

## Q2 and H1 2016 results | 11<sup>th</sup> August 2016

Investor Meeting & Bondholder Call | Michael Wolff (CEO) & Richard Mayer (CFO)



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# Agenda

## H1 – Highlights and key figures

Construction and industry overview

Financial overview

Ongoing investments and projects

Company outlook

## H1 2016 – highlights and key figures

### Key financials

### Investment program

### ONE PFLEIDERER

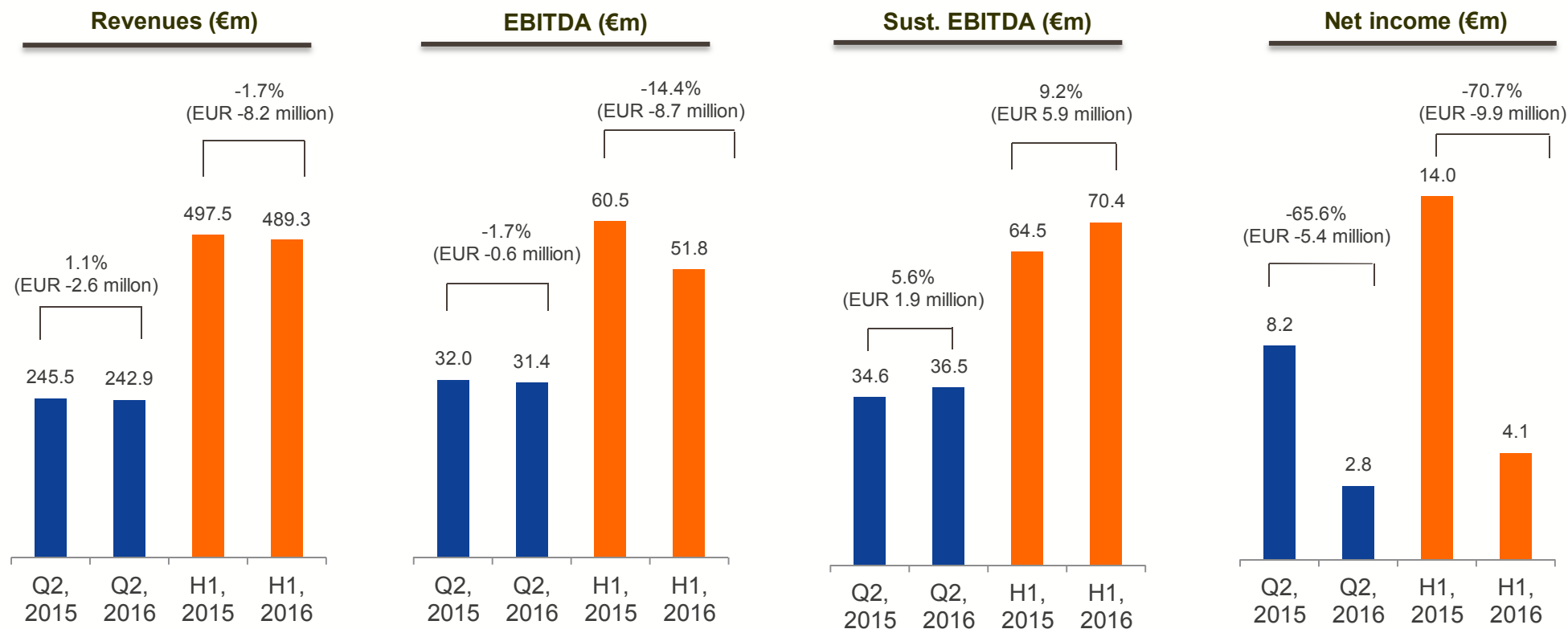
### Dividend payment

- Good set of financial results supported by **favorable market conditions**
- The Group's **revenues** amounted to **EUR 489.3 million**, EUR from 497.5 million in the H1, 2015
  - Lower sales prices and negative exchange rate effect by EUR 14.6 million, compensated by a stable volume growth (EUR 9.2 million) and a favorable material prices
- The **sustainable EBITDA** developed to **EUR 70.4 million** - equals to **14.4%** of sales
- **Net profit of EUR 4.1 million** in H1, 2016 compared to EUR 14.0 million in the same period 2015
- **The Core West** increased by **3.2% to EUR 336.6 million** - performance mainly driven by higher volumes across all segments, in particular by value added products, such as **MFC and HPL**, despite ongoing pressure on sales prices
- **The Core East** revenues reached **EUR 169.7 million** compared to EUR 190 million in H1 2015, which has been driven by:
  - The decrease in revenues of HDF- plant MDF Grajewo (negative contribution of EUR 11.7 million)
  - The pricing pressure for particle boards imported from Belarus and Ukraine
  - Negative exchange rate effect by EUR 4.4 million
  - But, positive impact from significant increase y-o-y of value added products, such as HPL
- The **Capital Expenditures** totaled **EUR 15.8 million** - all strategic Capex projects are well on track
- **New lacquering line in MDF Grajewo** launched – investment of **EUR 5 million**
- Integration efforts are contributing as expected. **ONE PFLEIDERER savings reached EUR 6.2 million**
- On 29 July Grajewo Group paid to shareholders the **dividend** in the amount of **PLN 64.7 million**, what equals to 57.7 percent of the consolidated net profit earned in 2015

## Pfleiderer Group – increase of sustainable EBITDA by 9.2%

### Reconciliation

#### Comparable Business



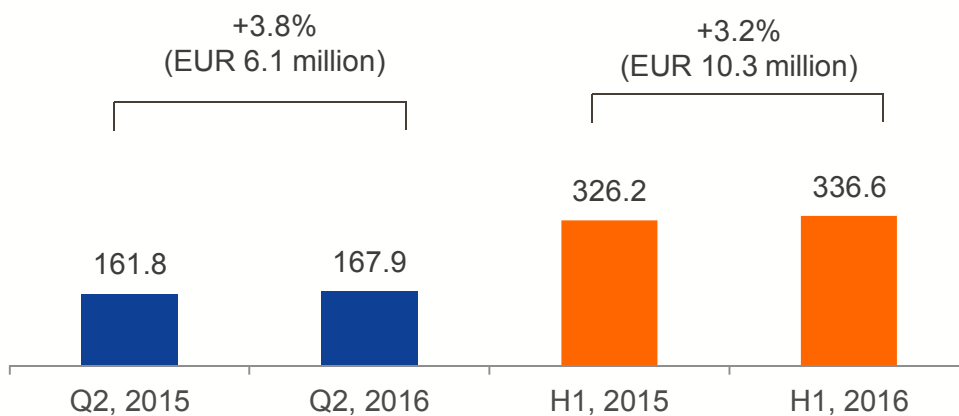
- Figures Q2, H1 2015 represent comparable business ff.

