PEGAS NONWOVENS SA

First nine months of 2010 unaudited consolidated financial results

November 25, 2010

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first nine months of 2010 to September 30, 2010, prepared according to International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union.

"In the third quarter of this year we recorded revenues in the amount of EUR 40.5 million and an EBITDA of EUR 9.2 million. When compared with the previous period, the recorded financial results were not significantly impacted by the development of polymer prices. After a period of significant increase in the first half of this year polymer prices stabilised and since August have decreased moderately. Based on this fact and taking into account the results achieved since the start of the year, we believe that we will be able to meet the full year guidance.

One of the recent important moments for us was obtaining the prestigious "Supplier of the Year" award from Procter & Gamble given to the six best suppliers from a total of 80,000 in the world. The award confirms the strong position of the Company in the nonwovens market and reflects the future commitment to provide services at a level that will meet the high expectations of our customers. We believe, that apart from this success, our shareholders also appreciated the dividend payment in the amount of almost EUR 8.8 million, which was paid out at the end of October and through which we enabled them to participate in the consistently good financial results of the Company," said František Řezáč, member of the Board of PEGAS NONWOVENS SA and CEO of PEGAS NONWOVENS s.r.o.

Overview of Financial Results

(EUR million)	9 months Jan – Sep 2010		Q3 Jul – Sep 2010	
		yoy		yoy
Revenues	109.3	17.2%	40.5	34.6%
Operating costs without depreciation and amortization	83.8	34.1%	31.3	44.3%
EBITDA	25.5	(17.2%)	9.2	9.6%
Depreciation and amortization	12.3	3.8%	4.1	(0.2%)
Profit from operations (EBIT)	13.2	(30.4%)	5.1	19.0%
FX gains/(losses) and other financial income/(expense) (net)	8.1	2.9%	4.8	39.9%
Interest expense (net)	2.5	(15.7%)	0.9	(11.4%)
Income tax expense/(income)	1.2	(34.5%)	0.8	12.8%
Net profit	17.6	(20.2%)	8.2	36.6%
Capital expenditure	5.7	936.5%	0.1	(1.5%)
Number of employees (end of period)	381	0%	381	0%
No. of employees (average)	381	0%	385	0.5%
Net Debt	89.3	(13.9%)	89.3	(13.9%)
Production output (in tonnes)	52,362	1.5%	17,988	4.2%
Average CZK/EUR exchange rate	25.458	(4.4%)	24.913	(2.7%)
End of period CZK/EUR exchange rate	24.610	(2.2%)	24.610	(2.2%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2010 consolidated revenues (revenues from sales of products) reached EUR 109.3 million, up by 17.2% yoy. The key driver of revenue development was the rapid increase in polymer price indexes, which on average went up by 50% on an annual basis.

In the third quarter of 2010, the total consolidated revenues were EUR 40.5 million, i.e. up by 34.6% in comparison with the same period last year. The revenue increase was primarily driven by high polymer price index levels but also by the continuing good sales and production performance of the Company.

In the first nine months of 2010 total consolidated operating costs without depreciation and amortization went up by 34.1% to EUR 83.8 million. In the third quarter of 2010 the total consolidated operating costs without depreciation and amortization reached EUR 31.3 million, which is 44.3% yoy more. The main reason for the increase was the growth in polymer price indexes.

In the first nine months of 2010 EBITDA amounted to 25.5 million, which is 17.2% lower yoy. The annual comparison was influenced by the extraordinarily high EBITDA achieved in the first quarter of 2009 and by the negative impact of the growth of the raw material prices in the second quarter of 2010.

In contrast, EBITDA in the third quarter of 2010 went up by 9.6% yoy and reached EUR 9.2 million. When compared to the second quarter of 2010, EBITDA grew by 23.2%. The Q3 2009 and primarily Q2 2010 were negatively impacted by the pass-through mechanism delay. The solid Q3 2010 EBITDA was achieved on the back of strong production output with less planned breaks and good sales performance. The impact of the pass-through mechanism delay in the third quarter of this year was minimal due to the gradual decline of polymer prices, which started in August.

