PEGAS NONWOVENS SA

THIRD QUARTER RESULTS

2016

24 November 2016

The third quarter and the first nine months of 2016 unaudited consolidated financial results

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the third quarter and the first nine months of 2016 prepared according to International Financial Reporting Standards (IFRS).

"The company's results in the third quarter were in line with our expectations and largely mirrored the preceding two quarters. EBITDA reached EUR 11.3 million and was not significantly affected by external factors since polymer prices remained stable. Production maintained a solid level of performance and kept up with sales. As a result, there was no significant change in the levels of inventories of finished products, which we continue to maintain at optimal levels.

With respect to the achieved results in the first nine months of this year, we can confirm our outlook for full year EBITDA.

Apart from the financial results, I would also like to point out the successful completion of building works on the new warehouse and production hall in Znojmo. In connection with this, investment is continuing into the new Compact production line, the installation of which was commenced recently. We expect the production line to be in full commercial operation from mid 2017.

I also sincerely believe that our shareholders were pleased this year with the dividend of EUR 1.25 per share, representing an annual return of approximately 4%", said František Řezáč, CEO and Member of the Board of PEGAS NONWOVENS SA.

Overview of Financial Results

	January – September 2016	yoy	Third quarter July - September 2016	yoy
Financials (EUR million)				
Revenues	**157.8**	**(7.0%)**	**51.1**	**(11.8%)**
Operating costs without depreciation and amortization	(123.7)	(11.6%)	(39.8)	(20.0%)
EBITDA	**34.1**	**14.6%**	**11.3**	**38.0%**
Depreciation and Amortization	(12.1)	0.8%	(3.9)	(1.9%)
Profit from operations (EBIT)	**22.0**	**24.0%**	**7.3**	**76.6%**
FX changes and other financial income / (expense) (net)	(1.8)	n/a	0.2	n/a
Interest expense (net)	(5.7)	(0.7%)	(1.6)	(29.7%)
Income tax – (expense)/income	(1.5)	(18.6%)	(0.5)	n/a
Net profit	**13.0**	**(22.6%)**	**5.5**	**980.4%**
Net debt	148.7	(3.4%)	148.7	(3.4%)
Capital expenditures (CAPEX)	18.1	319.0%	11.7	319.2%
Profitability indicator ratios				
EBITDA margin	21.6%	4.1 pp.	22.1%	8.0 pp.
Operating profit margin	14.0%	3.5 pp.	14.4%	7.2 pp.
Net profit margin	8.3%	(1.6 pp.)	10.7%	9.8 pp.
Operational indicators:				
Production output in tonnes	76,730	1.5%	25,035	5.5%
Number of employees - at end of period	571	1.4%	571	1.4%
Number of employees - average	568	0.5%	573	0.7%
Exchange Rates				
EUR/CZK - average	27.036	(1.2%)	27.022	(0.2%)
EUR/CZK - at end of period	27.021	(0.6%)	27.021	(0.6%)
EUR/USD - average	1.116	0.2%	1.121	0.9%
EUR/USD - at end of period	1.116	(0.4%)	1.116	(0.4%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2016, consolidated revenues (revenues from sales of the Company's products) reached EUR 157.8 million, down by 7.0% yoy. In the third quarter of 2016, the total consolidated revenues were EUR 51.1 million, an 11.8% decrease compared with the same period last year. The decline in the price of polymers had a negative effect on the year-on-year comparison of revenues. Since the beginning of the year, polymer prices have been more or less stable and are at long term lows.

Sales volumes in tonnage terms were at comparable levels to last year. In the third quarter of 2016, the levels of inventories of finished products declined insignificantly.

In the first nine months of 2016, total consolidated operating costs without depreciation and amortization (net) went down by 11.6% yoy to EUR 123.7 million. In the third quarter of 2016, consolidated operating costs without depreciation and amortization were EUR 39.8 million, representing a decrease of 20.0% yoy. The primary reason for the year-on-year decline was the lower polymer purchase price compared to the previous year.