## Sales development – Core West & Core East (incl. intercompany sales)

Sales development (EURm)	Q2, 2015	Q2, 2016	Change (%)	H1, 2015	H1, 2016	Change (%)
Pfleiderer Group	245.5	242.9	-1.1%	497.5	489.3	-1.7%

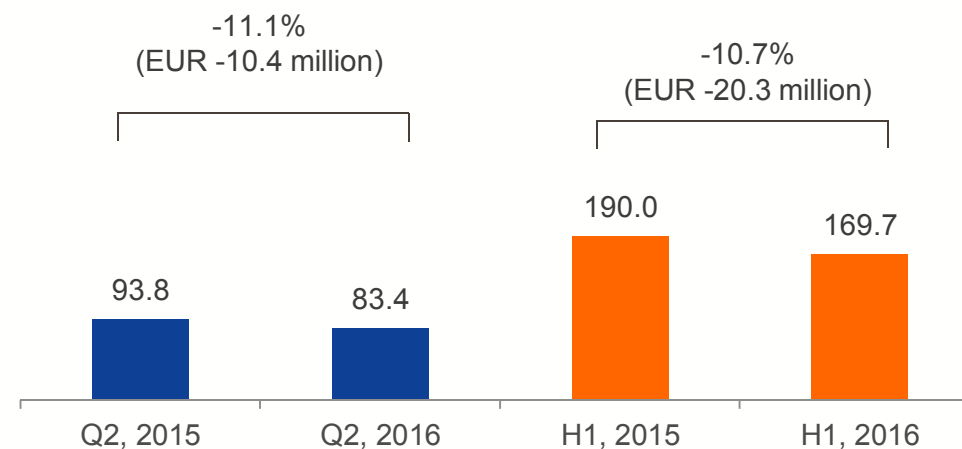
### Core West

(EURm)



### Core East

(EURm)

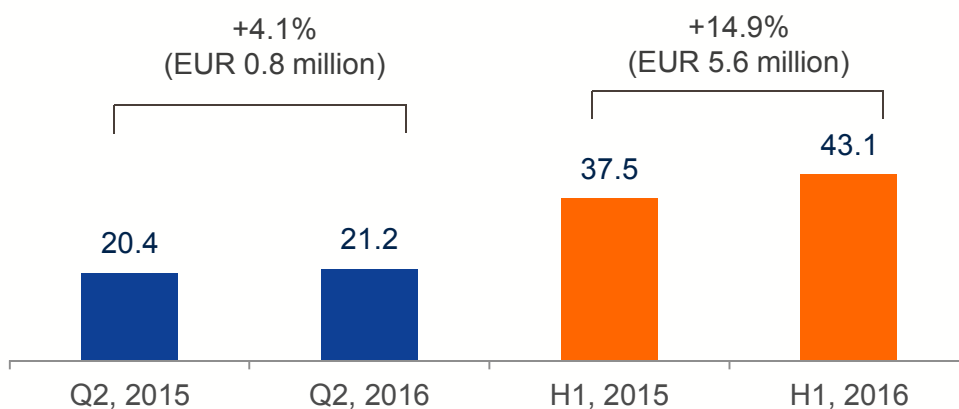


## Improvement of sustainable EBITDA over time in Core West

Sust. EBITDA (EURm)	Q2, 2015	Q2, 2016	Change (%)	H1, 2015	H1, 2016	Change (%)
Pfleiderer Group	34.6	36.5	5.6%	64.5	70.4	9.2%

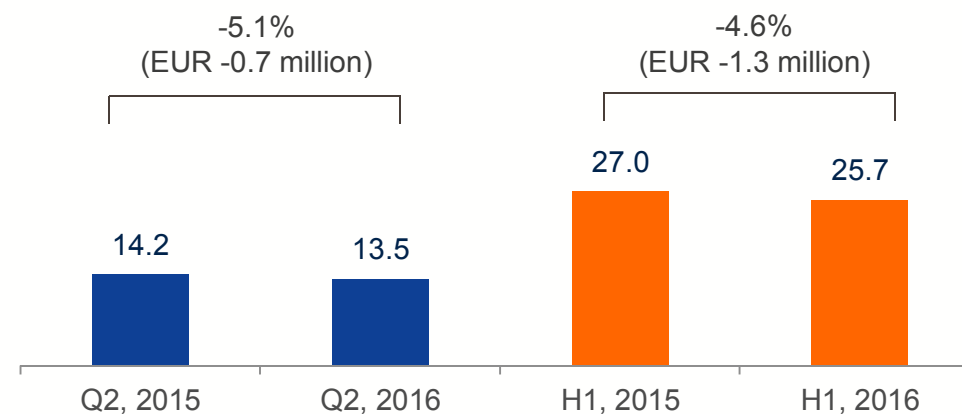
### Core West

(EURm)



### Core East

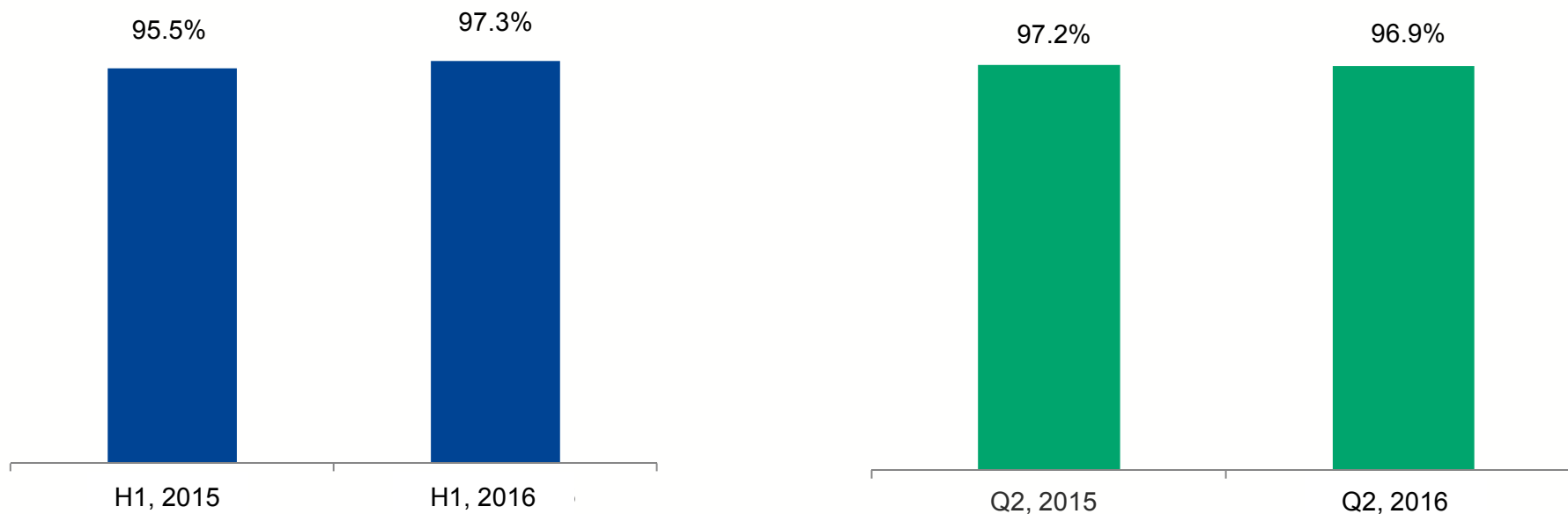
(EURm)



