PFNonwovens a.s.

THIRD QUARTER RESULTS 2018

15 November 2018

Third quarter and first nine months of 2018 unaudited consolidated financial results

PFNonwovens a.s. announces its unaudited consolidated financial results for the third quarter and the first nine months of 2018 prepared according to International Financial Reporting Standards (IFRS).

"In the first nine months of this year, EBITDA amounted to CZK 1.0 billion, representing a year-on-year increase of 21.6%, respectively an 11.7% increase when adjusted for the revaluation of the share option plan. This growth resulted primarily from strong production and sales performance and the positive effect of the polymer price pass-through mechanism on a year-on-year comparison.

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

The Company's financial results were in line with our expectations enabling us to focus on our strategic projects.

The construction of the production plant in South Africa has advanced so far as to enable the installation of the production line to be commenced. The project is continuing according to schedule and we continue to expect the ramp up and first commercial deliveries from the line at the end of the first half of next year.

Likewise, the new semi-commercial production line in Znojmo-Přímětice is progressing according to schedule and, therefore, the planned launch of commercial production on the line remains unchanged and is expected during the third quarter of 2019," said Marian Rašík, CFO and Member of the Board of PFNonwovens a.s.

Overview of Financial Results

	First nine months		Third quarter	
	January – September 2018	yoy	July - September 2018	yoy
Financials (CZK million)				
Revenues	**4,529.9**	**1.9%**	**1,545.7**	**6.4%**
Operating costs without depreciation and amortization	(3,529.9)	(2.6%)	-1,207.8	1.9%
EBITDA	**1,000.0**	**21.6%**	**337.9**	**26.3%**
Depreciation and Amortization	(348.4)	3.1%	(117.3)	1.2%
Profit from operations (EBIT)	**651.6**	**34.5%**	**220.6**	**45.4%**
FX changes and other financial income / (expense) (net)	(9.7)	(93.5%)	11.6	n/a
Interest expense (net)	(136.6)	(8.7%)	(46.1)	(8.5%)
Income tax – (expense)/income	(67.9)	44.8%	(28.6)	70.3%
Net profit	**437.5**	**218.2%**	**157.5**	**771.2%**
Net debt	4,832.1	10.9%	4,832.1	10.9%
Capital expenditures (CAPEX)	542.5	5.6%	290.0	131.1%
Profitability indicator ratios				
EBITDA margin	22.1%	3.6 pp.	21.9%	3.5 pp.
Operating profit margin	14.4%	3.5 pp.	14.3%	3.9 pp.
Net profit margin	9.7%	6.6 pp.	10.2%	9 pp.
Operational indicators:				
Production output in tonnes	82,156	2.3%	27,623	(1.0%)
Number of employees - at end of period	599	4.2%	599	4.2%
Number of employees - average	594	2.1%	600	2.9%
Exchange Rates				
EUR/CZK - average	25.570	(3.7%)	25.711	(1.4%)
EUR/CZK - at end of period	25.715	(1.0%)	25.715	(1.0%)
USD/CZK - average	21.424	(10.4%)	22.116	(0.3%)
USD/CZK - at end of period	21.967	(0.2%)	21.967	(0.2%)
ZAR/CZK - average	1.667	(8.0%)	1.574	(6.6%)
ZAR/CZK - at end of period	1.557	(4.4%)	1.557	(4.4%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2018, consolidated revenues (revenues from sales of the Company's products) reached CZK 4,529.9 million, up by 1.9% yoy. In the third quarter of 2018, the total consolidated revenues were CZK 1,545.7 million, a 6.4% increase compared with the same period last year. The increase in the price of polymers had a positive effect on the year-on-year comparison of revenues. 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 nine months of 2018, total consolidated operating costs without depreciation and amortization (net) decreased by 2.6% yoy to CZK 3,529.9 million. 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 third quarter of 2018, consolidated operating costs without depreciation and amortization were CZK 1,207.8 million, representing an increase of 1.9% yoy. The primary reason for the year-on-year increase was the higher polymer purchase price compared to the previous year.

