PEGAS NONWOVENS SA

First nine months of 2013 unaudited consolidated financial results

21 November 2013

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first nine months of 2013, prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union.

"In many respects 2013 has been a very exceptional and primarily demanding year for PEGAS. This year we have finished or are finishing several technical projects focused on the development and qualification of new materials, which should significantly change our product portfolio. We have put an enormous amount of energy into the construction, commissioning and qualification of our new production plant in Egypt, where despite all the recent events and problems, we have successfully kept up with the original time schedule. Our satisfaction would have been all the greater, if these successes had shown themselves in our financial results for this year thus fulfilling our expectations in this area.

Nonetheless, the development and commercialisation of new products resulted in significant modifications to our production technologies, production planning and logistics. These changes were one of the major factors leading to the reduction in production volumes at the Znojmo production plant, particularly in the second and third quarter. The Egyptian production line was put into operation in line with the time schedule, however, the ramp-up curve for commercial deliveries was delayed compared to our original plans by the need to qualify a larger number of materials than we had originally planned at the beginning of the year. The delivered volumes were, therefore, lower.

These factors played a particularly important role in the fact that the achieved results for the third quarter did not meet our expectations. With respect to the results achieved to date and respecting the expected development in the last quarter, we are forced to also lower our full-year EBITDA outlook. I would, nevertheless, like to assure our shareholders that we are working on improving our performance and that we firmly believe that the lower than expected results this year have been to a large extent affected by an array of one-off effects, which we will eliminate in the upcoming period. We are convinced that the investment into improving our product portfolio and the work carried out in Egypt will bear fruit in the coming years.

This year, for the sixth time in a row, we have succeeded in receiving the prestigious "Excellence Award" from Procter & Gamble. We are very proud of this achievement and value it a great deal because it is evident that customer satisfaction with our products and services is the key prerequisite for the long term success of the Company. The satisfaction of our customers is also confirmed by the status of sales negotiations for next year, which are now in a very advanced stage and indicate that we should sell our entire production capacity. I believe that our shareholders also *appreciated the dividend payout in the amount of 1.05 EUR per share", said František Řezáč, CEO and Member of the Board of PEGAS NONWOVENS SA.*

Overview of Financial Results

(mil. EUR)	Nine months January – September 2013		Third quarter July - September 2013	
		yoy		yoy
Revenues	146.0	4.2%	47.9	0.1%
Operating costs without depreciation and amortization	118.1	6.1%	39.2	6.9%
EBITDA	27.9	(3.2%)	8.8	(22.2%)
Depreciation and amortization	9.3	3.1%	3.6	24.0%
Profit from operations (EBIT)	18.6	(6.1%)	5.2	(38.0%)
FX gains/losses and other financial income/(expense) (net)	(3.1)	n/a	0.3	(90.0%)
Interest expense (net)	4.4	25.9%	2.3	95.8%
Income tax – expense	2.1	(28.8%)	0.9	(41.4%)
Net profit	9.1	(48.9%)	2.3	(72.9%)
Capital expenditure	36.3	5.2%	4.3	(39.2%)
Number of employees (end of period)	574	31.1%	574	31.1%
No. of employees during period (average)	538	24.0%	572	28.8%
Net Debt[1]	139.3	10.6%	139.3	10.6%
Production output (in tonnes)	65,901	3.5%	22,649	7.9%
Average CZK/EUR exchange rate during period	25.751	2.4%	25.852	3.1%
End of period CZK/EUR exchange rate	25.735	3.5%	25.735	3.5%

[1] Changes compared to 31.12.2012

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2013, consolidated revenues (revenues from sales of the Company's products) reached EUR 146.0 million, up by 4.2% yoy. The year-on-year growth in revenues was the result of higher sales of finished products (particularly in the first quarter of the year) as well as the slight increase in polymer prices. In the third quarter of 2013, the total consolidated revenues were EUR 47.9 million, a 0.1% increase compared with the same period last year. The year-on-year decline in polymer price indices, which are decisive for setting the sales prices of finished products in the third quarter of this year, compensated for the sales levels of the gradually ramped-up production in Egypt.

