PEGAS NONWOVENS
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PEGAS NONWOVENS Second Quarter 2013 Financial Results

Analyst Conference Call

29 August 2013

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Agenda

- Q2 & H1 2013 Key Highlights
- Q2 & H1 2013 Financial Performance
- 2013 Guidance Confirmation and Outlook
- Update on Investment in Egypt

Presentation Team

František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer

Q2 & H1 2013 Key Highlights

Financial Performance

- Total Revenues in Q2 2013 EUR were 48.1 million, remaining virtually unchanged compared with Q2 2012 – minor yoy changes in polymer prices and sales volumes
- Q2 2013 EBITDA EUR 9.1 million up by 12.4% yoy mainly due to the impact of the delay in the pass-through mechanism. Lower than planned production results and the revaluation of the share option plan reduced the yoy increase
- Q2 EBIT EUR 6.2 million up by 24.0% yoy, affected by the EBITDA level and a decrease in depreciation and amortization
- A weaker CZK resulted in FX losses (non-cash) of EUR 0.3 million for the second quarter
- Q2 2013 net profit amounted to EUR 3.7 million up by 734.3% yoy due to FX changes

Market & Business

- Average ICIS in Q2 2013 - a modest single digit decline over the first quarter
- Polymer prices started to rise in recent weeks
- The level of inventories of finished goods slightly increased during Q2 2013

Production & Technology

- Q2 2013 production of 21,847 tonnes, up by 1.1% yoy
- Lower number of planned maintenance breaks during H1 2013 compared with the same period in 2012
- The production line in Egypt commenced the first commercial deliveries

Key Financial Highlights

	Second Quarter			First Half		
EUR (000´)	**2012**	**2013**	**% change**	**2012**	**2013**	**% change**
Revenues	47,967	48,119	0.3%	92,269	98,052	6.3%
Operating costs	(39,869)	(39,020)	(2.1%)	(74,683)	(78,892)	5.6%
EBITDA	8,098	9,099	12.4%	17,586	19,160	9.0%
EBITDA margin (%)	*16.9%*	*18.9%*	*2.0 pp*	*19.1%*	*19.5%*	*0.4 pp*
Profit from operations (EBIT)	5,029	6,234	24.0%	11,429	13,406	17.3%
EBIT margin (%)	*10.5%*	*13.0%*	*2.5 pp*	*12.4%*	*13.7%*	*1.3 pp*
Net profit	449	3,748	734.3%	9,124	6,729	(26.2%)
Net profit margin (%)	*0.9%*	*7.8%*	*6.9 pp*	*9.9%*	*6.9%*	*(3.0 pp)*
Production (tonnes net of scrap)	21,612	21,847	1.1%	42,686	43,252	1.3%
Number of Employees (EOP)				448	571	27.5%