In the first nine months of 2016, EBITDA amounted to EUR 34.1 million, up by 14.6% yoy. The year-on-year growth in EBITDA is to a certain extent related to the revaluation of the share option plan. In terms of other effects, compared to last year, the impact of the polymer price pass-through mechanism was also less negative; whereas prices grew in the first nine months of last year, they remained stable in the same period this year. In this respect, it must nevertheless be noted that the long term low polymer prices are having a negative effect on financial results due to the polymer price pass-through mechanism arrangement. A further contribution to the growth of EBITDA was the increase in production volumes by 1.5% over the comparable periods.

In the first nine months of 2016, the EBITDA margin was 21.6%, which is 4.1 percentage points higher than in the same period in 2015.

EBITDA amounted to EUR 11.3 million in the third quarter of 2016, up by 38.0% yoy. The effect of the polymer price pass-through mechanism was one of the factors. Likewise, the revaluation of the share option plan had a positive effect. Despite that, EBITDA adjusted for this effect still grew by 21.6% yoy to EUR 11.1 million. EBITDA was also positively affected by production increasing by 5.5%, which to a large degree was related to planned technical breaks on the production lines, which took place in the third quarter of last year.

Operating Costs

Total raw materials and consumables used in the first nine months of 2016 amounted to EUR 114.0 million, which is 10.3% less than in the previous year. In the third quarter of 2016, this item reached EUR 37.2 million, which represents a decrease of 18.3% yoy. The primary factor affecting the year-on-year decline was the lower polymer purchase price compared to the previous year.

In the first nine months of 2016, total staff costs reached EUR 8.6 million, i.e. down by 22.7% yoy, of which the revaluation of the share option plan represented EUR 0.3 million (expense) in this period, compared to EUR 3.5 million (expense) in the comparable period last year.

In the third quarter of 2016, staff costs reached EUR 2.5 million, i.e. down by 31.0% yoy, of which the revaluation of the share option plan represented EUR 0.2 million (revenue) in this period, compared to EUR 1.0 million (expense) in the comparable period last year.

In the first nine months of 2016, Other operating income/expenses (net) reached EUR 1.0 million, i.e. down by EUR 0.6 million compared with the same period in 2015.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 12.1 million in the first nine months of 2016, up by 0.8% yoy. Consolidated depreciation and amortization amounted to EUR 3.9 million in the third quarter, down by 1.9% yoy.

Profit from Operations

During the first nine months of this year, profit from operations (EBIT) amounted to EUR 22.0 million, up by 24.0% over the same period in 2015.

In the third quarter of 2016, profit from operations (EBIT), when compared on a year-on-year basis, increased to EUR 7.3 million, up by 76.6% yoy.

Financial Income and Costs

In the first nine months of 2016, FX changes and other financial income/(expense) (net) amounted to an expense of EUR 1.8 million compared with an income of EUR 6.7 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 affected namely by the development of USD/EUR foreign exchange rates in the first quarter of 2016, when the appreciation of the dollar led to unrealized exchange rate gains related to the revaluation of balance sheet items denominated in EUR, in particular with respect to the intra-company loan to the subsidiary in Egypt.

In the third quarter of 2016, FX gains and other financial income/(expense) (net) represented a gain of EUR 0.2 million.

Interest expenses (net) related to debt servicing reached EUR 5.7 million in the first nine months of 2016, down by 0.7% compared with the same period last year. In the third quarter of 2016, interest expenses (net) were EUR 1.6 million, a 29.7% decrease compared with the same period last year. The reason for the decline in interest expenses was the expiration of interest rate swaps related to the refinanced bank loans.

Income Tax

In the first nine months of 2016, income tax amounted to EUR 1.5 million, down by 18.6% yoy. Current tax payable amounted to EUR 2.2 million, changes in deferred tax represented a gain of EUR 0.7 million.

