PEGAS NONWOVENS SA

First nine months of 2012 unaudited consolidated financial results

November 22, 2012

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first nine months of 2012 to September 30, 2012 prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union.

"In the third quarter of this year, the Company achieved an EBITDA of EUR 11.3 million. Naturally, this solid result was supported by the capacity from the production line that was put into operation last year and by the decline in polymer prices, which positively compensated the impact of the second quarter.

Despite the continuing volatility of input material prices and the subsequent negative effect of their recent increase on the results in the fourth quarter, I am happy to be able to confirm the full year EBITDA guidance, albeit, at the lower end of the announced range.

At the present time, we are focusing our efforts on finalising the budget for 2013 and it is pleasing to note that based on the current state of negotiations with our business partners, we believe that the Company's production capacity in 2013 should be sold out.

Total production capacity should be supported by the start-up of the new Egyptian production line. This project represents a key priority for us, and with a certain level of satisfaction, I can confirm that we are successful in meeting the very demanding installation schedule and we expect the first commercial production to come off the line in the third quarter of 2013.

Securing sales for next year as well as the successful launch of the new Egyptian production line are tasks that still await us. If I am to mention significant events that occurred in the third quarter of this year or recently, it would most certainly be the "Excellence Award" that we received from Procter & Gamble for the fifth year in a row; and of course the dividend payout in the amount of EUR 1.05 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 2012		Third quarter July - September 2012	
		yoy		yoy
Revenues	140.2	11.0%	47.9	9.7%
Operating costs without depreciation and amortization	111.3	11.1%	36.6	11.3%
EBITDA	28.9	10.8%	11.3	4.8%
Depreciation and amortization	9.0	41.2%	2.9	32.5%
Profit from operations (EBIT)	19.8	0.9%	8.4	(2.1%)
FX gains/(losses) and other financial income/(expense) (net)	4.3	193.4%	2.9	n/a
Interest expense (net)	3.5	13.0%	1.2	15.4%
Income tax – expense/(income)	3.0	67.7%	1.6	531.7%
Net profit	17.7	8.8%	8.6	56.8%
Capital expenditure	34.5	34.2%	7.1	17.2%
Number of employees (end of period)	438	5.0%	438	5.0%
No. of employees during period (average)	434	5.6%	444	4.5%
Net Debt	132.9	11.2%	132.9	11.2%
Production output (in tonnes)	63,668	18.4%	20,982	10.8%
Average CZK/EUR exchange rate during period	25.114	3.1%	25.065	2.8%
End of period CZK/EUR exchange rate	24.865	0.4%	24.865	0.4%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2012, consolidated revenues (revenues from sales of the Company's products) reached EUR 140.2 million, up by 11.0% yoy. The year on year increase in revenues was the result of increased volumes of sold production thanks to the new production line, which was put into operation in the second half of 2011. Polymer prices declined by approximately 4% yoy and had the opposite effect on the development of revenues. In the third quarter of 2012, the total consolidated revenues were EUR 47.9 million, a 9.7% increase compared with the same period last year and were influenced by the above-mentioned increased production capacity.

In the first nine months of 2012, total consolidated operating costs without depreciation and amortization (net) went up by 11.1% yoy to EUR 111.3 million. In the third quarter of 2012 consolidated operating costs without depreciation and amortization were EUR 36.6 million, representing an increase of 11.3% yoy. The main reason for this increase was the increased raw material consumption connected with the new production line.

In the first nine months of this year, EBITDA reached EUR 28.9 million, up by 10.8% yoy. The year on year EBITDA increase was achieved namely due to the contribution of the new production line. Conversely, the year on year comparison was negatively impacted by the increased number of days required for regular maintenance breaks, lower than planned production and higher electricity prices. The effect of the delay in the polymer price pass-through mechanism was neutral in a year on year comparison; in both years it had a slightly positive effect on the financial results in the given periods.

In the third quarter of 2012, EBITDA grew by 4.8% yoy and reached EUR 11.3 million, which is the best result in past three years. The reason for the growth in EBITDA was a higher volume of production sold. On the other hand, lower than planned production output lowered the yoy growth of this indicator. The third quarter of this year as well as of the previous year was very positively affected by the polymer price pass-through mechanism, nevertheless, this year the absolute effect was slightly greater.

In the first nine months of 2012, the EBITDA margin amounted to 20.6%; the same margin was achieved in the first nine months of 2011. In the third quarter of 2012, the EBITDA margin amounted to 23.5%, down by 1.1 percentage points over the third quarter of last year.

Operating Costs

Total raw materials and consumables used in the first nine months of 2012 amounted to EUR 104.7 million, a 10.8% yoy increase. In the third quarter of 2012, this item reached EUR 34.4 million, an increase of 10.4% yoy. The main factor was the increased raw material consumption connected with the new production line.

In the first nine months of 2012, total staff costs went up by 5.3% yoy to EUR 6.4 million. Total staff costs denominated in CZK, excluding the share option plan, increased by 5.0% due to an increased number of employees needed for the new production line in the Czech Republic and due to indexation of wages. The weakening of the CZK against the EUR in the compared periods had a slightly positive effect on staff costs expressed in EUR, conversely staff costs were increased by the revaluation of the share option plan.

In the third quarter of 2012, staff costs reached EUR 2.1 million, up by 15.7% yoy. The growth in staff costs was significantly affected by the revaluation of the share option plan. In the third quarter, staff costs expressed in CZK without the revaluation of the share option plan fell by 5.4% yoy.

In the first nine months of 2012, Other operating expenses (net) reached EUR 0.3 million compared to an income of EUR 0.3 million in the same period last year. In the third quarter of 2012, Other operating expenses (net) amounted to EUR 0.2 million.

Depreciation and amortization

Consolidated depreciation and amortization reached EUR 9.0 million in the first nine months of 2012, up by 41.2% yoy. In the third quarter of 2012, total consolidated depreciation and amortization reached EUR 2.9 million, up by 32.5% yoy. The increase in depreciation and amortization resulted from the launch of the ninth production line and the depreciation of related production technologies and buildings.

Profit from Operations

In the first nine months of 2012, profit from operations (EBIT) amounted to EUR 19.8 million, an increase of 0.9% yoy compared to the same period in 2011; it was affected by the level of EBITDA and by an increase in amortization and depreciation.

In the third quarter of 2012, profit from operations (EBIT) decreased by 2.1% yoy to EUR 8.4 million due an increase in depreciation and amortization.

Financial Income and Costs

In the first nine months of 2012, FX changes and other financial income / (expense) (net) amounted to EUR 4.3 million, up by 193.4% compared to the same period in 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 FX rate and from the subsequent unrealized FX changes related to the revaluation of the balance sheet items denominated in EUR (particularly bank debt and inter-company loans). In the third quarter of 2012, foreign exchange changes and other financial income/(expense) (net) represented a gain of EUR 2.9 million, compared with a loss of EUR 1.9 million reported in 2011.

Interest expenses (net) related to debt servicing amounted to EUR 3.5 million in the first nine months of 2012, a 13.0% increase compared with the first nine months of 2011. In the third quarter of 2012, interest expenses (net) related to debt servicing amounted to EUR 1.2 million, a 15.4% 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 facilities in the Czech Republic and Egypt.

Income Tax

In the first nine months of 2012, income tax expense amounted to EUR 3.0 million, up by 67.7% over 2011. In the third quarter of 2012, income tax expense amounted to EUR 1.6 million, up by 531.7% yoy. The Company recorded a higher income tax primarily due to unrealized FX gains resulting from the revaluation of the bank debt and the inter-company loan. In the third quarter and in the first nine months of this year, the changes in deferred tax represented an expense of EUR 0.3 million, the remaining amounts represent current income tax.

Net Profit

Net profit reached EUR 17.7 million in the first nine months of 2012, up by 8.8% yoy. In the third quarter of 2012, the Company made a net profit in the amount of EUR 8.6 million, up by 56.8% yoy, which was primarily the result of unrealised FX gains including their affect on income tax.

CAPEX and Investments

In the first nine months of 2012, total consolidated capital expenditures amounted to EUR 34.5 million, up by 34.2% over the previous year. The higher capital expenditures this year are connected to the project for the construction of the new production facility in the Czech Republic and the construction of the plant in Egypt. Capital expenditures related to the construction of the Egyptian production plant represented EUR 18.2 million of this amount. Final payments for the already commissioned ninth production line added up to EUR 13.1 million and maintenance CAPEX was EUR 3.2 million.

In the third quarter of the year, total CAPEX amounted to EUR 7.1 million, a 17.2% increase compared with the same period last year.

At the beginning of this year, the Company estimated that in 2012 the total capital expenditure would not exceed EUR 46 million (at the constant exchange rate of CZK/EUR 24.50). Over the course of the year the breakdown of the payment schedule for investments into the construction of the Egyptian plant was clarified. For this reason, the Company does not expect total CAPEX in 2012 to exceed EUR 40 million.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at September 30, 2012 was EUR 142.7 million, a 13.5% increase compared with December 31, 2011. The amount of net debt as at September 30, 2012 was EUR 132.9 million, up by 11.2% compared with December 31, 2011. 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 September 30, 2012, the Net Debt/EBITDA ratio was 3.4x.

Business overview for the first nine months of 2012

In the first nine months of this year, the total production output (net of scrap) reached 63,668 tonnes, up by 18.4% compared with the first nine months of 2011. In the third quarter of 2012, the Company produced 20,982 tonnes, up by 10.8% over the same period last year.

In the first nine months of 2012, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 87.2% share of total revenues, which represents a slight decrease compared with an 88% share in the first nine months 2011. The high share of products in this category confirms the important position the Company has in this market. In the third quarter of 2012, the share of revenues from sales of nonwoven textiles for the hygiene industry on total revenues was 87.9%, down by 3.4 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 95.2 million in the first nine months of 2012, an increase of 10.2% compared to the first nine months of 2011. In the first nine months of 2012, the share of revenues from sales of standard textiles for the hygiene industry represented a 67.9% share of total revenues, a year on year decrease from the 68.4% share in the first nine months of 2011. In the third quarter of 2012, this share was 67.2%. In the first nine months of 2012, the revenues from sales of light-weight and bi-component textiles reached EUR 27.1 million, a 9.5% increase compared to the first nine months of 2011. The share of revenues from sales in this product category of total revenues in the first nine months of 2012 amounted to 19.3% similar to the compared 19.6% share reported in the first nine months of the previous year. In the third quarter of 2012, this share grew to 20.7%.

Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to EUR 17.9 million in the first nine months of 2012, representing an increase of 18.3% yoy. The proportion of sales of non-hygiene products to the total sales in the first nine months of 2012, amounted to 12.8%, compared with a 12.0% share in the first nine months of 2011. In the third quarter of this year, the share of non-hygiene products amounted to 12.1%.

The geographical distribution of its markets[1], confirms the Company's steady focus on sales to the broader European area. In the first nine months of 2012, revenues from sales to Western Europe amounted to EUR 66.5 million, which represented a 47.4% share of total revenues, compared with a 54% share in the same period in 2011. In this period revenues from sales to Central and Eastern Europe and Russia amounted to EUR 65.7 million and represented a 46.9% share of total revenues compared to a 42.5% share in the first nine months of 2011. Revenues from sales to other territories amounted to EUR 8 million and represented a 5.7% share of total revenues, compared with a 3.5% share in the first nine months of 2011.

Investment in Egypt

The construction of the first production line is proceeding according to the planned time schedule. At the beginning of the year building works commenced on the production and warehouse building. At the present time, installation of production technology has commenced and the Company continues to expect the production line to be commissioned in the second half of 2013.

Confirmation of Guidance for 2012

In the first nine months of 2012 the Company achieved financial results that are in line with its expectations and with the announced outlook for the entire year 2012.

This year's financial results of the Company were significantly affected by a high volatility of polymer prices. Whereas the rise in input material prices experienced in the first months of the year had a negative effect on financial results, their subsequent dramatic decline provided support for the results in the third quarter. Nevertheless, polymer prices continue to be volatile, as since August they have again increased significantly and this fact will negatively impact the Company’s profitability in the final quarter of the year.

Nevertheless, based on the results achieved in the first nine months of 2012 and with respect to the development of the European nonwoven textile market and including the expected development in the polymer market, the Company confirms its previously announced guidance for 2012, albeit, at the lower end of the announced range.

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

Interim Unaudited Consolidated Financial Statements of PEGAS NONWOVENS SA for the nine months ended September 30, 2012

Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2011 and September 30, 2012

Unaudited statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS 34 Accounting Standards in the wording accepted by the European Union

(in thousands of EUR)

	Nine month period to		
	September 30, 2011 (unaudited)	**September 30, 2012 (unaudited)**	**% change**
Revenues	126,257	140,173	11.0%
Raw materials and consumables used	(94,432)	(104,657)	10.8%
Staff costs	(6,074)	(6,395)	5.3%
Other operating income/(expense) (net)	292	(271)	n/a
EBITDA	**26,043**	**28,850**	**10.8%**
Depreciation and amortization expense	(6,389)	(9,020)	41.2%
Profit from operations	**19,654**	**19,830**	**0.9%**
FX gains and other financial income	6,701	12,755	90.3%
FX losses and other financial expenses	(5,227)	(8,430)	61.3%
Interest income	17	2	(88.2%)
Interest expense	(3,102)	(3,488)	12.4%
Profit before tax	**18,043**	**20,669**	**14.6%**
Income tax (expense)/income	(1,770)	(2,969)	67.7%
Net profit after tax	**16,273**	**17,700**	**8.8%**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	279	(2,655)	n/a
Changes in translation reserves	1,145	4,319	277.2%
Total comprehensive income for the period	**17,697**	**19,364**	**9.4%**
Net earnings per share			
Basic net earnings per share (EUR)	**1.76**	**1.92**	**9.1%**
Diluted net earnings per share (EUR)	**1.76**	**1.92**	**9.1%**

Condensed Consolidated Statement of Comprehensive Income for the three months ended September 30, 2011 and September 30, 2012

Unaudited statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS 34 Accounting Standards in the wording accepted by the European Union
(in thousands of EUR)

	Three month period to		
	September 30, 2011 (unaudited)	**September 30, 2012 (unaudited)**	**% change**
Revenues	43,664	47,914	9.7%
Raw materials and consumables used	(31,150)	(34,377)	10.4%
Staff costs	(1,807)	(2,090)	15.7%
Other operating income/(expense) (net)	46	(174)	n/a
EBITDA	**10,753**	**11,273**	**4.8%**
Depreciation and amortization expense	(2,160)	(2,862)	32.5%
Profit from operations	**8,593**	**8,411**	**(2.1%)**
FX gains and other financial income	(554)	6,257	n/a
FX losses and other financial expenses	(1,310)	(3,347)	155.5%
Interest income	3	1	(66.7%)
Interest expense	(1,003)	(1,155)	15.2%
Profit before tax	**5,729**	**10,167**	**77.5%**
Income tax (expense)/income	(249)	(1,573)	531.7%
Net profit after tax	**5,480**	**8,594**	**56.8%**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(388)	(1,044)	169.1%
Changes in translation reserves	(1,729)	3,231	n/a
Total comprehensive income for the period	**3,363**	**10,781**	**220.6%**
Net earnings per share			
Basic net earnings per share (EUR)	**0.59**	**0.93**	**57.6%**
Diluted net earnings per share (EUR)	**0.59**	**0.93**	**57.6%**

Condensed Consolidated Statement of Financial Position as of September 30, 2011, December 31, 2011 and September 30, 2012

Unaudited statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS 34 Accounting Standards in the wording accepted by the European Union

(in thousands of EUR)

	September 30, 2011 (unaudited)	December 31, 2011 (audited)	September 30, 2012 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	147,090	151,826	165,829
Long term intangible assets	216	452	469
Goodwill	93,724	89,927	93,309
Total non-current assets	**241,030**	**242,205**	**259,607**
Current assets			
Inventories	16,730	17,624	19,327
Trade and other receivables	38,071	36,866	42,933
Cash and cash equivalents	16,308	6,248	9,819
Total current assets	**71,109**	**60,738**	**72,079**
Total assets	**312,139**	**302,943**	**331,686**
Total equity and liabilities			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Share premium	--	--	--
Legal reserves	7,360	6,942	7,895
Translation reserves	7,783	4,244	8,563
Cash flow hedging	(478)	(1,377)	(4,032)
Retained earnings	111,400	109,511	116,568
Total share capital and	**137,509**	**130,764**	**140,438**
Non-current liabilities			
Bank loans	119,211	125,512	140,711
Other payables	55	55	51
Deferred tax liabilities	10,546	12,337	12,472
Total non-current liabilities	**129,812**	**137,904**	**153,234**
Current liabilities			
Trade and other payables	44,818	33,954	35,997
Tax liabilities	--	95	53
Bank current liabilities	--	226	1,964
Total current liabilities	**44,818**	**34,275**	**38,014**
Total liabilities	**174,630**	**172,179**	**191,248**
Total equity and liabilities	**312,139**	**302,943**	**331,686**

Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2011 and September 30, 2012

Unaudited statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS 34 Accounting Standards in the wording accepted by the European Union
(in thousands of EUR)

	Nine month period to	
	September 30, 2011 (unaudited)	**September 30, 2012 (unaudited)**
Profit before income tax	**18,043**	**20,669**
Adjustment for:		
Depreciation and amortization	6,389	9,020
Foreign exchange (gains)	(566)	1,152
Interest expense	3,102	3,488
Fair value changes of interest rate swaps	279	(2,655)
Other financial income / (expense)	(304)	(382)
Cash flows from operating activities		
Decrease/(increase) in inventories	(1,837)	(1,030)
Decrease/(increase) in receivables	(6,503)	(4,627)
Increase/(decrease) in payables	3,723	4,013
Income tax paid	(4,481)	(903)
Net cash from operating activities	**17,845**	**28,745**
Cash flows from investment activities		
Purchases of property, plant and equipment	(25,728)	(34,516)
Net cash flows from investment activities	**(25,728)**	**(34,516)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	21,367	11,802
Increase/(decrease) in long term payables	(48)	(4)
Distribution	--	--
Interest paid	(2,117)	(2,838)
Other financial income/(expense)	304	382
Net cash flows from financing activities	**19,506**	**9,342**
Cash and cash equivalents at the beginning of the period	**4,685**	**6,248**
Net increase (decrease) in cash and cash equivalents	**11,623**	**3,571**
Cash and cash equivalents at September 30	**16,308**	**9,819**

Condensed Consolidated Statement of Changes in Equity in the nine months as at September 30, 2011 and as at September 30, 2012

Unaudited statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the IAS 34 Accounting Standards in the wording accepted by the European Union
(in thousands of EUR)

	Share capital	Share premium	Legal reserves	Cash flow hedging	Translation reserves	Retained earnings	**Total equity attributable to equity holders of the Company**	Minority Interests	**Total Equity**
As at January 1, 2011	**11,444**	**9,078**	**6,034**	**(757)**	**6,638**	**96,604**	**129,041**	**--**	**129,041**
Distribution	--	(9,078)	--	--	--	(151)	**(9,229)**	--	**(9,229)**
Other comprehensive income for the period	--	--	--	(279)	1,145	--	**1,424**	--	**1,424**
Net profit for the period	--	--	--	--	--	16,273	**16,273**	--	**16,273**
Legal reserves created from retained earnings	--	--	1,326	--	--	(1,326)	**--**	--	**--**
as at September 30, 2011	**11,444**	**--**	**7,360**	**(478)**	**7,783**	**111,400**	**137,509**	**--**	**137,509**
as at January 1, 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**
Legal 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**

Selected explanatory notes to the interim consolidated financial statements for the nine months ending September 30, 2012

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 December 31, 2011.

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 2012, consolidated revenues (revenues from sales of products) reached EUR 140,173 thousand, up by 11.0% yoy. This increase was the result of increased volumes of sold production thanks to the new production line, which was put into operation in the second half of 2011. Polymer prices declined by approximately 4% yoy and had the opposite effect on the development of revenues.

In the first nine months of this year, EBITDA reached EUR 28,850 thousand, up by 10.8% yoy. The year on year EBITDA increase was achieved namely due to the contribution of the new production line. Conversely, the year on year comparison was negatively impacted by the increased number of days required for regular technological breaks, lower than planned production and higher electricity prices. The effect of the delay in the polymer price pass-through mechanism was neutral in a year on year comparison; in both years it had a slightly positive effect on the financial results in the monitored periods.

In the first nine months of 2012, FX gains and other financial income amounted to EUR 12,755 thousand and FX losses and other financial expenses amounted to EUR 8,430 thousand. These items represent realized and unrealized FX gains/losses and other financial income and expenses. The year on year change of these items resulted from the development of the CZK/EUR FX rate and from the subsequent unrealized FX changes related to the revaluation of the balance sheet items denominated in EUR (particularly bank debt and inter-company loans).

In the first nine months of 2012, total consolidated capital expenditures amounted to EUR 34,516 thousand, up by 34.2% over the previous year. The higher capital expenditures in this year are connected to the project for the construction of the new production facility in the Czech Republic and the construction of the plant in Egypt. Capital expenditures related to the construction of the Egyptian production plant represented EUR 18,201 thousand of this amount. Final payments for the already commissioned ninth production line added up to EUR 13,076 thousand and maintenance CAPEX was EUR 3,239 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 2012, the Company increased bank indebtedness from EUR 125,738 thousand to EUR 142,675 thousand (from EUR 96,238 thousand to EUR 119,211 thousand in the first nine months of 2011). The Company did not conclude any new bank facilities in the first nine months of 2012.

In the first nine months of 2012, the Company did not make any repurchases or repayments of equity securities.

g. Dividend

The Annual General Meeting of the Company held on June 15, 2012, 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 was 2011 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 October 19, 2012 and the dividend was paid out on October 30, 2012.

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

On October 31, 2012, the Company announced that based on the currently known facts, it does not expect a decline in production volume or sales in 2013. The current state of sales negotiations with customers for 2013 indicates that as in prior years the production capacity of the Company should be sold out. The Company responded in this way to estimates of the potential impact of the decision by Kimberly-Clark to halt selling Huggies baby diapers in most Western and Central European countries.

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 September 30, 2012.

j. Disclosures on changes in the composition of the entity / changes in consolidation

Based on the decision of the Annual General Meeting held on June 27, 2012, PEGAS NONWOVENS EGYPT LLC increased its registered capital from USD 5,000 thousand to USD 8,000 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 September 30, 2012, the Company had four interest rate swaps open, these were concluded in 2009 and 2011. The fair value of these swaps as at September 30, 2012 and December 31, 2011 is presented in the following table:

Counterparty	as at December 31, 2011	as at September 30, 2012
Česká spořitelna – 2009 IRS	(586)	(223)
ING – 2009 IRS	(550)	(222)
Česká spořitelna – 2011 IRS	(313)	(2,262)
ING – 2011 IRS	(251)	(2,260)
Total	**(1,700)**	**(4,967)**

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 categorized 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 September 30, 2012, represents a payable of the Company. Currently these swaps hedge 68.0% of the Company's debts (76.9% as at December 31, 2011).

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 3,307 thousand as at September 30, 2012 (by approximately EUR 3,482 thousand as at December 31, 2011).
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 2,513 thousand as at September 30, 2012 (by approximately EUR 3,820 thousand as at December 31, 2011).

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 2012 or in the first nine months of 2011.

Weighted average number of ordinary shares

2011

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

2012

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

Basic earnings per share

		Three months ended		Nine months ended	
		30/9/2011	**30/9/2012**	**30/9/2011**	**30/9/2012**
Net profit attributable to equity holders	ths. EUR	5,480	8,594	16,273	17,700
Weighted average number of ordinary shares	number	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.59**	**0.93**	**1.76**	**1.92**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/9/2011	**30/9/2012**	**30/9/2011**	**30/9/2012**
Net profit attributable to equity holders	ths. EUR	5,480	8,594	16,273	17,700
Weighted average number of ordinary shares	number	9,229,400	9,229,400	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.59**	**0.93**	**1.76**	**1.92**

m. Related party transactions

In the first nine months of 2012 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 November 21, 2012.

Marek Modecki	**František Řezáč**
Chairman of the Board of Directors	**Member of the Board of Directors**
PEGAS NONWOVENS SA	**PEGAS NONWOVENS SA**