	31 December 2012	30 June 2013	% change
Total assets	374,223	357,274	(4.5%)
Net debt	125,946	145,991	15.9%

Note: Consolidated unaudited results

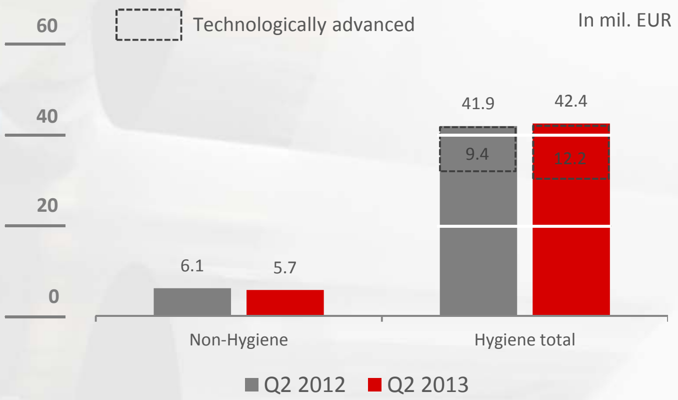
Statement of Comprehensive Income

EUR (000´)	Second Quarter 2012	2013	% change	First Half 2012	2013	% change
Revenues	47,967	48,119	0.3%	92,269	98,052	6.3%
Raw materials and consumables	(37,626)	(36,172)	(3.9%)	(70,282)	(73,679)	4.8%
Staff costs	(2,171)	(2,566)	18.2%	(4,304)	(4,998)	16.1%
Of which FV revaluation of share options	144	(90)	n/a	183	(216)	n/a
Other net operating income/(expense)	(72)	(282)	291.7%	(97)	(215)	121.6%
EBITDA	**8,098**	**9,099**	**12.4%**	**17,586**	**19,160**	**9.0%**
EBITDA margin (%)	***16.9%***	***18.9%***	***2.0 pp***	***19.1%***	***19.5%***	***0.4 pp***
Depreciation and amortization	(3,069)	(2,865)	(6.6%)	(6,157)	(5,754)	(6.5%)
Profit from operations (EBIT)	**5,029**	**6,234**	**24.0%**	**11,429**	**13,406**	**17.3%**
EBIT margin (%)	***10.5%***	***13.0%***	***2.5 pp***	***12.4%***	***13.7%***	***1.3 pp***
FX changes and other fin. income/(expense) (net)	(3,779)	(348)	(90.8%)	1,424	(3,368)	n/a
Interest expense (net)	(1,310)	(1,088)	(16.9%)	(2,331)	(2,118)	(9.1%)
Income tax (expense)/income (net)	509	(1,050)	n/a	(1,398)	(1,191)	(14.8%)
Net profit	**449**	**3,748**	**734.3%**	**9,124**	**6,729**	**(26.2%)**
Net profit margin (%)	***0.9%***	***7.8%***	***6.9 pp***	***9.9%***	***6.9%***	***(3.0 pp)***
Other comprehensive income/(expense)	(4,073)	(1,708)	(58.1%)	(523)	(1,906)	264.4%
Total comprehensive income	(3,624)	2,040	n/a	8,601	4,823	(43.9%)

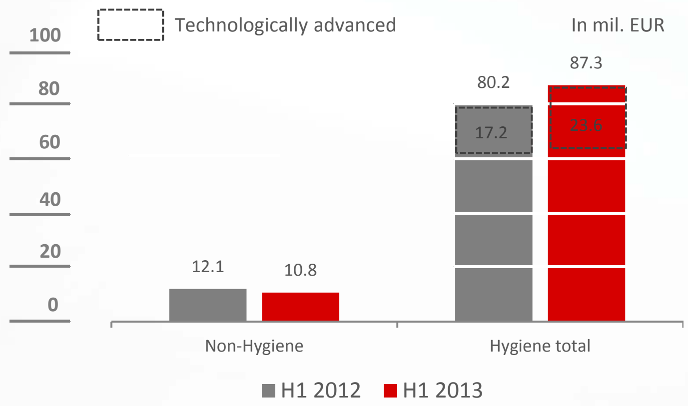
Note: Consolidated unaudited results

Revenue Breakdown by Product

Second Quarter



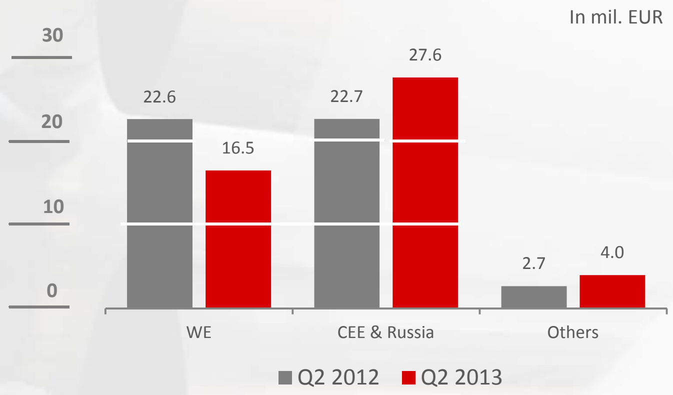
First Half



- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe
- A higher share of technologically advanced materials on total sales