In the first nine months of 2018, EBITDA amounted to CZK 1,000.0 million, up by 21.6% 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 the polymer price indices to the annual maximum occurred in June, and these annual maximum levels continued for the entire period of the third quarter. On a year-on-year comparison basis, the effect of the revaluation of the share option plan was positive. EBITDA, adjusted for the effect of the revaluation of the share option plan, increased by 11.7% yoy to CZK 1,004.1 million.

In the first nine months of 2018, the EBITDA margin was 22.1%, which is 3.6 percentage points higher than in the same period in 2017. In the first nine months of 2018, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 22.2%, which is 2.0 percentage points higher than in the same period in 2017.

EBITDA amounted to CZK 337.9 million in the third quarter of 2018, up by 26.3% yoy. The effect of the revaluation of the share option plan, in the third quarter of 2018 represented an income in the amount of CZK 1.2 million compared with an expense of CZK 54.0 million in the comparable period in 2017. Thus, EBITDA, adjusted for the effect of the revaluation of the share option plan, increased by 4.7% yoy to CZK 336.7 million.

The EBITDA margin in the third quarter of 2018 amounted to 21.9%, which is 3.4 percentage points above the previous year. In the third quarter of 2018, the EBITDA margin, adjusted for the effect of the revaluation of the share option plan, was 21.8%, which is 0.3 percentage points less than in the same period in 2017.

Operating Costs

Total raw materials and consumables used in the first nine months of 2018 amounted to CZK 3,267.2 million, which is 0.7% less than 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 third quarter of 2018, this item reached CZK 1,120.2 million, which represents an increase of 7.3% yoy. The primary factor affecting the year-on-year increase was higher polymer purchase prices.

In the first nine months of 2018, total staff costs amounted to CZK 257.2 million, a decrease of 17.4% yoy. In the first nine months of 2018, total staff costs adjusted the effect of the revaluation of the share option plan amounted to CZK 253.1 million, an increase of 7.8% yoy.

In the third quarter of 2018 staff costs reached CZK 84.2 million, i.e. down by 36.2% yoy. Total staff costs adjusted the effect of the revaluation of the share option plan amounted to CZK 85.4 million, an increase of 9.5% yoy.

In the first nine months of 2018, Other operating income (net) amounted to an expense of CZK 5.5 million.

Depreciation and Amortization

Consolidated depreciation and amortization reached CZK 348.4 million in the first nine months of 2018, up by 3.1% yoy. Consolidated depreciation and amortization amounted to CZK 117.3 million in the third quarter, up by 1.2% yoy.

Profit from Operations

During the first nine months of this year, profit from operations (EBIT) amounted to CZK 651.6 million, up by 34.5% over the same period in 2017.

In the third quarter of 2018, profit from operations (EBIT) when compared on a year-on-year basis, increased to CZK 220.6 million, up by 45.4% yoy.

Financial Income and Costs

In the first nine months of 2018, FX changes and other financial income/(expense) (net) amounted to an expense of CZK 9.7 million compared with an expense of CZK 150.5 million booked in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The year-on-year change was affected by the development of the USD/EUR exchange rate, where in the first nine months of this year the dollar appreciated by more than 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 made 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 third quarter of 2018, FX gains and other financial income/(expense) (net) represented an income of CZK 11.6 million. The predominant factor was the appreciation of CZK against EUR during the third quarter, which had a positive effect on the revaluation of liabilities arising from EUR-denominated bonds.

Interest expenses (net) related to debt servicing reached CZK 136.6 million in the first nine months of 2018, down by 8.7% compared with the same period last year. In the third quarter of 2018, interest expenses (net) were CZK 46.1 million, an 8.5% 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 nine months of 2018, income tax amounted to CZK 67.9 million, up by 44.8% over the same period in 2017. Current tax payable amounted to CZK 88.7 million, while changes in deferred tax represented a gain of CZK 20.8 million.

In the third quarter of 2018, income tax amounted to an expense in the amount of CZK 28.6 million. In the third quarter of 2018, current income tax payable amounted to CZK 31.3 million, while changes in deferred tax represented revenue of CZK 2.7 million.

Net profit

Net profit reached CZK 437.5 million in the first nine months of 2018, up by 218.2% yoy. The increase in net profit resulted primarily from better financial results at the EBITDA level and concurrently the booked unrealised foreign exchange changes in the compared periods. In the third quarter of 2018, the Company achieved a net profit of CZK 157.5 million.

Investments

In the first nine months of 2018, total capital expenditure amounted to CZK 542.5 million, thereby growing by 5.6% compared with last year. Of this amount, CZK 459.4 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

In the third quarter of 2018 total consolidated capital expenditures amounted to CZK 290.0 million, up by 131.1% over the same period last year. Of this amount, CZK 276.8 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 September 2018 was CZK 6,349.8 million, a 2.2% decrease compared with 31 December 2017. The amount of net debt as at 30 September 2018 was CZK 4,832.1 million, down by 3.0% compared with the level as at 31 December 2017. As at 30 September 2018, the Net Debt/EBITDA ratio was 3.57x. As at 30 September 2018, the fair value of the cross currency swaps hedging the bond issues represented a receivable in the amount of CZK 168.2 million and thereby effectively reduced the value of net debt to CZK 4,663.8 million, resp. a Net Debt/EBITDA ratio of 3.45x.

Business overview for the first nine months of 2018

In the first nine months of 2018, the total production output (net of scrap) reached 82,156 tonnes, up by 2.3% compared with the same period in 2017.

In the third quarter of 2018, the Company produced 27,623 tonnes, i.e. a decrease of 1.0% over the same period last year.

In the first nine months of 2018, the share of revenues from sales of nonwoven textiles for the hygiene industry represented a 90.0% share of total revenues.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area. In the first nine months of 2018, revenues from sales to Western Europe amounted to 33.5%, revenues from sales to Central and Eastern Europe and Russia amounted to 38.5% and revenues from sales to other territories amounted to the remaining 28.0%.

Guidance for 2018

Based on the results achieved in the first nine months of 2018 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market, the Company expects this year's EBITDA to be in the range 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.

Interim Unaudited Consolidated Financial Statements

Prepared in accordance with the International Financial Reporting Standards for the period of the nine months ending on 30 September 2018

Condensed Consolidated Statement of Comprehensive Income for the Nine Month Period

in '000 CZK	Nine month period to 30 September 2017 (unaudited)	30 September 2018 (unaudited)	% change
Revenue	4,445,355	4,529,853	1.9%
Raw materials and consumables used	(3,289,665)	(3,267,150)	(0.7%)
Staff costs	(311,282)	(257,232)	(17.4%)
Other operating income/(expense) net	(21,904)	(5,481)	(75.0%)
EBITDA	**822,504**	**999,990**	**21.6%**
EBITDA margin	***18.5%***	***22.1%***	***3.6 pp.***
Depreciation and amortization expense	(338,004)	(348,398)	3.1%
Profit from operations	**484,501**	**651,593**	**34.5%**
FX gains and other financial income	229,343	19,975	(91.3%)
FX losses and other financial expenses	(379,847)	(29,695)	(92.2%)
Interest income	694	2,731	293.8%
Interest expense	(150,346)	(139,291)	(7.4%)
Profit before tax	**184,344**	**505,312**	**174.1%**
Income Tax	(46,849)	(67,859)	44.8%
Net profit after tax	**137,495**	**437,453**	**218.2%**
Other comprehensive income			
Net value gain on cash flow hedges	(29,063)	(28,500)	(1.9%)
Changes in translation reserves	45,490	1,712	(96.2%)
Total comprehensive income for the period	**153,923**	**410,665**	**166.8%**
Net earnings per share			
Basic net earnings per share (CZK)	15.69	49.92	218.2%
Diluted net earnings per share (CZK)	15.65	49.92	219.0%

Condensed Consolidated Statement of Comprehensive Income for the Three Month Period

in '000 CZK	Three month period ending 30 September 2017 (unaudited)	30 September 2018 (unaudited)	% change
Revenues	1,452,964	1,545,663	6.4%
Raw materials and consumables used	(1,043,969)	(1,120,200)	7.3%
Staff costs	(131,980)	(84,231)	(36.2%)
Other operating income/(expense) (net)	(9,457)	(3,328)	(64.8%)
EBITDA	**267,559**	**337,904**	**26.3%**
EBITDA margin	***18.4%***	***21.9%***	***3.4 pp.***
Depreciation and amortization expense	(115,837)	(117,280)	1.2%
Profit from operations	**151,722**	**220,624**	**45.4%**
FX gains and other financial income	39,403	4,941	(87.5%)
FX losses and other financial expenses	(105,891)	6,630	n/a
Interest income	(28)	1,042	n/a
Interest expense	(50,327)	(47,111)	(6.4%)
Profit before tax	**34,878**	**186,126**	**433.6%**
Income tax – (expense)/income net	(16,796)	(28,598)	70.3%
Net profit after tax	**18,083**	**157,528**	**771.2%**
Other comprehensive income			
Net value gain on cash flow hedges	(47,554)	18,947	n/a
Changes in translation reserves	(43,141)	(28,803)	(33.2%)
Total comprehensive income for the period	**(72,611)**	**147,673**	**n/a**
Net earnings per share			
Basic net earnings per share (CZK)	2.06	17.97	771.2%
Diluted net earnings per share (CZK)	2.06	17.97	772.0%

Condensed Consolidated Statement of Financial Position

in '000 CZK	31 December 2017 (audited)	30 September 2018 (unaudited)
Assets		
Non-current assets		
Property, plant and equipment	4,918,015	5,125,612
Long term intangible assets	159,083	169,389
Goodwill	2,320,136	2,320,127
Total non-current assets	**7,397,234**	**7,615,127**
Current assets		
Inventories	717,278	641,707
Trade and other receivables	2,082,303	2,214,941
Income tax receivable	0	0
Cash and cash equivalents	1,513,977	1,517,784
Total current assets	**4,313,558**	**4,374,433**
Total assets	**11,710,792**	**11,989,560**
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	253,572
Cash flow hedging	41,265	12,764
Retained earnings	3,526,424	3,963,877
Total share capital and reserves	**4,206,107**	**4,616,772**
Non-current liabilities		
Non-current bank loans	0	0
Deferred tax liabilities	517,033	501,511
Non-current bonds	3,920,618	3,920,973
Total non-current liabilities	**4,437,651**	**4,422,484**
Current liabilities		
Trade and other payables	482,509	486,598
Tax liabilities	11,108	22,083
Current bank loans	271,417	126,862
Current bonds	2,302,000	2,302,000
Reserves	0	12,762
Total current liabilities	**3,067,034**	**2,950,305**
Total liabilities	**7,504,685**	**7,372,788**
Total equity and liabilities	**11,710,792**	**11,989,560**

Condensed Consolidated Statement of Cash Flows

in '000 CZK	2017 (unaudited)	2018 (unaudited)
Profit before tax	**184,341**	**505,312**
Adjustment for:		
Depreciation and Amortization	338,004	348,398
Foreign exchange changes	40,076	44,399
Interest expense	150,346	139,291
Other changes in equity	(29,060)	(28,508)
Other financial income/(expense)	(86,251)	3,338
Cash flows from operating activities		
Decrease/(increase) in inventories	46,024	84,354
Decrease/(increase) in receivables	(194,854)	(115,981)
Increase/(decrease) in payables	255,000	(48,745)
Income tax (paid) / received	(69,425)	(70,615)
Net cash from operating activities	**634,200**	**861,243**
Cash flows from investment activities		
Purchases of property, plant and equipment	(513,777)	(542,546)
Net cash used in investment activities	**(513,777)**	**(542,546)**
Cash flows from financing activities		
Increase/(decrease) in current bank loans and bonds	0	(144,556)
Increase/(decrease) in other long term payables	1,480,568	366
Acquisition of own shares and other changes in equity	(302,925)	0
Distribution of dividends	0	0
Interest paid	(87,333)	(108,697)
Other financial income/(expense)	32,708	(62,004)
Net cash used in financing activities	**1,123,019**	**(314,890)**
Cash and cash equivalents at the beginning of the period	654,415	1,513,977
Net increase (decrease) in cash and cash equivalents	1,243,441	3,807
Cash and cash equivalents at the end of the period	**1,897,857**	**1,517,784**

Condensed Consolidated Statement of Changes in Equity

in '000 CZK	Share capital	Legal reserve fund and other reserves	Own shares	Translation reserves	Cash flow hedging	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	(314,288)	**(314,288)**
Other comprehensive income for the period	0	0	0	45,490	(29,063)	0	**16,427**
Net profit for the period	0	0	0	**0**	**0**	137,495	**137,495**
Acquisition of own shares	0	0	(3,143)	0	0	0	**(3,143)**
Other changes in equity	0	2,910	0	0	0	0	**2,910**
Reduction of capital by own shares	(15,115)	15,115	361,281	0	0	(361,281)	**0**
Legal reserves created from retained earnings	0	0	0	0	0	0	**0**
Exchange rate effect of transition to new functional currency	(11,839)	13,527	11,284	0	0	(156,459)	**(143,487)**
as at 30 September 2017	**282,275**	**85,571**	**0**	**215,137**	**(12,635)**	**3,414,594**	**3,984,943**
as at 31 December 2017	**299,857**	**86,701**	**0**	**251,860**	**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	**299,857**	**86,701**	**0**	**251,860**	**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	1,712	(28,500)	0	**(26,788)**
Net profit for the period	0	0	0	0	0	437,453	**437,453**
Acquisition of own shares	0	0	0	0	0	0	**0**
Legal reserves created from retained earnings	0	0	0	0	0	0	**0**
as at 30 September 2018	**299,857**	**86,701**	**0**	**253,572**	**12,765**	**3,963,877**	**4,616,772**

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 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 1.1.2018, 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 outside resources	**87,049**

in '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 nine months of 2018, the Company drew from an overdraft bank loan. The Company did not conclude any new bank facilities in the first nine months of 2018.

The Company did not issue any debt or asset securities in the third quarter, nor were any debt or asset securities reacquired or repaid.

Important events and transactions

On 13 July 2018, the Supervisory Board of PFNonwovens a.s. received the resignation of Mr. Marian Rašík from the position of Member of the Board of Directors of PFNonwovens a.s. The Supervisory Board approved his resignation effective as of 16 July 2018.

Effective as of 17 July 2018, the Supervisory Board appointed Mr. Allen Bodford as Member of the Board of Directors of the Company for a 3-year term of office. Mr. Bodford concurrently became Chief Executive Officer for the entire PFNonwovens Group at the company level of PFNonwovens Holding s.r.o.

On 5 September 2018, the Supervisory Board of the Company received the resignation of the Chief Executive Officer and Member of the Board, Mr. František Řezáč. The Supervisory Board accepted the resignation of Mr. Řezáč with immediate effect.

With effect as of 26 September 2018, the Supervisory Board of the Company reappointed Mr. Marian Rašík as Member of the Board of Directors of the Company. In addition, the Board of Directors of the Company appointed Mr. Allen Bodford as Chairman of the Board of Directors.

Material events subsequent to the end of the interim period

On 14 November 2018 the Company repaid a public bond issue with the total outstanding nominal value of CZK 2,302 million. The company used a combination of own resources and short-term bank financing to repay the bond.

The management of the Group is not aware of any further events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 30 September 2018.

Information about the fair value of financial instruments

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

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

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

Cross currency swaps
As at 30 September 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 PFNonwovens 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 capital. Up to 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 September 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 September 2017	as at 30 September 2018	% hedging of the underlying liability
Česká spořitelna – EUR 90.201 mil.	142,484	164,020	108%
ČSOB – EUR 25 mil.	19,866	28,555	100%
Česká spořitelna – EUR 39.852 mil.	(921)	(24,410)	100%
Total	**161,429**	**168,165**	**105%**

in '000 CZK

Fair value of these swaps as at 30 September 2018, represents a receivable of the Company. To this date, these swaps cover approximately 105% of the nominal value of the public bond issue of the Company and denominated in CZK, i.e. a 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 September 2018, increase, resp. decrease the fair value of the cross currency swaps by approximately CZK 40 million.

Foreign currency option structures

Foreign currency option structure I.
As at 30 September 2018, the Company held an open position in a foreign currency option structure that was concluded by the Company in March 2016 and which expires in July 2019. The objective of this foreign currency option structure is to hedge currency risk connected to revenues in EUR and their conversion to CZK in approximately the amount as the Company expends each month on the payment of wages and salaries.

The foreign currency option structure consists of two independent transactions, a series of 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 implements hedge accounting on a part of the foreign currency option structure by means of 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 implements a 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.

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 implements hedge accounting on a part of the foreign currency option structure by means of 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 implements a second part of the option structure, a series of monthly written options, outside its hedge accounting, and 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 September 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 September 2017	as at 30 September 2018
Foreign currency option structure I. - series of synthetic forwards	16,705	9,076
Foreign currency option structure I. - series of barrier options	(354)	10
Foreign currency option structure II. – series of synthetic forwards	--	(10,109)
Foreign currency option structure II. – series of written options	--	(6,276)
Total	**16,351**	**(7,299)**

in '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 September 2018, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 14.1 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 September 2018, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 37.0 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.

In the first nine months of 2017, the share capital of the Company was reduced from 9,229,400 shares to 8,763,859 shares, i.e. by 465,541 repurchased own shares. The reduction in share capital had no effect on the number of shares used in the profit per share indicator since it already respects the repurchased shares (by reduction). No changes to the number of shares issued by the Company occurred during the first nine months of 2018.

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

Basic earnings per share

		Three months ended		Nine months ended	
		30/09/2017	30/09/2018	30/09/2017	30/09/2018
Net profit attributable to equity holders	'000 CZK	18,083	157,528	137,495	437,453
Weighted average number of ordinary shares	amount	8,763,859	8,763,859	8,764,764	8,763,859
Basic earnings per share	**CZK**	**2.06**	**17.97**	**15.69**	**49.92**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/09/2017	30/09/2018	30/09/2017	30/09/2018
Net profit attributable to equity holders	'000 CZK	18,083	157,528	137,495	437,453
Weighted average number of ordinary shares	amount	8,771,984	8,763,859	8,786,852	8,763,859
Diluted earnings per share	**CZK**	**2.06**	**17.97**	**15.65**	**49.92**

Information about affiliates

Except for the information above there were no other new transactions between the Group and the executive managers or the non-executive directors concluded in the first nine months of 2018.

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 14 November 2018.

Carl Allen Bodford
Chairman of the Board of Directors of PFNonwovens a.s.

Marian Rašík
Member of the Board of Directors of PFNonwovens a.s.

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 Overview of Financial Results in CZK mil.: 1-9/2018: 0 + 3,921.0 + 2,428.9 – 1,517.8 = 4,832.1 7-9/2018: 0 + 3,921.0 + 2,428.9 – 1,517.8 = 4,832.1
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.	Consolidated Financial Results – Cash and Indebtedness in CZK mil.: 2018: 4,832.1 / 1,353.2 = 3.57
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 for the Nine Month Period and Condensed Consolidated Statement of Comprehensive Income for the Three Month Period
EBITDA	Financial indicator that determines the operating	Since it does not contain financial and tax indicators	See Overview of Financial Results, in CZK mil.:

	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.	or accounting costs not including outflows, it is used by management to assess the Company's results over the course of time.	1-9/2018: 651.6 + 348.4 = 1,000.0 7-9/2018: 220.6 + 117.3 = 337.9
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 Overview of Financial Results in CZK mil.: 1-9/2018: 437.5 / 4,529.9 = 9.7% 7-9/2018: 157.5 / 1,545.7 = 10.2%
Operating profit margin	Percentage margin calculated as EBIT / total revenues.	It is used for assessing the operating performance of the Company.	See Overview of Financial Results in CZK mil.: 1-9/2018: 651.6 / 4,529.9 = 14.4% 7-9/2018: 220.6 / 1,545.7 = 14.3%
EBITDA margin	Percentage margin calculated as EBITDA / total revenues.	It is used for expressing the profitability of the Company.	See Overview of Financial Results in CZK mil.: 1-9/2018: 1,000.0 / 4,529.9 = 22.1% 7-9/2018: 337.9 / 1,545.7 = 21.9%
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 Guidance for 2018: Set as a qualified estimation by the Company's management.