PEGAS NONWOVENS SA

First quarter of 2012 unaudited consolidated financial results

24 May 2012

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first quarter of the year to 31 March 2012 prepared according to International Financial Reporting Standards (IFRS).

"In the first quarter of this year the output from the new production line that was put into operation in the second half of last year was notably recorded in our results. The production from the new line contributed to the 8% year on year increase in revenues which amounted to EUR 44.3 million and to the 15% year on year increase in EBITDA which reached EUR 9.5 million. The achieved results are in line with our expectations.

In the first months of the year we again recorded a significant increase in the price of polymers, which will have a negative effect on operating profitability in the second quarter. Although it is not possible to precisely estimate the development of polymer prices, we are currently seeing signs that the market is stabilising and we strongly believe that we will be able to at least partially eliminate the negative impact of this external factor over the course of the year. Therefore, we have not changed our financial outlook for this year.

In the coming months we want to concentrate our efforts and resources on ensuring successful construction of our production plant in Egypt. On the operating level in the Czech Republic, we will continue to optimise the operation of the newest production line and work on selling this year's remaining production capacity," said František Řezáč, member of the Board of Directors of PEGAS NONWOVENS SA and CEO of PEGAS NONWOVENS s.r.o.

Overview of Financial Results

(mil. EUR)	First quarter January – March 2012	
		yoy
Revenues	44.3	8.0%
Operating costs without depreciation and amortization	(34.8)	6.3%
EBITDA	9.5	15.0%
Depreciation and amortization	(3.1)	46.1%
Profit from operations (EBIT)	6.4	4.3%
FX changes and other financial income/(expense) (net)	5.2	133.9%
Interest expense (net)	(1.0)	30.9%
Income tax – (expense)/income (net)	(1.9)	57.4%
Net profit	8.7	36.4%
Capital expenditure	8.2	(43.9%)
Number of employees (end of period)	429	5.7%
No. of employees during period (average)	422	6.3%
Net Debt	125.6	28.1%
Production output (in tonnes)	21,074	21.8%
Average CZK/EUR exchange rate during period	25.083	2.9%
End of period CZK/EUR exchange rate	24.730	0.8%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first quarter of 2012 consolidated revenues (revenues from sales of the Company's products) reached EUR 44.3 million, up by 8.0% 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. However, polymer prices declined slightly, down by approximately 5% yoy.

Total consolidated operating costs without depreciation and amortization (net) went up by 6.3% yoy to EUR 34.8 million in the first quarter of 2012. The main reason for this increase was the increased raw material consumption connected with the new production line.

In the first quarter of 2012, EBITDA amounted to EUR 9.5 million, up by 15.0% yoy. The year on year EBITDA increase was achieved namely due to the contribution of the new production line. Whereas the first quarter of last year was negatively impacted by the delay in the pass-through of raw material prices into the prices of finished products, the effect of this mechanism in the first quarter of this year was slightly positive. By contrast, the year on year comparison was negatively affected by an increased number of days of regular maintenance breaks in the first three months of this year and by changes in the level of finished goods inventories.

In the first quarter of 2012 the EBITDA margin was 21.4%, which is 1.3 percentage points higher compared with the same period in 2011.

Operating Costs

Total raw materials and consumables used in the first quarter of 2012 amounted to EUR 32.7 million, a 6.6% yoy increase. The main factor was the increased raw material consumption connected with the new production line.

Total staff costs went up by 4.9% yoy to EUR 2.1 million in the first quarter of 2012. Total staff costs denominated in CZK, excluding the share option plan, increased by 7.2% due to an increased number of employees needed for the new production line and the indexation of wages. The depreciation of the CZK against the EUR contributed to the lower growth of total staff costs expressed in EUR.

Other operating expenses (net) reached EUR 25 thousand in the first quarter of 2012, down by 70.2% compared with the same period last year.

Depreciation and amortization

Consolidated depreciation and amortization reached EUR 3.1 million in the first quarter of 2012, up by 46.1% 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 quarter of 2012 profit from operations (EBIT) amounted to EUR 6.4 million, an increase of 4.3% yoy compared with the same period in 2011. The increased profit from operations was positively affected by the growth of EBITDA and negatively affected by a higher level of depreciation and amortization.

Financial Income and Costs

In the first quarter of 2012 FX changes and other financial income/(expense) (net) amounted to EUR 5.2 million, up by 133.9% compared with 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).

