

Half Year Results January – June 2011

Analyst Conference Call
August 25, 2011

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Agenda

- **H1 & Q2 2011 Highlights**
- **H1 & Q2 2011 Financial Performance**
- **2011 Guidance Confirmation**
- **Investment in Egypt**
- **Declaration of Dividend**

Presentation Team

Mr. František Řezáč

Mr. Marian Rašík

Chief Executive Officer

Chief Financial Officer

H1 & Q2 2011 Highlights



H1 & Q2 2011 Key Highlights

Financial Performance

- H1 Revenues EUR 82.6 million up by 20% yoy primarily due to an increase in polymer prices
- H1 EBITDA EUR 15.3 million down by 6.2% yoy, affected by the pass-through mechanism delay and higher staff costs
- EBIT EUR 11.1 million up by 36.8% yoy due to lower depreciation costs
- Net profit EUR 10.8 million up by 14.3% yoy due to a lower depreciation

Market and Business

- The rise in polymer prices continued, average ICIS in Q2 2011 up by almost 15% compared with Q2 2010 and again reached highest historical levels; however the decline in polymer prices in recent weeks will support Q3 results
- PEGAS announced its intention to build a production line in Egypt. Total investment of EUR 55 – 60 million
- New refinancing secured in connection with the new investment plans

Production & Technology

- H1 net production output of 34,848 tonnes up by 1.4% yoy, capacity fully utilised
- New line construction on time and the launch is anticipated in the third quarter of 2011

Key Financial Highlights

Euro (000´)	Q2			H1		
	2010	2011	% change	2010	2011	% change
Revenues	34,405	41,572	20.8%	68,807	82,589	20.0%
Operating Costs	(26,945)	(34,540)	28.2%	(52,505)	(67,303)	28.2%
EBITDA	7,460	7,032	(5.7%)	16,302	15,286	(6.2%)
<i>EBITDA margin (%)</i>	21.7%	16.9%	(4.8 pp)	23.7%	18.5%	(5.2 pp)
Profit from operations (EBIT)	3,317	4,917	48.2%	8,085	11,057	36.8%
<i>EBIT margin (%)</i>	9.6%	11.8%	2.2pp	11.8%	13.4%	1.6 pp
Net Profit	1,781	4,412	147.7%	9,443	10,796	14.3%
<i>Net Profit Margin (%)</i>	5.2%	10.6%	5.4 pp	13.7%	13.1%	(0.6 pp)
Production (tonnes net of scrap)	17,523	17,546	0.1%	34,374	34,848	1.4%
Number of Employees (EOP)				387	423	9.3%

	December 31, 2010	June 30, 2011	% change
Total assets	251,221	300,050	19.4%
Net debt	91,553	106,234	16.0%

