

H1, 2017 FINANCIAL RESULTS

Investor presentation

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INSPIRATIONS CLOSE TO YOU

AGENDA

-  **H1, Q2, 2017 – Highlights and key figures**
-  Financial overview
-  Trends in construction and furniture industry (appendix)

H1, 2017 – solid set of financial results

- ✓ Consolidated **net sales** in H1, 2017 amounted to **EUR 506 m** (EUR 489.3 m in H1, 2016) and increased by **3.4%** compare to the same period in 2016, strongly supported by **value added growth (66% of revenue)** in H1, 2017.
- ✓ The Group's EBITDA in H1, 2017 amounted to **EUR 66.1 m** (EUR 51.8 m in H1, 2016), a 27.6% increase. EBITDA margin expanded, coming in at **13.1%** in H1, 2017 (10.6% in H1, 2016).
- ✓ In H1, 2017 the debt raised in 2014 was **successfully refinanced**. The new debt service terms will contribute to a **significant reduction in financing expenses**. Starting from 2018, savings on financial result are expected to be approx. **EUR 6.5 m** compared to 2016/2017.
- ✓ PLN 71.2 m (EUR 16.8 m*) dividend paid to shareholders on July 19th – **1.1 PLN per share**. Dividend yield: **2.5%***.
- ✓ An additional form of sharing profits with shareholders is a buyback program of up to **PLN 390 million**, until June 30th, 2018.

*As of a dividend date

Growth of EBITDA margin, thanks to the favourable market conditions, focus on premium segments and strong increase in sales volumes

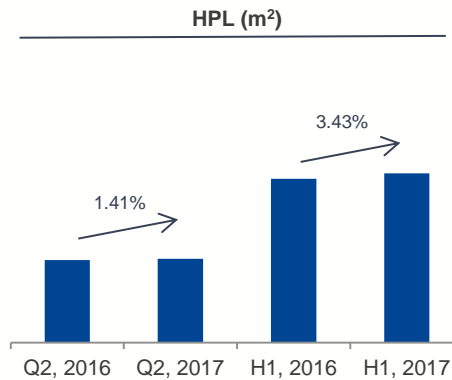
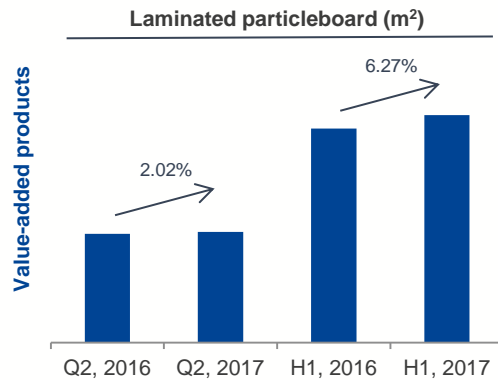
H1, 2017

- ✓ **Very strong market** supports organic development and revenue growth
- ✓ High single-digit **increase in sales volumes** recorded in majority of business lines
- ✓ Growth in gross profit margin thanks to a **more favourable sales mix**
- ✓ Moderate growth in costs of sales mitigated by **productivity enhancement programs** and **successful cost initiatives**

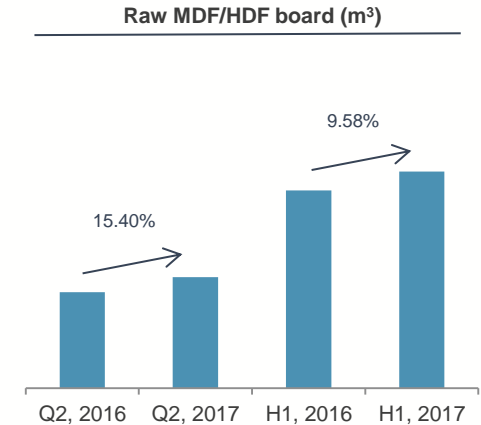
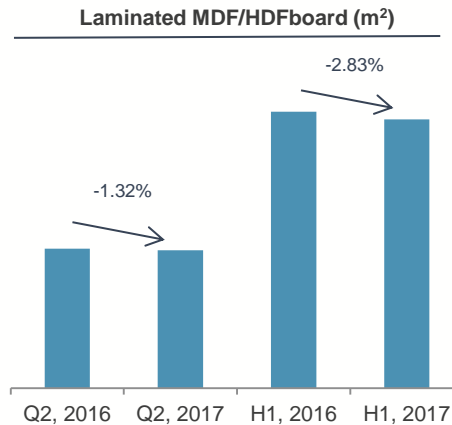
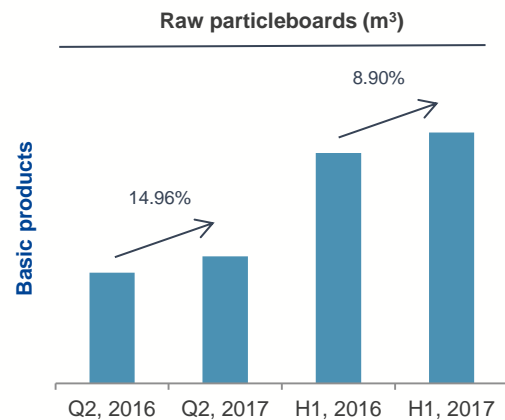


Strong basis for further growth in H2, 2017

Development of sales volumes by product

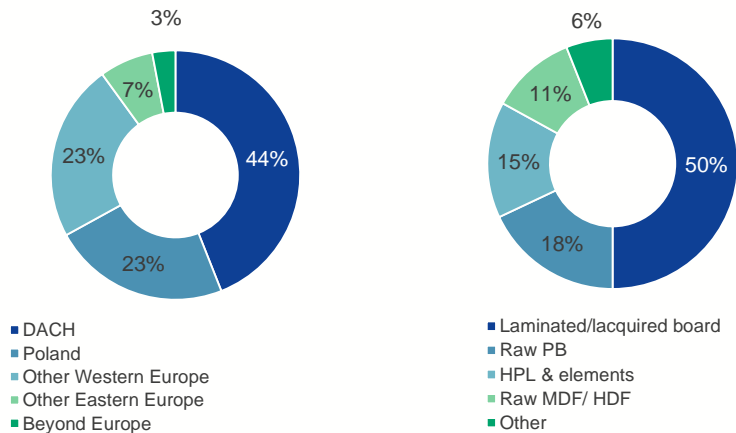


- **31%** share of white colored particleboards in Q2, 2017
- **36%** share of specialties raw particleboards in Q2, 2017
- Laminated MDF/HDF in Q2, 2017:
 - Core West: **71%**
 - Core East: **29%**
- **65%** share of value added products in Q2, 2017

