PEGAS NONWOVENS

every single detail

PEGAS NONWOVENS Third Quarter 2013 Financial Results

Analyst Conference Call

21 November 2013

every single detail

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Agenda

- Q3 & 9M 2013 Key Highlights
- Q3 & 9M 2013 Financial Performance
- Change to 2013 Guidance
- Update on Investment in Egypt

Presentation Team

František Řezáč

Chief Executive Officer

Marian Rašík

Chief Financial Officer

Q3 & 9M 2013 Key Highlights

Financial Performance

- Total Revenues in Q3 2013 were EUR 47.9 million, remaining virtually unchanged compared with Q3 2012 – yoy decline in polymer prices compensated for gradually ramped-up sales in Egypt
- Q3 2013 EBITDA amounted to EUR 8.8 million, 22.2% yoy less mainly due to the impact of the delay in the pass-through mechanism in the compared periods. Lower than planned production results, higher staff costs and the higher number of planned production technical breaks also impacted EBITDA
- Q3 EBIT EUR 5.2 million down by 38.0% yoy, affected by the EBITDA level and higher depreciation and amortization
- Q3 2013 net profit amounted to EUR 2.3 million 72.9% yoy less due to lower operating performance, higher depreciation and amortization, the effect of FX changes and an increase in interest costs.

Market & Business

- Average ICIS in Q3 2013 - a modest single digit increase over the previous quarter
- The level of inventories of finished goods up on the back of starting production on the Egyptian line
- Received the Excellence Award from P&G for the sixth time in a row

Production & Technology

- Q3 2013 production of 22,649 tonnes, up by 7.9% yoy thanks to the ramp up production in Egypt
- Lower operating performance in the Czech Republic
- Higher number of planned maintenance breaks during Q3 2013 compared with Q3 2012
- Production ramp-up in Egypt and logistics impacted by the local political situation and is behind expectations

Key Financial Highlights

	Third Quarter			Nine months		
EUR (000´)	**2012**	**2013**	**% change**	**2012**	**2013**	**% change**
Revenues	47,914	47,942	0.1%	140,173	145,994	4.2%
Operating costs	(36,641)	(39,174)	6.9%	(111,323)	(118,069)	6.1%
EBITDA	11,273	8,768	(22.2%)	28,850	27,925	(3.2%)
EBITDA margin (%)	23.5%	*18.3%*	*(5.2 pp)*	20.6%	*19.1%*	*(1.5 pp)*
Profit from operations (EBIT)	8,411	5,218	(38.0%)	19,830	18,621	(6.1%)
EBIT margin (%)	17.6%	*10.9%*	*(6.7 pp)*	14.1%	*12.8%*	*(1.3 pp)*
Net profit	8,594	2,327	(72.9%)	17,700	9,050	(48.9%)
Net profit margin (%)	17.9%	*4.9%*	*(13.0 pp)*	12.6%	*6.2%*	*(6.4 pp)*
Production (tonnes net of scrap)	20,982	22,649	7.9%	63,668	65,901	3.5%
Number of employees (EOP)				438	574	31.1%

	31 December 2012	30 September 2013	% change
Total assets	374,223	372,814	(0.4%)
Net debt	125,946	139,336	10.6%

Note: Consolidated unaudited results

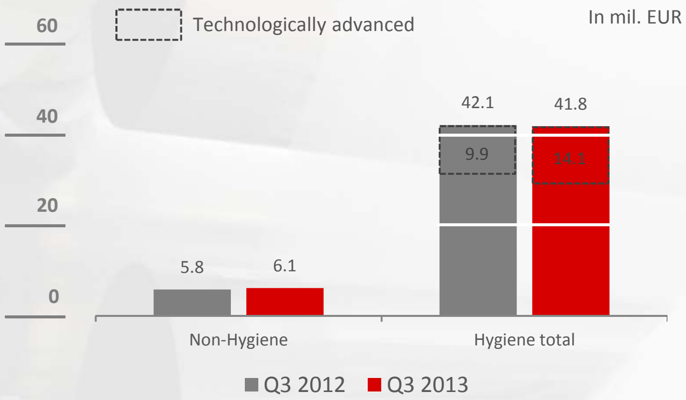
Statement of Comprehensive Income

	Third Quarter			Nine Months		
EUR (000´)	**2012**	**2013**	**% change**	**2012**	**2013**	**% change**
Revenues	47,914	47,942	0.1%	140,173	145,994	4.2%
Raw materials and consumables	(34,377)	(36,266)	5.5%	(104,657)	(109,944)	5.1%
Staff costs	(2,090)	(2,843)	36.0%	(6,395)	(7,842)	22.6%
Of which FV revaluation of share options	(176)	(485)	175.6%	7	(701)	n/a
Other net operating income/(expense)	(174)	(65)	(62.6%)	(271)	(283)	4.4%
EBITDA	**11,273**	**8,768**	**(22.2%)**	**28,850**	**27,925**	**(3.2%)**
EBITDA margin (%)	**23.5%**	***18.3%***	***(5.2 pp)***	***20.6%***	***19.1%***	***(1.5 pp)***
Depreciation and amortization	(2,862)	(3,550)	24.0%	(9,020)	(9,304)	3.1%
Profit from operations (EBIT)	**8,411**	**5,218**	**(38.0%)**	**19,830**	**18,621**	**(6.1%)**
EBIT margin (%)	**17.6%**	***10.9%***	***(6.7 pp)***	***14.1%***	***12.8%***	***(1.3 pp)***
FX changes and other fin. income/(expense) (net)	2,910	290	(90.0%)	4,325	(3,069)	n/a
Interest expense (net)	(1,154)	(2,259)	95.8%	(3,486)	(4,388)	25.9%
Income tax (expense)/income (net)	(1,573)	(922)	(41.4%)	(2,969)	(2,114)	(28.8%)
Net profit	**8,594**	**2,327**	**(72.9%)**	**17,700**	**9,050**	**(48.9%)**
Net profit margin (%)	**17.9%**	***4.9%***	***(13.0 pp)***	***12.6%***	***6.2%***	***(6.4 pp)***
Other comprehensive income/(expense)	2,187	686	(68.6%)	1,664	(1,220)	n/a
Total comprehensive income	10,781	3,013	(72.1%)	19,364	7,830	(59.6%)

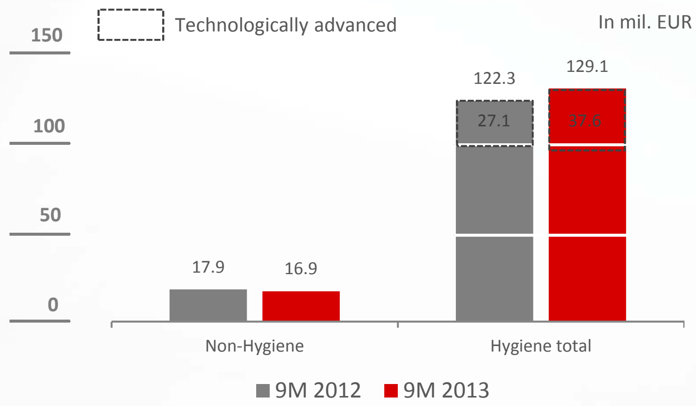
Note: Consolidated unaudited results

Revenue Breakdown by Product

Third Quarter



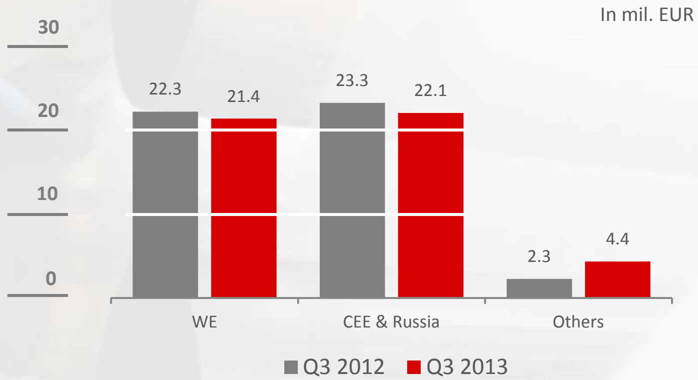
Nine Months



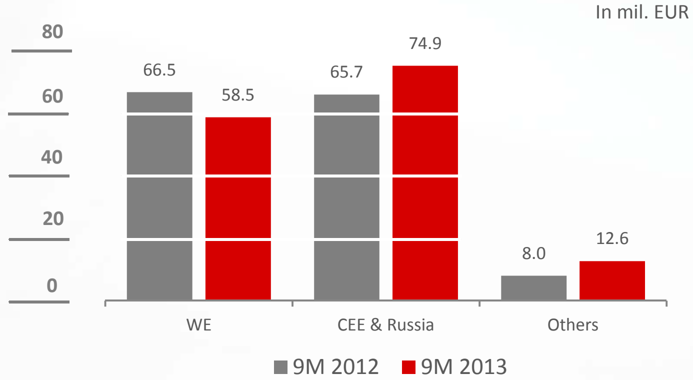
- The continued high proportion of hygiene sales on total revenues confirms a key focus on the hygiene market in Europe
- A higher share of technologically advanced materials on total sales

Revenue Breakdown by Geography

Third Quarter



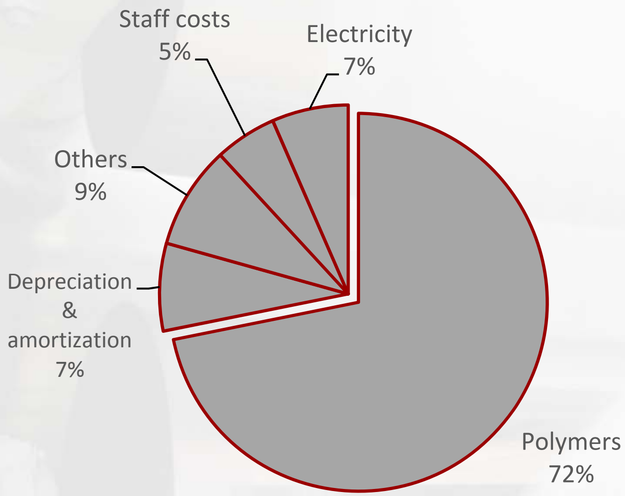
Nine Months



- Europe remains the key market for PEGAS
- Share of other territories will continue to rise due to the new production plant in Egypt

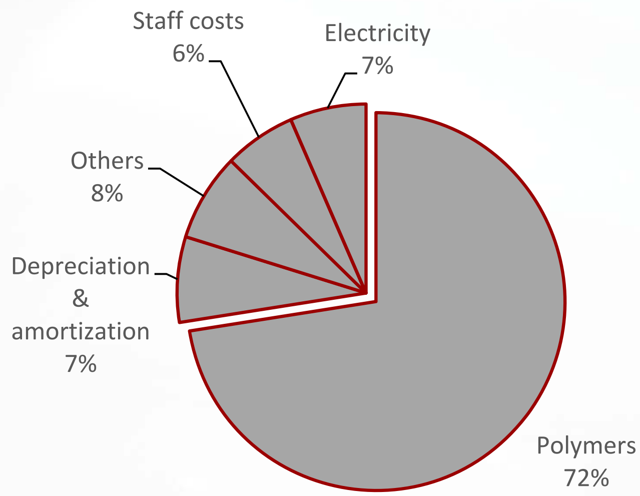
Cost Composition

9M 2012



5.8%

9M 2013



- An increase in PP/PE costs of 6.8% yoy due to the production ramp-up in Egypt
- Staff costs up by 22.6% yoy as a result of the revaluation of phantom options and new hires for the Egyptian plant
- Electricity up by 5.3% yoy due to a yoy price increase related mainly to the mandatory support of renewable resources

Statement of Financial Position

EUR (000´)	31 December 2012 (audited)	30 September 2013 (unaudited)	% change
Non-current assets	***284,214***	***285,072***	***0.3%***
Property, plant and equipment	191,226	193,590	1.2%
Intangible assets (including goodwill)	92,988	91,482	(1.6%)
Current assets	***90,009***	***87,742***	***(2.5%)***
Inventories	20,448	25,754	25.9%
Trade and other receivables	43,803	39,749	(9.3%)
Tax receivables (sales tax in Egypt)	--	2,718	n/a
Bank balances and cash	25,758	19,521	(24.2%)
TOTAL ASSETS	***374,223***	***372,814***	***(0.4%)***
Total share capital and reserves	***141,494***	***139,633***	***(1.3%)***
Non-current liabilities	***164,376***	***171,897***	***4.6%***
Bank loans due after 1 year	151,704	158,857	4.7%
Deferred tax	12,672	13,040	2.9%
Current liabilities	***68,353***	***61,284***	***(10.3%)***
Trade and other payables	66,695	60,903	(8.7%)
Tax liabilities	1,658	381	(77.0%)
TOTAL LIABILITIES	***374,223***	***372,814***	***(0.4%)***

Note: Consolidated unaudited results

Cash Flow Statement

EUR (000´)	Nine Months to 30 September		
	2012 (unaudited)	2013 (unaudited)	% change
Profit before tax	***20,669***	***11,163***	***(46.0%)***
Depreciation and amortization	*9,020*	9,304	3.1%
FX	*1,152*	(3,189)	n/a
Interest expense	*3,488*	4,409	26.4%
Fair value changes of interest rate swaps	*(2,655)*	571	n/a
Other financial income/(expense)	*(382)*	4	n/a
Change in inventories	*(1,030)*	(3,889)	277.6%
Change in receivables	*(4,627)*	(3,594)	(22.3%)
Change in payables	*4,013*	10,780	168.6%
Income tax paid	*(903)*	(1,758)	94.7%
Net cash flow from operating activities	***28,745***	***23,801***	***(17.2%)***
Purchases of property, plant and equipment	*(34,516)*	(36,322)	5.2%
Net cash flow used in investment activities	***(34,516)***	***(36,322)***	***5.2%***
Change in bank loans	*11,802*	10,552	(10.6%)
Change in long term payables	*(4)*	--	n/a
Interest paid	*(2,838)*	(4,264)	50.2%
Other financial income/(expense)	*382*	(4)	n/a
Net cash flow from financing activities	***9,342***	***6,284***	***(32.7%)***
Bank balances and cash at the beginning of the year	***6,248***	***25,758***	***312.3%***
Change in cash and cash equivalents	*3,571*	(6,237)	n/a
Bank balances and cash at the end of the period	***9,819***	***19,521***	***98.8%***

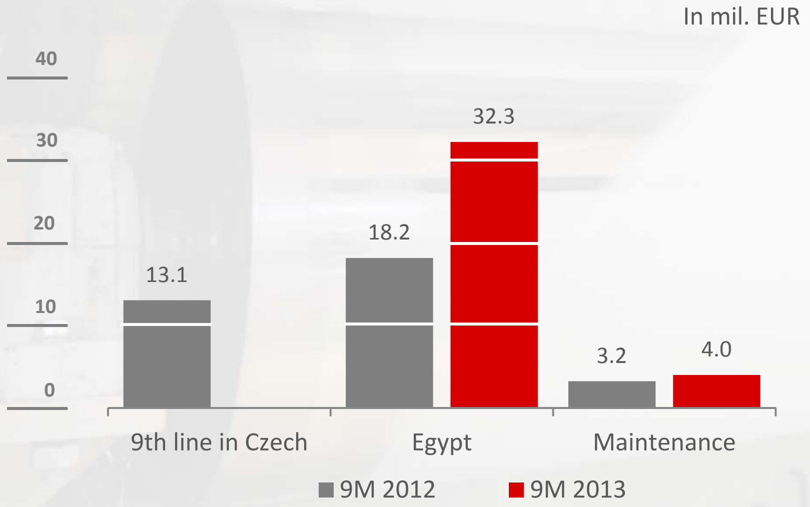
Note: Consolidated unaudited results

CAPEX Development

Majority of Capital Investments Dedicated to Expansion

- Almost 90% of the CAPEX spent in 9M 2013 went to the Egyptian project
- 2013 CAPEX guidance of up to EUR 41 million confirmed

CAPEX in 9M



Change to 2013 Guidance

Overview	• The Company´s financial performance in 2013 was impacted by a number of adverse factors • Changes to production technology in the Czech Republic related to commercialisation of new materials resulted in lower than anticipated production efficiency • Despite the successful commercialisation of these materials, the ramp-up curve for their delivery to customers was skewed • Production ramp-up in Egypt and related logistics of goods was impacted by the local political situation • In Egypt, it was necessary to take the decision to expand the number of produced materials, which must undergo the qualification process
EBITDA Guidance	• **Based on the developments to date, management has decided to change 2013 EBITDA guidance** ➢ **2013 EBITDA should reached EUR 37 – 39 million (excluding the revaluation of the share option plan)**
CAPEX Guidance	• 2013 CAPEX guidance of up to EUR 41 million confirmed

Egyptian Project - Update

- Production facility is operating – full production capacity should be achieved during Q4 2013
- Production ramp-up and logistics impacted by the local political situation
- With the objective of achieving the planned sales volume levels, it was necessary to take the decision to expand the number of produced materials, which must undergo the qualification process
- Qualification of new materials delayed commercial deliveries in 2013, however this represents good potential for 2014 sales
- Security of employees remains the most important priority

Development of Polymer Prices

Polymer Prices Illustrative Index