PEOPLE AND TECHNOLOGY

PRODUCTION AND QUALITY

FINANCE

SOCIAL RESPONSIBILITY

2010

ANNUAL REPORT

PEGAS NONWOVENS

every single detail

A new production line
will be built in Znojmo

In 2010, PEGAS produced more than 70,000 tonnes, confirming its position as one of the leaders in the European market.

The Company actively participates in the development of new products, thereby maintaining its position as a technology forerunner in the nonwoven textile market.

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INTRODUCTION

PEGAS NONWOVENS SA (hereafter "PEGAS" or "the Company" or "Group") is one of the leading European producers of nonwoven textiles for use primarily in the personal hygiene products market. PEGAS supplies its customers with spunbond and meltblown (together, "spunmelt") polypropylene- and polypropylene/polyethylene- based ("PP" and "PP/PE") textiles principally for use in disposable hygiene products (such as baby diapers, adult incontinence and feminine hygiene products) and, to a lesser extent, in construction, agricultural and medical applications.

Founded in 1990, the Company has grown over the last 20 years and based on 2009 annual production capacity has become the second largest European producer of spunmelt nonwovens. Currently PEGAS runs two plants with a total of 8 production lines and the construction of the ninth line commenced last year. The total production capacity of the Company is approximately 70 thousand tonnes of nonwoven fabric per annum and it will increase to 90 thousand tonnes in total after the installation of the 9th production line in the second half of 2011. PEGAS consists of a parent holding company in Luxembourg and five operating companies, PEGAS NONWOVENS s.r.o., PEGAS - DS a.s., PEGAS-NT a.s., PEGAS - NW a.s. and PEGAS - NS a.s., all located in the Czech Republic. In 2010 PEGAS NONWOVENS International s.r.o. was established as a special purpose company for realization of potential investment opportunities. At the end of 2010, PEGAS employed 384 people.

Shares in PEGAS are listed on the Prague Stock Exchange and on the Warsaw Stock Exchange, following an Initial Public Offering in December 2006. 100% of the shares are free float, held by institutional and retail investors. The Company's management together held 0.9% of the shares as of December 31, 2010.

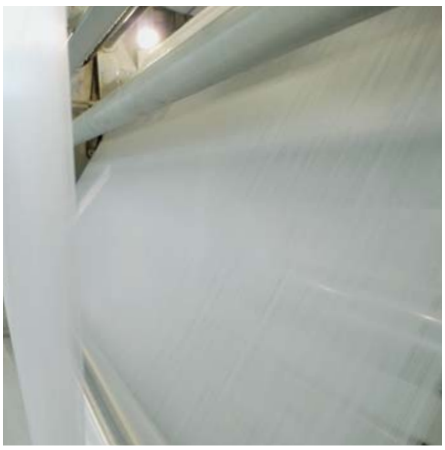
PEGAS is a member of the European Disposables and Nonwovens Association (EDANA).


The ninth production line
will increase capacity by
20 thousand tonnes

Technological leadership in the European **nonwoven textile market**

YEAR 2010 IN BRIEF

Financials (EUR thousands)	2010	2009
Total Revenues	148,150	123,447
EBITDA	35,218	38,791
Profit from Operations	18,865	22,857
Net Profit for the Period Attributable to Shareholders	21,039	20,802
No. of Shares – End of Period ("EOP")	9,229,400	9,229,400
Total Assets	251,221	235,847
Total Equity	129,041	113,273
Total Borrowings	96,238	96,083
Net Debt/(Net Cash)	91,553	95,610
CAPEX	8,194	1,208
Ratios		
EBITDA Margin	23.8%	31.4%
Operating Profit Margin	12.7%	18.5%
Margin of Net Profit Attributable to Shareholders	14.2%	16.9%
CAPEX as % of Revenues	5.5%	1.0%
Operations:		
Total Production Output (in tonnes net of scrap)	70,182	69,462
Number of Employees – EOP	384	384
Exchange Rates		
CZK/EUR average	25.290	26.445
CZK/EUR EOP	25.060	26.465



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders, Dear business partners, Dear employees,

It is with great pleasure that we present our results and thank you for your support of our Company, which in 2010 celebrated the 20th anniversary of its existence. I would also like to take this opportunity to summarise the most significant moments of last year and to provide an insight into the near future.

The year 2010 was relatively stable without any critical or unexpected moments or events. However, as an exception to this I would probably note the price of polymers, which, contrary to our expectations, increased significantly and exceeded the historical price levels of 2008. The root causes of this increase were the revival of demand for polymers and their limited availability on the European market. Year on year polymer prices jumped on average by almost 50% and only in the second half showed signs of stabilisation and a minor decline. Nonetheless, since the beginning of this year we are again witnessing another steep rise in price levels. It appears that the significant polymer price volatility will continue in 2011.

Despite the impact of polymer prices on the Company's operating profitability, last year we were able to meet our business outlook represented by EBITDA, which reached EUR 35.2 million, particularly thanks to the efficiency of our operations, full capacity utilisation and capacity optimisation programs, and also because of our product portfolio mix. These operating results and strong cash flow enabled us to continue with our progressive dividend policy, while at the same time reducing our net debt level.

One of our Company's key long-term priorities is the maximum satisfaction of our customers. We put a lot of effort into achieving this objective by using our resources effectively and trying to proactively bring our customers added value, and by placing emphasis on quality in every detail of the Company's operations. This area, which is greatly affected by the human factor, is a priority for continued development and therefore last year we commenced the implementation process for a new quality management system called PEGAS Quality System (PQS), which is based on Quality Assurance Key Elements, while at the same time adhering to the stringent quality management system demands of the automotive industry. All the Company's employees are participants in this project. We believe that the successful implementation of this system will improve the satisfaction of our customers with our products and support future success at PEGAS.

A great honour, inspiration, motivation but above all a commitment to further results has been the prestigious award "Supplier of the Year", which we were awarded in October last year by Procter & Gamble for being one of the six best suppliers from their total 80,000 suppliers worldwide. PEGAS is the very first company from the nonwoven textile manufacturer segment to receive this award. At the same time we received for the third time running the "Excellence Award", which was awarded to a total of 76 P&G suppliers for providing an outstanding level of service.

These awards demonstrate the Company's strong position in its target market of nonwoven textiles for the production of disposable hygiene products. This position is further confirmed by the fact that the Company has fully sold out its capacity for 2011, including the capacity from the ninth production line, the construction of which commenced in August last year. The start of production using this "first of its kind" technology is planned for the third quarter of 2011 and is one of the main priorities of the Company. We expect that the new capacity will have a positive effect on the Company's operating performance and we are pleased to announce that this year we should achieve an EBITDA growth in the range of 2–7%.

As is evident from our strategy statement, PEGAS is monitoring investment opportunities located outside the Czech Republic that could lead to acquisitions or the opening of production capacities in other territories. In line with this strategy, last year in autumn the Company established a new subsidiary PEGAS NONWOVENS International s.r.o., which serves as a special purpose company for the execution of potential future investments. Despite the fact that the establishment of this company is not connected to any specific investment, I am convinced that the Company's efforts will bear fruit also in this area, strengthening the Group's competitiveness and expanding its geographical footprint.

In concluding, I would again like to thank those who participated in the Company's success last year and at the same time express my conviction that 2011 will prove to be a year in which we will bring you positive news.

František Řezáč
CEO and the member of the Board
of PEGAS NONWOVENS SA

"The future belongs to people who see possibilities before they become obvious."
Theodore Levitt


PEGAS
NONWOVENS
Stable deliveries
and reliable transport
of products

MANAGEMENT REPORT

4.1 Description of the Company's Business and Market

4.1.1 Overview of the Nonwovens Market

PEGAS's key market is geographically defined as Europe (Western, Central and Eastern Europe, Russia and Turkey). This market has grown by 5.9% CAGR since 1999 and at the end of 2009, production levels were at 1.61 million tonnes (or 50.68 bil. m^2) of nonwoven textiles.

The European personal hygiene segment, with a 34% share of the total annual European nonwoven production or 0.55 million tonnes (or 28.25 bil. m^2), is the core area of business activity for PEGAS. This sector is defined by three major product application groups: disposable baby diapers, adult incontinence products and feminine hygiene products. Hygiene products have become a modern necessity, the demand for which is non-cyclical and, compared to other market segments, is relatively unaffected by economic developments. This demand inelasticity was confirmed in 2008 and 2009, during the economic downturn, when growth in volumes continued regardless of external factors.

The Company's core market continues to be the broader European area, consisting of traditional Western European countries, Central and Eastern Europe (CEE), including Russia. Lower saturation (lower per capita usage) of hygiene products in Russia and the developing CEE countries compared with Western Europe explains the accelerated growth of these markets for nonwoven consumables. On the other hand Western Europe's aging population, with increasing life expectancy and high income levels will support growth in the adult incontinence segment. Modern light-weight and comfortable nonwoven textiles are leading to a greater acceptance of incontinence products by customers.

Competition

PEGAS's competition can be classified as European producers of spunmelt PP and PP/PE nonwoven textiles, namely those active in the hygiene segment. According to estimates from EDANA and John R. Starr, in 2009 PEGAS was the second largest producer. PEGAS's main competitors are international and regional companies with production facilities located in Western Europe with some new entrants in Russia. Compared to other continents the European spunmelt PP- and PP/PE-based nonwoven textile market is much more fragmented, numbering more than 30 producers in total.

4.1.2 Overview of the Company's Products

Hygiene
The core of the Company's product mix are the following nonwoven textiles – Pegatex® S, Pegatex® SMS and Pegatex® BICO, which are tailored to meet the specific needs of each and every customer and are further used for the production of:

- Disposable baby diapers
- Adult incontinence products
- Feminine hygiene products

In order to meet the highest requirements of customers in hygiene applications there is a wide range of light and ultra-light technologically advanced nonwoven textiles with excellent technical properties, which are soft, pleasant to touch and therefore bring higher comfort to the final customer.

Medical and Protective Clothing
Pegatex® S, Pegatex® SM, Pegatex® SMS nonwoven fabrics are semi-finished textile products for the production of single-use protective clothing, meeting and exceeding the technical requirements for high standards of protection in dangerous workplaces for which they have been specifically designed and developed. Their characteristic high barrier qualities provide protection from aggressive liquids and prevent leakage of dust particles and micro-organisms. Due to these qualities they are used as semi-finished textile products for the following applications:

Medical protective clothing:

- Surgical masks
- Surgical gowns and drapes
- Head covers
- Shoe covers

Industrial protective clothing:

- Protective overalls and masks
- Chemical suits

Agriculture
For this segment, PEGAS offers a nonwoven fabric under the trading name of PEGAS-AGRO®, which is used mainly in vegetable cultivation and gardening and is suitable for large-scale production and mechanization. This material is used as a covering textile (crop cover) sheltering plants from the weather and other negative effects (air, light frost, hail, pests) and it is also used as a mulching fabric for preventing the growth and spreading of weeds.

Furniture and Construction Industries
In the construction industry Pegatex® S nonwoven fabric is used primarily as a component of a composite material (modified by lamination) for the production of under-roofing covers, heat and sound insulation and wind barriers.

In the furniture-making industry Pegatex® S and Pegatex® SMS nonwoven fabric is used as a neatening fabric (either on the back or bottom parts of upholstered furniture) and for seam reinforcement in the production of mattresses or as disposable hygienic bed covers.

Filtration, Wipes and Absorbents

Pegatex® SMS is the nonwoven fabric used for the separation and filtration of water or air. This textile with very fine (micro-denier) fibres and excellent surface evenness is often combined through lamination with other materials. Excellent filtration and absorption qualities make the textile ideal for applications such as industrial wipes and absorbents of oil, acid and alkaline based liquids.

Product name	Application area	Key applications
Pegatex® S	Hygiene products	Baby diapers, feminine hygiene products, adult incontinence products
	Medical and protective clothing	Gowns, head and shoe covers
	Agriculture	Crop cover, mulching textile
	Furniture and construction industry	Mattresses, neatening fabrics, interlinings, wind barriers, roofing membranes
	Wipes	Household and industrial wipes
Pegatex® SMS	Hygiene products	Baby diapers, adult incontinence products
	Medical and protective clothing	Surgical drapes, gowns, face masks, industrial protective apparel
	Construction industry	Wind barriers
	Filtration products	Air filtration products
Pegatex® S BICO	Hygiene products	Baby diapers, feminine hygiene products, adult incontinence products
	Various industries	Composite fabrics, laminates
Pegatex® SMS BICO	Hygiene products	Baby diapers, feminine hygiene products, adult incontinence products
PEGAS-AGRO® Crop cover	Agriculture	Textiles for professional plant protection
PEGAS-AGRO® Mulching fabric	Agriculture	Soil cover
Pegatex® MB (Meltblown)	Wipes, absorbents	Industrial wipes, absorbents of oils and chemicals

4.2 Technology and Production

The Group owns and operates technologically advanced equipment necessary for the production of high-quality spunmelt nonwoven textiles. Production management is focused on continuous maintenance and modernisation of the equipment and machinery, ensuring that the Company continues to rank among the leading European producers of nonwoven textiles.

All eight production lines were manufactured by Reicofil, a leading German global supplier of spunmelt nonwoven production equipment that currently dominates the market for PP- and PP/PE-based spunmelt nonwoven machines worldwide.

Since PEGAS began the production of spunmelt nonwovens in 1992, it has kept pace with the latest technological developments in this field.

Three production lines are located at the Bučovice plant near Brno and five production lines are located in Přímětice near Znojmo. The ninth production line will be also based at the production site in Přímětice.

The output of the first line, installed in 1992, is primarily sold for technical and agricultural applications. The meltblown line production, installed in 1996, is used for technical applications requiring a high absorption capacity, such as industrial wipes and absorbents, and the remaining production lines are dedicated to the hygiene segment.

In 1998 PEGAS was the first spunmelt manufacturer to install Reicofil technology with a microfilament option. In 2000, PEGAS installed a Reicofil 3 production line capable of producing bi-component materials, the first such production line in Europe. The Reicofil 4 line, which was installed at the end of 2004, employs a new technology leading to high-speed production with improved nonwoven textile formation and uniformity.

The Reicofil 4 line has a width of 4.2 meters, all the other Reicofil lines have widths of 3.2 meters except for the meltblown line which has a width of 1.6 meters.

PEGAS´s latest running production line, the "SSMMMS[1] 3200 Reicofil 4 Special" was installed in autumn 2007. It is state-of-the-art technology and the very first of its kind in the world, able to produce ultra light-weight nonwoven textiles for the hygiene sector as well as for other applications.

In February 2010, the Company decided to commence with the construction of the 9th production line. The Reicofil 4 type production line will produce materials mainly for the hygiene segment with the option of production for other applications. The new production line will enable the expansion of the Company's annual production capacity by up to 20 thousand tonnes (depending on the product portfolio) and will have an expected width of 4.2 meters. The Company expects to launch production on the line in the second half of 2011.

In addition to the production lines, PEGAS operates three small finishing lines, which enable the cutting, gluing and perforation of processed fabrics according to customer specifications.

The Company puts an emphasis on recycling scrap materials, which are the unavoidable by-products of the spunmelt production process, for subsequent reuse. To further optimize recycling, PEGAS has developed a proprietary technological process that enables waste to be reduced to a minimum. This recycling line was installed in 2006.

[1] "S" indicates a spunbond layer, "M" indicates a meltblown layer

“2010 Supplier of the Year” Award
from Procter & Gamble given to the 6 best suppliers in the world

4.3 Plants and Premises

PEGAS operates two production facilities located approximately 100 kilometers from each other in the south east of the Czech Republic. The original site in Bučovice has three production lines installed and further space for expansion is now limited. The newer site in Přímětice was developed on the outskirts of Znojmo and has five production lines. In addition to these production sites, the Company owns an administrative building in Znojmo, close to the Přímětice production plant. All premises have been constructed as greenfield projects. The production sites cover a total of approximately 140,000 square meters, of which 81,000 square meters are occupied by buildings and other structures (including the administrative building in Znojmo). PEGAS owns all of its real estate and the buildings on it.

Machine	Year of Installation	Technology Configuration	Plant Location	Line width in metres	Annual production Capacity in tonnes
Reicofil 2	1992	S	Bučovice	3.2	2,700
Reicofil 2	1996	SMS	Bučovice	3.2	4,600
Reicofil Meltblown	1996	M	Přímětice	1.6	700
Reicofil 3	1998	SMS	Bučovice	3.2	7,000
Reicofil 3 BiCo	2000	SSMMS	Přímětice	3.2	11,500
Reicofil 3 BiCo	2001	SSS	Přímětice	3.2	10,000
Reicofil 4	2004	SSS	Přímětice	4.2	20,000
Reicofil 4 Special	2007	SSMMMS	Přímětice	3.2	14,000
Total Production Capacity					70,500

4.4 Customers

PEGAS's position as one of the market leaders in the European hygiene nonwovens market has enabled it to develop close and longstanding relationships with those customers that are leading corporations in their end markets. PEGAS intends to strengthen its existing customer relationships further by taking advantage of its in-depth understanding of customer needs, using technological expertise and through the introduction of new and improved products and technologies. PEGAS works in close cooperation with its customers as well as suppliers in order to introduce new and improved products and product properties that address specific customer needs for softer, lighter and cost reducing materials.

The top five customers represented a 79% share of total revenues in 2010 (78% in 2009). The present customer mix concentration of the Company reflects the situation in the hygiene market, which is divided among a small number of end producers, each having a substantial market share.

In 2010 PEGAS was awarded the prestigious "Supplier of the Year" award by Procter & Gamble. 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.

4.5 Suppliers

The main raw materials used for spunmelt nonwovens are polymers, most importantly polypropylene followed by polyethylene. In 2010 the consumption of PP and PE accounted for 74.7% of the Company's total operating costs (excluding depreciation and amortization). Over the past three years, the Company has sourced polymer raw materials from a total of six suppliers. The polymer raw materials are purchased under both one year and multi-year agreements. The competitiveness of the suppliers is maintained by on-going benchmarking.

4.6 Quality Management and the Environment

PEGAS is ISO 9001 and ISO 14001 certified. It first received these quality certifications in 1997. In connection with the amendment of the ISO standards of the 9001 series in 2000, the existing system was partially revised and subsequently, the Quality Management System and Environmental Management System were integrated in 2002. PEGAS has a certified integrated system of quality according to ISO 9001 by CQS, IQNet and environmental management ISO 14001 by CQS, IQNet. The Company upgraded its certification to ISO 9004 in 2006. Through its performance PEGAS intends to keep improving and developing this integrated system with the ultimate goal of always achieving the highest possible standards. All certificates were renewed in December 2008.

Quality Management System

Primary targets include customer satisfaction and the achievement of the highest product quality. The high QMS and EMS standards and the quality of the products are based on three fundamental principles:

- Advanced Technology
- Quality Management Tools
- Results

In addition to the general quality requirements imposed by ISO 9001, the Company is constantly looking to improve and adjust its production processes and relevant assets in order to provide superior output quality.

In order to enhance the current QMS – ISO 9001, the management of the Company decided to implement its own quality management system – PQS (PEGAS Quality System) based on its knowledge and experience with quality management tools in the whole production chain. The goal of the project is not simply to train employees but also to change the Company's culture and the perception of quality as a key element of success, and to reinforce the supply of constantly high product quality. All production premises are equipped with overpressure air control to eliminate the risk of insects or particles contaminating fabrics. A digital camera quality control system has been introduced on all hygiene production lines to monitor the bonding consistency, uniformity and the presence of external particles. These measures have significantly reduced customers' complaints.

Customer satisfaction with the Company's products and services remains one of the key priorities for PEGAS and the Company is fully committed to on-going cooperation with its customers. This dedication is regularly rewarded by customers.

Environmental Management System

Environmental protection and the creation of safe and healthy working conditions for employees of the Company and their constant improvement, including pollution prevention and continuous efforts to reduce the negative impact of the Company's activities on the environment are amongst the highest priorities of the Company.

PEGAS has implemented and maintained an environmental management system to take care of all environmental aspects as required by ISO 14001. The production process involves the transformation of PP or PE raw materials into the form of fibres through the application of heat and pressure. This process results in minimal chemical changes to the material and produces limited atmospheric emissions.

The management of the Group has adopted key principles to meet all environmental requirements. All employees are aware of and recognize their responsibility for the fulfilment and observance of the principles of the environmental policy of the PEGAS Group.

Details related to environmental activities are available on PEGAS's website www.pegas.cz or www.pegas.lu, in the section Company/Certification/Annual Environmental Policy Statement.

4.7 Research

Research and Technical Support

The development of new applications and products is one of the most important parts of PEGAS's current and future strategic focus. This platform is supported by a team of technical engineers, who are dedicated to product development, customer and technology support. This team has been built over a period of more than 10 years.

Work teams are active in several different areas, which are principally divided into industrial and hygiene applications, with the main focus on the hygiene field as the key driver for the most important projects at the Company.

From the technological point of view, the technical department has two main goals:
a) to improve quality, performance and production efficiency of standard products and
b) to develop products with added value using both current and/or new technologies.

Both objectives are achieved in cooperation with raw material suppliers, using standard and special new polymers, and/or with machinery suppliers, enabling the Company to give its customers the competitive edge.

In the technology field, PEGAS is continuing in the commercialisation of ultra light-weight materials produced on the latest production line. This line confirmed the anticipated parameters of the final production material and the overall efficiency of the machinery. PEGAS will continue with this trend with the new line which should be launched in the second half of 2011. In addition, this new line will enable the Company to bring certain technologically advanced designs to the market, allowing PEGAS to again strengthen its position among the technology leaders.

Apart from certain ultra light-weight materials, in terms of new products, PEGAS has successfully developed and started commercialising a new nonwoven material used in medical applications and, thanks to the special treatment of the material, managed to achieve excellent protective properties.

Additionally, PEGAS is actively contributing to the development of soft nonwovens with excellent touch and drapeability properties, elastomeric and extensible nonwovens and spunmelt nonwovens with improved barrier characteristics, which after further development and successful commercialization should bring a number of benefits to clients.

PEGAS cooperates with many different institutes, which positively support the Company's research, especially in the areas of plasma textile treatment, modelling of the structure of the nonwoven textile with the purpose of achieving bulky and soft touch and feel, highly efficient barrier function and/or special polymers. There are several universities and R&D centres, mainly in the Czech Republic and Slovakia, and also in Western Europe, offering the Company special support in various specialised fields and/or highly sophisticated lab resources.

In order to better utilise its production lines and accelerate the development of its projects, PEGAS uses several pilot lines, which are made available under certain agreements at the suppliers' sites. All projects are related either to new technologies themselves or to the utilisation of newly developed raw materials in technologies or projects, which are designed directly for specific customers. There are several projects where all three parties cooperate, and thereby involve the whole supplier chain.

Research costs in 2010 were EUR 2.1 million.

Intellectual Property

PEGAS has registered its trademark and logos in selected European and international markets. The Company has one registered patent for a special nonwoven microfilament spunmelt material for hygiene products. PEGAS is also a co-owner of a patent for the treatment of nonwovens using atmospheric plasma. The patents are registered internationally for selected European countries.

Litigation

As of today, no litigation or arbitration proceedings that are likely to have a significant effect on PEGAS's financial position or results of operations are pending or threatening the Group.

4.8 Strategy

The Company's strategy for 2011 and into the future is to:

1) develop and take advantage of growth opportunities to strengthen its market position,

2) maintain and extend technological leadership in spunmelt nonwoven textiles for disposable hygiene products in Europe, and

3) provide solid returns to shareholders.

PEGAS intends to achieve its objectives principally through the following strategies:

Continue Investing into Technologically Advanced Production Capacity: PEGAS will strive to install state-of-the-art production capacities ahead of its European competitors. Its 9th production line in Znojmo will be put into operations in the second half of 2011.

Maintain Close Relationships with Customers and Suppliers: PEGAS will continue to work together with its clients, machinery manufacturers and raw material suppliers to research, develop and implement new products ahead of the competition. PEGAS will endeavour to remain at the forefront of technical developments in the industry, supply its customers with the highest quality products and continually develop new materials.

Focus on Technologically Advanced Products: PEGAS is Europe's largest producer of bi-component spunmelt nonwovens with extensive experience in the design and production of ultra lightweight materials.

Maintain industry leading financial performance: PEGAS's principal objectives are to continue to grow with its core target market, deliver revenues in line with this growth and maintain high operating margins relative to its core competitors. PEGAS is effective at generating significant levels of cash, which is subsequently used to support expansion, reduce outstanding debt and enable dividend payments.

Monitoring investment opportunities: The Company will continue to monitor investment opportunities outside the Czech Republic, whether these be acquisitions or the construction of new capacity abroad.

4.9 Human Resources

PEGAS benefits from a skilled and motivated workforce, which results in relatively high profitability per employee and productivity growth. By focusing on retaining highly skilled employees, the Company is able to maintain a low staff turnover rate of approximately 4% annually. The table below indicates the number and functional breakdown of employees:

Number of employees		As at December 31	
	2008	2009	2010
Non-executive Directors	3	3	2
Executive Directors	3	2	3
Management	13	15	16
Specialists	51	53	51
Laboratory Staff	37	37	37
Foremen	61	62	61
Qualified Workers	215	212	214
Total	383	384	384
Average no. of employees	381	380	380

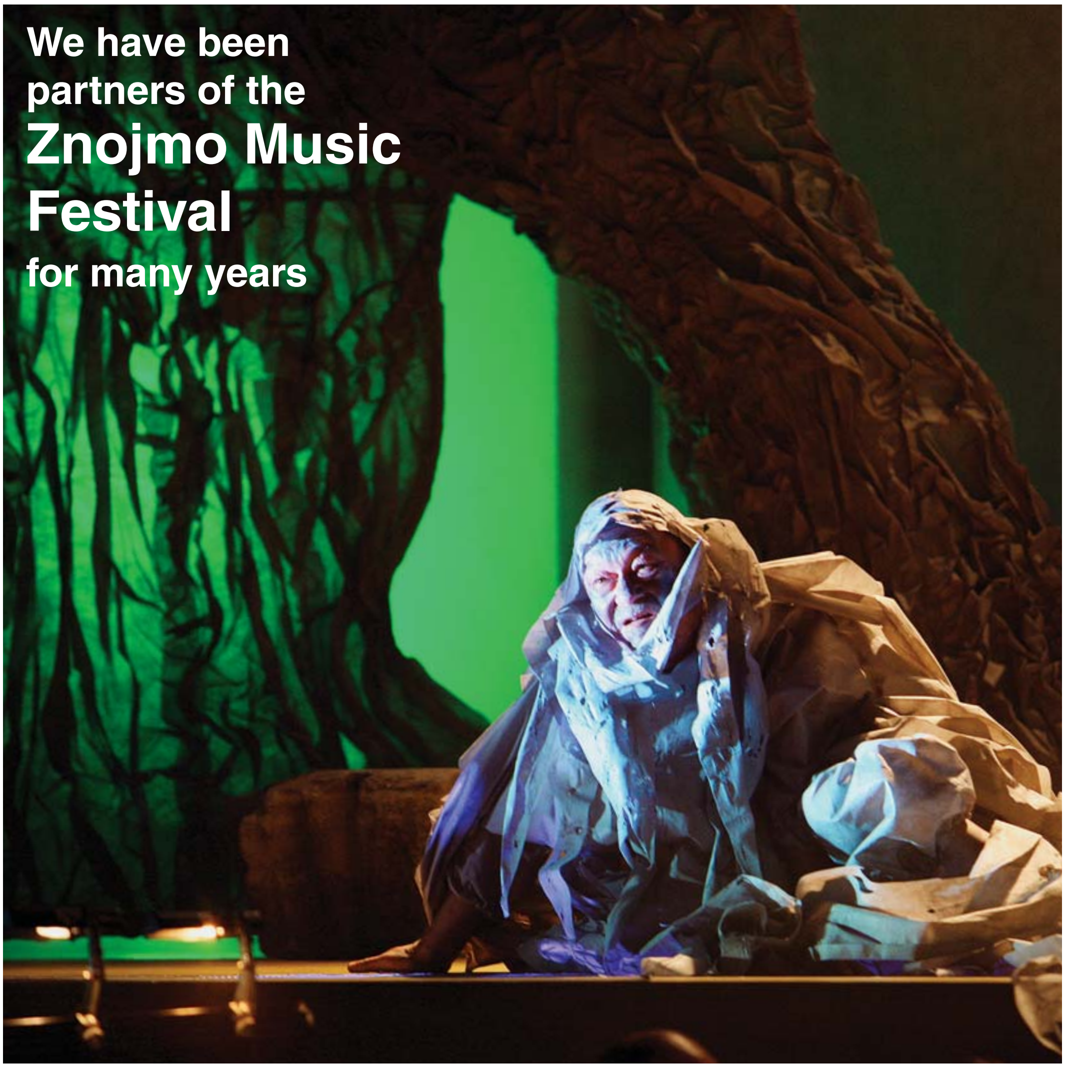
PEGAS provides continuous training, some of which is compulsory, in areas such as workplace safety, computer skills and foreign languages.

The monthly wage of the Company's employees (including management) is still significantly below the average in Western Europe, but significantly higher than the average in the South Moravian region of the Czech Republic. The remuneration structure is highly motivational, with the fixed component of the basic salary ranging from approximately 80% for manual workers and down to approximately 60% for management. The salary of workers varies in relation to the volume produced on a specific line, including the quality of the product, and is capped.

We have been partners of the

Znojmo Music Festival

for many years



4.10 Community Support and Sponsoring

As a major manufacturer and employer in the Znojmo and Vyškov regions the Company is becoming more aware of its role as not only a company striving to maximise profits, but also of its role as the "good neighbour" and a responsible entity, which is friendly to its environment and civil society.

In 2010 the Company continued in its support of a number of cultural, social and sports events in its region.

Znojmo Music Festival

The Znojmo Music Festival is focused on the anniversaries of famous composers from past musical periods and so corresponds to the precious historical architecture of the City of Znojmo. At the same time this festival should create a bridge between music and the unique wines of the Znojmo region. Its goal is to become a renowned national (and over time a European) cultural event promoting the City of Znojmo as a cultural centre, leading to growth in tourism. Another goal of the festival is to prepare unique artistic projects that will become an integral part of events in the cultural world. Pavel Šporcl has been a patron of the festival for several years.
The Festival is held over a period of seventeen days.

Children's Centre

Last year the Company began its cooperation with the Children's Centre in Znojmo, which provides paediatric, neurological, rehabilitation, psychological, educational and social care services to threatened or handicapped children and their families. All complex care is provided in the form of ward, stationary and outpatient care to threatened or handicapped children up to the age of 15.

Volleyball Club ZNOJMO – PŘÍMĚTICE

The Volleyball Club Znojmo – Přímětice was founded in February 2005 after an agreement on participation was reached between the teams of TJ Sokol Přímětice and PSK Znojmo. This lead to the formation of a strong team representing the City of Znojmo and the whole region, which over the six years of its existence managed to reach the top of the rankings in Czech volleyball. There are teams in championship competitions from preparation, to students, cadets, juniors and up to a women's team.
Since 2010 PEGAS has been the general partner of the Volleyball Club; women's, men's, junior's, students' (boys and girls), and preparation teams in the 2010/2011 season under the name VK PEGAS Přímětice.

4.11 Comments on Financial Results

Revenues, Costs and EBITDA
In 2010, consolidated revenues (revenues from sales of the Company's products) reached EUR 148.2 million, up by 20.0% yoy. The key role in the development of revenues was the rapid year on year growth in polymer price indices, which in 2010 rose on average by almost 50%.

Total consolidated operating costs without depreciation and amortization went up by 33.4% yoy to EUR 112.9 million in 2010. The primary reason for the increase in operating costs was the growth in polymer price indices.

In 2010, EBITDA amounted to EUR 35.2 million, down by 9.2% yoy. This result is in line with the guidance range announced at the beginning of the year, when the Company indicated an annual EBITDA decrease of 0% to 10%. The year on year comparison was affected by positive one-off items, which improved the financial results in 2009 and which could not be repeated in subsequent periods. On the other hand, profitability in 2010 was negatively impacted by the growth in raw material prices, nonetheless, this impact was largely compensated by the Company's solid operating and sales performance and the optimisation of raw material inventories. Excluding these factors in respective periods, EBITDA would not have shown any substantial changes. An important aspect affecting EBITDA in 2010 were one-off costs connected with the assessment of potential growth opportunities for the Company. These costs represented EUR 0.9 million, and the Company is continuing to work on some of these projects.

In 2010, the EBITDA margin was 23.8%, which is 7.6 percentage points lower compared with 2009.

Operating Costs
Total raw materials and consumables used in 2010 amounted to EUR 105.7 million, a 36.3% yoy increase. The main factor of the high material consumption was the increase in the prices of polypropylene and polyethylene.

Total staff costs reached EUR 8.0 million in 2010, up by 5.9% yoy. The year on year increase in staff costs was caused mainly by the appreciation of the CZK against the EUR in the reported periods. Total staff costs for the same period expressed in CZK and without the revaluation of the share option plan grew by 1.7% yoy.

Other operating income (net) amounted to EUR 0.8 million in 2010, up by 72.1% compared with 2009.

Amortization and Depreciation
Consolidated depreciation and amortization reached EUR 16.4 million in 2010, up by 2.6% yoy. The increase in depreciation and amortization was the result of the CZK appreciating against the EUR, which affected the presentation of this category in EUR.

Profit from Operations
In 2010, profit from operations (EBIT) amounted to EUR 18.9 million, down by 17.5% compared with 2009.

Financial Income and Costs
FX gains and other financial income (net) reached EUR 6.3 million and, compared with the previous year, grew by 151.8%. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year on year change 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.

Interest expenses (net) related to debt servicing amounted to EUR 3.3 million in 2010, a 14.5% decrease compared with 2009. The main reasons for this drop were declining interest rates in the compared periods and the gradual repayment of the Company's external debt.

Income Tax
In 2010 income tax expense amounted to EUR 0.9 million, up by 18.6% over 2009. The Company reported income tax due to unrealized FX gains (resulting mainly from the revaluation of the bank debt and the inter-company loan) and based on the operating profit recorded by PEGAS NONWOVENS s.r.o. The current tax payable was EUR 2.1 million, while changes in deferred tax represented an income of EUR 1.2 million.

Net profit
In 2010, net profit amounted to EUR 21.0 million, up by 1.1% yoy, primarily due to FX changes in the compared periods (including their impact on income tax) and lower interest costs.

CAPEX and Investments
In 2010, total consolidated capital expenditure amounted to EUR 8.2 million, a 578.3% yoy increase. Maintenance capital expenditure amounted to EUR 2.1 million and expansion capital expenditure amounted to EUR 6.1 million. The Company did not exceed its planned investment expenditure from the beginning of the year, which represented EUR 9 million. Higher capital expenditure in 2010 represented mainly expenditure on the construction of the new production facility.

Cash and Indebtedness
The total amount of consolidated financial debt (both short- and long-term) as at December 31, 2010 was EUR 96.2 million, a 0.2% increase compared with December 31, 2009. Net debt as at December 31, 2010 was EUR 91.6 million, down by 4.2% yoy. This is equivalent to a Net Debt/EBITDA ratio of 2.6x. In October 2010, the Company paid out a dividend of almost EUR 8.8 million, or EUR 0.95 per share.

Business Overview in 2010

In 2010, the total production output (net of scrap) reached 70,182 tonnes, up by 1.0% compared with 2009. The operational performance in 2010 was achieved through a focus on efficiency, maximum utilisation of production capacities and through the optimisation of the number of maintenance breaks.

In 2010, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 87.7% share of total revenues, a slight decrease compared with an 89.0% share in 2009. 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 99.5 million in 2010, an increase of 16.7% yoy. In 2010, the share of revenues from sales of standard textiles for the hygiene industry represented a 67.1% share of total revenues, a decrease from the 69.1% share in 2009.

In 2010, the revenues from sales of light-weight and bi-component materials for the hygiene segment reached EUR 30.5 million, a 24.1% yoy increase. The proportion of this product category to the total sales in 2010 amounted to 20.6%, a slight increase compared with a 19.9% share in 2009. Revenues from sales of non-hygiene products (for construction, agriculture and medical) amounted to EUR 18.2 million in 2010, an increase of 33.4% yoy. The share of sales of non-hygiene products of total revenues was 12.3% in 2010.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area. In 2010, revenues from sales to Western Europe amounted to EUR 85.9 million, which represented a 58.0% share of total revenues, compared with a 61.0% share in 2009. In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 56.8 million and represented a 38.3% share of total revenues. In 2009 this share was 35.1%. Revenues from sales to other territories amounted to EUR 5.5 million and represented a 3.7% share of total revenues, compared with a 3.9% share in the previous year.

2011 Guidance

The Company entered 2011 with its production capacity sold out, and this included the expected capacity from the new production line, once more demonstrating its ability to succeed in the highly competitive nonwovens textile market.

During sales negotiations for 2011, the Company registered a pressure on prices, however, the situation was not as difficult as in the years 2008 and 2009. PEGAS continues to rely on its production efficiency, which partially reduces and balances the impact on profitability.

A significant moment this year will be the launch of the new production line with production expected to be rolled out in the third quarter.

Based on the above factors and information known to date, the Company expects 2011 EBITDA to grow in the range from 2% to 7% compared with the level achieved in 2010.

The financial results depend on a number of factors which are not fully controlled by the Company. In the short term, operating results may be affected by the developments in polymer prices. The Company expects continuing volatility in the polymer price level, which will affect profitability in the individual quarters of 2011. In contrast to the end of 2010, price indices are currently experiencing significant growth.

The Company estimates that in 2011 the total capital expenditure related to the new production line project, together with maintenance CAPEX, will not exceed EUR 32 million (at the constant exchange rate of CZK/EUR 24.50).

4.12 Czech Investment Incentives

Investment Incentives Granted to PEGAS

PEGAS has obtained investment incentives from the Czech authorities several times. Recipients of the existing investment incentives are subsidiaries PEGAS - DS a.s., PEGAS-NT a.s., PEGAS - NW a.s. and PEGAS - NS a.s. as special purpose companies to accommodate each investment.

PEGAS - DS a.s.
When PEGAS a.s. (now PEGAS NONWOVENS s.r.o.) applied for investment incentives for PEGAS - DS a.s., the scheme for the manufacturing sector was operated under a different legal regime that existed before the current Investment Incentives Act came into force. Incentives were granted on the basis of individual arrangements entered into between the state and the recipient and were referred to as a "memorandum of understanding". PEGAS - DS a.s. was granted a package of incentives based on the Memorandum of Understanding signed on June 29, 1999. The investment incentives for PEGAS - DS a.s. consist of:

- Full corporate income tax payment relief for the first five years and a subsequent grant for the next five years, which cannot exceed the amount of the grant from the first five-year period. This grant was subsequently changed and now covers a full ten-year grant for full corporate income tax relief;
- Interest-free loans for establishing new jobs and re-training of employees in the amount of CZK 4.5 million; these loans were subsequently reclassified as grants after fulfilment of the conditions stated in the Memorandum of Understanding;
- Exemption of imported fixed assets from import duties.

The total amount of the incentives granted to PEGAS - DS a.s. cannot exceed 50% of the expended amount which is currently CZK 1,636 million. PEGAS - DS a.s. started making use of the incentives in fiscal year 2001 and, as a result, its corporate tax relief incentive expired in 2010.

PEGAS-NT a.s.
The Czech government granted PEGAS-NT a.s. the following investment incentives in its decision of July 2002:

- Full corporate income tax relief for up to a 10 year period; and
- A job creation grant in the amount of CZK 5.4 million.

The total amount of the incentives cannot exceed 45% of the investment, which is currently equal to CZK 894 million; and in any case cannot exceed CZK 509.9 million. PEGAS–NT a.s. started making use of the incentives in fiscal year 2005.

PEGAS - NW a.s.
PEGAS - NW a.s. obtained its investment incentives based on the decision of the Czech government on June 10, 2005. The incentive consists of corporate income tax relief for up to 10 years. The tax relief may not exceed 48% of the invested amount (equal to CZK 1,055 million), and in any case cannot exceed CZK 573.6 million. PEGAS - NW a.s. started making use of the incentives in fiscal year 2008.

PEGAS - NS a.s.
PEGAS - NS a.s. received a commitment of investment incentives for the new production line project from the Ministry of Industry and Trade of the Czech Republic based on the decision dated January 12, 2009.

PEGAS - NS a.s. obtained an approval of the following investment incentives:
- corporate income tax relief for a period of 10 years; and
- financial support for job creation in the Znojmo Region in the amount of CZK 200 thousand for every new work position created.

The total amount of incentives may not exceed 30% of the total invested amount. At the same time the total amount of the public grant may not be higher than CZK 403.5 million and commercial production must be launched within 3 years of the delivery date of the decision about the commitment of the investment incentives, i.e. by January 15, 2012.

4.13 Material Subsequent Events

In 2011 the Company finalized the analysis of useful lifetime of the property, plant and equipment. Based on this assessment the Company decided to prolong the residual estimated useful lifetime of the production technology. This change is effective as from January 1, 2011. The prolongation of the estimated useful lifetime will cause a decrease in the depreciation and amortization expense in 2011 by approximately EUR 6.7 million, in 2012 by EUR 5.9 million and in 2013 by EUR 1.9 million, while the impact on 2014 and onwards is immaterial (depreciation and amortization expense in 2010: EUR 16.4 million).

The management of the Group is not aware of any other events that have occurred since December 31, 2010 that would have any material impact on the Company.

INVESTOR INFORMATION

PEGAS's Shares and Share Capital

Shareholders as of December 31, 2010

Institutional and Retail Investors (together free float)	100%
Of which Management of the Company	0.9%

Source: Company Data

In December 2006, PEGAS completed an IPO of its shares at a price of CZK 749.20 (EUR 27). The IPO consisted of the offer of 5,042,750 shares in total, including 1,810,000 shares newly issued in the Company's share capital and 3,323,750 shares offered by the selling shareholder Pamplona Capital Partners I, LP.

Shares of PEGAS NONWOVENS SA were listed on the Prague Stock Exchange and on the Warsaw Stock Exchange in December 2006. PEGAS has one series of shares. All shares have one vote and carry equal dividend rights. The shares are in registered form and are entered into depository system of Clearstream Bank. The nominal value of one share is EUR 1.24 each. The aggregate nominal value of the issued share capital is EUR 11,444,456.

On July 4, 2007 the principal shareholder of PEGAS NONWOVENS SA, Pamplona, announced its intention to sell part or its entire stake held in PEGAS. Pamplona placed its entire 43.4% stake on July 10, 2007 via an accelerate book-build on the Prague and Warsaw Stock Exchanges at the price of CZK 780 or PLN 102.49[2]. The shares were sold primarily to European institutional/portfolio investors and the placement was not targeted to retail investors.

The shares are traded on the Prague Stock Exchange under ISIN LU0275164910 BAAPEGAS and on the Warsaw Stock Exchange under PGS. The shares of PEGAS NONWOVENS SA are as of March 19, 2007 part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

[2] Due to the execution of the placement on the stock exchanges in Prague and Warsaw, there is no official price in Euro. The CZK/Euro FX rate on July 10, 2007 was 28.601.

Share Price Development and Trading Activity in 2010[3]

During 2010 PEGAS shares were traded for a total value of CZK 1.7 billion on the Prague Stock Exchange and for a total value of PLN 19 million on the Warsaw Stock Exchange. The lowest trading price during the year was CZK 410 and PLN 64.1 and the highest CZK 474 and PLN 74 on the Prague and Warsaw Stock Exchanges respectively.

The closing price on December 31, 2010 was CZK 468 on the Prague Stock Exchange and PLN 73.8 on the Warsaw Stock Exchange and the market capitalization of PEGAS reached CZK 4.3 billion (based on the Prague Stock Exchange quote).

Source: PSE

Changes in the Shareholders' Structure in 2010

The total stake held by the management of the Company as of December 31, 2010 was 0.9% and declined from the 1.2% stake as of December 31, 2009.

On June 14, 2010 the Company received a notification that Genesis Smaller Companies SICAV held as of June 12, 2010 472,700 shares of PEGAS (managed by custodian Brown Brothers Harriman /Luxembourg/), constituting 5.12% of the share capital and of the total voting rights attached to the shares issued by the Company.

On 8 December, 2010 the Company received a notification that as of 3 December, 2010 PKO Towarzystwo Funduszy Inwestycyjnych SA held 466,421 shares in the Company, constituting 5.05% of the share capital and of the total voting rights attached to the shares issued by the Company.

[3] Source Bloomberg and PSE

Dividend Policy

On October 29, 2010 PEGAS paid out an amount of Euro 8.8 million, i.e. Euro 0.95 per share (based on the total number of shares being 9,229,400) to shareholders from the share premium account of the Company. Subject to maintaining satisfactory financial performance and absence of other attractive opportunities, PEGAS will endeavour to continue with a progressive dividend policy.

PEGAS's Investor Relations Commitment

In the period since the IPO, PEGAS has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. At present, the Company has eight sell-side analysts who publish research on the Company and a number of other commenting analysts from both international investment banks and local Czech financial institutions.

PEGAS is dedicated to open and pro-active communication with its shareholders and has implemented a schedule of investor communications events, which is fully compliant with market standards for listed companies.

Financial Results Calendar for 2011

May 26, 2011	Q1 2011 unaudited consolidated financial results of PEGAS NONWOVENS SA in accordance with IFRS
June 15, 2011	Annual General Meeting of Shareholders
August 25, 2011	Half Year Report for the 1st half of 2011. 1st half 2011 unaudited consolidated financial results of PEGAS NONWOVENS SA in accordance with IFRS
November 24, 2011	Q1–Q3 2011 unaudited consolidated financial results of PEGAS NONWOVENS SA in accordance with IFRS

IR Contact Details

Investor Relations

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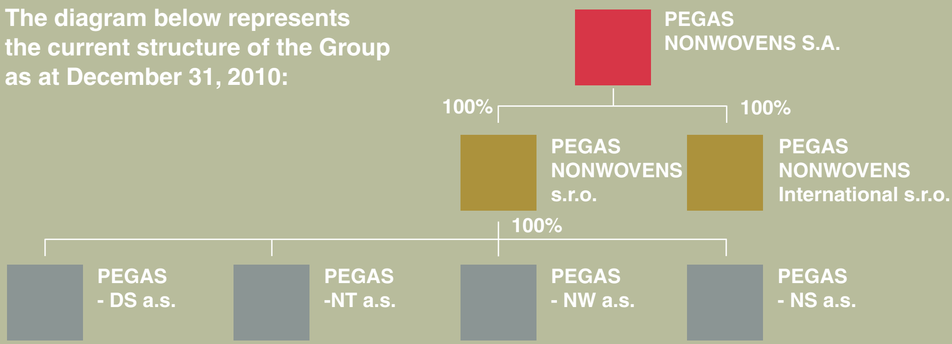
CORPORATE GOVERNANCE

6.1 Organisational Structure

The diagram below represents the current structure of the Group as at December 31, 2010:



Source: Company Data

PEGAS NONWOVENS SA, Luxembourg, parent holding company, is a 100% owner of the operating subsidiary PEGAS NONWOVENS s.r.o. based in Znojmo, Czech Republic. PEGAS NONWOVENS s.r.o. owns 100% of the capital of its four operating subsidiaries which are incorporated in the Czech Republic.

All of the operating assets are owned by PEGAS NONWOVENS s.r.o. and its four subsidiaries: PEGAS - DS a.s., PEGAS-NT a.s., PEGAS - NW a.s. and PEGAS - NS a.s. The Company's relations with suppliers and customers are carried out by PEGAS NONWOVENS s.r.o.

In 2010 PEGAS NONWOVENS International s.r.o. was established as a special purpose company for realization of potential investment opportunities.

6.2 Board of Directors

The Company is administered and managed by a Board of Directors.
The director(s) of the Company are appointed by a General Meeting of Shareholders for a term which may not exceed six years. The director(s) may be dismissed at any time and at the sole discretion of a General Meeting of Shareholders, and may be reappointed without restrictions.

Members of the Board of Directors

The following table sets out information with respect to each of the members of the Company's Board of Directors, their respective ages, and their positions within the Company:

Board of Directors

Name	Age	Position/Function	Business Address	Function period in 2010
František Řezáč	37	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic	1.1. 2010–31.12. 2010
František Klaška	54	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic	1.1. 2010–31.12. 2010
Marian Rašík	39	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 3. 2010–31.12. 2010
Marek Modecki	52	Non-Executive Director, Chairman of the Board	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1.1. 2010–31.12. 2010
Neil Everitt	50	Non-Executive Director	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	30. 3. 2010–31.12. 2010
Bernhard W. Lipinski	64	Non-Executive Director	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2010–30. 11. 2010
David Ring	49	Non-Executive Director	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2010–30. 11. 2010

Brief biographical and professional details concerning the Company's directors are set forth below:

František Řezáč, aged 37, was appointed CEO of the Company in October 2008, prior to that he held the position of Commercial Director. He has served as an executive director of the Company since November 2006. Mr. Řezáč joined the Company in 1996. He was promoted to the position of Commercial Director of PEGAS NONWOVENS s.r.o. in 2004, after having worked as the HR Director and Legal Counsel. Mr. Řezáč is a graduate of the Law Faculty of Masaryk University Brno.

František Klaška, aged 54, was appointed an executive director of the Company in November 2006. Mr. Klaška has been with the Company since 1991, having previously worked for 5 years in Zbrojovka Brno, a diversified engineering company. He was promoted to his current position of Technical and Development Director of PEGAS NONWOVENS s.r.o. in 2001. Mr. Klaška is a graduate of the Czech Technical University.

Marian Rašík, aged 39, was appointed as an executive director as of March 1, 2010. In December 2009, he was appointed as the CFO of PEGAS NONWOVENS s.r.o. Prior to joining PEGAS, he worked as a director in a financial advisory firm Corpin Partners. In 2003 – 2005 he was a CFO at Vítkovice Strojírenství a.s. In the past he also worked with VÚB Bank in the Prague branch, ABN AMRO and he started his professional career as an auditor with Coopers & Lybrand. Marian Rašík graduated from the Economics Faculty of the Technical University in Ostrava.

Marek Modecki, aged 52, was appointed as a non-executive director in April 2008. Mr. Modecki is a senior banker and member of the Supervisory Board of Concordia Espirito Santo Investment Ltd. in Poland, responsible for mergers & acquisitions and private banking. He graduated from Warsaw University with a master's degree in law and also studied international law at the Max Planck Institute in Hamburg and law at the University in Hamburg.

Neil Everitt, aged 50, was appointed as a non-executive director as of March 30, 2010. He serves as the Chairman of the Board of South Asian Real Estate Ltd, and concurrently he is also Chairman of the Young Presidents' Organization (YPO) for the European region. Mr. Everitt was the CEO of Stock Spirits Group, Central Europe's leading spirits producer. Previously he spent 11 years with Allied Domecq plc, Europe, latterly in the position of President. In his earlier career Mr. Everitt held a number of management positions in South America and Europe with British American Tobacco plc. Mr Everitt is a graduate of the University of London, where he studied Veterinary Medicine and also completed the Advanced Management programme at INSEAD.

We operate under the
EN ISO 14000
Environmental Management Standards

Changes to the Board of Directors in 2010

The AGM held on June 15, 2010 approved the co-optation by Board effective as of March 1, 2010 of Mr. Marian Rašík as an executive director of the Company and thereby confirmed his appointment for the period ending February 28, 2013.

The AGM held on June 15, 2010 approved the co-optation by Board effective as of March 30, 2010 of Mr. Neil J. Everitt as a non- executive director of the Company and thereby confirmed his appointment for the period ending March 29, 2012.

The AGM held on June 15, 2010 resolved to appoint Mr. Marek Modecki as a non-executive director of PEGAS, prolonging thus his appointment for the period ending on the date of AGM held in 2012. In December 2010, Mr. Modecki was appointed the Chairman of the Board of Directors, following the departure of the previous Chairman.

The AGM held on June 15, 2010 approved the co-optation dated December 1, 2009 of Messrs. František Řezáč and František Klaška as executive directors of the Company and thereby confirmed their appointment for the period ending November 30, 2012.

On November 30, 2010 the tenure of two non-executive members of the Board of Directors, Mr. Bernhard Lipinski and Mr. David Ring expired and they no longer sought to renew their mandates.

The following table sets out past and current directorships held by the directors in the past five years. Other directors than those stated below do not hold or did not hold any director positions outside the Company.

Name	Positions held	
Marek Modecki	Former directorships:	Supervisory Board member of Concordia Espirito Santo Investment Ltd.
		Supervisory Board member of Prokom Software SA
		Supervisory Board member of Metalexport SA
		Supervisory Board member Petrolinvest SA
	Current Directorships:	Supervisory Board member Polnord SA
		Chairman of the Supervisory Board Concordia Ltd.
		Non-executive member of the Management Board of Immobel SA
		Managing Partner of 21 Concordia Ltd. (as of February 1st, 2011)
Neil J. Everitt	Former directorships:	Stock Spirits Group SA
	Current Directorships:	South Asian Real Estate Ltd, Isle of Man

At the date of the Annual Report, no member of the Board of Directors has, in the previous five years, (i) been convicted of any offences relating to fraud; (ii) held an executive position at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body), or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrator, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. Except as disclosed in this report, no member of the Board of Directors has a conflict of interest (actual or potential) between his private interests and his duties to the Company.

No member of the Board of Directors holds a supervisory or a non-executive position in another listed company or carries on principal activities outside the Company which are significant with respect to the Company.

6.3 Remuneration of Directors and Management

The objective of the Company's remuneration policy is to provide a compensation programme that allows the Company to attract, retain and motivate the members of the Board of Directors and other Group managers who have the character traits, skills and background to successfully lead and manage the Company. The remuneration committee was established by a resolution of the Board of Directors in July 2008. Members of the remuneration committee were in 2010 Marek Modecki (Chairman), Bernhard W. Lipinski and David Ring. Currently members of the remuneration committee are Marek Modecki (Chairman) and Neil Everitt.

		Remuneration (2010)			
		PEGAS NONWOVENS SA	Other Group Companies		
		Pecuniary Income	Pecuniary Income	Received in kind	TOTAL
Members of the Board of Directors	Board Remuneration (incl. Supervisory board)	430,696	2,372	–	433,068
	Salaries and other similar income	–	46,671	15,152	61,823
	Management Bonus	–	145,544	–	145,544
	Other (compensation)	91,721	–	–	91,721
	TOTAL	522,417	194,587	15,152	732,156
Management of the Group Companies*	Salaries and other similar income	–	496,763	58,657	555 420
	Management Bonus	–	146,517	–	146,517
	Board Remuneration (incl. Supervisory board)	–	78,635	–	78,635
	TOTAL	–	721,915	58,657	780,572
TOTAL		522,417	916,502	73,809	1,512,728

* In compliance with a definition of "persons discharging managerial responsibilities within an issuer" according to the Directive 2003/6/EC of the European Parliament and of the Council of January 28, 2003 on insider dealing and market manipulation (market abuse) and to the Commission Directive 2004/72/EC of April 29, 2004 implementing Directive 2003/6/EC. Total number of persons included 18.

Information on Shares Held by the Management

As of December 31, 2010, Board members of PEGAS held together 56,291 shares of PEGAS, representing 56,291 of aggregate voting rights.

Persons discharging managerial responsibilities within an issuer held as of December 31, 2010 29,144 shares of PEGAS, representing 29,144 of aggregate voting rights.

Cash-settled Share-based Payment for Executive Managers and Non-executive Directors

In 2007, the Company entered into a Share price bonus scheme for its Senior Management and Board Members. The scheme is realized through Phantom options.
The Annual General Meeting held on June 15, 2007 approved the grant of an aggregate amount of 230,735 phantom options to six senior executive managers and two non-executive directors, for no consideration. The Grant date of the phantom options was May 24, 2007. Each phantom option, when exercised, granted the manager the right to receive cash calculated as closing price of one Company share on the Prague stock exchange (the PSE) (or other market if the PSE trading is discontinued) on the day preceding the day of exercise of the phantom option less CZK 749.20 representing the offer price at the time of the initial public offering of the shares of PEGAS NONWOVENS S.A. (the IPO price). 25% of the phantom options vest yearly, with the first options vesting on the 1st anniversary of the IPO, i.e. on December 18, 2007 and the last options vesting on the 4th anniversary of the IPO.

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 extend it to the new members of the senior management and the Board of Directors. Therefore, the AGM Meeting resolved to issue of an aggregate amount of 230,735 phantom options (representing 2.5% of share capital of PEGAS NONWOVENS SA) 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.

Total number of issued phantom shares was 356,839 as of December 31, 2010.

The Company and the operating companies are currently not intending to create and have not created a share option plan for the benefit of their employees.

Management Bonus Scheme

The principles of the bonus scheme for 2008 and for the following financial years targeted to the senior management of PEGAS Group were approved by the AGM in 2008.
The key elements of the bonus scheme are as follows:

- The scheme was designed to ensure that senior management is focused on delivering the Company's budgeted economic results represented by the Budgeted EBITDA and is valid for the accounting years of 2008 and onwards.
- Basis for the bonus calculation is EBITDA calculated in accordance with Czech GAAP as the consolidated profit for the Group adjusted for certain extraordinary items, gains or losses specified further in the document which was available at the AGM.
- If achieved EBITDA is equal to Budgeted EBITDA, the paid bonus will be the Target bonus. If the achieved EBITDA is below or above the Budgeted EBITDA, the amount of the target bonus will be decreased or increased up to the amount of a maximum bonus in accordance with criteria set for each year by the Board of Directors.

The achieved EBITDA in 2010 exceeded the Budgeted EBITDA, to which the full target bonus was linked, by 2% without the impact of one-offs.

Remunerations of Persons Discharging Managerial Responsibilities

Persons discharging managerial responsibilities are entitled to the management bonus which is partly based on the Budgeted EBITDA and is determined by the same principles as the above mentioned management bonus scheme. In addition, the second part of the persons discharging managerial responsibilities bonus is based on the appraisal of the superior.

6.4 Corporate Governance

Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of the Company's shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and to state the reasons for the non-compliance. The original WSE Corporate Governance Rules adopted by the Company during the IPO were amended based on Resolution No. 13/1171/2007 of the Warsaw Stock Exchange Supervisory Board dated July 4, 2007 concerning amendment of the WSE Rules.
The Company has decided to observe the majority of the WSE Corporate Governance Rules as stated in detail below.

STATEMENT ON WARSAW STOCK EXCHANGE CORPORATE GOVERNANCE RULES as amended in 2008 and 2010

Recommendations for Best Practice for Listed Companies	
1.	A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: – maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; – ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication; – enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.
3.	A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting.
4.	Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.
5.	A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.
6.	A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company.
7.	Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular: – refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments; – raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest the company.
8.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities.
9.	The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

Best Practice for Management Boards of Listed Companies

No.	RULE	YES / NO	COMMENT OF PEGAS NONWOVENS SA
1	A company should operate a corporate website and publish on it, in addition to information required by legal regulations:		
	1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies;	YES	.
	2) professional CVs of the members of its governing bodies;	YES	
	3) current and periodic reports;	YES	
	5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;	YES	
	6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system submitted by the Supervisory Board;	NO	We are unable to comply with this rule as there is a single board structure in the Company – there is no Supervisory Board.
	7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;	YES	No such issues on the agenda have been submitted during preceding General Meetings.
	8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds;	YES	
	9) information about breaks in a General Meetings and the grounds of those breaks;	YES	No such breaks have been taken during preceding General Meetings.
	10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;	YES	
	11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;	NO	We are unable to comply with this rule as there is a single board structure in the Company – there is no Supervisory Board
	12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from to its introduction;	YES	
	13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;	YES	
	14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.	YES	
2	A company should ensure that its website is also available in English, at least to the extent described in section II.1.	YES	
3	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).	NO	We are partially unable to comply with this rule as there is a single board structure in the Company – there is no Supervisory Board.
4	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	YES	

No.	RULE	YES / NO	COMMENT OF PEGAS NONWOVENS SA
6	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	YES	
7	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	YES	
8	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	NO	Article 399 § 2–4 of the Code of Commercial Partnerships and Companies does not apply to our company as it is registered in Luxembourg. However, there are similar provisions under Luxembourg law and our Articles.

Best Practice of Supervisory Boards

No.	RULE	YES / NO	COMMENT OF PEGAS NONWOVENS SA
1	In addition to its responsibilities laid down in legal provisions the Supervisory Board should:		
	1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; 2) once a year prepare and present to the Ordinary General Meeting an evaluation of its work; 3) review and present opinions on issues subject to resolutions of the General Meeting.	NO	As there is no Supervisory Board in the Company, we are unable to comply with this rule.
2	A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	YES	Under Article 9.16 of the Articles of Association, a director having a personal interest contrary to that of the Company in a matter submitted to the approval of the Board of Directors shall be obliged to inform the Board of Directors thereof and to have his declaration recorded in the minutes of the meeting. He may not take part in the relevant proceeding of the Board of Directors. At the next General Meeting, before votes are taken on any other matter, the shareholder shall be informed of those cases in which a director had a personal interest contrary to that of the Company.
3	A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	NO	As there is no Supervisory Board in the Company, we are unable to comply with this rule.
4	A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	YES	Under Article 9.16 of the Articles of Association, a director having a personal interest contrary to that of the Company in a matter submitted to the approval of the Board of Directors shall be obliged to inform the Board of Directors thereof and to have his declaration recorded in the minutes of the meeting. He may not take part in the relevant proceeding of the Board of Directors. At the next General Meeting, before votes are taken on any other matter, the shareholder shall be informed of those cases in which a director had a personal interest contrary to that of the Company.

No.	RULE	YES / NO	COMMENT OF PEGAS NONWOVENS SA
5	A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	NO	As there is no Supervisory Board in the Company, we are unable to comply with this rule.
6	At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	NO	As there is no Supervisory Board in the Company, we are unable to comply with this rule.
8	Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors… should apply to the tasks and the operation of the committees of the Supervisory Board.	YES	
9	Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	NO	As there is no Supervisory Board in the Company, we are unable to comply with this rule.

Best Practice of Shareholders

No.	RULE	YES / NO	COMMENT OF PEGAS NONWOVENS SA
1	Presence of representatives of the media should be allowed at General Meetings.	NO	
2	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	YES	
4	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision..	YES	
5	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	YES	
6	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	YES	
7	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend.	YES	
9	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	YES	
10	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary. This rule should be applied not later than 1 January 2012.	NO	Shareholders can vote through a plenipotentiary, however point 1) and 2) are not arranged so far. Under review of the management of the Company.

6.5 Risk Factors

The Company's business, results of operations and financial condition may be adversely affected by the following risks:

Marketing and Sales

PEGAS operates in a highly competitive market and the emergence of new competitors or introduction of new capacities by one of the existing competitors in the hygiene segment could adversely affect sales and margins.

A high concentration of customers accounts for a significant percentage of the total sales, and the loss of one or more of them could significantly affect the Company's revenues and profitability.

A change in the demand of end-user of hygiene products and a shift of their preferences for cheaper products could lead to a change in the product mix at PEGAS and affect the Company's revenues and profitability.

Production

Any disruption to PEGAS production facilities would have a material adverse effect on the Company's business. PEGAS is dependent on one manufacturer for the equipment and technical support in production lines. There is a risk that PEGAS may not be able to reconfigure production lines on a timely basis in order to respond to changing demand for particular kinds of spunmelt nonwovens. Machinery from other producers may prove more efficient and develop faster than the machinery supplier of PEGAS.

The Company's competitors may have access to more and cheaper sources of capital allowing them to modernize and expand their operations more quickly and giving them a substantial competitive advantage over PEGAS.

The steady supply and transportation of products from PEGAS's plants to the customers are subject to various uncertainties and risks.

PEGAS depends on external suppliers for key raw materials, therefore increases in the cost of raw materials, electricity and other consumables could have a material adverse impact on the Company's financial condition and results of operations, although a polymer price increase is by large transferred to customer prices.

Research and Development

The Company's competitors may develop new materials demanded by customers and gain a competitive advantage, which could adversely affect the Company's sales and margins.

Potential Expansion

PEGAS is facing risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including opportunity identification, risk of the completion of the transaction and the integration of the other parties into PEGAS's business.

The development of new applications and products is key for **future success**

Legal and Intellectual Property

PEGAS's operations are exposed to financial and operating uncertainty and are subject to government laws and regulations that may adversely affect results of operations and financial conditions.

PEGAS may be in breach of intellectual property rights of others.

Adverse outcomes in litigation to which PEGAS might be a party could harm the business and its prospects.

Finance

The indebtedness of PEGAS could adversely affect the financial condition and results of operations. There is a risk that interest rates on outstanding external debt could be reassessed by the banks and increased on the back of the financial sector crisis and therefore increased interest costs could affect the Company's profitability.

The current level of indebtedness and conditions imposed on external debt (covenants) may potentially lead to a modification of the current progressive dividend policy of the Company.

There is a risk that the fluctuations in the value of the Czech koruna against the Euro could adversely affect the Company's profitability. PEGAS's operating subsidiaries avail themselves of tax benefits offered by the Czech government. Hence, the Company's profitability could decrease owing to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

The fluctuation of the polymer prices, which are passed on to the customers with some delay may on a short term basis affect the Company's revenues and profitability.

The insurance coverage may not adequately protect PEGAS against possible risk of loss.

Security, Environment and Safety

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect the Company's results of operations and financial conditions.

Key Personnel and Technical Expertise

The loss of the services of key management personnel could adversely affect the Company's business.

PEGAS may not be able to hire and retain sufficient numbers of qualified professional personnel because these personnel are limited in number and are in high demand.

Ownership Changes

PEGAS is a 100% free float and its ownership structure is very fragmented and divided among many shareholders. A potential entry of a majority investor into the Company could result in a sudden change of the long term strategy and impact value of the shares.

CONSOLIDATED FINANCIAL STATEMENTS OF PEGAS NONWOVENS SA FOR THE YEAR ENDED DECEMBER 31, 2010 AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the shareholders of
PEGAS NONWOVENS SA
68-70, boulevard de la Pétrusse
L-2320 Luxembourg

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of PEGAS NONWOVENS SA which comprise the statement of financial position as of December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity´s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity´s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PEGAS NONWOVENS SA as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

For Deloitte S.A., *Cabinet de revision agréé*

Nick Tabone, *Réviseur d´entreprises agréé*
Partner

18 April 2011

Société Anonyme
RCS Luxembourg B 67.895
Autorisation d'établissement: n°88607

Member of Deloitte Touche Tohmatsu

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Prepared under International Financial Reporting Standards (IFRS)
For the year ended 31 December 2010 (in thousands of EUR)

	Note	2010	2009
Revenue	5 a), b)	148,150	123,447
Raw materials and consumables used	5 c)	(103,627)	(75,884)
Staff cost	5 f), g)	(7,996)	(7,551)
Depreciation and amortization expense	5 h)	(16,353)	(15,934)
Research expense	5 e)	(2,063)	(1,659)
Other operating income net	5 d)	754	438
Profit from operations		**18,865**	**22,857**
Foreign exchange gains and other financial income	5 i)	11,302	8,649
Foreign exchange losses and other financial expense	5 j)	(4,985)	(6,140)
Interest income	5 k)	16	10
Interest expense	5 l)	(3,300)	(3,850)
Profit before income tax		**21,898**	**21,526**
Income tax expense	5 m)	(859)	(724)
Net profit for the year		**21,039**	**20,802**
Other comprehensive income			
Net value gain on cash flow hedges		(938)	181
Changes in translation reserves		4,435	1,417
Total comprehensive income for the year		**24,536**	**22,400**
Net profit attributable to:			
Equity holders of the Company		21,039	20,802
Minority interest		–	–
		21,039	20,802
Total comprehensive income attributable to:			
Equity holders of the Company		24,536	22,400
Minority interest		–	–
		24,536	**22,400**
Earnings per share	**5 n)**		
Basic earnings per share (EUR)		2.28	2.25
Diluted earnings per share (EUR)		2.28	2.25

The Notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Prepared under International Financial Reporting Standards (IFRS)
As at 31 December 2010 (in thousands of EUR)

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	5 o)	107,713	108,865
Intangible assets	5 p)	219	206
Goodwill	5 p)	92,583	87,668
Total non-current assets		**200,515**	**196,739**
Current assets			
Inventories	5 q)	14,741	13,652
Trade and other receivables	5 r)	31,280	24,983
Cash and cash equivalents	5 s)	4,685	473
Total current assets		**50,706**	**39,108**
Total assets		**251,221**	**235,847**
EQUITY AND LIABILITIES			
Share Capital and reserves			
Share capital	5 t)	11,444	11,444
Share premium	5 v)	9,078	17,846
Legal reserves	5 w)	6,034	4,396
Translation reserves		6,638	2,203
Cash flow hedging		(757)	181
Retained earnings	5 u)	96,604	77,203
Total share capital and reserves		**129,041**	**113,273**
Non-current liabilities			
Bank loans	5 x)	95,450	82,614
Other payables	5 y)	103	27
Deferred tax liabilities	5 z)	10,686	11,471
Total non-current liabilities		**106,239**	**94,112**
Current liabilities			
Trade and other payables	5 aa)	13,419	13,879
Tax liabilities	5 bb)	1,734	1,016
Bank current liabilities	5 x)	788	13,469
Provisions		–	98
Total current liabilities		**15,941**	**28,462**
Total liabilities		**122,180**	**122,574**
Total equity and liabilities		**251,221**	**235,847**

The Notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

Prepared under International Financial Reporting Standards (IFRS)
For the year ended 31 December 2010 (in thousands of EUR)

	Note	2010	2009
Profit before income tax		**21,898**	**21,526**
Adjustment for:			
Amortization and depreciation		16,353	15,934
Foreign exchange (gains)		(2,095)	(213)
Interest expense		3,300	3,850
Fair value changes of interest rate swap		(1,162)	(515)
Other changes in equity		(938)	181
Other financial income / (expense)		8	(66)
Cash flows from operating activities			
Decrease / (increase) in inventories		(320)	(698)
Decrease / (increase) in receivables		(4,511)	2,561
Increase / (decrease) in payables		(1,680)	(2,532)
Income tax (paid) / received		(1,358)	649
Net cash from operating activities		**29,495**	**40,677**
Cash flows from investment activities			
Purchases of property, plant and equipment		(8,194)	(1,208)
Net cash used in investment activities		**(8,194)**	**(1,208)**
Cash flows from financing activities			
Increase / (decrease) in bank loans		(5,657)	(27,363)
Increase / (decrease) in other payables		76	22
Distribution of share premium		(8,768)	(8,306)
Interest paid		(2,732)	(3,721)
Other financial income / (expense)		(8)	66
Net cash used in financing activities		**(17,089)**	**(39,302)**
Net increase in cash and cash equivalents		**4,212**	**167**
Cash and cash equivalents at the beginning of the period		473	309
Effect of exchange rate fluctuations on cash held		–	(3)
Cash and cash equivalents at 31 December	**5 s)**	**4,685**	**473**

The Notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared under International Financial Reporting Standards (IFRS)
For the year ended 31 December 2010 (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 interest	**Total equity**
at 1 January 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	–	–	–	181	1,417	–	**1,598**	–	**1,598**
Net profit for the year	–	–	–	–	–	20,802	**20,802**	–	**20,802**
Reserves created from retained earnings	–	–	1,963	–	–	(1,963)	–	–	–
at 31 December 2009	**11,444**	**17,846**	**4,396**	**181**	**2,203**	**77,203**	**113,273**	**–**	**113,273**
Distribution	–	(8,768)	–	–	–	–	**(8,768)**	–	**(8,768)**
Other comprehensive income for the year	–	–	–	(938)	4,435	–	**3,497**	–	**3,497**
Net profit for the year	–	–	–	–	–	21,039	**21,039**	–	**21,039**
Reserves created from retained earnings	–	–	1,638	–	–	(1,638)	–	–	–
at 31 December 2010	**11,444**	**9,078**	**6,034**	**(757)**	**6,638**	**96,604**	**129,041**	**–**	**129,041**

The Notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Prepared under International Financial Reporting Standards (IFRS)
For the year ended 31 December 2010

1. General Information and Definition of the Consolidated Entity

Description and principal activities

PEGAS NONWOVENS SA ("the Company"), originally incorporated under the name Pamplona PE Holdco 2 SA, is a commercial company incorporated in Luxembourg on 18 November 2005, under the legal form of a "Société anonyme". The registered office is at 68-70, boulevard de la Pétrusse, L-2320 Luxembourg and the Company is registered with the Commercial Register of Luxembourg under number B 112.044. The Company acts only as a holding company.

On 14 December 2005, the Company acquired full control over the activities of PEGAS a.s. (now PEGAS NONWOVENS s.r.o.)

PEGAS NONWOVENS s.r.o. is incorporated in the Czech Republic. Its registered office is located in Znojmo, Přímětická 86, 669 04. PEGAS NONWOVENS s.r.o. and its subsidiaries (PEGAS - DS a.s., PEGAS-NT a.s., PEGAS - NW a.s., PEGAS - NS a.s.) are engaged in the production of nonwoven textiles.

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

2. Basis of Preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the European Union.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 18 April 2011.

(b) Presentation and functional currency

The financial statements are presented in thousands of Euro ("TEUR"). The underlying functional currency of PEGAS NONWOVENS s.r.o. and its subsidiaries is Czech Koruna ("CZK"). Their financial statements were translated from the functional currency to the presentation currency. The underlying functional currency of PEGAS NONWOVENS SA is EUR.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

(d) Use of estimates and judgements

The preparation of 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The management uses the estimates of future cash flows for the purposes of short and long term bank loans classification and for the goodwill impairment testing. The estimates are applied for the determination of useful life of property, plant and equipment in respect of their depreciation. Finished products allocation of overheads based on cost calculation is subject to estimates as well.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Consolidation methods

The consolidated financial statements incorporate the financial statements of PEGAS NONWOVENS SA and entities controlled by the Company (its subsidiaries). Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Assets, liabilities and contingent liabilities, which fulfill the criteria for accounting recognition pursuant to IFRS 3, are measured at fair value at the date of acquisition.

Any excess of the cost of acquisition over the fair value of the net identifiable assets acquired is accounted for as goodwill. Any excess of the fair value of the net identifiable assets acquired over the cost of acquisition is accounted for in the income statement in the accounting period in which the acquisition takes place.
Non-controlling interests and ownership interests of minority investors of the consolidated subsidiaries are valued at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets in the net fair value of assets and liabilities recognized in the accounting.

As and when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and dividends are eliminated on consolidation.

(b) Foreign currencies

All Czech based companies in the Group operate in the Czech Republic which is their primary economic area. Consequently, the Czech Koruna (CZK) is the functional currency of these entities. The Company sets a fixed rate of exchange based on the Czech National Bank official rate for the last working day of the calendar month to be applied to transactions recorded during the following month. During the year, exchange gains and losses are only recognized when realized at the time of settlement. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss. For the purpose of presenting consolidated financial statements, the assets and liabilities are expressed in EUR (which is the functional currency of the parent company and presentation currency of the Group) using exchange rates ruling at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange rates used CZK/EUR (source: official rates of Czech National Bank):

	Exchange rate
Period average (for Statement of Comprehensive Income and Cash Flow Statement)	
1 January 2009–31 December 2009	26.445
1 January 2010–31 December 2010	25.290
Balance sheet date	
Balance sheet as at 31 December 2009	26.465
Balance sheet as at 31 December 2010	25.060

Exchange differences arising from translation to the presentation currency are classified as equity and transferred to the Group's translation reserve.

(c) Revenue recognition

Revenues are recognized at fair value of the consideration received or the consideration to be received and represent receivables for goods and services delivered in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenues from the sale of products are recognized when products are delivered and either the title to the products has been passed to the customer or the risks to the products have been passed to the carrier. Revenues from the sale of services are recognized when the service is rendered.

(d) Segment reporting

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.

(e) Research

Expenditure on research activities, undertaken with the prospect of acquiring new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

(f) Borrowing costs

Borrowing costs other that stated below are recognized in the income statement in the period to which they relate.

Borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale are capitalised as part of the cost of such assets.

(g) Taxation

The tax expense in the income statement includes current and deferred tax expenses.

Current tax

Current income tax is based on taxable profit and the tax base. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted under local legislation by the balance sheet date.

Deferred tax

Deferred tax liabilities and assets arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of these assets and liabilities used in the computation of taxable profit are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using the tax rates that are expected to be applied in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the profit or loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(h) Government grants

The Company benefits from the following investment incentives granted by the Czech Government:

Grants and subsidies relating to employees

The Government of the Czech Republic has provided grants to train employees and subsidies to establish new jobs. These grants and subsidies were accounted for in the year in which related expenses were incurred.

Grants relating to income tax

Grants relating to income tax represent investment incentives. The Group does not account for a total tax liability but records its tax liability less the expected amount of investment incentives.

(i) Property, plant and equipment

Property, plant and equipment is stated at cost (including costs of acquisition) less accumulated depreciation and any recognized impairment loss.

The cost of assets (other than land and assets under construction) is depreciated over their estimated useful lives, using the straight-line method, on the following basis:

Major groups of assets	Number of years
Production lines	12–20
Factory and office buildings	30–60
Cars and other vehicles	5–6

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(j) Intangible assets

Purchased intangible assets are stated at cost less accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives.

The carrying amounts of intangible assets are reassessed to identify impairment losses where events or changes of facts indicate that the carrying amount of each individual asset exceeds its recoverable amount.

Intangible assets primarily include software, which is amortised on a straight-line basis over its estimated useful life, which is eight years.

(k) Goodwill

Goodwill represents a positive difference between the cost of acquisition and the fair value of the acquired interest in net identifiable assets and liabilities of a subsidiary as at the date of acquisition. Goodwill arising on an acquisition of subsidiaries is presented as separate intangible asset. After the initial recognition, goodwill is stated at cost less impairment losses.

(l) Impairment of assets and goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use.
In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

For the purposes of impairment testing, goodwill is analyzed annually. If the recoverable amount is less than the carrying amount of the assets, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The management has determined that for goodwill testing purposes all acquired subsidiaries are considered as one cash generating unit.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, based on normal operating capacity, excluding finance costs. The cost is calculated using the weighted average method.

The net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(n) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(o) Derivative financial instruments

The Group's operating activities are primarily exposed to financial risks such as changes in foreign exchange rates and interest rates. Where necessary, the Group uses derivative financial instruments to cover these risks.

The Group uses interest rate swaps to cover the risk of changes in interest rates.

Interest rate swaps maturing in December 2009 were in accordance with IAS 39 classified as held-for-trading and carried at fair value presented in current assets/liabilities, with changes in fair value included in net profit or loss of the period in they arise.

Hedge accounting – cash flow hedges

The Company entered into new interest rate swaps agreement in December 2009 with maturity in December 2012 and designates these swaps as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The derivative financial instruments are distinguished in accordance with 3-level hierarchy identifying the inputs used in calculation of their fair value.

A derivative is a financial instrument or other contract which fulfils the following conditions:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

(p) Cash-settled share-based payment

In 2007, the Company entered into a Share price bonus scheme for its Senior Management and Board Members. The scheme is a cash-settled payment transaction, in which the Company acquires services of key personnel by incurring liabilities to the supplier of those services for amounts that are based on the price of the Company's shares. The scheme is realized through phantom options, which vest annually. The service period equals the vesting period and the services are correspondingly accounted for as they are rendered by the counterparty during the vesting period.

The Company measures the liability arising from the phantom options at fair value at each reporting date. The changes in the fair value of these liabilities are recognized in the statement of comprehensive income for the period.

The fair value of the phantom options is determined by:

- Pricing model
- Expected life assumption / participant behaviour
- Current share price
- Expected volatility
- Expected dividends
- Risk-free interest rate

(q) Trade and other receivables

Trade receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term trade receivables (which do not carry any interest) when the recognition of interest would be immaterial.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank accounts and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Borrowings

Interest-bearing bank loans

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings using the effective interest rate method.

(t) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to the present value where the effect is material.

(u) Trade payables

Trade payables are initially measured at fair value, net of transaction costs, subsequently measured at amortised cost using the effective interest method, except for short-term trade payables.

(v) Adoption of new and revised standards

Standards and Interpretations effective in the current period

The following new and revised Standards and Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period.
These are:

- *IFRS 1 (revised) First-time Adoption of IFRS* (effective for annual periods beginning on or after 1 July 2009). The revisions included reorganising the contents and moving to appendices most of the Standard's numerous exceptions and exemptions. The Board has removed out-of-date transitional provisions and made some minor wording amendments.
- *Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions* (effective for accounting periods beginning on or after 1 January 2010). The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
- *Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009) (effective for accounting periods beginning on or after 1 January 2010). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply.
- *Amendments to IAS 1 Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2009) (effective for accounting periods beginning on or after 1 January 2010). The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
- *Amendments to IAS 7 Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009) (effective for accounting periods beginning on or after 1 January 2010). The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the balance sheet are eligible for classification as cash flows from investing activities. This may impact the classification of expenditure such as that on exploration activities or internal research activities where this cannot be capitalised as an intangible asset.
- *IFRS 3 Business Combinations* (revised 2008) (effective for annual periods beginning on or after 1 July 2009). The revised Standard implements changes mainly in (1) putting a greater emphasis on the use of fair value, (2) focusing on changes in control as a significant economic event and (3) focusing on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition.
- *Amendments to IAS 27 Consolidated and separate financial statements (revised 2008)* (effective for annual periods beginning on or after 1 July 2009). The revised version applied together with IFRS 3 Business Combinations. The main change from the revised version is related to partial disposals of subsidiaries.
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009). The amendment addresses two particular situations: (1) the designation of a one-sided risk in a hedged item and (2) the designation of inflation in particular situations.
- *IFRIC 12 Service Concession Arrangements* (effective for annual periods beginning on or after 30 March 2009). The Interpretation provides guidance for operators in service concession arrangements between the public and private sector with regard to accounting recognition of these arrangements. IFRIC 12 applies to arrangements where concessionaire controls or regulates services to be provided by the operator with the use of specific infrastructure, as well as a material remaining share in the infrastructure as at the end of arrangement delivery.
- *IFRIC 15 Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2010). The Interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors.

- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 July 2009). The Interpretation provides guidance on net investment hedging, including: (1) which foreign currency risks qualify for hedge accounting, and what amount can be designated; (2) where within the group the hedging instrument can be held; and (3) what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.
- *IFRIC 17 Distributions of Non-cash Assets to Owners replaces* (effective for annual periods beginning on or after 1 November 2009). The Interpretation clarifies that: (1) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (3) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
- *IFRIC 18 Transfers of Assets from Customers* (effective for annual periods beginning on or after 1 November 2009). The Interpretation is particularly relevant for the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

The adoption of these amendments to Standards and Interpretations has not led to significant changes in the Group's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following Standards and Interpretations were in issue but not yet effective. The Company has not opted for their early adoption. These include:

- *Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (effective for annual periods beginning on or after 1 July 2010). The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to IFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers.
- *The amendments to IFRS 3(2008) as part of Improvements to IFRSs* (effective for annual periods beginning on or after 1 July 2010). The amendment addresses the following topics: (i) transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS, (ii) measurement of non-controlling interests, (iii) un-replaced and voluntarily replaced share-based payment awards.
- *Amendments to IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 July 2011). The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
- *IFRS 9 (as amended in 2010) Financial Instruments* (effective for annual periods beginning on or after 1 January 2013). IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- *Amendments to IAS 1 Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2011). The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

- *IAS 24 (revised in 2009) Related Party Disclosures* (effective for annual periods beginning on or after 1 January 2011). The amendment modifies the definition of a related party and simplifies disclosures for government-related entities.
- *IAS 28 (revised in 2008) Investments in Associates* (effective for annual periods beginning on or after 1 July 2010). The amendment addresses the partial use of fair value for measurement of associates: enables a parent entity to measure part of the investment in an associate at fair value in its consolidated financial statements when that part is designated as at fair value through profit or loss in accordance with the scope exclusion in paragraph 1 of IAS 28.
- *Amendments to IAS 32 Financial Instruments: presentation* (effective for annual periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
- *Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after 1 January 2011). The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (revised in 2009)* (effective for annual periods beginning on or after 1 July 2010). IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments.

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

European Commission has not adopted as at date of the approval of these Financial Statements the following revised Standards and Interpretations:

Standards:

- *IFRS 9 Financial Instruments (revised in 2009)*

Amendments to standards:

- *Improvements to IFRSs 2010*

The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

4. Financial Risks and Capital Management

The Company is exposed to the financial risks connected with its operations as follows:

- credit risk, regarding its normal business relations with customers;
- liquidity risk, with particular reference to the availability of funds and access to the credit market;
- market risk (primarily relating to exchange rates, interest rates), since the Company operates at an international level in different currencies and uses financial instruments depending on interest rates.

When managing its financial risks, the Group concentrates on the unpredictability of financial markets and endeavours to minimise potential negative effects on the results of operations.

The following paragraphs provide qualitative and quantitative disclosure on potential effects of these risks upon the Company.

Credit risk

The vast majority of sales are on credit to customers. Risks arising from the provision of credit are fully covered by insurance policies in respect of individual customers' receivables or by receiving advanced payments from customers.

The maximum credit risk to which the Group is theoretically exposed is represented by the carrying amounts stated for trade and other receivables in the balance sheet, totaling TEUR 31,280 as at 31 December 2010 (TEUR 24,983 as at 31 December 2009), of which 88% represents trade receivables (89% as at 31 December 2009).

Overview of trade and other receivables according to due date

	2010	of total %	2009	of total %
Not yet overdue	29,279	93.6%	23,642	94.6%
Overdue less than 1 month	1,552	5.0%	1,268	5.1%
Overdue more than 1 month	449	1.4%	73	0.3%
Total	**31,280**	**100.0%**	**24,983**	**100.0%**

In 2010 the Group wrote off the overdue receivables in the amount of TEUR 77. The insurance proceeds to this write-off amounted to TEUR 71. There were no write-off of the overdue receivables in 2009.

The present customer mix concentration of the Company reflects the situation in the hygiene market, which is divided among a small number of end producers, each having a substantial market share. The top five customers represented a 79% share of total revenues in 2010 (78% in 2009). The trade receivables of top five customers as at 31 December 2010 amounted to 74% of all trade receivables (79% as at 31 December 2009).

Liquidity risk

Liquidity risk arises if the Company is unable to obtain the funds needed to carry out its operations under current economic conditions.

In order to reduce the liquidity risk, the Company optimises the management of funds as follows:

- maintaining an adequate level of available liquidity;
- obtaining adequate credit lines;
- monitoring future liquidity on the basis of business planning.

Liquidity risk Analysis

The following tables detail the Group's expected maturity for its non-derivative financial assets and remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets and based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The financial liabilities part of the table includes both interest and principal cash flows.

2010	Interest rate as at 31 December	Less than 6 months	6 months–2 years	2 years–5 years	5+ years	Total
Financial assets:						
Non-interest bearing	–	29,656	–	–	–	**29,656**
Fixed interest rate instrument	0.70%	4,557	–	–	–	**4,557**
Financial liabilities:						
Non-interest bearing	–	6,778	–	–	–	**6,778**
Variable interest rate instrument	1,2,3,6 M EURIBOR +1.2% (1.25%)	4,091	98,129	–	–	**102,220**
Fixed interest rate instrument	5%	2,443	–	–	–	**2,443**

2009	Interest rate as at 31 December	Less than 6 months	6 months–2 years	2 years–5 years	5+ years	Total
Financial assets:						
Non-interest bearing	–	24,295	–	–	–	**24,295**
Fixed interest rate instrument	0.90%	91	–	–	–	**91**
Financial liabilities:						
Non-interest bearing–		8,938	–	–	–	**8,938**
Variable interest rate instrument	1,2,3,6 M EURIBOR +1.2% (1.25%)	10,866	161	94,462	–	**105,489**
Fixed interest rate instrument	5%	1,823	–	–	–	**1,823**

Weighted average payment days of issued invoices were 62 days in 2010 (61 days in 2009). Adequate days of received invoices were 20 days in 2010 (30 days in 2009).

Management believes that the funds and available credit lines described in Note 5 x), in addition to the funds that are generated from operating activities, will enable the Company to satisfy its requirements resulting from its investment activities and its working capital needs.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

2010	Less than 6 months	6 months–2 years	2 years–5 years	5+ years
Net settled:				
Interest rate swaps	(320)	(529)	–	–

2009	Less than 6 months	6 months–2 years	2 years–5 years	5+ years
Net settled:				
Interest rate swaps	(413)	(34)	712	–

Market Risk

Market risk is the risk that the Company's income or the value of the financial instruments held are affected by changes in market prices, such as foreign exchange rates, interest rates and equity prices.

The Company is exposed to market risks from fluctuations in foreign currency exchange and interest rates.

Currency risk

Even though the Group carries out its activities only in the Czech Republic, it makes business on an international level, which results in the exposure to currency risks in respect of both its operating and financial activities. The functional currency of PEGAS NONWOVENS s.r.o. and its subsidiaries is Czech Koruna (CZK), while the functional currency of PEGAS NONWOVENS SA is Euro (EUR). The majority of operating activities such as revenues and operating costs are carried out in EUR. The majority of financial activities (such as repayment of loans and interest) are also carried out in EUR. Presentation currency of the consolidated financial statements is EUR as described in Note 3 b.

The Company is in general exposed to exchange rate risks impacting income and cash flows.

Income statement

Trading

Due to significant amount of sales and puchases in EUR, appreciation of CZK against EUR impacts consolidated cash flows negatively and vice versa. This effect is presented in the table on page 66 under line Trading.

Depreciation and amortization

The depreciation and amortization is carried in CZK, subsequently impacting Income statement results presented in EUR.

Financial result

The Company is currently exposed to potential changes in income statements mainly due to unrealized foreign exchange gains and losses resulting from revaluation of balance sheet items (bank loans, intercompany loans, cash, trade receivables and trade payables). There is no cash flow impact of the unrealized foreign exchange gains and losses.

Corporate income tax

Unrealised foreign exchange gains and losses are taxable in the Czech Republic.

Cash flow

Trading

The sales of own production in EUR and CZK cover the purchases of raw material, other operating costs and debt servicing in given currency, which results in natural hedging of the Group's activities by cash flows in these currencies. Despite the natural hedging, there is some disproportion between inflows and outflows of specific currencies representing the cash flow exposure to currency risk. However FX rate changes influence the above mentioned trading as well as the cash flows.

Corporate income tax

Corporate income tax mentioned above influences also the cash flows.

Overview of income statement items by currency in 2010

	EUR	CZK	Other
Revenues	89%	11%	0%
Operating expenses (excl. depreciation and amortization)	87%	13%	0%
Depreciation and amortization	0%	100%	0%
Finance costs	100%	0%	0%
Corporate income tax	0%	100%	0%

Overview of income statement items by currency in 2009

	EUR	CZK	Other
Revenues	91%	9%	0%
Operating expenses (excl. depreciation and amortization)	88%	12%	0%
Depreciation and amortization	0%	100%	0%
Finance costs	100%	0%	0%
Corporate income tax	0%	100%	0%

The Group did not use any foreign exchange derivatives to reduce currency risk neither as at 31 December 2010 nor as at 31 December 2009.

The Company is exposed mainly to the fluctuation risk of the CZK/EUR exchange rate. Changes in other exchange rates would have no material impact on the Company.

Sensitivity analysis

Potential impact from instantaneous appreciation or depreciation of CZK against EUR by 10% is detailed in the following table.

Appreciation of CZK/EUR FX rate by 10%

		2010	2009
Cash flow statement	Trading	99	(2,292)
	Corporate income tax*	(2,276)	(2,635)
	Total	**(2,177)**	**(4,927)**

		2010	2009
Income statement	Trading	99	(2,292)
	Depreciation	(1,817)	(1,770)
	Unrealized FX gains from BS revaluation	11,979	13,175
	Corporate income tax*	(2,276)	(2,635)
	Total	**7,985**	**6,478**

Depreciation of CZK/EUR FX rate by 10%

		2010	2009
Cash flow statement	Trading	(81)	1,876
	Corporate income tax*	–	–
	Total	**(81)**	**1,876**

		2010	2009
Income statement	Trading	(81)	1,876
	Depreciation	1,487	1,449
	Unrealized FX losses from BS revaluation	(9,801)	(10,780)
	Corporate income tax*	–	–
	Total	**(8,395)**	**(7,455)**

* Corporate income tax calculation excludes impact of changes in Trading due to investment incentives.

The low potential impact from FX rate volatility on Trading in 2010 is caused by natural currency risk hedging via balancing of CZK operational income and expenses. The lower potential influence from the FX revaluation of BS items in 2010 is mainly driven by higher outstanding balance of trade receivables.

Interest rate risk

The Company is exposed to interest rate risk resulting from bank loans bearing variable interest rates. The Company makes use of a 5-year syndicated loan of EUR 150 million, which bears a variable interest rate.

In order to manage the interest rate risks, the Company concluded two interest rate swaps (IRS). For details refer to Note 5 r).

Sensitivity analysis

To assess the potential impact of changes in interest rates, the Company calculates the hypothetical gains or losses from bank loans unsecured by IRS at the back of changed interest expenses on annually basis. At the same time the Company would be impacted by change of fair value in IRS.

Based on the bank loan balance and cash and cash equivalents as at 31 December 2010 and instantaneous and parallel increase of the EUR yield curve by 1% p.a., the loss from increased net interest expenses would reach TEUR 209 on an annual basis (TEUR 362 as at 31 December 2009). The increase of the yield curve by 1% p.a. would increase the fair value of IRS by approximately TEUR 1,078 as at 31 December 2010 (approx. TEUR 1,689 as at 31 December 2009).

The instantaneous and parallel decrease of the EUR yield curve by 1% p.a. would lead to savings from decreased net interest expenses in the amount of TEUR 209 on an annual basis (TEUR 362 as at 31 December 2009) and the fair value of IRS would decrease by approximately TEUR 1,130 as at 31 December 2010 (approx. TEUR 1,831 as at 31 December 2009). Lower potential impact on fair value of IRS as at 31 December 2010 is due to shorter maturity of the swaps compared with 31 December 2009.

Capital management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders commensurately with the level of risk

The Company manages the amount of capital and capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company does not define any level of capital, however management closely monitors the risks in connection with capital inadequacy and is prepared to change level of capital as stated above.

The company is not subject to externally imposed capital requirements.

5. Notes to the Consolidated Financial Statements

a) Revenue

Product groups

	2010	of total %	2009	of total %
Hygiene Sales				
Hygiene – specialty	30,505	20.6	24,573	19.9
Hygiene – other	99,477	67.1	85,252	69.0
Total hygiene	**129,982**	**87.7**	**109,825**	**88.9**
Non-hygiene	**18,168**	**12.3**	**13,622**	**11.1**
Total sales	**148,150**	**100.0**	**123,447**	**100.0**

Markets

	2010	of total %	2009	of total %
Domestic sales	31,770	21.4	22,278	18.0
Export	116,380	78.6	101,169	82.0
Total	**148,150**	**100.0**	**123,447**	**100.0**

Split into Domestic sales and Export is made up by perspective of operating companies, i.e. perspective of the Czech Republic.

b) Segment reporting

Based on analysis of IFRS 8, the Group identified one operating segment, the production of nonwoven textiles.

Geographical distribution of revenue is defined as follows:

Region	2010	2009
Western Europe	85,920	75,278
Central and Eastern Europe	53,745	42,534
Russia	2,992	804
Others	5,493	4,831
Total	**148,150**	**123,447**

In presenting information on the basis of geographical distribution of revenue, revenue is based on the place of real delivery of the goods.

All the assets are located in the Czech Republic, and all expenditure on assets is in, the Czech Republic.

c) Raw materials, consumables and services used

	2010	2009
Raw materials consumed	84,341	62,363
Consumed spare parts and repairs	3,496	3,665
Energy consumed	8,006	7,657
Other consumables	5,109	505
Other services	2,675	1,694
Total raw materials and consumables used	**103,627**	**75,884**

Increase of “Other consumables” in 2010 is driven by resale of nonwoven products from other producer and correspondent recognition of costs for these goods.

“Raw materials consumed” represent 81.4% of the total amount of raw materials, consumables and services used in 2010 (82.2% in 2009).

d) Other operating income / (expense) net

	2010	2009
Gain on the sale of equipment	92	22
Insurance proceeds	297	20
Insurance cost	(483)	(452)
Other taxes	(45)	(27)
Other income	893	875
Other operating income / (expense) net total	**754**	**438**

e) Research

In 2010, research expenses were TEUR 2,063. The most significant part represents expenditure on raw materials for products testing in the amount of TEUR 1,506.

In 2009, the Group invested TEUR 1,659 in research, of which expenses on raw materials for products testing amounted to TEUR 706.

f) Average number of employees, executive and non-executive directors of the Group and expenses

2010	Average number of employees	Total	Wages and salaries	Remuneration of Board members	Cash-settled share-based payments	Social security and health insurance expenses	Social expenses
Employees	374	7,048	5,200	–	–	1,713	135
Executives and Non-executives	6	948	195	431	256	63	3
Total	**380**	**7,996**	**5,395**	**431**	**256**	**1,776**	**138**

2009	Average number of employees	Total	Wages and salaries	Remuneration of Board members	Cash-settled share-based payments	Social security and health insurance expenses	Social expenses
Employees	374	6,550	4,790	–	–	1,635	125
Executives and Non-executives	6	1,001	263	393	273	69	3
Total	**380**	**7,551**	**5,053**	**393**	**273**	**1,704**	**128**

Two executive directors, Mr. Řezáč, Mr. Klaška and three non-executive directors, Mr. Lipinski, Mr. Ring and Mr. Modecki were members of the Company’s board as at 31 December 2009.

Effective as of 1 March 2010, Mr. Marian Rašík was appointed as executive director to the Board of Directors and effective as of 30 March 2010, Mr. Neil Everitt was appointed as non-executive director to the Board of Directors of PEGAS.

The mandate of non-executive directors, Mr. Lipinski and Mr. Ring expired as of November 30, 2010.

As a result of these changes, three executive directors and two non-executive directors served as at 31 December 2010.

Executive directors may use the Company's cars for private purposes.

Apart from phantom share options the Board members did not receive any loans, advances or any other benefit in kind in both 2010 and 2009.

g) Cash-settled share-based payment for executive managers and non-executive directors

The Annual General Meeting held on 15 June 2007 approved the grant of an aggregate amount of 230 735 phantom options to six senior executive managers and two non-executive directors, for no consideration. The Grant date of the phantom options was 24 May 2007. Each phantom option, when exercised, will grant the manager the right to receive cash calculated as closing price of one company share on the Prague stock exchange (the PSE) (or other market if the PSE trading is discontinued) on the day preceding the day of exercise of the phantom option less CZK 749.20 representing the offer price at the time of the initial public offering of the shares of PEGAS NONWOVENS SA (the IPO price). 25% of the phantom options vest yearly, with the first options vesting on the 1st anniversary of the IPO, i.e. on 18 December 2007 and the last options vesting on the 4th anniversary of the IPO. The given part of phantom options may be exercised on or after the vesting date. The participant shall provide service to the Group at the vesting date to be eligible for the given phantom options series.

As a result of several personnel changes, the aggregate number of granted phantom options decreased and as of 31 December 2009 the phantom option scheme consisted as follow:

Grant date	Vesting date	Strike price (CZK)	Total number of options granted	Number of options granted to Executives	Number of options granted to Non-executives	Fair value of options granted (TEUR)	Fair value of options granted to Executives (TEUR)	Fair value of options granted to Nonexecutives (TEUR)
24 May 2007	18 Dec 2007	749.2	50,664	39,126	11,538	94	72	22
24 May 2007	18 Dec 2008	749.2	41,432	29,896	11,536	76	55	21
24 May 2007	18 Dec 2009	749.2	34,008	22,472	11,536	61	40	21
24 May 2007	18 Dec 2010	749.2	34,008	22,472	11,536	42	28	14
Total			**160,112**	**113,966**	**46,146**	**273**	**195**	**78**

The Annual General Meeting held on June 15, 2010 approved 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 the Company and/or its affiliates, against no consideration. Each phantom option, when exercised, will grant the director the right to receive in cash an amount equal to the difference between CZK 473.00 representing the PEGAS's share price on the PSE as of 15 December 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. The first options vesting on December 18, 2010 will fully replace the last portion of options of the first share price bonus plan, approved at the Annual General Meeting held on June 15, 2007, vesting at the same date. Therefore the right for remaining 34,008 options (with vesting date on December 18, 2010) granted in 2007 and approved by the Annual General Meeting held on June 15, 2007 was abandoned.

Summary of the contractual terms of the phantom option scheme as at 31 December 2010:

Grant date	Vesting date	Strike price (CZK)	Total number of options granted	Number of options granted to Executives	Number of options granted to Non-executives	Fair value of options granted (TEUR)	Fair value of options granted to Executives (TEUR)	Fair value of options granted to Nonexecutives (TEUR)
24 May 2007	18 Dec 2007	749.2	50,664	39,126	11,538	97	75	22
24 May 2007	18 Dec 2008	749.2	41,432	29,896	11,536	82	59	23
24 May 2007	18 Dec 2009	749.2	34,008	22,472	11,536	67	44	23
15 June 2010	18 Dec 2010	473.0	57,684	42,220	15,464	173	127	46
15 June 2010	18 Dec 2011	473.0	57,684	31,501	26,183	58	32	26
15 June 2010	18 Dec 2012	473.0	57,684	31,501	26,183	31	17	14
15 June 2010	18 Dec 2013	473.0	57,683	31,501	26,182	22	12	10
Total			**356,839**	**228,217**	**128,622**	**530**	**366**	**164**

The Annual General Meeting held on June 15, 2010 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. Out of 230,735 phantom options approved by the Annual General Meeting held on June 15, 2010, 14,645 phantom options with vesting date on December 18, 2011 and on December 18, 2012 and 14,644 phantom options with vesting date on December 18, 2013 was not allocated as at 31 December 2010.

No phantom shares were exercised neither in 2010 nor 2009.

The fair value of the phantom options as at 31 December 2010 is TEUR 530 (273 as at 31 December 2009). The non-executive directors benefit is TEUR 164 (78 as at 31 December 2009) of the total amount. The increase of the fair value in 2010 is attributable mainly to the increase of aggregate number of options granted and increase of PEGAS NONWOVENS SA share price.

The Black-Scholes pricing model was used to calculate the fair value of the phantom options. The assumptions used in the model are as follows:

- Price of PEGAS NONWOVENS SA shares quoted in Prague Stock Exchange used (CZK 468.00 as at 31 December 2010, CZK 444.50 as at 31 December 2009)
- The participants are expected to exercise the given part of granted phantom options within ten years from vesting.
- Risk free interest rate is linearly interpolated from CZK interbank PRIBOR rates (<12M) and CZK interest rate swap points (>12M).
- Standard deviation for whole period from IPO used for volatility of shares calculation (35.90% in 2010, 39.62% in 2009).

h) Depreciation and amortization expense

	2010	2009
Depreciation of tangible assets	16,315	15,884
Amortization of intangible assets	38	50
Total	**16,353**	**15,934**

i) Foreign exchange gains and other financial income

	2010	2009
Realized and unrealized foreign exchange gains	11,264	8,333
Fair value changes of interest rate swap	–	315
Other financial income	38	1
Total	**11,302**	**8,649**

j) Foreign exchange losses and other financial expenses

	2010	2009
Realized and unrealized foreign exchange losses	4,916	6,064
Other financial expense	69	76
Total	**4,985**	**6,140**

Other financial expense includes mainly bank fees.

k) Interest income

	2010	2009
Interest income	16	10

The item includes interest income on bank accounts and term deposits.

l) Interest expense

	2010	2009
Interest and debt settlement expenses on loans and borrowings	2,967	3,589
Interest on employee deposits	108	87
Other	225	174
Total	**3,300**	**3,850**

Borrowing costs in the amount of TEUR 84 were capitalized in connection with construction of the new production line in 2010 as a part of this asset (nil in 2009).

m) Income tax (expense) / income

	2010	2009
Current income tax	(2,053)	(873)
Deferred income tax	1,194	149
Total	**(859)**	**(724)**

The changes in deferred tax are described in Note 5 z).

Effective tax rate

	2010	of total %	2009	of total %
Profit before income tax	**21,898**		**21,526**	
Income tax calculated using the enacted tax rate	4,161	19.0%	4,305	20.0%
Effect of income tax rate changes (deferred tax)	–	–	–	–
Effect of consolidation and IFRS adjustments that do not have impact on deferred tax	(7)	(0.0%)	412	1.9%
Effect of tax incentives	(3,729)	(17.0%)	(4,319)	(20.1%)
Effect of items deductible from the tax base	(41)	(0.2%)	(35)	(0.2%)
Effect of unrecognized deferred tax asset in the Czech Republic	3	0.0%	(2)	(0.0%)
Effect of the difference between the tax rate in the Czech Republic and Luxembourg and effect of unrecognized deferred tax asset relating to PEGAS NONWOVENS SA in Luxembourg	389	1.8%	265	1.2%
Other effects	83	0.4%	98	0.5%
Total income tax / effective tax rate	**859**	**3.9%**	**724**	**3.4%**

Three companies of the Group have received investment incentives in the Czech Republic. PEGAS - DS a.s. was granted investment incentives in the regime preceding the Act on Incentives, receiving a grant from the state to pay income tax. The Company does not account for the total tax liability but reports the tax liability less the expected amount of the subsidy. PEGAS-NT a.s., PEGAS - NW a.s. and PEGAS - NS a.s. were granted an investment incentive after the effective date of the Act on Incentives. PEGAS-NT a.s. recognizes the grant for income tax as a tax discount and does not account for the total tax liability. PEGAS - NW a.s. started making use of the incentive in 2008. PEGAS- NS a.s. were granted an investment incentive in January 2009. To translate the maximum amount of investment incentives into EUR, the CZK/EUR 25.06 rate of exchange effective on 31 December 2010 was used.

	Max. percentage of expended amount used as corporate tax relief	Max. amount in million CZK	Max. amount in million EUR	Corporate tax relief for	First year of usage of corporate tax relief
PEGAS - DS a.s.	50%	–	–	10 years	2001
PEGAS-NT a.s.	45%	509.9	20.3	10 years	2005
PEGAS - NW a.s.	48%	573.6	22.9	10 years	2008
PEGAS - NS a.s.	30%	403.5	16.1	10 years	Not yet

Investment incentives are tax savings granted by the government provided certain conditions have been fulfilled (such as level of incremental investments) by the Group. When considering the principle of prudence and the fact that the amount of a subsidy depends on the actual economic performance, the companies do not account for any intangible asset that arise from investment incentives and correspond to income tax subsidies. The estimate of the unrecognized asset would not be reliable.

Since nearly all taxable income were generated from the operating activity in the Czech Republic, the tax rate of 19% (20% in 2009) in the Czech Republic was used to calculate the total income tax.

n) Earnings per share

The calculation of basic earnings per share as at 31 December 2010 was based on the net profit attributable to equity holders of TEUR 21 039 and a weighted average number of ordinary shares in 2010. 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 as at both 31 December 2010 and 31 December 2009 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 2010 or 2009.

No non-controlling interests in subsidiary companies were recognized as at December 31, 2010 and December 31, 2009.

Weighted average number of ordinary shares

2009	Number of outstanding shares in 2009	Weighted average
January–December	9,229,400	9,229,400

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

Basic earnings per share

		2010	2009
Net profit attributable to equity holders	TEUR	21,039	20,802
Weighted average number of ordinary shares	Number	9,229,400	9,229,400
Basic earnings per share	**EUR**	**2.28**	**2.25**

Earnings Per Share (EPS) is calculated as net profit for the year attributable to equity holders of the Company divided by weighted average of the number of shares existing each day in the given year.

Diluted earnings per share

		2010	2009
Net profit attributable to equity holders	TEUR	21,039	20,802
Weighted average number of ordinary shares	Number	9,229,400	9,229,400
Diluted earnings per share	**EUR**	**2.28**	**2.25**

o) Property, plant and equipment

	Land and buildings	Production machinery	Other equipment	Under construction	Pre-payments	Total
Acquisition cost						
Balance at 1/1/2009	**38,366**	**116,713**	**9,876**	**57**	**–**	**165,012**
Additions	19	105	546	145	349	1,164
Disposals	–	–	(228)	–	–	(228)
Transfers	–	–	1	(1)	–	–
Exchange differences	674	2,050	173	1	–	2,898
Balance at 31/12/2009	**39,059**	**118,868**	**10,368**	**202**	**349**	**168,846**
Additions	252	381	1,440	2,968	4,497	9,538
Disposals	(13)	(137)	(140)	–	(365)	(655)
Transfers	–	143	–	(143)	–	–
Exchange differences	2,193	6,668	594	37	57	9,549
Balance at 31/12/2010	**41,491**	**125,923**	**12,262**	**3,064**	**4,538**	**187,278**
Accumulated depreciation						
Balance at 1/1/2009	**3,634**	**37,970**	**1,968**	**–**	**–**	**43,572**
Depreciation expense	1,188	13,669	1,027	–	–	15,884
Disposals	–	–	(228)	–	–	(228)
Exchange differences	63	657	33	–	–	753
Balance at 31/12/2009	**4,885**	**52,296**	**2,800**	**–**	**–**	**59,981**
Depreciation expense	1,244	13,910	1,161	–	–	16,315
Disposals	–	(137)	(104)	–	–	(241)
Exchange differences	285	3,058	167	–	–	3,510
Balance at 31/12/2010	**6,414**	**69,127**	**4,024**	**–**	**–**	**79,565**
Net book value						
1/1/2009	**34,732**	**78,743**	**7,908**	**57**	**–**	**121,440**
31/12/2009	**34,174**	**66,572**	**7,568**	**202**	**349**	**108,865**
31/12/2010	**35,077**	**56,796**	**8,238**	**3,064**	**4,538**	**107,713**

p) Intangible fixed assets

	Software	Goodwill	Total
Acquisition cost			
Balance at 1/1/2009	**375**	**86,154**	**86,529**
Additions	3	–	3
Disposals	–	–	–
Exchange differences	6	1,514	1,520
Balance at 31/12/2009	**384**	**87,668**	**88,052**
Additions	41	–	41
Disposals	(5)	–	(5)
Exchange differences	21	4,915	4,936
Balance at 31/12/2010	**441**	**92,583**	**93,024**
Accumulated amortization			
Balance at 1/1/2009	**126**	**–**	**126**
Amortization expense	50	–	50
Disposals	–	–	–
Exchange differences	2	–	2
Balance at 31/12/2009	**178**	**–**	**178**
Amortization expense	38	–	38
Disposals	(4)	–	(4)
Exchange differences	10	–	10
Balance at 31/12/2010	**222**	**–**	**222**
Net book value			
1/1/2009	**249**	**86,154**	**86,403**
31/12/2009	**206**	**87,668**	**87,874**
31/12/2010	**219**	**92,583**	**92,802**

On December 14, 2005, the Group acquired full control over the activities of PEGAS a.s. (now PEGAS NONWOVENS s.r.o.) and its subsidiaries.

The goodwill arising on this acquisition is attributable primarily to customer relationships, management skills, the skills and technical talent of the acquired workforce, the reputation for quality and the anticipated future profitability of the combined group. The management was not able to measure reliably the fair value of customer related intangibles due to the fact that demand from individual customers cannot be reliably predicted.

The Company tested the possible goodwill impairment as at 31 December 2010 and 2009. Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The management has determined that for goodwill testing purposes all acquired subsidiaries are considered as one cash generating unit. The value-in-use calculation requires the Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Based on above mentioned calculation, no impairment of goodwill was recognized neither in 2010 nor 2009.

q) Inventories

	2010	2009
Materials	6,544	6,767
Products	5,047	3,815
Semi-finished products	901	897
Spare parts	2,180	2,091
Other	69	82
Total	**14,741**	**13,652**

"Spare parts" include items with useful life shorter than one year or of immaterial individual value.

r) Current trade and other receivables

	2010	2009
Receivables from sales of products	29,656	23,913
Advance payments	97	56
Fair value of interest rate swaps	–	227
Value added tax receivables	1,292	553
Prepaid expenses	201	219
Other	34	15
Total	**31,280**	**24,983**

The Group concluded two interest rate swaps in 2006 in order to hedge interest rate risk. Under these contracts the Company paid a fixed interest rate of 3.236% p.a. and received the floating interest rate represented by 6M EURIBOR. The swaps were amortized with the following combined notional amounts:

Period	Notional amount (in TEUR)
14/03/2006–14/06/2006	106,500
14/06/2006–14/12/2006	101,831
14/12/2006–14/06/2007	97,163
14/06/2007–14/12/2007	92,494
14/12/2007–16/06/2008	87,825
16/06/2008–15/12/2008	82,845
15/12/2008–15/06/2009	77,865
15/06/2009–14/12/2009	72,263

In December 2009 the Group entered into two new interest rate agreements. The Company pays a fixed interest rate of 2.09% p.a. and receives the floating interest rate represented by 6M EURIBOR. Notional amount is non-amortized in the amount of TEUR 76,000. The swaps mature on 14 December 2012.

Fair value of these swaps is determined by the EUR yield curve at the balance sheet date and the discounted cash flow method. The inputs used in the fair value calculation are categorized in accordance with IFRS 7 into level 2 of fair value hierarchy, i.e. inputs other than unadjusted quoted prices in active markets, however, these inputs are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).

Fair value of the swaps as at 31 December 2010 and 2009 was as follows:

Counterparty	2010	2009
Česká spořitelna	(491)	115
ING	(444)	112
Total	**(935)**	**227**

Fair value of the swaps as at 31 December 2010 represents the payable of the Company (see Note 5 aa).

These swaps hedged 78.5% of the Group's debts as at 31 December 2010 (78.2% as at 31 December 2009).

s) Cash and cash equivalents

	2010	2009
Cash in hand	38	29
Current accounts	90	353
Time / overnight deposits	4,557	91
Total	**4,685**	**473**

High level of time deposit as at 31 December 2010 is driven by needs for gradual payments for the construction of the new production line.

t) Share capital

Until November 2006, the Company's share capital consisted of 12,500 shares at EUR 10 per share. In November 2006, this number was split into 100,806 shares at EUR 1.24 per share.

Subsequently, on 28 November 2006, the Company increased the share capital by EUR 9,075,056.56 by incorporation of debt into capital and by issuing 7,318,594 shares at EUR 1.24 per share. Pamplona Capital Partners I, LP acquired 7,133,109 shares and some of the Group's management 185,485 shares.

Within the issue of shares in the public market, in December 2006 the Group issued 1,810,000 new ordinary shares. These newly issued shares were subscribed by investors at EUR 27 per share.

The difference between the subscribed value of newly issued shares (EUR 27) and the nominal value (EUR 1.24) was recorded in equity as share premium in the total amount of TEUR 46,626.

The total number of shares as at 31 December 2006 was 9,229,400 shares at EUR 1.24 per share.

In July 2007 the Company's principal shareholder Pamplona Capital Partners I, LP placed its whole stake held in the Company to qualified investors on the Prague and Warsaw Stock Exchanges.

No changes to the number of shares occurred either in 2010 or 2009.

u) Retained earnings

There were no dividends from retained earnings paid in the year ended 31 December 2010 (neither in the year ended 31 December 2009). For detail about Distribution refer to Note 5 v).

v) Share premium

On 29 October 2010, the Company distributed EUR 8 767 930 or EUR 0.95 per share (EUR 8 306 460 or EUR 0.90 per share on 29 September 2009) to its shareholders in form of a share premium repayment.

w) Legal reserves

Legal reserves are obligatorily created from net profit after tax by the Czech entities under the Czech commercial law. These reserves are designed to cover the potential future losses or for overcoming of unfavourable future periods of time. The legal reserves are not distributable to shareholders.

x) Bank overdrafts and loans

In May 2007, the Company refinanced its previous senior bank debt taken on in late 2006 with a 5-year syndicated loan totaling EUR 150 million. The new facilities 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 bank facilities are non-amortizing, which removes the Company from its obligations of the Company to make mandatory repayments.

2010	Drawdown limit	Bank loan liability	Arrange-ment fees	Carrying amount	Current	Non-current	Interest rate	Interest rate at 31/12/2010
Revolving	130,000	96,000	(550)	95,450	–	95,450	1,2,3,6M EURIBOR + 1.2%	2.013%
Overdraft	20,000	873	(85)	788	788	–	1,2,3,6M EURIBOR + 1.25%	2.058%
Bank loans total	**150,000**	**96,873**	**(635)**	**96,238**	**788**	**95,450**		

2009	Drawdown limit	Bank loan liability	Arrange-ment fees	Carrying amount	Current	Non-current	Interest rate	Interest rate at 31/12/2009
Revolving	130,000	94,000	(912)	93,088	10,474	82,614	1,2,3,6M EURIBOR + 1.2%	1.681%
Overdraft	20,000	3,135	(140)	2,995	2,995	–	1,2,3,6M EURIBOR + 1.25%	1.716%
Bank loans total	**150,000**	**97,135**	**(1,052)**	**96,083**	**13,469**	**82,614**		

These bank loans are secured by:
1) the ownership interest in PEGAS NONWOVENS s.r.o.,
2) security over the enterprise of PEGAS NONWOVENS s.r.o.,
3) security over the plant and machinery of PEGAS NONWOVENS s.r.o.,
4) bank accounts of PEGAS NONWOVENS s.r.o. and
5) shares of subsidiaries PEGAS - DS a.s., PEGAS-NT a.s., PEGAS - NW a.s. and PEGAS - NS a.s.

The carrying amount of the bank loans approximates their fair value.

The revolving credit facility is divided into current and non-current liability based on management estimate. The estimate is based on cash-flow predictions. The overdraft facility is always treated as current liability. However, this overdraft facility reported as current liability is reduced by using available cash balances towards debt outstanding, which is in accordance with bank financing contract allowed on the daily basis.

y) Other payables due after one year

The balance of other payables represents also the long term part of the phantom options scheme payables. As at 31 December 2009 fair value of the phantom options was due within one year, while as at 31 December 2010 the long term part of the phantom options amounted to TEUR 53.

z) Deferred tax

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	–	–	(11,012)	(11,495)	(11,012)	(11,495)
Inventories	147	92	–	–	147	92
Other	179	–	–	(68)	179	(68)
Deferred tax asset / (liability)	**326**	**92**	**(11,012)**	**(11,563)**	**(10,686)**	**(11,471)**
Offset of deferred tax assets and liabilities	(326)	(92)	326	92	–	–
Deferred tax asset / (liability)	**–**	**–**	**(10,686)**	**(11,471)**	**(10,686)**	**(11,471)**

No deferred tax asset was recognized relating to the government incentives.
In accordance with accounting policy described in Note 3 h., the deferred tax was calculated using the tax rates applied for the years in which the tax asset will be realized or the tax liability will be settled, i.e. 19% for year 2010 and for the following years (2009 – 20%).

aa) Current trade and other payables

	2010	2009
Trade payables	6,778	8,938
Advances received	23	124
Liabilities to employees	3,753	2,940
Deferred income	1,124	1,252
Fair value of interest rate swaps (see 5r)	935	–
Other	806	625
Total	**13,419**	**13,879**

The decrease in Trade payables is attributable to the decision of the Company to use trade discounts for early payments in extended scale.

bb) Tax liabilities and other tax liabilities

	2010	2009
Employment tax	116	135
Corporate income tax liability reduced by income tax prepayments	1,618	881
Total	**1,734**	**1,016**

cc) Group Entities

To translate the registered capital of Czech subsidiaries, the CZK/EUR 25.060 rate of exchange effective on 31 December 2010 was used.

Subsidiaries included in the consolidated entity

Company	Acquisition date	Share in the subsidiary	Registered capital TCZK	Registered capital TEUR	Number and nominal value of shares
PEGAS NONWOVENS s.r.o. *	5.12.2005	100%	3,633	145	100% participation of TCZK 3,633
PEGAS - DS a.s.	14.12.2005	100%	800,000	31,923	64 shares at TCZK 10,000 per share and 64 shares at TCZK 2,500 per share
PEGAS-NT a.s.	14.12.2005	100%	550,000	21,947	54 shares at TCZK 10,000 per share and 10 shares at TCZK 1,000 per share
PEGAS - NW a.s.	14.12.2005	100%	650,000	25,938	64 shares at TCZK 10,000 per share and 10 shares at TCZK 1,000 per share
PEGAS - NS a.s.**	3.12. 2007	100%	105,000	4,190	5 shares at TCZK 1,000 per share and 10 shares at TCZK 10,000
PEGAS NONWOVENS International s.r.o. ***	18.10.2010	100%	200	8	100% participation of TCZK 200

* PEGAS NONWOVENS s.r.o. was registered on 14 November 2003 as ELK INVESTMENTS s.r.o and changed its name to PEGAS NONWOVENS s.r.o. in 2006. PEGAS a.s., the subsidiary of PEGAS NONWOVENS s.r.o., was established in 1990. It merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2006 and was deleted from the Commercial Register on 12 May 2006. CEE Enterprise a.s. merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2007 and was deleted from the Commercial Register on 20 August 2007.

** PEGAS - NS a.s. was established by the Company in December 2007 for the purpose of a new production line project. On 26 November 2010, PEGAS - NS a.s. increased its registered capital from TCZK 5 000 to TCZK 105 000.

*** PEGAS NONWOVENS International s.r.o. serves as a special purpose company established for the purpose of making potential future investments. The establishment of this company is not related to the execution of any specific investment.

6. Related Parties Transactions

Except for the information provided under Note 5 f) and 5 g) there were no other transactions between the Group and the executive or the non-executive directors.

7. Contingencies and Commitments

The Group has no material contingencies or commitments which would not be reported in the balance sheet.

8. Subsequent Events

In 2011 the Company finalized the analysis of useful lifetime of the property, plant and equipment. Based on this assessment the Company decided to prolong the residual estimated useful lifetime of the production technology. This change is effective as from 1 January 2011. The prolongation of the estimated useful lifetime will cause decrease of depreciation and amortization expense in 2011 by approx EUR 6.7 million, in 2012 by EUR 5.9 million and in 2013 by EUR 1.9 million, while impact on 2014 and onwards is immaterial (depreciation and amortization expense in 2010: TEUR 16,353).

The management of the Group is not aware of any events that have occurred since the balance sheet date that would have any material impact on the consolidated financial statements as at 31 December 2010.

Marek Modecki
Chairman of the Board of PEGAS NONWOVENS SA

František Řezáč
Member of the Board of PEGAS NONWOVENS SA

STAND-ALONE FINANCIAL STATEMENTS OF PEGAS NONWOVENS SA FOR THE YEAR ENDED DECEMBER 31, 2010 AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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REPORT OF THE REVISEUR D´ENTREPRISES AGREE

To the shareholders of
PEGAS NONWOVENS SA
68-70, boulevard de la Pétrusse
L-2320 Luxembourg

Following our appointment by the General Meeting of the Shareholders dated 21.09.2010, we have audited the accompanying annual accounts of PEGAS NONWOVENS SA, which comprise the balance sheet as of December 31, 2010 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxemburg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier.* Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of PEGAS NONWOVENS SA as of December 31, 2010, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

For Deloitte S.A., *Cabinet de revision agréé*

Nick Tabone, *Réviseur d´entreprises agréé*
Partner

18 April 2011

Société Anonyme
RCS Luxembourg B 67.895
Autorisation d'établissement: n°88607

Member of Deloitte Touche Tohmatsu

BALANCE SHEET

as of December 31, 2010 (expressed in EUR)

ASSETS	Notes	2010	2009
Fixed assets:			
Financial assets:			
– Shares in affiliated undertakings	3	392,199.38	383,812.76
Current assets:			
Debtors:			
Amounts owed by affiliated undertakings:	4		
– becoming due and payable within one year		1,050.00	1,050.00
– becoming due and payable after more than one year		32,800,000.00	34,250,000.00
Other debtors becoming due and payable within one year		21,307.69	–
Cash at bank		54,096.79	103,845.10
		32,876,454.48	**34,354,895.10**
Prepayments		61,724.88	112,097.72
		33,330,378.74	**34,850,805.58**

LIABILITIES	Notes	2010	2009
Capital and reserves:	**5**		
Subscribed capital		11,444,456.00	11,444,456.00
Share premium		14,691,994.20	23,459,924.20
Legal reserve		349,050.73	–
Loss brought forward		(899,554.69)	(7,531,518.57)
Profit for the year		6,716,525.54	6,981,014.61
		32,302,471.78	34,353,876.24
Provisions for liabilities and charges	**6**	**580,017.05**	**300,007.70**
Creditors:			
Tax debts	7	–	14,262.50
Other creditors becoming due and payable within one year		447,889.91	182,659.14
		447,889.91	**196,921.64**
		33,330,378.74	**34,850,805.58**

The accompanying notes are an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT

as of December 31, 2010 (expressed in EUR)

	Notes	2010	2009
Charges:			
Staff cost	8	538,855.42	502,776.17
Operating charges		1,249,697.61	549,117.78
Phantom option plan	6	256,425.00	273,392.42
Interest payable and similar charges		18,059.60	14,495.11
Profit for the financial year		6,716,525.54	6,981,014.61
		8,779,563.17	**8,320,796.09**
Income:			
Income derived from affiliated undertakings	3	8,767,930.00	8,306,460.00
Other interest receivable and similar income		10,276.17	7,116.09
Taxes	7	1,357.00	7,220.00
		8,779,563.17	**8,320,796.09**

The accompanying notes form an integral part of these annual accounts.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

NOTE 1 – General

PEGAS NONWOVENS S.A. (the "Company") is a commercial company incorporated in Luxembourg on November 18, 2005, under the legal form of a "Société anonyme". The registered office of the Company is at 68-70, boulevard de la Pétrusse, L-2320 Luxembourg and the Company is registered with the Luxembourg Trade and Companies Register under the section B number 112.044.

The object of the Company is to take participations and interests, in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign enterprises; to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licences, and other property, rights and interest in property as the Company shall deem fit, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit, and in particular for shares or securities of any company purchasing the same; to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with the Company, or the said holding company, subsidiary or fellow subsidiary, in which the Company has direct or indirect financial interest, any assistance such as e.g. pledges, loans, advances or guarantees; to borrow and raise money in any manner and to secure the repayment of any money borrowed; to borrow funds and issue bonds and other securities; and to perform any operation which is directly or indirectly related to its purpose. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

The Company also prepares consolidated financial statements, which are published according to the provisions of the law, and are available at the registered office.

The accounting year begins on January 1 and ends on December 31.

The Company entered into an initial public offer to list shares on both Prague Stock Exchange (PSE) and Warsaw Stock Exchange (WSE) on December 21, 2006.

NOTE 2 – Summary of Significant Accounting Policies

The Company maintains its books in Euro ("EUR") and the annual accounts have been prepared in conformity with generally accepted accounting principles in Luxembourg including the following significant accounting policies:

a) Financial assets

Financial assets are stated at historical acquisition cost. Dividends are recognized when they are declared by the affiliated undertaking. Write-downs are recorded if, in the opinion of management, a permanent impairment in value has occurred.

b) Foreign currency translation

Monetary assets and liabilities stated in currencies other than EUR are translated at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Realized and unrealized exchange losses and realized exchange gains are recorded in the statement of profit and loss account.

c) Debtors

Debtors are recorded at nominal value less any value adjustment for doubtful accounts.

d) Cash-settled share-based payment

In 2007, the Company entered into a Share price bonus scheme for its Board Members and the key personnel of its subsidiaries. The scheme is a cash-settled payment transaction, in which the Company acquires services of key personnel by incurring liabilities to the supplier of those services for amounts that are based on the price of the Company's shares. The scheme is realized through Phantom options, which vest yearly, with the first options vesting on the 1st anniversary of the IPO, i.e. on December 18, 2007 and the last options vesting on the 4th anniversary of the IPO.

In 2010, the Share price bonus scheme was extended till December 18, 2013.

The Company measures the provision arising from the phantom options at fair value at each reporting date, the changes in the fair value are recognized in the profit and loss account for the period.

The fair value of the Phantom options is determined by:

- Pricing model,
- Expected life assumption/ participant behaviour,
- Current share price,
- Expected volatility,
- Expected dividends,
- Risk-free interest rate.

NOTE 3 – Shares in Affiliated Undertakings

On December 5, 2005, the Company acquired 100 shares of CEE Enterprise a.s., a joint stock company incorporated in the Czech Republic, for an amount of CZK 2,248,190 (EUR 78,737.44).

On January 18, 2006, the Company decided to increase the share capital of CEE Enterprise a.s. by an amount of CZK 1,600,000 by the issuance of 1,600,000 new shares with a nominal value of CZK 1.00 each and also decided to subscribe for 1,510,000 shares for an amount of CZK 1,510,000 (EUR 51,855.29), the remaining 90,000 new shares being subscribed by six new shareholders.

On November 28, 2006, the Company acquired 90,000 shares of CEE Enterprise a.s. for an amount of EUR 253,220.03.

During 2007, PEGAS NONWOVENS s.r.o. a company incorporated in the Czech Republic, wholly owned subsidiary of CEE Enterprise a.s. decided to merge with and absorb CEE Enterprise a.s. with effect on January 1, 2007.

During the year 2010, the Company acquired 100% of the shares of PEGAS NONWOVENS International s.r.o. a company incorporated in the Czech Republic, for an amount of CZK 200,000.00 (EUR 8,386.62).

As of December 31, 2010, the Company held the following participations:

Name of the Company	Country	Percentage of ownership	Acquisition cost (EUR)	Shareholders' equity (ths. CZK)	Result for the year (ths. CZK)
PEGAS NONWOVENS s.r.o.	Czech Republic	100.00%	383,812.76	2,294,171	577,685
PEGAS NONWOVENS International s.r.o.	Czech Republic	100.00%	8,386.62	198	(2)
			392,199.38	**2,294,369**	**577,683**

The shareholders equity includes the result for the period. The shareholders equity and result for the period are based on unaudited consolidated accounts for the year ended December 31, 2010.

The general meeting of PEGAS NONWOVENS s.r.o., the Company's subsidiary, decided to distribute a dividend to the Company for an aggregate amount of EUR 8,767,930.00.

The participation in PEGAS NONWOVENS s.r.o. has been pledged to secure bank loans.

NOTE 4 – Amounts Owed by Affiliated Undertakings

On December 13, 2005, the Company granted a first loan to its subsidiary for an amount of EUR 39,768,950. This loan bore interest at a rate of 10.00% per annum and was repayable on December 14, 2035 at the latest. On November 29, 2006, the loan including accrued interest was replaced by a new loan granted by the Company to its subsidiary for an amount of EUR 43,525,943.70. The new loan granted bears no interest and is repayable on December 1, 2056.

During the year ended December 31, 2010, the Company has received partial reimbursements for an aggregate amount of EUR 1,650,000.00.

As of December 31, 2010, the outstanding principal amount of this loan amounted to EUR 31,350,000.00 (2009: EUR 33,000,000.00). This loan bears no interest and is repayable on November 29, 2056.

On January 30, 2007, the Company granted another loan to its subsidiary for an amount of EUR 1,250,000.00. This loan bears no interest and is repayable on January 30, 2057 or at the request of the subsidiary convertible into shares or funds of the subsidiary as a contribution outside the registered capital.

On December 24, 2010, the Company granted a loan to its new subsidiary, PEGAS NONWOVENS International s.r.o. for an amount of EUR 200,000.00. This loan bears no interest and is repayable on December 15, 2015, or earlier upon request by the borrower.

NOTE 5 – Capital and Reserves

a) Subscribed capital and share premium

The Company was incorporated with a share capital amounting to EUR 125,000 represented by 12,500 shares with a par value of EUR 10.00 each, fully paid-in.

On November 28, 2006, the shareholders of the Company decided to split the existing 12,500 shares with a par value of EUR 10.00 each into 100,806 shares with a par value of EUR 1.24 each. Consequently, the share capital of the Company was reduced by an amount of EUR 0.56 which was allocated to the Company's share premium account.

Also on November 28, 2006, the shareholders of the Company decided to increase the share capital by an amount of EUR 9,075,056.56 together with a share premium amounting to EUR 118.20, by the issuance of 7,318,594 shares with a par value of EUR 1.24 each, by way of a contribution in kind.

Within the issue of shares in the public market, in December 2006 the Group issued 1,810,000 new ordinary shares. These newly issued shares were subscribed by investors at EUR 27 per share.

The difference between the subscribed value of newly issued shares (EUR 27) and the nominal value (EUR 1.24) was recorded in equity as share premium in the total amount of EUR 46,625,600.

As a result of the share premium distributions made on September 27, 2007, on September 25, 2008 on September 24, 2009 and on October 25, 2010 for an aggregate amount of respectively EUR 7,014,344.00, EUR 7,844,990.00, EUR 8,306,460.00 and EUR 8,767,930.00, the share premium account amounted to EUR 14,691,994.20 as of December 31, 2010 (2009: EUR 23,459,924.20).

As of December 31, 2010, the share capital of the Company amounted to EUR 11,444,456.00 represented by 9,229,400 shares with a par value of EUR 1.24 each, fully paid-in.

	Share premium EUR	Legal reserve EUR	Result brought forward EUR	Result for the year EUR
Balance at January 1, 2010	23,459,924.20	–	(7,531,518.57)	6,981,014.61
Appropriation of profit or loss				
– Share premium distribution in 2010	(8,767,930.00)	–	–	–
– Allocation of prior year result	–	349,050.73	6,631,963.88	(6,981,014.61)
– Profit for the year ended December 31, 2010	–	–	–	6,716,525.54
Balance at December 31, 2010	**14,691,994.20**	**349,050.73**	**(899,554.69)**	**6,716,525.54**

b) Legal reserve

Under Luxembourg law an amount equal to at least 5% of the net profit must be allocated annually to a legal reserve until such reserve equals 10% of the share capital. This reserve is not available for dividend distribution.

As of December 31, 2010, the legal reserve amounted to EUR 349,050.73

NOTE 6 – Provisions for Liabilities and Charges

The Annual General Meeting held on June 15, 2007 approved the grant of an aggregate amount of 230,735 phantom options to six senior executive managers and two non-executive directors, for no consideration. The grand date of the phantom options was May 24, 2007. Each phantom option, when exercised, will grant the manager the right to receive cash calculated as closing price of one company share on the Prague stock exchange (the PSE) (or other market if the PSE trading is discontinued) on the day preceding the day of exercise of the phantom option less CZK 749.20 representing the offer price at the time of the initial public offering of the shares of PEGAS NONWOVENS S.A.. 25% of the phantom options vest yearly, with the first options vesting on the 1st anniversary of the IPO, i.e. on 18 December 2007 and the last options vesting on the 4th anniversary of the IPO.

As a result of departure of two senior executive managers in 2008, the aggregate number of options granted decreased to 174,960 as of December 31, 2008.

The aggregate number of options granted decreased to 160,112 as of December 31, 2009 due to departure of one member of the board of directors in 2009.

The Annual General Meeting held on June 15, 2010 approved 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 the Company and/or its affiliates, against no consideration. Each phantom option, when exercised, will grant the director the right to receive in cash an amount equal to the difference between CZK 473.00 representing the PEGAS's share price on the PSE as of 15 December 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 Annual General Meeting held on June 15, 2007, vesting at the same date.

As of December 31, 2010, the aggregate number of options granted was 356,839 (2009: 160,112).

As of December 31, 2010, the fair value of the phantom option was EUR 529,853.68 (2009: EUR 273,428.68). The increase of the fair value in 2010 of EUR 256,425.00 is attributable mainly to the share increase of the Company share price and the increase of the number of phantom shares approved by the shareholders.

No phantom shares were exercised in 2007, in 2008, in 2009 and in 2010.

Also included in the line item "Provisions" is an accrual for non-competition compensation relating to the departure of a director of the Company. As of December 31, 2010, the accrual for non-competition compensation amounted to EUR 50,163.37 (2009: EUR 26,579.02).

NOTE 7 – Taxes

The Company is subject to all the taxes applicable to commercial companies in Luxembourg.

NOTE 8 – Staff Cost

The staff costs are mainly made up of Directors' fees and cost.

NOTE 9 – Subsequent Events

The Board of the Company is not aware of any events that have occurred since the balance sheet date that would have any material impact on the consolidated financial statements as at 31 December 2010.

GLOSSARY

Bi-Component Fibre (Bi-Co) – Man-made textile fibre consisting of two or more basic components (polymers). Typical cross sections of fibres are, for example, side by side, core and sheath (produced by PEGAS) islands in the sea, etc.

Bučovice – A town in Moravia in the Vyškov District with approximately 6,500 inhabitants. PEGAS operates three of its production lines here.

Budgeted EBITDA – A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses set in the Company's business plan and used, and benchmark number for performance evaluation in the management bonus scheme.

CEE – Central and Eastern Europe

Clearstream Bank – Clearstream is a leading European supplier of post-trading services, a subsidiary of Deutsche Börse. Clearstream International was formed in January 2000 through the merger of Cedel International and Deutsche Börse Clearing.

EBIT – Earnings Before Interest and Taxes – A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses, and depreciation and amortization.

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization – A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. Calculated as Net profit before income tax, interest expense, interest income, foreign exchange changes, other financial income/expense and depreciation and amortization.

EBIT Margin – Percentage margin calculated as EBIT / Revenues.

EBITDA Margin – Percentage margin calculated as EBITDA / Revenues.

EDANA – European Disposables and Nonwovens Association is the European Trade Association for the nonwovens and hygiene products converters industries, with around 200 member companies in 28 countries.

IFRS – International Financial Reporting Standards.

IPO – Initial Public Offering.

IRS – Interest Rate Swap. Financial instrument hedging interest rate risk.

John R. Starr – is a management consulting firm which has specialized in the hygiene absorbent products, nonwoven products and key raw materials fields.

Meltblown Process – Technological process of producing nonwovens. Polymer is extruded into air gap nozzles and then blown in the form of very thin fibres (0.1 -10 microns) on to a belt.

Meltblown Fabric – Textile produced using the meltblown process.

Net Profit Margin – Net earnings after income tax and before distribution to shareholders divided by total revenues.

Nonwoven Textile – A manufactured sheet, web or bat of directionally or randomly oriented fibres, bonded by friction, and/or cohesion and/or adhesion, excluding papers and products which are woven, knitted, tufted or stitchbonded incorporating binding yarns or filaments, or felted by wet milling, whether or not additionally needled.

Polymer – Substance composed of molecules with large molecular mass composed of repeating structural units, or monomers, connected by covalent chemical bonds, i.e. a plastic.

Polypropylene / Polyethylene – Thermoplastic polymers consisting of long chains of monomers (propylene, ethylene), naturally hydrophobic, resistant to many chemical solvents, bases and acids. Produced mainly from crude oil by the chemical industry and used in a wide variety of applications.

Přímětice – Formerly an independent village, currently a suburb of Znojmo. PEGAS operates its main production facilities here.

PSE – Prague Stock Exchange, a regulated market for securities trading in the Czech Republic

PX – Official index of blue chip stock of the Prague Stock Exchange.

Reicofil – Leading nonwoven machinery producer.

Regranulation – Method for recycling scrap textile into granulate which can then be fully reused in the manufacturing process.

Spunmelt Process – Technological process of producing nonwovens. Hot molten polymer is forced through spinnerets to produce continuous filaments drawn by air to reach the required fibre diameter.

Spunbond Textile – Textile produced by spunbond/spunmelt process.

WSE – Warsaw Stock Exchange, a regulated market for securities trading in Poland.

OTHER INFORMATION

10.1 Basic Information on the Company

Name:	PEGAS NONWOVENS SA
Address:	68–70, boulevard de la Pétrusse L-2320 Luxembourg Luxembourg Tel: (+352) 26 49 65 27 Fax: (+352) 26 49 65 64
Registry and registration number:	Registered with the Luxembourg trade and companies register under number B 112.044
Incorporated:	November 18, 2005 under the name Pamplona PE Holdco 2 SA
Jurisdiction:	Luxembourg

The holding company of PEGAS, PEGAS NONWOVENS SA, was incorporated in Luxembourg as a public limited liability company (société anonyme) for an unlimited duration on November 18, 2005 under the name Pamplona PE Holdco 2 SA and is registered with the Luxembourg trade and companies register under number B 112.044. The articles of incorporation of the Company have been published in the Mémorial, Recueil des Sociétés et Associations number C 440 of March 1, 2006. The Company's registered office is at 68–70, boulevard de la Pétrusse, L-2320 Luxembourg, Luxembourg. The registered office and principal place of business of the main operating and trading company, PEGAS NONWOVENS s.r.o., is at Přímětická 86, 669-04 Znojmo, Czech Republic.

Scope of business (according to Article 3 of the Articles of Association):
The object of the Company is:

a) to take participation and interests, in any form whatsoever, in any commercial, industrial, financial or other, Luxembourg or foreign entities;
b) to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licences, and other property, rights and interest in property as the Company shall deem fit, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit, and in particular for shares or securities of any Company purchasing the same;
c) to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding Company, subsidiary, or fellow subsidiary, or any other Company associated in any way with the Company, or the said holding Company, subsidiary of follow subsidiary, in which the Company has a direct or indirect financial interest, any assistance as, e.g., pledges, loans, advances or guarantees;
d) to borrow and raise money in any manner and to secure the repayment of any money borrowed;
e) to borrow funds and issue bonds and other securities; and
f) to perform any operation which is directly or indirectly related to this purpose.

Principal Subsidiaries

Subsidiaries in which PEGAS NONWOVENS SA has a direct or an indirect interest amounting to at least 10% of the consolidated equity or 10% of the consolidated net profit:

Name	Registered Office	Identification number	Activity
PEGAS NONWOVENS s.r.o.	Znojmo, Přímětická 3623/86, PSČ 66904	25478478	Production of textiles
PEGAS - DS a.s.	Znojmo, Přímětická 3623/86, PSČ 66904	25554247	Production of textiles
PEGAS-NT a.s	Znojmo, Přímětická 3623/86, PSČ 66904	26287153	Production of textiles
PEGAS - NW a.s.	Znojmo, Přímětická 3623/86, PSČ 66904	26961377	Production of textiles
PEGAS - NS a.s.	Znojmo, Přímětická 3623/86, PSČ 66904	27757951	Production of textiles
PEGAS NONWOVENS International s.r.o.	Znojmo, Přímětická 3623/86, PSČ 66904	29249708	Special purpose company for potential investments

Expenses of PEGAS group related to external auditors services in year 2010

EUR thousands	Audit	Other	Total
PEGAS NONWOVENS SA	21.9	20.0	**41.9**
Other companies within PEGAS Group	103.9	13.6	**117.5**
TOTAL	**125.8**	**33.6**	**159.4**

Other corporate information

The issued capital of the Company amounts to EUR 11,444,456, being divided into 9,229,400 shares with a par value of EUR 1.24 each; and the authorised capital of the Company amounts to EUR 999,999.24 being divided into 806,451 shares with a par value of EUR 1.24 each.

The rules of appointment and dismissal of the members of the Board of Directors are described in Article 8 of the Articles of Association of the Company.

The power of the Board of Directors to issue shares is governed by the fourth, fifth and sixth paragraphs of Article 5 of the Articles of Association of the Company.

The Company is not a party to any significant agreement which takes effect, alters or terminates upon a change of control of the Company following a takeover bid.

The subsidiaries of the Company (operating companies excluding PEGAS NONWOVENS International s.r.o.) are parties to credit agreement which may be terminated upon a change of control of the Company, e.g. following a takeover bid. A change of control occurs if any person or group of persons acting in concert gains ownership of more than 50 per cent of the issued voting share capital of the Company or PEGAS NONWOVENS s.r.o. or acquires the right to direct the management and the policies of the Company or PEGAS NONWOVENS s.r.o. by the appointment of directors to the managing board.

All shares issued by PEGAS have one vote and carry equal voting dividend rights, there are no shares with special control rights or limitations on their transfer.

There are no agreements between shareholders known to the Company which may result in restrictions on the transfer of securities and/on voting rights.

The Company and the operating companies have not created and do not currently intend to create a share option plan for the benefit of their employees other than those described in chapter 6.3 Remuneration of Directors and Management (see page 36).

The Company is party to service agreements with its executive directors, which provide for compensation if the executive director is made redundant for other reasons than for breach of his obligations. Each executive director is entitled to receive from the Company his monthly remuneration (but not bonus) which he would be entitled to receive from all companies of the PEGAS Group under all service agreements in the year preceding the year when all such service agreements were terminated, until the earlier of (i) the expiry of the period of three years following the date of such termination and (ii) the date of the executive director entering into any form of employment, directorship, or other form of service relationship with a third party.

The Company is not a party to any other agreements with its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

10.2 Statements of Responsible Persons

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

hereby declare that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true view of assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole and that the management report includes a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Marek Modecki
Chairman of the Board of PEGAS NONWOVENS SA

František Řezáč
Member of the Board of PEGAS NONWOVENS SA

Contacts

PEGAS NONWOVENS SA

Address:
68–70, boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg

Registry and registration number:
Registered with the Luxemburg trade and
Companies register under numer B 112.044

Incorporated:
November 18th, 2005 under the name Pamplona
PE Holdco 2 S.A.

PEGAS NONWOVENS s.r.o.
Znojmo, Přímětická 3623/86, PSČ 66904
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IČ: 26287153

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Znojmo, Přímětická 3623/86, PSČ 66904
IČ: 26961377

PEGAS - NS a.s.
Znojmo, Přímětická 3623/86, PSČ 66904
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Consulting of content, design and production: