PEGAS NONWOVENS SA

THIRD QUARTER RESULTS 2017

16 November 2017

The third quarter and the first nine months of 2017 unaudited consolidated financial results

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the third quarter and the first nine months of 2017 prepared according to International Financial Reporting Standards (IFRS).

"In the third quarter, EBITDA reached EUR 10.3 million and, adjusted for the effect of the revaluation of the share option plan, amounted to EUR 12.3 million. Production output supported by the new line, which ran in commercial production mode during the full third quarter, reached a record volume of almost 28 thousand tonnes. The development in polymer prices had a positive effect on the financial results and helped to partially mitigate the negative impact of the polymer price pass-through mechanism from the first half of the year.

With respect to the achieved results in the first nine months of this year, we confirm our outlook for full year EBITDA in the range from EUR 43.0 to 50.0 million.

The Company's financial results were in line with our expectations, nevertheless, probably the most important moment to occur in the third quarter was the voluntary takeover bid made by the R2G group. On the basis of this bid, the R2G group became the majority shareholder of the Company and its ownership share is currently at 88.5%.

Apart from this event, which represents another significant milestone in the Company's history, I would like to mention the memorandum of understanding concluded with the technology supplier, Reicofil, for the delivery of a semi-commercial production line for the Znojmo production plant. This production line is based on an entirely new technology, which with its entirely new products, should open up new markets for us. We would like to conclude the contract for the delivery of the production line by the end of the year.

We are also continuing with the project in South Africa, which is entering the execution phase after we received a building permit at the turn of September and October. In the first phase, still in this year, we would like to start with the rough earthworks. We then intend to follow this up in January with the commencement of building construction so that we fulfill our schedule as intended.

Finally, I would like to add that in October, we paid out a dividend in the amount of EUR 1.30 per share, which represents a return of almost 4% p.a.", said František Řezáč, CEO and Member of the Board of PEGAS NONWOVENS SA.

Overview of Financial Results

	January – September 2017	yoy	Third quarter July - September 2017	yoy
Financials (EUR million)				
Revenues	**167.4**	**6.1%**	**55.7**	**9.0%**
Operating costs without depreciation and amortization	(136.4)	10.3%	(45.4)	14.1%
EBITDA	**31.0**	**(9.1%)**	**10.3**	**(9.0%)**
Depreciation and Amortization	(12.7)	5.6%	(4.4)	12.4%
Profit from operations (EBIT)	**18.2**	**(17.2%)**	**5.8**	**(20.6%)**
FX changes and other financial income / (expense) (net)	(5.7)	220.9%	(2.5)	n/a
Interest expense (net)	(5.6)	(1.2%)	(1.9)	23.9%
Income tax – (expense)/income	(1.8)	14.5%	(0.6)	31.7%
Net profit	**5.2**	**(60.3%)**	**0.7**	**(86.9%)**
Net debt	167.7	12.8%	167.7	12.8%
Capital expenditures (CAPEX)	19.3	6.8%	4.9	(58.4%)
Profitability indicator ratios				
EBITDA margin	18.5%	(3.1 pp)	18.4%	(3.7 pp)
Operating profit margin	10.9%	(3.1 pp)	10.5%	(3.9 pp)
Net profit margin	3.1%	(5.2 pp)	1.3%	(9.4 pp)
Operational indicators:				
Production output in tonnes	80,321	4.7%	27,893	11.4%
Number of employees - at end of period	575	0.7%	575	0.7%
Number of employees - average	582	2.4%	583	1.8%
Exchange Rates				
EUR/CZK - average	26.548	(1.8%)	26.085	(3.5%)
EUR/CZK - at end of period	25.981	(3.8%)	25.981	(3.8%)
EUR/USD - average	1.175	5.2%	1.114	(0.6%)
EUR/USD - at end of period	1.181	5.8%	1.181	5.8%
EUR/ZAR - average	14.706	(11.9%)	15.486	(1.3%)
EUR/ZAR - at end of period	15.944	2.7%	15.944	2.7%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2017, consolidated revenues (revenues from sales of the Company's products) reached EUR 167.4 million, up by 6.1% yoy. In the third quarter of 2017, the total consolidated revenues were EUR 55.7 million, a 9.0% increase compared with the same period last year. The increase in the price of polymers had a positive effect on the year-on-year comparison of revenues. Polymer prices rose during the first two quarters. They weakened slightly during the course of the third quarter, however, they started rising again at the beginning of September. In the third quarter of 2017, the growth in revenues was also positively affected by the commercial launch of the new production line in Přímětice.

Sales volumes in tonnage terms increased as a result of the launch of the new production capacity.

In the first nine months of 2017, total consolidated operating costs without depreciation and amortization (net) increased by 10.3% yoy to EUR 136.4 million. In the third quarter of 2017, consolidated operating costs without depreciation and amortization were EUR 45.4 million, representing an increase of 14.1% yoy. The primary reason for the year-on-year increase was the higher polymer purchase price compared to the previous year.

In the first nine months of 2017, EBITDA amounted to EUR 31.0 million, down by 9.1% yoy. The year-on-year decline in EBITDA was related namely to the effect of the polymer price pass-through mechanism, which due to relatively stable polymer prices had only a slight impact last year, which to a certain degree is in contrast to the growing polymer prices and the negative impact of the pass-through mechanism this year. The effect of the revaluation of the share option plan, in the first nine months of 2017 represented an expense in the amount of EUR 2.9 million compared with an expense of EUR 0.3 million in the comparable period in 2016. Thus, EBITDA, adjusted for the effect of the revaluation of the share option plan, declined slightly by 1.6% yoy to EUR 33.9 million.

In the first nine months of 2017, the EBITDA margin was 18.5%, which is 3.1 percentage points lower than in the same period in 2016. In the first nine months of 2017, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 20.4%, which is 1.4 percentage points lower than in the same period in 2016.

EBITDA amounted to EUR 10.3 million in the third quarter of 2017, down by 9.0% yoy. The effect of the revaluation of the share option plan, in the third quarter of 2017 represented an expense in the amount of EUR 2.0 million compared with a revenue of EUR 0.2 million in the comparable period in 2016. Thus, EBITDA, adjusted for the effect of the revaluation of the share option plan, increased by 10.9% yoy to EUR 12.3 million. This increase was to a significant degree related to the launch of the new production line that already ran in full commercial production mode during the entire third quarter of 2017, thereby increasing year-on-year production output by 11.4%.

Operating Costs

Total raw materials and consumables used in the first nine months of 2017 amounted to EUR 123.9 million, which is 8.6% more than in the previous year. In the third quarter of 2017, this item reached EUR 40.0 million, which represents an increase of 7.7% yoy. The primary factor affecting the year-on-year increase were higher polymer purchase prices in 2017 and the launch of the new production line in June 2017.

In the first nine months of 2017, total staff costs amounted to EUR 11.7 million, an increase of 36.2% yoy. In the first nine months of 2017, total staff costs adjusted the effect of the revaluation of the share option plan amounted to EUR 8.8 million, an increase of 6.8% yoy.

In the third quarter of 2017, staff costs reached EUR 5.0 million, i.e. up by 105.1% yoy, of which the revaluation of the share option plan represented an expense of EUR 2.0 million in this period, compared to a revenue of EUR 0.2 million in the comparable period last year. Total staff costs adjusted for this effect thus amounted to EUR 3.0 million, an increase of 13.3% yoy. This increase was to a certain extent due to the appreciation of CZK against EUR.

In the first nine months of 2017, Other operating income/expenses (net) reached EUR 0.8 million, i.e. down by EUR 0.2 million compared with the same period in 2016.

Depreciation and Amortization

Consolidated depreciation and amortization reached EUR 12.7 million in the first nine months of 2017, up by 5.6% yoy. Consolidated depreciation and amortization amounted to EUR 4.4 million in the third quarter, up by 12.4% yoy, predominantly due to the inclusion of the new production line into the Company's assets.

Profit from Operations

During the first nine months of this year, profit from operations (EBIT) amounted to EUR 18.2 million, down by 17.2% over the same period in 2016.

When compared on a year-on-year basis, profit from operations (EBIT) in the third quarter of 2017, declined by 20.6% to EUR 5.8 million.

Financial Income and Costs

In the first nine months of 2017, FX changes and other financial income/(expense) (net) amounted to an expense of EUR 5.7 million compared with an expense of EUR 1.8 million booked 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 resulted primarily from the depreciation of the dollar versus the Euro by more than 12%, which led to unrealized exchange rate losses 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 2017, FX gains and other financial income/(expense) (net) represented a loss of EUR 2.5 million.

Interest expenses (net) related to debt servicing reached EUR 5.6 million in the first nine months of 2017, down by 1.2% compared with the same period last year. In the third quarter of 2017, interest expenses (net) were EUR 1.9 million, a 23.9% increase compared with the same period last year. The reason for the increase in interest expenses was the expiration of interest rate swaps in June 2016 and the new bond issue in January of this year.

Income Tax

In the first nine months of 2017, income tax amounted to EUR 1.8 million, up by 14.5% over the same period in 2016. Current income tax payable amounted to EUR 1.8 million, changes in deferred tax were negligible.

In the third quarter of 2017, income tax amounted to an expense in the amount of EUR 0.6 million. In the third quarter of 2017, current income tax payable amounted to EUR 0.5 million, while changes in deferred tax represented a cost of EUR 0.1 million.

Net profit

Net profit reached EUR 5.2 million in the first nine months of 2017, down by 60.3% yoy. The lower net profit was caused namely by unrealised foreign exchange changes booked in the compared periods. In the third quarter of 2017, the Company achieved a net profit of EUR 0.7 million.

Investments

In the first nine months of 2017, total capital expenditure amounted to EUR 19.3 million, thereby growing by 6.8% compared with last year. Of this amount, EUR 15.1 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

In the third quarter of 2017 total consolidated capital expenditures amounted to EUR 4.9 million, down by 58.4% over the same period last year. Of this amount, EUR 4.7 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

The Company is planning for total CAPEX in 2017 not to exceed the EUR 30 million level.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 September 2017 was EUR 240.8 million, a 30.1% increase compared with 31 December 2016. The amount of net debt as at 30 September 2017, was EUR 167.7 million, up by 4.3% compared with the level as at 31 December 2016. The increase in net debt compared with the level at the end of 2016 is related to investments into the new production line in Znojmo and South Africa. As at 30 September 2017, the Net Debt/EBITDA ratio was 3.85x. The development in Net debt was to a certain extent negatively affected by the appreciation of CZK against EUR, which resulted in an increase in liabilities expressed in the reporting currency of EUR on bonds denominated in CZK. These CZK-denominated bonds are, however, hedged by cross-currency swaps the value of which, as at 30 September 2017 represents a receivable of the Company in the amount of approx. EUR 6.2 million and thus effectively reduces the value of net debt to EUR 161.5 million.

Business overview for the first nine months of 2017

In the first nine months of 2017, the total production output (net of scrap) reached 80,321 tonnes, up by 4.7% compared with the same period in 2016. In the third quarter of 2017, the Company produced 27,893 tonnes, i.e. an increase of 11.4% over the same period last year.

In the first nine months of 2017, the share of revenues from sales of nonwoven textiles for the hygiene industry constituted an 86.8% share of total revenues, compared with an 86.6% share in the comparable period last year. The high share of products in this category confirms the important position the Company has in this market.

In the first nine months of 2017, revenues from sales of non-hygiene products (for construction, agricultural and medical applications) amounted to EUR 22.0 million, which represented a 13.2% share of total revenues.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area and the markets of the Middle East. In the first nine months of 2017, revenues from sales to Western Europe amounted to EUR 59.2 million and represented a 35.3% share of total revenues. In the same period of 2016, they amounted to EUR 62.8 million, corresponding to 39.8% of total revenues.

In this period, revenues from sales to Central and Eastern Europe and Russia amounted to EUR 68.7 million and represented a 41.1% share of total revenues. In the first nine months of last year, sales reached EUR 66.4 million, representing a 42.1% share.

Revenues from sales to other territories amounted to EUR 39.5 million and represented a 23.6% share of total revenues, compared with revenues of EUR 28.5 million and an 18.1% share in the previous year.

Guidance for 2017

Based on the results achieved in the first nine months of 2017 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 50.0 million.

The Company is planning for total CAPEX in 2017 not to exceed the EUR 30 million level.

PEGAS NONWOVENS SA

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

for the first nine month period ending 30 September 2017

Condensed Consolidated Statement of Comprehensive Income for the Nine Month Period

in thous. EUR	Nine month period to 30 September 2016 (unaudited)	30 September 2017 (unaudited)	% change
Revenue	157,771	167,414	6.1%
Raw materials and consumables used	(114,046)	(123,891)	8.6%
Staff costs	(8,606)	(11,723)	36.2%
Other operating income/(expense) net	(1,030)	(825)	(19.9%)
EBITDA	**34,090**	**30,976**	**(9.1%)**
EBITDA margin	***21.6%***	***18.5%***	***(3.1 pp)***
Depreciation and amortization expense	(12,051)	(12,729)	5.6%
Profit from operations	**22,039**	**18,247**	**(17.2%)**
FX gains and other financial income	940	8,637	818.6%
FX losses and other financial expenses	(2,706)	(14,305)	428.6%
Interest income	72	26	(63.7%)
Interest expense	(5,776)	(5,662)	(2.0%)
Profit before tax	**14,569**	**6,942**	**(52.3%)**
Income Tax	(1,542)	(1,764)	14.5%
Net profit after tax	**13,027**	**5,178**	**(60.3%)**
Other comprehensive income			
Net value gain on cash flow hedges	(3,457)	(1,094)	(68.3%)
Changes in translation reserves	(2,723)	2,004	n/a
Total comprehensive income for the period	**6,847**	**6,088**	**(11.1%)**
Net earnings per share			
Basic net earnings per share (EUR)	1.49	0.59	(60.2%)
Diluted net earnings per share (EUR)	1.48	0.59	(60.1%)

Condensed Consolidated Statement of Comprehensive Income for the Three Month Period

in thous. EUR	Three month period ending 30 September 2016 (unaudited)	30 September 2017 (unaudited)	% change
Revenues	51,107	55,691	9.0%
Raw materials and consumables used	(37,199)	(40,046)	7.7%
Staff costs	(2,452)	(5,029)	105.1%
Other operating income/(expense) (net)	(179)	(360)	101.2%
EBITDA	**11,277**	**10,257**	**(9.0%)**
EBITDA margin	***22.1%***	***18.4%***	***(3.6 pp)***
Depreciation and amortization expense	(3,944)	(4,435)	12.4%
Profit from operations	**7,333**	**5,822**	**(20.6%)**
FX gains and other financial income	1,148	1,546	34.6%
FX losses and other financial expenses	(957)	(4,077)	326.1%
Interest income	23	(1)	n/a
Interest expense	(1,580)	(1,928)	22.0%
Profit before tax	**5,967**	**1,362**	**(77.2%)**
Income tax – (expense)/income net	(488)	(642)	31.7%
Net profit after tax	**5,479**	**720**	**(86.9%)**
Other comprehensive income			
Net value gain on cash flow hedges	(356)	(1,819)	411.1%
Changes in translation reserves	321	(1,577)	n/a
Total comprehensive income for the period	**5,444**	**(2,677)**	**n/a**
Net earnings per share			
Basic net earnings per share (EUR)	0.62	0.08	(86.9%)
Diluted net earnings per share (EUR)	0.62	0.08	(86.8%)

