PEGAS
NONWOVENS
every single detail

HALF YEAR REPORT 2013

PEGAS NONWOVENS SA

29 AUGUST 2013

PEGAS NONWOVENS SA

Half Year Report 2013

29 AUGUST 2013

CHAPTER 1

Introduction

PEGAS NONWOVENS SA (hereafter “PEGAS” or “the Company” or “Group”) is one of the leading European producers of nonwoven textiles. PEGAS supplies its customers with spunbond and meltblown (together, “spunmelt”) polypropylene- and polypropylene/polyethylene-based (“PP” and “PP/PE”) textiles principally for use in disposable hygiene products (such as baby diapers, adult incontinence and feminine hygiene products) and, to a lesser extent, in construction, agricultural and medical applications.

In over twenty years of its existence (founded in 1990), based on annual production capacity in tonnes (2012), the Company has become the largest European producer of spunmelt nonwoven textiles. Presently, PEGAS operates nine production lines at two production plants in the Czech Republic and another production line is under construction in Egypt. The total annual production capacity of the Company is currently up to 90 thousand tonnes of nonwoven textiles. PEGAS consists of a parent holding company in Luxembourg and four operating companies, PEGAS NONWOVENS s.r.o., PEGAS-NT a.s., PEGAS – NW a.s. and PEGAS – NS a.s., all located in the Czech Republic. In 2010 PEGAS NONWOVENS International s.r.o. was established as a special purpose company for the execution of potential investment opportunities and this was followed by the establishment of PEGAS NONWOVENS EGYPT LLC in June 2011, a company that executes the investment construction in Egypt. As at 30 June 2013 PEGAS had 571 employees.

Shares in PEGAS are listed on the Prague Stock Exchange and on the Warsaw Stock Exchange, following an Initial Public Offering in December 2006. 100% of the shares are free float, held by institutional and retail investors. As at 30 June 2013, the Company’s senior management together held 0.6% of the shares.

PEGAS is a member of the European Disposables and Nonwovens Association (EDANA).

CHAPTER 2

First Half 2013

Key Figures

Financials (EUR Thousands)	Three Months to 30 June			Six Months to 30 June		
	2012	2013	% Change	2012	2013	% Change
Revenues	47,967	48,119	0.3%	92,269	98,052	6.3%
EBITDA	8,098	9,099	12.4%	17,586	19,160	9.0%
Profit from Operations (EBIT)	5,029	6,234	24.0%	11,429	13,406	17.3%
Net Profit for the Period	449	3,748	734.3%	9,124	6,729	(26.2%)
CAPEX	19,161	14,299	(25.4%)	27,393	31,991	16.8%
Ratios						
EBITDA Margin	16.9%	18.9%	2.0 pp	19.1%	19.5%	0.4 pp
Operating Profit (EBIT) Margin	10.5%	13.0%	2.5 pp	12.4%	13.7%	1.3 pp
Net Profit Margin	0.9%	7.8%	6.9 pp	9.9%	6.9%	(3.0 pp)
CAPEX as % of Revenues	39.9%	29.7%	(10.2 pp)	29.7%	32.6%	2.9 pp
Total Production Output (in tonnes net of scrap)	21,612	21,847	1.1%	42,686	43,252	1.3%
Number of Employees – End of Period (EOP)	448	571	27.5%	448	571	27.5%
Number of Employees during Period (Average)	434	555	27.9%	429	524	22.1%
Exchange Rates						
CZK/EUR Average	25.261	25.831	2.3%	25.170	25.699	2.1%
CZK/EUR at EOP	25.640	25.950	1.2%	25.640	25.950	1.2%

Financials (EUR Thousands)	31 December 2012	30 June 2013	% Change
Total Assets	374,223	357,274	(4.5%)
Total Equity	141,494	136,626	(3.4%)
Total Borrowings[1]	151,704	155,342	2.4%
Net Debt/(Net Cash)[2]	125,946	145,991	15.9%
Number of Shares at EOP	9,229,400	9,229,400	0%

[1] Includes total long-term financial debt and short-term financial debt.

[2] Calculated as total borrowings minus cash and cash equivalents.

Statement of Mr. František Řezáč, CEO and member of the Board of Directors of PEGAS NONWOVENS SA

“In the second quarter of this year we achieved a year-on-year EBITDA increase of over 12%. The year-on-year comparison was positively affected by the development of polymer prices. Excluding this impact, the achieved EBITDA fell below our expectations primarily due to lower than planned production results.

We consider the successful qualification of the first materials produced at the Egyptian plant, that was completed in very short time, to be very positive, and this success has enabled us to commence commercial deliveries in July. On the grounds of the improved security situation in Egypt, this week we renewed the pilot operations at the Egyptian production line, which we were forced to temporarily suspend in the middle of August. Nevertheless, the security of our employees remains an absolute priority for us and if the situation should again become complicated, we intend to react without any delay. Our view of the Egyptian investment remains unchanged and we remain convinced that from the long term perspective, this region presents interesting opportunities for growth.

Taking into account the heightened tensions of the past several weeks, the contribution of Egyptian plant represents the greatest unknown variable with respect to the outlook for the financial results in the second half. In addition, it is not possible to predict the future development of polymer prices, which have started to rise again in recent weeks. Notwithstanding these circumstances, we are confirming our full year EBITDA outlook, though at the lower end of the announced range.”

2013 Guidance Confirmed

In the first half of 2013, the Company achieved financial results that are in line with the announced outlook for the entire year 2013.

Based on the results achieved in the first half of 2013 and respecting the developments in the European and Middle Eastern nonwoven textile markets, including the expected development in the polymer market, the Company confirms its previously announced outlook for 2013 and expects this year’s EBITDA to grow between 5 and 15% compared with the result achieved in 2012 (EUR 38.1 million). With respect to the current political situation in Egypt and the recent trend of growing polymer prices, this growth should be at the lower end of the announced range.

The Company estimates that in 2013 the total capital expenditure will not exceed EUR 41 million (at the constant exchange rate of CZK/EUR 25).

CHAPTER 3

Interim Management Report for the First Half of 2013

3.1 Financial Results in the First Half of 2013

Revenues, Costs and EBITDA

In the first half of 2013, consolidated revenues (revenues from sales of products) reached EUR 98.1 million, up by 6.3% yoy. The year-on-year growth in revenues resulted from a higher polymer price level and increased sales of finished products, particularly in the first quarter of the year.

In the second quarter of this year, the total consolidated revenues were EUR 48.1 million, a 0.3% increase compared with the same period last year. The change in the price of polymers had a minimal effect on the year-on-year comparison.

Total consolidated operating costs without depreciation and amortization (net) went up by 5.6% yoy to EUR 78.9 million in the first half of 2013. The main reason for the increase was rising consumption of polymers related to good sales levels and growing staff costs due to an increased number of employees. In the second quarter of 2013, consolidated operating costs without depreciation and amortization (net) were EUR 39.0 million, representing a decrease of 2.1% yoy resulting from lower polymer prices.

In the first half of 2013, EBITDA amounted to EUR 19.2 million, up by 9.0% yoy. The year-on-year comparison was affected by the development of polymer prices and the delay in the pass-through mechanism of these prices, which resulted in a reduction in last year's EBITDA, particularly in its second quarter. Good sales performance and the reduction in inventories in the first months of this year also contributed to the growth of this indicator. On the other hand, growing staff costs had a negative effect, resulting from the higher number employees that were required for putting the new Egyptian production line into operation, and the revaluation of the share option plan to fair value.

EBITDA amounted to EUR 9.1 million in the second quarter of 2013, up by 12.4% yoy. The delay in the polymer price pass-through mechanism reduced EBITDA in the second quarter of last year, whereas in the same period of this year the effect was slightly positive. Lower than planned production results and the revaluation of the share option plan to fair value reduced the year-on-year increase.

In the first half of 2013, the EBITDA margin was 19.5%, which is 0.4 percentage points higher than in the same period in 2012. The EBITDA margin in the second quarter of 2013 amounted to 18.9%, which is two percentage points above the previous year.

Operating Costs

Total raw materials and consumables used in the first half of this year amounted to EUR 73.7 million, a 4.8% yoy increase. The main factor affecting the year-on-year increase was the higher consumption of input materials resulting from the good sales levels achieved in the first quarter of the year. In the second quarter of 2013, this item reached EUR 36.2 million, a decrease of 3.9% yoy. This decline was influenced by the lower polymer price level.