Source: Company data, consolidated unaudited results

H1 & Q1 2011 Financial Performance



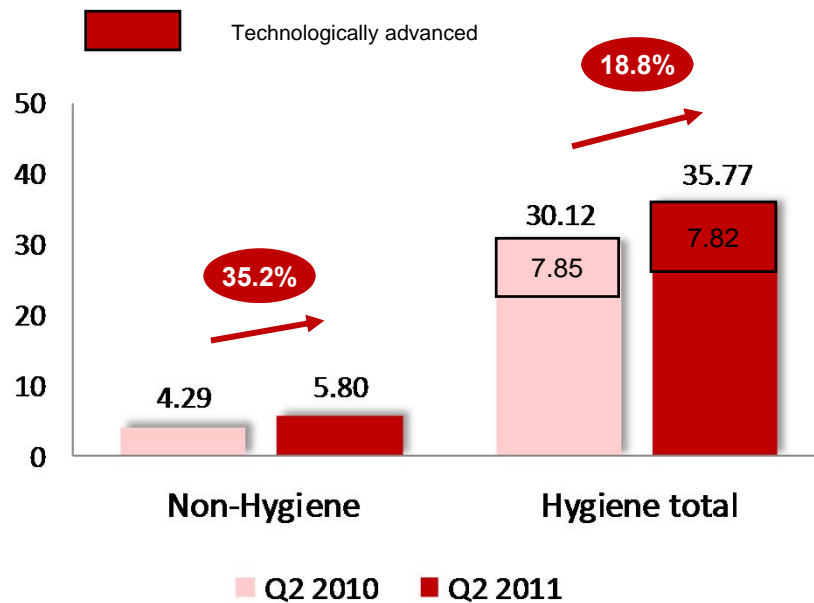
Statement of Comprehensive Income

Euro (000')	Q2			H1		
	2010	2011	% change	2010	2011	% change
Revenues	34,405	41,572	20.8%	68,807	82,589	20.0%
Raw materials & consumables	(25,342)	(32,640)	28.8%	(49,326)	(63,283)	28.3%
Staff costs	(1,818)	(2,232)	22.8%	(3,604)	(4,267)	18.4%
Of which Share price bonus	74	(113)	n/a	67	(62)	n/a
Other net operating income/(expense)	215	332	54.4%	425	247	(41.9%)
EBITDA	7,460	7,032	(5.7%)	16,302	15,286	(6.2%)
EBITDA Margin (%)	21.7%	16.9%	(4.8 pp)	23.7%	18.5%	(5.2 pp)
Depreciation	(4,143)	(2,115)	(49.0%)	(8,217)	(4,229)	(48.5%)
Profit from operations (EBIT)	3,317	4,917	48.2%	8,085	11,057	36.8%
EBIT Margin (%)	9.6%	11.8%	2.2 pp	11.8%	13.4%	1.6 pp
FX changes and other fin. income/(expense) (net)	(1,049)	1,101	n/a	3,337	3,343	0.2%
Interest (expense)/income (net)	(800)	(1,302)	62.8%	(1,607)	(2,082)	29.6%
Income tax (expense)/income (net)	313	(304)	n/a	(372)	(1,522)	309.1%
Net Profit	1,781	4,412	147.7%	9,443	10,796	14.3%
Net Profit Margin (%)	5.2%	10.6%	5.4 pp	13.7%	13.1%	(0.6 pp)
Other comprehensive income/(expense)	(1,042)	865	n/a	1,136	3,541	211.7%
Total comprehensive income	739	5,277	614.1%	10,579	14,337	35.5%

