



PEGAS NONWOVENS SA

Second Quarter 2017 Financial Results

Analyst Conference Call

24 Aug 2017

every single detail

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Agenda

- Q2 and 1H 2017 Key Highlights
 - Q2 and 1H 2017 Financial Performance
 - 2017 Guidance Confirmation
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Presentation Team



František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer



Q2 and 1H 2017 Key Highlights

Financial Performance

- Total revenues in Q2 2017 EUR 56.0 million, up by 8.5% yoy mainly as a result of increase in polypropylene price
- EBITDA EUR 9.5 million, down by 15.6% yoy, due to the significantly negative effect of the pass through mechanism
- 1H 2017 EBITDA in line with the 2017 EBITDA guidance (EUR 43.0-50.0 million)
- Q2 2017 EBIT EUR 5.3 million, down by 26.1% yoy due to the same reasons impacting EBITDA
- Q2 2017 Net profit amounted to EUR 0.8 million, down by 88.7% primarily as a consequence of unrealized foreign exchange losses mainly related to the depreciation of USD against EUR

Market & Business

- ICIS in Q2 2017 was up by almost 15% compared to the prices in Q2 2016 and more than 10% since the beginning of the year.
- The level of inventories of finished goods increased slightly during Q2 2017 but still at optimal levels

Production & Technology

- Q2 2017 production of 27,085 tons, up by 5.6% yoy
- No major unexpected shutdowns or production disruptions in Q2 2017
- Regular maintenance shutdowns performed on two production lines in Q2 2017
- During Q2 2017 commercial production started on new line in the Czech Republic

Key Financial Highlights

EUR (000')	Second quarter			First half		
	2016	2017	% change	2016	2017	% change
Revenues	51,584	55,967	8.5%	106,664	111,723	4.7%
Operating costs	(40,373)	(46,500)	15.2%	(83,851)	(91,004)	8.5%
EBITDA	11,210	9,467	(15.6%)	22,813	20,719	(9.2%)
EBITDA margin (%)	21.7%	16.9%	(4.8 pp)	21.4%	18.5%	(2.8 pp)
Profit from operations (EBIT)	7,163	5,296	(26.1%)	14,706	12,425	(15.5%)
<i>EBIT margin (%)</i>	<i>13.9%</i>	<i>9.5%</i>	<i>(4.4 pp)</i>	<i>13.8%</i>	<i>11.1%</i>	<i>(2.7 pp)</i>
Net profit	7,078	797	(88.7%)	7,548	4,458	(40.9%)
<i>Net profit margin (%)</i>	<i>13.7%</i>	<i>1.4%</i>	<i>(12.3 pp)</i>	<i>7.1%</i>	<i>4.0%</i>	<i>(3.1 pp)</i>
Production (tons net of scrap)	25,659	27,085	5.6%	51,695	52,428	1.4%
Number of Employees (average)	563	581	3.1%	566	582	2.8%
Average EUR/CZK exchange rate	27.061	26.553	(1.9%)	27.040	26.784	(0.9%)
Average EUR/USD exchange rate	1.123	1.100	(2.0%)	1.116	1.083	(3.0%)
				30 June 2016	30 June 2017	% change
Total assets				385,449	450,569	16.9%
Net debt				144,652	169,447	17.1%

Note: Consolidated unaudited results

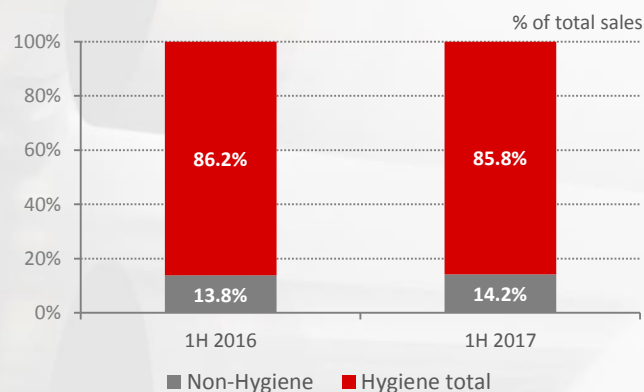
Statement of Comprehensive Income

EUR ('000')	Second quarter			Full Year		
	2016	2017	% change	2016	2017	% change
Revenues	51,584	55,967	8.5%	106,664	111,723	4.7%
Raw materials and consumables	(36,834)	(42,414)	15.1%	(76,847)	(83,845)	9.1%
Staff costs	(3,181)	(3,596)	13.0%	(6,154)	(6,694)	8.8%
Of which FV revaluation of share options	(368)	(620)	68.5%	(513)	(845)	64.7%
Other net operating income/(expense)	(358)	(490)	36.9%	(851)	(465)	(45.4%)
EBITDA	11,210	9,467	(15.6%)	22,813	20,719	(9.2%)
EBITDA margin (%)	21.7%	16.9%	(4.8 pp)	21.4%	18.5%	(2.8 pp)
Depreciation and amortization	(4,047)	(4,171)	3.1%	(8,107)	(8,295)	2.3%
Profit from operations (EBIT)	7,163	5,296	(26.1%)	14,706	12,425	(15.5%)
EBIT margin (%)	13.9%	9.5%	(4.4 pp)	13.8%	11.1%	(2.7 pp)
FX changes and other fin. income/(expense) (net)	1,748	(2,052)	n/a	(1,957)	(3,137)	60.3%
Interest income/(expense) (net)	(2,038)	(1,912)	(6.2%)	(4,147)	(3,707)	(10.6%)
Income tax income/(expense) (net)	205	(535)	n/a	(1,054)	(1,047)	(0.6%)
Net profit	7,078	797	(88.7%)	7,548	4,458	(40.9%)
Net profit margin (%)	13.7%	1.4%	(12.3 pp)	7.1%	4.0%	(3.1 pp)
Other comprehensive income/(expense)	(1,065)	5,024	n/a	(6,145)	4,306	n/a
Total comprehensive income	6,014	5,821	(3.2%)	1,403	8,765	524.8%

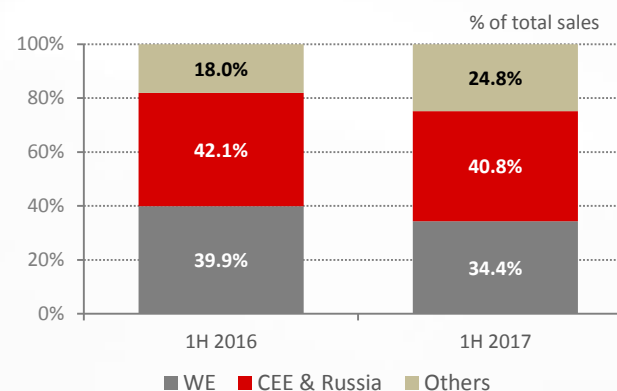
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Revenue Breakdown

By Product



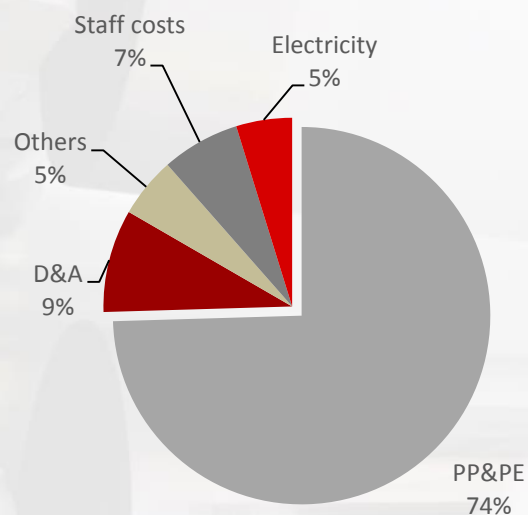
By Geography



- 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

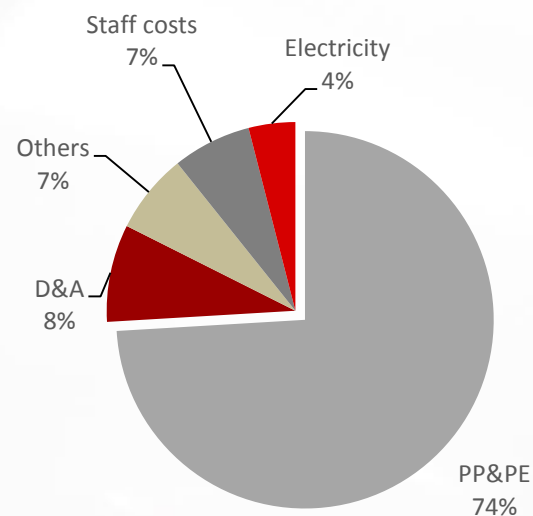
Cost Composition

1H 2016



8.0%

1H 2017



- Staff costs up 9% yoy mainly as a result of wages indexation and revaluation of warrants
- Electricity cost down 10% yoy mainly due to the lower prices for power electricity and depreciation of EGP

Statement of Financial Position

EUR ('000')	30 June 2016 (unaudited)	31 December 2016 (unaudited)	30 June 2017 (unaudited)	yoy % change
Non-current assets	267,095	277,218	284,668	6.6%
Property, plant and equipment	179,234	187,288	191,928	7.1%
Intangible assets (including goodwill)	87,861	89,930	92,740	5.6%
Current assets	118,355	107,897	165,902	40.2%
Inventories	29,952	39,913	36,540	22.0%
Trade and other receivables	48,739	43,764	58,831	20.7%
Tax receivables	0	0	517	n/a
Bank balances and cash	39,663	24,220	70,013	76.5%
TOTAL ASSETS	385,449	385,115	450,569	16.9%
Total share capital and reserves	145,703	158,735	155,979	7.1%
Non-current liabilities	201,181	205,101	258,970	28.7%
Bank loans due after 1 year	0	0	0	n/a
Deferred tax	16,866	20,067	19,510	15.7%
Other long-term liabilities	184,315	185,034	239,460	29.9%
Current liabilities	38,565	21,279	35,621	(7.6%)
Short-term financial debt	0	0	0	n/a
Trade and other payables	38,071	20,553	35,370	(7.1%)
Tax liabilities	493	726	251	(49.2%)
Provisions	0	0	0	n/a
TOTAL LIABILITIES	385,449	385,115	450,569	16.9%

Note: Consolidated unaudited results

Cash Flow Statement

EUR ('000')	Six-month period to		yoy % change
	30 June 2016 (unaudited)	30 June 2017 (unaudited)	
Profit before tax	8,602	5,580	(35.1%)
Depreciation and amortization	8,107	8,295	2.3%
FX	(1,615)	(4,983)	208.5%
Interest expense	4,196	3,734	(11.0%)
Other changes in equity	(3,101)	725	n/a
Other financial expense/(income)	(499)	(961)	92.5%
Change in inventories	8,788	2,588	(70.5%)
Change in receivables	1,957	(7,596)	n/a
Change in payables	2,784	11,563	315.4%
Income tax paid	(1,769)	(2,520)	42.5%
Net cash flow from operating activities	27,449	16,425	(40.2%)
Purchases of property, plant and equipment	(6,447)	(14,497)	124.9%
Net cash flow used in investment activities	(6,447)	(14,497)	124.9%
Increase/(decrease) in other long term payables	(7,597)	54,426	n/a
Other changes in share capital	(875)	(11,521)	1216.7%
Interest paid	(1,449)	0	n/a
Other financial income/(expense)	499	961	92.5%
Net cash flow from financing activities	(9,421)	43,867	n/a
Bank balances and cash at the beginning of the year	28,082	24,219	(13.8%)
Change in cash and cash equivalents	11,581	45,794	295.4%
Effect of FX fluctuation on cash held	0	0	n/a
Bank balances and cash at the end of the year	39,663	70,013	76.5%

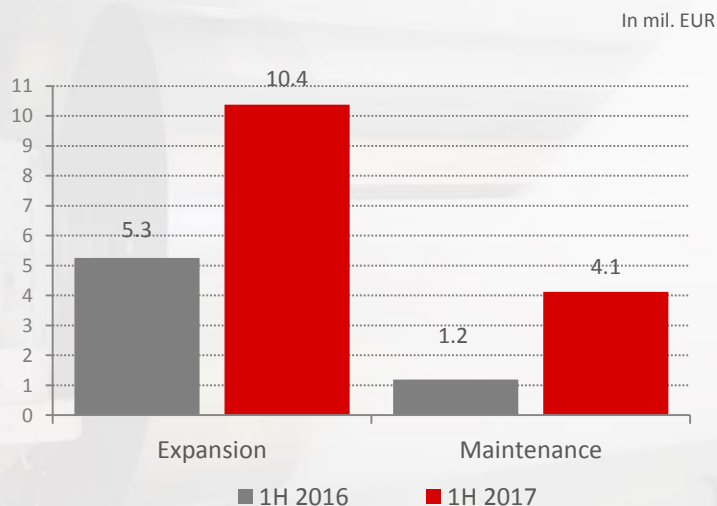
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CAPEX Development

CAPEX in 2017 includes investments into expansion as well as maintenance CAPEX

- Investments into expansion for 2017 includes the investment into a new BiCo Compact production line in the Czech Republic and into the new production plant in South Africa
- 2017 CAPEX guidance of up to EUR 30 million confirmed

CAPEX in 1H



2017 Guidance Confirmation

Overview

- 1H 2017 is in line with management expectation and announced outlook for the entire year

EBITDA Guidance

- Based on the developments to date, the management confirms 2017 EBITDA guidance
 - 2017 EBITDA is estimated in range of EUR 43.0 to 50.0 million

CAPEX Guidance

- 2017 CAPEX guidance of up to EUR 30 million confirmed

Dividend Declaration

- The AGM held in June approved a dividend payout of EUR 11,998,220, i.e. EUR 1.30 per share
- The source of the dividend is the 2016 profit
- The AGM approved the record date as 13 October 2017 and the payment date as 26 October 2017
- 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)

