

Nine Months Results January – September 2011

**Analyst Conference Call
November 24, 2011**

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Agenda

- **Q3 2011 Highlights**
- **9M & Q3 2011 Financial Performance**
- **2011 Guidance Confirmation**
- **Investment in Egypt**

Presentation Team

Mr. František Řezáč

Mr. Marian Rašík

Chief Executive Officer

Chief Financial Officer

Q3 2011 Highlights



Q3 2011 Key Highlights

Financial Performance

- Q3 2011 revenues EUR 43.7 million up by 7.9% yoy primarily due to higher polymer prices
- Q3 2011 EBITDA EUR 10.8 million up by 17% yoy, positive effect of the pass-through mechanism and lower staff costs
- EBIT EUR 8.6 million up by 69% yoy due to high EBITDA and lower depreciation costs
- Net profit EUR 5.5 million down by 33.3% yoy affected by unrealized FX changes

Market and Business

- Average ICIS in Q3 2011 declined by 11% compared with Q2 2011 achieving similar levels as in Q3 2010. In Q4 2011, another decrease of ICIS has been registered.
- PEGAS signed two important long term sales contracts, one for its plant in Egypt and one for the European area
- PEGAS obtained „Business Partner of the Year“ Award from P&G
- Customer orders slowing down in the fourth quarter, no indication other than a short-term effect

Production & Technology

- 9M net production output of 53,784 tonnes up by 2.7% yoy, capacity fully utilised
- The latest line in Znojmo in ramp up phase and full commercial launch is expected in December
- Subsidiary PEGAS – DS a.s. was merged with PEGAS NONWOVENS s.r.o. in October 2011

Key Financial Highlights

Euro (000´)	Q3			9M		
	2010	2011	% change	2010	2011	% change
Revenues	40,462	43,664	7.9%	109,253	126,257	15.6%
Operating Costs	31,268	32,911	5.3%	83,762	100,214	19.6%
EBITDA	9,194	10,753	17.0%	25,491	26,043	2.2%
<i>EBITDA margin (%)</i>	22.7%	24.6%	1.9pp	23.3%	20.6%	(2.7 pp)
Profit from operations (EBIT)	5,084	8,593	69.0%	13,165	19,654	49.3%
<i>EBIT margin (%)</i>	12.6%	19.7%	7.1 pp	12.1%	15.6%	3.5 pp
Net Profit	8,222	5,480	(33.3%)	17,609	16,273	(7.6%)
<i>Net Profit Margin (%)</i>	20.3%	12.6%	(7.7 pp)	16.1 pp	12.9%	(3.2 pp)
Production (tonnes net of scrap)	17,988	18,936	5.3%	52,362	53,784	2.7%
Number of Employees (EOP)				381	417	9.4%

	December 31, 2010	September 30, 2011	% change
Total assets	251,221	312,139	24.2%
Net debt	91,553	102,903	12.4%