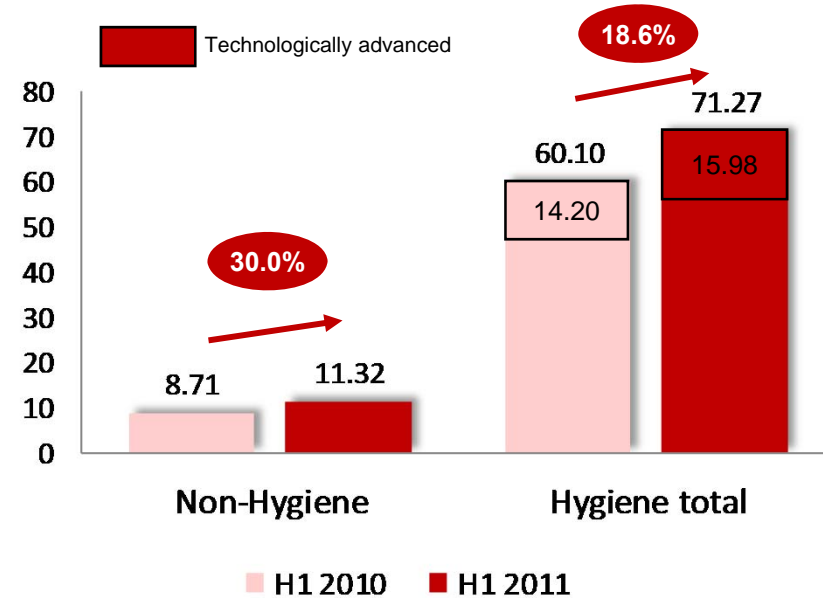
Source: Company data

Revenue Breakdown by Product

Q2



H1

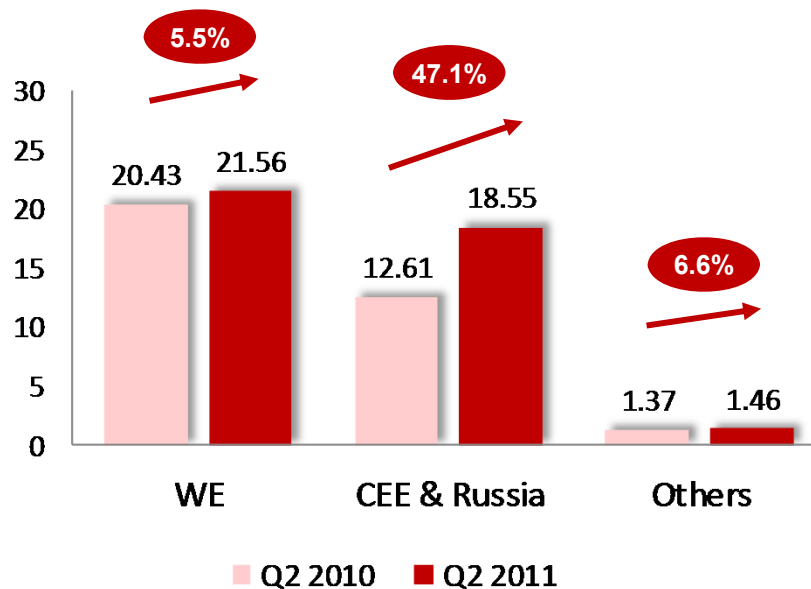


- A high share of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe

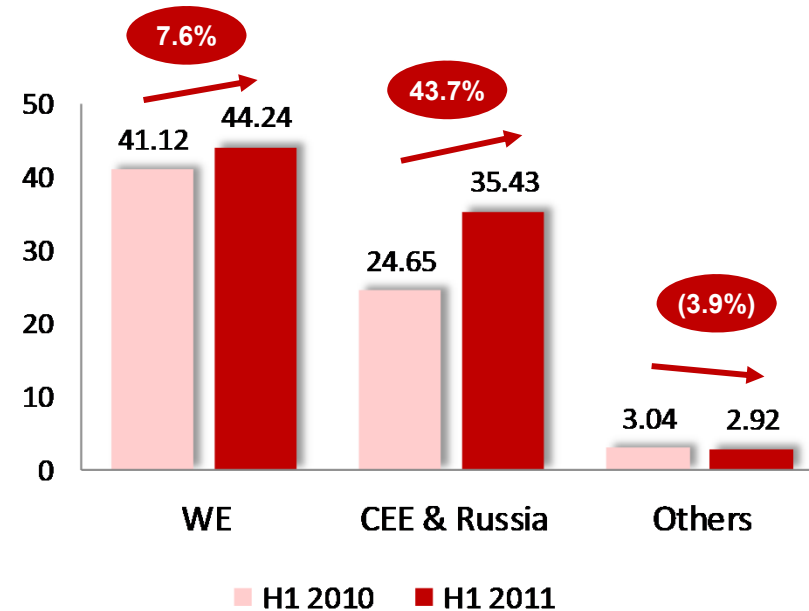
Source: Company data

Revenue Breakdown by Geography

Q2



H1



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

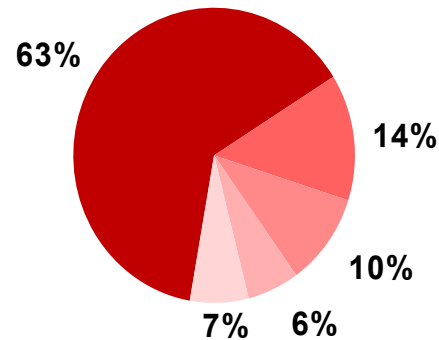
Source: Company data

Cost Composition

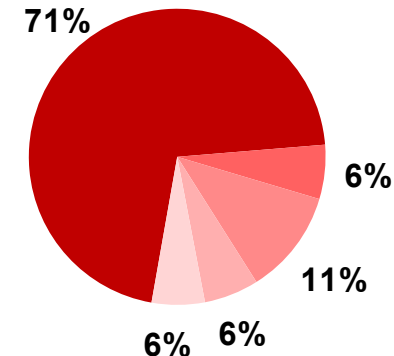
Cost Breakdown in H1 2010

Cost Breakdown in H1 2011

- Polypropylene & polyethylene
- Depreciation
- Other raw materials and consumables
- Staff costs
- Electricity



17.8%



- Substantial increase of PP/PE costs by 31.3% yoy due to higher polymer prices
- Staff costs up by 18.4% yoy as a result of CZK/EUR development, higher number of employees and revaluation of stock options
- Electricity up by 1.1% yoy due to increased price for distribution on the account of renewable energy costs
- Lower depreciation due to a changed estimated useful lifetime of production technology

Source: Company data

Statement of Financial Position

Euro (000')	Dec 31, 2010 (audited)	June 30, 2011 (unaudited)	% change
Non-current assets			
Property, plant and equipment	200,515	241,939	20.7%
Intangible assets (including goodwill)	107,713	146,409	35.9%
	92,802	95,530	2.9%
Current assets			
Inventories	50,706	58,111	14.6%
Trade and other receivables	14,741	17,961	21.8%
Bank balances and cash	31,280	36,352	16.2%
	4,685	3,798	(18.9%)
Total assets			
	251,221	300,050	19.4%
Total share capital and reserves			
	129,041	143,378	11.1%
Non-current liabilities			
Bank loans due after 1 year	106,239	113,686	7.0%
Deferred tax	95,450	102,374	7.3%
Other payables	10,686	11,213	4.9%
	103	99	(3.9%)
Current liabilities			
Trade and other payables	15,941	42,986	169.7%
Tax liabilities	13,419	35,328	163.3%
Bank overdrafts and loans	1,734	--	n/a
	788	7,658	871.8%

Source: Company data

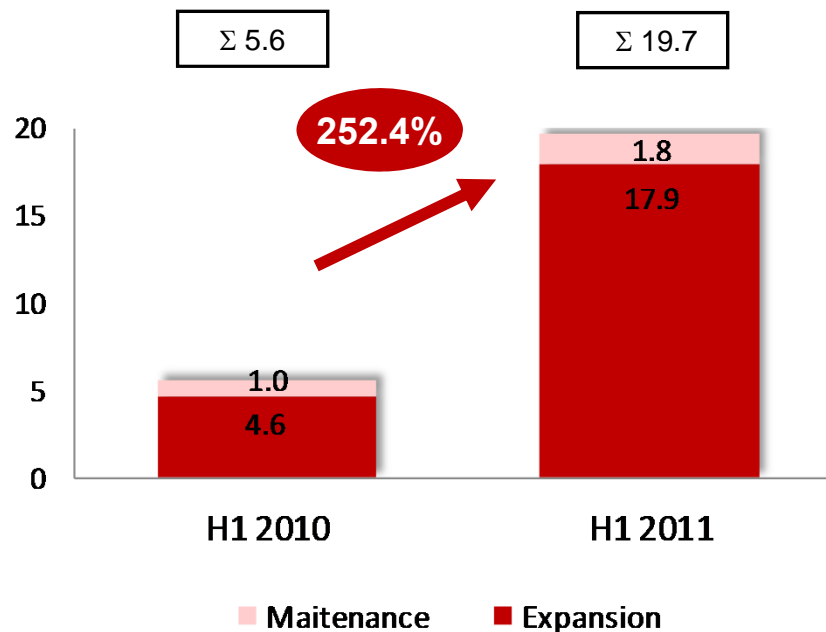
Cash Flow Statement

Euro (000')	Six months to June 30		
	2010 (unaudited)	2011 (unaudited)	% change
Profit before tax	9,815	12,318	25.5%
Amortization / Depreciation	8,217	4,229	(48.5%)
FX	(1,121)	(2,412)	115.2%
Interest Expense	1,608	2,096	30.3%
Fair value changes of interest rate swaps	(1,245)	667	n/a
Other financial expense	34	(36)	n/a
Change in inventories	733	(2,788)	n/a
Change in receivables	(2,899)	(4,175)	44.0%
Change in payables	(1,995)	1,451	n/a
Income tax paid	(889)	(3,486)	292.1%
Net Cash Flow from Operating activities	12,258	7,864	(35.8%)
Purchases of property, plant and equipment	(5,577)	(19,652)	252.4%
Net Cash Flow from Investment activities	(5,577)	(19,652)	252.4%
Change in bank loans	(5,155)	12,188	n/a
Change in long term debt	13	(4)	n/a
Interest paid	(1,348)	(1,319)	(2.2%)
Other financial income	(34)	36	n/a
Net Cash Flow from Financing activities	(6,524)	10,901	n/a
Bank balances and cash at the beginning of the year	473	4,685	890.5%
Change in cash and cash equivalents	157	(887)	n/a
Bank balances and cash at the end of the period	630	3,798	502.9%

Source: Company data

CAPEX Development

CAPEX Breakdown H1 2011



- Substantial increase of expansion CAPEX due to the 9th production facility project and 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:

- **Continuing growth in polymer prices affected H1 2011, however their recent decline will support Q3 2011**
- **Positive effect of new capacity in H2 2011**
- **EBITDA guidance confirmed – 2011 EBITDA expected to grow 2% – 7% yoy (2010 EBITDA: 35.2 million)**
- **CAPEX guidance changed to EUR 42 million (CZK/EUR 24.5)**

Investment in Egypt



Investment in Egypt

- Intention to build a new plant in Egypt; total investment for the first phase of EUR 55 – 60 million
- Following PEGAS's important customer
- New opportunities in the promising markets of North Africa, the Middle East and Asia
- Two production lines planned (2013 and 2015-16), 20 thousand tonnes of annual capacity in first stage
- A new subsidiary PEGAS NONWOVENS EGYPT LLC founded
- A plot of land of 42,000 m² for the production site in the City of 6th October purchased
- New refinancing secured in connection with the investment project

Refinancing

- **June 8, 2011 PEGAS signed a new 5-year non-amortizing loan of EUR 180 million, consisting of a revolving facility up to EUR 165 mil. and an overdraft of up to EUR 15 mil.**
- **Floating interest rate is based on EURIBOR**
- **Interest rate risk on the financing largely hedged by IRS**

Declaration of Dividend



Declaration of Dividend

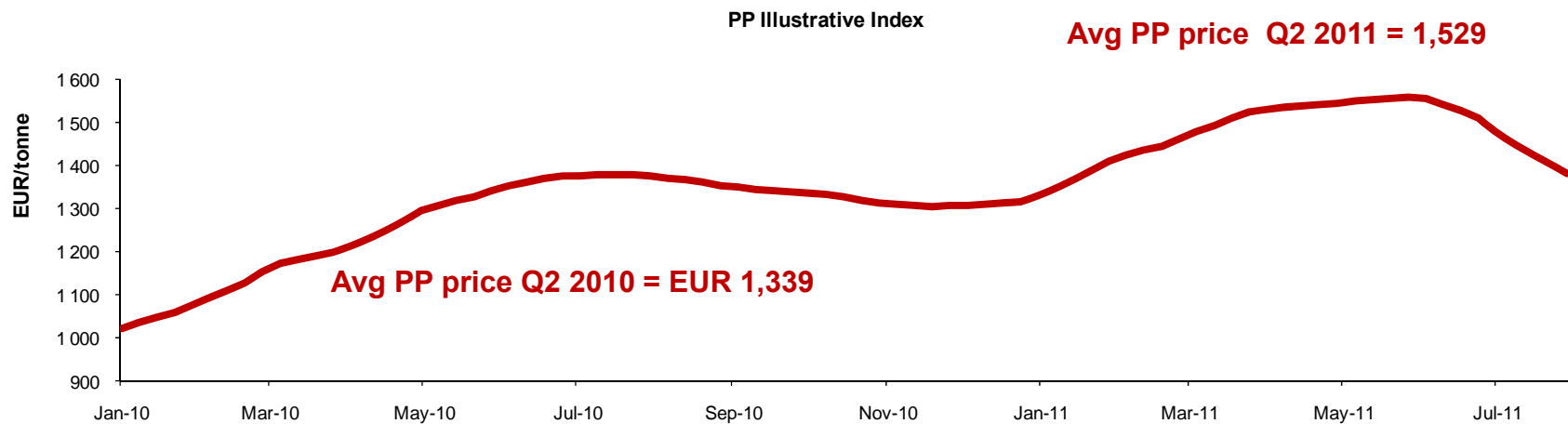
- **Board of Directors approved a dividend payment of EUR 9,229,400 or EUR 1 per share**
- **The record date was set to October 20, 2011 and the payment date to October 27, 2011**
- **The dividend will be paid from the share premium account**

Event Schedule

Event	Date
Dividend Record Date	October 20, 2011
Dividend Payment Date	October 27, 2011
Q3/9M 2011 Results	November 24, 2011

Appendix

Development of Polymer Prices



- Development of polymer prices further impacted the Company's profitability
- On average, polymer prices went up by 14% compared with Q2 2010 and by 5% qoq

Source: Company data