PEGAS NONWOVENS SA

First quarter of 2015 Unaudited Consolidated Financial Results

28 May 2015

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first quarter of 2015 to 31 March 2015 prepared according to International Financial Reporting Standards (IFRS).

"The financial results for the first quarter of this year have met our expectations. We were successful particularly in the area of production, where our volumes reached practically the same level as in the preceding record-breaking quarter. We have also maintained very good sales levels. At the same time, we managed to achieve an optimal level of inventories of finished products which is giving us more flexibility in production planning. Likewise, the achieved results were supported by falling polymer prices that bottomed at a five year low in February. Currently, polymer prices are back at levels that were normal last year. For this reason, we expect that the positive contribution from the polymer price pass-through mechanism will be entirely eliminated in the second quarter.

We consider the achieved results to be a solid foundation for the upcoming months and believe that we will be successful in achieving all the goals that we have set ourselves for the rest of the year", said František Řezáč, CEO and Member of the Board of PEGAS NONWOVENS SA.

Overview of Financial Results

(mil. EUR)	First quarter January - March 2015	
		yoy
Revenues	60.6	2.9%
Operating costs without depreciation and amortization	(47.9)	2.9%
EBITDA	12.6	3.0%
Depreciation and Amortization	(4.0)	9.0%
Profit from operations (EBIT)	8.6	0.5%
FX changes and other financial income / (expense) (net)	8.5	n/a
Interest expense (net)	(1.8)	(16.7%)
Income tax – (expense)/income net	(1.0)	80.1%
Net profit	14.4	159.4%
Capital expenditure	0.8	(22.1%)
Number of employees (end of period)	566	(1.2%)
No. of employees during period (average)	564	(1.2%)
Net debt	149.2	2.1%
Production output (in tonnes)	26,202	5.3%
Average EUR/CZK exchange rate during period	27.624	0.7%
End of period EUR/CZK exchange rate	27.533	0.3%
Average EUR/USD exchange rate during period	1.1261	(17.8%)
End of period EUR/USD exchange rate	1.0759	(22.0%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first quarter of 2015, consolidated revenues (revenues from sales of the Company's products) reached EUR 60.6 million, up by 2.9% yoy. The year-on-year increase in revenues was primarily the result of the dollar's appreciation against the euro, which had a positive effect on sales in Egypt, where customers are invoiced predominantly in USD. Sales volumes in tonnage terms were at comparable levels to last year. The effect of the price pass-through mechanism on revenues in the comparable periods was slightly negative. In the first quarter of 2015, the levels of inventories of finished products increased.

Total consolidated operating costs without depreciation and amortization (net) went up by 2.9% yoy to EUR 47.9 million in the first quarter of 2015. The primary reason for the increase were higher wage expenses resulting from a revaluation of the share option plan.

In the first quarter of 2015, EBITDA amounted to EUR 12.6 million, up by 3.0% yoy. This result is in line with the guidance range announced at the beginning of the year, when the Company indicated an increase in EBITDA in the range from EUR 44.0 to 48.5 million. The EBITDA increase was achieved namely thanks to production output, which as a result of implemented optimisation measures was above the parameters planned for the first quarter of 2015. Strong sales levels and the positive effect of the polymer price pass-through mechanism were also contributing factors to this EBITDA growth. On the other hand, the results were negatively affected by the revaluation of the share option plan resulting from the growing price of the Company's shares, which had strengthened by almost 10% in the first three months of the year.

The EBITDA margin reached 20.8% in the first quarter of both 2015 and 2014.

Operating Costs

Total raw materials and consumables used in the first quarter of 2015 amounted to EUR 44.1 million, which is a level similar to the preceding year.

In the first quarter of 2015, Total staff costs reached an amount of EUR 3.4 million, i.e. up by 28.6% yoy, to which the revaluation of the share option plan contributed EUR 0.7 million in the first quarter of 2015, i.e. an increase of EUR 0.6 million with respect to the comparable period last year. Total staff costs expressed in local currencies and without the revaluation of the share option plan grew by approximately 4.5% yoy. The year-on-year increase in staff costs in local currencies resulted from an indexation of wages at the end of 2014.

In the first quarter of 2015, Other operating income/expenses (net) reached EUR 0.4 million, i.e. up by EUR 0.5 million compared with the same period in 2014.