## Utilization of production capacities raw chipboard

Pfleiderer Group

### Raw Chipboard Production Capacity Utilization



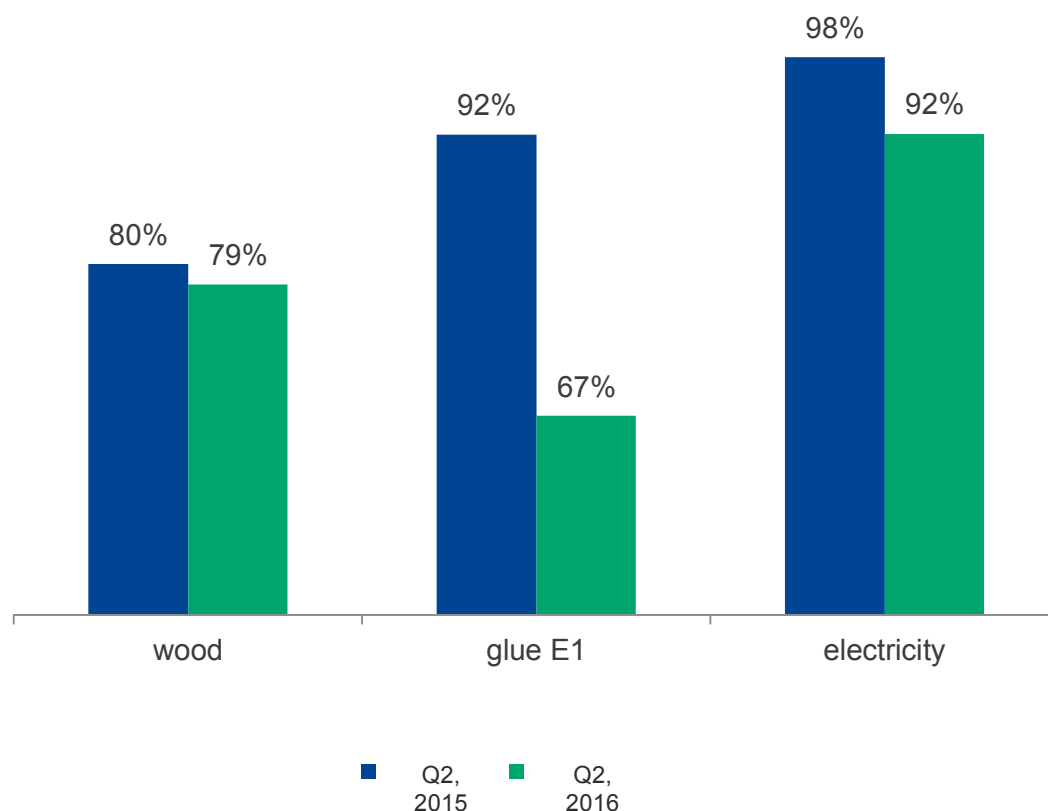
- **H1, 2015:** lower demand in first half of January
- **H1, 2016:** nearly full utilization

- **Q2, 2015:** nearly full utilization
- **Q2, 2016:** fire outbreak followed by lower productivity in Gütersloh; maintenance breaks/holiday time in different plants



## Development of raw materials prices

Q1, 2014 = 100%



### Wood:

- The prices decreased in a row for the last years. On the one side this is an effect of the good economical situation with a great amount of recycling wood as the cheapest wood assortment. Also the saw mill industry has a good order volume, so there is enough pulpwood on the market.
- On the other side there were no heavy winters, so the wood needed for heating in private households and for pellets was significantly reduced.

### Glue:

- The prices of glue are leaned on the world market prices of methanol and urea. The development is comparable with the world market prices.

### Electricity:

- The beneficial situation was majorly affected by falling spot prices for electricity where a very short term buying strategy was performed instead of hedging volumes upfront in the futures market. A strong wind season was also favorable for the electricity prices.

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Construction and industry overview

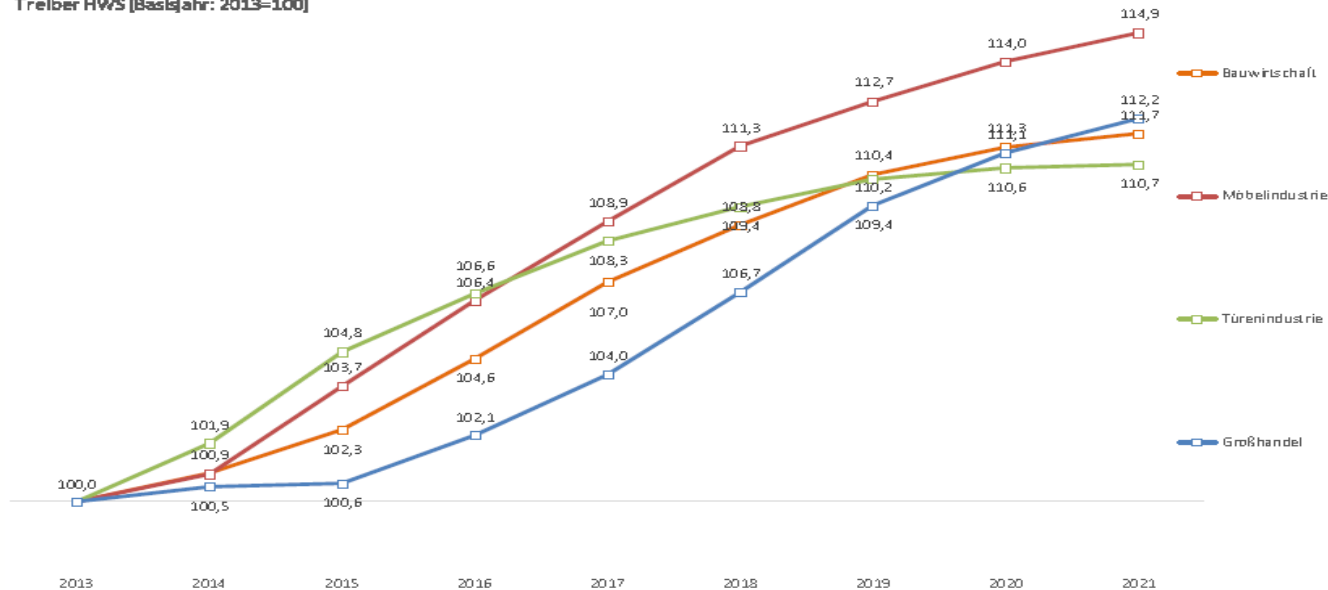
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## Market Development in Germany

Treiber HWS [Basisjahr: 2013=100]



### Wholesale trade

The trade has had a comparatively weak year in 2015. For 2016 however a regeneration in non-residential construction is to be expected.

In common with a further increase in house building the trade will again indicate stronger growth in 2016.

### Furniture industry

After a comparatively weak year in 2014, the German furniture industry was able to again provide a far better result in 2015.

On a long-term basis, a positive overall development is also to be expected in 2021. The trend also continues in 2016.

### Construction

An expected increase in residential floor areas in the medium and lower price segment.

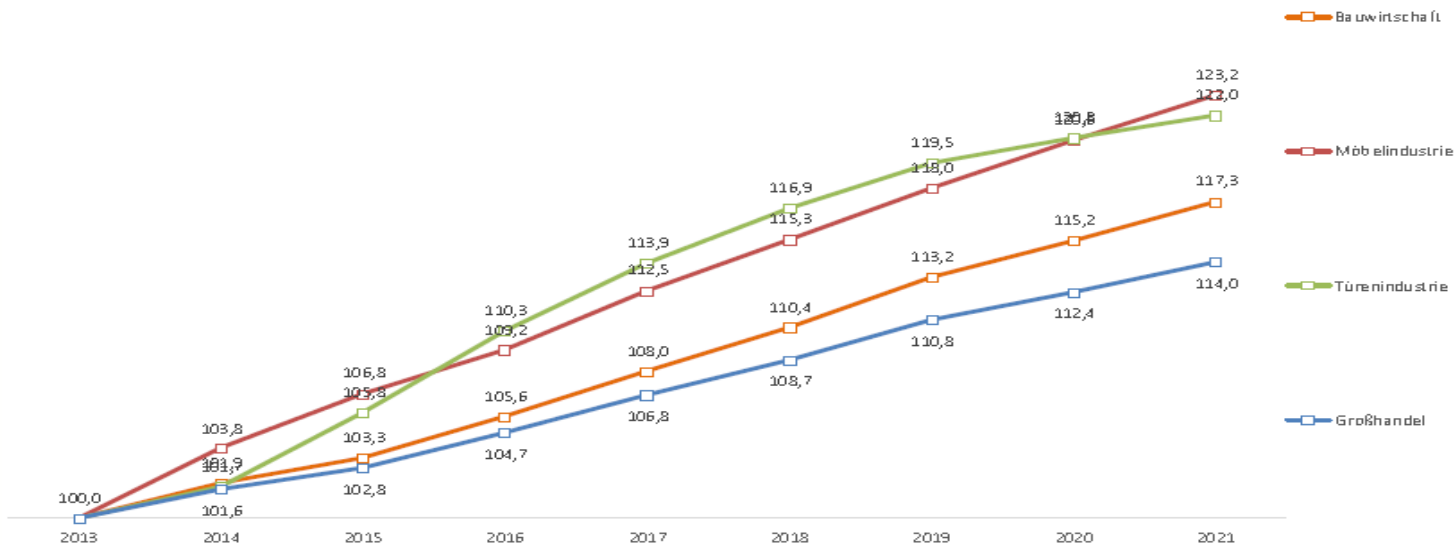
Growth rates in the whole year will only slightly exceed those of past years - the lack of building land in intra-urban areas.

Positive trend in German residential construction will continue longer-term until 2019/ 2020 - massive immigration

Source: B+L Market Data, Development and HWS Driver Analysis DE | PL | IT, April 2016

## Market Development in Poland

Treiber HWS [Basisjahr: 2013=100]



### Wholesale trade

Poland is characterised by a comparatively small-scale marketing structure - unlike other West-European markets - such as for example Germany.

The trade is of great importance in total.

### Furniture industry

The development of export markets is of decisive importance for the Polish furniture industry.

Germany is the by far the largest consumer and exports there have significantly increased in past years.

Also the growth markets in the Netherlands and UK are important for the Polish export sector.

The furniture industry is expected to invest in their sites and build up capacities.

### Construction

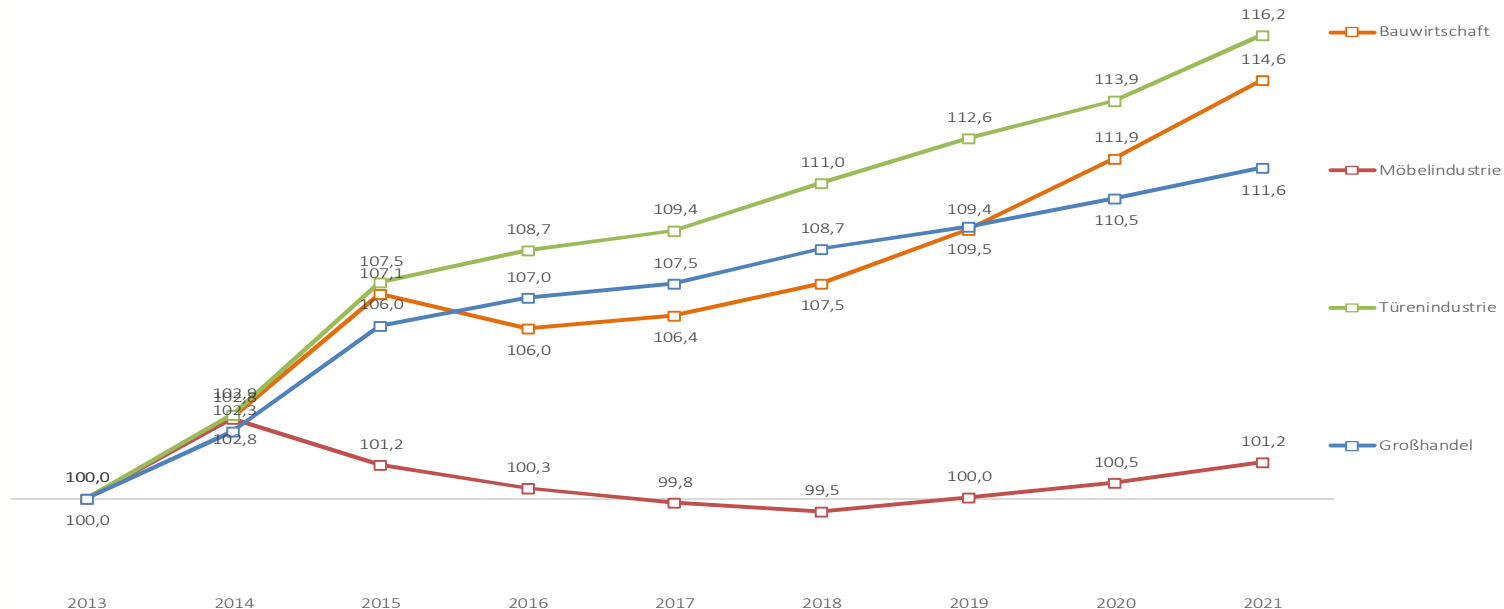
In 2015 the number of building permits issued increased by 20%. A further positive development can be assumed in the medium-term.

The reason for this is the favourable economic situation as well as the high demand for apartments, supported by governmental grant programs.

Source: B+L Market Data, Development and HWS Driver Analysis DE | PL | IT, April 2016

## Market Development in UK

Treiber HWS [Basisjahr: 2013=100]



### Wholesale trade

Overall stable contract business as well as exhibition stand construction and store fixtures. For now little impulse for particleboard from area of interior fittings and renovation due to consumer uncertainty related to Brexit. However, MFC substitutes particleboards in the area of interior fittings. MDF/HDF currently growing demand and HPL will grow due to weakening furniture manufacturing.

### Furniture industry

Growing imports reduce production volume in the UK. This is accompanied by foreseeable, temporary reduction in demand due to uncertainties caused by Brexit. In the medium term, however, Brexit can also have an effect that due to the likely weak pound, furniture manufacturing will increase due to better chances for export.

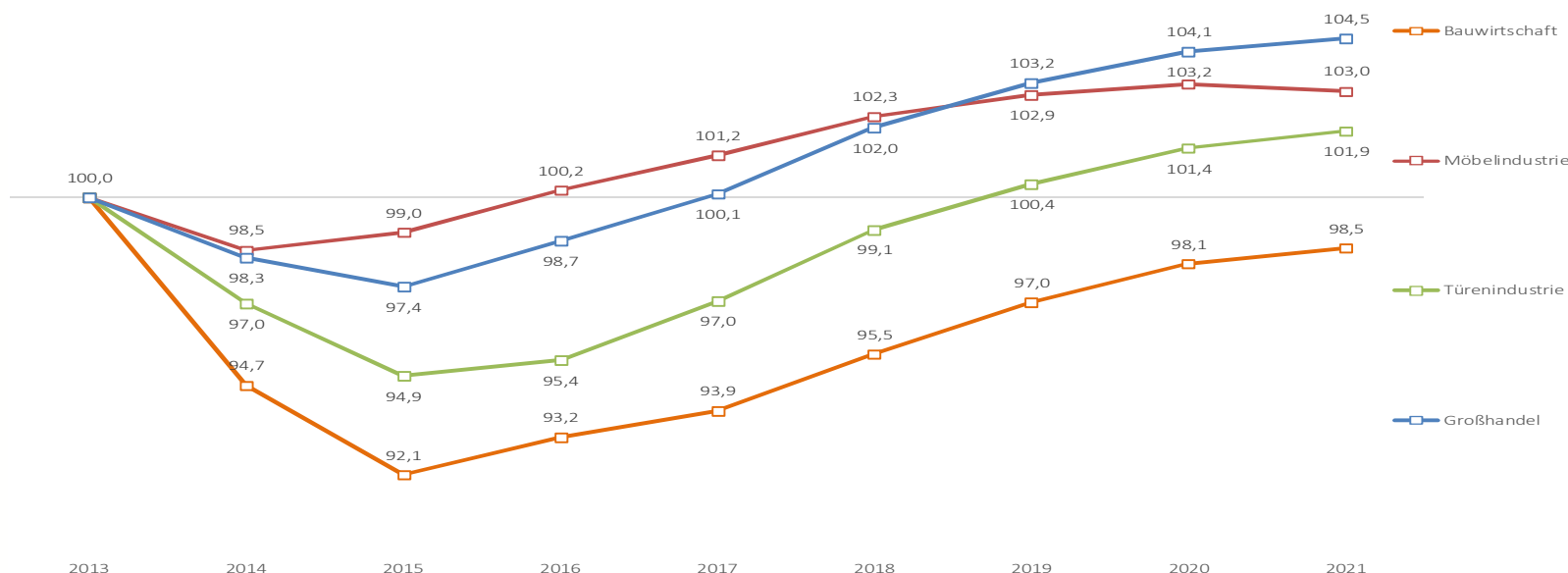
### Construction

In UK average growth rate of 4.6% till 2018 is expected. Non-residential market (new buildings) takes bigger part of the construction business.

Source: B+L Market Data, July 2016

## Market Development in France

Treiber HWS [Basisjahr: 2013=100]



### Wholesale trade

Following a decline in 2014 and 2015, demand has resumed in the H1 2016.

In HPL on long term basis, slight improvement is to be expected.

### Furniture industry

Recovery of furniture manufacturing after three years of decline brings some growing sales potential for HWS and, especially, particleboards.

Already in 2015, kitchen industry reported resumption in growth, which has worked favourably for HPL sales.

Resumed growth of exports in the kitchen segment also supports improvement.

### Construction

In France construction market is mostly driven by residential construction and renovation construction (in both residential and non-residential). Average growth by 7.6% is expected till 2018. However one should remember that prognosis for France are usual very positive but execution is most often not so satisfying as it was assumed.

Source: B+L Market Data, July 2016

## Construction market overview till 2018

### Average yearly growth rate till 2018

- Construction market in main European markets is expected to grow. The most dynamic changes one can see in Netherlands, Poland and France. However one should remember that prognosis for France are usual very positive but execution is most often not so satisfying as it was assumed.
- The growth for Poland is driven equally by residential and non-residential construction. In Netherlands and France the positive change is based mostly on residential construction.

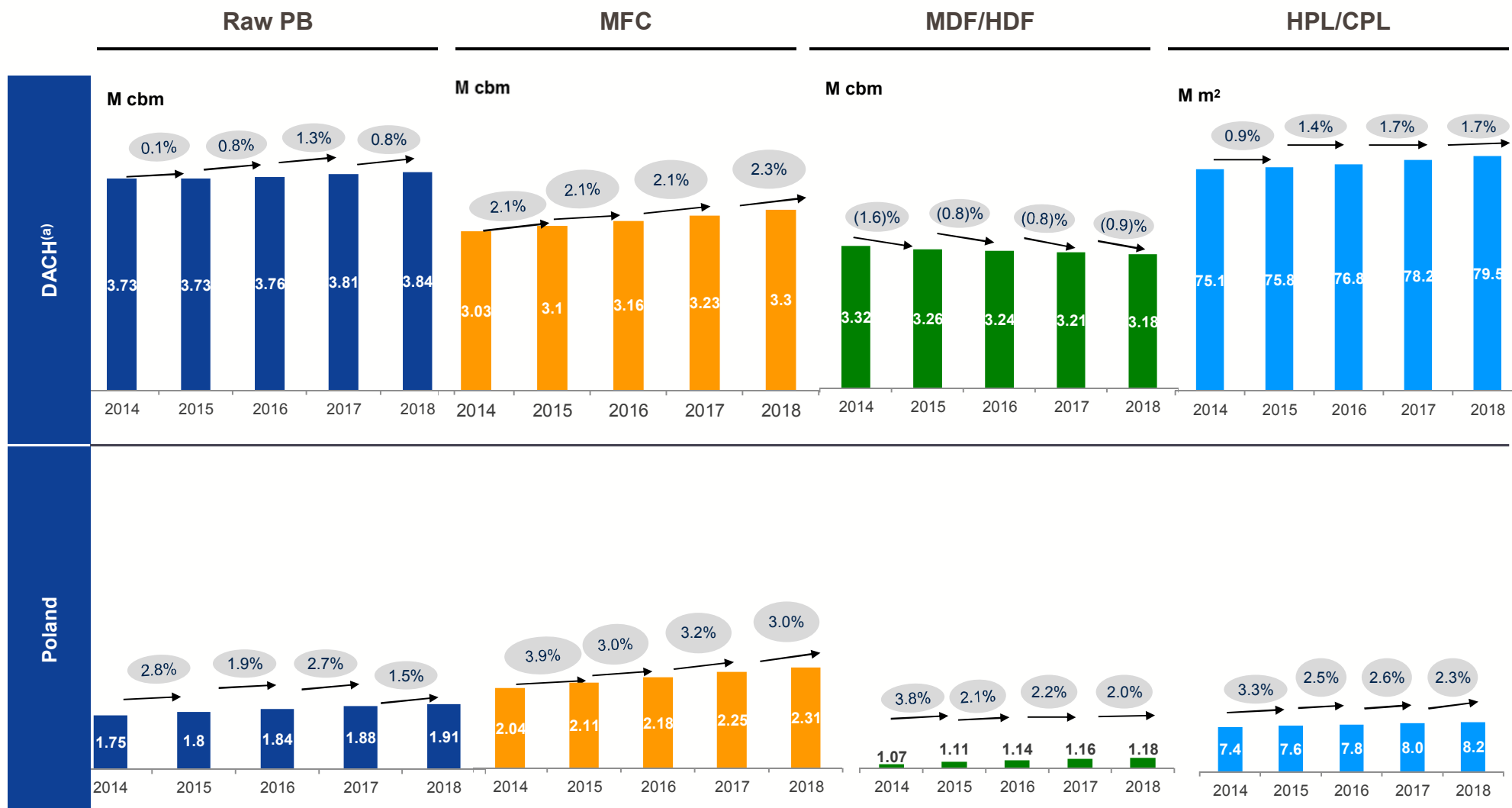
### Drivers of construction market in European countries

- In Germany, France and Italy construction market is driven more by residential construction. Opposite to those markets is Poland, driven mostly by non-residential construction.
- German, French and Italian markets are based mostly on renovation construction (in residential and non-residential). In Poland, UK (non-residential), Belgium (non-residential) and Switzerland (residential) we have different situation – new buildings takes bigger part of the construction business.

Average growth rate of construction market till 2018 (%)			
	Total	Residential	Non- residential
Poland	8,6%	9,5%	8,0%
Germany	1,2%	1,6%	0,3%
France	7,6%	9,0%	5,4%
Italy	2,6%	1,8%	3,9%
UK	4,6%	3,7%	5,4%
Belgium	4,2%	3,6%	5,0%
Netherlands	10,0%	12,8%	6,4%
Switzerland	0,8%	-0,5%	2,7%

Source: EUROCONSTRUCT, June 2016

## Supportive trends expected in our core markets



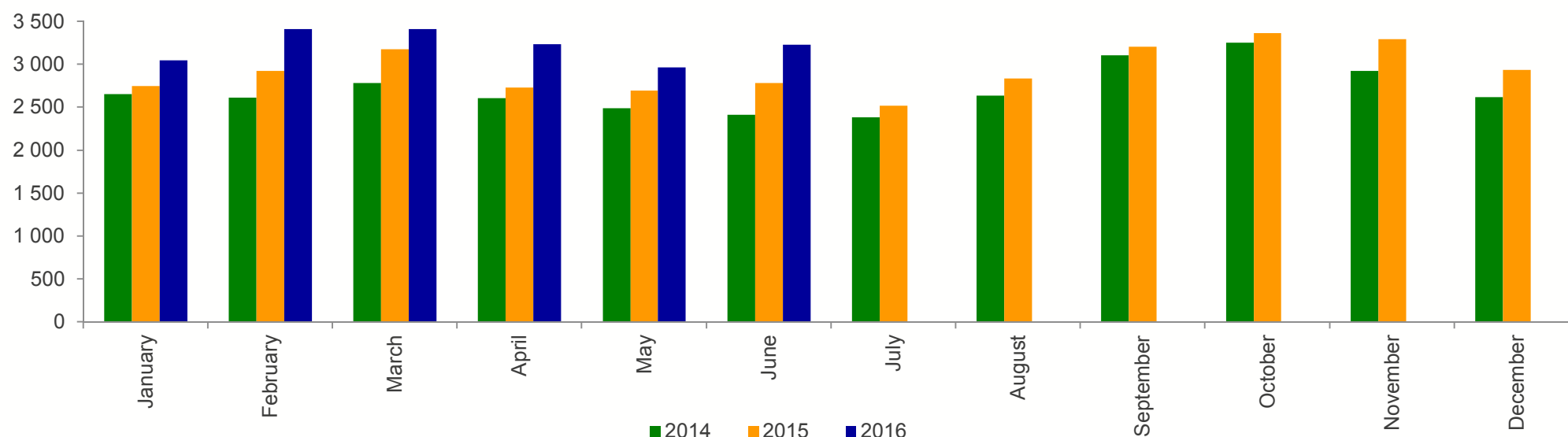
(a) DACH defined as Germany, Austria and Switzerland | Source: B+L (2015)



## Overall, Poland furniture sales continued to grow at a fast pace, however some furniture segments remain stable

### +13.1% sales growth y-o-y in the Polish furniture industry in 2016 after 6 months

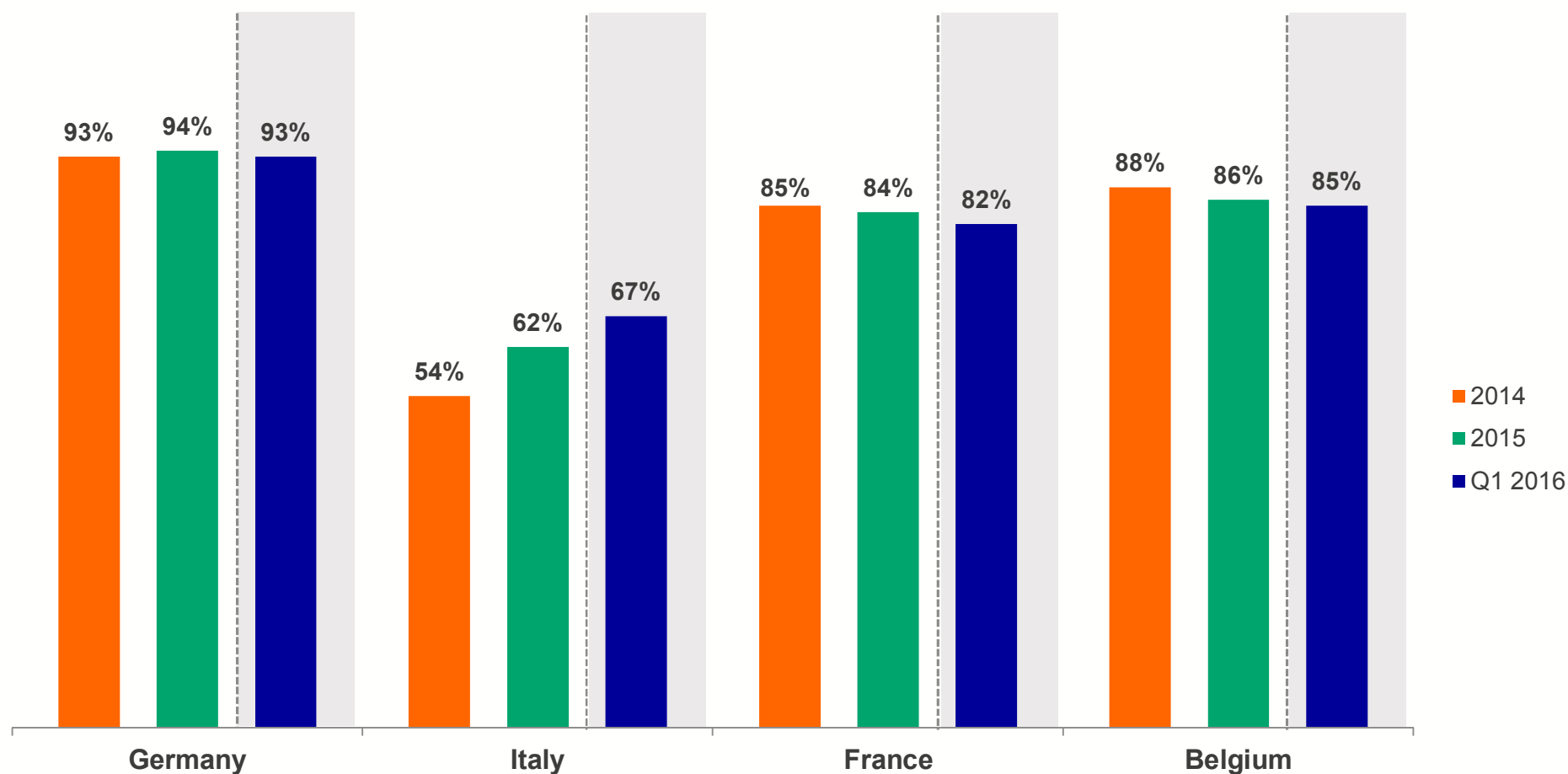
*Jan 2014 – May 2016 sold production of furniture in million PLN (Polish companies over 49 employees)*



Source: GUS (July 2016)

- Positive y-o-y growth in each month since January 2014, in each case outperforming the y-o-y growth in the corresponding month from the previous year
- Sales growth driven by export markets, with an overall +13.1% y-o-y growth in 2016 after 6 months
- However, the segments to which the company delivers most of its production in Poland, living room and kitchen furniture, increase more flat

## Raw particleboard capacity utilization in West Europe



- In Italy low utilization due to limited availability of wood
- Source: Pöyry

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## Q2, H1, 2016 P&L Pfleiderer Group

(EURm)	Q2, 2015	Q2, 2016	H1, 2015	H1, 2016
Revenues	245.5	242.9	497.5	489.3
Gross profit	62,4	57.2	121.4	106.8
Gross profit (%)	25.4%	23.5%	24,4%	21.8%
EBITDA	32.0	31.4	60.5	51.8
Sustainable EBITDA	34.6	36.5	64.5	70.4
D&A	11.7	17.9	-23.2	-38.0
EBIT	20.3	13.5	37.3	13.8
Financial result	8.9	13.9	17.6	12.6
EBT	11.4	-0.4	19.7	1.2
Income taxes	3.2	-3.3	-5.7	2.9
Profit/loss for the period	8.2	2.8	14.0	4.1

## Q2, H1, 2016 cost development – Group level

(EURm)	Q2, 2015	Q2, 2016	H1, 2015	H1, 2016
Selling expenses	-30.5	-29.4	-60.0	-57.5
Administrative expenses	-11.0	-11.7	-23,7	-26,2
R&D	-0.5	-0.3	-0,8	-0,8
SGA (% of sales) <sup>1</sup>	-17.1%	-17.1%	-17.0%	-17.3%
Other operating income/expenses	-0,2	-2.2	0,4	-8,6
EBIT margin (% of sales)	8.3%	5.5%	7.5%	2.8%
PMO	6.0	4.5	15.3	4.6
Non-sustainable items	-2.6	-5.1	-4,0	-18,6

<sup>1</sup> SG&A includes selling expenses, admin expenses and R&D for this ratio

<sup>2</sup> Sales prices impacted PMO negatively (EUR -7.7 million)

## Non-sustainable items

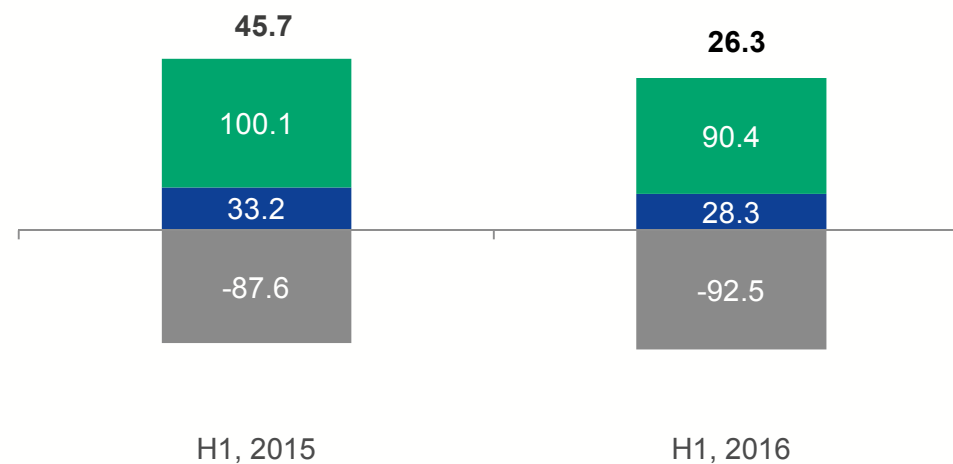
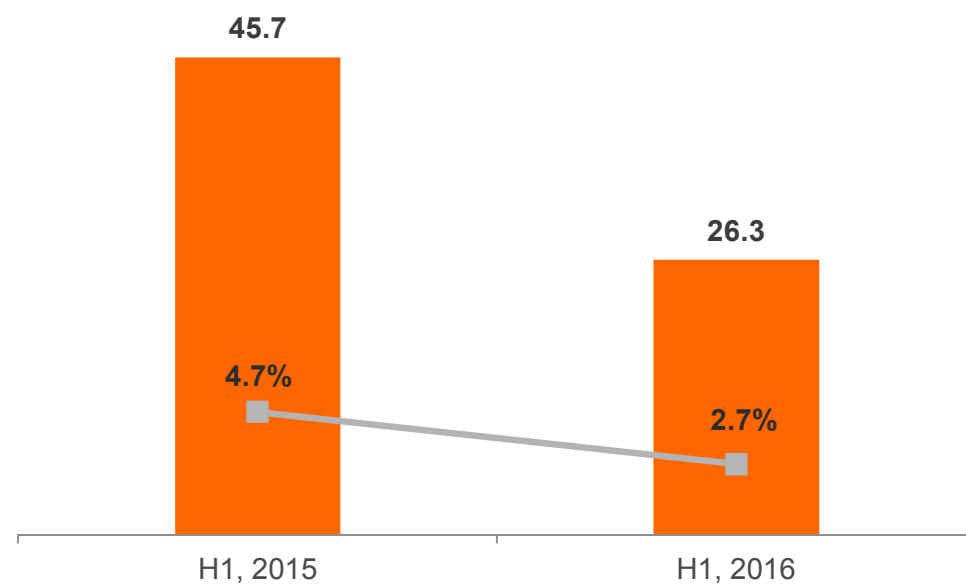
EUR thousand	Q2, 2015	Q2, 2016	H1, 2015	H1, 2016
<b>I Improvement programs / Personnel restructuring</b>	<b>1 265</b>	<b>2 369</b>	<b>2 492</b>	<b>4 975</b>
One Pfeiderer / Municon	1 121	911	1 746	2 203
Severance payments	142	630	142	1 067
Other	1	828	603	1 706
<b>II Acquisitions / Disposals</b>	<b>95</b>	<b>1 061</b>	<b>135</b>	<b>1 061</b>
Follow-up costs plant closures	3	0	24	0
Project Rhein	0	1 045	0	1 045
Other	92	16	111	16
<b>III Optimization of financial and corporate structure</b>	<b>7</b>	<b>287</b>	<b>93</b>	<b>10 225</b>
Pinehurst	0	59	0	5 852
PPA Adjustments	0	0	0	4 057
Areva Wind GmbH	0	221	0	221
Other	7	6	93	94
<b>IV Certain litigation matters</b>	<b>1 227</b>	<b>189</b>	<b>1 350</b>	<b>1 512</b>
Follow-up costs antitrust proceeding	1 227	189	1 228	1 712
Snowbird II	0	0	122	-200
Other	0	0	0	0
<b>V Other non-recurring effects</b>	<b>18</b>	<b>1 201</b>	<b>-107</b>	<b>821</b>
Damage Gütersloh	0	821	0	821
Emission rights / Other	18	380	-107	0
<b>Non-sustainable items</b>	<b>2 612</b>	<b>5 106</b>	<b>3 963</b>	<b>18 594</b>
thereof included in other operating expenses	3 050	4 455	4 119	12 034

## Net working capital

(EURm)

Net working capital

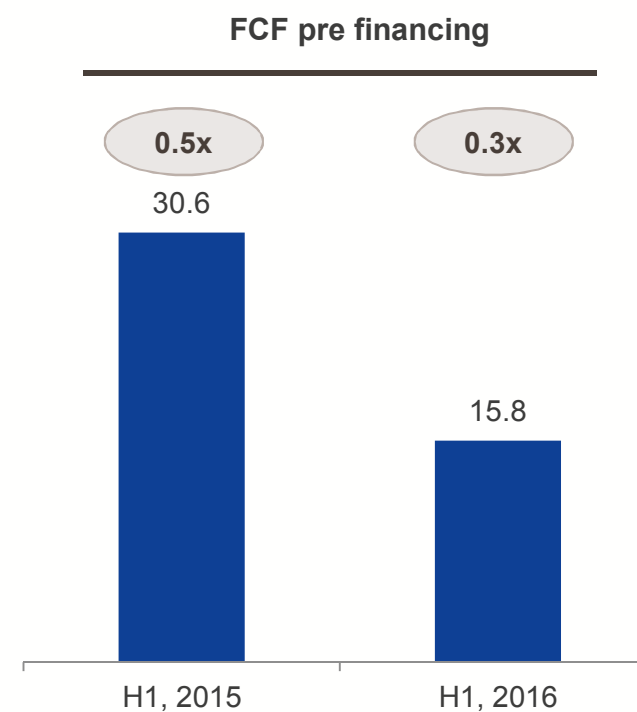
% of sales  
(LTM)



■ Trade receivables ■ Inventories ■ Trade payables

## Investments/cash flow Pfleiderer Group

(EURm)	H1, 2016	H1, 2015
<b>Reported EBITDA</b>	51.8	60.5
<b>CF investing activities</b>	-28.5	-12.2
<i>thereof capex</i>	-15.8	-12.9
<b>WC changes</b>	-19.9	-12.8
<b>Taxes</b>	-3.4	-2.7
<b>Other</b>	15.8	-2.2
<b>FCF pre financing</b>	<b>15.8</b>	<b>30.6</b>

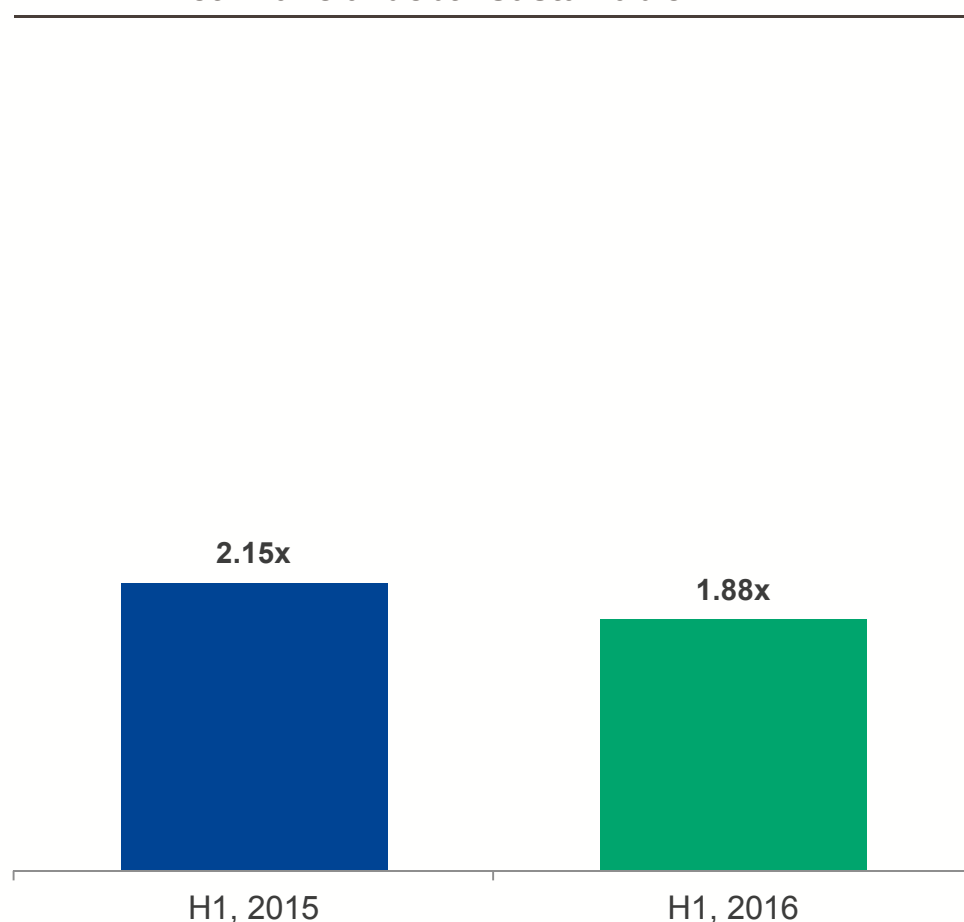


Reported EBITDA negatively influenced by several non-sustainable and accounting-related (non cash effective) items



## Net leverage – Pfleiderer Group

### Net financial debt / sustainable EBITDA



### Net leverage ratio

(EURm)	June 30, 2016	x Sust. EBITDA
SSRCF	0.0	0.00x
Jasmin finance leases		
Core East financial liabilities	0.0	0.00x
Senior secured notes due 2019	331.3	2.40x
Transaction fees		
Accrued interest	10.7	0.08x
Other (Liabilities pension trust)	0.2	0.00x
<b>Total debt</b>	<b>342.2</b>	<b>2.48x</b>
Cash on BS	82.4	0.60x
<b>Net total debt</b>	<b>259.8</b>	<b>1.88x</b>
<b>Sust. EBITDA LTM 2016</b>	<b>138.3</b>	<b>–</b>
<b>Sust. EBITDA LTM 2015</b>	<b>125.7</b>	<b>–</b>

Basis for 2014-2016 figures is TM1 which represents the key figures definition of the Pfleiderer Grajewo Group.  
 2013 and 2012 figures regarding calculation Working capital, EBITDA sustainable LTM and Net debt are based on proforma-data.

## Financial performance indicators Group

Definition			H1, 2016	H1, 2015
Liquid funds		MEUR	82.4	69.4
Net debt	Financial debts - liquid funds	MEUR	259.8	269.7
Net leverage	Net debt / sust. EBITDA (LTM)	factor	1.88	2.15
Equity ratio	Equity / balance sheet totals	%	26.9%	32.0%.
Gearing	Net debt / equity	factor	1.0	1.0
Sust. EBITDA (LTM)	Profit from operations + depreciation and amortization	MEUR	138.3	125.7
Interest cover	sust. EBITDA / net finance charges	factor	3.3	4.1
RoCE	EBIT(LTM) / Capital employed	%	7.6%	12.5%
ROA	Net profit (LTM) / total assets at the end of the period	%	3.2%	1.1%
ROE	Net profit (LTM) / equity at the end of the period	%	10%	4.1%

- Driven by operational performance and ongoing efficiency programs, positive development in all KPIs

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## The lacquering line worth PLN 22 million as first part of an large investment of PLN 45 million into Grajewo plant

- Over **PLN 22 million** expenditures associated with the investment.
- About **30% increase** of the current production capacity for lacquering HDF boards thanks to the high efficiency of the new line (9 million m<sup>2</sup> yearly).
- **24 people** were employed to service the newly established lacquering line, **70 new employees** till end of 2016.
- The lacquering line will allow to **increase the Group's competitiveness** by shifting from standard boards to coloured and customized boards (with higher value added and margins).
- The investment in the lacquering line was completed **four weeks ahead of schedule**



## Biomass Boiler – Wieruszow Plant

Capex - 30.000 TPLN

Payback – Period 3 years 11 months

Nov 2015-Jun 2016

Effects from biomass boiler actual vs previous year in m PLN

- |  |     |
|--|-----|
| • The effect on oil boiler - Ness      | 5.1 |
| • The effect of the dryer              |     |
| • Effects of CO <sub>2</sub> emissions |     |

% reduction of gas consumption	71%
--------------------------------	-----

In all three Pfleiderer plants in Poland we implemented a program to reduce CO<sub>2</sub> emissions - in the period from 2010 to 2015 we were able to significantly reduce carbon emissions from our plants - “saved” CO<sub>2</sub> emissions over the few years have given us additional revenue of **approx. EUR 6.5 million**.

## Worktop line – Wieruszow Plant

Capex - 15.112 TPLN

Payback – Period 3 years

% increase of sales volume (2018 vs 2015)	77%
---	-----

Expected savings ( standard worktops)

- |                                  |            |
|----------------------------------|------------|
| • Reduction of chipboard density | PLN 000 lm |
| • Reduction of CPL thickness     | 1 599      |
| • Reduction of personal costs    |            |

% reduction of cost	-6%
---------------------	-----

## Ongoing investments and projects

Investment	Capex	Rational	Expected outcome
4-Pack Project (Grajewo) <ul style="list-style-type: none"> <li>• Increase of lacquering capacity by about 30%</li> <li>• Sanding line</li> <li>• Cut to size</li> <li>• Customization</li> </ul>	PLN 45 million	Additional sales and margin by shifting commodities into added value products	<ul style="list-style-type: none"> <li>• Sales increase by PLN 70-80 million</li> <li>• Additional margin:               <ul style="list-style-type: none"> <li>- PLN 6-7 million in 2017</li> <li>- PLN 15-16 million in 2018</li> </ul> </li> </ul>
Worktop line (Wieruszów)	PLN 10 million	Added value products (launched in March 2016)	Sales increase by PLN 20 million and margin PLN 6-7 million in 2017
Dynasteam (Wieruszów)	PLN 11 million	Extension of capacity by 50.000 cbm, expected launch September/October 2016	EUR 6 million revenue and EUR 1.2 million margin



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### Integration:

- implementation of unified processes based on SAP
- preparation of the first integrated collection to be ready 12/2016
- transition of functions from Germany to Poland: capacity planning, order picking, several admin functions
- investment into a new R&D department in Wieruszów

### Growth in added value:

- finalization of customized back wall solutions in MDF Grajewo
- focus on project / retail business in Poland

### Capex extension:

- increase capacities of about 100.000 cbm each in West and East

### Synergies:

- reduce purchasing prices by combined purchasing



## Pfleiderer IR contact

**Next Investor Call**

9<sup>th</sup> November 2016

**Joanna Pydo**

IR Manager

Pfleiderer Group

[Joanna.Pydo@pfleiderer.pl](mailto:Joanna.Pydo@pfleiderer.pl)