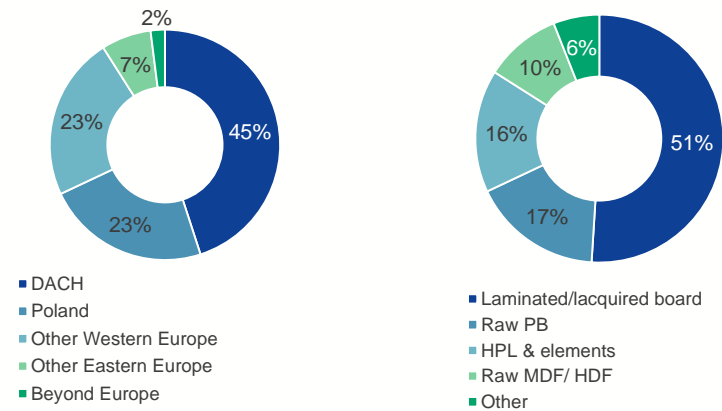


Balanced and diversified portfolio with growth potential

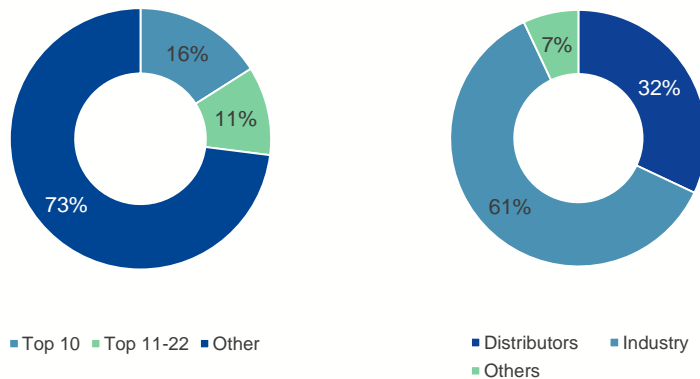
Revenue split Q2, 2017



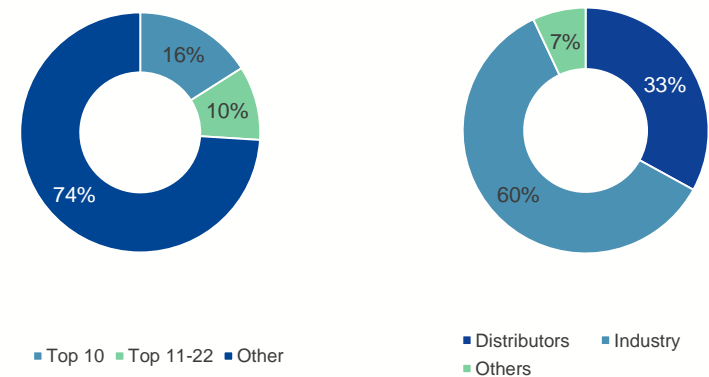
Revenue split H1, 2017



Customer split Q2, 2017 (% of revenue)



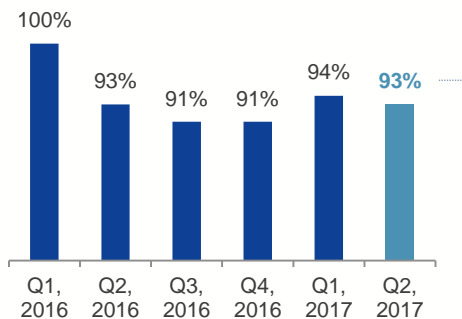
Customer split H1, 2017 (% of revenue)



Development of raw materials prices

Q1, 2016 = 100%

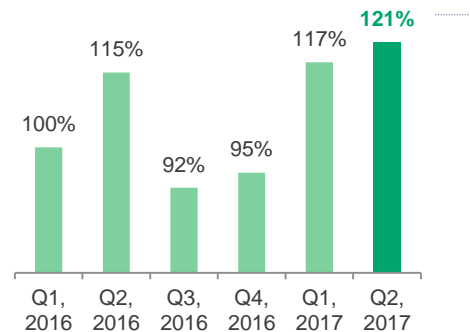
Wood (EUR/to)



Q2, 2017 Wood:

- The **demand for wood is still on a very high level**. Despite high productivity in the sawmill industry there are no additional volumes in the market.
- In this environment, it was **not possible to reduce the cost** of wood.
- The target of Q3 will be to **hold prices on a constant level**.

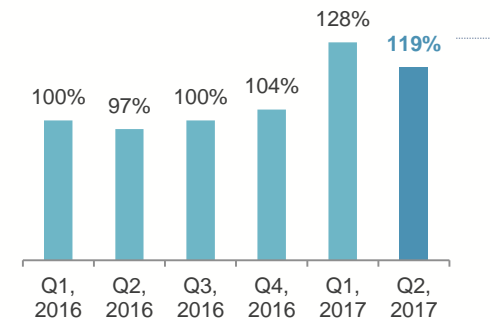
Glue (EUR/to)



Q2, 2017 Glue:

- In comparison to Q1 the main raw materials of glue **had further increasing prices**, so the price for Methanol increased over 10% in comparison to Q1.
- As a consequence of this development on the world markets our suppliers were forced to hand over these prices to us as end consumer.

Electricity (EUR/KWh)



Q2, 2017 Electricity:

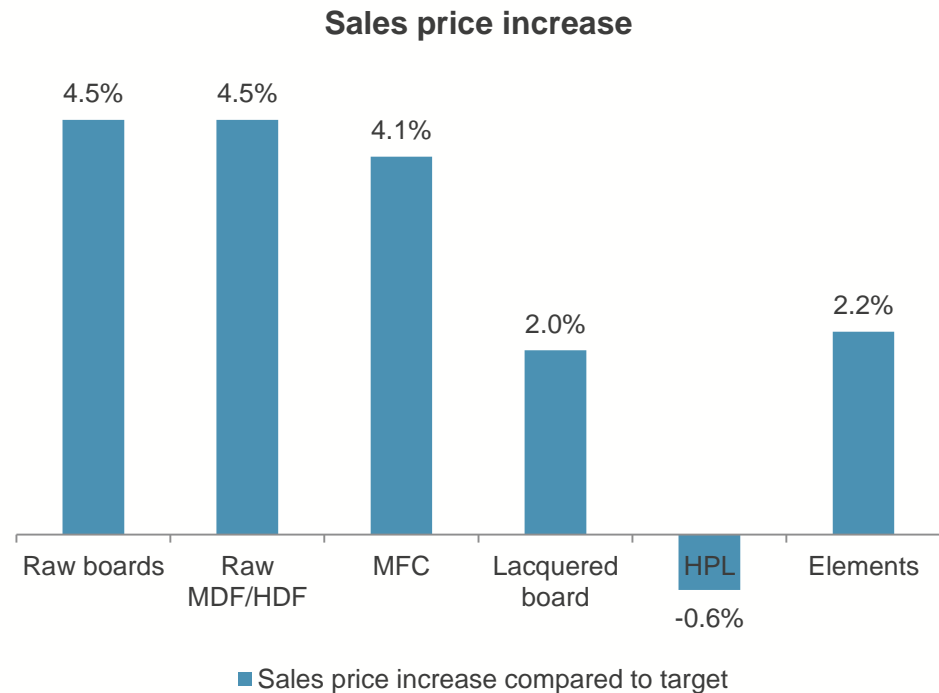
- In Q2 the prices for electricity **decreased nearly 10% against Q1**, but the prices are still on **higher level** than in Q1 2016.
- Due to higher global coal prices, a high risk premium for a hot summer and a cold winter, the electricity prices for Q3 and Q4 in Germany **will still be comparatively expensive**.
- For electricity we are in Poland **~90% hedged**, in Germany **~55%** until year end.

