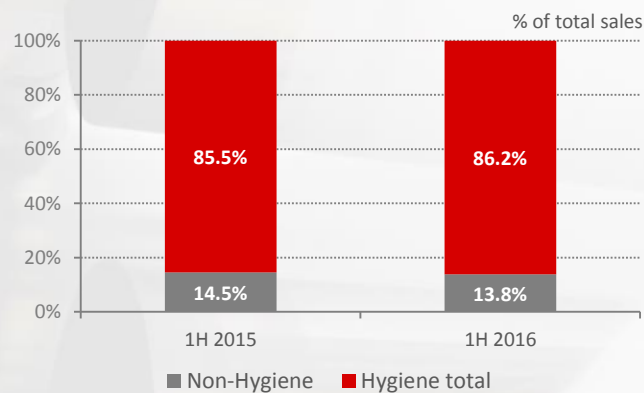
Statement of Comprehensive Income

EUR ('000')	Second quarter			First Half		
	2015	2016	% change	2015	2016	% change
Revenues	51,113	51,584	0.9%	111,674	106,664	(4.5%)
Raw materials and consumables	(37,516)	(36,834)	(1.8%)	(81,647)	(76,847)	(5.9%)
Staff costs	(4,145)	(3,181)	(23.3%)	(7,572)	(6,154)	(18.7%)
Of which FV revaluation of share options	(1,832)	(368)	(79.9%)	(2,540)	(513)	(79.8%)
Other net operating income/(expense)	(516)	(359)	(30.6%)	(894)	(850)	(4.9%)
EBITDA	8,936	11,210	25.5%	21,561	22,813	5.8%
EBITDA margin (%)	17.5%	21.7%	4.2 pp	19.3%	21.4%	2.1 pp
Depreciation and amortization	(3,938)	(4,047)	2.8%	(7,936)	(8,107)	2.2%
Profit from operations (EBIT)	4,998	7,163	43.3%	13,625	14,706	7.9%
EBIT margin (%)	9.8%	13.9%	4.1 pp	12.2%	13.8%	1.6 pp
FX changes and other fin. income/(expense) (net)	(347)	1,748	n/a	8,196	(1,957)	n/a
Interest income/(expense) (net)	(1,759)	(2,038)	15.9%	(3,532)	(4,147)	17.4%
Income tax income/(expense) (net)	(923)	205	n/a	(1,962)	(1,054)	(46.3%)
Net profit	1,969	7,078	259.5%	16,327	7,548	(53.8%)
Net profit margin (%)	3.9%	13.7%	9.9 pp	14.6%	7.1%	(7.5 pp)
Other comprehensive income/(expense)	(118)	(1,065)	803.1%	3,064	(6,145)	n/a
Total comprehensive income	1,851	6,014	224.9%	19,391	1,403	(92.8%)

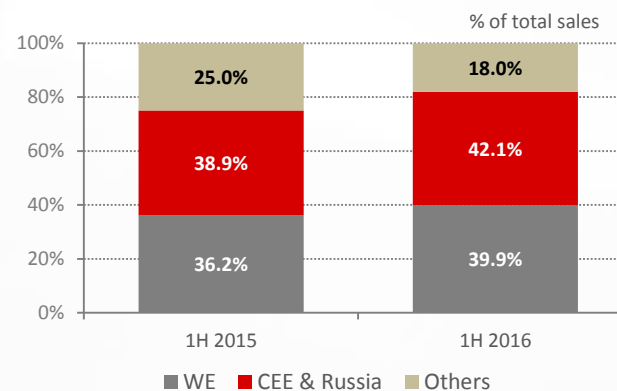
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Revenue Breakdown

By Product



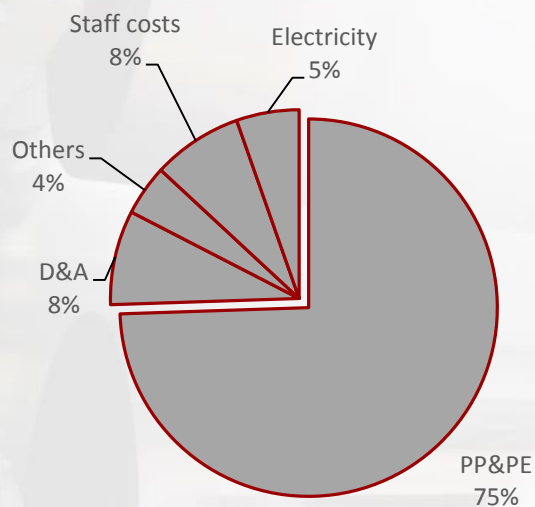
By Geography



- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe
- Sales by geography reflect customer mix and their procurement needs

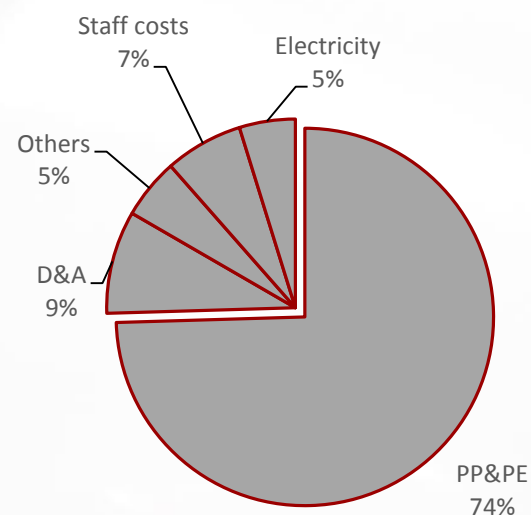
Cost Composition

1H 2015



8.5%

1H 2016



- Staff costs down 19% yoy mainly as a result of revaluation of share option plan
- Electricity cost down 16% yoy mainly due to the lower prices for power electricity