In the first nine months of 2013, total consolidated operating costs without depreciation and amortization (net) went up by 6.1% yoy to EUR 118.1 million. In the third quarter of 2013, consolidated operating costs without depreciation and amortization were EUR 39.2 million, representing an increase of 6.9% yoy. The main factor impacting this increase was the growth in raw material prices and higher staff costs related to the ramp-up of the Egyptian production line.

In the first nine months of this year, EBITDA reached EUR 27.9 million, down by 3.2% yoy. The decline in EBITDA was affected by increased staff costs resulting from the revaluation of the share option plan to fair value and the higher number employees for the new production plant in Egypt. The good sales performance from the beginning of the year was gradually compensated for by lower than planned production results. The polymer price pass-through mechanism had a slightly positive effect on the year-on-year comparison.

In the third quarter of 2013, EBITDA declined by 22.2% yoy and reached EUR 8.8 million. The year-on-year comparison was to a great degree affected by the unusually high EBITDA achieved in the third quarter of last year on the back of a significantly positive impact of the price pass-through mechanism. Likewise, the increase in staff costs, namely in connection with the revaluation of share options and the higher number of planned production technical breaks also impacted the EBITDA level.

In the first nine months of 2013, EBITDA margin reached 19.1% and as such declined by 1.5 percentage points compared to the same period last year. In the third quarter of 2013, the EBITDA margin amounted to 18.3%, down by 5.2 percentage points over the third quarter of last year.

Operating Costs

Total raw materials and consumables used in the first nine months of 2013, amounted to EUR 109.9 million, a 5.1% yoy increase.

In the third quarter of 2013, this item reached EUR 36.3 million, an increase of 5.5% yoy. The main factor impacting this increase was the increase in raw material prices and a higher consumption of raw materials related to the ramp-up of the Egyptian production line.

In the first nine months of 2013, total staff costs went up by 22.6% yoy to EUR 7.8 million. The growth in staff costs was significantly affected by the revaluation of the share option plan to fair value. 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 nine months of 2013 by 14.9% 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 third quarter of 2013, staff costs reached EUR 2.8 million, up by 36% yoy, affected particularly by the revaluation of the share option plan to fair value.

Other operating expenses (net) reached EUR 0.3 million in the first nine months of 2013, representing an increase of 4.4% compared with the same period last year. In the third quarter of 2013, Other operating expenses (net) amounted to EUR 0.1 million.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 9.3 million in the first nine months of 2013, up by 3.1% yoy. In the third quarter of 2013, total consolidated depreciation and amortization reached EUR 3.6 million, up by 24.0% yoy. The increase in depreciation and amortization was caused by the inclusion of the technology in Egypt into the depreciable assets.

Profit from Operations

In the first nine months of 2013, profit from operations (EBIT) amounted to EUR 18.6 million, a decline of 6.1% compared with the same period in 2012.

In the third quarter of 2013, profit from operations (EBIT) decreased by 38.0% yoy to EUR 5.2 million due lower operating performance and higher depreciation and amortization.

Financial Income and Costs

In the first nine months of 2013, FX changes and other financial income/(expense) (net) amounted to an expense of EUR 3.1 million compared with an income of EUR 4.3 million in the same period of the previous year. This item includes realized and unrealized FX gains and 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 third quarter of 2013, FX changes and other financial income (net) amounted to EUR 0.3 million, down by 90.0% compared to the same period last year.

Interest expenses (net) related to debt servicing amounted to EUR 4.4 million in the first nine months of 2013, a 25.9% increase compared with the first nine months of 2012. In the third quarter of 2013, interest expenses (net) related to debt servicing amounted to EUR 2.3 million, a 95.8% increase compared with the same period last year. The increase in interest expenses was caused by an increased draw down of the loan facility in connection with the financing of the construction of new production facility in Egypt. Up to the time that the Egyptian production line was put into operation, the interest costs connected to the construction of the production plant had been capitalised in the acquisition price of the investment.

Income Tax

In the first nine months of 2013, income tax amounted to EUR 2.1 million, down by 28.8% yoy. Income tax in this period declined due to the unrealized foreign exchange differences reported in the compared periods. Change in deferred tax represented an expense of EUR 0.4 million, the remainder of the amount is the current tax.

