PEGAS NONWOVENS SA

First nine months of 2011 unaudited consolidated financial results

24 November 2011

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first nine months of 2011 to September 30, 2011 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 10.8 million, which is an increase of 17% over the same period last year. The significant growth in polymer prices that negatively affected our profitability in the first half of the year reversed in June and prices started to decline. This development had a positive effect on our financial results in the third quarter.

We registered some softening of the nonwoven textiles market in the fourth quarter, however there is no indication currently that this will be other than a short-term effect. We confirm our 2011 full year EBITDA guidance, however at the lower end of the previously announced range, and remain positive about the outlook for 2012.

With respect to the project for the construction of the Egyptian plant we were successful in concluding several key contracts, the project is proceeding according to plan and we expect to launch the line in the second half of 2013.

Recently we were very pleased to have once again received the prestigious "Business Partner of the Year" award from Procter & Gamble. We value this award a great deal because we are very well aware that the satisfaction of our customers with our products and services is the fundamental prerequisite for the Company's long term success.

Likewise, thanks to our good financial results we have again been able to pay out a dividend to our shareholders at the end of October in the amount of EUR 1.00 per share, which represents a dividend yield of 5.7%", 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)	Nine months January – September 2011		Third quarter July - September 2011	
		yoy		yoy
Revenues	126.3	15.6%	43.7	7.9%
Operating costs without depreciation and amortization	100.2	19.6%	32.9	5.3%
EBITDA	26.0	2.2%	10.8	17.0%
Depreciation and Amortization	6.4	(48.2%)	2.2	(47.4%)
Profit from operations (EBIT)	19.7	49.3%	8.6	69.0%
FX gains/(losses) and other financial income/(expense)	1.5	(81.8%)	(1.9)	n/a
Interest expense (net)	3.1	25.0%	1.0	16.0%
Income tax – expense/(income)	1.8	51.5%	0.2	(69.3%)
Net profit	16.3	(7.6%)	5.5	(33.3%)
Capital expenditure	25.7	350.5%	6.1	n/a
Number of employees (end of period)	417	9.4%	417	9.4%
No. of employees during period (average)	411	7.9%	425	10.4%
Net Debt	102.9	15.2%	102.9	15.2%
Production output (in tonnes)	53,784	2.7%	18,936	5.3%
Average CZK/EUR exchange rate during period	24.361	(4.3%)	24.388	(2.1%)
End of period CZK/EUR exchange rate	24.755	0.6%	24.755	0.6%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2011, consolidated revenues (revenues from sales of the Company's products) reached EUR 126.3 million, up by 15.6% yoy. A key role in the development of revenues was played by the continued growth in polymer price indices. Polymer prices grew from the beginning of the year 2010 until April 2011 and then stabilised. Since June of this year polymer prices have declined significantly. The polymer price level in the third quarter of 2011 corresponded to the levels recorded in the third quarter of last year. In the third quarter of 2011, the total consolidated revenues were EUR 43.7 million, a 7.9% increase compared with the same period last year.

In the first nine months of 2011 total consolidated operating costs without depreciation and amortization (net) went up by 19.6% yoy to EUR 100.2 million. The primary reason for this increase was the growth in the polymer price indices. In the third quarter of 2011 consolidated operating costs without depreciation and amortization were EUR 32.9 million, representing an increase of 5.3% yoy.

In the first nine months of this year EBITDA reached EUR 26 million, up by 2.2% yoy. This increase resulted from the changes in polymer price indices in the compared periods and the subsequent effect of the price pass-through mechanism. The financial results of the Company in the first half of 2010 and 2011 were negatively affected by this mechanism. Whereas in 2010 the transient decline in polymer prices had a positive effect on fourth quarter results, this year the positive effect was registered by the Company already in the third quarter. In the third quarter of 2011 EBITDA grew by 17% yoy and reached EUR 10.8 million, which is the highest quarterly EBITDA reported in two and a half years. The reason for this growth was the already mentioned development in polymer prices and lower staff costs.

In the first nine months of 2011 the EBITDA margin was 20.6%, which is 2.7 percentage points lower compared with the same period in 2010. In the third quarter of 2011 the EBITDA margin amounted to 24.6%, up by 1.9 percentage points over the third quarter of last year.

Operating Costs

Total raw materials and consumables used in the first nine months of 2011 amounted to EUR 94.4 million, a 19.7% yoy increase. The main factor was the increase in the purchase prices of polypropylene and polyethylene. In the third quarter of 2011 this item reached EUR 31.2 million, an increase of 5.2% yoy.

In the first nine months of 2011 total staff costs went up by 6.9% yoy to EUR 6.1 million. Total staff costs denominated in CZK, excluding the share option plan, increased by 7.3% due to an increased number of employees needed for the new production line and due to the indexation of wages. The strengthening of the CZK against the EUR in the compared periods had a negative effect on staff costs expressed in EUR, conversely staff costs were lowered by the revaluation of the share option plan. In the third quarter of 2011 staff costs reached EUR 1.8 million, down by 13.2% yoy. The decline in staff costs resulted from the revaluation of the share option plan. In the third quarter staff costs expressed in CZK without the revaluation of the share option plan grew by 5.1% yoy primarily due to the higher number of employees needed for the new production line. A significant portion of staff costs connected with the hiring of new employees was compensated for by a subsidy for the establishment of new jobs that was a component of the awarded investment incentives. These subsidies are booked in the item Other operating income (net).

Other operating income (net) reached EUR 0.3 million in the first nine months of 2011 representing a decline of 65% compared to the same period in 2010. In the third quarter of 2011 Other operating income (net) amounted to EUR 46 thousand, down by 88.9% yoy.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 6.4 million in the first nine months of 2011, down by 48.2% yoy. In 2011 the Company performed an analysis of the useful lifetime of property, plant and equipment. Based on this assessment the Company decided to prolong the residual estimated useful lifetime of production technology. This change is effective as of January 1, 2011. Therefore, the depreciation and amortization amount is not comparable year on year. The prolongation of the estimated useful lifetime will cause the depreciation and amortization expense to decrease in 2011 by approximately EUR 6.7 million. In the third quarter of 2011, total consolidated depreciation and amortization reached EUR 2.2 million, down by 47.4% yoy.

Profit from Operations

In the first nine months of 2011 profit from operations (EBIT) amounted to EUR 19.7 million, an increase of 49.3% yoy compared to the same period in 2010. This increase resulted primarily from higher EBITDA and the above mentioned changes to the depreciation of property, plant and equipment.

In the third quarter of 2011 profit from operations (EBIT) increased by 69.0% yoy to EUR 8.6 million due to the increase of EBITDA and the decline of depreciation and amortization.

Financial Income and Costs

In the first nine months of 2011 FX changes and other financial income / (expense) (net) amounted to EUR 1.5 million, down by 81.8% 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 2011 foreign exchange changes and other financial income/(expense) (net) represented a loss of EUR 1.9 million, compared with a gain of EUR 4.8 million reported in 2010. These losses resulted from the depreciation of the Czech crown relative to the end of the second quarter of this year.

Interest expenses (net) related to debt servicing amounted to EUR 3.1 million in the first nine months of 2011, a 25.0% increase compared with the first nine months of 2010. The increase in interest expenses is connected to the refinancing of external debt and the subsequent write down of a part of the arrangement fee for the previous bank loan. The new loan facility also led to an increase in the interest rate margin. In the third quarter of 2011, interest expenses (net) related to debt servicing amounted to EUR 1 million, a 16% increase compared with the same period last year.

Income Tax

In the first nine months of 2011 income tax expense amounted to EUR 1.8 million, up by 51.5% over 2010. The Company recorded income tax due to unrealized FX gains resulting from the revaluation of the bank debt and the inter-company loan and also from the expiry of the investment incentives for the subsidiary PEGAS – DS a.s., which as of October 1, 2011 ceased to exist following its merger with PEGAS NONWOVENS s.r.o., as its successor company. Current tax payable amounted to EUR 2.1 million, while changes in deferred tax represented a gain of EUR 0.3 million.

In the third quarter of 2011 income tax expense amounted to EUR 0.2 million, down by 69.3% yoy. The reduction in tax expense in the third quarter resulted from tax deductible FX losses.

Net profit

Net profit reached EUR 16.3 million in the first nine months of 2011, down by 7.6% yoy. The year-on-year decline in net profit was affected primarily by lower FX gains. In the third quarter of 2011 the Company achieved a net profit of EUR 5.5 million, down by 33.3% yoy due to the effect of FX changes in the compared periods.

CAPEX and Investments

In the first nine months of 2011 total consolidated capital expenditures amounted to EUR 25.7 million, up by more than 350% over the previous year. Higher capital expenditures in this year are primarily connected to the construction of the new production line in the Czech Republic and the construction of the Egyptian plant. In the third quarter total consolidated capital expenditures amounted to EUR 6.1 million.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at September 30, 2011 was EUR 119.2 million, a 21.4% increase compared with September 30, 2010. The amount of net debt as at September 30, 2011 was EUR

102.9 million, up by 15.2% yoy. The increase in external debt is related to the increased draw down of the loan facility for the purpose of financing the construction of the new production line in the Czech Republic and the construction of the Egyptian plant. As at September 30, 2011 the Net Debt/EBITDA ratio was 2.9x.

Business overview for the first nine months of 2011

In the first nine months of this year, the total production output (net of scrap) reached 53,784 tonnes, up by 2.7% compared with the first nine months of 2010. In the third quarter of 2011 the Company produced 18,936 tonnes, up by 5.3% over the same period last year. The year on year increase in production is the result of the gradual ramp-up of production on the new production line over the course of the third quarter.

In the first nine months of 2011, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 88.0% share of total revenues, which represents a slight increase compared with an 87.6% share in the first nine months 2010. The high share of products in this category confirms the important position the Company has in this market. In the third quarter of 2011 the share of revenues from sales of nonwoven textiles for the hygiene industry on total revenues was 91.3%, up by 3.2 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 86.4 million in the first nine months of 2011, an increase of 18.5% compared to the first nine months of 2010. In the first nine months of 2011 the share of revenues from sales of standard textiles for the hygiene industry represented a 68.4% share of total revenues, a year on year increase from the 66.7% share in the first nine months of 2010. In the third quarter of 2011 this share was 71.2%. In the first nine months of 2011, the revenues from sales of light-weight and bi-component textiles reached EUR 24.8 million, a 8.2% increase compared to the first nine months of 2010. The share of revenues from sales in this product category of total revenues in the first nine months of 2011 amounted to 19.6% compared to a 20.9% share in the first nine months of the previous year. In the third quarter of 2011 this share grew to 20.1%.

Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to EUR 15.1 million in the first nine months of 2011, representing an increase of 12.1% yoy. The proportion of sales of non-hygiene products to the total sales in the first nine months of 2011 amounted to 12.0%, compared with a 12.4% share in the first nine months of 2010. In the third quarter of this year the share of non-hygiene products amounted to 8.7%.

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 2011 revenues from sales to Western Europe amounted to EUR 68.1 million, which represented a 54.0% share of total revenues, compared with a 58.8% share in the same period in 2010. In this period revenues from sales to Central and Eastern Europe and Russia amounted to EUR 53.8 million and represented a 42.5% share of total revenues

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

compared to a 37.2% share in the first nine months of 2010. Revenues from sales to other territories amounted to EUR 4.4 million and represented a 3.5% share of total revenues, compared with a 4.0% share in the first nine months of 2010.

Confirmation of Outlook for 2011

The Company registered some softening of the nonwoven textiles market in the fourth quarter, however there is no indication currently that this will be other than a short-term effect.

Based on the financial and business results in the first nine months of this year, while taking into account the launch of the new production line in Znojmo and the developments in the European nonwovens market and the anticipated developments in the polymer market, the Company confirms its outlook for 2011 EBITDA, however at the lower end of the previously announced range.

Interim Unaudited Consolidated Financial Statements of PEGAS NONWOVENS SA for the nine months ended September 30, 2011

Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2010 and September 30, 2011

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		
	September 30, 2010 (unaudited)	**September 30, 2011 (unaudited)**	**% change**
Revenues	109,253	126,257	15.6%
Raw materials and consumables used	(78,913)	(94,432)	19.7%
Staff costs	(5,683)	(6,074)	6.9%
Other operating income/(expense) (net)	834	292	(65.0%)
EBITDA	**25,491**	**26,043**	**2.2%**
Depreciation and amortization expense	(12,326)	(6,389)	(48.2%)
Profit from operations	**13,165**	**19,654**	**49.3%**
FX gains and other financial income	11,923	6,701	(43.8%)
FX losses and other financial expense	(3,843)	(5,227)	36.0%
Interest income	9	17	88.9%
Interest expense	(2,477)	(3,102)	25.2%
Profit before tax	**18,777**	**18,043**	**(3.9%)**
Income tax – (expense)/income net	(1,168)	(1,770)	51.5%
Net profit after tax	**17,609**	**16,273**	**(7.6%)**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(1,246)	279	n/a
Changes in translation reserves	6,237	1,145	(81.6%)
Total comprehensive income for the period	**22,600**	**17,697**	**(21.7%)**
Net earnings per share			
Basic net earnings per share (EUR)	**1.91**	**1.76**	**(7.6%)**
Diluted net earnings per share (EUR)	**1.91**	**1.76**	**(7.6%)**

Condensed Consolidated Statement of Comprehensive Income for the three months ended September 30, 2010 and September 30, 2011

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		
	September 30, 2010 (unaudited)	**September 30, 2011 (unaudited)**	**% change**
Revenues	40,462	43,664	7.9%
Raw materials and consumables used	(29,600)	(31,150)	5.2%
Staff costs	(2,081)	(1,807)	(13.2%)
Other operating income/(expense) (net)	413	46	(88.9%)
EBITDA	**9,194**	**10,753**	**17.0%**
Depreciation and amortization expense	(4,110)	(2,160)	(47.4%)
Profit from operations	**5,084**	**8,593**	**69.0%**
FX gains and other financial income	5,878	(554)	n/a
FX losses and other financial expense	(1,068)	(1,310)	22.7%
Interest income	8	3	(62.5%)
Interest expense	(870)	(1,003)	15.3%
Profit before tax	**9,032**	**5,729**	**(36.6%)**
Income tax – (expense)/income net	(810)	(249)	(69.3%)
Net profit after tax	**8,222**	**5,480**	**(33.3%)**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	(1)	(388)	n/a
Changes in translation reserves	3,856	(1,729)	n/a
Total comprehensive income for the period	**12,077**	**3,363**	**(72.2%)**
Net earnings per share			
Basic net earnings per share (EUR)	**0.89**	**0.59**	**(33.3%)**
Diluted net earnings per share (EUR)	**0.89**	**0.59**	**(33.3%)**

Condensed Consolidated Statement of Financial Position as of September 30, 2010, December 31, 2010 and September 30, 2011

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)

	September 30, 2010 (unaudited)	December 31, 2010 (audited)	September 30, 2011 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	110,720	107,713	147,090
Intangible assets	198	219	216
Goodwill	94,276	92,583	93,724
Total non-current assets	**205,194**	**200,515**	**241,030**
Current assets			
Inventories	14,496	14,741	16,730
Trade and other receivables	31,576	31,280	38,071
Cash and cash equivalents	8,913	4,685	16,308
Total current assets	**54,985**	**50,706**	**71,109**
Total assets	**260,179**	**251,221**	**312,139**
Total equity and liabilities			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Share premium	17,846	9,078	--
Legal reserves	6,034	6,034	7,360
Translation reserves	8,440	6,638	7,783
Cash flow hedging	(1,065)	(757)	(478)
Retained earnings	93,174	96,604	111,400
Total share capital and	**135,873**	**129,041**	**137,509**
Non-current liabilities			
Bank loans	98,205	95,450	119,211
Other payables	86	103	55
Deferred tax liabilities	11,021	10,686	10,546
Total non-current liabilities	**109,312**	**106,239**	**129,812**
Current liabilities			
Trade and other payables	12,945	13,419	44,818
Tax liabilities	2,049	1,734	--
Bank current liabilities	--	788	--
Total current liabilities	**14,994**	**15,941**	**44,818**
Total liabilities	**124,306**	**122,180**	**174,630**
Total equity and liabilities	**260,179**	**251,221**	**312,139**

Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2010 and September 30, 2011

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	
	September 30, 2010 (unaudited)	**September 30, 2011 (unaudited)**
Profit before tax	**18,777**	**18,043**
Adjustment for:		
Depreciation and amortization	12,326	6,389
Foreign exchange gains	(1,527)	(566)
Interest expense	2,477	3,102
Fair value changes of interest rate swaps	(1,246)	279
Other financial income / (expense)	6	(304)
Cash flows from operating activities		
Decrease/(increase) in inventories	179	(1,837)
Decrease/(increase) in receivables	(4,442)	(6,503)
Increase/(decrease) in payables	(4,166)	3,723
Income tax paid	(1,123)	(4,481)
Net cash from operating activities	**21,261**	**17,845**
Cash flows from investment activities		
Purchases of property, plant and equipment	(5,711)	(25,728)
Net cash flows from investment activities	**(5,711)**	**(25,728)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(5,302)	21,367
Increase/(decrease) in long term payables	59	(48)
Distribution	--	--
Interest paid	(1,861)	(2,117)
Other financial income/(expense)	(6)	304
Net cash flows from financing activities	**(7,110)**	**19,506**
Cash and cash equivalents at the beginning of the period	**473**	**4,685**
Net increase (decrease) in cash and cash equivalents	**8,440**	**11,623**
Cash and cash equivalents at September 30	**8,913**	**16,308**

Condensed Consolidated Statement of Changes in Equity in the nine months as at September 30, 2010 and as at September 30, 2011

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 January 1, 2010	**11,444**	**17,846**	**4,396**	**181**	**2,203**	**77,203**	**113,273**	**--**	**113,273**
Distribution	--	--	--	--	--	--	--	--	--
Other comprehensive income for the period	--	--	--	(1,246)	6,237	--	**4,991**	--	**4,991**
Net profit for the period	--	--	--	--	--	17,609	**17,609**	--	**17,609**
Legal reserves created from retained earnings	--	--	1,638	--	--	(1,638)	--	--	--
as at September 30, 2010	**11,444**	**17,846**	**6,034**	**(1,065)**	**8,440**	**93,174**	**135,873**	**--**	**135,873**
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**

Selected explanatory notes to the interim consolidated financial statements for the nine months ending September 30, 2011

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 December 31, 2010.

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 2011 consolidated revenues (revenues from sales of products) reached EUR 126,257 thousand, up by 15.6% yoy. Total raw materials and consumables used in the same period amounted to EUR 94,432 thousand, a 19.7% yoy increase. A key role in the development of revenues was played by the continued growth in polymer price indices.

In the first nine months of 2011 EBITDA amounted to EUR 26,043 thousand, up by 2.2% yoy. This increase resulted from the changes in polymer price indices in the compared periods and the subsequent effect of the price pass-through mechanism. The financial results of the Company in the first half of 2010 and 2011 were negatively affected by this mechanism. Whereas in 2010 the transient decline in polymer prices had a positive effect only on fourth quarter results, this year the positive effect was registered by the Company already in the third quarter.

In the first nine months of 2011 FX gains and other financial income amounted to EUR 6,701 thousand and FX losses and other financial expenses amounted to EUR 5,227 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 2011 total consolidated capital expenditures amounted to EUR 25,728 thousand, up by 350.5% over the previous year. Higher capital expenditures in this year are primarily connected to the construction of the new production line in the Czech Republic and the construction of the Egyptian plant.

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

On June 8, 2011 PEGAS signed a contract for a 5-year non-amortising loan in the amount of EUR 180 million. The loan will be used to finance new capital expenditures and to refinance the previous loan facility. 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 interest rate is based on the EURIBOR interest rate and an interest margin based on the current Net Debt/EBITDA ratio of the Company. The Loan Conditions do not require any compulsory repayments of principal during the duration of the loan.

During the first nine months of 2011 the Company increased bank indebtedness from EUR 96,238 thousand to EUR 119,211 thousand (from EUR 96,083 thousand to EUR 98,205 thousand in the first nine months of 2010).

In the first nine months 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. On July 18, 2011 the Board of Directors of PEGAS NONWOVENS SA approved a dividend payment to the Company's shareholders in the total amount of EUR 9,229,400, representing EUR 1.00 per share (for a total of 9,229,400 shares). 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, NDS or by other systems) was set to October 20, 2011 and the dividend payment date was set to October 27, 2011. The dividend was paid from the share premium account.

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 6, 2011 the Company received a shareholder notification that as at October 4, 2011 Wood & Company Funds SICAV PLC with headquarters at Level 6, The Mall Offices, Floriana, FRN 1470, Malta, held 974 491 shares in PEGAS NONWOVENS SA, representing a 10.56% share of share capital and voting rights in the Company. Prior to October 4, 2011 Wood & Company Funds SICAV PLC held 682,491 shares of the Company, representing 7.39% of the share capital and voting rights of the Company.

On October 14, 2011 the Company published information relating to the withholding tax applied to the payment made from the share premium account in the amount of EUR 1.00 per share (see point g).

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, 2011.

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

On June 6, 2011 PEGAS established a new subsidiary PEGAS NONWOVENS EGYPT LLC with an initial share capital of USD 2,500 thousand. This subsidiary was established for the purpose of executing the construction of a new production plant in Egypt.

k. 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 the 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 2011 or in the first nine months of 2010.

Weighted average number of ordinary shares

2010

	Number of outstanding shares	Weighted average
January – September 2010	9,229,400	9,229,400

2011

	Number of outstanding shares	Weighted average
January – September 2011	9,229,400	9,229,400

Basic earnings per share

		Three months ended		Nine months ended	
		30/9/2010	**30/9/2011**	**30/9/2010**	**30/9/2011**
Net profit attributable to equity holders	ths. EUR	8,222	5,480	17,609	16,273
Weighted average number of ordinary shares	number	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.89**	**0.59**	**1.91**	**1.76**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/9/2010	**30/9/2011**	**30/9/2010**	**30/9/2011**
Net profit attributable to equity holders	ths. EUR	8,222	5,480	17,609	16,273
Weighted average number of ordinary shares	number	9,229,400	9,229,400	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.89**	**0.59**	**1.91**	**1.76**

I. 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 nine months of 2011.

m. Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on November 23, 2011.

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