Revenue Breakdown by Geography

Second Quarter

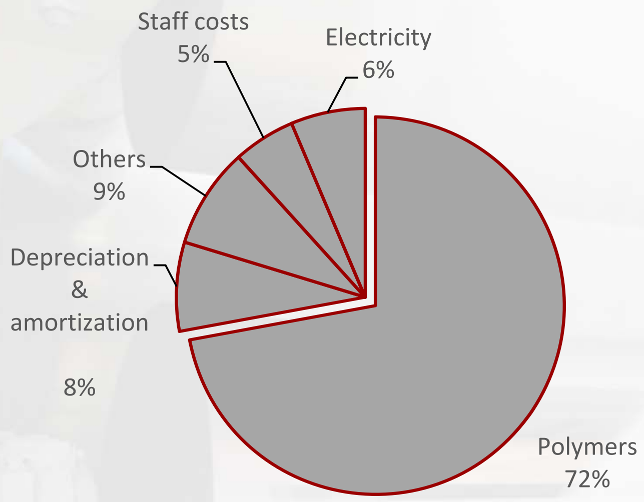


First Half

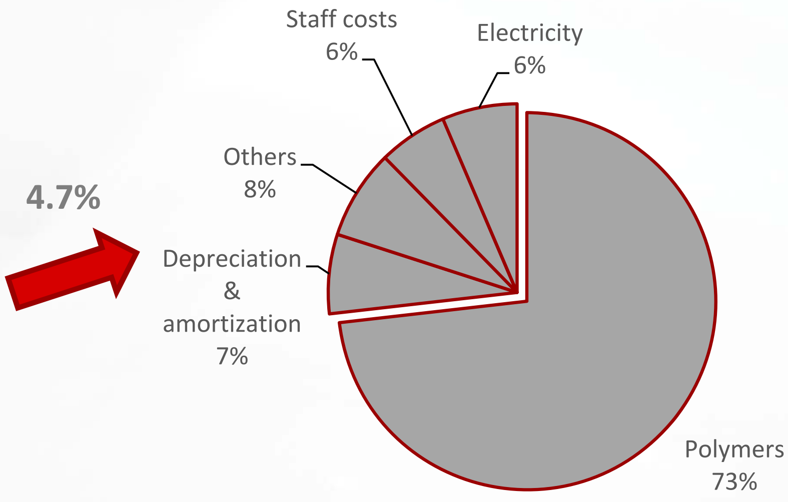
- Europe remains the key market for PEGAS
- Strong sales into CEE & Russia

Cost Composition

H1 2012



H1 2013



- An increase in PP/PE costs of 6.3% yoy due to increased consumption in connection with the good sales levels in Q1 2013
- Staff costs up by 16.1% yoy as a result of the revaluation of phantom options and new hires for the Egyptian plant
- Electricity up by 5.4% yoy due to a yoy price increase related to the mandatory support of renewable resources

Statement of Financial Position

EUR (000´)	31 December 2012 (audited)	30 June 2013 (unaudited)	% change
Non-current assets	***284,214***	***284,498***	***0.1%***
Property, plant and equipment	191,226	194,421	1.7%
Intangible assets (including goodwill)	92,988	90,077	(3.1%)
Current assets	***90,009***	***72,776***	***(19.1%)***
Inventories	20,448	18,305	(10.5%)
Trade and other receivables	43,803	45,120	3.0%
Bank balances and cash	25,758	9,351	(63.7%)
TOTAL ASSETS	***374,223***	***357,274***	***(4.5%)***
Total share capital and reserves	***141,494***	***136,626***	***(3.4%)***
Non-current liabilities	***164,376***	***157,608***	***(4.1%)***
Bank loans due after 1 year	151,704	144,865	(4.5%)
Deferred tax	12,672	12,743	0.6%
Current liabilities	***68,353***	***63,040***	***(7.8%)***
Trade and other payables	66,695	50,535	(24.2%)
Tax liabilities	1,658	2,028	22.3%
Bank overdrafts and loans	--	10,477	n/a
TOTAL LIABILITIES	***374,223***	***357,274***	***(4.5%)***

Note: Consolidated unaudited results

Cash Flow Statement

EUR (000´)	Six Months to 30 June		
	2012 (unaudited)	2013 (unaudited)	% change
Profit before tax	***10,522***	***7,920***	***(24.7%)***
Depreciation and amortization	6,157	5,754	(6.5%)
FX	1,034	(547)	n/a
Interest expense	2,333	2,138	(8.4%)
Fair value changes of interest rate swaps	(1,611)	1,783	n/a
Other financial income/(expense)	(432)	(292)	(32.4%)
Change in inventories	(799)	1,546	n/a
Change in receivables	(8,557)	(6,582)	(23.1%)
Change in payables	13,956	(1,807)	n/a
Income tax paid	(1,927)	(1,065)	(44.7%)
Net cash flow from operating activities	***20,676***	***8,848***	***(57.2%)***
Purchases of property, plant and equipment	(27,393)	(31,991)	16.8%
Net cash flow used in investment activities	***(27,393)***	***(31,991)***	***16.8%***
Change in bank loans	9,684	8,437	(12.9%)
Change in long term debt	24	--	n/a
Interest paid	(2,068)	(1,993)	(3.6%)
Other financial income/(expense)	432	292	(32.4%)
Net cash flow from financing activities	***8,072***	***6,736***	***(16.6%)***
Bank balances and cash at the beginning of the year	***6,248***	***25,758***	***312.3%***
Change in cash and cash equivalents	1,355	(16,407)	n/a
Bank balances and cash at the end of the period	***7,603***	***9,351***	***23.0%***

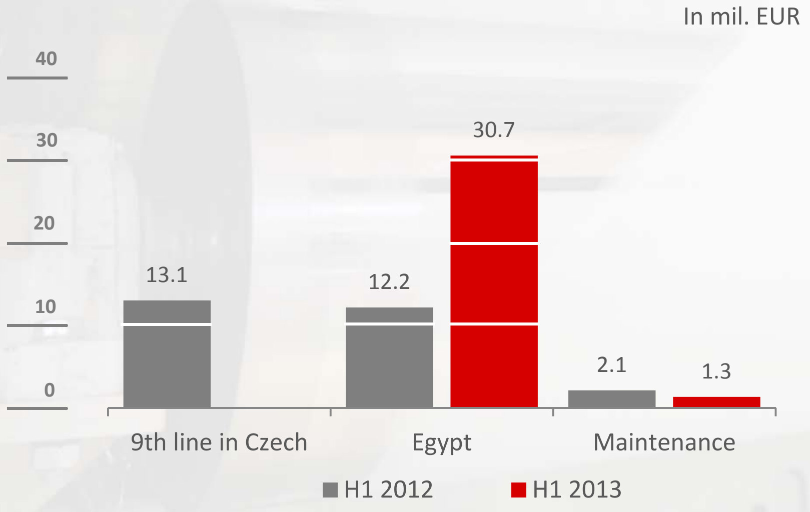
Note: Consolidated unaudited results

CAPEX Development

Majority of Capital Investments Dedicated to Expansion

- 96% of the CAPEX spent in H1 2013 went to the Egyptian project
- Current investment in H1 2012 boosted by one-off projects related to the optimisation of existing production facilities
- 2013 CAPEX guidance of up to EUR 41 million confirmed

CAPEX in H1



2013 Guidance Confirmation

Overview	• H1 2013 financial results in line with the announced guidance for the entire year 2013 • EBITDA achieved in Q2 2013 fell below management expectations primarily due to lower than planned production results • First materials produced at the Egyptian plant have been successfully qualified
EBITDA Guidance	• Based on the developments to date, management confirms 2013 EBITDA guidance ➢ 2013 EBITDA should increase by 5 – 15% compared with 2012 (EUR 38.1 million) ➢ With respect to the current situation in Egypt and the recent trend of growing polymer prices, the growth should be at the lower end of the range.
CAPEX Guidance	• 2013 CAPEX guidance of up to EUR 41 million confirmed

Dividend Declaration

- The AGM held in June approved a dividend payment of EUR 9,690,870, i.e. EUR 1.05 per share
- The Company decided to pay-out the same dividend amount as last year, taking into account the current high CAPEX requirements
- The source of the dividend is the 2012 profit and retained earnings from previous years
- The AGM approved the record date as 18 October 2013 and the payment date as 29 October 2013
- 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

Egyptian Project - Current Status

- Production facility reopened this week
- Security of employees remains the most important priority
- Successfull qualification of the first materials with customers
- Full production expected in the fourth quarter

Development of Polymer Prices

Polymer Prices Illustrative Index