In the third quarter of 2013, income tax expense amounted to EUR 0.9 million, down by 41.4% yoy. The decline in income tax resulted from lower unrealised foreign exchange gains in the reported period of this year. In the third quarter of 2013, current income tax amounted to EUR 0.7 million, while changes in deferred tax were EUR 0.2 million.

Net Profit

In the first nine months of 2013, net profit amounted to EUR 9.1 million, down by 48.9% yoy, primarily due to unrealised FX changes in the compared periods and their effect on income tax. In the third quarter of 2013, the Company achieved a net profit of EUR 2.3 million, down by 72.9% yoy due to lower operating performance, higher depreciation and amortization, the effect of FX changes and an increase in interest costs.

CAPEX and Investments

In the first nine months of 2013, total consolidated capital expenditures amounted to EUR 36.3 million, up by 5.2% over the previous year. The higher capital expenditures in this year are connected to the construction of the new production plant in Egypt, amounting to EUR 32.3 million.

In the third quarter of the year, total CAPEX amounted to EUR 4.3 million, a 39.2% decrease compared with the same period last year.

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 September 2013, was EUR 158.9 million, a 4.7% increase compared with 31 December 2012. The amount of net debt as at 30 September 2013, was EUR 139.3 million, up by 10.6% compared to 30 December 2012. The increase in external debt is related to the increased draw down of the loan facility in connection with the financing of the construction of new production facilities. As at 30 September 2013, the Net Debt/EBITDA ratio was 3.75x.

Business Overview for the First Nine Months of 2013

In the first nine months of this year, the total production output (net of scrap) reached 65,901 tonnes, up by 3.5% compared with the first nine months of 2012. In the third quarter of 2013, the Company produced 22,649 tonnes, up by 7.9% over the same period last year. The increase in production volumes in the third quarter of this year is connected with the gradual ramp-up of the Egyptian production line.

In the first nine months of 2013, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 88.4% share of total revenues, which represents an increase compared with an 87.2% share in the first nine months 2012. The high share of products in this category confirms the important position the Company has in this market. In the third quarter of 2013, the share of revenues from sales of nonwoven textiles for the hygiene industry on total revenues was 87.3%, down by 0.6 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 91.5 million in the first nine months of 2013, a decrease of 3.9% compared with the first nine months of 2012. In the first nine months of 2013, the share of revenues from sales of standard textiles for the hygiene industry represented a 62.6% share of total revenues, a year-on-year decrease from the 67.9% share in the first nine months of 2012. In the third quarter of 2013 this share was 57.9%. In the first nine months of 2013, the revenues from sales of light-weight and bi-component textiles reached EUR 37.7 million, a 39.0% increase compared to the first nine months of 2012. The share of revenues from sales in this product category of total revenues in the first nine months of 2013, amounted to 25.8% compared with 19.3% share reported in the first nine months of the previous year. In the third quarter of 2013, this share grew to 29.4%. In the third quarter of 2013, revenues from sales of light-weight and bi-component textiles reached EUR 14.1 million, up by 42.0% yoy.

Revenues from sales of non-hygiene products (for construction, agriculture and medical applications) amounted to EUR 16.9 million in the first nine months of 2013, representing a decrease of 5.8% yoy. The proportion of sales of non-hygiene products to the total sales in the first nine months of 2013, amounted to 11.6%, compared with a 12.8% share in the first nine months of 2012. In the third quarter of this year the share of non-hygiene products amounted to 12.7%.

The geographical distribution of its markets[2], confirms the Company's steady focus on sales to the broader European area. In the first nine months of 2013, revenues from sales to Western Europe amounted to EUR 58.5 million, which represented a 40.1% share of total revenues, compared with a 47.4% share in the same period in 2012. In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 74.9 million and represented a 51.3% share of total revenues compared to a 46.9% share in the first nine months of 2012. Revenues from sales to other territories amounted to EUR 12.6 million and represented an 8.6% share of total revenues, compared with a 5.7% share in the first nine months of 2012. The increase in the revenues from sales to other territories was the result of the gradual ramp-up of shipments from the Egyptian production plant.