Source: Company data, consolidated unaudited results

9M & Q3 2011 Financial Performance



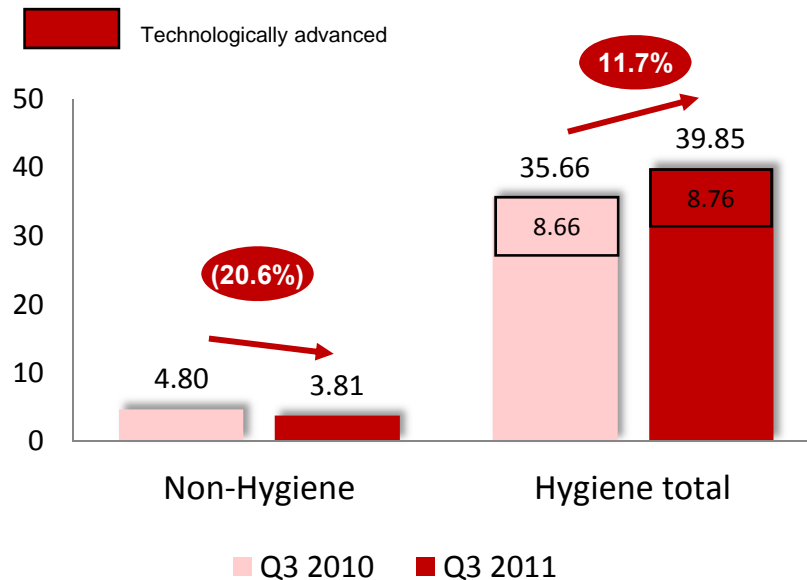
Statement of Comprehensive Income

Euro (000')	Q3			9M		
	2010	2011	% change	2010	2011	% change
Revenues	40,462	43,664	7.9%	109,253	126,257	15.6%
Raw materials & consumables	(29,600)	(31,150)	5.2%	(78,913)	(94,432)	19.7%
Staff costs	(2,081)	(1,807)	(13.2%)	(5,683)	(6,074)	6.9%
Of which Share price bonus	(144)	273	n/a	(77)	211	n/a
Other net operating income/(expense)	413	46	(88.9%)	834	292	(65.0%)
EBITDA	9,194	10,753	17.0%	25,491	26,043	2.2%
EBITDA Margin (%)	22.7%	24.6%	1.9 pp	23.3%	20.6%	(2.7 pp)
Depreciation	(4,110)	(2,160)	(47.4%)	(12,326)	(6,389)	(48.2%)
Profit from operations (EBIT)	5,084	8,593	69.0%	13,165	19,654	49.3%
EBIT Margin (%)	12.6%	19.7%	7.1 pp	12.1%	15.6%	3.5 pp
FX changes and other fin. income/(expense) (net)	4,810	(1,864)	n/a	8,080	1,474	(81.8%)
Interest (expense)/income (net)	(862)	(1,000)	16.0%	(2,468)	(3,085)	25.0%
Income tax (expense)/income (net)	(810)	(249)	(69.3%)	(1,168)	(1,770)	51.5%
Net Profit	8,222	5,480	(33.3%)	17,609	16,273	(7.6%)
Net Profit Margin (%)	20.3%	12.6%	(7.7 pp)	16.1%	12.9%	(3.2 pp)
Other comprehensive income/(expense)	3,855	(2,117)	n/a	4,991	1,424	(71.5%)
Total comprehensive income	12,077	3,363	(72.2%)	22,600	17,697	(21.7 %)

