2015

Half Year Report

PEGAS NONWOVENS SA
27 AUGUST 2015

PEGAS NONWOVENS
every single detail

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01 Introduction

PEGAS NONWOVENS SA (hereafter “PEGAS” or “Company” or “Group”) is one of the leading producers of nonwoven textiles in the EMEA (Europe, Middle East and Africa) region 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.

In the twenty-five years since its foundation in 1990, the Company has grown to become the largest producer of spunmelt nonwovens in the EMEA region based on 2014 annual production capacity. Currently, PEGAS operates nine production lines in the Czech Republic and one production line in Egypt, which started commercial operation in 2013. The total annual production capacity of the Company is presently up to 90 thousand tonnes of nonwoven textiles in the Czech Republic and up to 20 thousand tonnes in Egypt. PEGAS consists of a parent holding company in Luxembourg and four operating companies, PEGAS NONWOVENS s.r.o., 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 the execution of potential investment opportunities and this was followed by the establishment of PEGAS NONWOVENS EGYPT LLC in June 2011, a company that executes investments in Egypt. As at 30 June 2015, PEGAS had 564 employees.

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.

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

02 First Half 2015 Key Figures

(mil. EUR)	January – June 2015	yoy	Second quarter April – June 2015	yoy
Revenues	111.7	0.2%	51.1	(2.8%)
Operating costs without depreciation and amortization	(90.1)	0.9%	(42.2)	(1.2%)
EBITDA	21.6	(2.6%)	8.9	(9.6%)
Depreciation and Amortization	(7.9)	7.7%	(3.9)	6.5%
Profit from operations (EBIT)	13.6	(7.8%)	5.0	(19.2%)
FX changes and other financial income / (expense) (net)	8.2	639.0%	(0.3)	n/a
Interest expense (net)	(3.5)	(15.9%)	(1.8)	(15.1%)
Income tax – (expense) / income net	(2.0)	71.2%	(0.9)	62.3%
Net profit	16.3	55.0%	2.0	(60.6%)
Capital expenditure	1.5	0.1%	0.7	53.2%
Number of employees (end of period)	564	(2.6%)	564	(2.6%)
Number of employees during period (average)	563	(0.8%)	561	(0.8%)
Net debt	142.2	(2.1%)	142.2	(2.1%)
Production output (in tonnes)	51,836	4.6%	25,634	3.8%
Average EUR/CZK exchange rate during period	27.502	0.2%	27.379	(0.2%)
End of period EUR/CZK exchange rate	27.253	(0.7%)	27.253	(0.7%)
Average EUR/USD exchange rate during period	1.116	(18.6%)	1.105	(19.4%)
End of period EUR/USD exchange rate	1.119	(18.1%)	1.119	(18.1%)

Statement of Mr. František Řezáč, CEO and member of the Board of Directors of PEGAS NONWOVENS SA

"I consider the results achieved in the second quarter of this year to be positive, despite a year-on-year decline in EBITDA. This decline was, to a significant degree, the result of two factors. The first was a reversal in polymer prices, which climbed to a yearly maximum in the second quarter and surpassed last year's levels. Thus, the positive contribution of the polymer price pass through mechanism from the first quarter was nearly eliminated. The second factor that had a negative effect on EBITDA was the revaluation of the share option plan resulting from the price of the Company's shares growing 18% in the second quarter. Nevertheless, I believe that the rise in the share price was to the benefit of our shareholders as well.

On the positive side, I would particularly like to point out production, which recorded an increase of almost 4% in the second quarter and so continued on with the year-on-year growth in the first quarter.

In July of this year, we also managed to successfully complete the refinancing process during which we issued three private long-term bond issues under advantageous conditions. The proceeds from these issues were used to pay back bank loans. The remaining part will be used to finance further development of our company, realisation of a share buyback program and a partial buyback of bonds maturing in November 2018.

I sincerely believe that our shareholders were pleased not only with the above mentioned rise in the share price but also with the approval of a dividend in the amount of EUR 1.15 per share to be paid out in October.".

2015 Outlook Confirmed

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

Based on the results achieved in the first half 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.

03 Interim Management Report for the First Half of 2015

3.1 Financial Results in the First Half of 2015

Revenues, Costs and EBITDA

In the first half of 2015, consolidated revenues (revenues from sales of products) reached EUR 111.7 million, up by 0.2% yoy. In the second quarter of this year, the total consolidated revenues were EUR 51.1 million, a 2.8% decrease compared with the same period last year. The change in polymer prices had a negative effect on the year-on-year comparison and was compensated for by greater sales volumes. The decline in revenues compared with the first quarter of 2015 was caused by the development of polymer prices, which are reflected in revenues with a delay. Revenues in the second quarter were, therefore, to a significant degree based on the polymer prices prevailing in the first quarter, when the prices were at minimum levels. The subsequent growth in polymer prices with respect to this delay will be reflected in the revenues in the third quarter.

Total consolidated operating costs without depreciation and amortization (net) went up by 0.9 % yoy to EUR 90.1 million in the first half of 2015. In the second quarter of 2015, consolidated operating costs without depreciation and amortization (net) were EUR 42.2 million, representing a decrease of 1.2% yoy.

In the first half of 2015, EBITDA amounted to EUR 21.6 million, down by 2.6% yoy. The year-on-year decline of EBITDA was to a significant degree caused by, in particular, the revaluation of the share option plan in the amount of EUR 2.5 million. In the first half of 2014, the effect of the revaluation of the share option plan on EBITDA was also negative but only in the amount of EUR 43 thousand. Excluding this effect, EBITDA actually grew by 8.7% to EUR 24.1 million. Another factor affecting the year-on-year development of EBITDA was the positive increase in production by almost 5% and the related increase in sales volumes. The polymer price pass-through mechanism had a negative effect on the year-on-year comparison.

In the first half of 2015, the EBITDA margin was 19.3%, which is 0.6 percentage points lower than in the same period in 2014. In the first half of 2015, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 21.6%, which is 1.7 percentage points higher than in the same period in 2014.

EBITDA amounted to EUR 8.9 million in the second quarter of 2015, down by 9.6% yoy. The most significant effect was the negative revaluation (loss) of the share option plan in the amount of EUR 1.8 million compared with a positive revaluation (gain) in the amount of EUR 46 thousand in the comparable period last year. EBITDA adjusted for this effect grew by 9.5% to EUR 10.8 million.