Investment in Egypt

The construction of the first production line proceeded according to the planned time schedule. In July, the qualification of the first materials was successfully completed at customers' sites and the production plant started producing its first commercial deliveries. The production line should achieve full operation status during the course of the last quarter of this year.

Change in the Guidance for 2013

This year, the Company is facing several factors that are negatively affecting its financial results.

Within the scope of the development and commercialisation of new materials, it was necessary to make changes to the technologies on some production lines and this fact expressed itself in a lower production efficiency at the Znojmo production plant. At the same time, despite the successful commercialisation of these materials, the ramp-up curve for their delivery to customers was skewed. The original sales plan, which included these volumes, was subsequently not met and so sales did not reach the planned level.

The production plant in Egypt was put into operation according to the planned time schedule and the line is now producing commercial quality materials. The ramp up of production capacity utilisation in Egypt is not yet achieving the planned levels. This situation was affected by the political state of affairs of the last few months, which is affecting the utilisation of local production capacities for the production of hygiene materials, which has resulted in lower volumes being delivered from the Egyptian plant. The export of nonwoven textiles outside of Egypt was negatively impacted by logistical problems. 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. These demanding qualifications slowed down the ramp-up of commercial volumes in the second half of this year, nevertheless, a wider product portfolio provides better conditions for sales volumes in 2014.

[2] Geographical distribution is determined by the product delivery location.

Importantly, the results to date have been significantly affected by the revaluation of the share option plan to fair value.

Based on the achieved results in the first nine months of 2013 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market, the Company is changing its previously announced guidance for 2013 and expects full-year EBITDA to be between EUR 37 million and EUR 39 million this year after excluding the revaluation of the share option plan to fair value. The revaluation of the share option plan depends primary on the current share price developments and as such is difficult to predict. In the first nine months of this year, the revaluation of the share options represented an expense in the amount of EUR 0.7 million.

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

Interim Consolidated Financial Statements of PEGAS NONWOVENS SA for the Nine Months Ended 30 September 2013

Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2013 and 30 September 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)

	Nine month period to		
	30 September 2012 (unaudited)	**30 September 2013 (unaudited)**	**% change**
Revenues	140,173	145,994	4.2%
Raw materials and consumables used	(104,657)	(109,944)	5.1%
Staff costs	(6,395)	(7,842)	22.6%
Other operating income/(expense) - (net)	(271)	(283)	4.4%
EBITDA	**28,850**	**27,925**	**(3.2%)**
Depreciation and amortization	(9,020)	(9,304)	3.1%
Profit from operations	**19,830**	**18,621**	**(6.1%)**
FX gains and other financial income	12,755	6,184	(51.5%)
FX losses and other financial expenses	(8,430)	(9,253)	9.8%
Interest income	2	21	950.0%
Interest expense	(3,488)	(4,409)	26.4%
Profit before tax	**20,669**	**11,164**	**(46.0%)**
Income tax (expense)/income	(2,969)	(2,114)	(28.8%)
Net profit after tax	**17,700**	**9,050**	**(48.9%)**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(2,655)	571	n/a
Changes in translation reserves	4,319	(1,791)	n/a
Total comprehensive income for the period	**19,364**	**7,830**	**(59.6%)**
Net earnings per share			
Basic net earnings per share (EUR)	**1.92**	**0.98**	
Diluted net earnings per share (EUR)	**1.92**	**0.98**	

Condensed Consolidated Statement of Comprehensive Income for the three months ended 30 September 2013 and 30 September 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 September 2012 (unaudited)	30 September 2013 (unaudited)	% change
Revenues	47,914	47,942	0.1%
Raw materials and consumables used	(34,377)	(36,266)	5.5%
Staff costs	(2,090)	(2,843)	36.0%
Other operating income/(expense) - (net)	(174)	(65)	(62.6%)
EBITDA	**11,273**	**8,768**	**(22.2%)**
Depreciation and amortization	(2,862)	(3,550)	24.0%
Profit from operations	**8,411**	**5,218**	**(38.0%)**
FX gains and other financial income	6,257	(1,110)	n/a
FX losses and other financial expenses	(3,347)	1,400	n/a
Interest income	1	1	--
Interest expense	(1,155)	(2,260)	95.7%
Profit before tax	**10,167**	**3,249**	**(68.0%)**
Income tax (expense)/income	(1,573)	(922)	(41.4%)
Net profit after tax	**8,594**	**2,327**	**(72.9%)**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(1,044)	(1,212)	16.1%
Changes in translation reserves	3,231	1,898	(41.3%)
Total comprehensive income for the period	**10,781**	**3,013**	**(72.1%)**
Net earnings per share			
Basic net earnings per share (EUR)	**0.93**	**0.25**	
Diluted net earnings per share (EUR)	**0.93**	**0.25**	

Condensed Consolidated Statement of Financial Position as of 30 September 2013, 31 December 2012 and 30 September 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 September 2012 (unaudited)	31 December 2012 (audited)	30 September 2013 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	165,829	191,226	193,590
Long term intangible assets	469	700	1,327
Goodwill	93,309	92,288	90,155
Total non-current assets	**259,607**	**284,214**	**285,072**
Current assets			
Inventories	19,327	20,448	25,754
Trade and other payables	42,933	43,803	39,749
Tax receivables	--	--	2,718
Cash a cash equivalents	9,819	25,758	19,521
Total current assets	**72,079**	**90,009**	**87,742**
Total assets	**331,686**	**374,223**	**372,814**
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	8,563	6,424	4,633
Other changes in equity	(4,032)	(4,060)	(3,489)
Retained earnings	116,568	119,790	118,193
Total share capital and reserves	**140,438**	**141,494**	**139,633**
Non-current liabilities			
Bank loans	140,711	151,704	158,857
Other payables	51	--	--
Deferred tax liabilities	12,472	12,672	13,040
Total non-current liabilities	**153,234**	**164,376**	**171,897**
Current liabilities			
Trade and other payables	35,997	66,695	60,903
Tax liabilities	53	1,658	381
Bank current liabilities	1,964	--	--
Total current liabilities	**38,014**	**68,353**	**61,284**
Total liabilities	**191,248**	**232,729**	**233,181**
Total equity and liabilities	**331,686**	**374,223**	**372,814**

Condensed Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2013 and 30 September 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)

	Nine month period to	
	30 September 2012 (unaudited)	30 September 2013 (unaudited)
Profit before tax	**20,669**	**11,163**
Adjustment for:		
Depreciation and amortization	9,020	9,304
Foreign exchange (gains)	1,152	(3,189)
Interest expense	3,488	4,409
Other changes in equity	(2,655)	571
Other changes in equity	(382)	4
Cash flows from operating activities		
Decrease/(increase) in inventories	(1,030)	(3,889)
Decrease/(increase) in receivables	(4,627)	(3,594)
Increase/(decrease) in payables	4,013	10,780
Income tax paid	(903)	(1,758)
Net cash from operating activities	**28,745**	**23,801**
Net cash flows from investment activities		
Purchases of property, plant and equipment	(34,516)	(36,322)
Net cash flows from investment activities	**(34,516)**	**(36,322)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	11,802	10,552
Increase/(decrease) in long term payables	(4)	--
Interest paid	(2,838)	(4,264)
Other changes in equity	382	(4)
Net cash flows from financing activities	**9,342**	**6,284**
Cash and cash equivalents at the beginning of the period	**6,248**	**25,758**
Net increase (decrease) in cash and cash equivalents	**3,571**	**(6,237)**
Cash and cash equivalents at September 30	**9,819**	**19,521**

Condensed Consolidated Statement of Changes in Equity in the Nine Months as at 30 September 2013 and as at 30 September 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	--	--	--	--	(9,690)	**(9,690)**	--	**(9,690)**
Other comprehensive income for the period	--	--	(2,655)	4,319	--	**1,664**	--	**1,664**
Net profit for the period	--	--	--	--	17,700	**17,700**	--	**17,700**
Reserves created from retained earnings	--	953	--	--	(953)	**--**	--	**--**
as at September 30, 2012	**11,444**	**7,895**	**(4,032)**	**8,563**	**116,568**	**140,438**	**--**	**140,438**
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	--	--	571	(1,791)	--	**(1,220)**	--	**(1,220)**
Net profit for the period	--	--	--	--	9,050	**9,050**	--	**9,050**
Reserves created from retained earnings	--	956	--	--	(956)	**--**	--	**--**
as at 30 September 2013	**11,444**	**8,852**	**(3,489)**	**4,633**	**118,193**	**139,633**	**--**	**139,633**

Selected explanatory notes to the interim consolidated financial statements for the nine months ending 30 September 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 nine months of 2013, consolidated revenues (revenues from sales of the Company's products) reached EUR 145,994 thousand, up by 4.2% yoy. The year-on-year growth in revenues was the result of higher sales of finished products (particularly in the first quarter of the year) as well as the slight increase in polymer prices.

In the first nine months of this year, EBITDA reached EUR 27,925 thousand, down by 3.2% yoy. The decline in EBITDA was affected by increased staff costs resulting from the revaluation of the share option plan to fair value and the higher number employees for the new production plant in Egypt. The good sales performance from the beginning of the year was gradually compensated for by lower than planned production results. The polymer price pass-through mechanism had a slightly positive effect on the year-on-year comparison.

In the first nine months of 2013, FX gains and other financial income amounted to EUR 6,184 thousand and FX losses and other financial expenses amounted to EUR 9,253 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 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 first nine months of 2013, total consolidated capital expenditures amounted to EUR 36,322 thousand, up by 5.2% over the previous year. The higher capital expenditures in this year are connected to the construction of the new production plant in Egypt, amounting to EUR 32,326 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 nine months of 2013, the Company increased bank indebtedness from EUR 151,704 thousand to EUR 158,857 thousand (from EUR 125,738 thousand to EUR 142,675 thousand in the first nine months of 2012). The Company did not conclude any new bank facilities in the first nine months of 2013.

No repurchases and repayments of equity securities occurred in first nine months 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 is 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 events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 30 September 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 the Annual General Meeting held on 1 July 2013, PEGAS NONWOVENS EGYPT LLC increased its registered capital from USD 15,000 thousand to USD 20,000 thousand. The increase in registered capital was performed through a monetary deposit by PEGAS NONWOVENS International s.r.o.

k. Information about the fair value of financial instruments

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

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

Counterparty	**as at 31 December 2012**	**as at 30 September 2013**
Česká spořitelna	(2,502)	(1,827)
ING	(2,511)	(1,834)
Total	**(5,013)**	**(3,661)**

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 September 2013, represents a payable of the Company. Currently these swaps hedge 61.7% 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 2,392 thousand as at 30 September 2013 (by approximately EUR 3,113 thousand as at 31 December 2012).

An instantaneous and parallel decrease of the yield curve by 1% would lead to a reduction of the fair value of the interest rate swaps by approximately EUR 1,859 thousand as at 30 September 2013 (by approximately EUR 1,754 thousand as at 31 December 2012).

l. 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 emitted by the Company occurred during the first nine months of 2013 or in the first nine months of 2012.

Weighted average number of ordinary shares

2012

	Number of outstanding shares	Weighted average
January – September	9,229,400	9,229,400

2013

	Number of outstanding shares	Weighted average
January – September	9,229,400	9,229,400

Basic earnings per share

		Three months ended		Nine months ended	
		30/9/2012	30/9/2013	30/9/2012	30/9/2013
Net profit attributable to equity holders	ths. EUR	8,594	2,327	17,700	9,050
Weighted average number of ordinary shares	amount	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.93**	**0.25**	**1.92**	**0.98**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/9/2012	30/9/2013	30/9/2012	30/9/2013
Net profit attributable to equity holders	ths. EUR	8,594	2,327	17,700	9,050
Weighted average number of ordinary shares	amount	9,229,400	9,229,400	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.93**	**0.25**	**1.92**	**0.98**

m. Related party transactions

In the first nine months 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 20 November 2013.

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA