PEGAS NONWOVENS a.s.

FIRST QUARTER RESULTS

2018

17 May 2018

First Quarter of 2018 Unaudited Consolidated Financial Results

PEGAS NONWOVENS a.s. announces its unaudited consolidated financial results for the first quarter of 2018 to 31 March 2018 prepared according to International Financial Reporting Standards (IFRS).

„The EBITDA of CZK 327 million achieved in the first quarter, which was not significantly impacted by external effects, met our expectations and is in line with our target for this year.

Compared to the preceding quarters, production volume was slightly lower, primarily due to planned maintenance breaks on several of our production lines. Nevertheless, in terms of production parameters, production went well and together with solid sales supported the figures for the first quarter.

Apart from standard operational matters, we are of course also focusing on long term projects. The key project for this year is the construction of the plant in South Africa. In April, we selected the general building contractor that will continue building upon the rough earthworks that were completed in February. The construction phase should be complete early next year, so that we can start with commercial deliveries in the second quarter of 2019.

I am confident that we will be able to continue on with the trend established since the beginning of the year, and that I will be able to report on successes in the operational field and about the progress with respect to our projects," said František Řezáč, CEO and Chairman of the Board of PEGAS NONWOVENS a.s.

Overview of Financial Results

	First quarter January - March 2018	yoy
Financials (CZK mil.)		
Revenues	**1,460.3**	**(3.1%)**
Operating costs without depreciation and amortization	(1,133.2)	(5.8%)
EBITDA	**327.0**	**7.6%**
Depreciation and amortization	(115.0)	3.2%
Profit from operations (EBIT)	**212.0**	**10.1%**
FX gains/(losses) and other financial income/(expense) (net)	(32.4)	10.5%
Interest expense (net)	(45.6)	(6.0%)
Income tax – (expense)/income net	(25.8)	62.7%
Net profit	**108.3**	**9.4%**
Net debt	4,808.0	15.6%
Capital expenditure	(86.1)	(37.7%)
Profitability ratios		
EBITDA margin	22.4%	2.2 p.p.
Operating profit margin	14.5%	1.7 p.p.
Net profit margin	7.4%	0.8 p.p.
Operations		
Production output in tonnes	27,067	6.8%
Number of employees - end of period	593	1.2%
Number of employees - average	591	1.4%
Exchange rates		
EUR/CZK - average	25.402	(6.0%)
EUR/CZK - end of period	25.430	(5.9%)
EUR/USD - average	20.669	(18.6%)
EUR/USD - end of period	20.641	(18.4%)
EUR/ZAR - average	1.727	(10.1%)
EUR/ZAR - end of period	1.740	(8.3%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first quarter of 2018, consolidated revenues (revenues from sales of finished products) reached CZK 1,460.3 million, down by 3.1% yoy. The development in the price of polymers had a positive effect on the year-on-year revenue development since polymer prices rose by more than 10% yoy. Likewise, sales volumes in tonnage terms also rose as a result of the launch of production capacities in the second quarter of 2017. The negative impact on sales expressed in CZK was caused by an appreciation of the CZK relative to the EUR since the vast majority of all the Company's revenues are realised in EUR.

In the first quarter of 2018, total operating costs without depreciation and amortization (net) fell by 5.8% to CZK 1,133.2 million primarily due to the appreciation of the CZK exchange rate, which had a positive effect namely on the costs of raw materials purchased in EUR.

In the first quarter of 2018, EBITDA amounted to CZK 327.0 million, up by 7.6% yoy. This result is in line with the guidance range announced at the beginning of the year, when the Company indicated an increase in EBITDA in the range from CZK 1.22 to 1.38 billion. The primary contributor to the year-on-year EBITDA increase was the launch of new production capacities in the second quarter of 2017. Likewise, the polymer price pass-through mechanism had a slightly positive impact since polymer prices were rather stable compared to the increase in polymer prices in the first quarter of last year. The impact of the revaluation of the share option plan on the first quarter results of 2018 was practically neutral year-on-year.

EBITDA margin reached 22.4% in the first quarter of this year, growing by 2.2 percentage points compared with the same period last year.

Operating Costs

Total raw materials and consumables used in the first quarter of 2018 amounted to CZK 1,043.2 million, which represented a decline of 6.8% yoy. The reason for the decline was namely the appreciation of the CZK exchange rate.

In the first quarter of 2018, total staff costs amounted to CZK 86.3 million, i.e. up by 3.1% yoy. The impact of revaluation of the share option plan represented an expense of CZK 3.9 million in the first quarter of 2018, i.e. a decrease of CZK 2.2 million with respect to the comparable period last year.

In the first half of 2018, other operating income/expense (net) amounted to CZK 3.7 million.

Depreciation and Amortization

In the first quarter of 2018, consolidated depreciation and amortization reached CZK 115.0 million, up by 3.2% yoy thanks to the launch of new production capacity in the second quarter of 2017.

Profit from Operations

In the first quarter of this year, profit from operations (EBIT) amounted to CZK 212.0 million, up by 10.1% compared with the first quarter of 2017.

Financial Income and Costs

In the first quarter of 2018, FX changes and other financial income/(expense) (net) amounted to an expense of CZK 32.4 million compared with an expense of CZK 29.3 million booked in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The loss in the first quarter was caused by further depreciation of the dollar by almost 3%, 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.

Interest expenses (net) related to debt servicing reached CZK 45.6 million in the first quarter of 2018, which is down by 6.0% relative to the same period last year. The reason for the decline in interest expenses was the appreciation of the CZK exchange rate since interest expenses are predominantly denominated in EUR.

Income Tax

In the first quarter of 2018, income tax expense amounted to CZK 25.8 million, up by 62.7% compared with 2017. Current tax payable amounted to CZK 28.4 million, changes in deferred tax represented an income of CZK 2.6 million.

Net profit

Net profit reached CZK 108.3 million in the first quarter of 2018, up by 9.4% yoy.

Investments

In the first quarter of 2018, total capital expenditure amounted to CZK 86.1 million, i.e. a 37.7% decrease compared with last year. Of this amount, CZK 57.8 million was spent on investments into production capacity expansion, with the remainder being maintenance CAPEX.

Cash and Indebtedness

The amount of net debt as at 31 March 2018, was CZK 4,808.0 million, down by 3.5% compared with the level as at 31 December 2017. Compared with the previous quarter, the net debt to EBITDA ratio fell to 4.01. The ratio of net debt adjusted for the fair value of cross currency swaps to EBITDA adjusted for the revaluation of warrants was 3.60x.

Business Overview for the first quarter of 2018

In the first quarter of 2018, the total production output (net of scrap) reached 27,067 tonnes, up by 6.8% compared with the same period in 2017 as a result of the launch of the new production capacity in the second quarter of 2017.

In the first quarter of 2018, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 87.8% share of total revenues. In the first quarter of 2018, revenues from sales of non-hygiene products (for construction, agricultural and medical applications) represented a 12.2% share of total revenues.

Revenues from sales to Western Europe represented a 35.3% share of total revenues compared with a 33.0% share achieved in the first quarter of last year. Revenues from sales to Central and Eastern Europe and Russia represented a 41.5% share of total revenues compared with a 42.2% share that was achieved in the comparable period last year. Revenues from sales to other territories represented a 23.3% share of total revenues.

Guidance for 2018

In the first quarter of 2018, the Company achieved financial results that are in line with its expectations and with the announced guidance for the entire year 2018.

Based on the results achieved in the first quarter of 2018 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 2018 and expects this year's EBITDA to be in the range from CZK 1.22 to 1.38 billion.

The Company is planning for total CAPEX in 2018 not to exceed the CZK 1.05 billion level.

PEGAS NONWOVENS a.s.

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

for the three months ended 31 March 2018

Condensed Consolidated Statement of Comprehensive Income

	Three month period ending		
in thousand CZK	**31 March 2017** (unaudited)	**31 March 2018** (unaudited)	**% change**
Revenue	1,506,535	1,460,275	(3.1%)
Raw materials and consumables used	(1,119,462)	(1,043,230)	(6.8%)
Staff costs	(83,725)	(86,347)	3.1%
Other operating income/(expense) net	689	(3,659)	n/a
EBITDA	**304,036**	**327,038**	**7.6%**
EBITDA margin	***20.2%***	***22.4%***	***2.2 pp***
Depreciation and amortization expense	(111,426)	(115,007)	3.2%
Profit from operations	**192,610**	**212,031**	**10.1%**
FX gains and other financial income	2,927	28,909	887.7%
FX losses and other financial expenses	(32,232)	(61,278)	90.1%
Interest income	399	727	82.2%
Interest expense	(48,916)	(46,325)	(5.3%)
Profit before tax	**114,788**	**134,065**	**16.8%**
Income Tax	(15,862)	(25,801)	62.7%
Net profit after tax	**98,925**	**108,264**	**9.4%**
Other comprehensive income			
Net value gain/(loss) on cash flow hedges	21,252	8,943	(57.9%)
Changes in translation reserves	(40,580)	(11,470)	(71.7%)
Total comprehensive income for the period	**79,597**	**105,737**	**32.8%**
Net earnings per share			
Basic net earnings per share (CZK)	11.28	12.35	9.5%
Diluted net earnings per share (CZK)	11.25	12.35	9.8%

Condensed Consolidated Statement of Financial Position

in thousand CZK	1 January 2018 (unaudited)	31 March 2018 (unaudited)
Assets		
Non-current assets		
Property, plant and equipment	4,918,015	4,841,188
Intangible assets	159,083	160,304
Goodwill	2,320,136	2,320,127
Total non-current assets	**7,397,234**	**7,321,619**
Current assets		
Inventories	717,278	665,530
Trade and other receivables	2,082,303	2,097,199
Income tax receivables	0	0
Cash and cash equivalents	1,513,977	1,437,307
Total current assets	**4,313,558**	**4,200,036**
Total assets	**11,710,792**	**11,521,655**
Equity and liabilities		
Share capital and reserves		
Share capital	277,494	277,494
Legal and other reserves	84,103	84,103
Treasury shares	0	0
Translation reserves	276,821	265,351
Cash flow hedge reserves	41,265	50,208
Retained earnings	3,526,424	3,634,688
Total share capital and reserves	**4,206,107**	**4,311,844**
Non-current liabilities		
Long term bank loans	0	0
Deferred tax liabilities	517,033	509,369
Long term bonds	3,920,618	3,894,904
Total non-current liabilities	**4,437,651**	**4,404,273**
Current liabilities		
Trade and other payables	482,509	431,729
Tax liabilities	11,108	10,910
Short term bank loans	271,417	48,378
Short term bonds	2,302,000	2,302,000
Provisions	0	12,521
Total current liabilities	**3,067,034**	**2,805,538**
Total liabilities	**7,504,685**	**7,209,811**
Total equity and liabilities	**11,710,792**	**11,521,655**

Condensed Consolidated Statement of Cash Flows

in thousand CZK	2017 (unaudited)	2018 (unaudited)
Profit before tax	**114,788**	**134,065**
Adjustment for:		
Depreciation and Amortization	111,426	115,007
Foreign exchange gains/losses	28,287	23,547
Interest expense	48,916	46,325
Other changes in equity	21,238	8,936
Other financial income/(expense)	4,182	10,944
Cash flows from operating activities		
Decrease/(increase) in inventories	127,468	40,816
Decrease/(increase) in receivables	(80,992)	(27,000)
Increase/(decrease) in payables	8,035	(63,254)
Income tax (paid) / received	(51,482)	(22,669)
Net cash flows from operating activities	**331,866**	**266,717**
Cash flows from investment activities		
Purchases of property, plant and equipment	(138,214)	(86,083)
Net cash flows from investment activities	**(138,214)**	**(86,083)**
Cash flows from financing activities		
Increase/(decrease) in short term bank loans and bonds	0	(223,040)
Increase/(decrease) in long term bonds	1,343,595	(25,703)
Acquisition of own shares and other changes in equity	(3,249)	1
Distribution of dividends	(3)	0
Interest paid	0	(24,128)
Other financial income/(expense)	(4,182)	15,567
Net cash flows from financing activities	**1,336,161**	**(257,303)**
Cash and cash equivalents at the beginning of the period	654,415	1,513,977
Net increase (decrease) in cash and cash equivalents	1,530,621	(76,670)
Cash and cash equivalents at the end of the period	**2,185,036**	**1,437,307**

Condensed Consolidated Statement of Changes in Equity

in thous. CZK	Share capital	Legal and other reserves	Treasury shares	Translation reserves	Cash flow hedge reserves	Retained earnings	Total share capital and reserves
as at 1 January 2017	**309,229**	**54,020**	**(369,422)**	**169,647**	**16,428**	**4,109,127**	**4,289,030**
Distribution	0	0	0	0	0	0	**0**
Other comprehensive income for the period	0	0	0	(40,580)	21,252	0	**(19,328)**
Net profit for the period	0	0	0	**0**	**0**	98,925	**98,925**
Acquisition of own shares	0	0	(3,269)	0	0	0	**(3,269)**
Legal reserves created from retained earnings	0	0	0	0	0	0	**0**
Other effects	115	15	(121)	0	0	1,564	**1,573**
as at 31 March 2017	**309,344**	**54,035**	**(372,812)**	**129,067**	**37,680**	**4,209,616**	**4,366,929**
as at 31 December 31 2017	**277,494**	**84,103**	**0**	**276,821**	**41,265**	**3,439,375**	**4,119,058**
Application of new IFRS	0	0	0	0	0	87,049	**87,049**
as at 1 January 2018	**277,494**	**84,103**	**0**	**276,821**	**41,265**	**3,526,424**	**4,206,107**
Distribution	0	0	0	0	0	0	**0**
Other comprehensive income for the period	0	0	0	(11,470)	8,943	108,264	**105,737**
Net profit for the period	0	0	0	**0**	**0**	0	**0**
Acquisition of own shares	0	0	0	0	0	0	**0**
Legal reserves created from retained earnings			0	0	0	0	**0**
as at 31 March 2018	**277,494**	**84,103**	**0**	**265,351**	**50,208**	**3,634,688**	**4,311,844**

Selected explanatory notes to the interim consolidated financial statements

Rounding off and presentation

The figures presented in this interim financial statement 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.

As a result of the transfer of the Company's head office to the Czech Republic and a change in the nationality of the Company from Luxembourg nationality to Czech nationality, effective as of 1 January 2018, the Company changed its functional and presentation currency from EUR to CZK.

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 consolidated financial statements for the year ended 31 December 2017.

Adoption of new and revised standards

The expected 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 2017.

In the first quarter of 2018, the Company applied IFRS 15 and IFRS 9 for the first time. The impact of the application of these new IFRS standards on retained earnings is shown in the Consolidated statement of changes in equity and in the table below.

	Impact of application of new IFRS standards
Trade and other receivables	429,907
Inventories	(342,858)
Total assets	**87,049**
Retained earnings	87,049
Total equity and liabilities	**87,049**

in thousand CZK

Disclosures on seasonal and economic influences

The business of PEGAS NONWOVENS a.s. 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

On 18 December 2017, the Extraordinary General Meeting of the Company resolved to transfer the head office to the Czech Republic and to change the nationality (status) of the Company from Luxembourg nationality to Czech nationality. Concurrently, with effect as of 1 January 2018, the Extraordinary General Meeting resolved to accept a new wording of the Articles of Association and to change the name of the Company to PEGAS NONWOVENS a.s.

Issue, repurchase and repayments of debt and equity securities

During the course of the first quarter of 2018, the Company utilized a bank overdraft facility. The Company did not conclude any new bank facilities in the first quarter of 2018.

In the first three months of 2018, upon the request of creditors, partial buybacks of bonds were performed. On 29 March 2018, the nominal of bond CZ0003512808 was paid off prematurely in the amount of CZK 6,370,000 plus accrued interest in the amount of CZK 37,448.53.

Important events and transactions

On 14 March 2018, the Company received a decision regarding the commitment for investment incentives from the Ministry of Industry and Trade for the subsidiary PEGAS – GIC 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 tax relief and financial support for job creation in the maximum amount of 21.54% of the total value of qualified expenses and for the maximum amount of CZK 212.635 million, whist the tax relief can be exercised for a period of ten directly consecutive taxation periods.

Material events subsequent to the end of the interim period

The management of the Group is not aware of any other events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 31 March 2018.

Information about the fair value of financial instruments

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

Interest rate swaps

As at 31 March 2018, the Group held no open interest rate swaps.

Cross currency swaps

As at 31 March 2018, the Group held three open cross currency swaps.

The first swap was concluded in November 2014 in the 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 of CZK-denominated public bonds Pegas 2.85/2018 issued by the holding company PEGAS NONWOVENS a.s. The swap has a fixed interest rate of 3.1% p.a.

The second swap was concluded in July 2015 in the total nominal value of CZK 678,000 (receiving leg) against EUR 25,000 (paying leg) for the purpose of hedging foreign currency risks in relation to the issuance of private bonds that were issued by the subsidiary PEGAS NONWOVENS Czech s.r.o. denominated in CZK maturing 14 July 2025, bearing a floating interest rate of 6M PRIBOR + 2% p.a. The swap bears a fixed interest rate of 3.39% p.a.

The third swap was concluded in July 2015 in the total nominal value of CZK 1,080,000 (receiving leg) against EUR 39,852 (paying leg) for the purpose of hedging foreign currency risks in relation to the issuance of private bonds that were issued by the holding company PEGAS NONWOVENS Czech a.s. denominated in CZK maturing 14 July 2022, bearing a fixed interest rate of 2.646% p.a. The swap bears a fixed interest rate of 3.15% p.a.

The Group accounted for these cross currency swaps under hedge accounting principles. Changes in the fair value of these swaps were reported in equity. As at 31 December 2017, the Group resolved to terminate its hedge accounting with relation to the first and third swap, which hedged CZK-denominated bonds issued by the holding company PEGAS NONWOVENS SA. The reason for the termination of this hedge accounting was the transfer of the head office of the holding company to the Czech Republic and the change of the functional currency from EUR to CZK effective as at 1 January 2018. Due to this fact, the reasons for hedging prospectively ceased to exist. All profit and loss cumulated in share capital was as at 31 December 2017 reported in the financial results.

The fair value of these swaps, as at 31 March 2018, is presented in the following table. A positive value represents a receivable of the Group, a negative value a payable of the Group.

Counterparty	as at 31 March 2017	as at 31 March 2018	% hedging of the underlying liability
Česká spořitelna – EUR 90.201 mil.	85,955	186,983	108%
Česká spořitelna – EUR 25 mil.	(1,147)	32,268	100%
Česká spořitelna – EUR 39.852 mil.	2,926	18,618	100%
Total	**87,734**	**237,869**	**105%**

in thous. CZK

Fair value of these swap as at 31 March 2018 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.

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 31 March 2018, increase the fair value of the cross currency swaps by approximately CZK 40 million.

The depreciation of CZK against EUR by 1%, as at 31 March 2018, would decrease the fair value of the cross currency swaps by approximately CZK 38 million.

Currency forward contracts

As at 31 March 2018, the Group held no open currency forward contracts.

Foreign currency options

As at 31 March 2018, the Group 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 Group expends each month on the payment of wages and salaries. Based on this structure, the Group 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.

Effective as of April 2017, the Group decided to implement hedge accounting on a part of the foreign currency option structure by a 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 Group 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 31 March 2018, is presented in the following table. A positive value represents a receivable of the Group, a negative value a payable of the Group.

Counterparty	as at 31.3.2018	as at 31.3.2017
Foreign currency option structure – series of synthetic forwards	20,021	(1,277)
Foreign currency option structure – series of barrier options	(126)	518
Total	**19,895**	**(759)**

in thousand CZK

Sensitivity of the fair value of the foreign currency option structure
The appreciation of CZK against EUR by 5% would, as at 31 March 2018, increase the fair value of the foreign currency option structure by approximately CZK 27.5 million.

The depreciation of CZK against EUR by 5% would, as at 31 March 2018, decrease the fair value of the foreign currency option structure by approximately CZK 25.0 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.

The weighted average number of ordinary registered shares used for the calculation of the basic earnings per share, as at 31 March 2017, reflects the bought back shares. In June 2017, the Annual General Meeting resolved to lower the share capital by the cancellation of 465,541 own shares. Following the cancellation of own shares, the share capital of the Company consists of 8,763,859 shares.

The weighted average of the number of ordinary registered shares used for the calculation of diluted earnings per share, as at 31 March 2017, is based on the number of shares used for the calculation of basic earnings per share, whilst taking into account (by increasing) the potential diluting securities, i.e. warrants. The weighted average of the number of ordinary registered shares used for the calculation of diluted earnings per share, as at 31 March 2018, is based on the number of shares used for the calculation of basic earnings per share, since currently there exist no potentially diluting securities, which would need to be taken into consideration for the calculation of diluted earnings per share.

Basic earnings per share

		Three months ended	
		31 March 2017	31 March 2018
Net profit attributable to equity holders	'000 CZK	98,925	108,264
Weighted average number of ordinary shares	amount	8,766,573	8,763,859
Basic earnings per share	**CZK**	**11.28**	**12.35**

Diluted earnings per share

		Three months ended	
		31 March 2017	31 March 2018
Net profit attributable to equity holders	'000 CZK	98,925	108,264
Weighted average number of ordinary shares	amount	8,794,390	8,763,859
Diluted earnings per share	**CZK**	**11.25**	**12.35**

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 16 May 2018.

František Řezáč
Chairman of the Board of Directors
PEGAS NONWOVENS a.s.

Marian Rašík
Member of the Board of Directors
PEGAS NONWOVENS a.s.

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 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.	Since it does not contain financial and tax indicators or accounting costs not including outflows, it is 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.