PFNonwovens a.s.

HALF YEAR REPORT

2018

23 August 2018

Contents

Introduction

PFNonwovens a.s. (hereinafter "Company") and its subsidiaries (hereinafter "Group") are one of the leading producers of nonwoven textiles in the EMEA region (Europe, Middle East and Africa) for use primarily in the personal hygiene products market.

In 2017, R2G Rohan Czech s.r.o (since 13 June 2018 PFNonwovens Holding s.r.o.) became the majority shareholder. PFNonwovens a.s. and its subsidiaries, i.e. the Group, are members of the global concern PFNonwovens („PFN“). PFNonwovens a.s. is accordingly subject to single management by PFNonwovens Holding s.r.o. on a concern basis. International management of the PFN concern consists of managers with proven successful track records who have long-term nonwovens sector experience and have worked for the daughter companies of the new PFN concern for many years. The Global Chief Executive Officer of the PFN concern is Allen Bodford who used to head First Quality Nonwovens operations in the USA and China. František Řezáč is Global Chief Business Development Officer. František Klaška is Global Chief Product and Technical Officer and Marian Rašík is Global Chief Financial Officer. “

The Group for which this half year report is prepared consists of the holding company PEGAS NONWOVENS a.s with its head office in the Czech Republic and four operating companies, PEGAS NONWOVENS Czech s.r.o., PEGAS - NW a.s., PEGAS - NS a.s. and PEGAS – GIC a.s., all with head offices in the Czech Republic. In 2010, PEGAS NONWOVENS International s.r.o. was established as a special purpose company for the execution of potential investment opportunities and this was followed by the establishment of PEGAS NONWOVENS EGYPT LLC in June 2011, a company that invests in the Egyptian production facility. In July 2016, the subsidiary PEGAS NONWOVENS RSA (PTY) LTD was established for the purpose of executing the investment project in the Republic of South Africa. As at 30 June 2018, the Group employed 593 people.

The Group supplies its customers with spunbond and meltblown (together "spunmelt") polypropylene- and polypropylene/polyethylene- based ("PP" and "PP/PE") textiles principally for use in disposable hygiene products (such as baby diapers, adult incontinence and feminine hygiene products) and, to a lesser extent, in construction, agricultural and medical applications.

Founded in 1990, over almost thirty years the Group has grown to become one of the largest producers of spunmelt nonwovens in the EMEA region (based on 2017 annual production capacity). Presently, the Group operates nine production lines in the Czech Republic and one production line in Egypt. The total annual production capacity of the Group is presently up to 100 thousand tonnes of nonwoven textiles in the Czech Republic and up to 20 thousand tonnes in Egypt.

Following an Initial Public Offering in December 2006, the Company’s shares are listed on the Prague Stock Exchange.

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

First Half 2018 Key Figures

	January – June 2018	yoy	April - June 2018	yoy
Financials (CZK million)				
Revenues	**2,984.2**	**(0.3%)**	**1,523.9**	**2.6%**
Operating costs without depreciation and amortization	(2,322.1)	(4.7%)	(1,188.9)	(3.7%)
EBITDA	**662.1**	**19.3%**	**335.0**	**33.5%**
Depreciation and Amortization	(231.1)	4.0%	(116.1)	4.8%
Profit from operations (EBIT)	**431.0**	**29.5%**	**218.9**	**56.2%**
FX changes and other financial income / (expense) (net)	(21.3)	(74.7%)	11.1	n/a
Interest expense (net)	(90.5)	(8.9%)	(44.9)	(11.6%)
Income tax – (expense)/income	(39.3)	30.6%	(13.5)	(5.2%)
Net profit	**279.9**	**134.4%**	**171.7**	**737.9%**
Net debt	4,769.7	7.5%	4,769.7	7.5%
Capital expenditures (CAPEX)	252.6	(35.0%)	166.5	(33.4%)
Profitability indicator ratios				
EBITDA margin	22.2%	3.6 pp.	22.0%	5.1 pp.
Operating profit margin	14.4%	3.3 pp.	14.4%	5.0 pp.
Net profit margin	9.4%	5.4 pp.	11.3%	9.9 pp.
Operational indicators:				
Production output in tonnes	54,533	4.0%	27,466	1.4%
Number of employees - at end of period	593	1.2%	593	1.2%
Number of employees - average	591	1.5%	594	2.2%
Exchange Rates				
EUR/CZK - average	25.500	(4.8%)	25.599	(3.5%)
EUR/CZK - at end of period	26.020	(0.7%)	26.020	(0.7%)
USD/CZK - average	21.080	(14.8%)	21.499	(10.7%)
USD/CZK - at end of period	22.318	(2.8%)	22.318	(2.8%)
ZAR/CZK - average	1.713	(8.6%)	1.699	(7.0%)
ZAR/CZK - at end of period	1.621	(7.6%)	1.621	(7.6%)

Statement of Mr. František Řezáč, CEO and Chairman of the Board of Directors of PFNonwovens a.s.:

"The financial results in the first half met our expectations. EBITDA reached CZK 662.1 million and compared with last year grew by almost 20%. The driving forces behind this growth were strong production and sales results and the positive impact of the polymer price pass-through mechanism year-on-year.

With respect to the achieved results in the first half of this year, we can confirm our outlook for full year EBITDA in the range from CZK 1.22 to 1.38 billion.

The Company's financial results were in line with our expectations, nevertheless, probably the most important event to have occurred in the past few months was the acquisition of the nonwoven textile manufacturer First Quality Nonwovens (FQN), which was announced in May and subsequently completed in June by our majority shareholder, family office R2G. That created a new global nonwoven textile producer PFNonwovens with a total annual production exceeding 210,000 tonnes of nonwoven textiles, with production plants located on four continents: Europe, Africa, North America and Asia. The whole group now forms PFNonwovens holding (concern) which is subject to single management by PFNonwovens Holding s.r.o.

In connection with the establishment of the new PFNonwovens holding (concern) with head office in Prague, the corporate identity is also undergoing changes, which are still underway and will be finished over the next couple of weeks.

Apart from this very important event, we will certainly also remain focused on our other strategic projects. In South Africa the construction of the plant is under way and the building works are running according to plan. We expect to commence the installation of the line in November and to start the commercial deliveries at the end of the first half of next year.

Our next project, a new semi-commercial production line at the Znojmo production plant is, likewise, entering the building phase. Within the next few months, building modification works will be carried out in the production-warehousing hall in Znojmo-Přímětice and the installation of the production line will then follow in January next year. We expect to start commercial production on the line during the third quarter of 2019," said František Řezáč, CEO and Chairman of the Board of Directors of PFNonwovens a.s.

Interim Management Report for the First Half of 2018

Financial Results in the First Half of 2018

Revenues, Costs and EBITDA

In the first half of 2018, consolidated revenues (revenues from sales of products) reached CZK 2,984.2 million, down by 0.3% yoy. In the second quarter of this year, the total consolidated revenues were CZK 1,523.9 million, a 2.6% increase compared with the same period last year. Sales volumes in tonnage terms increased year-on-year in line with the increase in production as a result of new production capacity launched in the second quarter of 2017. The appreciation of CZK had a negative impact on revenues denominated in CZK due to the fact that the vast majority of the Company's revenues are in EUR.

In the first half of 2018, total consolidated operating costs without depreciation and amortization (net) declined by 4.7% yoy to CZK 2,322.1 million. In the second quarter of 2018, consolidated operating costs without depreciation and amortization (net) were CZK 1,188.9 million, representing a decrease of 3.7% yoy. The reason for the decline in operating costs denominated in CZK was primarily the year-on-year appreciation of the Czech currency, which had a positive effect namely on the costs of input raw materials, which are purchased in EUR.

In the first half of 2018, EBITDA amounted to CZK 662.1 million, up by 19.3% yoy. The year-on-year increase in EBITDA was primarily the result of new production capacity being put into operation in the second quarter of 2017. Likewise, in the first half of this year, the polymer price pass-through mechanism had a positive impact as the price of polymers remained more or less stagnant compared with the growth in polymer prices registered in the first half of last year. A more significant increase in polymer price indices occurred only in June, however, this increase will be projected into the Company's financial results with a delay. On a year-on-year comparison basis, the effect of the revaluation of the share option plan was positive, where in the first half of 2018 it represented an expense in the amount of CZK 5.4 million compared with an expense of CZK 22.6 million in the first half of 2017. Thus, EBITDA, adjusted for the effect of the revaluation of the share option plan, increased by 15.6% yoy to CZK 667.4 million.

In the first half of 2018, the EBITDA margin was 22.2%, which is 3.6 percentage points higher than in the same period in 2017. In the first half of 2018, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 22.4%, which is 3.1 percentage points higher than in the same period in 2017.

EBITDA amounted to CZK 335.0 million in the second quarter of 2018, up by 33.5% yoy. The revaluation of the share option plan represented an expense of CZK 1.5 million in the second quarter of 2018, compared with an expense of CZK 16.6

million in the comparable period of the preceding year. EBITDA adjusted for this effect grew by 25.8% yoy to CZK 336.5 million.

The EBITDA margin in the second quarter of 2018 amounted to 22.0%, which is 5.1 percentage points above the previous year. In the second quarter of 2018, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 22.1%, which is 4.1 percentage points higher than in the same period in 2017.

Operating Costs

Total raw materials and consumables used in the first half of this year amounted to CZK 2,147.0 million, a 4.4% yoy decrease. In the second quarter of 2018, this item reached CZK 1,103.8 million, a decrease of 2.0% compared with the same period in the previous year. The reason for the decline was primarily the appreciation of CZK even despite the higher polymer purchase prices on a year-on-year comparison.

In the first half of 2018, total staff costs amounted to CZK 173.0 million, a decrease of 3.5% yoy. The revaluation of the share option plan had the greatest effect on the year-on-year comparison of staff costs. In the first half of 2018, total staff costs adjusted for this effect amounted to CZK 167.6 million, an increase of 7.0% yoy. In the second quarter, staff costs fell by 9.3% to CZK 86.7 million. The decline in staff costs resulted from the different impact of the revaluation of the share option plan in the compared periods. In the second quarter of 2018, total staff costs adjusted for this effect amounted to CZK 85.2 million, an increase of 7.8%.

Other operating expenses (net) reached CZK 2.2 million compared to an expense of CZK 12.5 million in the same financial period of 2017. In the second quarter of 2018, Other operating income/expense (net) amounted to an income of CZK 1.5 million.

Depreciation and Amortization

Consolidated depreciation and amortization amounted to CZK 231.1 million in the first half of 2018, up by 4.0% yoy. In the second quarter of this year, consolidated depreciation and amortization amounted to EUR 116.1 million, up by 4.8% yoy.

Profit from Operations

In the first half of 2018, profit from operations (EBIT) amounted to CZK 431.0 million, up by 29.5% over the same period in 2017.

In the second quarter of 2018, profit from operations (EBIT) when compared on a year-on-year basis, increased to CZK 218.9 million, up by 56.2% yoy.

The factors behind the operating results were the same as those affecting the development of EBITDA.

Financial Income and Costs

In the first half of 2018, foreign exchange changes and other financial income/expense (net) amounted to an expense of CZK 21.3 million compared to an expense of CZK 84.0 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 by the development of the USD/EUR exchange rate, where in the first half of this year the dollar appreciated by almost 3% compared with last year, when it depreciated. The appreciation of USD against EUR was positive since it led to unrealized exchange rate gains related to the revaluation of balance sheet items denominated in EUR, in particular due to the revaluation of the intra-company loan provided to the subsidiary in Egypt. The second factor, the impact of which was negative, was the depreciation of the CZK against the EUR, which had a negative effect on the revaluation of liabilities arising from EUR-denominated bonds. In the second quarter of 2018, foreign exchange changes and other financial income/(expense) (net) represented a gain of CZK 11.1 million, compared with a loss of CZK 54.7 in the comparable period in the previous year. The predominant effect was the appreciation of the dollar, which appreciated by more than 5% in the second quarter alone.

Interest expenses (net) related to debt servicing amounted to CZK 90.5 million in the first half, an 8.9% decrease compared with the same period in 2017. In the second quarter of 2018, interest expenses (net) related to debt servicing amounted to CZK 44.9 million, a 11.6% decrease compared with the same period last year. The reason for the decline in interest expenses was the appreciation of CZK since interest expenses are predominantly denominated in EUR.

Income Tax

In the first half of 2018 income tax amounted to CZK 39.3 million, up by 30.6% over the same period in 2017. Current tax payable amounted to CZK 57.4 million, changes in deferred tax represented a gain of CZK 18.1 million.

In the second quarter of 2018, income tax amounted to an expense in the amount of CZK 13.5 million. In the second quarter of 2018, current income tax payable amounted to CZK 29.0 million, while changes in deferred tax represented revenue of CZK 15.5 million.

Net profit

In the first half of 2018, Net profit reached CZK 279.9 million, up by 134.4% yoy primarily due to improved operating results and lower reported unrealized foreign exchange changes in the compared periods. In the second quarter of 2018, the Company achieved a net profit of CZK 171.7 million.

Investments

In the first half of 2018, consolidated capital expenditures represented CZK 252.6 million, compared to CZK 388.3 million over the same period last year. Of this amount, CZK 182.7 million was spent on investments into production and warehousing capacity expansion, with the remainder being maintenance CAPEX. In the second quarter of 2018, consolidated capital expenditures represented CZK 166.5 million, compared to CZK 250.0 million over the same period last year.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 June 2018 was CZK 6,246.4 million. Net Debt as at 30 June 2018 reached CZK 4,769.7 million, down by 4.2% compared with 31 December 2017. As at 30 June 2018, the Net Debt/EBITDA ratio was 3.72x. As at 30 June 2018, the fair value of the cross currency swaps hedging the bond issues represented a receivable in the amount of CZK 103.7 million and thereby effectively reduced the value of net debt to

CZK 4,666.0 million, resp. a Net Debt/EBITDA ratio of 3.64x.

Free cash-flow

Practically all free cash-flow generated by the business is used to finance CAPEX and debt servicing as evidenced by the table below showing extracts from the statement of cash flows.

Net cash from operating activities	**608,562**
Purchases of property, plant and equipment	(252,570)
Increase/(decrease) in current bank loans and bonds	(271,418)
Increase/(decrease) in other long term payables	(2,543)
Interest paid	(24,255)
Free-cash flow	**57,776**

‘000 CZK

Business Overview for the First Half of 2018

In the first half of 2018, the total production output (net of scrap) reached 54,533 tonnes, up by 4.0% compared with the first half of 2017. In the second quarter of 2018, the Company produced 27,466 tonnes, i.e. an increase of 1.4% over the same period last year.

In the first half of 2018, the share of revenues from sales of nonwoven textiles for the hygiene industry represented an 89.2% share of total revenues.

The geographical distribution of its markets[1], confirms the Company's steady focus on sales to the broader European area. In the first half of 2018, revenues from sales to Western Europe amounted to 34.2%, revenues from sales to Central and Eastern Europe and Russia amounted to 39.5% and revenues from sales to other territories amounted amounted to the remaining 26.3%.

Research and Development

The development of new applications, products and the optimisation of technologies are some of the key components of the current and future strategy of the Company. Further information about the area of research and development is available in the 2017 Annual Report.

Risk Factors

The Company’s business, results of operations and financial condition may be adversely affected by a set of factors. The individual risk factors are described in the 2017 Annual Report.

Expected development of the financial situation, business activity and financial results in the second half of 2018

The business of the Company is not typically subject to seasonal or economic influences other than the general economic cycle, although the hygiene market is to a large extent non-cyclical. Therefore, the Company does not expect any significant change in sales volumes, resp. production volumes in the second half of the year compared with the first half

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

of the year. The overall development of the Company's financial results is to a certain extent affected by external factors, the most significant of which is the development of the polymer price indices, which affect both the expenses as well as revenues of the Company. The development of price indices cannot be predicted with sufficient accuracy.

During the second half of 2018, standard concern management measures are to be introduced into the management structure.

The Company will continue with its investments into the construction of the new production plant in South Africa and will prepare the space for the new semi-commercial production line in the existing production-warehousing hall in Znojmo-Přímětice.

The Company will continue to focus on continuous repairs and modernisation of existing production facilities and meeting the strategic objectives of the Company.

Public bond refinancing in November

The public bond issue (CZ0000000559) with an outstanding nominal of CZK 2,302 million, resp. EUR 90 million matures on 14 November 2018. The Company will use the proceeds of EUR 50 million, resp. CZK 1,300 million from the private bonds issued in January 2017 which are deposited on a special account for this purpose. Additional CZK 187 million will flow from the settlement of the cross currency interest rate swap which hedges the public bond issue. The remaining amount of approximately EUR 31 million, resp. CZK 815 million will be refinanced by drawing a short-term bank debt.

2018 Outlook Confirmed

In the first half of 2018, the Company achieved financial results that were in line with its expectations and with the announced outlook for the entire year 2018.

Based on the results achieved in the first half 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.

Shares and Shareholder Structure

Shareholder Structure as at 30 June 2018

Total	100.0%
of which PFNonwovens Holding s.r.o.	88.7%
of which free float (institutional and retail investors)	11.3%
of which own shares	0.0%
of which held by the Board of Directors	0.0%

Public trading of shares

The Company's shares have been traded on the Prague Stock Exchange (PSE) under the identification number ISIN LU0275164910 since December 2006. Since 19 March 2007, they are part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

The list of shareholders is replaced by a register of book-entry shares held at the Central Securities Depository Prague a.s., pursuant to special legal regulations.

Share price and trading development in the first half of 2018

In the first half of 2018, Company shares totalling CZK 275 million were traded on the Prague Stock Exchange. The lowest trading price during the first 6 months of 2018 was CZK 804 and the highest trading price was CZK 936.

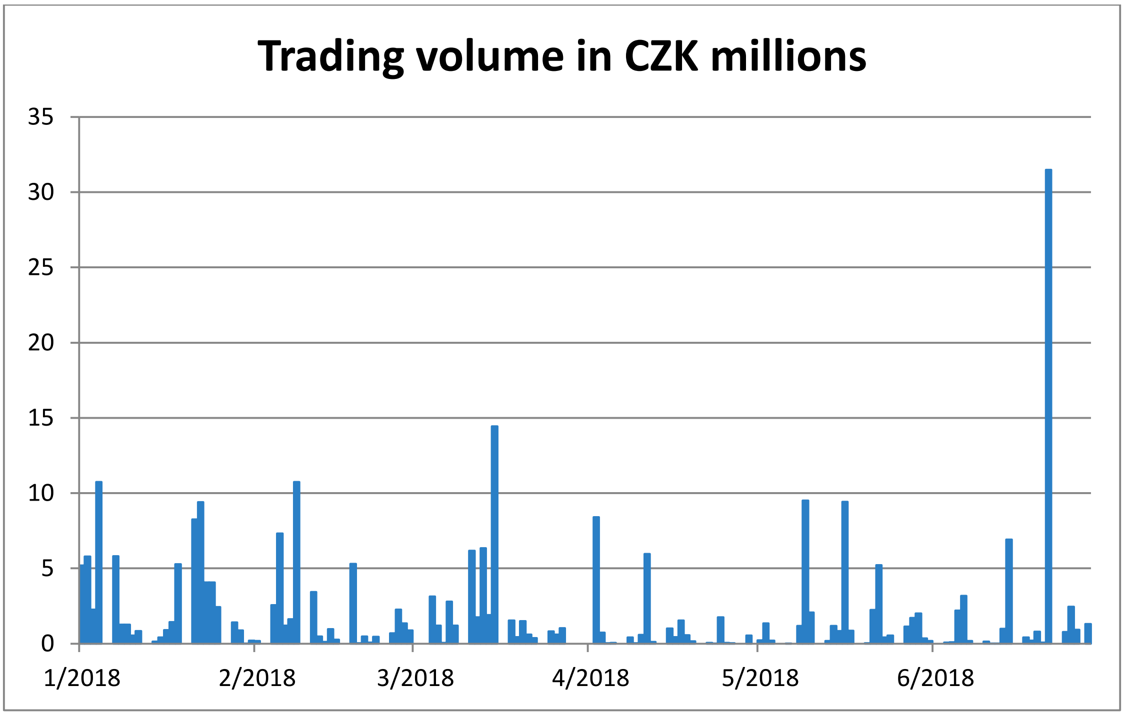
The closing price on 30 June 2018 was CZK 910 with market capitalization reaching almost CZK 8 billion.

Subsequent events

The management of the Company is not aware of any events arising subsequent to 30 June 2018, which would have a significant impact on the Company.

Share Price Development of the Company on the Prague Stock Exchange (from 1 January 2018 to 30 June 2018)

Source: PSE



Source: PSE

Dividend policy

Taking into account the level of Net Debt and with the objective of strengthening the financial stability of the Company and the accumulation of resources for long-term growth, the General Meeting, held on 15 June 2018, resolved not to pay out a dividend for 2017.

Corporate Governance

Annual General Meeting of 15 June 2018

At the General Meeting of PEGAS NONWOVENS a.s., held 15 June 2018 in Znojmo-Přímětice, all of the points of the agenda presented for shareholder approval were adopted.

The agenda of the Annual General Meeting was as follows:

1. Election of the chair of the General Meeting, the minute taker, minute verifiers, and scrutinisers.
2. Approval of the Rules of Procedure of the General Meeting.
3. Change of the Company's business name to PFNonwovens a.s. and the corresponding change to the Articles of Association.
4. Report of the Board of Directors on the Company’s business activities and assets in 2017; a summary explanatory report pursuant to Section 118 (9) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended; conclusions of the Company’s 2017 report on relations.
5. Report of the Supervisory Board on the results of its activities in 2017; a statement of the Supervisory Board concerning the regular consolidated financial statements for 2017, the regular unconsolidated financial statements for 2017, the proposal for the settlement of 2017 profit, and the Company’s 2017 report on relations.
6. Approval of regular consolidated financial statements of the Company prepared as at 31 December 2017.
7. Approval of regular unconsolidated financial statements of the Company prepared as at 31 December 2017.
8. Decision on the settlement of the Company’s 2017 profit.
9. Appointment of an auditor to carry out a mandatory audit of the Company in 2018.
10. Approval of Service Agreement for Ivan Hayek and Hana Černá, members of the Audit Committee.

Company Board of Directors Structure as at 30 June 2018

Name	Position/Function	Function Period in the first half of 2018
František Řezáč	Chairman of the Board of Directors	1. 1. 2018 – 30. 6. 2018
František Klaška	Member of the Board of Directors	1. 1. 2018 – 30. 6. 2018
Marian Rašík	Member of the Board of Directors	1. 1. 2018 – 30. 6. 2018
Michal Smrek	Member of the Board of Directors	1. 1. 2018 – 30. 6. 2018
Jakub Dyba	Member of the Board of Directors	1. 1. 2018 – 30. 6. 2018

There were no personnel changes to the Company's Board of Directors during the first half of 2018.

Subsequently, on 17 July 2018, the Company announced that effective 16 July 2018, Mr. Marian Rašík resigned from the position of Member of the Board of PFNonwovens a.s. Mr. Rašík held the position on the Board of Directors from 1 March 2010. He will continue to fully focus on the position of Group Chief Financial Officer at the level of PFNonwovens Holding s.r.o. for the entire PFNonwovens holding (concern).

Furthermore, on 17 July 2018, the Company announced that effective as of 17 July 2018, the Supervisory Board of the Company has appointed Mr. Allen Bodford to the position of Member of the Board of Directors of the Company for a functional period of 3 years. Mr. Bodford is concurrently Chief Executive Officer for the entire PFNonwovens holding (concern) at the company level of PFNonwovens Holding s.r.o.

Company Supervisory Board structure as at 30 June 2018

Name	Position/Function	Function Period in the first half of 2018
Oldřich Šlemr	Chairman of the Supervisory Board	1. 1. 2018 – 30. 6. 2018
Pavel Baudiš	Member of the Supervisory Board	1. 1. 2018 – 30. 6. 2018
Eduard Kučera	Member of the Supervisory Board	1. 1. 2018 – 30. 6. 2018

There were no personnel changes to the Company's Supervisory board during the first half of 2018.

Audit Committee structure as at 30 June 2018

Name	Position/Function	Function Period in the first half of 2018
Ivan Hayek	Chairman of the Committee	1. 1. 2018 – 30. 6. 2018
Hana Černá	Member of the Committee	1. 1. 2018 – 30. 6. 2018
Alena Naatz	Member of the Committee	1. 1. 2018 – 30. 6. 2018

There were no personnel changes to the Company's Audit Committee during the first half of 2018.

Group Entities

For the purpose of translating the registered capital of Czech subsidiaries, the exchange rates of CZK/USD 22.318 and CZK/ZAR 1.621, effective as at 30 June 30 2018, were used.

Company name	Acquisition/Registration Date	Share in the Subsidiary	Share Capital in CZK '000 / USD '000 / ZAR '000	Share Capital in CZK '000	Number and Nominal Value of Shares
PEGAS NONWOVENS Czech s.r.o.	5. 12. 2005	100%	CZK 3,633 thousand	CZK 3,633 thousand	100% share at the value of CZK 3,633 thousand CZK
PEGAS - NW, a.s.	14. 12. 2005	100%	CZK 650,000 thousand	CZK 650,000 thousand	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share
PEGAS - NS a.s.	3. 12. 2007	100%	650,000 thousand CZK	650,000 thousand CZK	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share
PEGAS – GIC a.s.	11. 9. 2017	100%	CZK 2,000 thousand	CZK 2,000 thousand	2 ordinary registered shares in printed from at a nominal value of CZK 1,000 thousand
PEGAS NONWOVENS International s.r.o.**	18. 10. 2010	100%	CZK 200 thousand	CZK 200 thousand	100% share at the value of CZK 200 thousand
PEGAS NONWOVENS EGYPT LLC ***	6. 6. 2011	100%	USD 43,000 thousand	CZK 959,674 thousand	100% share at the value of USD 43,000 thousand

PEGAS NONWOVENS RSA (PTY) LTD ****	11. 7. 2016	100%	ZAR 75,000 thousand	CZK 121,575 thousand	100% share at the value of ZAR 75,000 thousand

* PEGAS NONWOVENS Czech s.r.o. was registered on 14 November 2003 under the initial name of ELK INVESTMENTS s.r.o. During the course of 2006 the business name of the company was changed to PEGAS NONWOVENS s.r.o. Towards the end of 2017 the business name of the company was changed to PEGAS NONWOVENS s.r.o. PEGAS a.s., the subsidiary of PEGAS NONWOVENS s.r.o., was established in 1990. It merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2006. PEGAS a.s. was deleted from the Commercial Register on 12 May 2006. CEE Enterprise a.s. merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2007. CEE Enterprise a.s. was deleted from the Commercial Register on 20 August 2007. Former subsidiary Pegas - DS a.s ceased to exist as a result of fusing with PEGAS NONWOVENS s.r.o. as its successor company. PEGAS-NT a.s. was a subsidiary and ceased to exist as a result of fusing with PEGAS NONWOVENS Czech s.r.o. as the successor company (from 1 January 2017).

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

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

**** PEGAS NONWOVENS RSA (PTY) LTD was established as a special purpose vehicle for executing the investment project in the Republic of South Africa.

Interim Unaudited Consolidated Financial Statements

prepared in accordance with the International Financial Reporting Standards for the period of the six months ending on 30 June 2018

Condensed Consolidated Statement of Comprehensive Income for the Six Month Period

'000 CZK	Six month period ending 30 June 2017 (unaudited)	30 June 2018 (unaudited)	% change
Revenue	2,992,391	2,984,189	(0.3%)
Raw materials and consumables used	2,245,696	(2,146,950)	(4.4%)
Staff costs	(179,302)	(173,001)	(3.5%)
Other operating income/(expense) net	(12,447)	(2,153)	(82.7%)
EBITDA	**554,946**	**662,086**	**19.3%**
EBITDA margin	***18.6%***	***22.2%***	***3.6 pp.***
Depreciation and amortization expense	(222,167)	(231,118)	4.0%
Profit from operations	**332,779**	**430,969**	**29.5%**
FX gains and other financial income	189,941	15,034	(92.1%)
FX losses and other financial expenses	(273,956)	(36,326)	(86.7%)
Interest income	721	1,689	134.1%
Interest expense	(100,019)	(92,180)	(7.8%)
Profit before tax	**149,465**	**319,185**	**113.6%**
Income Tax	(30,053)	(39,261)	30.6%
Net profit after tax	**119,412**	**279,924***	**134.4%**
Other comprehensive income			
Net value gain on cash flow hedges	18,491	(47,447)	n/a
Changes in translation reserves	88,631	30,515	(65.5%)
Total comprehensive income for the period	**226,534**	**262,992**	**16.1%**
Net earnings per share			
Basic net earnings per share (CZK)	13.62	31.94*	134.5%
Diluted net earnings per share (CZK)	13.58	31.94*	135.2%

* see explanation regarding Net profit development on page 8 and Earnings per share calculation on pages 28 and 29

Condensed Consolidated Statement of Comprehensive Income for the Three Month Period

'000 CZK	Three month period ending 30 June 2017 (unaudited)	Three month period ending 30 June 2018 (unaudited)	% change
Revenues	1,485,857	1,523,914	2.6%
Raw materials and consumables used	(1,126,234)	(1,103,719)	(2.0%)
Staff costs	(95,578)	(86,653)	(9.3%)
Other operating income/(expense) (net)	(13,136)	1,506	n/a
EBITDA	**250,909**	**335,048**	**33.5%**
EBITDA margin	***16.9%***	***22.0%***	***5.1 pp.***
Depreciation and amortization expense	(110,741)	(116,111)	4.8%
Profit from operations	**140,169**	**218,937**	**56.2%**
FX gains and other financial income	187,014	(13,875)	n/a
FX losses and other financial expenses	(241,724)	24,952	n/a
Interest income	322	961	198.4%
Interest expense	(51,103)	(45,855)	(10.3%)
Profit before tax	**34,678**	**185,120**	**433.8%**
Income tax – (expense)/income net	(14,191)	(13,460)	(5.2%)
Net profit after tax	**20,487**	**171,660**	**737.9%**
Other comprehensive income			
Net value gain on cash flow hedges	(2,761)	(56,390)	1,942.6%
Changes in translation reserves	129,211	17,024	(86.8%)
Total comprehensive income for the period	**146,937**	**132,294**	**(10.0%)**
Net earnings per share			
Basic net earnings per share (CZK)	2.34	19.59*	737.9%
Diluted net earnings per share (CZK)	2.33	19.59*	740.3%

* see explanation regarding Net profit development on page 8 and Earnings per share calculation on pages 28 and 29

Condensed Consolidated Statement of Financial Position

'000 CZK	1 January 2018 (unaudited)	30 June 2018 (unaudited)
Assets		
Non-current assets		
Property, plant and equipment	4,918,015	4,982,613
Long term intangible assets	159,083	171,990
Goodwill	2,320,136	2,320,127
Total non-current assets	**7,397,234**	**7,474,730**
Current assets		
Inventories	717,278	637,028
Trade and other receivables	2,082,303	2,128,485
Income tax receivable	0	0
Cash and cash equivalents	1,513,977	1,476,829
Total current assets	**4,313,558**	**4,242,342**
Total assets	**11,710,792**	**11,717,072**
Total equity and liabilities		
Share capital and reserves		
Share capital	299,857	299,857
Legal reserve fund and other reserves	86,701	86,701
Own shares	0	0
Translation reserves	251,860	282,375
Cash flow hedge reserves	41,265	(6,183)
Retained earnings	3,526,424	3,806,349
Total share capital and reserves	**4,206,107**	**4,469,099**
Non-current liabilities		
Non-current bank loans	0	0
Deferred tax liabilities	517,033	506,975
Long-term bonds	3,920,618	3,944,500
Total non-current liabilities	**4,437,651**	**4,451,475**
Current liabilities		
Trade and other payables	482,509	466,532
Tax liabilities	11,108	13,998
Current bank loans	271,417	0
Short-term bonds	2,302,000	2,302,000
Reserves	0	13,968
Total current liabilities	**3,067,034**	**2,796,498**
Total liabilities	**7,504,685**	**7,247,973**
Total equity and liabilities	**11,710,792**	**11,717,072**

Condensed Consolidated Statement of Cash Flows for the Six Month Period

'000 CZK	2017 (unaudited)	2018 (unaudited)
Profit before tax	**149,465**	**319,185**
Adjustment for:		
Depreciation and Amortization	222,167	231,118
Foreign exchange changes	(133,466)	43,587
Interest expense	100,019	92,180
Other changes in equity	19,420	-47,455
Other financial income/(expense)	(25,751)	40,072
Cash flows from operating activities		
Decrease/(increase) in inventories	69,322	92,143
Decrease/(increase) in receivables	(203,462)	(20,455)
Increase/(decrease) in payables	309,712	(94,670)
Income tax (paid) / received	(67,505)	(47,143)
Net cash from operating activities	**439,921**	**608,562**
Cash flows from investment activities		
Purchases of property, plant and equipment	(388,288)	(252,570)
Net cash used in investment activities	**(388,288)**	**(252,570)**
Cash flows from financing activities		
Increase/(decrease) in current bank loans and bonds	0	(271,418)
Increase/(decrease) in other long term payables	1,457,755	(2,543)
Acquisition of own shares and other changes in equity	(308,578)	0
Distribution of dividends	0	0
Interest paid	0	(24,255)
Other financial income/(expense)	25,750	(94,926)
Net cash used in financing activities	**1,174,927**	**(393,141)**
Cash and cash equivalents at the beginning of the period	654,415	1,513,977
Net increase (decrease) in cash and cash equivalents	1,226,559	(37,149)
Cash and cash equivalents at the end of the period	**1,880,975**	**1,476,829**

Condensed Consolidated Statement of Changes in Equity

'000 CZK	Share capital	Legal reserve fund and other reserves	Own 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	--	--	--	--	--	(314,288)	**(314,288)**
Other comprehensive income for the period	--	--	--	88,631	18,491	--	**107,122**
Net profit for the period	--	--	--	--	--	119,412	**119,412**
Acquisition of own shares	--	--	(3,143)	--	--	--	**(3,143)**
Reduction of capital by own shares	(15,115)	15,115	361,281	--	--	(361,281)	--
Legal reserves created from retained earnings	--	--	--	--	--	--	--
Exchange rate effect of transition to new functional currency	(9,449)	14,218	11,284	--	--	(128,324)	**(112,270)**
as at 30 June 2017	**284,666**	**83,352**	**0**	**258,278**	**34,919**	**3,424,647**	**4,085,862**
as at 31 December 2017	**299,857**	**86,701**	**0**	**251,860**	**41,265**	**3,439,375**	**4,119,058**
Application of new IFRS	--	--	--	--	--	87,049	**87,049**
as at 1 January 2018	**299,857**	**86,701**	**0**	**251,860**	**41,265**	**3,526,424**	**4,206,107**
Distribution	--	--	--	--	--	--	--
Other comprehensive income for the period			--	30,515	(47,447)	--	**(16,932)**
Net profit for the period	--	--	--	--	--	279,924	**279,924**
Acquisition of own shares	--	--	--	--	--	--	--
Legal reserves created from retained earnings	--	--	--	--	--	--	--
as at 30 June 2018	**299,857**	**86,701**	**0**	**282,375**	**(6,183)**	**3,806,349**	**4,469,099**

Selected explanatory notes to the interim unaudited 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 head office of the Company being transferred to the Czech Republic and the change in the nationality of the Company from Luxembourg nationality to Czech nationality, the Company changed its functional and presentation currency from EUR to CZK effective as of 1 January 2018.

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 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.

As at 1 January 2018, the Company applied the IFRS 15 and IFRS 9 standard for the first time. The impact of the application of these new IFRS standards on Retained earnings is described in the Consolidated Statement of Changes in Equity and in the table below.

	Impact of the 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**

'000 CZK

Disclosures on seasonal and economic influences

The business of the Company 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 status on 31 December 2017. On 18 December 2017, the Extraordinary General Meeting resolved to transfer its head office to the Czech Republic and to change the nationality of the Company from Luxembourg nationality to Czech nationality. Concurrently, the Extraordinary General Meeting resolved to accept new Articles of Association for the Company and changed the Company's name to PEGAS NONWOVENS a.s. effective as of 1 January 2018. Subsequently, on 15 June 2018, the General Meeting resolved to approve a new wording of the Articles of Association and changed the business name of the Company to PFNonwovens a.s. effective as of 19 June 2018.

Issue, repurchase and repayments of debt and equity securities

During the course of the first half of 2018, the Company drew from an overdraft bank loan. The Company did not conclude any new bank facilities in the first half of 2018.

In the first half of 2018, upon the request of creditors, debt securities were partially bought back. On 29 March 2018, the nominal of bond number CZ0003512808 was prematurely paid back in the amount of CZK 6,370,000 plus accrued interest in the amount of CZK 37,448.53. On 30 April 2018, the nominal of bond number CZ0003512816 was prematurely paid back in the amount of EUR 100,000 plus accrued interest in the amount of EUR 269.32.

Important events and transactions

On 14 March 2018, the Company announced that it had received a decision for 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 an income tax relief and financial support for new job creation in the maximum amount of 21.54% of the total value of qualified expenses and concurrently for the maximum amount of CZK 212,635 million, whilst the tax relief may 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 Company is not aware of any other events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 30 June 2018.

Information about the fair value of financial instruments

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

Interest rate swaps

As at 30 June 2018, the Company held no open interest rate swaps.

Currency forward contracts

As at 30 June 2018, the Company held no open currency forward contracts.

Cross currency swaps

As at 30 June 2018, the Company held three open cross currency swaps.

The first swap 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 issued by the Company. The swap bears a fixed interest rate of 3.1% p.a.

The second swap 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 foreign currency risk related to the private bond issue made by the subsidiary PEGAS NONWOVENS Czech s.r.o., denominated in CZK and maturing on 14 July 2025, bearing a variable interest rate of 6M PRIBOR + 2.00% p.a. The swap bears a fixed interest rate of 3.39% p.a.

The third swap 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 foreign currency risk related to the private bond issue made by the Company, denominated in CZK and maturing on 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 performed hedge accounting for these cross currency swaps. The changes in the fair value of these swaps were booked into equity. As of 31 December 2017, the Group took the decision to terminate the hedge accounting related to the first and third swaps, which hedged CZK-denominated bonds issued by the Company. The reason for the termination of hedge accounting was the transfer of the head office of the Company to the Czech Republic and the change in the functional currency from EUR to CZK effective as of 1 January 2018. As a result of this fact, the prospective reasons for this hedging ceased to exist. All profit or loss accrued in equity up to 31 December 2017, was reported in the 2017 financial results.

The fair value of these swaps, as at 30 June 2018, 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 June 2017	as at 30 June 2018	% hedging of the underlying liability
Česká spořitelna – EUR 90.201 mil.	134,224	129,665	108%
ČSOB – EUR 25 mil.	18,000	2,158	100%
Česká spořitelna – EUR 39.852 mil.	15,367	(28,173)	100%
Total	**167,591**	**103,650**	**105%**

'000 CZK

Fair value of these swaps as at 30 June 2018 represents a receivable of the Company. To this date, these swaps cover approximately 105% of the nominal value of the bonds issued by the Company denominated in CZK, i.e. a 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, resp. depreciation of CZK against EUR by 1% would, as at 30 June 2018, increase, resp. decrease the fair value of the cross currency swaps by approximately CZK 40 million.

Foreign currency options structures

Foreign currency option structure I.

As at 30 June 2018, 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.

The foreign currency option structure consists of two independent transactions, a series of synthetic forwards and barrier options with a monthly expiration up until July 2019. 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.

The Company has implemented hedge accounting on a part of the foreign currency option structure, namely 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 synthetic forwards, that is considered as non-effective in terms of hedging, is recorded in the profit and loss statement. The Company accounts for the second part of the option structure, a series of monthly barrier options, outside hedge accounting, and accordingly the change in its fair value is booked in the profit and loss statement.

Foreign currency option structure II.

In April 2018, the Company concluded a foreign currency option structure. 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 after the expiration to the aforementioned option structure from 2016.

The foreign currency option structure consists of two independent transactions, a series of synthetic forwards and written (sold) options with a monthly expiration from August 2019 to July 2021.

The Company has implemented hedge accounting on a part of the foreign currency option structure, namely 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 synthetic forwards, that is considered as non-effective in terms of hedging, is recorded in the profit and loss statement. The Company accounts for the second part of the option structure, a series of monthly written options, outside hedge accounting, and accordingly the change in its fair value is booked in the profit and loss statement.

The fair value of these foreign currency option structures, as at 30 June 2018, 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 June 2017	as at 30 June 2018
Foreign currency option structure I. - series of synthetic forwards	15,540	7,573
Foreign currency option structure I. - series of barrier options	(407)	64
Foreign currency option structure II. – series of synthetic forwards	--	(13,486)
Foreign currency option structure II. – series of written options	--	(6,888)
Total	**15,133**	**(12,737)**

'000 CZK

Sensitivity of the fair value of the foreign currency option structure I.

The appreciation, resp. depreciation of CZK against EUR by 5% would, as at 30 June 2018, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 18.6 million.

Sensitivity of the fair value of the foreign currency option structure II.

The appreciation, resp. depreciation of CZK against EUR by 5% would, as at 30 June 2018, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 37.5 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.

In the first six 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). No changes to the number of shares issued by the Company occurred during the first six months of 2018.

The weighted average number of ordinary registered shares used for the calculation of the basic earnings per share, as at 30 June 2017, reflects the bought back shares and the subsequent reduction in equity.

Basic earnings per share

		Three months ended		Six months ended	
		30 June 2017	30 June 2018	30 June 2017	30 June 2018
Net profit attributable to equity holders	'000 CZK	20,487	171,660	119,412	279,924
Weighted average number of ordinary shares	amount	8,763,859	8,763,859	8,765,216	8,763,859
Basic earnings per share	**CZK**	**2.34**	**19.59**	**13.62**	**31.94**

Diluted earnings per share

		Three months ended		Six months ended	
		30 June 2017	30 June 2018	30 June 2017	30 June 2018
Net profit attributable to equity holders	'000 CZK	20,487	171,660	119,412	279,924
Weighted average number of ordinary shares	amount	8,788,660	8,763,859	8,791,920	8,763,859
Diluted earnings per share	**CZK**	**2.33**	**19.59**	**13.58**	**31.94**

Information about related parties

Significant transactions concluded by the Company with related entities

During the first six months of 2017 and 2018, no transactions were concluded between the Company and related entities under other than market conditions.

Transactions between the Company and persons discharging managerial responsibilities

During the first six months of 2017 and 2018, the Company did not provide the persons discharging managerial responsibilities or their affiliates any deposits, loans, credit, guarantees, nor did it conclude any contracts for providing services of the Company and its related entities.

During the first six months of 2017, the following significant transactions with persons discharging managerial responsibilities, their family relations or otherwise affiliated parties.

The General Meeting held on 15 June 2017, resolved to issue a total of 230,735 new warrants to members of the Board of Directors and members of senior management of the Company and/or their company affiliates, for a subscription price of CZK 12.70 per new warrant that is to be paid in cash by the buyers. Each new warrant, when exercised, entitled the holder to either receive (i) one share in PFNonwovens a.s. for a strike price corresponding to CZK 777 (representing the average of PFNonwovens a.s. share price on the Prague Stock Exchange from 01 October 2016 to 31 December 2016) less all the dividends which have been validly declared by PFNonwovens a.s., per PFNonwovens a.s. share, for the relevant financial year(s) (i.e. the financial year 2017 for the new warrants to be vested in 2017, the financial years 2017 and 2018 for the new warrants to be vested in 2018 and the financial years 2017, 2018 and 2019 for the new warrants to be vested in 2019), or (ii) a payment in cash amounting to the final price of one share of PFNonwovens a.s. on the Prague Stock Exchange on the business day preceding the exercise date, plus all the dividends which have been validly declared by PFNonwovens a.s., per PFNonwovens a.s. share, for the relevant financial year(s) (i.e. the financial year 2017 for the new warrants to be vested in 2017, the financial years 2017 and 2018 for the new warrants to be vested in 2018 and the financial years 2017, 2018 and 2019 for the new warrants to be vested in 2019), less the strike price of CZK 777 (representing the average of PFNonwovens a.s. share price on the Prague Stock Exchange from 1 October 2016 to 31 December 2016).

On 23 May 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 transaction was the sale of 76,911 warrants purchased on the basis of a contract dated 22 September 2014 with a strike price of CZK 588.16. The closing price of the Company's shares on the record date was CZK 958.

During the first six months of 2018, the Company concluded no significant transactions with persons discharging managerial responsibilities, their family relations or otherwise affiliated parties.

Transactions between the related entities of the Company and persons discharging managerial responsibilities within the Company

During the first six months of 2017 and 2018, there were no significant transactions concluded between persons discharging managerial responsibilities and the related entities of the Company.

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 22 August 2018.

Declaration

František Řezáč, Chairman of the Board of Directors of PFNonwovens a.s. and

Michal Smrek, Member of the Board of Directors of PFNonwovens a.s.,

hereby declare that, to the best of their knowledge, this Half Year Report gives a true and fair view of the financial position, business activity and financial results of the issuer and the consolidated group for the past six months and about the outlook for the future development of the financial situation, business activity and financial results of the issuer and the consolidated group.

22 August 2018

František Řezáč Chairman of the Board of Directors of PFNonwovens a.s.	Michal Smrek Member of the Board of Directors of PFNonwovens a.s.

Contacts

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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. The Company 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. The Company 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.

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	Reconciliation with the financial statements
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.	See Condensed Consolidated Statement of Cash Flows (line item Net cash used in investment activities.
Net debt	Financial indicator calculated as: Non-current bank loans + Non-current bonds + Current bank loans + Current bonds – (Cash and cash equivalents)	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.	See First Half 2018 Key Figures in CZK mil.: 1-6/2018: 0 + 3,944.5 + 2,301.9 – 1,476.7 = 4,769.7 4-6/2018: 0 + 3,944.5 + 2,301.9 – 1,476.7 = 4,769.7
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.	Financial Results in the First Half of 2018 – Cash and Indebtedness in CZK mil.: 2018: 4,769.7 / 1,282.8 = 3.72
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.	See Condensed Consolidated Statement of Comprehensive Income

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, i.e. profit from operations + 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.	See Condensed Consolidated Statement of Comprehensive Income for the Six Month Period, in CZK mil.: 2017: 332.8 + 222.2 = 554.9 2018: 431.0 + 231.1 = 662.1
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.	See First Half 2018 Key Figures in CZK mil.: 1-6/2018: 279.7 / 2,984.2 = 9.4% 4-6/2018: 171.7 / 1,523.9 = 11.3%
Operating profit margin	Percentage margin calculated as EBIT / total revenues.	It is used for assessing the operating performance of the Company.	See First Half 2018 Key Figures in CZK mil.: 1-6/2018: 431.0 / 2,984.2 = 14.4% 4-6/2018: 218.9 / 1,523.9 = 14.4%
EBITDA margin	Percentage margin calculated as EBITDA / total revenues.	It is used for expressing the profitability of the Company.	See Condensed Consolidated Statement of Comprehensive Income for the Six Month Period, in CZK mil.: 2017: 554.9 / 2,992.4 = 18.6% 2018: 662.1 / 2,984.2 = 22.2%
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.	See 2018 Outlook Confirmed: Set as a qualified estimation by the Company's management.

Other information

Basic Information on the Company

Company Name
PFNonwovens a.s.

Registered Office
Hradčanské náměstí 67/8
118 00 Prague 1 – Hradčany
Czech Republic
Tel: +420 515 262 411

Registry and registration number
The company is registered in the Commercial Register at the City Court in Prague, under number B 23154.

Incorporated
18 November 2005 under the name Pamplona PE Holdco 2 SA

Jurisdiction
Czech Republic

The Company was incorporated in Luxembourg as a public limited liability company ("société anonyme") for an unlimited duration on 18 November 2005 under the name Pamplona PE Holdco 2 SA and registered with the Luxembourg trade and companies register under number B 112.044. In 2006, the Company changed its business name to PEGAS NONWOVENS SA.

On 18 December 2017, the Extraordinary General Meeting resolved to transfer its head office to the Czech Republic and to change the nationality of the Company from Luxembourg nationality to Czech nationality. Concurrently, the Extraordinary General Meeting resolved to accept new Articles of Association for the Company and changed the Company's name to PEGAS NONWOVENS a.s.

The company PEGAS NONWOVENS SA did not cease to exist as a result of the transfer of the Company's head office nor was a new legal entity established, rather only the legal form was changed to a joint stock company according to Czech law. PEGAS NONWOVENS a.s was registered in the Czech Commercial Register effective as of 1 January 2018. The Company's head office is at Hradčanské náměstí 67/8, Hradčany, 118 00 Prague 1, Czech Republic.

On 15 June 2018, the General Meeting of the Company resolved to change the business name of the Company to PFNonwovens a.s. and concurrently approved corresponding changes to the first paragraph of article 1 of the Articles of Association of the Company. The change of business name to PFNonwovens a.s was registered in the Czech Commercial Register effective as of 19 June 2018.

Company's scope of business and activity (according to article 3 of the Articles of Association of Company):

Company's scope of business is:

- Production, commerce and services not described in annexes 1 and 3 of the Trade Licensing Act

Company's scope of activity is:

- Administration of own assets