Statement of Financial Position

EUR ('000')	30 June 2015 (unaudited)	31 December 2015 (audited)	30 June 2016 (unaudited)	yoy % change
Non-current assets	266,122	269,476	267,095	0.4%
Property, plant and equipment	180,547	181,250	179,234	(0.7%)
Intangible assets (including goodwill)	85,575	88,226	87,861	2.7%
Current assets	93,081	269,476	118,354	27.2%
Inventories	38,450	39,538	29,952	(22.1%)
Trade and other receivables	45,404	54,692	48,739	7.3%
Tax receivables	0	0	0	n/a
Bank balances and cash	9,227	28,082	39,663	329.9%
TOTAL ASSETS	359,203	391,788	385,449	7.3%
Total share capital and reserves	159,476	156,712	145,703	(8.6%)
Non-current liabilities	145,354	202,246	201,181	38.7%
Bank loans due after 1 year	38,209	0	0	(100.0%)
Deferred tax	16,462	17,440	16,866	2.5%
Other long-term liabilities	90,683	184,806	184,315	103.3%
Current liabilities	54,373	32,830	38,565	(29.1%)
Short-term financial debt	22,495	7,111	0	(100.0%)
Trade and other payables	30,597	23,895	38,072	24.4%
Tax liabilities	1,281	1,824	493	(61.5%)
Provisions	0	0	0	n/a
TOTAL LIABILITIES	359,203	391,788	385,449	7.3%

Note: Consolidated unaudited results

Cash Flow Statement

EUR ('000')	Six-month period to		yoy % change
	30 June 2015 (unaudited)	30 June 2016 (unaudited)	
Profit before tax	18,289	8,602	(53.0%)
Depreciation and amortization	7,936	8,107	2.2%
FX	(5,777)	(1,615)	(72.0%)
Interest expense	3,532	4,196	18.8%
Other changes in equity	722	(3,101)	(529.5%)
Other financial expense/(income)	274	(499)	(282.1%)
Change in inventories	4,858	8,788	80.9%
Change in receivables	(1,277)	1,957	(253.2%)
Change in payables	(21,973)	2,784	(112.7%)
Income tax paid	(319)	(1,769)	455.2%
Net cash flow from operating activities	6,265	27,449	338.1%
Purchases of property, plant and equipment	(1,540)	(6,447)	318.6%
Net cash flow used in investment activities	(1,540)	(6,447)	318.6%
Change in bank loans	(798)	(7,597)	851.4%
Other changes in share capital	0	(875)	n/a
Interest paid	(3,388)	(1,449)	(57.2%)
Other financial income/(expense)	(274)	499	(282.1%)
Net cash flow from financing activities	(4,460)	(9,421)	111.2%
Bank balances and cash at the beginning of the year	8,962	28,082	213.3%
Change in cash and cash equivalents	265	11,581	4276.5%
Effect of FX fluctuation on cash held	0	0	n/a
Bank balances and cash at the end of the year	9,227	39,663	329.9%

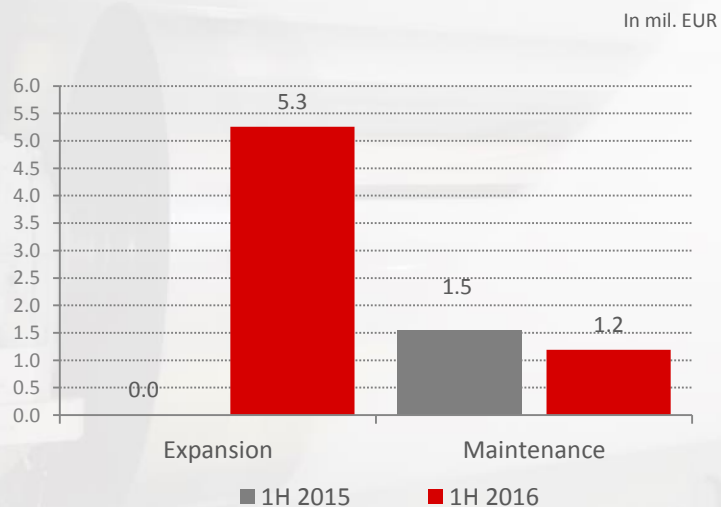
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CAPEX Development

CAPEX in 2016 includes investments into expansion as well as maintenance CAPEX

- Investments into expansion planned in 2016 include the construction of a warehouse in the Czech Republic and an investment into a new BiCo Compact production line
- 2016 CAPEX guidance of up to EUR 25 million confirmed

CAPEX in 1H



2016 Guidance Confirmation

Overview

- 1H 2016 is in line with management expectation and announced outlook for the entire year

EBITDA Guidance

- Based on the developments to date, the management confirms 2016 EBITDA guidance
 - 2016 EBITDA is estimated in range of EUR 43.0 to 49.0 million

CAPEX Guidance

- 2016 CAPEX guidance of up to EUR 25 million confirmed

Dividend Declaration

- The AGM held in June approved a dividend payout of EUR 11,536,750, i.e. EUR 1.25 per share
- The source of the dividend is the 2015 profit and retained earnings from previous years
- The AGM approved the record date as 14 October 2016 and the payment date as 26 October 2016
- 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

Development of Polymer Prices

Polymer Prices Illustrative Index