Condensed Consolidated Statement of Financial Position

in thous. EUR	30 September 2016 (unaudited)	31 December 2016 (audited)	30 September 2017 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	185,917	187,288	189,712
Long term intangible assets	2,347	4,066	4,209
Goodwill	85,864	85,864	89,301
Total non-current assets	**274,128**	**277,218**	**283,222**
Current assets			
Inventories	28,371	39,914	37,053
Trade and other receivables	48,166	43,764	57,419
Income tax receivable	0	0	811
Cash and cash equivalents	36,297	24,220	73,065
Total current assets	**112,833**	**107,897**	**168,348**
Total assets	**386,962**	**385,115**	**451,570**
Total equity and outside resources			
Share capital and reserves			
Share capital	11,444	11,444	10,867
Legal reserve fund and other reserves	9,451	1,999	3,294
Own shares	(13,672)	(13,672)	0
Translation reserves	2,967	6,279	8,282
Cash flow hedging	(2,039)	608	(486)
Retained earnings	142,996	152,077	131,457
Total share capital and reserves	**151,148**	**158,735**	**153,415**
Non-current liabilities			
Bank loans	0	0	0
Deferred tax liabilities	16,593	20,067	19,641
Other non-current liabilities	184,981	185,034	240,793
Total non-current liabilities	**201,574**	**205,100**	**260,434**
Current liabilities			
Trade and other payables	33,861	20,553	37,473
Tax liabilities	379	726	248
Bank current liabilities	0	0	0
Reserves	0	0	0
Total current liabilities	**34,240**	**21,279**	**37,721**
Total outside resources	**235,814**	**226,380**	**298,155**
Total equity and outside resources	**386,962**	**385,115**	**451,570**

Condensed Consolidated Statement of Cash Flows

in thous. EUR	2016 (unaudited)	2017 (unaudited)
Profit before tax	**14,569**	**6,942**
Adjustment for:		
Depreciation and Amortization	12,051	12,729
Foreign exchange changes	3,783	1,509
Interest expense	5,776	5,662
Other changes in equity	(3,457)	(1,094)
Other financial income/(expense)	(837)	(1,232)
Cash flows from operating activities		
Decrease/(increase) in inventories	10,454	1,733
Decrease/(increase) in receivables	4,415	(7,338)
Increase/(decrease) in payables	(6,804)	9,603
Income tax (paid) / received	(1,905)	(2,615)
Net cash from operating activities	**38,045**	**19,323**
Cash flows from investment activities		
Purchases of property, plant and equipment	(18,122)	(19,349)
Net cash used in investment activities	**(18,122)**	**(19,349)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(7,107)	0
Increase/(decrease) in other long term payables	175	55,759
Acquisition of own shares and other changes in equity	(875)	(11,408)
Distribution of dividends	0	0
Interest paid	(4,738)	-3,289
Other financial income/(expense)	837	1,232
Net cash used in financing activities	**(11,708)**	**48,871**
Cash and cash equivalents at the beginning of the period	28,082	24,219
Net increase (decrease) in cash and cash equivalents	8,215	48,845
Cash and cash equivalents at the end of the period	**36,296**	**73,064**

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 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	--	--	--	(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**	**(13,672)**	**2,967**	**(2,039)**	**142,996**	**151,148**
as at 1 January 2017	**11,444**	**1,999**	**(13,672)**	**6,279**	**608**	**152,077**	**158,735**
Distribution	--	606	--	--	--	(11,998)	**(11,392)**
Other comprehensive income for the period	--	--	--	2,004	(1,094)	--	**909**
Net profit for the period	--	--	--	--	--	5,178	**5,178**
Acquisition of own shares	--	--	(120)	--	--	--	**(120)**
Other changes in equity	--	112	--	--	--	--	**112**
Reduction of capital by own shares	(577)	577	13,792	--	--	(13,792)	**0**
Legal reserves created from retained earnings	--	--	--	--	--	--	**0**
as at 30 September 2017	**10,867**	**3,294**	**0**	**8,282**	**(486)**	**131,457**	**153,415**

Selected explanatory notes to the interim consolidated financial statements

Rounding off and presentation

The figures presented in these interim financial statements were rounded off to a single decimal place in accordance with standard rounding principles. As a result of this, the sum of the individual figures may differ from the figure presented on the sum row.

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 2016.

Adoption of new and revised standards

The possible impact of new standards, their amendments and interpretations on the future consolidated financial statements of the Group were described in the Company's consolidated financial statements for year ending 31 December 2016.

In relation to IFRS 15 – Revenue from Contracts with Customers - the Company intends to apply this new standard effective of 1 January 2018. The Company is presently analysing the impacts of introducing standard IFRS 15 on revenues and expects that the results of this analysis shall be available by the end of 2017. Based on the preliminary results of this analysis, the most significant impact on the Company appears to be the timing of reporting of revenues in the statement of profit and loss. The respective impact will depend on the specific contractual conditions with customers.

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.

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.

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.

Disclosures on changes in the composition and consolidation of the entity

There were changes in this field during the reporting period ended relative to the compared period. On 15 July 2017, company PEGAS-NT a.s. ceased to exist as a result of a merger with company PEGAS NONWOVENS s.r.o. The successor company, PEGAS NONWOVENS s.r.o. acquired as a result of the merger the assets of the ceasing company PEGAS-NT a.s. The record date of the merger was 1 January 2017. PEGAS-NT a.s. was deleted from the Commercial Register on 15 July 2017.

During the course of the reported period, a subsidiary was established in the Czech Republic under the name of PEGAS – GIC a.s. Effective as of 11 September 2017, the subsidiary was registered in the commercial register and is 100% owned by PEGAS NONWOVENS s.r.o.

Issue, repurchase and repayments of debt and equity securities

The Company did not issue any debt or asset securities in the third quarter, nor were any debt or asset securities reacquired or repaid, and the Company did not enter into any new bank loan contracts.

At the date of the Annual General Meeting (15 June 2017), the share capital of the Company consisted of 9,229,400 shares. The Annual General Meeting of Shareholders resolved to reduce the share capital to EUR 10,867,185.16 by the cancellation of 465,541 own shares held by PEGAS (the aggregate nominal value of which is equal to EUR 577,270.84). After this reduction, the share capital consists of 8,763,859 shares at a nominal value of EUR 1.24. The reduction in the share capital was effectively registered in the Luxembourg commercial register and central depositories as at 27 July 2017.

Important events and transactions

Management transactions

On 25 August 2017, the Company concluded a contract with persons discharging managerial responsibilities within the issuer, the subject of which was the purchase of warrants issued on the basis of a resolution of the Annual General Meeting held on 15 June 2017.

On 29 September 2017, 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 the transaction was the sale of warrants with a strike price of CZK 777.00 purchased on the basis of a contract dated 25 August 2017. The warrants fully vested and were sold on an accelerated basis due to the change of control of the Company.

The sale of these warrants entitled the announcers to a cash payout in an amount corresponding to the difference between the closing share price of the Company on the Prague Stock Exchange on the work day preceding the sale date and the strike price of the warrant.

There were no other important events or transactions in the first nine months of 2017 which would have a significant effect on the understanding of the changes in the statement of financial position and performance of the Company

Voluntary takeover bid

On 18 July 2017, the Company announced that it acknowledged the announcement made by R2G Rohan Czech s.r.o. about the decision of its bodies to make a takeover bid for the purpose of acquiring shares of the Company at a price of CZK 1,010 per share.

On 14 August 2017, the Company announced that it had received a voluntary takeover bid from R2G Rohan Czech s.r.o. for the purpose of acquiring shares of the Company at a price of CZK 1,010 per share.

On 21 August 2017, the Company announced that the Board of Directors of the Company had drawn up and subsequently forwarded to the proposer R2G Rohan Czech s.r.o. and the Czech National Bank its reasoned opinion to the voluntary takeover bid.

On 26 September, the Company announced that the Board of Directors of the Company had acknowledged the result of the voluntary takeover bid.

On 10 October 2017, the Company received a shareholder notification stating that following the settlement of the announcement of acceptance relating to the takeover bid, as at 9 October 2017, R2G Rohan S.à r.l. held indirectly via R2G Rohan Czech s.r.o. 7,755,476 shares of the Company, representing 88.49% of the share capital and voting rights of the Company.

On 10 October 2017, the Company received a shareholder notification stating that as at 2 October 2017, Wood Textiles Holding Limited held 0 shares of PEGAS NONWOVENS, representing 0.0% of the share capital and voting rights of the Company.

Delisting of shares from trading on the Warsaw Stock Exchange

On 5 January 2017, the Company's Board of Directors approved the delisting of the Company's shares from trading on the Warsaw Stock Exchange. This decision was taken on the grounds of very low trading volume of the Company's shares on the Warsaw Stock Exchange not corresponding to the costs of such a quotation. Subsequently, on 23 January 2017, the Polish supervisory authority approved the share tender offer submitted by the Company in connection with this intention. In connection with this, the Company finally accepted the requests and in March 2017 reacquired 4,071 shares representing 0.04% of the share capital and voting rights of the Company.

On 29 August 2017, the Polish supervisory authority Komisja Nadzoru Finansowego approved the delisting of the Company's shares from trading on the Warsaw Stock Exchange effective as of 19 September 2017. The Company subsequently also applied to the Warsaw Stock Exchange for approval. On 14 September 2017, the Board of Directors of the Warsaw Stock Exchange accepted via resolution no. 1053/2017 the delisting of the Company's shares on the Warsaw Stock Exchange with effect from 19 September 2017. The delisting of shares from trading relates to all the shares of the Company listed on the Warsaw Stock Exchange under the ISIN ticker symbol "LU0275164910".

Material events subsequent to the end of the interim period

The Company received the resignation of Mr. Jan Sýkora from the position of Non-Executive Member of the Board of Directors of PEGAS NONWOVENS SA effective 9 October 2017. Mr. Sýkora held the function of Non-Executive Director of the Company from May 2012.

The Company received the resignation of Mr. Marek Modecki from the position of Non-Executive Member and Chairman of the Board of Directors of PEGAS NONWOVENS SA effective 31 December 2017. Mr. Modecki held the function of Non-Executive Director of the Company from April 2008 and was elected Chairman of the Board of Directors in December 2010.

In accordance with the decision of the Annual General Meeting, a dividend in the amount of EUR 1.30 per share was paid out on 26 October 2017. The dividend in the amount of EUR 605,203 was not paid out on 465,541 of own shares, by which the share capital of the Company was reduced on the basis of a decision by the AGM. The total sum paid out in dividends thus equalled EUR 11,393,017.

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 2017.

Information about the fair value of financial instruments

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

Interest rate swaps
As at 30 September 2017, the Company held no open interest rate swaps.

Currency forward contracts
As at 30 September 2017, the Company held no open currency forward contracts.

Cross currency swaps
As at 30 September 2017, 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 2017, 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 2016	as at 30 September 2017	% hedging of the underlying liability
Česká spořitelna – EUR 90.201 mil.	2,676	5,484	108%
ČSOB – EUR 25 mil.	(1,045)	765	100%
Česká spořitelna – EUR 39.852 mil.	(460)	(35)	100%
Total	**1,171**	**6,214**	**105%**

in thous. EUR

Fair value of these swaps as at 30 September 2017, represents a receivable of the Company. To this date, these swaps cover approximately 105% of the total nominal value of the public bond issue in the amount of CZK 2.5 billion (less the sum of the repurchased bonds in the amount of CZK 198 million) and two private bond issues in the amount of CZK 1,080 million, resp. CZK 678 million.

Sensitivity of the fair value of cross currency swaps
The appreciation of CZK against EUR by 1% would, as at 30 September 2017, increase the fair value of the cross currency swaps by approximately EUR 1.6 million.

The depreciation of CZK against EUR by 1% would, as at 30 September 2017, decrease the fair value of the cross currency swaps by approximately EUR 1.5 million.

Foreign currency options
As at 30 September 2017, the Company held an open position in a foreign currency option structure that was concluded by the Company in March 2016 and which expires in July 2019. 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.

The foreign currency option structure consists of two independent transactions, a series of monthly synthetic forwards and barrier options. The purpose of the barrier options was, prior to the ČNB ending its commitment to maintaining an exchange rate, to improve the profile of the whole option structure around the exchange rate of 27 CZK/EUR.

Effective as of April 2017, the Company decided to implement hedge accounting on a part of the foreign currency option structure, the series of monthly synthetic forwards. The change in the fair value of this part of the option structure, 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 Company continues to maintain the second part of the option structure, a series of monthly barrier options, outside its hedge accounting, and the change in its fair value is booked in the profit and loss statement.

The fair value of the foreign currency option structure, as at 30 September 2017, 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 2016	as at 30 September 2017
Foreign currency option structure - series of synthetic forwards	(123)	643
Foreign currency option structure - series of barrier options	136	(14)
Total	**13**	**629**

in thous. EUR

Sensitivity of the fair value of foreign currency options
The appreciation of CZK against EUR by 5% would, as at 30 September 2017, increase the fair value of the foreign currency options by approximately EUR 1.3 million.

The depreciation of CZK against EUR by 5% would, as at 30 September 2017, decrease the fair value of the foreign currency options by approximately EUR 1.2 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 issued by the Company occurred during the first nine months of 2016. In the first nine months of 2017, the share capital of the Company was reduced from 9,229,400 shares to 8,763,859 shares, i.e. by 465,541 repurchased own shares. The reduction in share capital had no effect on the number of shares used in the profit per share indicator since it already respects the repurchased shares (by reduction).

Basic earnings per share

		Three months ended		Nine months ended	
		30/09/2016	30/09/2017	30/09/2016	30/09/2017
Net profit attributable to equity holders	'000 EUR	5,479	720	13,027	5,178
Weighted average number of ordinary shares	amount	8,768,651	8,763,859	8,767,930	8,764,764
Basic earnings per share	**EUR**	**0.62**	**0.08**	**1.49**	**0.59**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/09/2016	30/09/2017	30/09/2016	30/09/2017
Net profit attributable to equity holders	'000 EUR	5,479	720	13,027	5,178
Weighted average number of ordinary shares	amount	8,834,805	8,786,852	8,829,627	8,771,984
Diluted earnings per share	**EUR**	**0.62**	**0.08**	**1.48**	**0.59**

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 2017.

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 15 November 2017.

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

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.

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.

EMEA – Europe, Middle East and Africa.

IFRS – International Financial Reporting Standards.

IPO – Initial Public Offering.

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

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.

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.

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.

Alternative indicators of performance

In accordance with the ESMA (European Securities and Markets Authority) directive relating to transparency and investor protection in the European Union, contains this dictionary of alternative indicators of Company performance, which, however, are not defined within the scope of IFRS statements as standard measures. The definition of these indicators enables users of reports to gain additional information for the assessment of the financial situation and performance for the Company.

Performance indicator	Definition	Purpose
CAPEX	Investments into intangible property and land, buildings and equipment, including investment expenses financed by leasing.	It represents the amount of available resources invested into operations for securing long term performance.
Net debt	Financial indicator calculated as: Long term debts without the part payable within 1 year + Part of long term debts payable within one year + Short term loans – (Financial assets and financial equivalents + Highly liquid financial assets)	This indicator expresses the actual state of the Company's financial debt, i.e. the nominal debt value less financial assets, financial equivalents and highly liquid financial assets of the company. The measure is used primarily for assessing the overall proportionality of the Company's indebtedness, i.e. e.g. when compared with selected profit or balance sheet indicators of the Company.
Net debt/EBITDA	Net Debt/EBITDA, where EBITDA uses a sliding value over the last 12 months.	It expresses, on the one hand the ability of the Company to lower and repay its debt and, on the other, also its ability to accept further debt for developing its business. The measure approximately expresses the time that it would take the Company to pay off its debts from its primary source of operating cash flow.
EBIT **(Profit from operations)**	Profit including revenues less cost of goods sold and selling, general, and administrative expenses, and depreciation and amortization (before the deduction of interest and taxes).	It is used to express the operating profit of the Company, whilst at the same time eliminating the impact of differences between local tax systems and various financial activities.
EBITDA	Financial indicator that determines the operating margin of the company before the deduction of	Since it does not contain financial and tax indicators or accounting costs not including outflows, it is

	interest, taxes, depreciation and amortization. Calculated as net profit before taxation, interest expenses, interest income, exchange rate movements, other financial income/expenses and depreciation and amortization.	used by management to assess the Company's results over the course of time.
Net profit margin	Percentage margin is calculated as net earnings after income tax and before distribution to shareholders divided by total revenues.	It is used to express how well the Company converts revenues into profit available to shareholders.
EBIT margin	Percentage margin calculated as EBIT / total revenues.	It is used for assessing the operating performance of the Company.
EBITDA margin	Percentage margin calculated as EBITDA / total revenues.	It is used for expressing the profitability of the Company.
Planned EBITDA	A financial indicator defined as revenues minus costs of goods sold and other selling and administrative expenses.	It is used in the Company's business plan as a benchmark value for the evaluation of the performance in the management bonus scheme.