Interest expenses (net) related to debt servicing amounted to EUR 1.0 million in the first quarter of 2012, a 30.9% increase compared with the first quarter of 2011. 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.

Corporate income tax

In the first quarter of 2012 income tax expense amounted to EUR 1.9 million, up by 57.4% over the first quarter of 2011. The year on year increase in income tax resulted primarily from higher unrealised FX gains in the first three months of this year. Current income tax payable amounted to EUR 1.6 million, while changes in deferred tax were EUR 0.3 million.

Net profit

In the first quarter of 2012 net profit amounted to EUR 8.7 million representing a yoy increase of 36.4% on the back of a higher EBITDA and higher unrealised FX gains.

CAPEX and Investments

In the first quarter of this year total consolidated capital expenditures amounted to EUR 8.2 million, down by 43.9% compared with the same period in the previous year. The largest part of this sum came from capital expenditures related to the construction of the Egyptian production plant in the amount of EUR 5.2 million. Investment expenditure into the ninth production line was EUR 0.9 million and maintenance CAPEX was EUR 2.1 million. The increase in maintenance CAPEX expended on the current fleet of production lines was the result of the investment into the new equipment, which will increase the production flexibility on one of the lines. Furthermore, the Company confirms that in 2012 total capital expenditure will not exceed EUR 46 million (at the constant exchange rate of CZK/EUR 24.50).

Cash and Indebtedness

The total amount of consolidated financial debt (both short- and long-term) as at 31 March 2012 was EUR 132.7 million, a 30.4% increase compared with 31 March 2011. The amount of net debt as at 31 March 2012 was EUR 125.6 million, up by 28.1% yoy. This is equivalent to a Net Debt/EBITDA ratio of 3.37x.

Business overview for the first quarter of 2012

In the first quarter of 2012, the total production output (net of scrap) reached 21,074 tonnes, up by 21.8% compared with the first quarter of 2011. In the first quarter of this year there were more regular maintenance breaks compared to the same period last year.

In the first quarter of 2012, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 86.4% share of total revenues and compared with the first quarter of 2011 remained practically unchanged. The high share of products in this category confirms the important position the Company has in this market. Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 30.5 million in the first quarter of 2012, an increase of 11.6% compared with the first quarter of 2011. In the first quarter of 2012 the share of revenues from sales of standard textiles for the hygiene industry represented a 68.8% share of total revenues, an increase from the 66.6% share in the first quarter of 2011. In the first quarter of 2012, the revenues from sales of light-weight and bi-component materials reached EUR 7.8 million, a 4.8% decrease compared with the first quarter of 2011. The proportion of this product category to the total sales in the first quarter of 2012 amounted to 17.6%, compared with a 19.9% share in the first quarter of the previous year.

Revenues from sales of non-hygiene products (for construction, agriculture and the medical industry) amounted to EUR 6.0 million in the first quarter 2012, representing an increase of 9.2% yoy. The proportion of sales of non-hygiene products to the total sales in the first quarter of 2012 amounted to 13.6%, remaining practically unchanged compared with a 13.5% share in the first quarter of 2011.

The geographical distribution of its markets[1], confirms the Company's steady focus on sales to the broader European area. In the first quarter of 2012 revenues from sales to Western Europe amounted to EUR 21.5 million, which represented a 48.6% share of total revenues, compared with a 55.3% share in the same period in 2011. In this period revenues from sales to Central and Eastern Europe and Russia amounted to EUR 19.7 million and represented a 44.6% share of total revenues compared with a 41.1% share in the first quarter of 2011. Revenues from sales to other territories amounted to EUR 3.0 million and represented a 6.8% share of total revenues, compared with a 3.6% share in the first quarter of 2011.

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

Confirmation of Guidance for 2012

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

During the first quarter of this year polymer prices exhibited significant growth approaching the historical highs set in May last year. The growth in raw material prices will negatively impact the financial results in the second quarter.

Based on the achieved results in the first quarter of 2012 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market, the Company confirms its previously announced outlook for 2012 and expects EBITDA to grow between 5 and 15% in 2012 compared with the result achieved in 2011.

Interim Unaudited Consolidated Financial Statements of PEGAS NONWOVENS SA for the three months ended 31 March 2012

Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2011 and 31 March 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		
	31 March 2011 (unaudited)	**31 March 2012 (unaudited)**	**% change**
Revenues	41,017	44,302	8.0%
Raw materials and consumables used	(30,644)	(32,652)	6.6%
Staff costs	(2,034)	(2,133)	4.9%
Other operating income/(expense) (net)	(84)	(25)	(70.2%)
EBITDA	**8,255**	**9,492**	**15.0%**
Depreciation and amortization expense	(2,114)	(3,088)	46.1%
Profit from operations	**6,141**	**6,404**	**4.3%**
FX gains and other financial income	4,608	8,135	76.5%
FX losses and other financial expenses	(2,368)	(2,896)	22.3%
Interest income	9	1	(88.9%)
Interest expense	(789)	(1,022)	29.5%
Profit before tax	**7,601**	**10,622**	**39.7%**
Income tax – (expense)/income (net)	(1,217)	(1,916)	57.4%
Net profit after tax	**6,384**	**8,706**	**36.4%**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	649	(807)	n/a
Changes in translation reserves	2,027	4,357	114.9%
Total comprehensive income for the period	**9,060**	**12,256**	**35.3%**
Net earnings per share			
Basic net earnings per share (EUR)	**0.69**	**0.94**	**36.2%**
Diluted net earnings per share (EUR)	**0.69**	**0.94**	**36.2%**

Condensed Consolidated Statement of Financial Position as at 31 March 2011, 31 December 2011, and 31 March 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)

	31 March 2011 (unaudited)	31 December 2011 (audited)	31 March 2012 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	123,823	151,826	158,525
Long term intangible assets	218	452	474
Goodwill	94,545	89,927	93,818
Total non-current assets	**218,586**	**242,205**	**252,817**
Current assets			
Inventories	16,385	17,624	20,389
Trade and other receivables	31,853	36,866	40,581
Cash and cash equivalents	3,693	6,248	7,102
Total current assets	**51,931**	**60,738**	**68,072**
Total assets	**270,517**	**302,943**	**320,889**
Total equity and liabilities			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Share premium	9,078	--	--
Legal reserves	6,034	6,942	6,942
Translation reserves	8,665	4,244	8,601
Cash flow hedging	(108)	(1,377)	(2,184)
Retained earnings	102,988	109,511	118,217
Total share capital and	**138,101**	**130,764**	**143,020**
Non-current liabilities			
Bank loans	95,543	125,512	132,680
Other payables	125	55	36
Deferred tax liabilities	11,067	12,337	12,983
Total non-current liabilities	**106,735**	**137,904**	**145,699**
Current liabilities			
Trade and other payables	17,482	33,954	32,079
Tax liabilities	2,021	95	91
Bank current liabilities	6,178	226	--
Total current liabilities	**25,681**	**34,275**	**32,170**
Total liabilities	**132,416**	**172,179**	**177,869**
Total equity and liabilities	**270,517**	**302,943**	**320,889**

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2011 and 31 March 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 to	
	31 March 2011 (unaudited)	**31 March 2012 (unaudited)**
Profit before income tax	**7,601**	**10,622**
Adjustment for:		
Depreciation and amortization	2,114	3,088
Foreign exchange (gains)/losses	(784)	572
Interest expense	789	1,022
Fair value changes of interest rate swaps	649	(807)
Other financial income/(expense)	(48)	(237)
Cash flows from operating activities		
Decrease/(increase) in inventories	(1,053)	(1,974)
Decrease/(increase) in receivables	(198)	(2,085)
Increase/(decrease) in payables	2,600	(1,011)
Income tax paid	(907)	(967)
Net cash from operating activities	**10,763**	**8,223**
Cash flows from investment activities		
Purchases of property, plant and equipment	(14,677)	(8,232)
Net cash flows from investment activities	**(14,677)**	**(8,232)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	3,345	1,480
Increase/(decrease) in long term payables	22	(19)
Interest paid	(493)	(835)
Other financial income/(expense)	48	237
Net cash flows from financing activities	**2,922**	**863**
Cash and cash equivalents at the beginning of the period	**4,685**	**6,248**
Net increase (decrease) in cash and cash equivalents	**(992)**	**854**
Cash and cash equivalents as at 31 March	**3,693**	**7,102**

Condensed Consolidated Statement of Changes in Equity as at 31 March 2011 and as at 31 March 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	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 1 January 2011	**11,444**	**9,078**	**6,034**	**(757)**	**6,638**	**96,604**	**129,041**	**--**	**129,041**
Distribution	--	--	--	--	--	--	**--**	--	**--**
Other comprehensive income for the period	--	--	--	649	2,027	--	**2,676**	--	**2,676**
Net profit for the period	--	--	--	--	--	6,384	**6,384**	--	**6,384**
Legal reserves created from retained earnings	--	--	--	--	--	--	**--**	--	**--**
as at 31 March 2011	**11,444**	**9,078**	**6,034**	**(108)**	**8,665**	**102,988**	**138,101**	**--**	**138,101**
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	--	--	--	(807)	4,357	--	**3,550**	--	**3,550**
Net profit for the period	--	--	--	--	--	8,706	**8,706**	--	**8,706**
Legal reserves created from retained earnings	--	--	--	--	--	--	**--**	--	**--**
as at 31 March 2012	**11,444**	**--**	**6,942**	**(2,184)**	**8,601**	**118,217**	**143,020**	**--**	**143,020**

Selected explanatory notes to the interim consolidated financial statements for the three month period ending 31 March 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 financial statements were prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 for 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 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 quarter of 2012 consolidated revenues (revenues from sales of the Company's products) reached EUR 44,302 thousand, up by 8.0% 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. However, polymer prices declined slightly by approximately 5% yoy.

In the first quarter of 2012, EBITDA amounted to EUR 9,492 thousand, up by 15.0% yoy. The year on year EBITDA increase was achieved namely due to the contribution of the new production line. Whereas the first quarter of last year was negatively impacted by the delay in the pass-through of raw material prices into the prices of finished products, the effect of this mechanism in the first quarter of this year was slightly positive. By contrast, the year on year comparison was negatively affected by an increased number of days of regular maintenance breaks in the first three months of this year and by a change in the level of finished goods inventories.

In the first three months of 2012 FX gains and other financial income amounted to EUR 8,135 thousand and FX losses and other financial expenses amounted to EUR 2,896 thousand. These items represent realized and unrealized FX gains and 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 quarter of this year total consolidated capital expenditures amounted to EUR 8,232 thousand, down by 43.9% compared with the same period in the previous year. The largest part of this sum came from capital expenditures related to the construction of the Egyptian production plant in the amount of EUR 5,235 thousand. Investment expenditure into the ninth production line was EUR 872 thousand and maintenance CAPEX was EUR 2,125 thousand. The increase in maintenance CAPEX expended on the current fleet of production lines was the result of the investment into the new equipment, which will increase the production flexibility on one of the lines.

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 three months of 2012 the Company increased bank indebtedness from EUR 125,738 thousand to EUR 132,680 thousand (from EUR 96,238 thousand to EUR 101,721 thousand in the first three months of 2011). The Company did not conclude any new bank facilities in the first quarter of 2012.

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

g. Dividend

During the interim period, no dividend was paid to the shareholders.

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

With effect from 7 May 2012, Mr. Jan Sýkora was appointed as non-executive member of the Board of Directors. The final appointment of Mr. Sýkora is subject to approval of the Annual General Meeting, which will be held on 15 June 2012.

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 31 March 2012.

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

There were no changes in this field during the reporting period ended relative to the compared period.

k. Information about the fair value of financial instruments

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

As at 31 March 2012 the Company had four interest rate swaps open, these were concluded in 2009 and 2011. The fair value of these swaps as at 31 March 2012 and 31 December 2011 is presented in the following table:

Counterparty	**as at 31 December 2011**	**as at 31 March 2012**
Česká spořitelna – 2009 IRS	(586)	(340)
ING – 2009 IRS	(550)	(295)
Česká spořitelna – 2011 IRS	(313)	(982)
ING – 2011 IRS	(251)	(989)
Total	**(1,700)**	**(2,606)**

Fair value of the swaps as at 31 March 2012 represents a payable of the Company. Currently these swaps hedge 73.9% of the Company's debts (76.9% as at 31 December 2011).

l. *Earnings per share*

Earnings per Share (EPS) is 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 three months of 2012 or in the first three months of 2011.

Weighted average number of ordinary shares

2011

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

2012

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

Basic earnings per share

		Three months ended	
		31/3/2011	**31/3/2012**
Net profit attributable to equity holders	ths. EUR	6,384	8,706
Weighted average number of ordinary shares	number	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.69**	**0.94**

Diluted earnings per share

		Three months ended	
		31/3/2011	**31/3/2012**
Net profit attributable to equity holders	ths. EUR	6,384	8,706
Weighted average number of ordinary shares	number	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.69**	**0.94**

m. Related party transactions

Except for the information above there were no other new transactions between the Group and the executive managers or the non-executive directors concluded in the first three months of 2012.

n. Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 23 May 2012.

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