- Material prices increased significantly (prices of methanol, urea and electricity), however this impact was reduced thanks to **good margin management**.

Note: Raw material prices indexed as of 2014

Sales price increases successfully launched to cover material price increases

Material Grups	Price Development 2017
Chemicals	↗
Paper	↗
Energy	↗
Wood	→
Freight	↗



Pipeline of attractive investments supports growth – 2017 Capex

EUR 13.1 million

Q2, 2017 capital expenditure

EUR 20.6 million

H1, 2017 capital expenditure

Investment	Capex	Rational	Expected outcome (per annum)
Sanding Line (Neumarkt)	EUR 6.2 million	More flexibility in production (planned launch in August 2017)	EUR 2.0 million EBITDA
Recycled wood (Neumarkt)	EUR 9.6 million	Increasing consumption of recycled wood fibre and reducing cost for wood (planned launch at the end of 2017)	EUR 5.0 million EBITDA
Lacquering line (Leutkirch)	EUR 12.3 million	New functional surface technology, new high gloss and dull surfaces (planned launch in the HY1, 2018)	EUR 8.4 million EBITDA
Commercial Growth Strategy	EUR 9.6 million	Growth of current & new products and exploring new markets; securing & increasing production capacity; development of resins and quality improvement (planned launch in the H2 2018)	EUR 6.4 million EBITDA

- The investment program is designed to **align the Group's production capacities to market needs** and to **enhance its cost effectiveness and productivity**.

2017 Outlook

Dividend, Leverage

- Stable dividend policy with payout of up to 70% of consolidated net income
- Target net leverage between 1.5-2.0x

Sales growth and volume

- Sales growth driven by volume continues whilst prices expected to further recover vs. low point in Q4 2016.
- Volume increase primarily driven by all products
- Growth as a result of:
 - capacity improvement projects from 2016: Worktopline and Dynasteam in Wieruszow, 4Pack project Grajewo
 - operational improvements: operations, uptime improvements, debottlenecking at the level of EUR 22 million in 2017
 - as well as intensified marketing activities (e.g. One Collection) with the side effect of additional costs

Material prices

- Material prices assumed to increase vs. Q4 2016, in particular chemicals. The company is working hard to pass that increase to the market

EBITDA

- EBITDA driven by improvement and cost savings, offsetting additional cost for volume-based cost increases

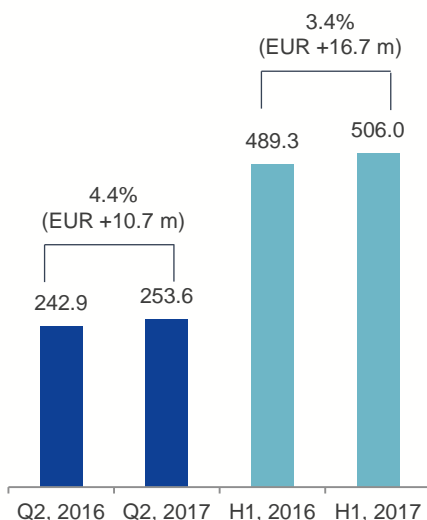
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- Trends in construction and furniture industry (appendix)

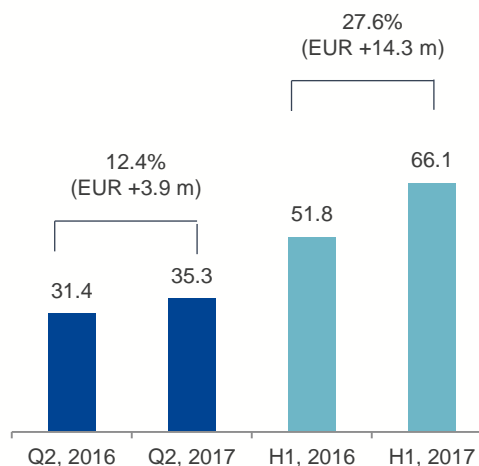
Pfleiderer Group – the growth of margin follow revenues increase – EBITDA margin: 13.1%

Comparable Business

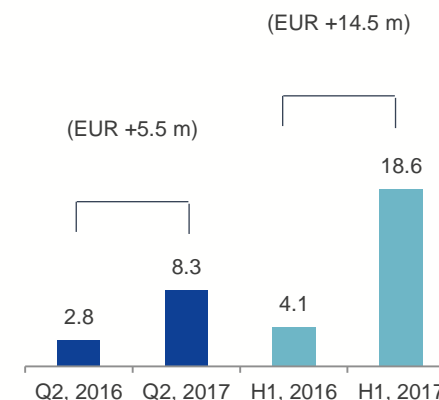
Revenues (€m)



EBITDA (€m)



Net income (€m)



Solid set of financial results supported by:

- Very strong market
- Good margin management
- Strong volume growth and more favourable sales mix
- Productivity enhancement programs and successful cost initiatives

Positive outlook for H2, 2017

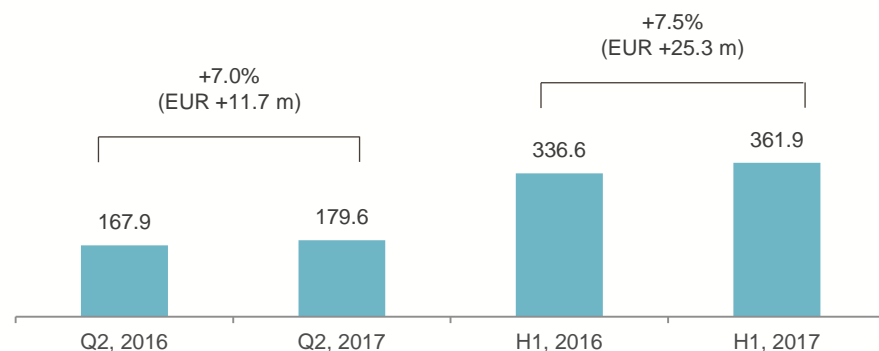
Data for HY1 2016 comprises first 19 days of January 2016

Sales development – the Pfleiderer Group (incl. intercompany sales)

Sales development (EUR m)	Q2, 2016	Q2, 2017	Change (%)	H1, 2016	H1, 2017	Change (%)
Pfleiderer Group	242.9	253.6	4.4%	489.3	506.0	3.4%

Core West

(EURm)

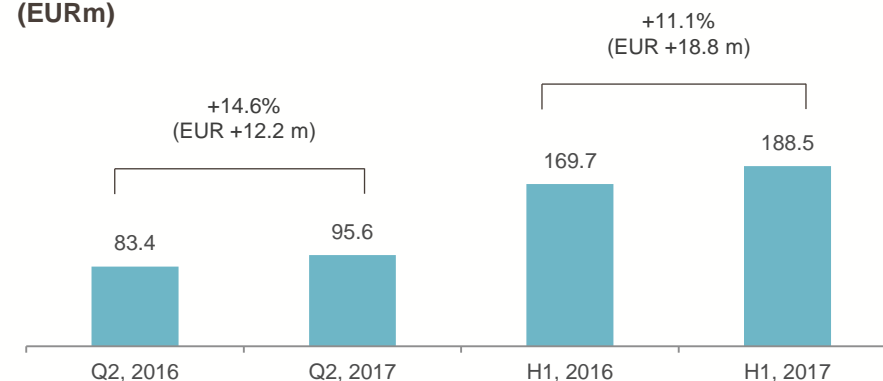


H1, 2017:

- Growth is mainly driven by volumes (especially MFC boards, raw particleboard, raw MDF/HDF and lacquered boards).
- Sales prices are below level of previous year.

Core East

(EURm)



H1, 2017

- Decrease of external sales volumes resulted from changes within segmental allocations and shift of customer to the sales organization in West. However these sales (mainly HDF from MDF Grajewo) increase IC sales of East.
- Sales prices are below level of previous year.

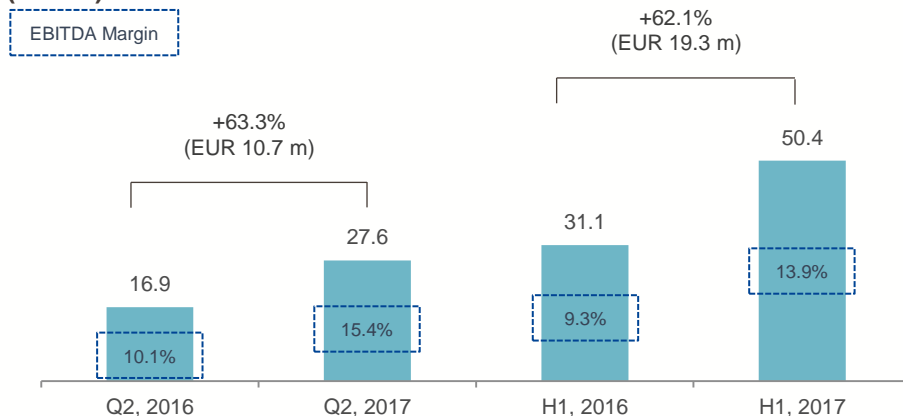
Improvement of EBITDA over time

Core West and East incl. intercompany settlements

EBITDA (EUR m)	Q2, 2016	Q2, 2017	H1, 2016	H1, 2017
Pfleiderer Group	31.4	35.3	51.8	66.1

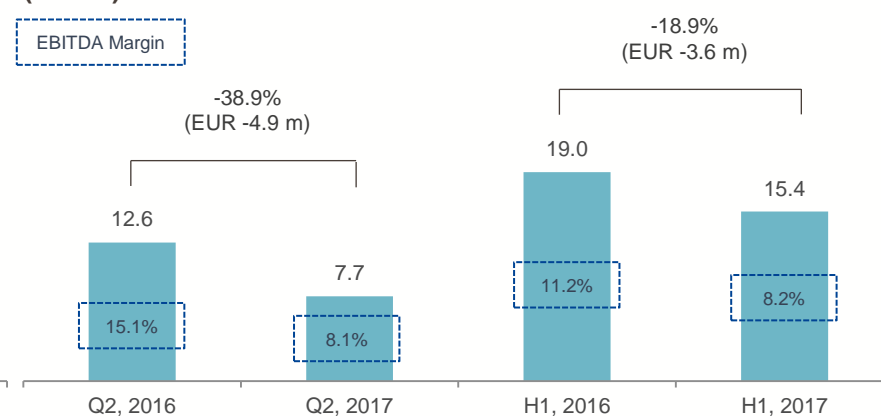
Core West

(EURm)



Core East

(EURm)



H1, 2017

- Successful cost savings and operational improvement measures driving margin improvement.
- Changes within segmental allocations – exchange of markets in the reorganization process of sales between East and West

H1, 2017

- Due to changes within segmental allocations - lowering the external revenues of the Core East segment, and increasing external revenues of Core West segment, yet not affecting the overall consolidated result.

Data for HY1 2016 comprises first 19 days of January 2016

Q2, H1, 2017 P&L Pfleiderer Group

(EURm)	Q2, 2016	Q2, 2017	H1, 2016	H1, 2017
Revenues	242.9	253.6	489.3	506.0
Gross profit	58.2	60.1	108.8	119.7
Gross profit margin (%)	24.0%	23.7%	22.2%	23.7%
EBITDA	31.4	35.3	51.8	66.1
EBITDA margin (%)	12.9%	13.9%	10.6%	13.1%
D&A	17.9	18.4	38.0	36.8
EBIT	13.5	16.9	13.8	29.3
Financial result	-13.9	-5.4	-12.6	-4.0
EBT	-0.4	11.5	1.2	25.3
Income taxes	3.3	-3.2	2.9	-6.7
Profit/loss for the period	2.8	8.3	4.1	18.6

Data for HY1 2016 comprises first 19 days of January 2016

Q2, H1, 2017 - Cost development – Group level

(EURm)	Q2, 2016	Q2, 2017	H1, 2016	H1, 2017
Distribution expenses	-30.4	-34.7	-59.6	-69.0
Administrative expenses	-11.7	-12.9	-26.2	-25.0
R&D	-0.3	-0.5	-0.8	-1.1
SGA (% of sales) ¹	-17.5%	-19.0%	-17.5%	-18.8%
Other operating income/expenses	-2.2	4.9	-8.6	4.8
EBIT margin (% of sales)	5.5%	6.6%	2.8%	5.8%
PMO	4.5	9.8	4.6	18.9

A sizeable YoY growth in Group's distribution, general and administrative expenses were linked to:

- increase of sales volumes,
- higher sales personnel and
- marketing costs.

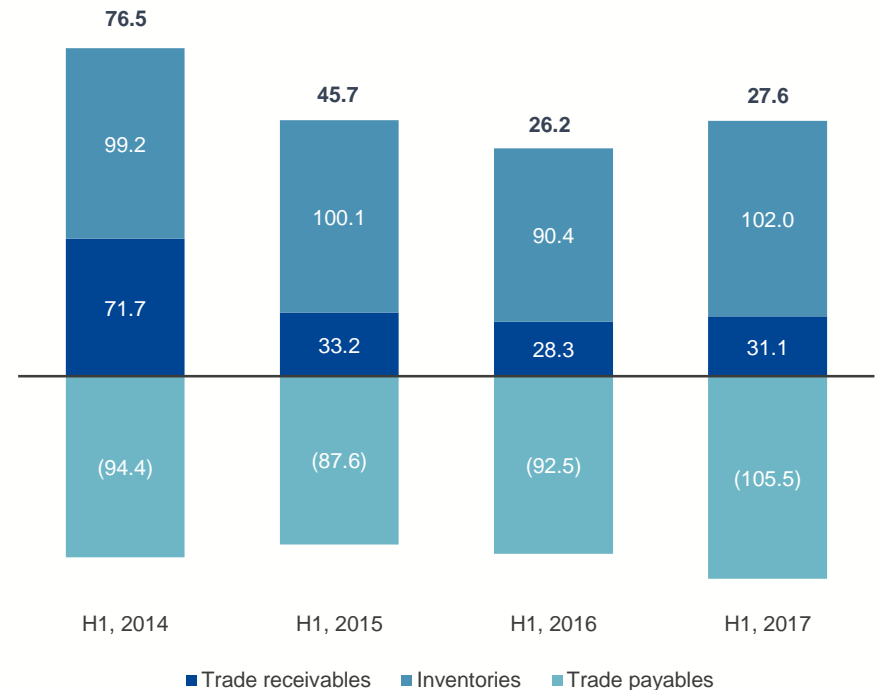
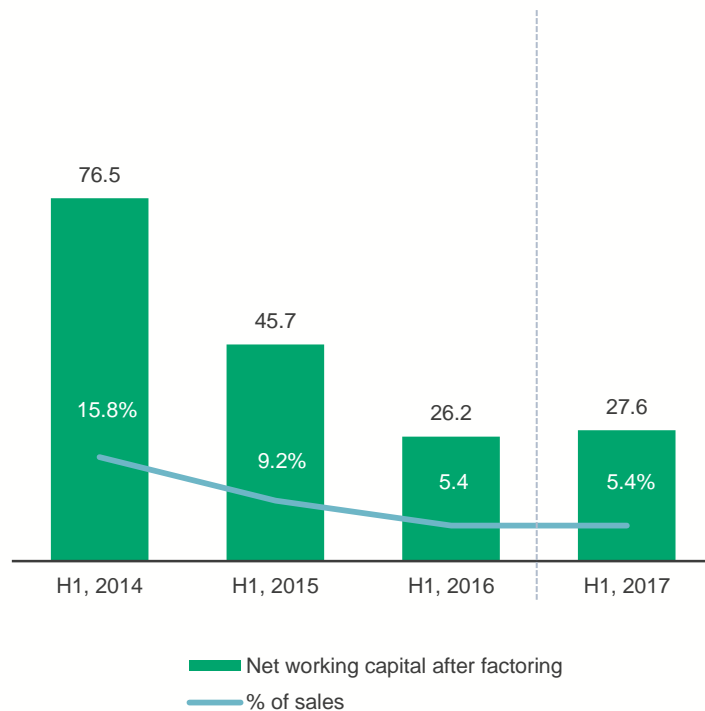
This was partially offset by moderate increase of G&A expenses as consequence of cost discipline programs and lower services and consulting expenses.

¹ SG&A includes selling expenses, admin expenses and R&D

Data for HY1 2016 comprises first 19 days of January 2016

Working capital – continuous efficiency improvement

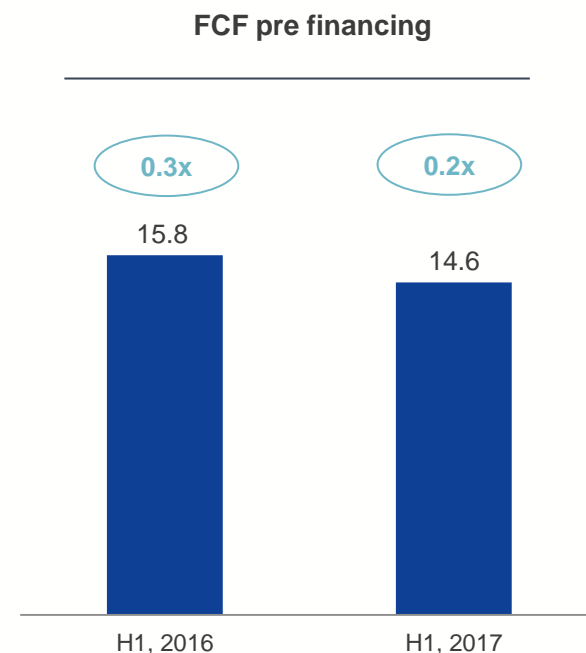
Working capital after factoring (€m)



- Pfleiderer works actively to **improve the net working capital** to increase the financial flexibility and to optimise the use of available cash

Resilient business model with strong cash generation

(EURm)	H1, 2016	H1, 2017
Reported EBITDA	51.8	66.1
CF investing activities	-28.5	-22.7
<i>thereof capex¹</i>	-15.8	-20.6
WC changes before factoring	-19.9	-13.7
Taxes	-3.4	-3.6
Other	15.8	-11.5
FCF pre financing	15.8	14.6

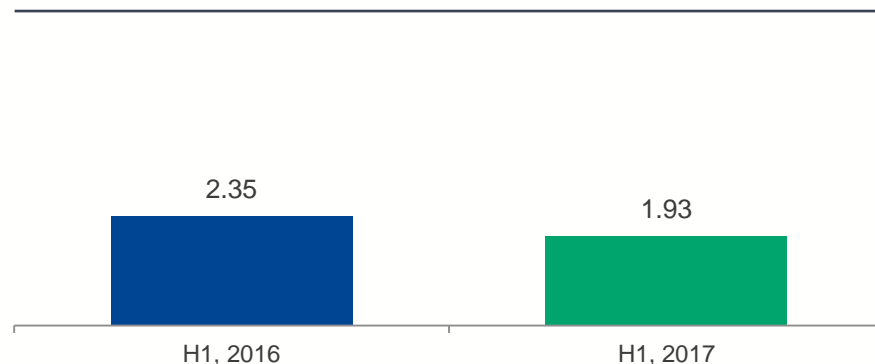


¹ Includes investments in property, plant and equipment as well as in intangible assets; excludes change in advance payments; other items included in cash flow from investing are proceeds from asset sales

Data for HY1 2016 comprises first 19 days of January 2016

Consistent reduction of net leverage

Net financial debt / EBITDA



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

- S&P rating update (24 Mar 2017): B+ (outlook positive)
- Moody's rating update (22 Mar 2017): Ba3 (outlook stable)
- S&P rating update (20 Jan 2017): B+ (outlook positive)
- S&P rating update (29 Jan 2016): B (outlook positive)
- Moody's rating update (26 Jan 2016): B1 (outlook positive)

Net leverage ratio

(EURm)	June 30, 2017	xEBITDA
Senior secured notes originally due 2019	319.6	2.58
Accrued interest	10.5	0.09
Redemption fee	6.3	0.05
Other	0.3	0.0
Total debt	336.7	2.71
Cash on BS	96.9	0.78
Net total debt	239.8	1.93
EBITDA LTM H1, 2017	124.1	
EBITDA LTM H1, 2016	110.5	

As of 30 June 2017 net financial costs comprised:

- EUR **8.9 m** financial income from revaluation of Senior secured notes due to earlier repayment on 1 August (with non-cash effect)
- EUR **6.3 m** redemption fee (with cash effect in August)

Financial performance indicators Group

	Definition		H1, 2016	H1, 2017
Liquid funds		MEUR	82.4	96.9
Net debt excl. factoring	Financial debts - liquid funds	MEUR	259.8	239.8
Net leverage	Net debt / EBITDA (LTM)	factor	2.35	1.93
Equity ratio	Equity / balance sheet totals	%	26.9%	28.0%
Gearing	Net debt / equity	factor	1.0	0.9
EBITDA (LTM)	Profit from operations + depreciation and amortization	MEUR	110.5	124.1
Interest cover	EBITDA / net finance charges	factor	3.3	7.2
RoCE	EBIT(LTM) / Capital employed	%	7.6%	8.1%
ROA	Net profit (LTM) / total assets at the end of the period	%	1.1%	2.7%
ROE	Net profit (LTM) / equity at the end of the period	%	4.1%	9.5%

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

Dividend payment and share buyback program

- ✓ On **19 July, 2017** Pfleiderer Group paid to shareholders the dividend in the amount of **PLN 71.2 million**, i.e. **1.1 PLN** per share. Dividend yield: **2.5%***.
- ✓ An additional form of sharing profits with shareholders is a buyback program of up to **PLN 390 million**:
 - According to the terms of the resolution concerning the treasury share repurchase programme adopted by AGM, the Company may repurchase **up to 6,470,100** ordinary bearer shares representing jointly no more than **10%** of the Company's share capital.
 - The repurchase price of the shares cannot be lower than PLN 0.33 per share nor higher than **PLN 60 per share**.
 - The authorisation granted to the Management Board for the repurchase of the shares runs until **30 June 2018**.
 - The shares acquired may be:
 - used for a Company incentive program, subject to Supervisory Board approval,
 - Redeemed, or
 - otherwise disposed, if needed.

PLN 71.2 million dividend paid to shareholders in 2017



Up to **PLN 390 million** – allocated to buyback program, until 30 June 2018

*As of a dividend date

Refinancing of debt - significant reduction of the servicing cost

In H1, 2017 the company decided to substitute the existing financing solution with a more favorable capital market transaction.

Use of Funds

- The proceeds from the Facilities will be used to redeem the existing €321,684,000 7.875% senior secured notes issued by PCF GmbH (formerly Pfleiderer GmbH) in full, to refinance the existing senior secured revolving credit facility and to fund related transaction fees, redemption premium and expenses as well as for general corporate purposes and working capital requirements.
- Pfleiderer redeemed the existing financial agreements on August 1, 2017.

Cost savings

- Starting from 2018, savings on financial result are expected to be at approx. €6.5m compared to 2016/2017 although face value of the new long-term financing is higher.
 - Loan interest on a standalone base provides an annual cost advantage of more than €11m.
- **The terms and conditions are favorable for the Company**, which allows long-term stability and enough flexibility to follow further growth.

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Strong macroeconomic environment across Europe

Est. GDP growth in 2017:

EU: 1.9%

DACH: 1.6%

Poland: 3.5%

Germany: 1.6%

North West Core (est. 2017 GDP growth):

United Kingdom +1.8%
Ireland +4.0%
Sweden +2.6%
Denmark +1.7%
Finland +1.3%
Norway +1.4%

Central (est. 2017 GDP growth):

Germany +1.6%
Austria +1.7%
Switzerland +1.5%

East Core (est. 2017 GDP growth):

Poland +3.5%
Czech Republic +2.6%
Estonia +2.3%
Hungary +3.6%
Latvia +3.2%
Lithuania +2.9%
Slovakia +3.0%

West Core (est. 2017 GDP growth):

France +1.4%
Belgium +1.5%
Netherlands +2.1%
Luxembourg +4.3%

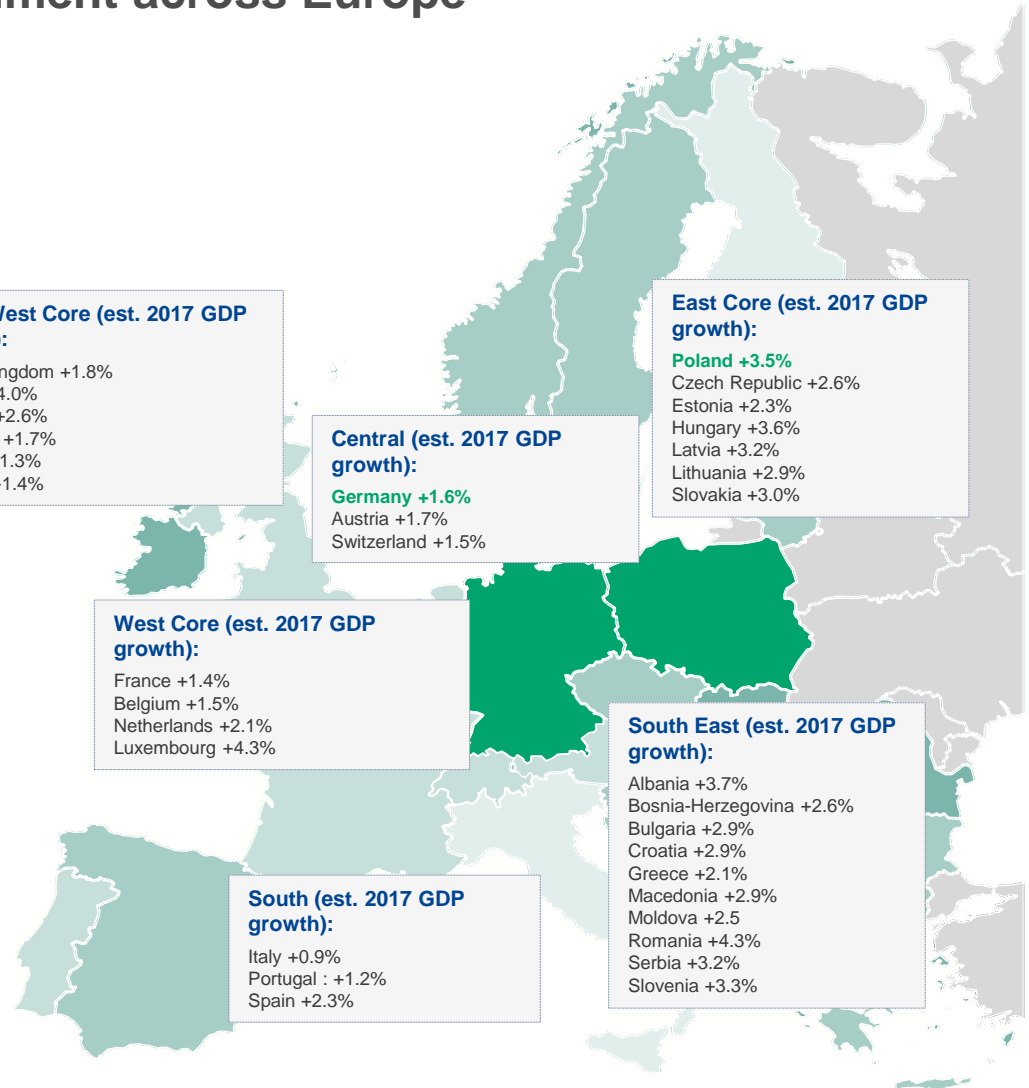
South (est. 2017 GDP growth):

Italy +0.9%
Portugal : +1.2%
Spain +2.3%

South East (est. 2017 GDP growth):

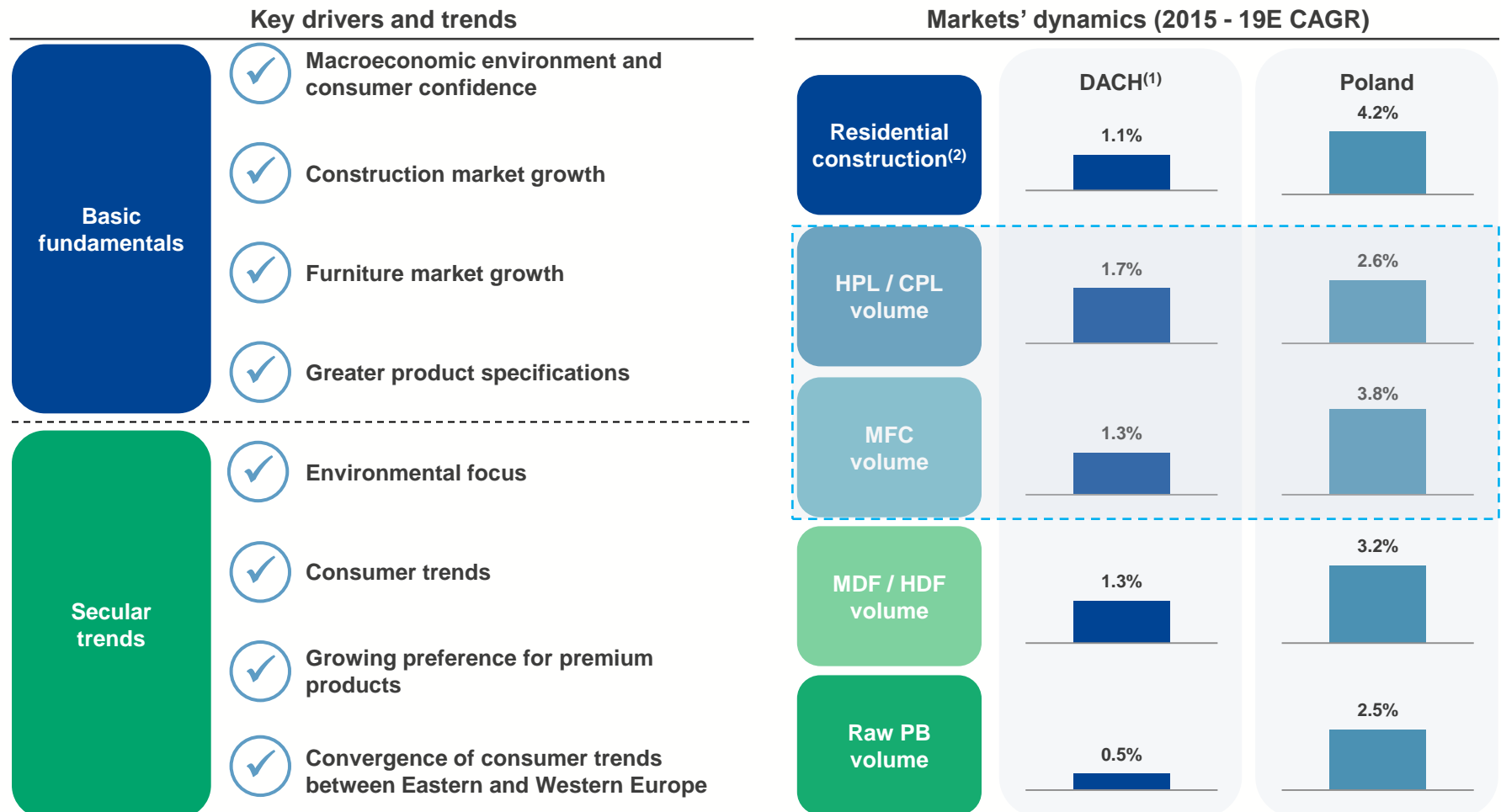
Albania +3.7%
Bosnia-Herzegovina +2.6%
Bulgaria +2.9%
Croatia +2.9%
Greece +2.1%
Macedonia +2.9%
Moldova +2.5%
Romania +4.3%
Serbia +3.2%
Slovenia +3.3%

Est. GDP growth rate in 2017:



Source: European Commission, European Economic Forecast Spring 2017

Positive fundamental dynamics in our target markets



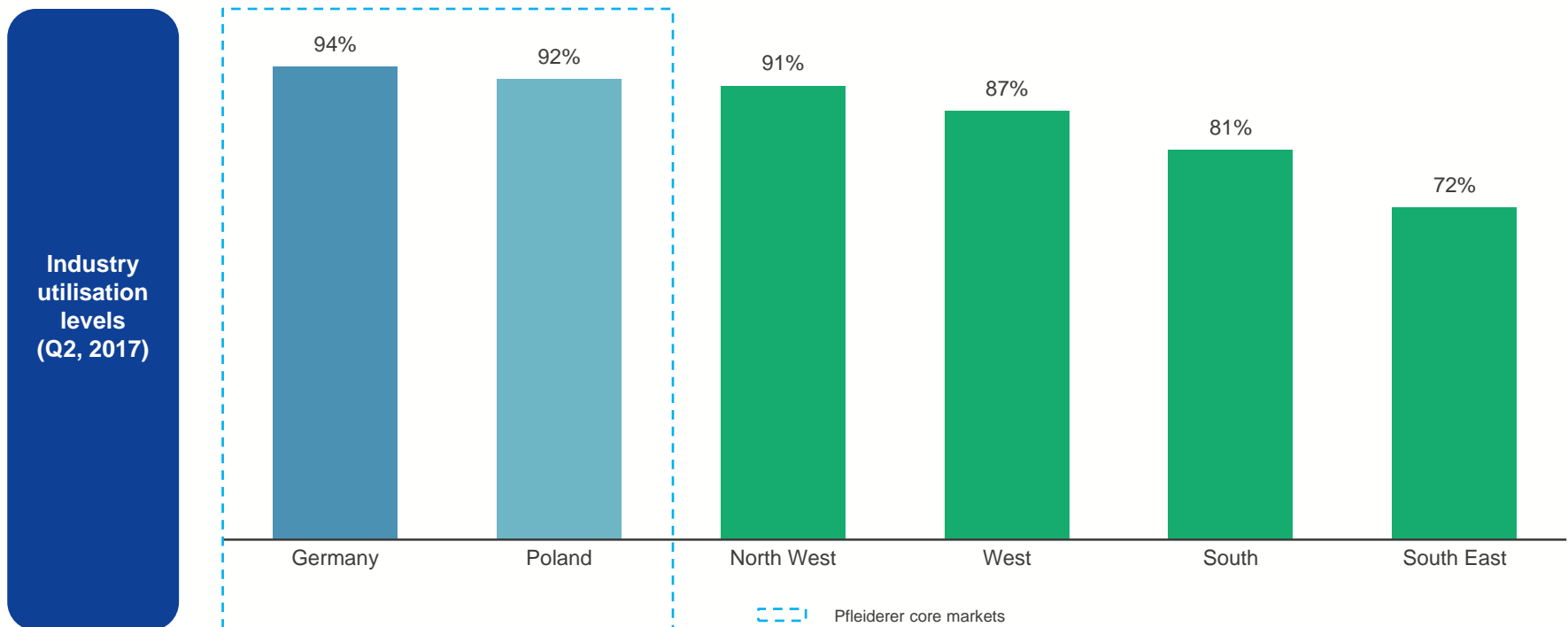
Source: Reputable industry information provider.

(1) DACH defined as Germany, Austria and Switzerland.

(2) Includes new and RMI.

--- High value-add segments

Healthy utilisation rates in Pfleiderer's core Central European markets



Source: Pöyry Management Consulting (Feb-2017 for Germany and Poland, Jan-2017 for the rest).

Note: Particleboard data includes both Raw PB and MFC.

West defined as Belgium, France, Luxembourg and Netherlands; North West defined as Denmark, Finland, Norway, Ireland, Sweden and UK; South defined as Italy, Portugal and Spain; South East defined as Bulgaria, Croatia, Greece, Romania, Slovenia, Albania, Bosnia, Macedonia, Moldova and Serbia.

Market trends towards value-added products expected to support future growth

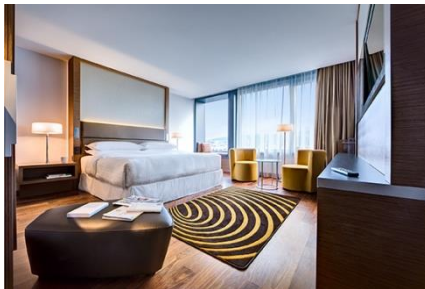
Furniture



Shop fittings



Kitchen/bathroom



Hotel & tourism

Key drivers

- Increasingly demanding consumer requirements in Western Europe
- Catch up of Eastern European consumer requirements with Western European standards

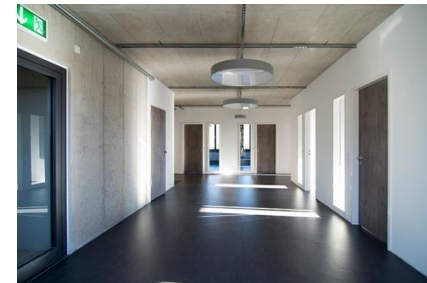
Construction



Roofing



Walls

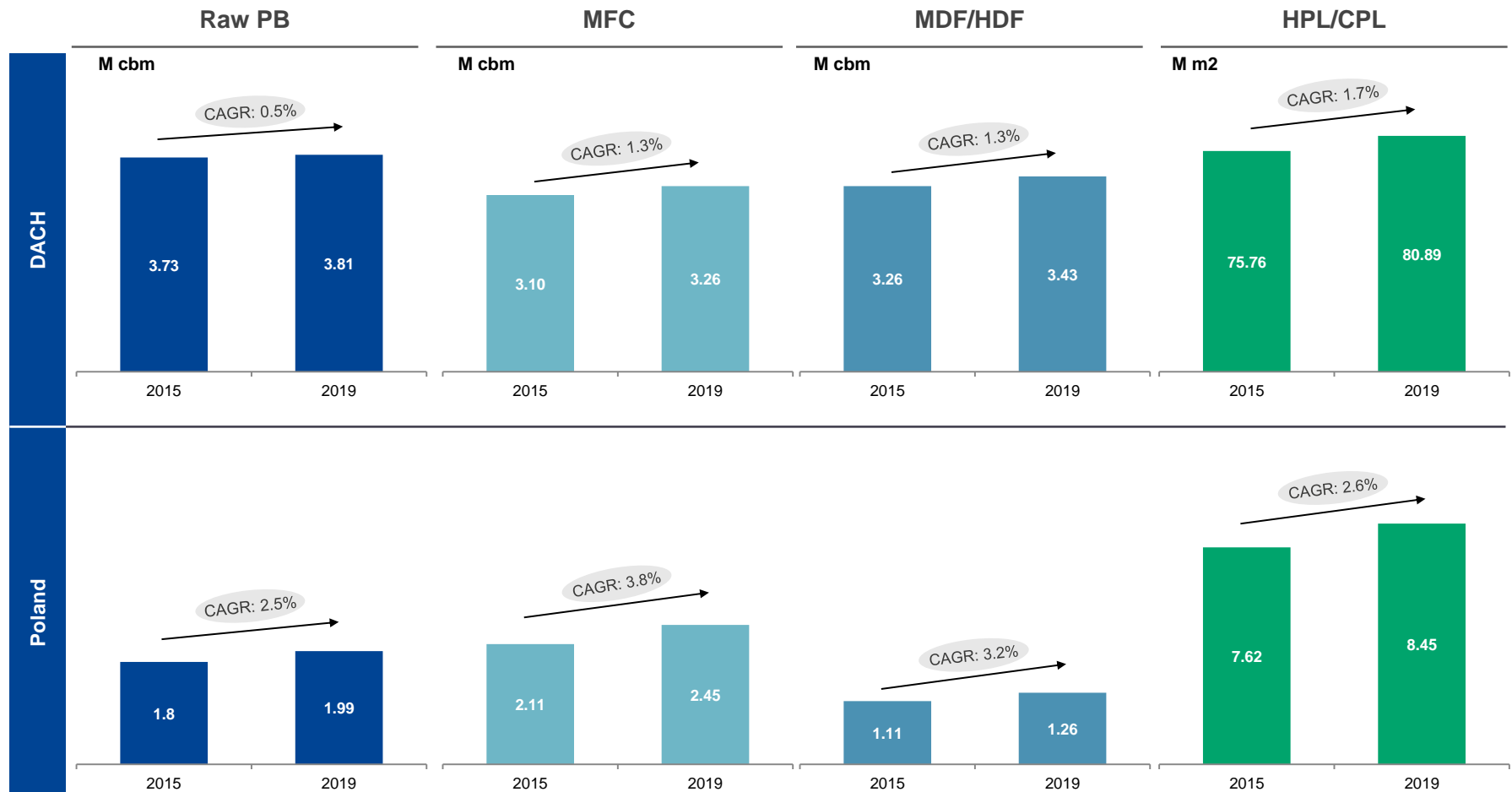


Doors

Key drivers

- Large and resilient renovation market in DACH/ Western Europe
- Fast-growing new building market in Poland/Eastern Europe

Favorable growth drivers continue to support our core products



DACH defined as Germany, Austria and Switzerland | Source: B+L (Jan 2017)

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