In the first nine months of 2010 the EBITDA margin reached 23.3%, down by 9.7 percentage points in comparison with the same period in 2009. In the third quarter of 2010 the EBITDA margin reached 22.7%, down by 5.2 percentage points in comparison with the same period in 2009.

Operating Costs

Total raw materials and consumables used in the first nine months of 2010 amounted to EUR 78.9 million, a 38.1% yoy increase. In the third quarter 2010 this item reached EUR 29.6 million, up by 50.1% yoy. A key factor was the growth of polypropylene and polyethylene purchase prices.

Total staff cost in the first nine months of this year reached EUR 5.7 million, i.e. by 1.3% yoy less. The development of staff costs was negatively impacted by the appreciation of the CZK FX rate against EUR in the reported periods. In contrast, the revaluation of the share option plan to fair value impacted staff cost positively. Total staff costs in the same period denominated in Czech korunas and without the revaluation of the share option plan slightly increased by 0.9% yoy.

In the third quarter of 2010 total staff costs amounted to EUR 2.1 million, down by 8.8% yoy. Total staff costs in third quarter denominated in Czech korunas and without the revaluation of the share option plan decreased by 2.8% yoy, mainly thanks to a lower level of accrued bonuses to be paid based on the achievement of the planned full year financial results compared with their value last year.

Other operating income (net) amounted to EUR 0.8 million in the first nine months of 2010, up by 101.4% compared with the same period in 2009. In the third quarter of 2010, the other operating income (net) reached EUR 0.4 million, up by 23.3% yoy.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 12.3 million in the first nine months of 2010, up by 3.8% yoy. Higher depreciation costs resulted from the appreciation of the CZK against the EUR on an annual basis, which impacted the translation of this cost category in EUR. In the third quarter of 2010, consolidated depreciation and amortization amounted to EUR 4.1 million, down by 0.2% yoy.

Profit from Operations

In the first nine months of 2010 profit from operations (EBIT) amounted to EUR 13.2 million, down by 30.4% compared with the same period in 2009 on the back of a lower EBITDA level and higher depreciation.

In the third quarter of 2010 profit from operations (EBIT) increased by 19.0% to EUR 5.1 million due to the higher EBITDA as described above.

Financial Income and Costs

In the first nine months of 2010 foreign exchange gains and other financial income (net) reached EUR 8.1 million, up by 2.9% yoy. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The annual change in this item was given by the development of the Czech koruna against the Euro through unrealized FX changes related to the revaluation of balance sheet items (mainly bank debt and the inter-company loan). In the third quarter of 2010 foreign exchange changes and other financial income/(expense) (net) reached EUR 4.8 million, up by 39.9% compared with the same period in 2009.

Interest expenses (net) related to debt servicing amounted to EUR 2.5 million in the first nine months of 2010, a 15.7% decrease compared with the same period last year. The main reasons for this decline were declining interest rates and the gradual repayment of the external debt. In the third quarter of 2010 interest expenses (net) reached EUR 0.9 million, down by 11.4% yoy compared with the same period last year.

Income Tax

In the first nine months of 2010 income tax amounted to EUR 1.2 million, down by 34.5% yoy. The current tax payable was EUR 2.2 million while changes in deferred tax represented a EUR 1.0 million gain.

In the third quarter of 2010 income tax amounted to a EUR 0.8 million, up by 12.8% yoy. The Company recorded higher income tax due to unrealized FX.

Net Profit

In the first nine months of 2010 net profit amounted to EUR 17.6 million, down by 20.2% yoy due to the decline of operating profit. In the third quarter of 2010, the Company recorded a net profit of EUR 8.2 million, up by 36.6% yoy due to higher operational profitability and higher FX gains.

CAPEX and Investments

In the first nine months of 2010 total consolidated capital expenditure amounted to EUR 5.7 million, compared with EUR 0.6 million last year. Higher capital expenditure represents primarily expenditures for the new production line project. In the third quarter of 2010 total consolidated capital expenditure amounted to EUR 0.1 million, down by 1.5% yoy.

Cash and Indebtedness

The total amount of consolidated financial debt (both short- and long-term) as at September 30, 2010 was EUR 98.2 million, a 2.2% increase compared with December 31, 2009. Net debt as at September 30, 2010 was EUR 89.3 million, down by 6.6% compared with December 31, 2009. This was equivalent to a Net Debt / EBITDA ratio of 2.7x as at September 30, 2010.

Business Overview in the First Nine Months of 2010

In the first nine months of 2010 the total production output (net of scrap) reached 52,362 tonnes, up by 1.5% compared with the first nine months of 2009 predominantly due to a different product mix.

The share of revenues from sales of nonwoven textiles for the hygiene industry represented in the first nine months of this year an 87.6% share of total revenues, a slight decrease compared with an 88.8% share in the same period in 2009, which confirms the primary focus of the Company on the hygiene market. In the third quarter of 2010 the share of revenues from sales of nonwoven textiles for the hygiene industry of total revenues was 88.1%, down by 0.2 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 72.9 million in the first nine months of 2010, an increase of 13.4% yoy in comparison with the same period in 2009. In the first nine months of 2010 the share of revenues from sales of commodity textiles for the hygiene industry represented a 66.7% share of total revenues, a decrease from the 68.9% share in the same period in 2009. In the third quarter of 2009 this share was also 66.7%. In the hygiene segment, the revenues from sales of light-weight and bi-component materials in the first nine months of 2010 reached EUR 22.9 million, a 22.9% yoy increase over the first nine months of 2009. In the first nine months of 2010 the proportion of this product category to the total sales amounted to 20.9% and in the third quarter of 2010 this share grew to 21.4%.

Revenues from sales of non-hygiene products (for construction, agriculture and the medical industry) amounted to EUR 13.5 million in the first nine months of 2010, an increase of 29.8% yoy. The share of the sales of non-hygiene products of total revenues was 12.4% in the first nine months of 2010 and in the third quarter of this year it was 11.9%.

In terms of geographical distribution[1], the Company confirmed its steady sales focus on the broader European area. Sales to Western Europe amounted to EUR 64.2 million in the first nine months of 2010 and represented a 58.8% share of total revenues compared with the 60.0% share in the same period in 2009. Revenues from sales to CEE and Russia reached EUR 40.6 million and represented a 37.2% share of total revenues. Revenues from sales to other territories amounted to EUR 4.4 million and represented a 4.0% share of total revenues.

2010 Guidance Confirmation

In 2010 polymer price indexes have risen significantly going against the assumptions on which the management of the Company had based the 2010 business plan. This development adversely affected the results recorded in the second quarter of 2010. During the third quarter polymer prices began to decline. The decline minimized the anticipated negative impacts on the financial results in this quarter and will also continue to positively influence the last quarter of the year.

Based on the financial and business results in the first nine months of 2010, while taking into account the developments in the nonwovens market including the anticipated developments in the polymer market, the Company confirms its initial EBITDA guidance for 2010.

[1] Geographical breakdown is based on the location of delivery.

Interim Consolidated Financial Statements of PEGAS NONWOVENS SA for the nine months ended September 30, 2010

Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2010 and September 30, 2009

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 Euro)

	Nine month period ending		
	September 30, 2009 (Unaudited)	September 30, 2010 (Unaudited)	% change
Revenue	93,255	109,253	17.2%
Raw materials and consumables used	(57,130)	(78,913)	38.1%
Staff cost	(5,756)	(5,683)	(1.3%)
Other operating income/(expense) net	414	834	101.4%
EBITDA	**30,783**	**25,491**	**(17.2%)**
Depreciation and amortization expense	(11,870)	(12,326)	3.8%
Profit from operations	**18,913**	**13,165**	**(30.4%)**
Foreign exchange gains and other financial income	12,428	11,923	(4.1%)
Foreign exchange losses and other financial expense	(4,574)	(3,843)	(16.0%)
Interest income	9	9	--
Interest expense	(2,938)	(2,477)	(15.7%)
Profit before income tax	**23,838**	**18,777**	**(21.2%)**
Income tax (expense)/income net	(1,783)	(1,168)	(34.5%)
Net profit after tax	**22,055**	**17,609**	**(20.2%)**
Other comprehensive income			
Net value loss on cash flow hedges	--	(1,246)	n/a
Changes in translation reserves	5,725	6,237	8.9%
Total comprehensive income for the period	**27,780**	**22,600**	**(18.6%)**
Earnings per share			
Basic earnings per share (EUR)	**2.39**	**1.91**	
Diluted earnings per share (EUR)	**2.39**	**1.91**	

Condensed Consolidated Statement of Comprehensive Income for the three months ended September 30, 2010 and September 30, 2009

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 Euro)

	Three month period ending		
	September 30, 2009 (Unaudited)	**September 30, 2010 (Unaudited)**	**% change**
Revenue	30,061	40,462	34.6%
Raw materials and consumables used	(19,723)	(29,600)	50.1%
Staff cost	(2,282)	(2,081)	(8.8%)
Other operating income/(expense) net	335	413	23.3%
EBITDA	**8,391**	**9,194**	**9.6%**
Depreciation and amortization expense	(4,120)	(4,110)	(0.2%)
Profit from operations	**4,271**	**5,084**	**19.0%**
Foreign exchange gains and other financial income	4,236	5,878	38.8%
Foreign exchange losses and other financial expense	(799)	(1,068)	33.7%
Interest income	3	8	166.7%
Interest expense	(976)	(870)	(10.9%)
Profit before income tax	**6,735**	**9,032**	**34.1%**
Income tax (expense)/income net	(718)	(810)	12.8%
Net profit after tax	**6,017**	**8,222**	**36.6%**
Other comprehensive income			
Net value loss on cash flow hedges	--	(1)	n/a
Changes in translation reserves	2,345	3,856	64.4%
Total comprehensive income for the period	**8,362**	**12,077**	**44.4%**
Earnings per share			
Basic earnings per share (EUR)	**0.65**	**0.89**	
Diluted earnings per share (EUR)	**0.65**	**0.89**	

Condensed Consolidated Statement of Financial Position as of September 30, 2010, December 31, 2009 and September 30, 2009

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 Euro)

	September 30, 2009 (unaudited)	December 31, 2009 (audited)	September 30, 2010 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	118,032	108,865	110,720
Intangible assets	227	206	198
Goodwill	92,197	87,668	94,276
Total non-current assets	**210,456**	**196,739**	**205,194**
Current assets			
Inventories	14,944	13,652	14,496
Trade and other receivables	25,467	24,983	31,576
Cash and cash equivalents	363	473	8,913
Total current assets	**40,774**	**39,108**	**54,985**
Total assets	**251,230**	**235,847**	**260,179**
Share capital and reserves			
Share capital	11,444	11,444	11,444
Share premium	17,846	17,846	17,846
Legal reserves	4,396	4,396	6,034
Translation reserves	6,511	2,203	8,440
Other changes in equity	--	181	(1,065)
Retained earnings	78,456	77,203	93,174
Total share capital and	**118,653**	**113,273**	**135,873**
Non-current liabilities			
Bank loans	87,495	82,614	98,205
Other payables	205	27	86
Deferred tax liabilities	12,207	11,471	11,021
Total non-current liabilities	**99,907**	**94,112**	**109,312**
Current liabilities			
Trade and other payables	14,225	13,879	12,945
Tax liabilities	1,915	1,016	2,049
Bank current liabilities	16,530	13,469	--
Provisions	--	98	--
Total current liabilities	**32,670**	**28,462**	**14,994**
Total Liabilities	**132,577**	**122,574**	**124,306**
Total Equty and Liabilites	**251,230**	**235,847**	**260,179**

Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2010 and September 30, 2009

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 Euro)

	Nine month period ending	
	September 30, 2009 (Unaudited)	**September 30, 2010 (Unaudited)**
Profit before tax	**23,838**	**18,777**
Adjustment for:		
Amortization and depreciation	11,870	12,326
Foreign exchange gains	(1,905)	(1,527)
Interest expense	2,938	2,477
Fair value of interest rate swap	175	(1,246)
Other financial (expense) / income	262	6
Cash flows from operating activities		
Decrease/(increase) in inventories	(1,247)	179
Decrease/(increase) in receivables	3,676	(4,442)
Increase/(decrease) in payables	(4,380)	(4,166)
Income tax paid	648	(1,123)
Net cash from operating activities	**35,875**	**21,261**
Cash flows from investment activities		
Purchases of property, plant and equipment	(551)	(5,711)
Net cash used in investing activities	**(551)**	**(5,711)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(24,257)	(5,302)
Increase/(decrease) in long term debt	200	59
Distribution	(8,306)	--
Interest paid	(2,645)	(1,861)
Other financial income/(expense)	(262)	(6)
Net cash used in financing activities	**(35,270)**	**(7,110)**
Cash and cash equivalents at the beginning of the period	**309**	**473**
Net increase (decrease) in cash and cash equivalents	**54**	**8,440**
Cash and cash equivalents at September 30	**363**	**8,913**

Condensed Consolidated Statement of Changes in Equity as at September 30, 2010 and as at September 30, 2009

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 Euro)

	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, 2009	**11,444**	**26,152**	**2,433**	**--**	**786**	**58,364**	**99,179**	**--**	**99,179**
Distribution	--	(8,306)	--	--	--	--	**(8,306)**	--	**(8,306)**
Other comprehensive income for the year	--	--	--	--	5,725	--	**5,725**	--	**5,725**
Net profit for the period	--	--	--	--	--	22,055	**22,055**	--	**22,055**
Reserves created from retained earnings	--	--	1,963	--	--	(1,963)	--	--	--
As at September 30, 2009	**11,444**	**17,846**	**4,396**	**--**	**6,511**	**78,456**	**118,653**	**--**	**118,653**
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 year	--	--	--	(1,246)	6,237	--	**4,991**	--	**4,991**
Net profit for the period	--	--	--	--	--	17,609	**17,609**	--	**17,609**
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**

Selected explanatory notes to the interim consolidated financial statements for the period ending September 30, 2010

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 ware 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. The 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, 2009.

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 2010 consolidated revenues reached EUR 109,253 thousand, up by 17.2% yoy. In the first nine months of 2010 total consolidated operating costs without depreciation and amortization went up by 34.1% to EUR 83,762 thousand. The key driver of revenue development was the rapid increase in polymer price indexes, which on average went up by 50% on an annual basis.

In the first nine months of 2010 EBITDA amounted to 25,491 thousand, which is 17.2% lower yoy. The annual comparison was influenced by the extraordinarily high EBITDA achieved in the first quarter of 2009 and by the negative impact of the growth of the input costs from the second quarter of 2010.

In the first nine months of 2010 foreign exchange gains and other financial income represented a gain of EUR 11,923 thousand and foreign exchange losses and other financial expense amounted to 3,843 thousand. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The annual change in this item was given by the development of the Czech koruna against the

Euro through unrealized FX changes related to the revaluation of balance sheet items (mainly bank debt and the inter-company loan).

PEGAS spent EUR 5,711 thousand as capital expenditure in the first nine months of 2010, mainly due to planned expenditures for the new production facility.

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 that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

There were no material changes in nature or amount of changes in estimates of amounts reported in the previous financial statements.

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 130 million and of a non-syndicated overdraft facility of up to EUR 20 million. The facilities are non-amortizing, which removes from the Company its obligations to make mandatory repayments. During the first nine months of 2010 the Company increased bank indebtedness from EUR 96,083 thousand to EUR 98,205 thousand (from EUR 120,851 thousand to EUR 104,025 thousand in the first nine months of 2009). The Company did not conclude any new bank facilities in the first half of 2010.

g. Dividend

During the interim period, no dividend was paid to the shareholders. No repurchases and repayments of equity securities occurred neither in the first half of 2010 nor in 2009. On September 10, 2010, the Board of Directors of PEGAS NONWOVENS SA approved a dividend payment of EUR 8,767,930, i.e. EUR 0.95 per share (based on the total number of shares being 9,229,400) to the Company’s shareholders. 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 22, 2010 and the dividend payment date was set to October 29, 2010. This dividend will be paid from the share premium account of the Company *h. Segment information*

IFRS 8 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. Based on analysis of 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 7, 2010, the Company was awarded the prestigious “Supplier of the Year” award by Procter & Gamble, the largest consumer goods company in the world. This award was given to the 6 best suppliers from a total of 80 000 worldwide. Together with this award the Company received for the third year in a row the "Excellence Award" for suppliers consistently performing at a high level.

On October 18, 2010, a new subsidiary PEGAS NONWOVENS International s.r.o. was established with its registered office in the Czech Republic and 100% owned by the holding company PEGAS NONWOVENS SA. The new subsidiary has an initial share capital of CZK 200,000.

The management of the Group is not aware of any other events that have occurred since the reporting date that would have any material impact on the consolidated financial statements as at June 30, 2010.

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 comparative period.

k. Earnings per share

Earnings per Share (EPS) is calculated as net profit for the period attributable to equity holders of the Company divided by 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 occurred during either first half of 2010 or first half of 2009.

Weighted average number of ordinary shares

2009

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

2010

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

Basic earnings per share

		Three months ended		Nine months ended	
		30/9/2009	**30/9/2010**	**30/9/2009**	**30/9/2010**
Net profit attributable to equity holders	TEUR	6,017	8,222	22,055	17,609
Weighted average number of ordinary shares	Number	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.65**	**0.89**	**2.39**	**1.91**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/9/2009	**30/9/2010**	**30/9/2009**	**30/9/2010**
Net profit attributable to equity holders	TEUR	6,017	8,222	22,055	17,609
Weighted average number of ordinary shares	Number	9,229,400	9,229,400	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**0.65**	**0.89**	**2.39**	**1.91**

l. Related party transactions

On June 15, 2010 the AGM approved new principles of share price bonus plan for members of the senior management and the members of the Board of Directors. The goal of the new programme was to enhance its motivation function and to extent it to the new members of the senior management and the Board of Directors. Therefore, the AGM Meeting resolved to approve the grant of an aggregate amount of 230,735 phantom options (representing 2.5% of the PEGAS's share capital) to the directors and senior management of PEGAS and/or its affiliates, against no consideration**.** Each phantom option, when exercised, will grant the director the right to receive a phantom share, i.e. the right to receive in cash an amount equal to the difference between CZK 473.00 representing the PEGAS's share price on the Prague Stock Exchange (the "PSE") as of December 15, 2009 increased by 10%, and the closing price of one PEGAS's share on the day preceding the day of exercise of the phantom option on the PSE (or other market if the PSE trading is discontinued). 25% of phantom options (i.e. 57,684 options) will vest yearly, with the first options vesting on

December 18, 2010 and the last options vesting on December, 18 2013, whereas the first options vesting on December 18, 2010 will fully replace the last options of current share price bonus plan, approved at the AGM in 2007, vesting at the same date.

The AGM authorised and empowered the Board of Directors to allocate the above mentioned phantom options between the directors and senior management in accordance with criteria determined by, and at the discretion of, the Board of Directors.

This programme increased the total number of issued phantom shares to 356,839 as of September 30, 2010.

No phantom shares were exercised in the first nine months of 2010. The fair value of the phantom options as at September 30, 2010 was EUR 350 thousand.

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 2010.