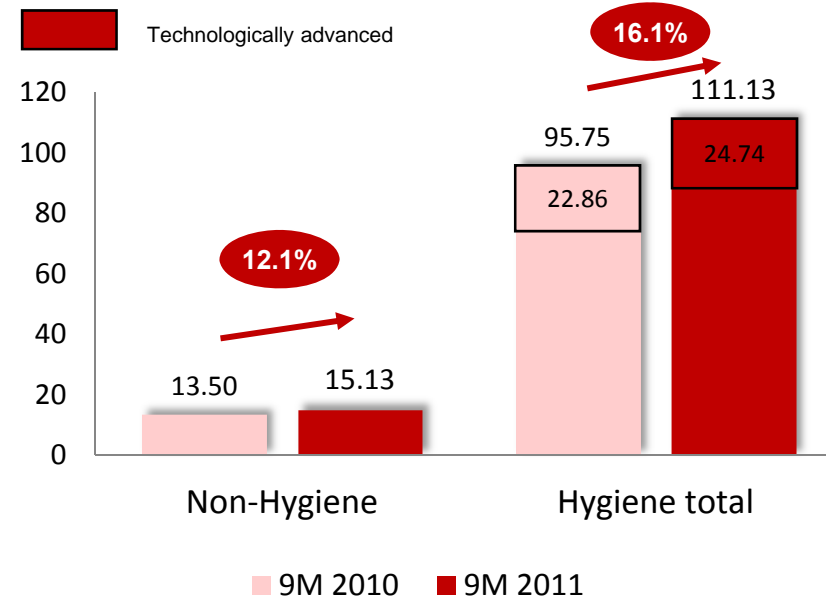
Source: Company data

Revenue Breakdown by Product

Q3



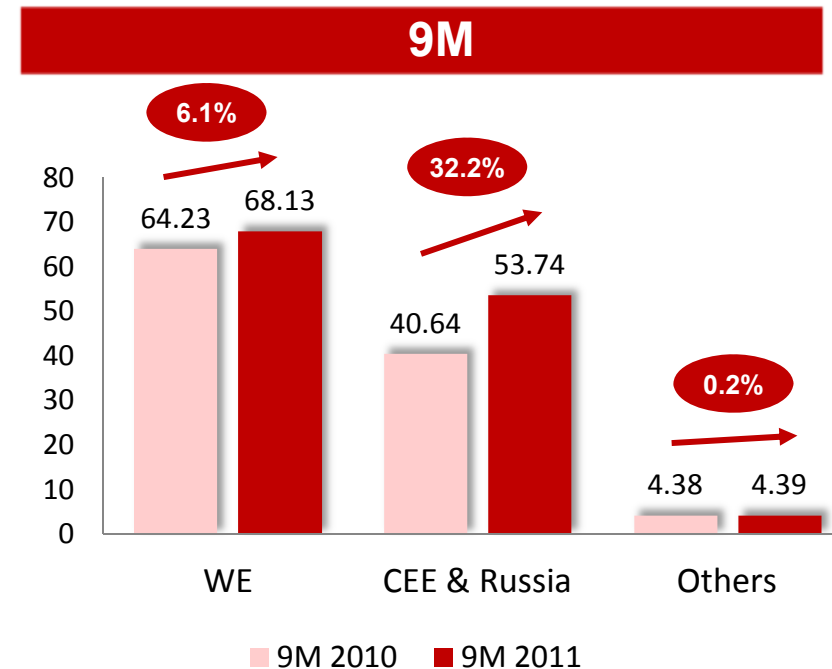
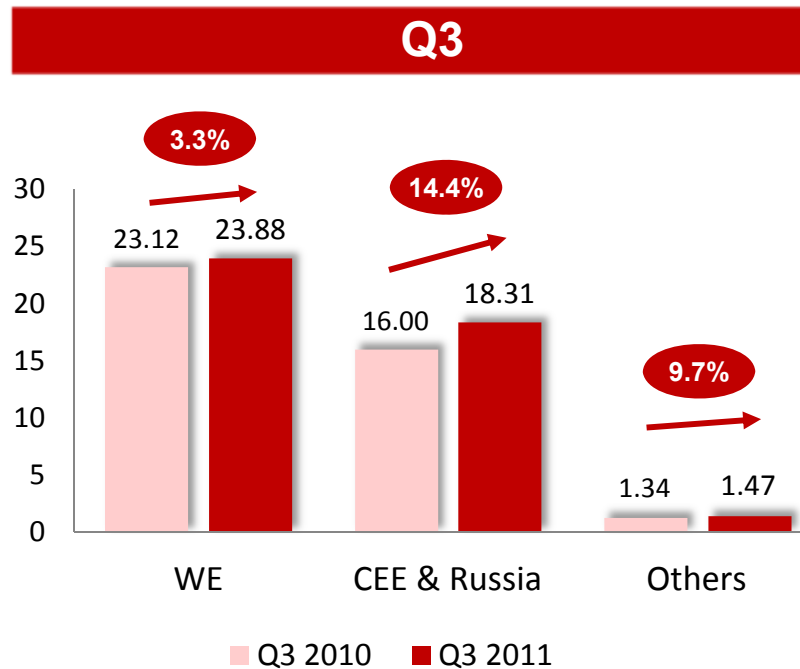
9M



- A high share of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe

Source: Company data

Revenue Breakdown by Geography

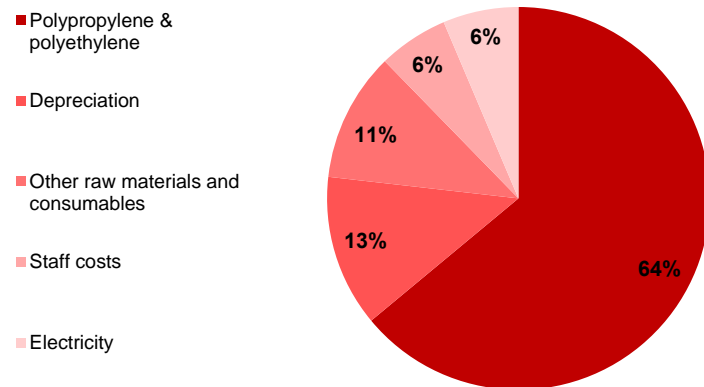


- Geographical breakdown of sales remains steady
- Strong sales into CEE & Russia

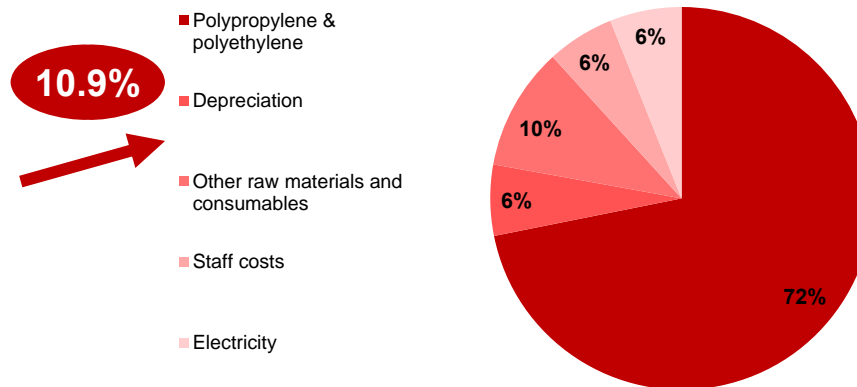
Source: Company data

Cost Composition

Cost Breakdown in 9M 2010



Cost Breakdown in 9M 2011



- An increase of PP/PE costs by 24.6% yoy due to higher polymer prices
- Staff costs up by 6.9% yoy as a result of a higher number of employees
- Electricity up by 5.4% yoy due to the ramp up of the new production line
- Lower depreciation due to a changed estimated useful lifetime of production technology

Source: Company data

Statement of Financial Position

Euro (000')	December 31, 2010 (audited)	September 30, 2011 (unaudited)	% change
Non-current assets			
Property, plant and equipment	200,515	241,030	20.2%
Intangible assets (including goodwill)	107,713	147,090	36.6%
	92,802	93,940	1.2%
Current assets			
Inventories	50,706	71,109	40.2%
Trade and other receivables	14,741	16,730	13.5%
Bank balances and cash	31,280	38,071	21.7%
	4,685	16,308	248.1%
Total assets			
	251,221	312,139	24.2%
Total share capital and reserves			
	129,041	137,509	6.6%
Non-current liabilities			
Bank loans due after 1 year	106,239	129,812	22.2%
Deferred tax	95,450	119,211	24.9%
Other payables	10,686	10,546	(1.3%)
	103	55	(46.6%)
Current liabilities			
Trade and other payables	15,941	44,818	181.1%
Tax liabilities	13,419	44,818	234.0%
Bank overdrafts and loans	1,734	--	n/a
	788	--	n/a

Source: Company data

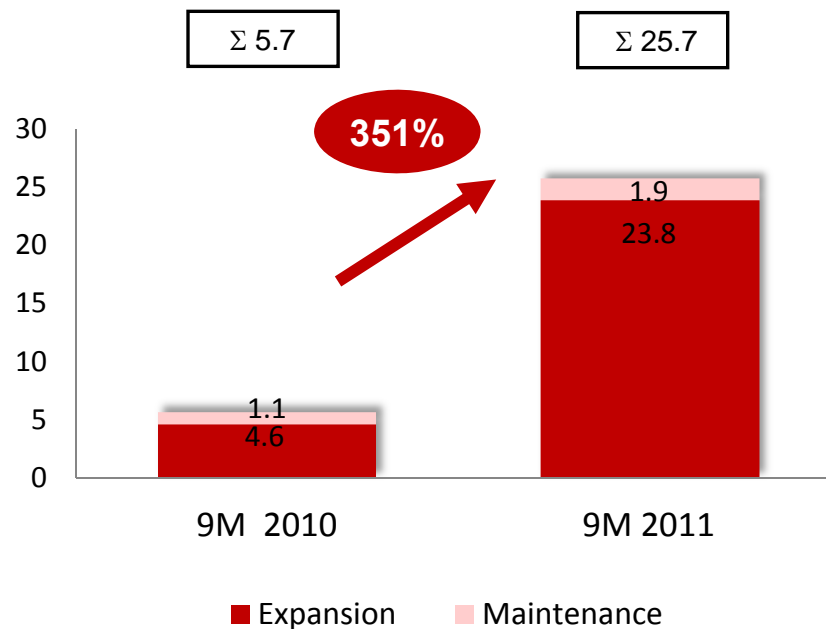
Cash Flow Statement

Euro (000')	Nine months to September 30		% change
	2010 (unaudited)	2011 (unaudited)	
Profit before tax	18,777	18,043	(3.9%)
Amortization / Depreciation	12,326	6,389	(48.2%)
FX	(1,527)	(566)	(62.9%)
Interest Expense	2,477	3,102	25.2%
Fair value changes of interest rate swaps	(1,246)	279	n/a
Other financial expense	6	(304)	n/a
Change in inventories	179	(1,837)	n/a
Change in receivables	(4,442)	(6,503)	46.4%
Change in payables	(4,166)	3,723	n/a
Income tax paid	(1,123)	(4,481)	299.0%
Net Cash Flow from Operating activities	21,261	17,845	(16.1%)
Purchases of property, plant and equipment	(5,711)	(25,728)	350.5%
Net Cash Flow from Investment activities	(5,711)	(25,728)	350.5%
Change in bank loans	(5,302)	21,367	n/a
Change in long term debt	59	(48)	n/a
Interest paid	(1,861)	(2,117)	13.8%
Other financial income	(6)	304	n/a
Net Cash Flow from Financing activities	(7,110)	19,506	n/a
Bank balances and cash at the beginning of the year	473	4,685	890.5%
Change in cash and cash equivalents	8,440	11,623	37.7%
Bank balances and cash at the end of the period	8,913	16,308	83.0%

