PEGAS NONWOVENS SA

First nine months of 2009 unaudited consolidated financial results

November 26, 2009

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first nine months of 2009 to September 30, 2009, prepared according to International Financial Reporting Standards (IFRS).

„In the first nine months of this year we recorded an EBITDA of EUR 30.8 million, up by 1.1% over the same period last year. Once more we have confirmed our ability to achieve good financial results in a time of a challenging global economic situation. In the third quarter of 2009 we had to deal with a substantial increase in raw material input prices which impacted our operational results. Due to the improved production efficiency, strong sales and optimisation measures we managed to minimise the impact of this and achieve the same EBITDA level as in the second quarter of the year. We believe that we will maintain this level of productivity for the rest of the year and that we will meet our planned financial targets. Furthermore, the debt level remains stable as at the end of the second quarter of the year despite paying out a dividend of EUR 8.3 million," 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 2009		Q3 Jul – Sep 2009	
		yoy		yoy
Revenues	93.3	(15.8%)	30.1	(15.1%)
Operating costs without depreciation and amortization	62.5	(22.2%)	21.7	(15.6%)
EBITDA	30.8	+1.1%	8.4	(13.9%)
Depreciation and amortization	11.9	(6.1%)	4.1	(5.5%)
Profit from operations (EBIT)	18.9	+6.3%	4.3	(20.7%)
FX gains/(losses) and other financial income/(expense) (net)	7.9	(39.9%)	3.4	n/a
Interest expense (net)	2.9	(39.0%)	1.0	(40.5%)
Income tax expense/(income)	1.8	(30.4%)	0.7	n/a
Net profit	22.1	(6.1%)	6.0	+2,170.6%
Capital expenditure	0.6	(96.9%)	0.1	(81.2%)
Number of employees (end of period)	381	(2.1%)	381	(2.1%)
No. of employees (average)	381	0%	383	(0.8%)
Net Debt	103.7	(16.1%)	103.7	(16.1%)
Production output (in tonnes)	51,603	+3.1%	17,270	+0.8%
Average CZK/EUR exchange rate	26.619	+7.3%	25.598	+6.3%
End of period CZK/EUR exchange rate	25.165	+2.0%	25.165	+2.0%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2009 consolidated revenues (revenues from sales of products) reached EUR 93.3 million, down by 15.8% yoy. The key driver of this development was the rapid decline of polymer prices at the end of last year which subsequently led to lower sales prices of products, starting from the second quarter of 2009. On the other hand the sale of the stock of finished goods in the first quarter of 2009 had a positive impact on revenues.

In the third quarter of 2009, the total consolidated revenues were EUR 30.1 million, a 15.1% decline compared with the same period last year. Revenues were significantly impacted by the drop in the input material prices mentioned above. Outstanding sales results achieved in the third quarter contributed to the additional reduction of stock of finished goods.

Total consolidated operating costs without depreciation and amortization went down by 22.2% yoy to EUR 62.5 million in the first nine months of 2009. In the third quarter of 2009, the total consolidated operating costs without depreciation and amortization reached EUR 21.7 million, which is 15.6% yoy less. The main reason for the annual decline of operating costs was the drop in polymer prices between the compared periods. The polymer prices hit their bottom in the first quarter of 2009 while in the third quarter they recorded dramatic growth.

In the first nine months of 2009 EBITDA amounted to EUR 30.8 million, up by 1.1% yoy. The slight increase in EBITDA was primarily affected by its significant upswing in the first quarter of 2009. Conversely, the revaluation of the share option plan negatively impacted the EBITDA by EUR 0.4 million.

In the third quarter of 2009 EBITDA reached EUR 8.4 million, down by 13.9% yoy. The annual comparison of the third quarters was impacted by the effect of the pass-through mechanism where both Q3 2008 and Q3 2009 were negatively impacted, however Q3 2009 was affected more. In addition, the mark-to-market revaluation of the share option plan contributed to a further decline. Despite the adverse development of input prices in the third quarter of 2009, the Company managed to minimise this impact and to achieve the same EBITDA level as in the second quarter of the year thanks to improved production efficiency, strong sales and optimisation measures. In the first nine months of 2009 the total tonnage produced increased by 3.1% yoy to 51,603 tonnes.

In the first nine months of 2009 the EBITDA margin reached 33.0%, up by 5.5 percentage points in comparison with the same period in 2008. The higher EBITDA margin was achieved due to a drop in polymer prices and also due to the easing of the level of finished goods inventory that was built up in 2008 and sold in the first quarter of 2009. In the third quarter of 2009 the EBITDA margin reached 27.9%, an increase of 0.4 percentage points yoy.

Operating Costs

Total raw materials and consumables used in the first nine months of 2009 amounted to EUR 57.1 million, a 24.5% yoy decrease. In the third quarter this item reached EUR 19.7 million, down by 18.7% yoy. This development resulted from the above mentioned drop in polypropylene and polyethylene prices.

Staff costs without the revaluation of the share option plan decreased by 2% yoy, however due to the effect of the share option plan, total staff costs increased in the first nine months of 2009 by 16.8% yoy and amounted to EUR 5.8 million. Total staff costs denominated in Czech korunas (CZK) without the revaluation of the share option plan went up by 5.2% yoy due to salary increases and a higher level of accrued bonuses to be paid based on the achievement of the planned full year financial results. In the third quarter of 2009 staff costs reached EUR 2.3 million, up by 26.1% yoy primarily due to the higher fair value of the share option plan.

Other operating income (net) amounted to EUR 0.4 million in the first nine months of 2009, up by 68.3% compared with the same period in 2008. In the third quarter of 2009, the other operating income (net) reached EUR 0.3 million, down by 11.4% yoy.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 11.9 million in the first nine months of 2009, down by 6.1% yoy. This decrease resulted from the depreciation of the CZK against the EUR between the compared periods. In the third quarter of 2009, consolidated depreciation and amortization amounted to EUR 4.1 million, down by 5.5% yoy.

Profit from Operations

In the first nine months of 2009 profit from operations (EBIT) amounted to EUR 18.9 million, up by 6.3% compared with the same period in 2008 on the back of a stable EBITDA level and lower depreciation.

In the third quarter of 2009 profit from operations (EBIT) declined by 20.7% to EUR 4.3 million.

Financial Income and Costs

In the first nine months of 2009 foreign exchange gains and other financial income (net) reached EUR 7.9 million, down by 39.9% yoy. This item includes realized and unrealized FX gains/losses, changes in the fair value of interest rate swaps and other financial income and expenses. The annual decline resulted from the exceptionally high FX gains recorded in the first six months of the last year. In the third quarter of 2009 foreign exchange gains and other financial income (net) reached EUR 3.4 million, compared with a loss of EUR 4.5 million in the same period last year.

Interest expenses (net) related to debt servicing amounted to EUR 2.9 million in the first nine months of 2009, a 39.0% 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 2009 interest expenses (net) reached EUR 1.0 million, down by 40.5% yoy compared with the same period last year.

Income Tax

In the first nine months of 2009 income tax expense amounted to EUR 1.8 million, down by 30.4% yoy. In this period the Company reported income tax due to unrealized FX gains resulting from the revaluation of the bank debt and the inter-company loan. The impact of changes in deferred tax was negligible.

In the third quarter of 2009, income tax amounted to EUR 0.7 million.

Net Profit

In the first nine months of 2009 net profit amounted to EUR 22.1 million, down by 6.1% yoy, primarily due to higher unrealized FX gains in the same period last year (including their impact on the income tax). In the third quarter of 2009, the Company recorded a net profit of EUR 6.0 million, compared with EUR 0.3 million achieved in the same period in 2008.

CAPEX and Investments

In the first nine months of 2009 total consolidated capital expenditure amounted to EUR 0.6 million, a 96.9% yoy decrease. High capital expenditures in 2008 were represented mainly by expansion CAPEX related to the eight production line project. The capital expenditure in 2009 was solely related to maintenance capital expenditure. The full year 2009 CAPEX should not exceed EUR 1.5 million.

In the third quarter of 2009 total consolidated capital expenditure amounted to EUR 0.1 million, 81.2% less compared with the same period last year.

Cash and Indebtedness

The total amount of consolidated financial debt (both short- and long-term) as at September 30, 2009 was EUR 104.0 million, a 16.0% decrease compared with September 30, 2008. Net debt as at September 30, 2009 was EUR 103.7 million, down by 16.1% yoy. This was equivalent to a Net Debt / EBITDA ratio of 2.6x as at September 30, 2009 compared with the 3.2x ratio as at September 30, 2008. The financial position of the Company is stable and credit lines are secure.

Business Overview in the First Nine Months of 2009

In the first nine months of 2009 the total production output (net of scrap) reached 51,603 tonnes, up by 3.1% compared with the first nine months of 2008. In the third quarter of 2009, the Company produced 17,270 tonnes, which is 0.8% more than in the same period last year.

The share of revenues from sales of nonwoven textiles for the hygiene industry represented in the first nine months of 2009 an 88.8% share of total revenues, an increase compared with an 86.6% share in the same period in 2008, which confirms the primary focus of the Company on the hygiene market. In the third quarter of 2009 the share of revenues from sales of nonwoven textiles for the hygiene industry of total revenues was 88.3%, up by 2.1 percentage points compared with the same period last year.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 64.3 million in the first nine months of 2009, a decrease of 5.0% yoy in comparison with the same period in 2008. In the first nine months of 2009 the share of revenues from sales of commodity textiles for the hygiene industry represented a 68.9% share of total revenues, an increase from the 61.0% share in the same period in 2008. In the third quarter of 2009 this share was 67.8%. In the hygiene segment, the revenues from sales of light-weight and bi-component materials in the first nine months of 2009 reached EUR 18.6 million, a 34.2% yoy decrease over the first nine months of 2008. The proportion of this product category to the total sales in the first nine months of 2009 amounted to 19.9% and in the third quarter of 2009 this share grew to 20.5%. Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to EUR 10.4 million in the first nine months of 2009, a decrease of 30.2% yoy. The share of the sales of non-hygiene products of total revenues was 11.2% in the first nine months of 2009 and slightly increased to an 11.7% share in the third quarter of this year.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area. Sales to Western Europe amounted to EUR 56.0 million in the first nine months of 2009 and represented a 60.0% share of total revenues compared with the 54.7% share in the same period in 2008. Revenues from sales to CEE and Russia reached EUR 34.1 million and represented a 36.6% share of total revenues, while in the same period in 2008 this proportion was 42.4%. The sales substitution between Western Europe and CEE is common and is dependent on the geographical priorities of customers at a given time. Revenues from sales to other territories amounted to EUR 3.2 million and represented a 3.4% share of total revenues, compared with a 2.9% share in the same period last year.

Update of 2009 Guidance

Given its financial results in the first nine months of 2009 and taking into account current operational and business developments in the fourth quarter of 2009, the Company has revised its previous guidance from March 2009 and believes that the full year 2009 EBITDA will not decline by more than 5% yoy.

Appendix 1

Consolidated Income Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	9M 2009 (unaudited)	**9M 2008** (unaudited)
Revenue	93,255	110,768
Raw materials & consumables used	(57,130)	(75,651)
Staff costs	(5,756)	(4,929)
Other operating income/(expense) (net)	414	246
EBITDA	**30,783**	**30,434**
EBITDA margin %	***33.0%***	***27.5%***
Depreciation and amortization	(11,870)	(12,636)
Profit from operations	**18,913**	**17,798**
Operating margin in %	***20.3%***	***16.1%***
FX changes and other financial income/(expense) (net)	7,854	13,066
Interest expense (net)	(2,929)	(4,805)
Income tax (expense)/ income	(1,783)	(2,561)
Net profit	**22,055**	**23,498**

Appendix 2

Consolidated Income Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	Q3 2009 (unaudited)	**Q3 2008** (unaudited)
Revenue	30,061	35,421
Raw materials & consumables used	(19,723)	(24,246)
Staff costs	(2,282)	(1,809)
Other operating income/(expense) (net)	335	378
EBITDA	**8,391**	**9,744**
EBITDA margin %	***27.9%***	***27.5%***
Depreciation and amortization	(4,120)	(4,358)
Profit from operations	**4,271**	**5,386**
Operating margin in %	***14.2%***	***15.2%***
FX changes and other financial income/(expense) (net)	3,437	(4,469)
Interest expense (net)	(973)	(1,634)
Income tax (expense)/ income	(718)	982
Net profit	**6,017**	**265**

Appendix 3
Consolidated Balance Sheet
prepared under International Financial Reporting Standards (IFRS)

As at September 30
(in thousands of EUR)

	2009 (unaudited)	2008 (unaudited)
Non-current assets		
Property, plant and equipment	118,032	136,591
Intangible assets	227	293
Goodwill	92,197	94,064
Total non-current assets	**210,456**	**230,948**
Current assets		
Inventories	14,944	15,437
Trade and other receivables	25,467	30,165
Cash and cash equivalents	363	365
Total current assets	**40,774**	**45,967**
Total assets	**251,230**	**276,915**
Share capital and reserves		
Share capital	11,444	11,444
Share premium	17,846	26,152
Legal reserves	4,396	2,433
Translation reserves	6,511	6,619
Retained earnings	78,456	66,973
Total share capital and reserves	**118,653**	**113,621**
Non-current liabilities		
Bank loans	87,495	104,777
Other payables	205	1
Deferred tax liabilities	12,207	12,957
Total non-current liabilities	**99,907**	**117,735**
Current liabilities		
Trade and other payables	14,225	23,946
Tax liabilities	1,915	2,487
Bank current liabilities	16,530	19,126
Total current liabilities	**32,670**	**45,559**
Total equity and liabilities	**251,230**	**276,915**

Appendix 4

Consolidated Cash Flow Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	9M 2009 (unaudited)	9M 2008 (unaudited)
Profit for the period before tax	**23,838**	**26,059**
Adjustment for:		
Amortization and depreciation	11,870	12,636
Foreign exchange changes	(1,905)	(3,891)
Interest expense	2,938	4,816
Fair value changes of interest rate swap	175	219
Other financial income/(expense)	262	130
Cash flows from operating activities		
Decrease/(increase) in inventories	(1,247)	(2,025)
Decrease/(increase) in receivables	3,676	(2,122)
Increase/(decrease) in payables	(4,380)	5,614
Income tax paid	648	(1,774)
Net cash from operating activities	**35,875**	**39,662**
Cash flows from investment activities		
Purchases of property, plant and equipment	(551)	(17,824)
Net cash used in investment activities	**(551)**	**(17,824)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(24,257)	(9,198)
Increase/(decrease) in long term debt	200	(100)
Distribution (dividends)	(8,306)	(7,845)
Interest paid	(2,645)	(4,711)
Other financial income/(expense)	(262)	(130)
Net cash used in financing activities	**(35,270)**	**(21,984)**
Cash and cash equivalents at the beginning of the period	309	511
Net increase/(decrease) in cash and cash equivalents	54	(146)
Cash and cash equivalents at 30 September	**363**	**365**