In the third quarter of 2016, income tax amounted to an expense in the amount of EUR 0.5 million. In the third quarter of 2016, current income tax payable amounted to EUR 0.8 million, while changes in deferred tax represented a gain of EUR 0.3 million.

Net profit

Net profit reached EUR 13.0 million in the first nine months of 2016, down by 22.6% yoy. The lower net profit was caused namely by unrealised foreign exchange changes booked in the compared periods. In the third quarter of 2016, the Company achieved a net profit of EUR 5.5 million.

Investments

In the first nine months of 2016, total capital expenditure amounted to EUR 18.1 million, thereby growing by 319.0% compared with last year. Of this amount, EUR 15.9 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

In the third quarter of 2016 total consolidated capital expenditures amounted to EUR 11.7 million, up by 319.2% over the same period last year. Of this amount, EUR 10.6 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

The Company is planning for total CAPEX in 2016 not to exceed the EUR 25 million level.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 September 2016 was EUR 185.0 million, a 3.6% decrease compared with 31 December 2015. The amount of net debt as at 30 September 2016 was EUR 148.7 million, down by 9.2% compared with the level as at 31 December 2015. The increase in net debt compared with the level at the end of the second quarter of 2016 is related to investments into the new production line in Znojmo. Net debt to EBITDA ratio equated to 3.06.

Business overview for the first nine months of 2016

In the first nine months of 2016, the total production output (net of scrap) reached 76,730 tonnes, up by 1.5% compared with the same period in 2015. In the third quarter of 2016, the Company produced 25,035 tonnes, i.e an increase of 5.5% over the same period last year.

In the first nine months of 2016, the share of revenues from sales of nonwoven textiles for the hygiene industry constituted an 86.6% share of total revenues, compared with an 85.3% 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 nine months of 2016, revenues from sales of non-hygiene products (for construction, agricultural and medical applications) amounted to EUR 21.1 million, which represented a 13.4% 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 nine months of 2016, revenues from sales to Western Europe amounted to EUR 62.8 million and represented a 39.8% share of total revenues. In the same period of 2015, they amounted to EUR 60.8 million, corresponding to 35.8% of total revenues.

In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 66.4 million and represented a 42.1% share of total revenues. In the first nine months of last year, sales reached EUR 68.0 million, representing a 40.1% share.

Revenues from sales to other territories amounted to EUR 28.5 million and represented an 18.1% share of total revenues, compared with revenues of EUR 40.9 million and a 24.1% share in the previous year.

Guidance for 2016

Based on the results achieved in the first nine months of 2016 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market, the Company expects this year's EBITDA to be in the range from EUR 43.0 to 49.0 million.

The Company is planning for total CAPEX in 2016 not to exceed the EUR 25 million level.

PEGAS NONWOVENS SA

Interim Unaudited Consolidated Financial Statements
prepared in accordance with the International Financial Reporting Standards

for the nine months ended 30 September 2016

Condensed Consolidated Statement of Comprehensive Income for the Nine Month Period

in thous. EUR	Nine month period to 30 September 2015 (unaudited)	30 September 2016 (unaudited)	% change
Revenue	169,641	157,771	(7.0%)
Raw materials and consumables used	(127,176)	(114,046)	(10.3%)
Staff costs	(11,127)	(8,606)	(22.7%)
Other operating income/(expense) net	(1,604)	(1,029)	(35.8%)
EBITDA	**29,734**	**34,090**	**14.6%**
EBITDA margin	***17.5%***	***21.6%***	***4.1 pp***
Depreciation and amortization expense	(11,955)	(12,051)	0.8%
Profit from operations	**17,779**	**22,039**	**24.0%**
FX gains and other financial income	11,096	940	(91.5%)
FX losses and other financial expenses	(4,401)	(2,706)	(38.5%)
Interest income	20	72	250.9%
Interest expense	(5,766)	(5,776)	0.2%
Profit before tax	**18,728**	**14,569**	**(22.2%)**
Income Tax	(1,894)	(1,542)	(18.6%)
Net profit after tax	**16,834**	**13,027**	**(22.6%)**
Other comprehensive income			
Net value gain on cash flow hedges	3,232	(3,457)	(207.0%)
Changes in translation reserves	2,370	(2,723)	(214.9%)
Total comprehensive income for the period	**22,436**	**6,847**	**(69.5%)**
Net earnings per share			
Basic net earnings per share (EUR)	1.82	1.49	(18.5%)
Diluted net earnings per share (EUR)	1.80	1.48	(18.1%)

Condensed Consolidated Statement of Comprehensive Income for the Three Month Period

in thous. EUR	Three month period ending 30 September 2015 (unaudited)	30 September 2016 (unaudited)	% change
Revenues	57,967	51,107	(11.8%)
Raw materials and consumables used	(45,529)	(37,199)	(18.3%)
Staff costs	(3,556)	(2,452)	(31.0%)
Other operating income/(expense) (net)	(709)	(179)	(74.8%)
EBITDA	**8,173**	**11,277**	**38.0%**
EBITDA margin	***14.1%***	***22.1%***	***8.0 pp***
Depreciation and amortization expense	(4,020)	(3,944)	(1.9%)
Profit from operations	**4,153**	**7,333**	**76.6%**
FX gains and other financial income	(217)	1,148	(629.2%)
FX losses and other financial expenses	(1,284)	(957)	(25.5%)
Interest income	20	23	12.6%
Interest expense	(2,234)	(1,580)	(29.3%)
Profit before tax	**438**	**5,967**	**1,261.6%**
Income tax – (expense)/income net	69	(488)	(807.9%)
Net profit after tax	**507**	**5,479**	**980.4%**
Other comprehensive income			
Other changes in equity	2,510	(356)	(114.2%)
Changes in translation reserves	28	321	1,050.9%
Total comprehensive income for the period	**3,045**	**5,444**	**78.8%**
Net earnings per share			
Basic net earnings per share (EUR)	0.05	0.62	1,037.2%
Diluted net earnings per share (EUR)	0.05	0.62	1,038.5%

Condensed Consolidated Statement of Financial Position

in thous. EUR	30 September 2015 (unaudited)	31 December 2015 (audited)	30 September 2016 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	179,658	181,250	185,917
Long term intangible assets	414	2,369	2,347
Goodwill	85,340	85,857	85,864
Total non-current assets	**265,412**	**269,476**	**274,128**
Current assets			
Inventories	34,311	39,538	28,371
Trade and other receivables	57,489	54,692	48,166
Income tax receivable	0	0	0
Cash and cash equivalents	29,447	28,082	36,297
Total current assets	**121,247**	**122,312**	**112,834**
Total assets	**386,659**	**391,788**	**386,962**
Total equity and outside resources			
Share capital and reserves			
Share capital	11,444	11,444	11,444
Legal reserves	9,187	9,451	9,451
Own shares	(6,711)	(12,797)	(13,671)
Translation reserves	7,283	5,691	2,967
Cash flow hedging	1,246	1,418	(2,039)
Retained earnings	133,361	141,505	142,996
Total share capital and reserves	**155,810**	**156,712**	**151,148**
Non-current liabilities			
Bank loans	0	0	0
Deferred tax liabilities	17,272	17,440	16,593
Other non-current liabilities	183,420	184,806	184,981
Total non-current liabilities	**200,692**	**202,246**	**201,574**
Current liabilities			
Trade and other payables	29,579	23,895	33,861
Tax liabilities	578	1,824	379
Bank current liabilities	0	7,111	0
Reserves	0	0	0
Total current liabilities	**30,157**	**32,830**	**34,240**
Total outside resources	**230,849**	**235,076**	**235,814**
Total equity and outside resources	**386,659**	**391,788**	**386,962**

Condensed Consolidated Statement of Cash Flows

in thous. EUR	2015 (unaudited)	2016 (unaudited)
Profit before tax	**18,727**	**14,569**
Adjustment for:		
Depreciation and Amortization	11,955	12,051
Foreign exchange changes	(6,561)	3,783
Interest expense	5,766	5,776
Other changes in equity	3,232	(3,457)
Other financial income/(expense)	1,549	(837)
Cash flows from operating activities		
Decrease/(increase) in inventories	9,040	10,454
Decrease/(increase) in receivables	(9,074)	4,415
Increase/(decrease) in payables	(26,298)	(6,804)
Income tax (paid) / received	(712)	(1,905)
Net cash from operating activities	**7,624**	**38,045**
Cash flows from investment activities		
Purchases of property, plant and equipment	(4,325)	(18,122)
Net cash used in investment activities	**(4,325)**	**(18,122)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(63,318)	(7,107)
Increase/(decrease) in other long term payables	94,384	175
Acquisition of own shares and other changes in equity	(6,711)	(875)
Distribution of dividends	0	0
Interest paid	(5,621)	(4,738)
Other financial income/(expense)	(1,549)	837
Net cash used in financing activities	**17,185**	**(11,708)**
Cash and cash equivalents at the beginning of the period	8,962	28,082
Net increase (decrease) in cash and cash equivalents	20,484	8,215
Cash and cash equivalents at the end of the period	**29,447**	**36,297**

Condensed Consolidated Statement of Changes in Equity

in thous. EUR	Share capital	Legal reserves	Own shares	Translation reserves	Cash flow hedging	Retained earnings	Total share capital and reserves
as at 1 January 2015	**11,444**	**9,187**	**--**	**4,913**	**(1,986)**	**127,141**	**150,699**
Distribution	--	--	--	--	--	(10,614)	**(10,614)**
Other comprehensive income for the	--	--	--	2,370	3,232	--	**5,602**
Net profit for the period	--	--	--	--	--	16,834	**16,834**
Acquisition of own shares	--	--	(6,711)	--	--	--	**(6,711)**
Legal reserves created from retained earnings	--	--	--	--	--	--	**--**
as at 30 September 2015	**11,444**	**9,187**	**(6,711)**	**7,283**	**1,246**	**133,361**	**155,810**
as at 1 January 2016	**11,444**	**9,451**	**(12,797)**	**5,691**	**1,418**	**141,505**	**156,712**
Distribution	--	--	--	--	--	(11,537)	**(11,537)**
Other comprehensive income for the period	--	--	--	(2,723)	(3,457)	--	**(6,180)**
Net profit for the period	--	--	--	--	--	13,027	**13,027**
Acquisition of own shares	--	--	(875)	--	--	--	**(875)**
Legal reserves created from retained earnings	--	--	--	--	--	--	**--**
as at 30 September 2016	**11,444**	**9,451**	**(13,671)**	**2,967**	**(2,039)**	**142,996**	**151,148**

Selected explanatory notes to the interim consolidated financial statements

Roundings and presentation

The amounts appearing in this interim report have generally been rounded to one decimal place using standard rounding principles. Accordingly, some additions may not add up.

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.

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 2015.

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.

Important events and transactions

There were no important events or transactions in the first nine months of 2016 which would have a significant effect on the understanding of the changes in the statement of financial position and performance of the Company

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.

Repurchases and repayments of debt and equity securities

The bank facilities utilised by the Company consist of an overdraft facility (up to EUR 20 million). During the first nine months of 2016, the Company reduced its balance on the overdraft facility from EUR 7,111 thousand to EUR 0 and as of 30 September 2016 it is not utilising this line of credit. The Company did not conclude any new bank facilities in the first nine months of 2016.

In the first nine months of 2016, the Company did not make any repurchases or repayments of debt securities.

In the first nine months of 2016, within the scope of the share buyback programme, the Company bought back 32,929 of its own shares at the acquisition value of EUR 875 thousand, equivalent to 0.36% of the Company's share capital. As at 8 February 2016, the Company completed the share buyback programme and presently holds 461,470 of its own shares, equivalent to 5% of its share capital.

Dividend

The Annual General Meeting of the Company held on 15 June 2016 in Luxembourg, approved the payout of a dividend in the amount of EUR 11,536,750, i.e. EUR 1.25 per share.

The source of the dividend payout is 2015 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 14 October 2016 and the dividend was paid out on 26 October 2016.

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.

Material events subsequent to the end of the interim period

On 10 October 2016, the Company announced that it had received a commitment from the Ministry of Industry and Trade of the Czech Republic for investment incentives for the subsidiary PEGAS – NW a.s. in connection with the expansion of nonwoven textile production at the production plant in Znojmo-Přímětice. The commitment for investment incentives is provided in the form of an income tax subsidy in the amount of 25% of the total value of qualified expenses and currently for the maximum amount of CZK 148.05 million, whilst the subsidy may be exercised for a period of ten directly consecutive taxation periods.

On 17 October 2016, the Company received an announcement from persons discharging managerial responsibilities within the issuer about transactions with financial instruments, the value of which is derived from the share price of the Company. The subject of transaction was the exercise of 153,842 warrants granted on the basis of a contract dated 22 September 2014 with a strike price of CZK 588.16.

In accordance with the decision of the General Meeting, a dividend in the amount of EUR 1.25 per share was paid out on 26 October 2016. A dividend in the amount of EUR 576,838 was not paid out on 461,470 shares held by the Company on the record date 14 October 2016. The total sum paid out in dividends thus equalled EUR 10,959,912. On the basis of a decision of the Board of Directors, the dividend accruing from the shares held by the Company, was allocated to reserves that may be used as a source for dividend payments in the future.

The management of the Group is not aware of any further 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 September 2016.

Disclosures on changes in the composition and consolidation of the entity

During the course of the reported period, in accordance with the decision of the Board of Directors announced on 16 June 2016, PEGAS established a subsidiary in the Republic of South Africa under the business name PEGAS NONWOVENS RSA (PTY) LTD. The subsidiary was registered with validity to 11 July 2016 and is under 100% ownership of the PEGAS Group. The newly established subsidiary shall be consolidated utilising the methodology of full consolidation.

Information about the fair value of financial instruments

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

Interest rate swaps
As at 30 September 2016, the Company held no open interest rate swaps.

Currency forward contracts
As at 30 September 2016, the Company held no open currency forward contracts.

Cross currency swaps
As at 30 September 2016, the Company held three open cross currency swaps.

The first swap (hereinafter "CCIRS 1") was concluded in November of 2014 at a total nominal value of CZK 2,489,575 thousand (receiving leg) against EUR 90,201 thousand (paying leg) with the objective of hedging the currency risk on the CZK issue of public bonds Pegas 2.85/2018.

The second swap (hereinafter "CCIRS 2") was concluded in July of 2015 at a total nominal value of CZK 678,000 thousand (receiving leg) against EUR 25,000 thousand (paying leg) with the objective of hedging the interest rate and currency risk on the CZK issue of public bonds maturing on 14 July 2025 with a variable interest rate of 6M PRIBOR + 2.00% p.a.

The third swap (hereinafter "CCIRS 3") was concluded in July of 2015 at a total nominal value of CZK 1,080,000 thousand (receiving leg) against EUR 39,852 thousand (paying leg) with the objective of hedging the currency risk on the CZK issue of public bonds maturing on 14 July 2022 with a fixed interest rate of 2.646% p.a.

The company performs hedge accounting for the cross currency swaps. The change in the fair value of these swaps, that is considered as effective in terms of hedging, is recorded in equity. The change in the fair value of these swaps, that is considered as non-effective in terms of hedging, is recorded in the profit and loss statement.

The fair value of these swaps, as at 30 September 2016, is presented in the following table. A positive value represents a receivable of the Company, a negative value a payable of the Company.

Counterparty	as at 30 September 2015	as at 30 September 2016	% hedging of the underlying liability
Česká spořitelna – EUR 90.201 mil.	2,249	2,676	108%
ČSOB – EUR 25 mil.	118	(1,045)	100%
Česká spořitelna – EUR 39.852 mil.	(163)	(460)	100%
Total	**2,204**	**1,171**	

'000 EUR

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.

Sensitivity of the fair value of cross currency swaps
The appreciation of CZK against EUR by 1% would, as at 30 September 2016, increase the fair value of the cross currency swaps by approximately EUR 1.5 million.

The depreciation of CZK against EUR by 1% would, as at 30 September 2016, decrease the fair value of the cross currency swaps by approximately EUR 1.5 million.

Foreign currency options
As at 30 September 2016, the Company held an open position in a foreign currency option structure that was concluded by the Company in March 2016. The objective of this foreign currency option structure is to hedge currency risk connected to revenues in EUR and their conversion to CZK in approximately the amount as the Company expends each month on the payment of wages and salaries. Based on this structure, the Company has, in the period from July 2016 to July 2019 the right to sell EUR 1.1 million and to purchase CZK 29.348 million under the condition that the exchange rate as at the date of the monthly expiration is lower than 26.68. Concurrently, the Company has, in the same period, the obligation to sell EUR 1.375 million and to purchase CZK 36.685 million under the condition that the exchange rate as at the date of the monthly expiration is higher than 27.52.

The fair value of the foreign currency option structure, as at 30 September 2016, is presented in the following table. A positive value represents a receivable of the Company, a negative value a payable of the Company.

Counterparty	as at 30 September 2015	as at 30 September 2016
Foreign currency option structure	--	13
Total	**--**	**13**

Sensitivity of the fair value of foreign currency options
The appreciation of CZK against EUR by 5% would, as at 30 September 2016, increase the fair value of the foreign currency options by approximately EUR 2.0 million.

The depreciation of CZK against EUR by 5% would, as at 30 September 2016, decrease the fair value of the foreign currency options by approximately EUR 1.8 million.

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 number of shares existing each day in the given period, which take into account (by reduction) the shares bought back.

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 for the effect of the expected issue of all potential diluting securities, i.e. warrants in the case of the Company.

No changes to the number of shares emitted by the Company occurred during the first nine months of 2016 or in the first nine months of 2015.

The weighted average number of ordinary registered shares used for the calculation of the basic earnings per share, as at 30 September 2016, reflects the shares bought back on the basis of the share buyback programme completed in February 2016.

Basic earnings per share

		Three months ended		Nine months ended	
		30/09/2015	30/09/2016	30/09/2015	30/09/2016
Net profit attributable to equity holders	'000 EUR	507	5,479	16,834	13,027
Weighted average number of ordinary shares	amount	9,229,400	8,768,651	9,229,400	8,767,930
Basic earnings per share	**EUR**	**0.05**	**0.62**	**1.82**	**1.49**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/09/2015	30/09/2016	30/09/2015	30/09/2016
Net profit attributable to equity holders	'000 EUR	507	5,479	16,834	13,027
Weighted average number of ordinary shares	amount	9,309,832	8,834,805	9,345,632	8,829,627
Diluted earnings per share	**EUR**	**0.05**	**0.62**	**1.80**	**1.48**

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 nine months of 2016.

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 23 November 2016.

Marek Modecki
Chairman of the Board of Directors
PEGAS NONWOVENS SA

František Řezáč
Member of the Board of Directors
PEGAS NONWOVENS SA