The EBITDA margin in the second quarter of 2015 amounted to 17.5%, which is 1.3 percentage points below the previous year. In the second quarter of 2015, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 21.1%, which is 2.4 percentage points higher than in the same period in 2014.

The results in the first half are in line with the guidance range announced at the beginning of the year, when the Company indicated a year-on-year increase in EBITDA to EUR 44.0 to 48.5 million.

Operating Costs

Total raw materials and consumables used in the first half of this year amounted to EUR 81.6 million, a 2.6% yoy decrease. In the second quarter of 2015, this item reached EUR 37.5 million, a decrease of 5.7% compared with the same period in the previous year. The primary factor affecting the year-on-year decline was the lower polymer purchase price compared to the previous year.

In the first half of 2015, total staff costs amounted to EUR 7.6 million, an increase of 51.7%. The revaluation of the share option plan had the greatest effect on the year-on-year comparison of staff costs. In the first half of 2015, total staff costs adjusted for this effect amounted to EUR 5.0 million, an increase of 1.7%. As a result of a slight reduction in the number of employees, total staff costs denominated in local currencies, i.e. in Czech crowns and Egyptian pounds without the revaluation of the share option plan decreased in the first half of 2015 by 1.0%. As a result of the revaluation of the share option plan, staff costs rose by 78.1% to EUR 4.1 million in the second quarter. In the second quarter of 2015, total staff costs adjusted for this effect amounted to EUR 2.3 million, a decrease of 2.6%.

Other operating expenses (net) reached EUR 0.9 million in the first half of this year compared to an expense of EUR 0.5 million in 2014. In the second quarter of 2015, Other operating expenses (net) amounted to EUR 0.5 million.

Depreciation and Amortization

Consolidated depreciation and amortization amounted to EUR 7.9 million in the first half of 2015, up by 7.7% yoy. In the second quarter of 2015, consolidated depreciation and amortization amounted to EUR 3.9 million, up by 6.5% yoy. This increase was contributed to namely by the appreciation of the USD against the EUR, which had an effect on higher depreciation and amortization for the Egyptian production plant translated into EUR.

Profit from Operations

In the first half of 2015, profit from operations (EBIT) amounted to EUR 13.6 million, down by 7.8% over the same period in 2014.

In the second quarter of 2015, profit from operations (EBIT) when compared on a year-on-year basis fell to EUR 5.0 million, down by 19.2% yoy.

Financial Income and Costs

In the first half of 2015, foreign exchange changes and other financial income/expense (net) amounted to a gain of EUR 8.2 million compared to a gain of EUR 1.1 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 of this item was caused primarily by the appreciation of the USD against the EUR in the first quarter of this year. 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 intracompany loans to the subsidiary in Egypt. In the second quarter of 2015, foreign exchange changes and other financial income/(expense) (net) represented a cost of EUR 0.3 million, compared with a gain of EUR 1.5 milion in the comparable period in the previous year.

Interest expenses (net) related to debt servicing amounted to EUR 3.5 million in the first half, a 15.9% decrease compared with the same period in 2014. In the second quarter of

2015, interest expenses (net) related to debt servicing amounted to EUR 1.8 million, a 15.1% decrease compared with 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. The bond issue in November of last year also had a positive effect on the year-on-year comparison.

Income Tax

In the first half of 2015 income tax amounted to EUR 2.0 million, up by 71.2% over the same period in 2014. The income tax payable was EUR 1.7 million (in 2014 it was EUR 1.2 million), while changes in deferred tax represented a loss of EUR 0.3 million. The increase in income tax payable was caused namely by the expiry of the investment incentive period in the form of corporate income tax relief for PEGAS-NT a.s..

In the second quarter of 2015, income tax amounted to EUR 0.9 million, compared with EUR 0.6 million in the same period last year. In the second quarter of 2014, current income tax payable amounted to EUR 0.8 million, while changes in deferred tax represented a cost of EUR 0.1 million.

Net Profit

In the first half of 2015, Net profit reached EUR 16.3 million, up by 55.0% yoy primarily due to the reported unrealized foreign exchange changes in the compared periods. The decrease in interest expenses also had a positive effect. On the other hand, net profit was negatively affected by the increase in income tax. In the second quarter of 2015, the Company recorded a net profit of EUR 2.0 million, down by 60.6% compared with the same period in 2014. The lower net profit was caused primarily by unrealized foreign exchange changes in the compared periods.

CAPEX and Investments

In the first half of 2015 and 2014, consolidated capital expenditures amounted to EUR 1.5 million. In the second quarter of 2015 total consolidated capital expenditures amounted to EUR 0.7 million, up by 53.2% over the same period last year. In 2015, capital expenditures represent maintenance CAPEX.

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

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 June 2015 was EUR 151.4 million, an 0.3% increase compared with 31 December 2014. Net Debt as at 30 June 2015 reached EUR 142.2 million, up by 0.1% compared with 31 December 2014. However, compared with the end of the first quarter of 2015, net debt fell by almost EUR 7.1 million. As at 30 June 2015, the Net Debt/EBITDA ratio was 3.05×.

3.2 Business Overview of the First Half 2015

In the first half of 2015, the total production output (net of scrap) reached 51,836 tonnes, up by 4.6% compared with the first half of 2014. In the second quarter of 2015, the Company produced 25,634 tonnes, up by 3.8% over the same period last year.

In the first half of 2015, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 85.5% share of total revenues, indicating a minor year-on-year decline. The high share of products in this category confirms the important position that the Company has in this market. In the second quarter of 2015, the share of revenues from sales of nonwoven textiles for the hygiene industry on total revenues was 83.3%, down by 3.4 percentage points compared with the same period last year.

The share of sales of non-hygiene products on total revenues was 14.5% in the first half of 2015 and 16.7% in the second quarter.

The reduction in the share of products for the hygiene segment was, to a greater extent, the result of the development of polymer prices, where the price transfer mechanism has a shorter delay period for non-hygiene products than for products for the hygiene industry. In an environment of growing polymer prices, it is the case that polymer prices are transferred faster into the final customer prices for non-hygiene products, meaning that their share on revenues is optically increased.

The geographical distribution of its markets[1], confirms the Company's steady focus on sales to the broader European area. In the first half of 2015, revenues from sales to Western Europe amounted to EUR 40.4 million, which represented a 36.2% share of total revenues, compared with a 32.8% share in the same period in 2014. In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 43.5 million and represented a 38.9% share of total revenues. Revenues from sales to other territories amounted to EUR 27.9 million, and represented a 25.0% share of total revenues.

3.3 Research and Development

The development of new applications, products and the optimisation of technologies are some of the key components of the current and future strategy of the Company. 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 a technological standpoint, the technical department has two primary objectives:

1) to improve the quality, performance and efficiency of production of standard products and
2) to develop products with added value through the use of current and new technologies including bi-component spinning technology.

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

Both of these objectives are being achieved in cooperation with the raw material suppliers, using standard and special new polymers, and/or with machinery suppliers, allowing the Company to produce value added products for its customers.

In the technology field, PEGAS is continuing in the commercialisation of ultra-lightweight materials produced on the latest production line. This latest line confirmed the anticipated parameters of the final production material and the overall efficiency of the machinery. Furthermore, the production line enables the company to bring a new technological and product design to the market and support PEGAS's position as a technology leader.

Apart from lightweight materials, PEGAS is actively working on developing nonwoven textiles with excellent touch and feel properties, bulkiness and softness. These materials are already gradually being introduced into commercial production, delivering a range of advantages to customers. Development in this area will, furthermore, be focused on the so-called 3D structure of nonwoven textile with potential visualisation.

An additional research area is also the utilisation of non-traditional polymers that are not based on regular crude oil derivatives. For this reason, Pegas is now verifying the suitability of, in particular, biopolymers and polymers based on renewable resources, for production on its modern spunmelt lines.

Another possible future direction may also be research into the possibility of commercialising modified MB technologies in the nano-fibre area and the production of nonwoven textiles based on them.

PEGAS cooperates with many different institutes, which positively support the Company's research, especially in the area of modelling the structure of the nonwoven textile with the objective of achieving bulkiness and pleasant touch and feel properties, and also effective protective barrier functions. 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 utilises several pilot lines, which are made available under special 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. They are projects, where all three parties work together covering the entire supply chain.

3.4 Strategy

The future strategic objective of the Company is to:

1) develop and take advantage of growth market opportunities to strengthen its market position,
2) maintain and extend its technological leadership in the European spunmelt nonwoven textile market for the production of disposable hygiene products in the EMEA region, and
3) deliver solid returns to its shareholders.

PEGAS intends to fulfil its strategy principally by focusing on the following areas:

Continue investing into technologically advanced production capacity: PEGAS will strive to install state-of-the-art production capacities ahead of its European competitors. The latest production line in Znojmo was launched in the second half of 2011, and the new production line in Egypt started production in 2013.

Maintain close relationships with customers and suppliers: PEGAS will continue to work together with its clients, machinery manufacturers and raw material suppliers on the development of new research and development projects with the objective of staying ahead of the market. 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 the largest producer of bi-component spunmelt nonwovens in the EMEA region with extensive experience in the design and production of ultra-lightweight materials. During the recent years, the Company successfully commercialised new materials with exceptional properties.

Maintain industry leading financial performance: The main objective of PEGAS is to grow with its main market, achieving sales in-line with this growth and to achieve high operating margins relative to its competitors. PEGAS is effective at generating significant levels of cash, which is subsequently used to support expansion, reduce outstanding debt and pay out dividends.

Monitoring investment opportunities: The Company will continue to monitor investment opportunities outside the Czech Republic, whether acquisitions or the construction of new capacities in other territories.

3.5 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 may significantly affect the Company's revenues and profitability.

A change in the demand of end users of hygiene products and a shift of their preferences towards cheaper products may 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 materially adverse effect on the Company's business. PEGAS is dependent on one manufacturer for the equipment and technical support for the production lines. PEGAS may not be able to reconfigure production lines in a timely manner 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 that of the machinery supplier of PEGAS.

The Company's competitors may have access to more and cheaper sources of capital allowing them to modernise and expand their operations more quickly thus 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 revenues 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 other parties into Company's business.

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 the results of operations and financial performance.

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 its 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 fluctuations in the value of the Czech koruna, US dollar and 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 in 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 WORKPLACE 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 100% free float and its ownership structure is very fragmented and divided amongst many shareholders. A potential entry of a majority investor into the Company could result in a sudden change in the long term strategy and impact the value of the shares.

RISK FACTORS RELATED TO THE INVESTMENT IN EGYPT

Investments in developing markets such as Egypt are usually accompanied by a higher level of risk than investments in more developed countries. These risks include (amongst others) changes in the political environment, transfer of profits, nationalisation or politically motivated damage. In the future, the Egyptian economy may be susceptible to negative impacts similar to those that occur in other developing countries.

Egypt is located in a region, which particularly in the past few years is subject to constant political and security upheaval. Like other countries in this region, Egypt has been the target of random terrorist attacks. It cannot be guaranteed that extremists or terrorist groups will not incite or continue performing random acts of violence in Egypt, or that the government will continue to be relatively capable of maintaining the current level of order and stability in the country.

Despite the fact that PEGAS has concluded an insurance contract with EGAP for the coverage of risks connected to the investment in Egypt, which includes insurance against risks such as transfer of profits, nationalisation or politically motivated damage, there still exists a risk that the insurance coverage will not sufficiently protect PEGAS against all possible losses related to the investment in Egypt.

04 Shares and Shareholder Structure

Shareholder Structure as at 30 June 2015

Institutional and retail investors (together free float)	100%
of which senior management of the Company	0.7%

Source: Company Data

The total stake held by the management of the Company as at 30 June 2015 was 0.7% and has not changed since the end of 2014.

On 22 June 2015, the Company received a shareholder notification that as at 15 June 2015, Wood Textiles Holding Limited with headquarters at TG Complex, Suite 2, Level 3, Brewery Street, Mrieħel BKR 3000, Malta, held 1,885,983 shares in PEGAS NONWOVENS SA, representing a 20.43% share of share capital and voting rights in the Company. Prior to 15 June 2015, Wood Textiles Holding Limited held 1,843,007 shares of the Company, representing 19.97% of the share capital and voting rights of the Company.

Apart from this notification, during the first six months of 2015, the Company did not receive any other notifications from shareholders about an acquisition or change of a major holding in the share capital and total voting rights attached to the shares issued by the Company.

Share Price and Trading Development in the First Half of 2015[2]

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

During the first half of 2015, PEGAS shares were traded for a total value of CZK 751 million on the Prague Stock Exchange and for a total value of PLN 2.8 million on the Warsaw Stock Exchange. The lowest trading price during the first 6 months of 2015 was CZK 641 and PLN 98.70 and the highest CZK 836 and PLN 124.05 on the Prague and Warsaw Stock Exchanges respectively.

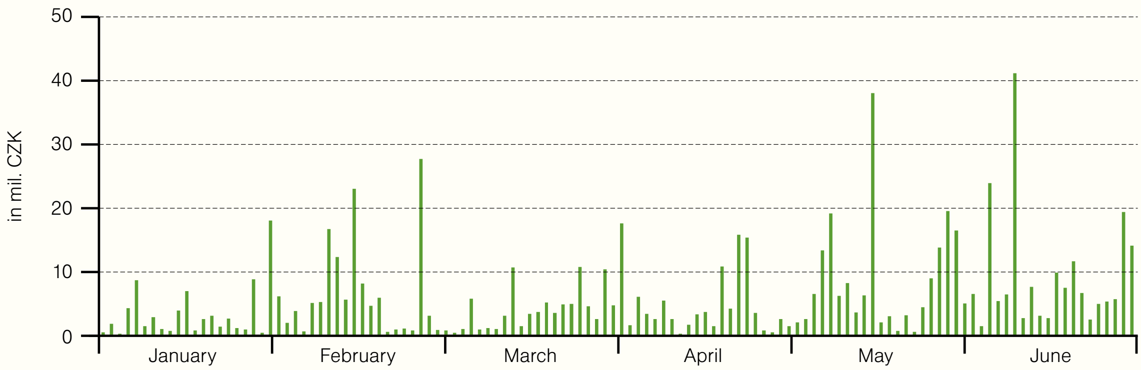
The closing price on 30 June 2015 was CZK 826 on the Prague Stock Exchange and PLN 120.30 on the Warsaw Stock Exchange and market capitalisation reached CZK 7.6 billion (based on the Prague Stock Exchange quote).

[2] Source: PSE and WSE websites

Share Price Development of PEGAS on the Prague Stock Exchange (from 1 January 2015 to 30 June 2015)

Share Price

Trading Volumes



Source: PSE

05 Dividend Policy and Declaration of Dividend

The Annual General Meeting of PEGAS NONWOVENS SA held on 15 June 2015 in Luxembourg, approved the proposed pay out of a dividend in the amount of EUR 10,613,810, i.e. EUR 1.15 per share. The source of the dividend payout will be 2014 profit and retained earnings of prior years. The record date (i.e. the day at the end of which shares entitled to a dividend are registered at accounts of the entitled persons held by the settlement systems of Centrální depozitář cenných papírů, a.s, Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna or by other respective settlement systems) was set to 16 October 2015 and the dividend payment date was set to 28 October 2015.

Subject to maintaining satisfactory financial performance and the absence of other attractive investment opportunities, PEGAS will endeavour to continue with a progressive dividend policy. No specific payout ratio in terms of net profit or an anticipated dividend yield for future years has been set.

06 Related Party Transactions

Remuneration of Executive and Non-executive Directors

PEGAS NONWOVENS SA signed service agreements with its executive and non-executive directors. Executive directors receive remuneration from the Company's subsidiaries for their services.

Executive directors, i.e. board members and executive heads in the Czech Republic, may use the Company's cars for private purposes. Executive directors do not receive any other benefits in addition to this.

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 realised through Phantom options.

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, granted the manager the right to receive cash calculated as the 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 vested yearly, with the first options vesting from 18 December 2007 and the last options vesting from 18 December 2010.

The Annual General Meeting held on 15 June 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 PEGAS's share price on the PSE as at 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 the phantom options (i.e. 57,684 options) are transferred to them each year, i.e. the first options could have been exercised from 18 December 2010 and the last options from 18 December 2013. The first options of this share option plan (with the possible vesting date from 18 December 2010) fully replaced the previous options within the scope of the share bonus scheme, which were approved at the Annual General Meeting in 2007 (with the same possible vesting date). Therefore, the right to the remaining 34,008 options (with the vesting date of 18 December 2010) granted in 2007 and approved by the Annual General Meeting held on 15 June 2007 was abandoned. The rights to a part of the phantom share options granted in 2007 ceased due to the departure of former Company directors.

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.

The Extraordinary General Meeting held on 21 July 2014, resolved to convert 230,735 phantom options granted in 2010-2013 by PEGAS to the directors and senior management of PEGAS and/or its affiliates into 230,735 warrants. Each warrant, when exercised, grants the holder the right to receive (i) one share in PEGAS for a strike price corresponding to CZK 473.-, representing PEGAS's share price on the Prague Stock Exchange (the "PSE") as of 15 December 2009 increased by 10%, or (ii) a payment in cash amounting to the final price of one share of PEGAS on the Prague Stock Exchange on the business day preceding the exercise date, less CZK 473.- representing PEGAS's share price on the PSE as of 15 December 2009 increased by 10%. All the warrants will vest immediately from their granting date and will have the same exercise period that was initially planned for the phantom options.

The Extraordinary General Meeting held on 21 July 2014, authorises and empowers the Board of Directors to evidence and execute the conversion of the 230,735 phantom options into 230,735 warrants by the signature of agreements or any other documents which might be required or necessary for that purpose.

The Extraordinary General Meeting held on 21 July 2014 resolved to issue 230,735 new warrants (representing 2.5% of the PEGAS's share capital) to the directors and senior management of PEGAS and/or its affiliates collectively, for a subscription price of CZK 5.89 per new warrant to be paid in cash by the directors, it being understood that the Board of Directors of PEGAS will decide how the new warrants will be divided among the directors and senior management of PEGAS and/or its affiliates. Each new warrant, when exercised, entitles the holder to either receive (i) one share in PEGAS for a strike price corresponding to CZK 588.16 (representing the average of PEGAS's share price on the Prague Stock Exchange from 1 October 2013 to 31 December 2013) less all the dividends which have been validly declared by PEGAS, per PEGAS's share, for the relevant financial year(s) (i.e. the financial year 2014 for the new warrants to be vested in 2014, the financial years 2014 and 2015 for the new warrants to be vested in 2015 and the financial years 2014, 2015 and 2016 for the new warrants to be vested in 2016), or (ii) a payment in cash amounting to the final price of one share of PEGAS on the Prague Stock Exchange on the business day preceding the exercise date, plus all the dividends which have been validly declared by PEGAS, per PEGAS's share, for the relevant financial year(s) (i.e. the financial year 2014 for the new warrants to be vested in 2014, the financial years 2014 and 2015 for the new warrants to be vested in 2015 and the financial years 2014, 2015 and 2016 for the new warrants to be vested in 2016), less the strike price of CZK 588.16 (representing the average of PEGAS's share price on the Prague Stock Exchange from 1 October 2013 to 31 December 2013).

The Extraordinary General Meeting held on 21 July 2014, authorises and empowers the Board of Directors to evidence and execute the issuance of new warrants by the signature of agreements or any other documents which might be required or necessary for that purpose, and to allocate the 230,735 new warrants between the directors and senior management of PEGAS and/or its affiliates in accordance with criteria determined by, and at the discretion of, the Board of the Directors.

As at 30 June 2015, the total number of issued phantom options and warrants was 587,574.

No phantom options or warrants were exercised in the first half of 2015. The fair value of the phantom options and warrants as at 30 June 2015 was EUR 4,066 thousand.

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. This bonus scheme is valid for the accounting year of 2008 and onwards.
- The 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.
- If achieved EBITDA is equal to Budgeted EBITDA, the paid bonus will be the 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.

Except for the information above there were no other transactions between the Group and the executive management or the non-executive directors.

07 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 Company has decided to observe the majority of the Warsaw Stock Exchange Corporate Governance Rules. Further information is available in the 2014 Annual Report.

Annual General Meeting of 15 June 2015

At PEGAS's AGM which was held in Luxembourg on 15 June 2015, all resolutions from 1 to 8 that were subject to shareholder approval were adopted.

The agenda of the Annual General Meeting was as follows:

1) Election of the Bureau for the Annual General Meeting.
2) Presentation and discussion of the report of the auditors regarding the statutory accounts and the consolidated accounts for the financial year ended 31 December 2014 and of the reports of the Board of Directors of PEGAS on the statutory accounts and the consolidated accounts for the financial year ended 31 December 2014.
3) Approval of the statutory accounts and the consolidated accounts for the financial year ended 31 December 2014.
4) Allocation of the net results of the financial year ended 31 December 2014 and the dividend payout in the amount of EUR 10,613,810, i.e. EUR 1.15 per share.
5) Discharge of the liability of the members of the Board of Directors and the auditors of PEGAS for, and in connection with, the financial year ended 31 December 2014.
6) Appointment of a Luxembourg independent auditor ("réviseur d'entreprises") to assess the statutory accounts and the consolidated accounts for the financial year ending 31 December 2015.
7) Approval of the remuneration policy for members of the Board of Directors without executive authority for the financial year 2015.
8) Approval of the remuneration policy for members of the Board of Directors with executive authority for the financial year 2015.
9) Miscellaneous.

Board of Directors Structure as at 30 June 2015

BOARD OF DIRECTORS PEGAS NONWOVENS SA

Name	Age	Position / Function	Address	Function Period in 1H 2015
František Řezáč	41	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2015 – 30. 6. 2015
František Klaška	58	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2015 – 30. 6. 2015
Marian Rašík	44	Executive Director	Přímětická 86, 669 04, Znojmo, Czech Republic	1. 1. 2015 – 30. 6. 2015
Marek Modecki	56	Non-Executive Director, Chairman of the Board	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2015 – 30. 6. 2015
Jan Sýkora	43	Non-Executive Director	68-70, boulevard de la Pétrusse, Luxembourg, L-2320, Grand Duchy of Luxembourg	1. 1. 2015 – 30. 6. 2015

There were no personnel changes to the Company's Board of Directors during the first half of 2015.

Group Entities

For the purpose of translating the registered capital of Czech subsidiaries, the exchange rates of CZK/EUR 27.25 and USD/EUR 1.119, effective as at 30 June 2015 were used.

Company Name	Acquisition/ Registration Date	Share in the Subsidiary	Share Capital	Registered Capital (in EUR ths)	Number and Nominal Value of Shares
PEGAS NONWOVENS s. r. o.[3]	5. 12. 2005	100%	CZK 3,633 thousand	133	100% share at the value of CZK 3,633 thousand
PEGAS-NT a. s.	14. 12. 2005	100%	CZK 550,000 thousand	20,183	54 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS – NW a. s.	14. 12. 2005	100%	CZK 650,000 thousand	23,853	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS – NS a. s.	3. 12. 2007	100%	CZK 650,000 thousand	23,853	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share.
PEGAS NONWOVENS International s.r.o.[4]	18. 10. 2010	100%	CZK 200 thousand	7	100% share at the value of CZK 200 thousand
PEGAS NONWOVENS EGYPT LLC[5]	6. 6. 2011	100%	USD 23,000 thousand	20,554	100% share at the value of USD 23,000 thousand

[3] PEGAS NONWOVENS s.r.o. was registered on 14 November 2003 under the initial name of ELK INVESTMENTS s.r.o.. During the course of 2006 the business name of the company was changed to PEGAS NONWOVENS s.r.o. 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. PEGAS a.s. 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. CEE Enterprise a.s. was deleted from the Commercial Register on 20 August 2007. Former subsidiary Pegas - DS a.s ceased to exist as a result of a merger with PEGAS NONWOVENS s.r.o as its successor company.

[4] PEGAS NONWOVENS International s.r.o. was established as a special purpose vehicle created for the purpose of executing potential future investments.

[5] PEGAS NONWOVENS EGYPT LLC was established as a special purpose vehicle for executing the construction and operation of the new production plant in Egypt.

08

Interim Consolidated Financial Statements of PEGAS NONWOVENS SA for the Six Months Ended 30 June 2015

8.1 Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2015 and 30 June 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)

	Six Month Period Ending		
	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	% Change
Revenues	111,415	111,674	0.2%
Raw materials and consumables used	(83,806)	(81,647)	(2.6%)
Staff costs	(4,992)	(7,572)	51.7%
Other operating income/(expense) (net)	(481)	(894)	85.9%
EBITDA	**22,136**	**21,561**	**(2.6%)**
EBITDA margin	***19.9%***	***19.3%***	***(0.6 pp)***
Depreciation and amortization expense	(7,365)	(7,936)	7.7%
Profit from operations	**14,771**	**13,626**	**(7.8%)**
FX gains and other financial income	3,465	11,313	226.5%
FX losses and other financial expenses	(2,356)	(3,117)	32.3%
Interest income	17	0	(100.0%)
Interest expense	(4,218)	(3,532)	(16.3%)
Profit before tax	**11,679**	**18,289**	**56.6%**
Income tax – (expense)/income net	(1,146)	(1,962)	71.2%
Net profit after tax	**10,533**	**16,327**	**55.0%**
Other comprehensive income			
Other changes in equity	99	722	629.3%
Changes in translation reserves	(843)	(4,600)	445,7%
Total comprehensive income for the period	**9,789**	**12,449**	**27,2%**
Net earnings per share			
Basic net earnings per share (EUR)	1.14	1.77	55.0%
Diluted net earnings per share (EUR)	1.14	1.75	53.0%

8.2 Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended 30 June 2015 and 30 June 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		
	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	% Change
Revenues	52,586	51,113	(2.8%)
Raw materials and consumables used	(39,765)	(37,516)	(5.7%)
Staff costs	(2,328)	(4,145)	78.1%
Other operating income/(expense) (net)	(609)	(516)	(15.3%)
EBITDA	**9,884**	**8,936**	**(9.6%)**
EBITDA margin	***18.8%***	***17.5%***	***(1.3 pp)***
Depreciation and amortization expense	(3,697)	(3,938)	6.5%
Profit from operations	**6,187**	**4,998**	**(19.2%)**
FX gains and other financial income	2,808	415	(85.2%)
FX losses and other financial expenses	(1,357)	(762)	(43.8%)
Interest income	17	(1)	(105.9%)
Interest expense	(2,089)	(1,758)	(15.9%)
Profit before tax	**5,566**	**2,892**	**(48.0%)**
Income tax – (expense)/income net	(569)	(923)	62.3%
Net profit after tax	**4,997**	**1,969**	**(60.6%)**
Other comprehensive income			
Other changes in equity	(16)	(506)	3059.4%
Changes in translation reserves	(964)	(387)	n/a
Total comprehensive income for the period	**4,017**	**1,850**	**53.9%**
Net earnings per share			
Basic net earnings per share (EUR)	0.54	0.21	(60.6%)
Diluted net earnings per share (EUR)	0.54	0.21	(61.2%)

8.3 Condensed Consolidated Statement of Financial Position as of 30 June 2015, 31 December 2014 and 30 June 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)

	30 June 2014 (Unaudited)	31 December 2014 (Audited)	30 June 2015 (Unaudited)
Assets			
Non-current assets			
Property, plant and equipment	176,867	178,939	180,547
Long term intangible assets	547	495	442
Goodwill	84,522	83,684	85,133
Total non-current assets	**261,936**	**263,118**	**266,122**
Current assets			
Inventories	32,692	41,666	38,450
Trade and other receivables	44,544	42,451	45,404
Tax assets	1,185	0	0
Cash and cash equivalents	9,663	8,962	9,227
Total current assets	**88,084**	**93,079**	**93,081**
Total assets	**350,020**	**356,197**	**359,203**
Total equity and outside resources			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Legal reserves	9,152	9,187	9,187
Translation reserves	(3,149)	11,855	7,255
Other changes in equity	(2,812)	(1,986)	(1,264)
Retained earnings	110,565	127,141	132,854
Total share capital and reserves	**125,200**	**157,641**	**159,476**
Non-current liabilities			
Bank loans	130,913	35,402	38,209
Deferred tax liabilities	13,059	15,583	16,462
Other non-current liabilities	0	89,036	90,683
Total non-current liabilities	**143,972**	**140,021**	**145,354**
Current liabilities			
Trade and other payables	58,733	31,792	30,597
Tax liabilities	115	233	1,281
Bank current liabilities	22,000	26,500	22,495
Reserves	0	10	0
Total current liabilities	**80,848**	**58,535**	**54,373**
Total outside resources	**224,820**	**198,556**	**199,727**
Total equity and outside resources	**350,020**	**356,197**	**359,203**

8.4 Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2015 and 30 June 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)

	Six Month Period Ending	
	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)
Profit before tax	**11,680**	**18,289**
Adjustment for:		
Depreciation and Amortization	7,365	7,936
Foreign exchange changes	(4,600)	(5,777)
Interest expense	4,218	3,532
Other changes in equity	99	722
Other financial income/(expense)	(131)	274
Cash flows from operating activities		
Decrease/(increase) in inventories	2,518	4,858
Decrease/(increase) in receivables	(3,714)	(1,277)
Increase/(decrease) in payables	(6,103)	(21,973)
Income tax (paid) / received	(1,710)	(319)
Net cash flows from operating activities	**9,622**	**6,265**
Cash flows from investment activities		
Purchases of property, plant and equipment	(1,539)	(1,540)
Net cash flows from investment activities	**(1,539)**	**(1,540)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(7,541)	(2,445)
Increase/(decrease) in long term payables	0	1,647
Other changes in equity	0	0
Distribution of dividends	0	0
Interest paid	(4,073)	(3,388)
Other financial income/(expense)	131	(274)
Cash flows from financing activities (net)	**(11,483)**	**(4,460)**
Cash and cash equivalents at the beginning of the period	13,063	8,962
Net increase (decrease) in cash and cash equivalents	(3,400)	265
Cash and cash equivalents at the end of the period	**9,663**	**9,227**

8.5 Condensed Consolidated Statement of Changes in Equity in the First Six Months as at 30 June 2015 and 30 June 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	Other Changes in Equity	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	–	–	–	–	(10,152)	**(10,152)**
Other comprehensive income for the period	–	–	99	(843)	–	**(744)**
Net profit for the period	–	–	–	–	10,533	**10,533**
Reserves created from retained earnings	–	419	–	–	(419)	–
As at 30 June 2014	**11,444**	**9,152**	**(2,812)**	**(3,149)**	**110,565**	**125,200**
as at 1 January 2015	**11,444**	**9,187**	**(1,986)**	**11,855**	**127,141**	**157,641**
Distribution	–	–	–	–	(10,614)	**(10,614)**
Other comprehensive income for the period	–	–	722	(4,600)	–	**(3,878)**
Net profit for the period	–	–	–	–	16,327	**16,327**
Reserves created from retained earnings	–	–	–	–	–	–
As at 30 June 2015	**11,444**	**9,187**	**(1,264)**	**7,255**	**132,854**	**159,476**

8.6 Selected Explanatory Notes to the Interim Consolidated Financial Statements for the Six Month Period Ending 30 June 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 half of 2015, consolidated revenues (revenues from sales of products) reached EUR 111.7 million, up by 0.2% yoy. In the second quarter of this year, the total consolidated revenues were EUR 51.1 million, a 2.8% decrease compared with the same period last year. The change in polymer prices had a negative effect on the year-on-year comparison and was compensated for by greater sales volumes. The decline in revenues compared with the first quarter of 2015 was caused by the development of polymer prices, which are reflected in revenues with a delay. Revenues in the second quarter were, therefore, to a significant degree based on the polymer prices prevailing in the first quarter, when the prices were at minimum levels. The subsequent growth in polymer prices with respect to this delay, will be reflected in the revenues in the third quarter.

In the first half of 2015, EBITDA amounted to EUR 21.6 million, down by 2.6% yoy. The year-on-year decline of EBITDA was to a significant degree caused by, in particular, the revaluation of the share option plan in the amount of EUR 2.5 million. In the first half of 2014, the effect of the revaluation of the share option plan on EBITDA was also negative but only in the amount of EUR 43 thousand. Excluding this effect, EBITDA actually grew by 8.7% to EUR 24.1 million. Another factor affecting the year-on-year development of EBITDA was the positive increase in production by almost 5% and the related increase in sales volumes. The polymer price pass-through mechanism had a negative effect on the year-on-year comparison.

In the first half of 2015, Net profit reached EUR 16.3 million, up by 55.0% yoy primarily due to the reported unrealized foreign exchange changes in the compared periods. The decrease in interest expenses also had a positive effect. On the other hand, net profit was negatively affected by the increase in income tax. In the second quarter of 2015, the Company recorded a net profit of EUR 2.0 million, down by 60.6% compared with the same period in 2014. The lower net profit was caused primarily by unrealized foreign exchange changes in the compared periods.

In the first half of 2015 and 2014, consolidated capital expenditures amounted to EUR 1.5 million. In the second quarter of 2015 total consolidated capital expenditure amounted to EUR 0.7 million, up by 53.2% over the same period last year. In 2015, capital expenditures represent maintenance CAPEX.

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

As at 30 June 2015, the bank facilities used by the Company 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 six months of 2015, the Company decreased its bank debt from EUR 61,902 thousand to EUR 60,704 thousand (reduced from EUR 160,400 thousand to EUR 152,913 thousand in the first six months of 2014).

The Company did not conclude any new bank facilities in the first half of 2015, resp. other issue of debt instruments.

Furthermore, the Company is an issuer of unsecured bonds in the total nominal issue value of CZK 2,500,000,000 (two billion five hundred million Czech crowns) maturing on 14 November 2018 with a fixed interest rate of 2.85% p.a.

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

f) Dividend

The Annual General Meeting of the Company held on 15 June 2015 in Luxembourg, approved the payout of a dividend in the amount of EUR 10,613,810, i.e. EUR 1.15 per share.

The source of the dividend payout will be 2014 profit and retained earnings of prior years. The record date (i.e. the day at the end of which shares entitled to a dividend are registered at accounts of the entitled persons held by the settlement systems of Centrální depozitář cenných papírů, a.s, Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna or by other respective settlement systems) was set to 16 October 2015 and the dividend payment date was set to 28 October 2015.

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

PRIVATE BOND ISSUE

On 14 June 2015, the Company issued three private issues of unsecured senior bonds in the total nominal value of approximately EUR 100 million.

The first issue in the amount of CZK 678,000,000 (six hundred and seventy-eight million Czech crowns) with an offer price of 100% matures on 14 July 2025 and bears a variable interest rate of 6M PRIBOR + 2.00% p.a.

The second issue in the amount of EUR 35,000,000 (thirty-five million euro) with an offer price of 100% matures on 14 July 2025 and bears a fixed interest rate of 3.39% p.a.

The manager of the first and second issue was Československá obchodní banka.

The third issue in the amount of CZK 1,080,000,000 (one billion and eighty million Czech crowns) with an offer price of 101.594% matures on 14 July 2022 and bears a fixed interest rate of 2.646% p.a. The manager of the issue was Česká spořitelna.

Both of the issues denominated in Czech crowns were hedged against foreign exchange risks using cross-currency swaps. The Company is thus effectively a fixed rate payer in EUR. The proceeds from the issues were used for the repayment of bank loans, they will also be used to finance further development of the Company, the realisation of the share buy back program and a partial buyback of bonds maturing in November 2018.

EXERCISE OF OPTIONS WITHIN THE SCOPE OF THE SHARE OPTION PLAN BY MANAGEMENT

On 29 July 2015, the Company received an announcement from persons discharging managerial responsibilities within the issuer about the exercise of 67,416 phantom options granted on the basis of a contract dated 24 May 2007 with a strike price of 749,20 and 215,271 phantom options granted on the basis of a contract dated 16 December 2010 with a strike price of CZK 473.

By exercising these options on 24 July 2015, the announcers became entitled to a cash payment in the amount corresponding to the closing price of one share of the Company at the Prague Stock Exchange on 23 July 2015 less the strike price of the option.

LAUNCH OF THE SHARE BUY-BACK PROGRAM

Based on the authorisation by the General Meeting of the Company held on 15 June 2011, the Board resolved to implement the acquisition of own shares by the Company on 31 July 2015. The purpose is to reduce the capital of the Company and/or to meet obligations arising from director and employee share option programmes or other allocations of shares to directors and employees of the Company or of an associate company. Maximum number of shares to be acquired amounts up to 5% of the basic capital of the Company, i.e. 461,470 shares. The shares can be acquired up until 14 June 2016 for a maximum consideration of CZK 1,000.

The Company has concluded a contract with Patria Finance, a.s. for the purpose of preparation, execution and settlement of the acquisitions of its own shares. Pursuant to this contract, execution will take place independently of the Company and without its influence on regulated markets in accordance with the respective legal regulations and rules of these markets.

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 30 June 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 Intruments

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

INTEREST RATE SWAPS

As at 30 June 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 30 June 2015 and 31 December 2014 is presented in the following table:

Counterparty	as at 31 December 2014	as at 30 June 2015
Česká spořitelna	(1,457)	(1,024)
ING	(1,459)	(1,024)
Total	**(2,916)**	**(2,048)**

Fair value of the swaps as at 30 June 2015 represents a payable of the Company. Currently these swaps hedge 161.4% of the Company's debts (158.3% as at 31 December 2014).

The fair value of the swaps is given by the euro yield curve valid at the balance sheet date and calculated using the discounted cash flow method. The inputs used in the fair value calculation are categorised 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).

CROSS CURRENCY SWAP

On 14 November 2014, the Company entered into a cross-currency swap with Česká spořitelna and exchanged cash flows from the issue of bonds denominated in CZK to EUR.

The nominal value of the swaps reached EUR 90,201,992.75 (paying leg) and CZK 2,489,575,000.00 (receiving leg). On the basis of this agreement, the Company shall be a payer of a EUR fixed rate in the amount of 3.10% p.a. and a receiver of a CZK fixed rate in the amount of 2.85% p.a. The swap is payable on 14 November 2018.

The fair value of the swap as at 30 June 2015 and 31 December 2014 is presented in the following table:

Counterparty	as at 31 December 2014	as at 30 June 2015
Česká spořitelna	(695)	(890)
Total	**(695)**	**(890)**

Fair value of the swap represents a payable of the Company. The fair value of the swap is given by the EUR and CZK yield curve valid at the balance sheet date and calculated using the discounted cash flow method. The inputs used in the fair value calculation are categorised in accordance with IFRS 7 into level 2 of fair value hierarchy.

CURRENCY FORWARD CONTRACTS

As at 30 June 2015, the Company held no open currency forward contracts.

k) Earnings per Share

Earnings per Share (EPS) 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, i.e. warrants in the case of the Group. The adjustment for the potential effect, in the event that all warrants were to be exercised, is calculated under the assumption that the proceeds from the warrants are equivalent to the average market price of ordinary registered shares during the course of the given period, i.e. from the issue date of the warrants in 2014.

The basic and diluted earnings per share as at 30 June 2014 are equal due to the fact, that the Group did not have any agreement concluded at the balance sheet 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,

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

2014

	Number of Outstanding Shares	Weighted Average
January–June	9,229,400	9,229,400

2015

	Number of Outstanding Shares	Weighted Average
January–June	9,229,400	9,229,400

BASIC EARNINGS PER SHARE

		Three Months Ended		Six Months Ended	
		30 June 2014	30 June 2015	30 June 2014	30 June 2015
Net profit attributable to equity holders	ths. EUR	4,997	1,969	10,533	16,327
Weighted average number of ordinary shares	Amount	9,229,400	9,229,400	9,229,400	9,229,400
Basic earnings per share	**EUR**	**0.54**	**0.21**	**1.14**	**1.77**

DILUTED EARNINGS PER SHARE

		Three Months Ended		Six Months Ended	
		30 June 2014	30 June 2015	30 June 2014	30 June 2015
Net profit attributable to equity holders	ths. EUR	4,997	1,969	10,533	16,327
Weighted average number of ordinary shares	Amount	9,229,400	9,371,673	9,229,400	9,352,637
Diluted earnings per share	**EUR**	**0.54**	**0.21**	**1.14**	**1.75**

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 six months of 2015.

m) Approval of the Interim Financial Statements

The interim financial statements were approved by the Company's Board of Directors on 26 August 2015.

. . . .

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

. . . .

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA

09 Statement of Responsible Persons

Marek Modecki, Chairman of the Board of Directors 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 interim 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.

26 August 2015

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA


REICOFIL
Haló, tady Pegas
kontrola
kvality.
Hi, this is Pegas Quality
Assurance speaking.
every single detail

10 Contacts

PR/IR Officer

PEGAS NONWOVENS
Tel.: +420 515 262 408
GSM: +420 727 964 218
iro@pegas.cz

11 Glossary

6th October City – is a satellite city near Cairo, Egypt. The city has a population of approximately half a million people and many companies have their regional headquarters located there.

BCPP (PSE) – Prague Stock Exchange a regulated market for securities in the Czech Republic.

Bi-Component Fibre (Bi-Co) – synthetic textile fibre consisting of two or more basic components (polymers). The 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 a population of approximately 6,500 people. PEGAS operates three production lines here.

Clearstream Bank – Clearstream is a leading European supplier of post-trading services. It is 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.

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.

EGAP – Export Guarantee and Insurance Corporation. (EGAP) established in June 1992 as a national insurer of loans with a focus on insuring export loans against territorial and commercially uninsurable commercial risks connected with the export of goods and services from the Czech Republic. EGAP became a part of the government's export assistance system and provides insurance services to all exporters of Czech goods, services and investments.

IFRS – International Financial Reporting Standards.

IPO – Initial Public Offering.

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

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

EBIT Margin – Percentage margin calculated as EBIT / Revenues.

EBITDA Margin – Percentage margin calculated as EBITDA / Revenues.

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

Meltblown Fabric – Textile produced using the meltblown process.

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.

Planned EBITDA – A financial indicator defined as revenues less cost of goods sold and selling, general, and administrative expenses used in the sales plan of the Company as a benchmark value for the evaluation of the performance in the management bonus scheme.

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). These polymers are naturally hydrophobic, resistant to many chemical solvents, bases and acids.

Přímětice – Formerly an independent municipality, currently a suburb of Znojmo. PEGAS operates six production lines here.

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

Reicofil – Leading nonwoven machinery manufacturer.

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

SAP – Company management information system.

Spunbond Textile – Textile produced by spunbond/spunmelt 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.

Meltblown Process – Technological process of producing nonwovens. Polymer is extruded into air gap nozzles and then blown in the form of very thin fibres (1-10 microns) on to a belt.

Warrants – securities that give the holder the right to purchase or sell a certain amount of securities at a certain price within a certain time frame.

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

12 Other Information

Basic Information on the Company

COMPANY NAME

PEGAS NONWOVENS SA

HEADQUARTERS

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

18 November 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 joint-stock 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, 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,

c) to enter into, assist or participate in financial, commercial and other transactions, and to grant assistance of the holding Company, subsidiary, or fellow entity or any other form thereof 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;

f) to perform any operation which is directly or indirectly related to this purpose.

PEGAS
NONWOVENS
every single detail