Depreciation and Amortization

Consolidated depreciation and amortization reached the amount of EUR 4.0 million in the first quarter of 2015, up by 9.0% yoy. This increase was contributed to namely by the appreciation of the dollar against the euro, which had an effect on higher depreciation and amortization for the Egyptian production plant.

Profit from Operations

In the first quarter of this year, profit from operations (EBIT) amounted to EUR 8.6 million, up by 0.5% compared with the first quarter of 2014.

Financial Income and Costs

In the first quarter of 2015, FX changes and other financial income/(expense) (net) amounted to an income of EUR 8.5 million compared with an expense of EUR 0.3 million achieved in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year-on-year change was caused particularly by the development of the EUR/USD exchange rate, where the dollar continued to appreciate in the first quarter of this year by more than 10% and by the slight appreciation of CZK against EUR. The appreciation of the dollar lead to unrealized exchange rate differences related to the revaluation of balance sheet items denominated in EUR, and in particular with respect to the intra-company loans to the subsidiary in Egypt.

Interest expenses (net) related to debt servicing reached EUR 1.8 million in the first quarter of 2015, which is down by 16.7% relative to the same period last year. The year-on-year reduction of interest expenses was primarily the result of the lower interest rate payable on the bank debt due to improved indicators of indebtedness.

Income Tax

In the first quarter of 2015, income tax expense amounted to EUR 1.0 million, up by 80.1% compared with 2014. The increase in income tax was caused namely by the expiry of the investment incentive period in the form of corporate income tax reductions for PEGAS-NT a.s.

Net profit

In the first quarter of 2015, net profit amounted to EUR 14.4 million representing a yoy increase of 159.4%, primarily a consequence of unrealized foreign exchange gains.

CAPEX and Investments

In the first quarter of 2015, total capital expenditure amounted to EUR 0.8 million, down by 22.1% compared with last year and consisted exclusively of maintenance capital expenditures.

Cash and Indebtedness

The amount of net debt as at 31 March 2015 was EUR 149.2 million, up by 5.1% compared with the level as at 31 December 2014. Net debt to EBITDA ratio equated to 3.14. The slight increase in net debt was related to the decline in trade payables, where the Company started to fully utilise the financial discounts for early payment of polymer purchases.

Business Overview for the first quarter of 2015

In the first quarter of 2015, the total production output (net of scrap) reached 26,202 tonnes, up by 5.3% compared with the same period in 2014.

In the first quarter of 2015, the share of revenues from sales of nonwoven textiles for the hygiene industry constituted an 87.4% share of total revenues, compared with an 87.6% share in the comparable period last year. The high share of products in this category confirms the important position the Company has in this market.

In the first quarter of 2015, revenues from sales of non-hygiene products (for construction, agricultural and medical applications) amounted to EUR 7.6 million, which represented a 12.6% share of total revenues.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area and its entry on to the markets of the Middle East. In the first quarter of 2015, revenues from sales to Western Europe amounted to EUR 22.1 million and represented a 36.5% share of total revenues. In the same quarter of 2014, they amounted to EUR 19.2 million, corresponding to 32.7% of total revenues.

In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 22.4 million and represented a 37.0% share of total revenues. In the first quarter of last year, these sales revenues reached EUR 28.5 million, representing a 48.4% share.

Revenues from sales to other territories amounted to EUR 16.1 million and represented a 26.5% share of total revenues, compared with revenues of EUR 11.1 million and an 18.9% share in the previous year.

Guidance for 2015

In the first quarter of 2015, the Company achieved financial results that are in line with its expectations and with the announced guidance for the entire year 2015.

Based on the results achieved in the first quarter of 2015 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market, the Company confirms its previously announced guidance for 2015 and expects this year's EBITDA to be in the range from EUR 44.0 to 48.5 million.

The Company is planning for total CAPEX in 2015 not to exceed the EUR 10 million level.

Interim Unaudited Consolidated Financial Statements of PEGAS NONWOVENS SA for the three months ended 31 March 2015

Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2015 and 31 March 2014

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Three month period ending		
	31 March 2014 (unaudited)	31 March 2015 (unaudited)	% change
Revenues	58,829	60,561	2.9%
Raw materials and consumables used	(44,041)	(44,131)	0.2%
Staff costs	(2,664)	(3,426)	28.6%
Other operating income/(expense) (net)	128	(379)	n/a
EBITDA	**12,252**	**12,625**	**3.0%**
EBITDA margin	***20.8%***	***20.8%***	***0.0 pp***
Depreciation and amortization expense	(3,668)	(3,998)	9.0%
Profit from operations	**8,584**	**8,627**	**0.5%**
FX gains and other financial income	657	10,898	1,558.7%
FX losses and other financial expenses	(999)	(2,355)	135.7%
Interest income	0	2	n/a
Interest expense	(2,129)	(1,775)	(16.6%)
Profit before tax	**6,113**	**15,397**	**151.9%**
Income tax – (expense)/income net	(577)	(1,039)	80.1%
Net profit after tax	**5,536**	**14,358**	**159.4%**
Other comprehensive income			
Other changes in equity	115	1,227	967.4%
Changes in translation reserves	121	(4,987)	n/a
Total comprehensive income for the period	**5,772**	**10,598**	**83.6%**
Net earnings per share			
Basic net earnings per share (EUR)	**0.60**	**1.56**	**159.4%**
Diluted net earnings per share (EUR)	**0.60**	**1.54**	**156.5%**

Condensed Consolidated Statement of Financial Position as at 31 March 2015, 31 December 2014, and 31 March 2014

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	31 March 2014 (unaudited)	31 December 2014 (audited)	31 March 2015 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	178,734	178,939	185,750
Long term intangible assets	560	495	464
Goodwill	84,553	83,684	84,276
Total non-current assets	**263,847**	**263,118**	**270,490**
Current assets			
Inventories	29,409	41,666	31,538
Trade and other receivables	45,356	42,451	54,236
Income tax receivable	1,122	0	0
Cash and cash equivalents	11,292	8,962	8,899
Total current assets	**87,179**	**93,079**	**94,672**
Total assets	**351,026**	**356,197**	**365,162**
Total equity and outside resources			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Legal reserves	8,733	9,187	9,187
Translation reserves	(2,185)	11,855	6,868
Other changes in equity	(2,796)	(1,986)	(759)
Retained earnings	116,139	127,141	141,499
Total share capital and reserves	**131,335**	**157,641**	**168,239**
Non-current liabilities			
Bank loans	135,157	35,402	42,785
Deferred tax liabilities	13,081	15,583	16,285
Other non-current liabilities	--	89,036	89,751
Total non-current liabilities	**148,238**	**140,021**	**148,821**
Current liabilities			
Trade and other payables	49,989	31,802	21,670
Tax liabilities	1,164	233	832
Bank current liabilities	20,300	26,500	25,600
Total current liabilities	**71,453**	**58,535**	**48,102**
Total outside resources	**219,691**	**198,556**	**196,923**
Total liabilities	**351,026**	**356,197**	**365,162**

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2015 and 31 March 2014

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Three month period ending	
	31 March 2014 (unaudited)	**31 March 2015 (unaudited)**
Profit before tax	**6,113**	**15,397**
Adjustment for:		
Depreciation and Amortization	3,668	3,998
Foreign exchange changes	1,394	(17,507)
Interest expense	2,129	1,775
Fair value changes of interest rate swaps	115	1,228
Other financial income/(expense)	106	129
Cash flows from operating activities		
Decrease/(increase) in inventories	2,886	11,794
Decrease/(increase) in receivables	(1,791)	(3,377)
Increase/(decrease) in payables	(7,525)	(17,219)
Income tax (paid) / received	(670)	(317)
Net cash flows from operating activities	**6,425**	**(4,099)**
Cash flows from investment activities		
Purchases of property, plant and equipment	(1,086)	(846)
Net cash flows from investment activities	**(1,086)**	**(846)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(5,020)	6,640
Interest paid	(1,984)	(1,630)
Other financial income/(expense)	(106)	(129)
Cash flows from financing activities (net)	**(7,110)**	**4,881**
Cash and cash equivalents at the beginning of the period	**13,063**	**8,962**
Net increase (decrease) in cash and cash equivalents	**(1,771)**	**(64)**
Cash and cash equivalents as at 31 March	**11,292**	**8,898**

Condensed Consolidated Statement of Changes in Equity as at 31 March 2015 and as at 31 March 2014

Unaudited financial statements prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 as adopted by the European Union (in thousands of EUR)

	Share capital	Legal reserves	Cash flow hedging	Translation reserves	Retained earnings	**Total equity attributable to equity holders of the Company**
as at 1 January 2014	**11,444**	**8,733**	**(2,911)**	**(2,306)**	**110,603**	**125,563**
Distribution	--	--	--	--	--	**--**
Other comprehensive income for the	--	--	115	121	--	**236**
Net profit for the period	--	--	--	--	5,536	**5,536**
Legal reserves created from retained earnings	--	--	--	--	--	**--**
as at 31 March 2014	**11,444**	**8,733**	**(2,796)**	**(2,185)**	**116,139**	**131,335**
as at 1 January 2015	**11,444**	**9,187**	**(1,986)**	**11,855**	**127,141**	**157,641**
Distribution	--	--	--	--	--	**--**
Other comprehensive income for the period	--	--	1,227	(4,987)	--	**-3,760**
Net profit for the period	--	--	--	--	14,358	**14,358**
Legal reserves created from retained earnings	--	--	--	--	--	**--**
as at 31 March 2015	**11,444**	**9,187**	**(759)**	**6,868**	**141,499**	**168,239**

Selected explanatory notes to the interim consolidated financial statements for the three month period ending 31 March 2015

Basis of preparation

These financial statements were prepared under International Financial Reporting Standards (IFRS) and International Accounting Standards IAS 34 for interim financial reporting as adopted by the European Union. Condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. This interim report was not audited by the Company´s external auditors.

a. *Summary of Significant Accounting Policies*

The same basis of preparation, accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2014.

b. *Disclosures on seasonal and economic influences*

The business of PEGAS NONWOVENS SA is not typically subject to seasonal and economic influences other than the general economic cycle, although the hygiene market is to a large extent non-cyclical.

c. *Unusual items given their size, nature or frequency*

In the first quarter of 2015, consolidated revenues (revenues from sales of the Company's products) reached EUR 60.6 million, up by 2.9% yoy. The year-on-year increase in revenues was primarily the result of the dollar's appreciation against the euro, which had a positive effect on sales in Egypt, where customers are invoiced predominantly in USD. Sales volumes in tonnage terms were at comparable levels to last year. The effect of the price pass-through mechanism on revenues in the comparable periods was slightly negative. In the first quarter of 2015, the levels of inventories of finished products increased.

In the first quarter of 2015, EBITDA amounted to EUR 12.6 million, up by 3.0% yoy. This result is in line with the guidance range announced at the beginning of the year, when the Company indicated an increase in EBITDA in the range from EUR 44.0 to 48.5 million. The EBITDA increase was achieved namely thanks to production output, which as a result of implemented optimisation measures was above the parameters planned for the first quarter of 2015. Strong sales levels and the positive effect of the polymer price pass-through mechanism were also contributing factors to this EBITDA growth. On the other hand, the results were negatively affected by the revaluation of the share option plan resulting from the growing price of the Company's shares, which had strengthened by almost 10% in the first three months of the year.

In the first quarter of 2015, FX changes and other financial income/(expense) (net) amounted to an income of EUR 8.5 million compared with an expense of EUR 0.3 million achieved in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year-on-year change was caused particularly by the development of the EUR/USD exchange rate, where the dollar continued to appreciate in the first quarter of this year by more than 10% and by the slight appreciation of CZK against EUR. The appreciation of the dollar lead to unrealized exchange rate differences related to the revaluation of balance sheet items denominated in EUR, and in particular with respect to the intra-company loans to the subsidiary in Egypt.

Interest expenses (net) related to debt servicing reached EUR 1.8 million in the first quarter of 2015, which is down by 16.7% relative to the same period last year. The year-on-year reduction of interest expenses was primarily the result of the lower interest rate payable on the bank debt due to improved indicators of indebtedness.

In the first quarter of 2015, total capital expenditure amounted to EUR 0.8 million, down by 22.1% compared with last year and consisted exclusively of standard capital expenditures.

d. Estimates

The preparation of interim financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors. The objective of making estimates is to present a true and fair view of the financial position of the Company, namely for determining the values of assets and liabilities for which this value is not readily available from other sources. The actual results may differ from these estimates.

There were no material changes in the nature or size of the estimates since the issue of the previous financial reports.

e. Repurchases and repayments of debt and equity securities

The bank facilities used by the PEGAS Group consist of a revolving credit facility of up to EUR 165 million and of an overdraft facility of up to EUR 15 million. The facilities are non-amortizing, which removes from the Company its obligations to make mandatory repayments. During the first three months of 2015, the Company increased its bank debt from EUR 150,938 thousand to EUR 158,136 thousand (reduced from EUR 162,386 thousand to EUR 157,443 thousand in the first three months of 2014). The Company did not conclude any new bank facilities in the first quarter of 2015.

In the first three months of 2015, the Company did not make any repurchases or repayments of equity securities.

f. Dividend

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

g. Segment information

The IFRS 8 standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. In accordance with IFRS 8, the Group identified one operating segment, the production of nonwoven textiles.

h. Material events subsequent to the end of the interim period

The management of the Group is not aware of any other events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 31 March 2015.

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

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

j. Information about the fair value of financial instruments

During the period of the first three months of this year no changes occurred in the valuation methodology for financial instruments.

Interest rate swaps

As at 31 March 2015, the Company had two interest rate swaps open, these were concluded in 2011 at a total nominal value of EUR 98,000 thousand. The fair value of these swaps as at 31 March 2015 and 31 March 2014 is presented in the following table:

Counterparty	**as at 31 March 2014**	**as at 31 March 2015**
Česká spořitelna	(1,749)	(1,262)
ING	(1,762)	(1,264)
Total	**(3,511)**	**(2,526)**

Fair value of the swaps as at 31 March 2015 represents a payable of the Company. Currently these swaps hedge 143.3% of the Company's debts (62.7% as at 31 March 2014).

Sensitivity of the fair value of interest rate swaps
A parallel increase of the yield curve by 1% would decrease the fair value of the interest rate swaps by approximately EUR 993 thousand as at 31 March 2015 (by approximately EUR 1,935 thousand as at 31 March 2014).

An instantaneous and parallel decrease of the yield curve by 1% would lead to an increase of the fair value of the interest rate swaps by approximately EUR 207 thousand as at 31 March 2015 (by approximately EUR 1,133 thousand as at 31 March 2014).

Currency forward contracts
As at 31 March 2015, the Company held no open currency forward contracts.

Cross currency swap
As at 31 March 2015, the Company held an open cross currency swap concluded in 2014 with a total nominal value of CZK 2,489,575 thousand (receiving leg) against EUR 90,201 thousand (paying leg). The fair value of this swap as at 31 March 2015 and 31 March 2014 is presented in the following table:

Counterparty	**as at 31 March 2014**	**as at 31 March 2015**
Česká spořitelna	--	843
Total	**--**	**843**

Fair value of the swap as at 31 March 2015 represents a receivable of the Company. To date, this swap covers 99.6% of other long term payables of the Company, which constitute the emission of bonds issued by the Company in November 2014 at a nominal amount of CZK 2.5 billion.

Sensitivity of the fair value of interest rate swaps
The appreciation of CZK against EUR by 1% would increase the fair value of the cross currency swap by approximately EUR 909 thousand as at 31 March 2015.

The depreciation of CZK against EUR by 1% would decrease the fair value of the cross currency swap by approximately EUR 900 thousand as at 31 March 2015.

k. Earnings per share

Basic earnings per Share are calculated as the net profit for the period attributable to equity holders of the Company divided by the weighted average of the number of shares existing each day in the given period.

Diluted earnings per share are calculated based on a weighted average number of shares in circulation (determined similarly as in the case of basic earnings per share) adjusted by the effect of the expected issue of all potential diluting securities.

The basic and diluted earnings per share as at 31 March 2014 are equal due to the fact, that the Group did not have any agreement concluded to this date, which could cause a potential future issue of new securities. Resulting from changes to the share bonus scheme, the phantom options issued in years 2010-2013 were converted to 230,735 warrants and in 2014 a total of 230,735 new warrants were issued. All these warrants represent tools, which may lead to the potential issue of new shares in the future. The basic and diluted earnings per share as at 31 March 2015 are thus not equal. No changes to the number of shares occurred during the first three months of 2015 nor in the first three months of 2014.

Basic earnings per share

		Three months ended	
		31/03/2014	**31/03/2015**
Net profit attributable to equity holders	'000 EUR	5,536	14,358
Weighted average number of ordinary shares	amount	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.60**	**1.56**

Diluted earnings per share

		Three months ended	
		31/03/2014	**31/03/2015**
Net profit attributable to equity holders	'000 EUR	5,536	14,358
Weighted average number of ordinary shares	amount	9,229,400	9,331,910
Diluted earnings per share	**EUR**	**0.60**	**1.54**

l. Related party transactions

Except for the information above there were no other new transactions between the Group and the executive managers or the non-executive directors concluded in the first three months of 2015.

m. Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 27 May 2015.

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA