

# Half Year Results January – June 2010

## Analyst Conference Call

August 26, 2010

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# Agenda

- **H1 & Q2 2010 Highlights**
- **H1 & Q2 2010 Financial Performance**
- **2010 Guidance Update**

# Presentation Team

<b>Mr František Řezáč</b>	<b>Mr Marian Rašík</b>
<b>Chief Executive Officer</b>	<b>Chief Financial Officer</b>

# H1 & Q2 2010 Highlights



# H1 & Q2 2010 Key Highlights

## Financial Performance

- H1 2010 revenues EUR 68.8 million up by 8.9% yoy due to higher polymer prices
- H1 2010 EBITDA EUR 16.3 million down by 27.2 % yoy due to extraordinarily high EBITDA achieved in 1H 2009 and negative pass-through mechanism in Q2 2010
- H1 2010 net profit EUR 9.4 million down by 41.1% yoy driven by lower yoy EBITDA and FX gains
- Continuous reduction of net debt and interest costs

## Market and Business

- The rise of polymer prices continued in Q2 2010, average ICIS in Q2 2010 up by 70 % when compared with Q2 2009 and up by almost 20% compared with 1Q 2010

## Production & Technology

- H1 2010 net production output of 34,374 tonnes remains strong and stable

# Key Financial Highlights

Euro (000')	Q2			H1		
	2009	2010	% change	2009	2010	% change
Revenues	27,528	34,405	25.0%	63,191	68,807	8.9%
Operating Costs	19,146	26,945	40.7%	40,798	52,505	28.7%
EBITDA	8,382	7,460	(11.0%)	22,393	16,302	(27.2%)
<i>EBITDA margin (%)</i>	30.4%	21.7%	<i>(8.7 pp)</i>	35.4%	23.7%	<i>(11.7 pp)</i>
Profit from operations (EBIT)	4,435	3,317	(25.2%)	14,637	8,085	(44.8%)
<i>EBIT margin (%)</i>	16.1%	9.6%	<i>(6.5 pp)</i>	23.2%	11.8%	<i>(11.4 pp)</i>
Net Profit	9,303	1,781	(80.9%)	16,024	9,443	(41.1%)
<i>Net Profit Margin (%)</i>	33.8%	5.2%	<i>(28.6 pp)</i>	25.4%	13.7%	<i>(11.7 pp)</i>
Production (tonnes net of scrap)	17,256	17,523	1.5%	34,333	34,374	0.1%
Number of Employees (EOP)				382	387	1.3%

	December 31, 2009	June 30, 2010	% change
Total assets	235,847	242,707	2.9%
Net debt	95,610	93,403	(2.3%)

Source: Company data, consolidated unaudited results

# H1 & Q2 Financial Performance





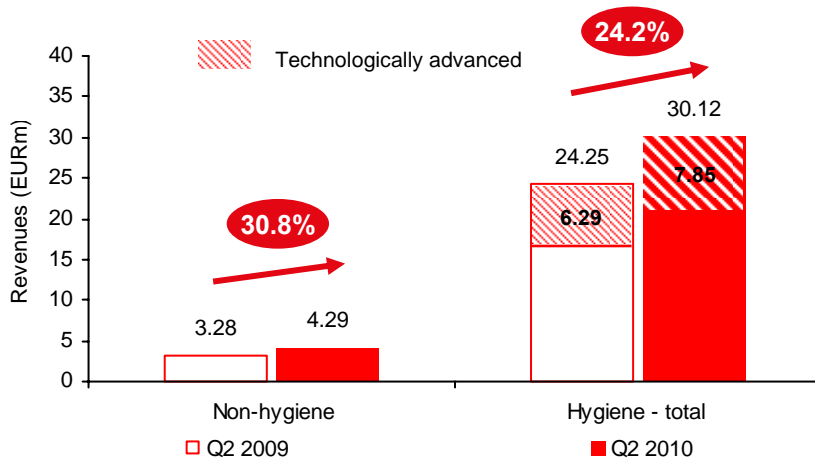
# Statement of Comprehensive Income

Euro (000')	Q2			H1		
	2009	2010	% change	2009	2010	% change
Revenues	27,528	34,405	25.0%	63,191	68,807	8.9%
Raw materials & consumables	(17,326)	(25,342)	46.3%	(37,403)	(49,326)	31.9%
Staff costs	(1,875)	(1,818)	(3.0%)	(3,485)	(3,604)	3.4%
Of which Share price bonus	(102)	74	n/a	(102)	67	n/a
Other net operating income/(expense)	55	215	290.9%	90	425	372.2%
<b>EBITDA</b>	<b>8,382</b>	<b>7,460</b>	<b>(11.0%)</b>	<b>22,393</b>	<b>16,302</b>	<b>(27.2%)</b>
<b>EBITDA Margin (%)</b>	<b>30.4%</b>	<b>21.7%</b>	<b>(8.7 pp)</b>	<b>35.4%</b>	<b>23.7%</b>	<b>(11.7 pp)</b>
Depreciation	(3,947)	(4,143)	5.0%	(7,756)	(8,217)	5.9%
<b>Profit from operations (EBIT)</b>	<b>4,435</b>	<b>3,317</b>	<b>(25.2%)</b>	<b>14,637</b>	<b>8,085</b>	<b>(44.8%)</b>
<b>EBIT Margin (%)</b>	<b>16.1%</b>	<b>9.6%</b>	<b>(6.5 pp)</b>	<b>23.2%</b>	<b>11.8%</b>	<b>(11.4 pp)</b>
FX changes and other fin. income/(expense) (net)	7,162	(1,049)	n/a	4,414	3,337	(24.4%)
Interest (expense)/income (net)	(816)	(800)	(2.0%)	(1,955)	(1,607)	(17.8%)
Income tax (expense)/income (net)	(1,478)	313	n/a	(1,072)	(372)	(65.3%)
<b>Net Profit</b>	<b>9,303</b>	<b>1,781</b>	<b>(80.9%)</b>	<b>16,024</b>	<b>9,443</b>	<b>(41.1%)</b>
<b>Net Profit Margin (%)</b>	<b>33.8%</b>	<b>5.2%</b>	<b>(28.6 pp)</b>	<b>25.4%</b>	<b>13.7%</b>	<b>(11.7 pp)</b>
Other comprehensive income/(expense)	4,373	(1,042)	n/a	3,380	1,136	(66.4%)
Total comprehensive income	13,676	739	(94.6%)	19,404	10,579	(45.5%)

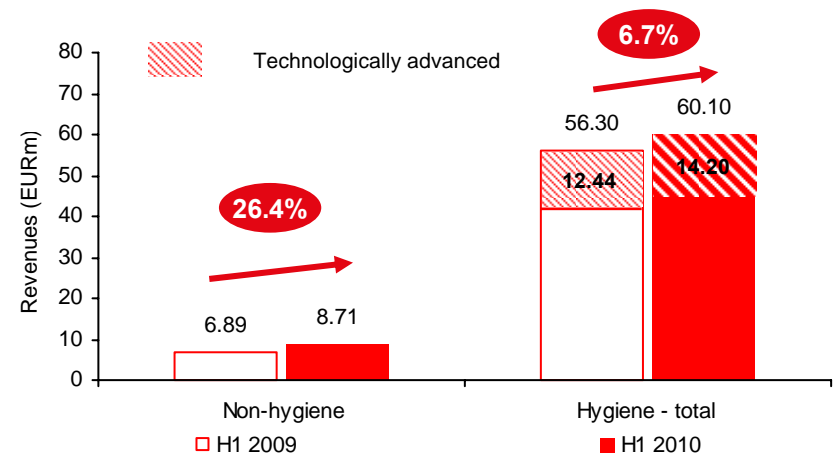
Source: Company data, unaudited

# Revenue Breakdown by Product

Q2



H1

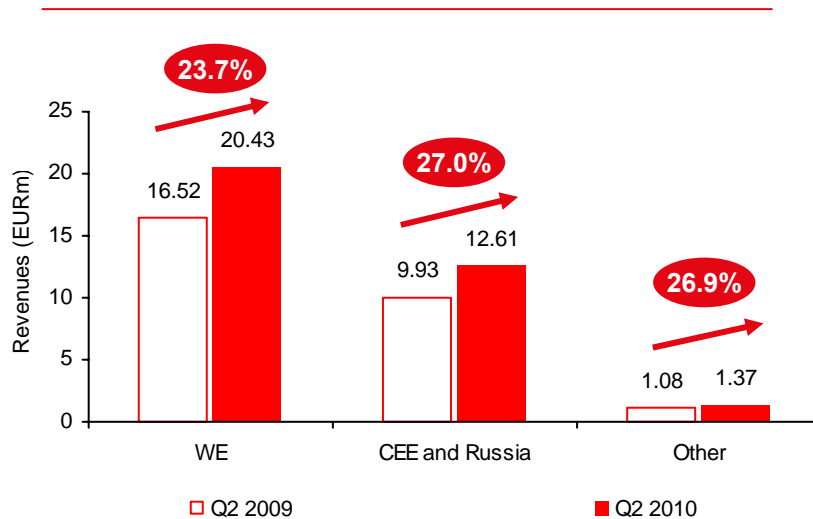


- Growth in all individual revenue categories driven by total revenue increase
- Continuing focus on the hygiene market

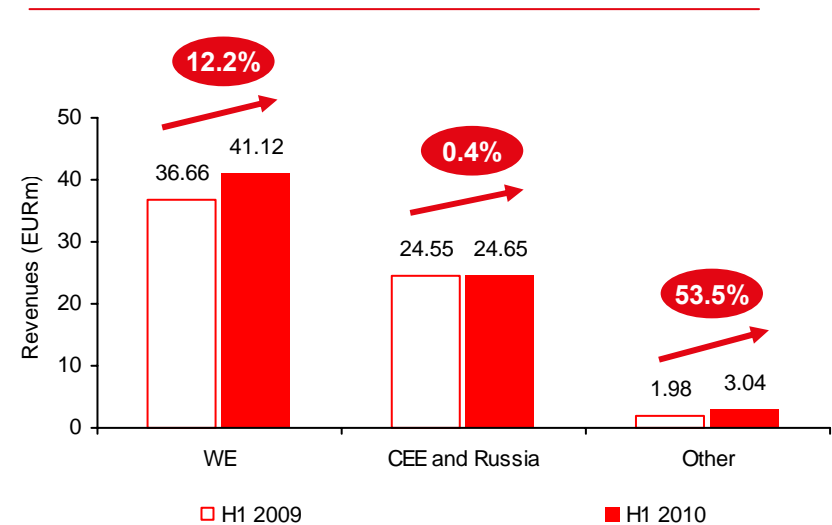
Source: Company data

# Revenue Breakdown by Geography

Q2



H1

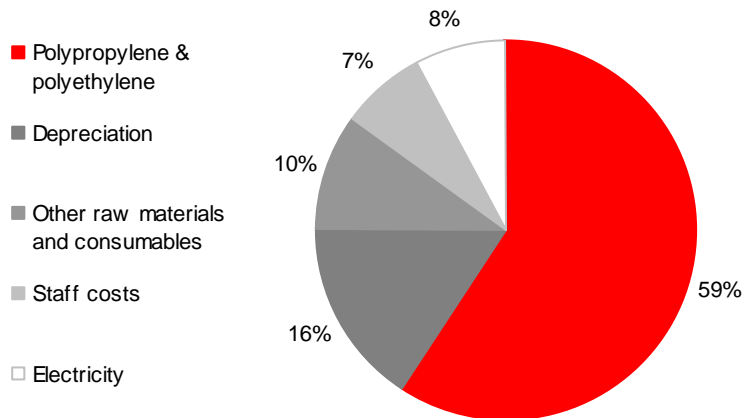


- Growth in all individual revenue categories driven by total revenue increase
- Company continues in its key focus on the European market

Source: Company data

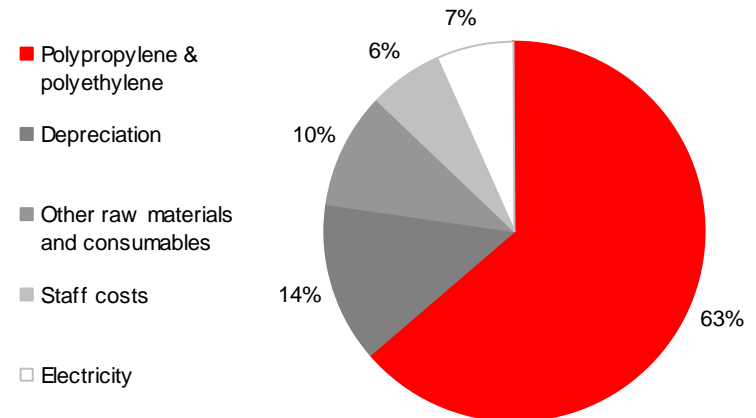
# Cost Composition

## Cost Breakdown in H1 2009



## Cost Breakdown in H1 2010

25.1%



- Substantial increase in PP/PE costs by 34.5% yoy due to higher polymer prices
- Electricity up by 8.6% yoy due to an increase in prices charged for distribution and due to FX rate movements

Source: Company data

# Statement of Financial Position

Euro (000')	June 30, 2009	Dec 31, 2009	June 30, 2010	% change
	(unaudited)	(audited)	(unaudited)	Jun10/Dec09
<b>Non-current assets</b>	<b>208,531</b>	<b>196,739</b>	<b>200,030</b>	<b>1.7%</b>
Property, plant and equipment	118,683	108,865	109,537	0.6%
Intangible assets (including goodwill)	89,848	87,874	90,493	3.0%
<b>Current assets</b>	<b>39,077</b>	<b>39,108</b>	<b>42,677</b>	<b>9.1%</b>
Inventories	14,909	13,652	13,328	(2.4%)
Trade and other receivables	23,900	24,983	28,719	15.0%
Bank balances and cash	268	473	630	33.2%
<b>Total assets</b>	<b>247,608</b>	<b>235,847</b>	<b>242,707</b>	<b>2.9%</b>
<b>Total share capital and reserves</b>	<b>118,583</b>	<b>113,273</b>	<b>123,852</b>	<b>9.3%</b>
<b>Non-current liabilities</b>	<b>95,468</b>	<b>94,112</b>	<b>104,968</b>	<b>11.5%</b>
Bank loans due after 1 year	83,480	82,614	94,033	13.8%
Deferred tax	11,938	11,471	10,895	(5.0%)
Other payables	50	27	40	48.1%
<b>Current liabilities</b>	<b>33,557</b>	<b>28,462</b>	<b>13,887</b>	<b>(51.2%)</b>
Trade and other payables	13,697	13,977	12,845	(7.5%)
Tax liabilities	400	1,016	1,042	2.6%
Bank overdrafts and loans	19,460	13,469	--	n/a

Source: Company data

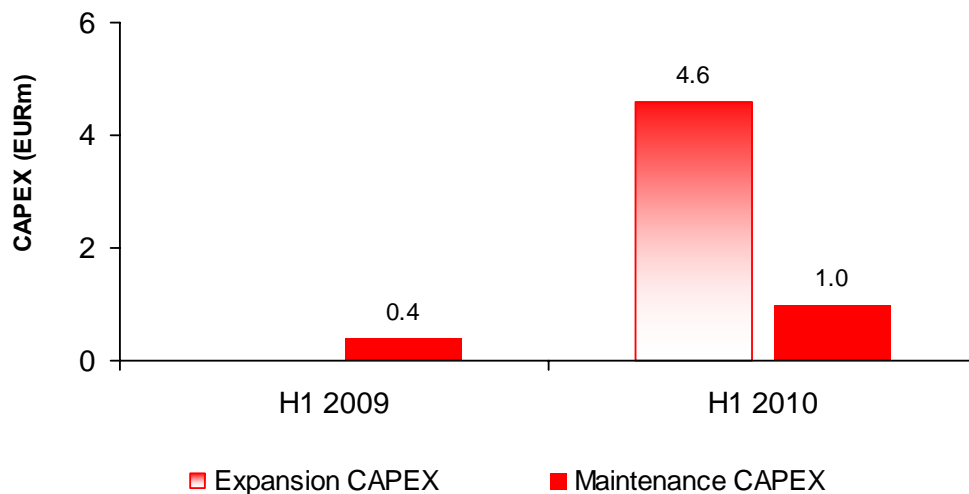
# Cash Flow Statement

Euro (000')	Six months to June 30		% change
	2009 (unaudited)	2010 (unaudited)	
<b>Profit before tax</b>	<b>17,096</b>	<b>9,815</b>	<b>(42.6%)</b>
Amortization/ Depreciation	7,756	8,217	5.9%
FX	(1,213)	(1,121)	(7.6%)
Interest Expense	1,961	1,608	(18.0%)
Fair value changes of interest rate swaps	244	(1,245)	n/a
Other financial expense	256	34	(86.7%)
Change in inventories	(1,589)	733	n/a
Change in receivables	4,345	(2,899)	n/a
Change in payables	(4,158)	(1,995)	(52.0%)
Income tax paid	(7)	(889)	n/a
<b>Net Cash Flow from Operating activities</b>	<b>24,691</b>	<b>12,258</b>	<b>(50.4%)</b>
Purchases of property, plant and equipment	(415)	(5,577)	1,243.9%
<b>Net Cash Flow from Investment activities</b>	<b>(415)</b>	<b>(5,577)</b>	<b>1,243.9%</b>
Change in bank loans	(21,935)	(5,155)	(76.5%)
Change in long term debt	45	13	(71.1%)
Interest paid	(2,171)	(1,348)	(37.9%)
Other financial income	(256)	(34)	(86.7%)
<b>Net Cash Flow from Financing activities</b>	<b>(24,317)</b>	<b>(6,524)</b>	<b>(73.2%)</b>
<b>Bank balances and cash at the beginning of the year</b>	<b>309</b>	<b>473</b>	<b>53.1%</b>
<b>Change in cash and cash equivalents</b>	<b>(41)</b>	<b>157</b>	<b>n/a</b>
<b>Bank balances and cash at the end of the period</b>	<b>268</b>	<b>630</b>	<b>135.1%</b>

Source: Company data

# CAPEX Development

## H1 CAPEX Breakdown



- H1 2009 – maintenance CAPEX only
- H1 2010 – down payments related to the 9<sup>th</sup> production facility project
- H1 2010 higher maintenance in line with plan
- Full year CAPEX guidance up to EUR 9 million unchanged

Source: Company data

# Dividend Payment

- **Intention to pay out dividend of EUR 8,767,930 or EUR 0.95 per share**
- **Source of the dividend payment will be the Company's share premium account**
- **The dividend is expected to be paid at the end of September 2010**
- **Final confirmation, record and payment dates will be announced in the first half of September**



# 2010 Guidance Update



# 2010 Guidance Confirmation

*PEGAS confirms its full year guidance:*

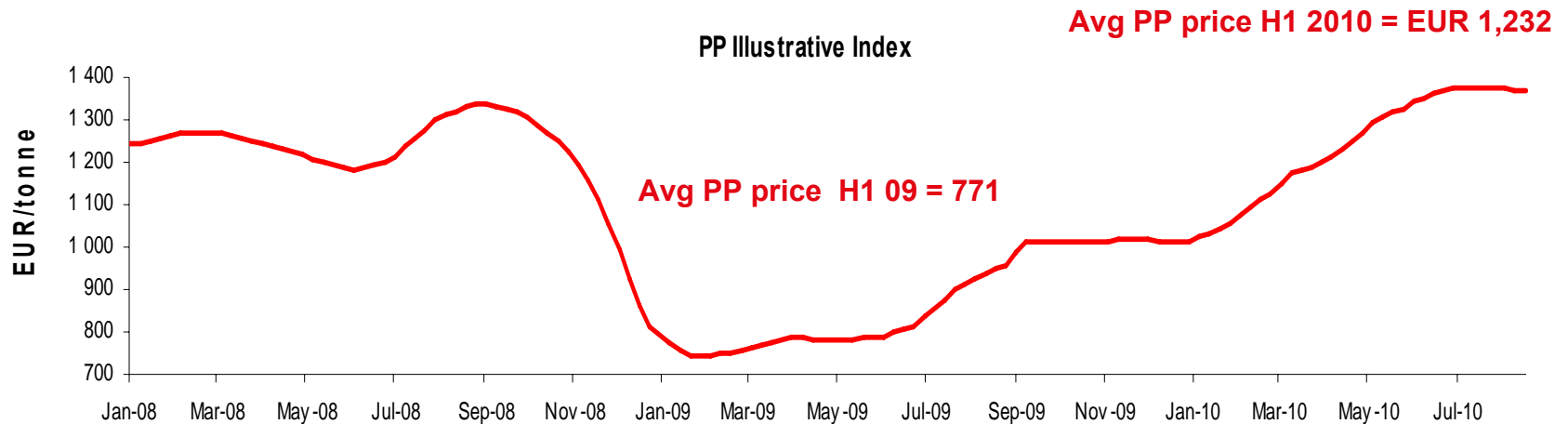
- **2010 production capacity sold out**
- **2010 EBITDA expected to decrease by up to 10% compared with 2009 (2009 EBITDA: EUR 38.8 million)**
- **Total 2010 CAPEX up to EUR 9 million at a constant FX rate of CZK/EUR 26**
- **Further reduction of bank debt planned**
- **Unexpected rapid increase of polymer price indexes negatively affected recorded financial results and if the indexes continue to rise, it may put the Company's targets at risk. Based on the latest developments this scenario is not expected.**

# Reporting Schedule

2010 Reporting Calendar	IR Contact Details
9M 2010 Results – November 25, 2010	Tel: +420 515 262 408 Fax: +420 515 262 515 E-mail: <a href="mailto:IRO@pegas.cz">IRO@pegas.cz</a>

# Appendix

# Development of Polymer Prices



- The annual rise in revenues is driven by higher polymer prices / costs which are passed into final output prices
- On average, polymer prices went up by 60%, when first halves of 2009 and 2010 are compared

Source: Company data