In the first half of 2013, total staff costs amounted to EUR 5.0 million, an increase of 16.1%. The year-on-year comparison was significantly affected by the negative effect of the revaluation of the share option plan. Total staff costs denominated in local currencies, i.e. in Czech crowns and Egyptian pounds without the revaluation of the share option plan increased in the first half of 2013 by 8.8% in connection with the increase in the number of employees needed for the new production line in Egypt and the indexation of wages.

In the second quarter, staff costs grew by 18.2% to EUR 2.6 million. Total staff costs denominated in local currencies and without the revaluation of the share option plan increased by 9.4% yoy due to the above mentioned reasons.

Other operating expenses (net) reached EUR 0.2 million in the first half of this year, growing by 121.6% relative to the amount recorded last year. In the second quarter of 2013, Other operating income (net) amounted to EUR 0.3 million, up by 291.7% yoy.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 5.8 million in the first half of 2013, down by 6.5% yoy. Consolidated depreciation and amortization amounted to EUR 2.9 million in the second quarter, down by 6.6% yoy. The depreciation of the CZK against the EUR contributed to this decline.

Profit from Operations

In the first half of 2013, profit from operations (EBIT) amounted to EUR 13.4 million, up by 17.3% over the same period in 2012. The increased profit from operations was positively affected by the growth of EBITDA and lower depreciation and amortization.

In the second quarter of 2013, profit from operations (EBIT) increased by 24.0% to EUR 6.2 million.

Financial Income and Costs

In the first half of 2013, foreign exchange changes and other financial income/expense (net) amounted to an expense of EUR 3.4 million compared to an income of EUR 1.4 million achieved in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year-on-year change of this item resulted from the development of the CZK/EUR and USD/EUR FX rates which led to subsequent unrealized FX changes related to the revaluation of balance sheet items denominated in EUR (particularly bank debt and inter-company loans). In the second quarter of 2013, FX gains and other financial income/(expense) (net) represented an expense of EUR 0.3 million, declining by 90.8% yoy.

Interest expenses (net) related to debt servicing amounted to EUR 2.1 million in the first half, a 9.1% decrease compared with the same period in 2012. In the second quarter of 2013, interest expenses (net) related to debt servicing amounted to EUR 1.1 million, a 16.9% decrease compared with the same period last year. Interest expenses connected with the construction of the production plant in Egypt are capitalised in the acquisition price of the investment.

Income Tax

In the first half of 2013, income tax amounted to EUR 1.2 million, down by 14.8% yoy. Income tax in this period declined due to the unrealized foreign exchange losses reported in 2013. Change in deferred tax represented an expense of EUR 0.2 million, the remainder of the amount is current income tax.

In the second quarter of 2013, income tax amounted to EUR 1.1 million, compared with the positive amount of EUR 0.5 million in the same period last year. The gain in the second quarter of last year resulted from the high foreign exchange losses booked in that period. In the second quarter of 2013, current income tax amounted to EUR 1.0 million, while changes in deferred tax were EUR 0.1 million.

Net Profit

In the first half of 2013, net profit reached EUR 6.7 million, down by 26.2% yoy, primarily due to unrealized foreign exchange losses. In the second quarter of 2013, the Company achieved a net profit of EUR 3.7 million, up by 734.3% over the same period in 2012 thanks to a higher operating profit and a decline of losses resulting from FX rate movements.

CAPEX and Investments

In the first half of 2013, consolidated capital expenditures represented EUR 32.0 million, up by 16.8% over the same period last year. Capital expenditures related to the construction of the Egyptian production plant represented EUR 30.7 million of this amount. Maintenance CAPEX constituted EUR 1.3 million.

In the second quarter of 2013, total consolidated capital expenditures amounted to EUR 14.3 million, down by 25.4% over the same period last year. The costs related to the construction works in Egypt represented EUR 13.5 million of this amount and the remainder went to investments into the maintenance of production plants in the Czech Republic.

The Company estimates that in 2013 the total capital expenditure will not exceed EUR 41 million (at the constant exchange rate of CZK/EUR 25).

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 June 2013 was EUR 155.3 million, a 2.4% increase compared with 31 December 2012. Net Debt as at 30 June 2013 reached EUR 146 million, up by 15.9% compared with 31 December 2012. As at 30 June 2013 the Net Debt/EBITDA ratio was 3.7×.

3.2 Business Overview of the First Half 2013

In the first half of 2013, the total production output (net of scrap) reached 43,252 tonnes, up by 1.3% compared with the first half of 2012. The higher production in 2013 was supported by a lower number of days spent on technological breaks. These technological breaks will be performed in the second half of the year. In the second quarter of 2013, the Company produced 21,847 tonnes, up by 1.1% over the same period last year.

In the first half of 2013, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 89.0% share of total revenues, which is an increase of more than 2 percentage points compared with the first half of 2012. The high share of products in this category confirms the important position that the Company has in this market. In the second quarter of 2013, the share of revenues from sales of nonwoven textiles for the hygiene industry on total revenues was 88.2%, up by 0.9 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 63.7 million in the first half of 2013, an increase of 1.1% compared to the first half of 2012. In the first half of 2013, the share of revenues from sales of standard textiles for the hygiene industry represented a 65.0% share of total revenues, a decrease of 3.2 percentage points compared with the first half of 2012. In the second quarter of 2013, this share decreased slightly to 62.8%. In the first half of 2013, the revenues from sales of light-weight and bi-component materials reached EUR 23.6 million, a 37.2% increase compared to the first half of 2012. The share of revenues from sales in this product category of total revenues in the first half of 2013 amounted to 24.0% and in the second quarter of 2013 this share grew to 25.4%.

In the first half 2013, revenues from sales of non-hygiene products (for construction, agriculture and medical) amounted to EUR 10.8 million, a decrease of 11.0% yoy. The share of sales of non-hygiene products on total revenues was 11.0% in the first half of 2013 and reached 11.8% in the second quarter of this year.

The geographical distribution of its markets[3], confirms the Company's steady focus on sales to the broader European area. In the first half of 2013, revenues from sales to Western Europe amounted to EUR 37.0 million, which represented a 37.8% share of total revenues, compared with a 47.9% share in the same period in 2012. In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 52.8 million and represented a 53.8% share of total revenues. Revenues from sales to other territories amounted to EUR 8.2 million, and represented an 8.4% share of total revenues.

3.3 Investment in Egypt

In June 2011, the Company announced its plan to build a new production plant in Egypt. This decision was made on the basis of successful negotiations with a major customer, who expressed interest in deliveries of nonwoven textiles to their production plants in the Middle East. The decision was also supported by the growth potential of this market.

PEGAS plans to build two production lines in Egypt. The first production line has a production capacity of approximately 20 thousand tonnes (depending on the product portfolio). This production line is currently in the final phase of being put into operation. If the market conditions in the region are positive, the Company expects to expand the plant by a second production line in the years 2015-2016, which would increase the total capacity of the Egyptian plant to 45-50 thousand tonnes. PEGAS hired approximately 90 new employees for the first production line.

In 2011, the Company secured financing for international expansion by refinancing the existing loan facility and in the autumn of the same year it concluded an insurance policy with the Export Guarantee and Insurance Corporation ("EGAP") for the coverage of risks related to the Egyptian investment.

The construction of the first production line is proceeding according to the planned time schedule. At the beginning of this year, the gross assembly of the production technology was completed and the plant was connected to the power grid. The production line commissioning process was commenced in February 2013, and was successfully completed at the start of July. Also, the qualification of the first materials was successfully completed at customers' sites and the production plant started producing its first commercial deliveries in July.

The Company expects that the total investment sum expended within the scope of the first phase of the project will be in the EUR 64 to 67 million range (at current foreign exchange rate levels, and without including capitalised interest expenses).

[3] The geographical breakdown is based on the location of delivery.

3.4 Research & Development

The development of new applications, products and the optimisation of technologies are some of the key components of the current and future strategy of the Company. This platform is supported by a team of technical engineers, who are dedicated to product development, customer and technology support.

Work teams are active in several different areas, which are principally divided into industrial and hygiene applications, with the main focus on the hygiene field as the key driver for the most important projects at the Company.

From a technological standpoint, the technical department has two primary objectives:

1) to improve the quality, performance and efficiency of production of standard products and
2) to develop products with added value through the use of current and new technologies including the bicomponent spinning technology.

Both of these objectives are being achieved in cooperation with the raw material suppliers, using standard and special new polymers, and/or with machinery suppliers, allowing the Company to produce added value products for its customers.

In the technology field, PEGAS is continuing in the commercialisation of ultra light-weight materials produced on the latest production line in the Czech Republic. The production line has confirmed the expected parameters of the produced materials as well as its overall production efficiency.

Apart from certain ultra light-weight materials, in terms of new products, PEGAS has successfully developed and started commercialising a new nonwoven material used in medical applications and, thanks to the special treatment of the material, managed to achieve excellent protective properties.

Furthermore, PEGAS is actively working on developing nonwoven textiles that will be fine, drapeable, bulky and have pleasant touch and feel, and textiles with increased stretchability and increased protective properties. When the development of such products is complete and they are put into commercial production, they can bring the customer a range of advantages.

PEGAS cooperates with many different institutes, which positively support the Company's research, especially in the area of modelling the structure of the nonwoven textile with the objective of achieving bulkiness and pleasant touch and feel properties, and also effective protective barrier functions. There are several universities and R&D centres, mainly in the Czech Republic and Slovakia, and also in Western Europe, offering the Company support in various specialised fields and/or highly sophisticated lab resources.

In order to better utilise its production lines and accelerate the development of its projects, PEGAS utilises several pilot lines, which are made available under specific agreements at suppliers' sites. All projects are related either to new technologies themselves or to the utilisation of newly developed raw materials in technologies or projects, which are designed directly for specific customers. They are projects, where all three parties work together covering the entire supply chain.

3.5 Strategy

The future strategic objective of the Company is to:

1) develop and take advantage of growth market opportunities to strengthen its market position,
2) maintain and extend its technological leadership in spunmelt nonwoven textiles for disposable hygiene products in Europe, and
3) deliver solid returns to its shareholders

PEGAS intends to achieve its objectives principally through the following strategies:

Continue investing into technologically advanced production capacity: PEGAS will strive to install state-of-the-art production capacities ahead of its European competitors. The ninth production line was launched in the second half of 2011 in Znojmo and a new production line in Egypt will be put into operation this year.

Maintain close relationships with customers and suppliers: PEGAS will continue to work together with its clients, machinery manufacturers and raw material suppliers on the development of new research and development projects with the objective of staying ahead of the competition. PEGAS will endeavour to remain at the forefront of technical developments in the industry, supply its customers with the highest quality products and continually develop new materials.

Focus on technologically advanced products: PEGAS is Europe's largest producer of bi-component spunmelt nonwovens with extensive experience in the design and production of ultra-lightweight materials.

Maintain industry leading financial performance: The main objective of PEGAS is to grow with its main market and to achieve high operating margins relative to its competitors. PEGAS is effective at generating significant levels of cash, which is subsequently used to support expansion, reduce outstanding debt and pay out dividends.

Monitoring investment opportunities: The Company will continue to monitor investment opportunities outside the Czech Republic, whether acquisitions or the construction of new capacities in other territories.

3.6 Risk Factors

The Company's business, results of operations and financial condition may be adversely affected by the following risks:

MARKETING AND SALES

PEGAS operates in a highly competitive market and the emergence of new competitors or the introduction of new capacities by one of the existing competitors in the hygiene segment could adversely affect sales and margins.

The loss of one or more customers with a significant percentage of the total Company's sales could significantly affect the Company's revenues and profitability.

A change in the demand of end users of hygiene products and a shift of their preferences towards cheaper products could lead to a change in the product mix at PEGAS and affect the Company's revenues and profitability.

PRODUCTION

Any disruption to PEGAS production facilities would have a significant effect on the Company's business. PEGAS is dependent on one manufacturer for the equipment and technical support for the production lines. It is possible that PEGAS may not be able to reconfigure production lines in a timely manner in order to respond to changing demand for particular kinds of spunmelt nonwovens. Machinery from other manufacturers may prove to be more efficient and develop at a faster rate than the machinery from PEGAS's machine supplier.

The Company's competitors may have access to more and cheaper sources of capital allowing them to modernise and expand their operations more quickly, thus giving them a substantial competitive advantage over PEGAS.

The steady supply and transportation of products from PEGAS´s plants to the customers are subject to various uncertainties and risks.

PEGAS depends on external suppliers for key raw materials, therefore increases in the cost of raw materials, electricity and other consumables could have a significant impact on the Company's financial condition and results of operations, although a polymer price increase is by large transferred to customer prices.

RESEARCH AND DEVELOPMENT

The Company's competitors may develop new materials demanded by customers and gain a competitive advantage, which could adversely affect the Company's sales and margins.

POTENTIAL EXPANSION

PEGAS is facing risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including opportunity identification, risk of the completion of the transaction and the integration of other parties into PEGAS's business.

LEGAL AND INTELLECTUAL PROPERTY

PEGAS's operations are exposed to financial and operating uncertainty and are subject to government laws and regulations that may adversely affect the results of operations and financial performance.

PEGAS may be threatened by breaching the intellectual property and rights of other entities.

Adverse outcomes in litigation to which PEGAS might be a party could harm the business and its prospects.

FINANCE

The indebtedness of PEGAS could adversely affect its financial condition and results of operations. There is a risk that interest rates on outstanding bank debt could be reassessed by the banks and increased on the back of macro-economic developments and therefore increased interest costs could affect the Company's profitability.

The current level of indebtedness and conditions imposed on external debt (covenants) may potentially lead to a modification of the current progressive dividend policy of the Company.

There is a risk that the fluctuations in the value of the CZK against the EUR could adversely affect the Company's profitability.

Most of PEGAS's operating subsidiaries avail themselves of tax benefits offered by the Czech government. Hence, the Company's profitability could decrease owing to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

The fluctuation in polymer prices, which are passed on to the customers with some delay may on a short term basis affect the Company's revenues and profitability.

The insurance coverage may not adequately protect PEGAS against possible risk of loss.

SECURITY, ENVIRONMENT AND WORKPLACE SAFETY

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect the Company's results of operations and financial conditions.

KEY PERSONNEL AND TECHNICAL EXPERTISE

The loss of the services of key management personnel could adversely affect the Company's business.

PEGAS may not be able to hire and retain sufficient numbers of qualified professional personnel because these personnel are limited in number and are in high demand.

OWNERSHIP CHANGES

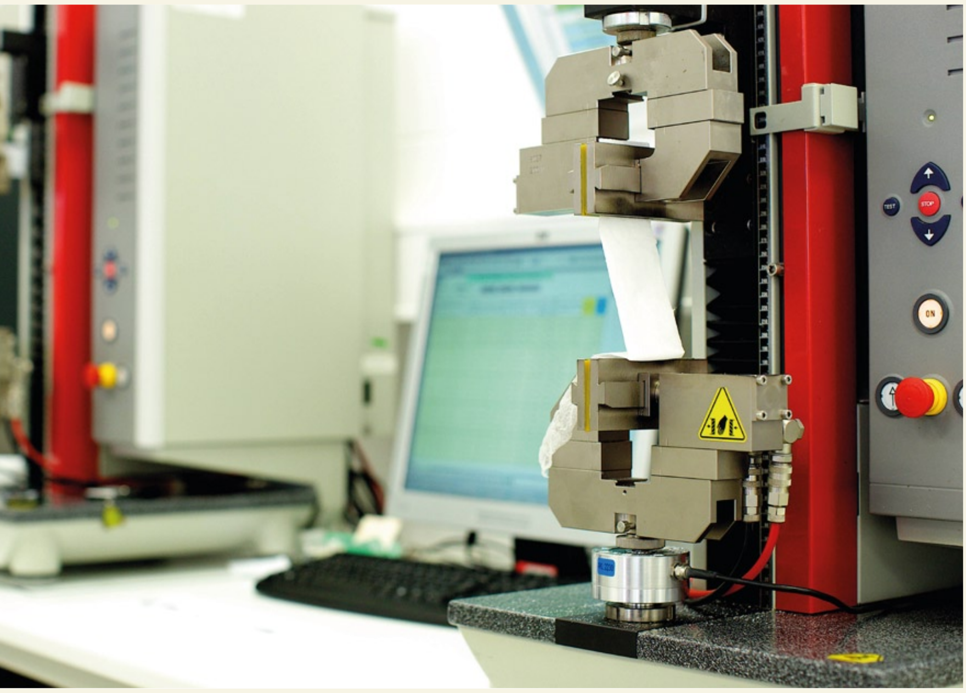
PEGAS is a 100% free float and its ownership structure is very fragmented and divided among many shareholders. A potential entry of a majority investor into the Company could result in a sudden change in the long term strategy and impact the value of the shares.

RISK FACTORS RELATED TO THE INVESTMENT IN EGYPT

Investments in developing markets such as Egypt are usually accompanied by a higher level of risk than investments in more developed countries. These risks include (amongst others) changes in the political environment, transfer of profits, nationalisation or politically motivated damage. In the future, the Egyptian economy may be susceptible to negative impacts similar to those that occur in other developing countries.

Egypt is located in a region, which particularly in the past few years is subject to constant political and security upheaval. Like other countries in this region, Egypt has been the target of random terrorist attacks in the past. It cannot be guaranteed that extremists or terrorist groups will not incite random acts of violence in Egypt or that the government will continue to be able to maintain the current level of order and stability in the country.

Despite the fact that PEGAS has concluded an insurance contract with EGAP for the coverage of risks connected to the investment in Egypt, which includes insurance against risks such as transfer of profits, nationalisation or politically motivated damage, there still exists a risk that the insurance coverage will not sufficiently protect PEGAS against all possible losses related to the investment in Egypt.



CHAPTER 4

Shares and Shareholder Structure

Shareholder Structure as at 30 June 2013

Institutional and Retail Investors (together free float)	100%
of which senior management of the Company	0.6%

Source: Company Data

The total stake held by the management of the Company as at 30 June 2013 was 0.6% and has not changed since the end of 2012.

During the first six months ending 30 June 2013 the Company did not receive any notification from shareholders about an acquisition or change of a major holding in the share capital and the total voting rights attached to the shares issued by the Company.

Share Price and Trading Development in the First Half of 2013[4]

PEGAS shares are traded on the Prague Stock Exchange under ISIN LU0275164910 BAAPEGAS and on the Warsaw Stock Exchange under PGS. The shares of PEGAS NONWOVENS SA are as of 19 March 2007 part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

During the first half of 2013, PEGAS shares were traded for a total value of CZK 700 million on the Prague Stock Exchange and for a total value of PLN 5.5 million on the Warsaw Stock Exchange. The lowest trading price during the first 6 months of 2013 was CZK 489 and PLN 75.1 and the highest CZK 554 and PLN 98.9 on the Prague and Warsaw Stock Exchanges respectively.

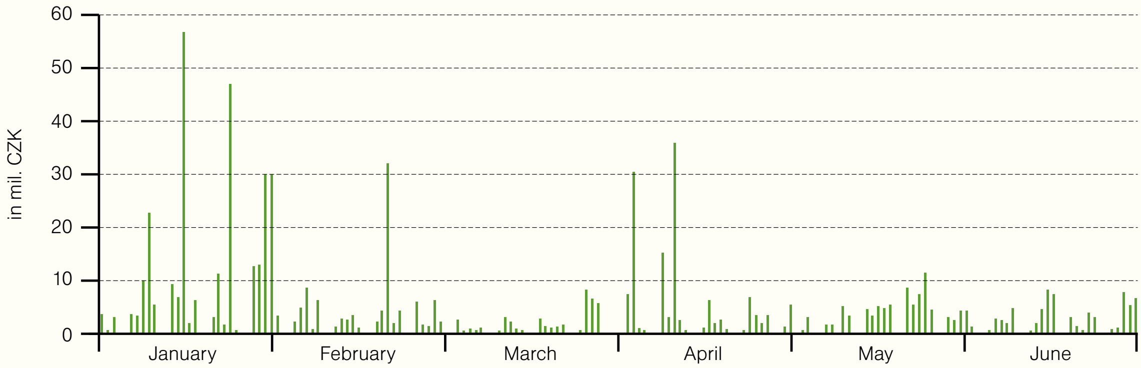
The closing price on 30 June 2013 was CZK 518 on the Prague Stock Exchange and PLN 89.2 on the Warsaw Stock Exchange and market capitalisation reached CZK 4.8 billion (based on the Prague Stock Exchange quote).

[4] Sources: PSE and WSE websites

Share Price Development of PEGAS on the Prague Stock Exchange (1 January 2013–30 June 2013)

Share Price

Trading Volumes



Source: PSE

CHAPTER 5

Dividend Policy and Declaration of Dividend

The Annual General Meeting of PEGAS NONWOVENS SA held on 17 June 2013 in Luxembourg, approved the proposed pay out of a dividend in the amount of EUR 9,690,870, i.e. EUR 1.05 per share. The source of the dividend payout will be 2012 profit and retained earnings of prior years. The record date (i.e. the day at the end of which shares entitled to a dividend are registered at accounts of the entitled persons held by the settlement systems of Centrální depozitář cenných papírů, a.s, Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna or by other respective settlement systems) was set to 18 October 2013 and the dividend payment date was set to 29 October 2013.

Over the past few years the Company has undergone significant development in the area of investments directed at expanding production capacities in the Czech Republic and building the new production plant in Egypt. In order to create reserves for possible unexpected events, which could arise in the future, the Company has taken the decision to pay out a dividend in the same amount as in 2012. This decision does not change the existing progressive dividend policy. Also in upcoming years, the Company would like to pay out at least the same dividend amount, while PEGAS's objective will be to increase the absolute amount year-on-year.

Subject to maintaining satisfactory financial performance and the absence of other attractive opportunities, PEGAS will endeavour to continue with a progressive dividend policy. No specific payout ratio in terms of net profit or an anticipated dividend yield for future years has been set.

CHAPTER 6

Related Party Transactions

Remuneration of Executive and Non-executive Directors

PEGAS NONWOVENS SA signed service agreements with its executive and non-executive directors. Executive directors receive remuneration from the Company's subsidiaries for their services.

Executive directors, i.e. board members and executive heads in the Czech Republic, may use the Company's cars for private purposes. Executive directors do not receive any other benefits in addition to this.

Cash-settled Share-based Payment

In 2007, the Company entered into a Share price bonus scheme for its Senior Management and Board Members. The scheme is realized through Phantom options.

The Annual General Meeting held on 15 June 2007 approved the grant of an aggregate amount of 230,735 phantom options to six senior executive managers and two non-executive directors, for no consideration. The Grant date of the phantom options was 24 May 2007. Each phantom option, when exercised, granted the manager the right to receive cash calculated as the closing price of one Company share on the Prague stock exchange (the PSE) (or other market if the PSE trading is discontinued) on the day preceding the day of exercise of the phantom option less CZK 749.20 representing the offer price at the time of the initial public offering of the shares of PEGAS NONWOVENS S.A. (the IPO price). 25% of the phantom options vest yearly, with the first options vesting on the 1st anniversary of the IPO, i.e. on 18 December 2007 and the last options vesting on 18 December 2010.

The Annual General Meeting held on 15 June 2010 approved the grant of an aggregate amount of 230,735 phantom options (representing 2.5% of the PEGAS's share capital) to the directors and senior management of the Company and/or its affiliates, against no consideration. Each phantom option, when exercised, will grant the director the right to receive in cash an amount equal to the difference between CZK 473.00 representing the PEGAS's share price on the PSE as of 15 December 2009 increased by 10%, and the closing price of one PEGAS's share on the day preceding the day of exercise of the phantom option on the PSE (or other market if the PSE trading is discontinued). 25% of the phantom options (i.e. 57,684 options) are transferred to them each year, i.e. the first options could have been exercised on 18 December 2010 and the last options will be able to be exercised on 18 December 2013. The first options of this share option plan (with the possible vesting date of 18 December 2010) fully replaced the previous options within the scope of the share bonus scheme, which were approved at the Annual General Meeting in 2007 (with the same possible vesting date). Therefore, the right to the remaining 34,008 options (with the vesting date of 18 December 2010) granted in 2007 and approved by the Annual General Meeting held on 15 June 2007 was abandoned. The rights to a part of the phantom share options granted in 2007 ceased due to the departure of former Company directors.

The AGM authorised and empowered the Board of Directors to allocate the above mentioned phantom options between the directors and senior management in accordance with criteria determined by, and at the discretion of, the Board of Directors.

As at 30 June 2013, the total number of issued phantom shares was 356,839.

No phantom shares were exercised in the first half of 2013. The fair value of the phantom options as at 30 June 2013 was EUR 395 thousand.

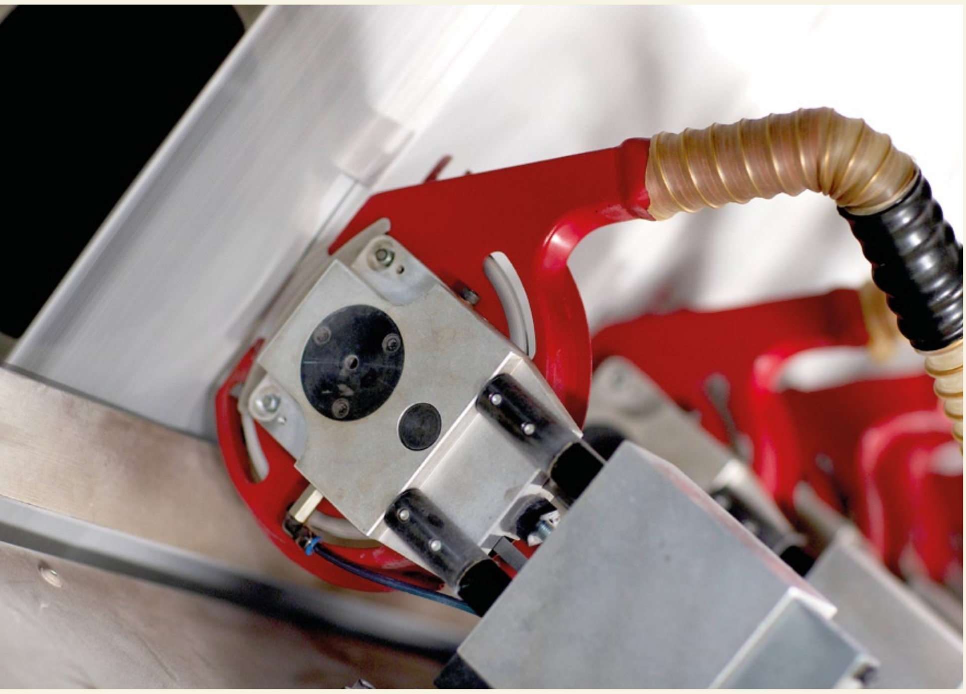
Management Bonus Scheme

The principles of the bonus scheme for 2008 and for the following financial years targeted to the senior management of PEGAS Group were approved by the AGM in 2008.

The key elements of the bonus scheme are as follows:

- The scheme was designed to ensure that senior management is focused on delivering the Company's budgeted economic results represented by the Budgeted EBITDA. This bonus scheme is valid for the accounting year of 2008 and onwards.
- The basis for the bonus calculation is EBITDA calculated in accordance with Czech GAAP as the consolidated profit for the Group adjusted for certain extraordinary items, gains or losses specified further in the document, which was approved at the AGM.
- If achieved EBITDA is equal to Budgeted EBITDA, the paid bonus will be the the Target bonus. If the achieved EBITDA is below or above the Budgeted EBITDA, the amount of the target bonus will be decreased or increased up to the amount of a maximum bonus in accordance with criteria set for each year by the Board of Directors.

Except for the information above there were no other transactions between the Group and the executive management or the non-executive directors.



CHAPTER 7

Corporate Governance

Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of the Company's shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and to state the reasons for the non-compliance.

The Company has decided to observe the majority of the Warsaw Stock Exchange Corporate Governance Rules. Further information can be found in the 2012 Annual Report.

Annual General Meeting of 17 June 2013

At PEGAS's AGM which was held in Luxembourg on 17 June 2013, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

1) Election of the Bureau of the Meeting.
2) Presentation and discussion of the report of the auditors regarding the statutory accounts and the consolidated accounts for the financial year ended 31 December 2012 and of the reports of the Board of Directors of PEGAS on the statutory accounts and the consolidated accounts for the financial year ended 31 December 2012.
3) Approval of the statutory accounts and the consolidated accounts for the financial year ended 31 December 2012.
4) Allocation of the net results of the financial year ended 31 December 2012 and the dividend payout in the amount of EUR 9,690,870, i.e. EUR 1.05 per share.
5) Discharge of the liability of the members of the Board of Directors and the auditors of PEGAS for, and in connection with, the financial year ended 31 December 2012.
6) Appointment of members of the Board of Directors of PEGAS.
7) Appointment of a Luxembourg independent auditor ("réviseur d'entreprises") to review the statutory accounts and the consolidated accounts for the financial year ending 31 December 2013.
8) Approval of the remuneration policy for members of the Board of Directors without executive authority for the financial year 2013.
9) Approval of the remuneration policy for members of the Board of Directors with executive authority for the financial year 2013.
10) Miscellaneous.

Out of the 9,229,400 ordinary shares of PEGAS, 2,987,078 ordinary shares, representing 32.36% (after rounding) of all issued shares of PEGAS at the nominal value of EUR 1.24 per share, were present or duly represented or had duly voted by correspondence at the AGM.

Board of Directors Structure as at 30 June 2013

BOARD OF DIRECTORS PEGAS NONWOVENS SA

Name	Age	Position / Function	Business Address	Function Period in 1H 2013
František Řezáč	39	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2013 – 30. 6. 2013
František Klaška	56	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2013 – 30. 6. 2013
Marian Rašík	42	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2013 – 30. 6. 2013
Marek Modecki	54	Non-Executive Director, Chairman of the Board	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2013 – 30. 6. 2013
Jan Sýkora	41	Non-Executive Director	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2013 – 30. 6. 2013

The Annual General Meeting agreed to confirm:

- the co-optation of Mr. František Řezáč dated 1 December 2012 as an Executive Director of PEGAS and in this way to conclusively approve his appointment. Mr. Řezáč has been appointed for a period ending 30 November 2015.
- the co-optation of Mr. František Klaška dated 1 December 2012 as an Executive Director of PEGAS and in this way to conclusively approve his appointment. Mr. Klaška has been appointed for a period ending 30 November 2015.
- the co-optation of Mr. Marian Rašík dated 1 March 2013 as an Executive Director of PEGAS and in this way to conclusively approve his appointment. Mr. Rašík has been appointed for a period ending 29 February 2016.

There were no further personnel changes to the Company's Board of Directors during the first half of 2013.

Group Entities

For the purpose of translating the registered capital of Czech subsidiaries, the exchange rates of CZK/EUR 25.95 and USD/EUR 1.308, effective as at 30 June 2013, were used.

Company Name	Acquisition/ Registration Date	Share in the Subsidiary	Registered Capital (in CZK ths, in USD ths)	Registered Capital (in EUR ths)	Number and Nominal Value of Shares
PEGAS NONWOVENS s.r.o.[5]	5. 12. 2005	100 %	CZK 3,633 thousand	140	100% share at the value of CZK 3,633 thousand
PEGAS-NT a.s.	14. 12. 2005	100 %	CZK 550,000 thousand	21,195	54 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS – NW a.s.	14. 12. 2005	100 %	CZK 650,000 thousand	25,048	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS – NS a.s.	3. 12. 2007	100 %	CZK 650,000 thousand	25,048	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS NONWOVENS International s.r.o.[6]	18. 10. 2010	100 %	CZK 200 thousand	8	100% share at the value of CZK 200 thousand
PEGAS NONWOVENS EGYPT LLC[7]	6. 6. 2011	100 %	USD 15,000 thousand	11,468	100% share at the value of USD 15,000 thousand

[5] PEGAS NONWOVENS s.r.o. was registered on 14 November 2003 under the initial name of ELK INVESTMENTS s.r.o.. During the course of 2006 the business name of the company was changed to PEGAS NONWOVENS s.r.o. PEGAS a.s., the subsidiary of PEGAS NONWOVENS s.r.o., was established in 1990. It merged with PEGAS NONWOVENS s.r.o.with effect from 1 January 2006. PEGAS a.s. was deleted from the Commercial Register on 12 May 2006. CEE Enterprise a.s. merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2007. CEE Enterprise a.s. was deleted from the Commercial Register on 20 August 2007. Former subsidiary PEGAS - DS a.s ceased to exist as a result of a merger with PEGAS NONWOVENS s.r.o as its successor company.

[6] PEGAS NONWOVENS International s.r.o. was established as a purpose company created for the purpose of executing potential future investments.

[7] PEGAS NONWOVENS EGYPT LLC was established for the purpose of executing the construction of a new production plant in Egypt.

CHAPTER 8

Interim Consolidated Financial Statements of PEGAS NONWOVENS SA for the Six Months Ended 30 June 2013

8.1 Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2013 and 30 June 2012

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Six Month Period Ending		
	30 June 2012 (Unaudited)	30 June 2013 (Unaudited)	% Change
Revenues	92,269	98,052	6.3%
Raw materials and consumables used	(70,282)	(73,679)	4.8%
Staff costs	(4,304)	(4,998)	16.1%
Other operating income/(expense) (net)	(97)	(215)	121.6%
EBITDA	**17,586**	**19,160**	**9.0%**
Depreciation and amortization expense	(6,157)	(5,754)	(6.5%)
Profit from operations	**11,429**	**13,406**	**17.3%**
FX gains and other financial income	6,509	7,303	12.2%
FX losses and other financial expenses	(5,085)	(10,671)	109.9%
Interest income	2	20	900.0%
Interest expense	(2,333)	(2,138)	(8.4%)
Profit before tax	**10,522**	**7,920**	**(24.7%)**
Income tax (expense)/income	(1,398)	(1,191)	(14.8%)
Net profit after tax	**9,124**	**6,729**	**(26.2%)**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(1,611)	1,783	n/a
Changes in translation reserves	1,088	(3,689)	n/a
Total comprehensive income for the period	**8,601**	**4,823**	**(43.9%)**
Net earnings per share			
Basic net earnings per share (EUR)	0.99	0.73	
Diluted net earnings per share (EUR)	0.99	0.73	

8.2 Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended 30 June 2013 and 30 June 2012

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Three Month Period Ending		
	30 June 2012 (Unaudited)	30 June 2013 (Unaudited)	% Change
Revenues	47,967	48,119	0.3%
Raw materials and consumables used	(37,626)	(36,172)	(3.9%)
Staff costs	(2,171)	(2,566)	18.2%
Other operating income/(expense) – net	(72)	(282)	291.7%
EBITDA	**8,098**	**9,099**	**12.4%**
Depreciation and amortization expense	(3,069)	(2,865)	(6.6%)
Profit from operations	**5,029**	**6,234**	**24.0%**
FX gains and other financial income	(1,590)	4,254	n/a
FX losses and other financial expenses	(2,189)	(4,602)	110.2%
Interest income	1	19	1,800.0%
Interest expense	(1,311)	(1,107)	(15.6%)
Profit before tax	**(60)**	**4,798**	**n/a**
Income tax (expense)/income	509	(1,050)	n/a
Net profit after tax	**449**	**3,748**	**734.3%**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(804)	960	n/a
Changes in translation reserves	(3,269)	(2,668)	(18.4%)
Total comprehensive income for the period	**(3,624)**	**2,040**	**n/a**
Net earnings per share			
Basic net earnings per share (EUR)	0.05	0.41	
Diluted net earnings per share (EUR)	0.05	0.41	

8.3 Condensed Consolidated Statement of Financial Position as of 30 June 2013, 31 December 2012 and 30 June 2012

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	30 June 2012 (Unaudited)	31 December 2012 (Audited)	30 June 2013 (Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	160,133	191,226	194,421
Long term intangible assets	452	700	669
Goodwill	90,489	92,288	89,408
Total non-current assets	**251,074**	**284,214**	**284,498**
Current assets			
Inventories	18,518	20,448	18,305
Trade and other receivables	45,501	43,803	45,120
Cash and cash equivalents	7,603	25,758	9,351
Total current assets	**71,622**	**90,009**	**72,776**
Total assets	**322,696**	**374,223**	**357,274**
TOTAL EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Share premium	–	–	–
Legal reserves	7,895	7,896	8,852
Translation reserves	5,332	6,424	2,735
Other changes in equity	(2,988)	(4,060)	(2,277)
Retained earnings	117,682	119,790	115,872
Total share capital and reserves	**139,365**	**141,494**	**136,626**
Non-current liabilities			
Bank loans	131,673	151,704	144,865
Other payables	79	–	–
Deferred tax liabilities	11,977	12,672	12,743
Total non-current liabilities	**143,729**	**164,376**	**157,608**
Current liabilities			
Trade and other payables	35,012	66,695	50,535
Tax liabilities	48	1,658	2,028
Bank current liabilities	4,542	–	10,477
Total current liabilities	**39,602**	**68,353**	**63,040**
Total liabilities	**183,331**	**232,729**	**220,648**
Total equity and liabilities	**322,696**	**374,223**	**357,274**

8.4 Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2013 and 30 June 2012

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Six Month Period Ending	
	30 June 2012 (Unaudited)	30 June 2013 (Unaudited)
Profit before income tax	**10,522**	**7,920**
Adjustment for:		
Depreciation and amortization	6,157	5,754
Foreign exchange (gains)	1,034	(547)
Interest expense	2,333	2,138
Othe changes in equity	(1,611)	1,783
Other financial income/(expense)	(432)	(292)
Cash flows from operating activities		
Decrease/(increase) in inventories	(799)	1,546
Decrease/(increase) in receivables	(8,557)	(6,582)
Increase/(decrease) in payables	13,956	(1,807)
Income tax paid	(1,927)	(1,065)
Net cash from operating activities	**20,676**	**8,848**
Cash flows used in investment activities		
Purchases of property, plant and equipment	(27,393)	(31,991)
Net cash flows from investment activities	**(27,393)**	**(31,991)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	9,684	8,437
Increase/(decrease) in long term payables	24	--
Interest paid	(2,068)	(1,993)
Other financial income/(expense)	432	292
Net cash flows from financing activities	**8,072**	**6,736**
Cash and cash equivalents at the beginning of the period	**6,248**	**25,758**
Net increase (decrease) in cash and cash equivalents	**1,355**	**(16,407)**
Cash and cash equivalents at 30 June	**7,603**	**9,351**

8.5 Condensed Consolidated Statement of Changes in Equity in the First Six Months as at 30 June 2013 and as at 30 June 2012

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Share Capital	Legal Reserves	Other Changes in Equity	Translation Reserves	Retained Earnings	Total Equity Attributable to Equity Holders of the Company	Minority Interests	Total Equity
As at 1 January 2012	**11,444**	**6,942**	**(1,377)**	**4,244**	**109,511**	**130,764**	**–**	**130,764**
Distribution	–	–	–	–	–	**–**	–	**–**
Other comprehensive income for the period	–	–	(1,611)	1,088	–	**(523)**	–	**(523)**
Net profit for the period	–	–	–	–	9,124	**9,124**	–	**9,124**
Reserves created from retained earnings	–	953	–	–	(953)	**–**	–	**–**
As at 30 June 2012	**11,444**	**7,895**	**(2,988)**	**5,332**	**117,682**	**139,365**	**–**	**139,365**
As at 1 January 2013	**11,444**	**7,896**	**(4,060)**	**6,424**	**119,790**	**141,494**	**–**	**141,494**
Distribution	–	–	–	–	(9,691)	**(9,691)**	–	**(9,691)**
Other comprehensive income for the period	–	–	1,783	(3,689)	–	**(1,906)**	–	**(1,906)**
Net profit for the period	–	–	–	–	6,729	**6,729**	–	**6,729**
Reserves created from retained earnings	–	956	–	–	(956)	**–**	–	**–**
As at 30 June 2013	**11,444**	**8,852**	**(2,277)**	**2,735**	**115,872**	**136,626**	**–**	**136,626**

8.6 Selected Explanatory Notes to the Interim Consolidated Financial Statements for the Period Ending 30 June 2013

Prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union

a) Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), and are in compliance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. This interim report was not audited by the Company´s external auditors.

b) Summary of Significant Accounting Policies

The same basis of preparation, accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2012.

c) Disclosures on Seasonal and Economic Influences

The business of PEGAS NONWOVENS SA is not typically subject to seasonal and economic influences other than the general economic cycle, although the hygiene market is to a large extent non-cyclical.

d) Unusual Items Given Their Size, Nature or Frequency

In the first half of 2013, consolidated revenues (revenues from sales of products) reached EUR 98,052 thousand, up by 6.3% yoy. The year-on-year growth in revenues resulted from a higher polymer price level and increased sales of finished products, particularly in the first quarter of the year.

In the first half of 2013, EBITDA amounted to EUR 19,160 thousand, up by 9.0% yoy. The year-on-year comparison was affected by the development of polymer prices and the delay in the pass-through mechanism of these prices, which resulted in a significant reduction in last year’s EBITDA, particularly in its second quarter. Good sales performance and the reduction in inventories in the first months of this year also contributed to the growth of this indicator. On the other hand, growing staff costs had a negative effect, resulting from the higher number employees that were required for putting the new Egyptian production line into operation, and the revaluation of the share option plan to fair value.

In the first half of 2013, foreign exchange gains and other financial income represented a gain of EUR 7,303 thousand and foreign exchange losses and other financial expense amounted to EUR 10,671 thousand. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year-on-year change of this item resulted from the development of the CZK/EUR and USD/EUR FX rates which lead to subsequent unrealized FX changes related to the revaluation of balance sheet items denominated in EUR (particularly bank debt and inter-company loans).

In the first half of 2013, consolidated capital expenditures represented EUR 31,991 thousand, up by 16.8% over the same period last year. Capital expenditures related to the construction of the Egyptian production plant represented EUR 30,661 thousand of this amount. Maintenance CAPEX constituted EUR 1,330 thousand.

e) Estimates

The preparation of interim financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors. The objective of making estimates is to present a true and fair view of the financial position of the Company, namely for determining the values of assets and liabilities for which this value is not readily available from other sources. The actual results may differ from these estimates.

There were no material changes in the nature or size of the estimates since the issue of the previous financial reports.

f) Repurchases and Repayments of Debt and Equity Securities

The bank facilities used by PEGAS Group consist of a revolving credit facility of up to EUR 165 million and of an overdraft facility of up to EUR 15 million. The facilities are non-amortizing, which removes from the Company its obligations to make mandatory repayments. During the first six months of 2013, the Company increased bank indebtedness from EUR 151,704 thousand to EUR 155,342 thousand (from EUR 125,738 thousand to EUR 136,215 thousand in the first six months of 2012). The Company did not conclude any new bank facilities in the first half of 2013.

No repurchases and repayments of equity securities occurred in first half of 2013.

g) Dividend

The Annual General Meeting of the Company held on 17 June 2013 in Luxembourg, approved the proposed pay out of a dividend in the amount of EUR 9,690,870, i.e. EUR 1.05 per share.

The source of the dividend payout will be 2012 profit and retained earnings of prior years. The record date (i.e. the day at the end of which shares entitled to a dividend are registered at accounts of the entitled persons held by the settlement systems of Centrální depozitář cenných papírů, a.s, Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna or by other respective settlement systems) was set to 18 October 2013 and the dividend payment date was set to 29 October 2013.

h) Segment Information

The IFRS 8 standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. In accordance with IFRS 8, the Group identified one operating segment, the production of nonwoven textiles.

i) Material Events Subsequent to the End of the Interim Period

The management of the Group is not aware of any other events that have occurred since the reporting date that would have any material impact on the consolidated financial statements as at 30 June 2013.

j) Disclosures on Changes in the Composition of the Entity/Changes in Consolidation

Based on the decision of the Annual General Meeting held on 4 February 2013, PEGAS NONWOVENS EGYPT LLC increased its registered capital from USD 11,000 thousand to USD 15,000 thousand. The increase in registered capital was performed through a monetary deposit by PEGAS NONWOVENS International s.r.o.

Based on the decision of sole shareholder as at 16 April 2013, PEGAS - NS a.s. increased its registered capital from CZK 105,000 thousand to CZK 650,000 thousand. The increase in registered capital was performed through a capitalization of receivables of PEGAS NONWOVENS s.r.o.

k) Information about the Fair Value of Financial Intruments

In the period of the first six months of this year no changes occurred to the Company's open positions of financial instruments or to their valuation methodology.

As at 30 June 2013, the Company had two interest rate swaps open, these were concluded in 2011. The fair value of these swaps as at 30 June 2013 and 31 December 2012 is presented in the following table:

Counterparty	as at 31 December 2012	as at 30 June 2013
Česká spořitelna	(2,502)	(1,815)
ING	(2,511)	(1,849)
Total	**(5,013)**	**(3,664)**

Fair value of these swaps is determined by the EUR yield curve at the balance sheet date and the discounted cash flow method. The inputs used in the fair value calculation are categorised in accordance with IFRS 7 into level 2 of fair value hierarchy, i.e. inputs other than unadjusted quoted prices in active markets, however, these inputs are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).

Fair value of the swaps as at 30 June 2013 represents a payable of the Company. Currently these swaps hedge 62.6% of the Company's debts (64.1% as at 31 December 2012).

SENSITIVITY OF THE FAIR VALUE OF INTEREST RATE SWAPS

A parallel increase of the yield curve by 1% would increase the fair value of the interest rate swaps by approximately EUR 2,601 thousand as at 30 June 2013 (by approximately EUR 3,113 thousand as at 31 December 2012).

An immediate decline of the yield curve by 1% (in parallel across the entire yield curve) would lead to a reduction of the fair value of the interest rate swaps by approximately EUR 2,201 thousand as at 30 June 2013 (by approximately EUR 1,754 thousand as at 31 December 2012).

I) Earnings per Share

Earnings per Share (EPS) are calculated as the net profit for the period attributable to equity holders of the Company divided by the weighted average of the number of shares existing each day in the given period.

Diluted earnings per share are calculated based on a weighted average number of shares in circulation (determined similarly as in the case of basic earnings per share) adjusted by the effect of the expected issue of all potential diluted securities, i.e. the effect of convertible loan notes in the case of the Group. Convertible bonds are bonds with a right to convert to ordinary shares.

The basic and diluted earnings per share for all periods are equal due to the fact, that the Group does not have any agreement at the balance sheet date which will cause a potential future issue of securities. No changes to the number of shares occurred during either first half of 2013 or first half of 2012.

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

2012

	Number of Outstanding Shares	Weighted Average
January–June	9,229,400	9,229,400

2013

	Number of Outstanding Shares	Weighted Average
January–June	9,229,400	9,229,400

BASIC EARNINGS PER SHARE

		Three Months Ended		Six Months Ended	
		30 June 2012	30 June 2013	30 June 2012	30 June 2013
Net profit attributable to equity holders	ths. EUR	449	3,748	9,124	6,729
Weighted average number of ordinary shares	Number	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.05**	**0.41**	**0.99**	**0.73**

DILUTED EARNINGS PER SHARE

		Three Months Ended		Six Months Ended	
		30 June 2012	30 June 2013	30 June 2012	30 June 2013
Net profit attributable to equity holders	ths. EUR	449	3,748	9,124	6,729
Weighted average number of ordinary shares	Number	9,229,400	9,229,400	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.05**	**0.41**	**0.99**	**0.73**

m) Related Party Transactions

In the first half of 2013, no new transactions were concluded between the Group and executive management or the non-executive directors.

n) Approval of the Interim Financial Statements

The interim financial statements were approved by the Company's Board of Directors on 28 August 2013.

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA

CHAPTER 9

Statement of Responsible Persons

Marek Modecki, Chairman of the Board of Directors of PEGAS NONWOVENS SA

František Řezáč, Member of the Board of Directors of PEGAS NONWOVENS SA,

hereby declare that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true view of assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole and that the interim management report includes a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

28 August 2013

....
Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

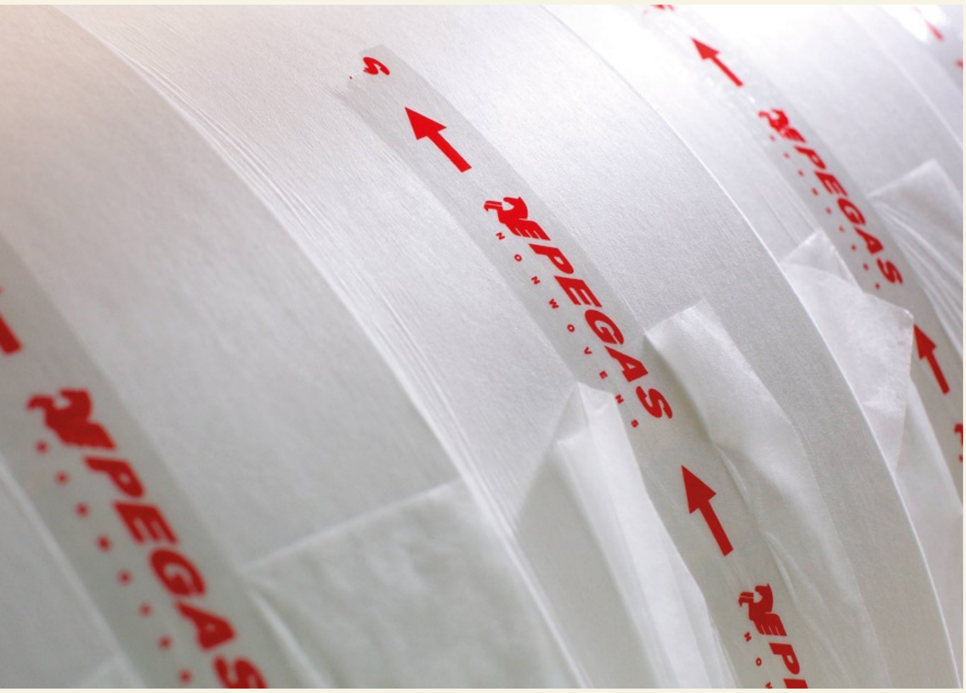
....
František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA

CHAPTER 10

Contacts

PR/IR Officer

PEGAS NONWOVENS
Tel.: +420 515 262 408
GSM: +420 724 311 544
iro@pegas.cz



CHAPTER 11

Glossary

6th October City – is a satellite city near Cairo, Egypt. The city has a population of approximately half a million people and many companies have their regional headquarters located there.

BCPP (PSE) – Prague Stock Exchange a regulated market for securities in the Czech Republic.

Bi-Component Fibre (Bi-Co) – synthetic textile fibre consisting of two or more basic components (polymers). The typical cross sections of fibres are, for example, side by side, core and sheath (produced by PEGAS), islands in the sea, etc.

Bučovice – a town in Moravia in the Vyškov District with a population of approximately 6,500 people. PEGAS operates three production lines here.

Clearstream Bank – Clearstream is a leading European supplier of post-trading services. It is a subsidiary of Deutsche Börse. Clearstream International was formed in January 2000 through the merger of Cedel International and Deutsche Börse Clearing.

EBIT – Earnings Before Interest and Taxes - A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses, and depreciation and amortization.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization - A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses.

EDANA – European Disposables and Nonwovens Association is the European Trade Association for the nonwovens and hygiene products converters industries, with around 200 member companies in 28 countries.

EGAP – Export Guarantee and Insurance Corporation. (EGAP) established in June 1992 as a national insurer of loans with a focus on insuring export loans against territorial and commercially uninsurable commercial risks connected with the export of goods and services from the Czech Republic. EGAP became a part of the government's export assistance system and provides insurance services to all exporters of Czech goods, services and investments.

IFRS – International Financial Reporting Standards.

IPO – Initial Public Offering.

IRS – Interest Rate Swap. Financial instrument for hedging interest rate risk.

John R. Starr – is a management consulting firm which has specialised in hygiene absorbent products, nonwoven products and key raw materials fields.

EBIT Margin – Percentage margin calculated as EBIT/Revenues.

EBITDA Margin – Percentage margin calculated as EBITDA/Revenues.

Net Profit Margin – Net earnings after income tax and before distribution to shareholders divided by total revenues.

Meltblown Fabric – Textile produced using the meltblown process.

Nonwoven Textile – A manufactured sheet, web or bat of directionally or randomly oriented fibres, bonded by friction, and/or cohesion and/or adhesion, excluding papers and products which are woven, knitted, tufted or stitchbonded incorporating binding yarns or filaments, or felted by wet milling, whether or not additionally needled.

Planned EBITDA – A financial indicator defined as revenues less cost of goods sold and selling, general, and administrative expenses used in the sales plan of the Company as a benchmark value for the evaluation of the performance in the management bonus scheme.

Polymer – Substance composed of molecules with large molecular mass composed of repeating structural units, or monomers, connected by covalent chemical bonds, i.e. a plastic.

Polypropylene/Polyethylene – Thermoplastic polymers consisting of long chains of monomers (propylene, ethylene). These polymers are naturally hydrophobic, resistant to many chemical solvents, bases and acids.

Přímětice – Formerly an independent municipality, currently a suburb of Znojmo. PEGAS operates five production lines here.

PX – Official index of blue chip stocks of the Prague Stock Exchange.

Reicofil – Leading nonwoven machinery manufacturer.

Regranulation – Method for recycling scrap textile into granulate, which can then be fully reused in the manufacturing process.

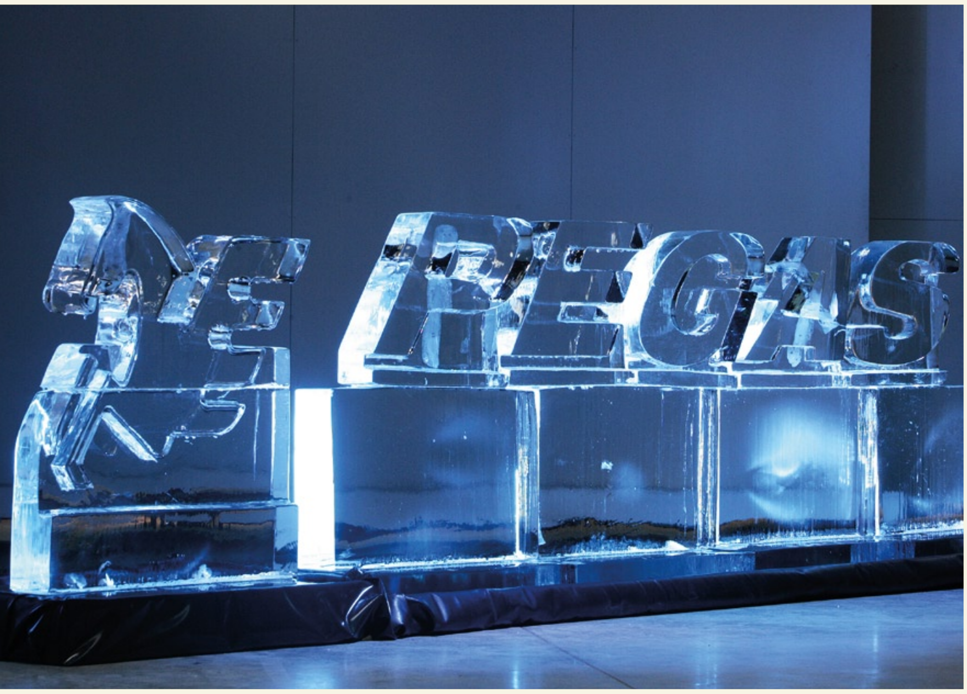
SAP – Company management information system.

Spunbond Textile – Textile produced by spunbond/spunmelt process.

Spunmelt Process – Technological process of producing nonwovens. Hot molten polymer is forced through spinnerets to produce continuous filaments drawn by air to reach the required fibre diameter.

Meltblown Process – Technological process of producing nonwovens. Polymer is extruded into air gap nozzles and then blown in the form of very thin fibres (1-10 microns) on to a belt.

WSE – Warsaw Stock Exchange, a regulated market for securities trading in Poland.



CHAPTER 12

Other Information

Basic Information on the Company

COMPANY NAME

PEGAS NONWOVENS SA

HEADQUARTERS

68-70, boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg
Tel.: (+352) 26 49 65 27
Fax: (+352) 26 49 65 64

REGISTRY AND REGISTRATION NUMBER

Registered with the Luxembourg trade and companies register under number B 112.044

INCORPORATED

18 November 2005 under the name Pamplona PE Holdco 2 SA

JURISDICTION

Luxembourg

The holding company of PEGAS, PEGAS NONWOVENS SA, was incorporated in Luxembourg as a public limited liability company (société anonyme) for an unlimited duration on 18 November 2005 under the name Pamplona PE Holdco 2 SA and is registered with the Luxembourg trade and companies register under number B 112.044. The articles of incorporation of the Company have been published in the Mémorial, Recueil des Sociétés et Associations number C 440 of 1 March 2006. The Company's registered office is at 68—70, boulevard de la Pétrusse, L-2320 Luxembourg, The registered office and principal place of business of the main operating and trading company, PEGAS NONWOVENS s.r.o., is at Přímětická 86, 669 04 Znojmo, Czech Republic.

Scope of Business (According to Article 3 of the Articles Association)

The object of the Company is:

a) to take participation and interests, in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign entities;

b) to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licences, and other property, rights and interest in property as the Company shall deem fit, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part,

c) to enter into, assist or participate in financial, commercial and other transactions, and to grant assistance of the holding Company, subsidiary, or fellow entity or any other form thereof associated in any way with the Company, or the said holding Company, subsidiary of follow subsidiary, in which the Company has a direct or indirect financial interest, any assistance as, e.g., pledges, loans, advances or guarantees;

d) to borrow and raise money in any manner and to secure the repayment of any money borrowed;

e) to borrow funds and issue bonds and other securities;

f) to perform any operation which is directly or indirectly related to this purpose.


PEGAS
NONWOVENS