Source: Company data

CAPEX Development

CAPEX Breakdown 9M 2011



- Substantial increase of expansion CAPEX due to the 9th production facility project and the start up investments in Egypt
- A change of 2011 CAPEX guidance up to EUR 42 million (initially planned EUR 32 mil.) due to the investment in Egypt

Source: Company data, consolidated results

2011 Guidance Confirmation



2011 Guidance Confirmation

PEGAS confirms its full year guidance:

- **Decline in polymer prices boosted profitability in Q3**
- **Positive effect of new capacity in 2H 2011**
- **Softening in sales orders in the fourth quarter of the year**
- **PEGAS confirms the lower end of FY EBITDA guidance – growth between 2% – 7% yoy (2010 EBITDA: EUR 35.2 mil.)**

Investment in Egypt



Project Overview

Steps Completed

- **A new subsidiary PEGAS NONWOVENS EGYPT LLC founded**
- **New refinancing secured**
- **A plot of land in the City of 6th October purchased**
- **Contract with a key customer for long-term deliveries**
- **Contracts with supplier of technology (Reicofil) and construction supplier (PSG) signed in September**
- **Insurance against political risks concluded with EGAP**

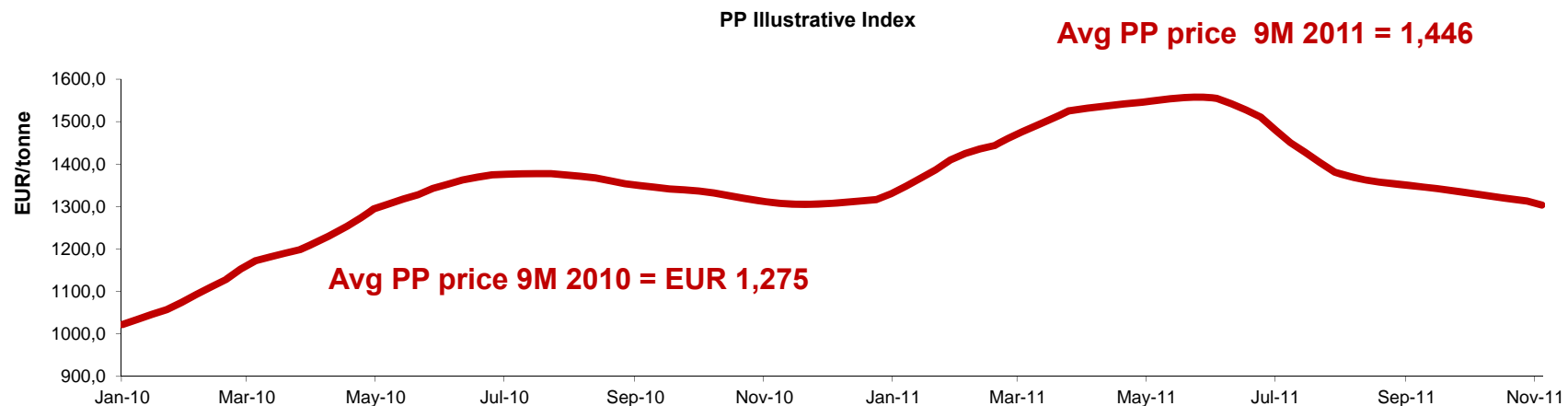
Next Steps

- **Project continues in line with the outlined schedule**
- **Building permit approval process**
- **Construction works to start in 1Q 2012**
- **Installation of technology expected in 4Q 2012**
- **Launch of a new production line with an annual capacity of 20,000 tonnes planned in the second half of 2013**

Appendix



Development of Polymer Prices



- Development of polymer prices improved profitability in Q3
- On average, polymer prices fell by 11% compared with Q2 2011 and reached the level of Q3 2010

Source: Company data