

PFNonwovens a.s.
Preliminary unaudited consolidated financial results
for 2018

28 March 2019

2018 Preliminary unaudited financial results

PFNonwovens a.s. announces its preliminary unaudited consolidated financial results for the fiscal year to 31 December 2018 prepared according to International Financial Reporting Standards (IFRS).

"In the fourth quarter, EBITDA reached CZK 347.1 million, with the full-year 2018 ending at approximately CZK 1.35 billion. The achieved result met our target, which for 2018 we had set in the range CZK 1.22 – 1.38 billion. The year-on-year increase in EBITDA was the result of several factors, namely the growth in sales volumes, an improved product mix, with positive support from the polymer price pass-through mechanism. These very good financial results were further bolstered by an increased production capacity compared to 2017, where full-year output in 2018 exceeded last year's number and reached almost 110 thousand tonnes.

As far as our investment projects are concerned, the construction of the South African plant is proceeding according to plan. Currently, we are finishing up building works and finalizing the assembly of the production line. Test operations will be underway in the second quarter, with a gradual ramping up of the line. Excluding any unforeseen events, we will be in commercial production mode by the end of the first half.

The Znojmo-Přímětice semi-commercial production line project has entered its realization phase. Building modifications have been completed and currently the production line is in the process of being installed. Everything is continuing according to the approved schedule and commercial operations on the line are planned for the third quarter of 2019.

Taking these investment projects into consideration, this year we are again planning to increase our production output and accordingly also the sales volumes.

On the basis of our expectations for 2019, we have set our EBITDA guidance in the range from CZK 1.30 to 1.45 billion.

The execution and completion of our investment projects is also accounted for in our planned CAPEX, which should not exceed CZK 1.45 billion.

In accordance with the published strategy, the Board of Directors shall propose to the annual general meeting not to pay out dividends for 2018.

The year 2019 will be very demanding both in regards to the successful completion of our investment projects and completion of negotiations with key customers regarding new product supply agreements for 2020 and 2021, as well as meeting our ambitious financial goals. I am confident that we will all do our best to fulfil them." said Marian Rašík, Member of the Board of PFNonwovens a.s. and Chief Financial Officer of the PFNonwovens Group.

Overview of Financial Results

	January – December 2018		Fourth quarter	
	Yoy		October – December 2018 yoy	
Financials (CZK million)				
Revenues	6,484.8	5.1%	1,682.1	16.2%
Operating costs without depreciation and amortization	(5,137.7)	2.9%	(1,335.1)	22.0%
EBITDA	1,347.1	14.6%	347.1	(1.7%)
Depreciation and Amortization	(467.5)	2.2%	(119.1)	(0.4%)
Profit from operations (EBIT)	879.5	22.5%	227.9	(2.4%)
FX changes and other financial income / (expense) (net)	14.2	n/a	23.9	n/a
Interest expense (net)	(173.7)	(9.4%)	(37.1)	(11.7%)
Income tax – (expense)/income	95.1	n/a	163.0	n/a
Net profit	815.2	268.3%	377.7	350.6%
Net debt	4,676.5	(6.1%)	4,676.5	(6.1%)
Capital expenditures (CAPEX)	716.6	(1.4%)	174.1	(18.2%)
Profitability indicator ratios				
EBITDA margin	20.8%	1.7 pp.	20.6%	(3.8 pp.)
Operating profit margin	13.6%	2.0 pp.	13.6%	(2.5 pp.)
Net profit margin	12.6%	9.0 pp.	22.5%	16.7 pp.
Operational indicators:				
Production output in tonnes	109,845	0.6%	27,689	(4.0%)
Number of employees - at end of period	601	1.9%	601	1.9%
Number of employees - average	598	2.4%	601	2.2%
Exchange Rates				
USD/CZK - average	21.735	(7.0%)	22.660	4.0%
USD/CZK - at end of period	22.466	5.5%	22.466	5.5%
ZAR/CZK - average	1.647	(6.3%)	1.589	(0.4%)
ZAR/CZK - at end of period	1.562	(9.3%)	1.562	(9.3%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In 2018, consolidated revenues (revenues from sales of the Company's products) reached CZK 6,484.8 million, up by 5.1% yoy. In the fourth quarter of 2018, consolidated revenues reached CZK 1,682.1 million, up by 16.2% yoy. This increase in revenues was related to sales volumes. The sales figures were also positively affected by the development in polymer prices, which on average grew by more than 6% yoy.

In 2018, total consolidated operating costs without depreciation and amortization (net) increased by 2.9% yoy to CZK 5,137.7 million in 2018. In the fourth quarter of 2018, the total consolidated operating costs without depreciation and amortization reached CZK 1,335.1 million which represented an increase of 22.0%.

EBITDA adjusted for the effect of the revaluation of the share option plan reached CZK 1,346.1 million, thus growing by 7.9% yoy. The achieved result means that the Company achieved its target, which it had set in the range CZK 1,220 – 1,380 million. The year-on-year increase in EBITDA was the result of several factors, namely the growth in sales volumes, an improved product mix, with positive support from the polymer price pass-through mechanism and also a slight increase in production capacity compared to 2017. EBITDA for 2018 unadjusted for the effect of the revaluation of the share option plan amounted to CZK 1,347.1 million.

In the fourth quarter of 2018, EBITDA reached CZK 347.1 million, down by 1.7% yoy.

Operating Costs

Total raw materials and consumables used last year amounted to CZK 4,717.8 million, a 2.8% yoy increase. In the fourth quarter of 2018, total raw materials and consumables used reached CZK 1,177.8 million, up by 14.9% over the same period in 2017. The primary reason for the year-on-year increase was higher polymer purchase prices compared to the previous year.

In 2018, total staff costs reached CZK 346.6 million, down by 10.8% yoy. Total staff costs adjusted for the revaluation of the share option plan amounted to CZK 347.5 million, an increase of 9.6%.

In the fourth quarter of 2018, staff costs reached CZK 89.4 million, up by 15.4% yoy. In the fourth quarter, staff costs adjusted for the revaluation of the share option plan grew by 14.6% yoy to reach CZK 94.4 million.

Depreciation and Amortization

Consolidated depreciation and amortization reached CZK 467.5 million in 2018, up by 2.2% yoy. The year-on-year increase in depreciation and amortization was related to the depreciation of the production line that was put into operation in the second half of 2017.

In the fourth quarter of 2018, total consolidated depreciation and amortization amounted to CZK 119.1 million, down by 0.4% compared to the same period in 2017.

Profit from Operations

In 2018, profit from operations (EBIT) amounted to CZK 879.5 million, up by 22.5% compared with 2017. In the fourth quarter of 2018, profit from operations (EBIT) declined by 2.4% yoy to CZK 227.9 million.

Financial Income and Costs

In 2018, FX gains and other financial income/expense (net) reached CZK 14.2 million. This item includes realized and unrealized FX gains/losses and other financial income and expenses. The positive impact of unrealized foreign exchange differences in 2018 was primarily the result of a year-on-year appreciation of the USD against the EUR by almost 5%, which had a positive effect on the revaluation of the intra-company loan to the Company's subsidiary in Egypt. This positive impact, however, was to a large part compensated for by the depreciation of the South African rand against the EUR, which had a negative impact on the revaluation of the intra-company loan to the Company's subsidiary in South Africa. The impact of the revaluation of EUR-denominated bonds issued by the Czech subsidiary was slightly negative due to the year-on-year depreciation of the CZK against the EUR by approx. 1%.

In the fourth quarter of 2018, foreign exchange gains and other financial income/expense (net) amounted to an income of CZK 23.9 million.

Interest expenses (net) related to debt servicing amounted to CZK 173.7 million in 2018, a 9.4% decrease compared with 2017. In the fourth quarter of 2018, interest expenses amounted to CZK 37.1 million, an 11.7% decrease compared with the same period in 2017. The reason for

the decline in interest expenses was the repayment of issued public bonds in November 2018, repaid to a great extent in cash and partially via refinancing by short term bank loans.

Income Tax

In 2018, income tax expense represented a gain of CZK 95.1 million. Current tax payable amounted to CZK 106.5 million, while changes in deferred tax represented a gain of CZK 201.6 million.

In the fourth quarter of 2018, income tax represented a gain of CZK 163.0 million. Current tax payable amounted to CZK 17.8 million, while changes in deferred tax represented a gain of CZK 180.8 million. The gain from the deferred tax accounted for in the fourth quarter was related to the change in the deferred tax calculation which reconsidered the future benefits associated with the investment incentives.

Net profit

Net profit reached CZK 815.2 million in 2018, up by 268.3% yoy. The increase in net profit resulted from the combination of the above-mentioned factors, namely the better financial results, the improved impact of unrealized foreign exchange changes in the compared periods and the change in the deferred tax calculation associated with the investment incentives.

In the fourth quarter of 2018, the Company achieved a net profit of CZK 377.7 million.

Investments

In 2018, total consolidated capital expenditure (CAPEX) amounted to CZK 716.6 million, a 1.4% yoy decrease. Capital expenditures related to expansion of production capacity represented CZK

547.9 million of this amount. Maintenance CAPEX constituted the remaining CZK 168.7 million. The Company, therefore, did not exceed its estimate of capital expenditures for 2018, which expected a maximum level of CZK 1,050 million.

In the fourth quarter of 2018, total consolidated capital expenditures amounted to CZK 174.1 million. Capital expenditures related to expansion of production capacity represented CZK 88.5 million of this amount. Maintenance CAPEX constituted the remaining CZK 85.6 million.

Cash and Indebtedness

The amount of net debt as at 31 December 2018, was CZK 4,676.5 million, down by 6.1% compared with the level as at 31 December 2017. The decline in net debt compared to the level at the end of 2017 was related primarily to the positive financial results, no payout of dividends in 2018, lower than planned investment expenditures and also the repayment of the public bond issue, upon which the fair value of the established hedge, a cross currency swap, was realized.

Net debt to EBITDA ratio equated to 3.47.

Business Overview of 2018

In 2018, production output (net of scrap) reached a total of 109,845 tonnes, up by 0.6% compared with 2017. In the fourth quarter, the Company's production volume amounted to 27,689 tonnes, which is 4.0% less than in the same period in 2017.

In 2018, the share of revenues from sales of nonwoven textiles for the hygiene industry represented a 90.1% share of total revenues.

In terms of geographical distribution, the Company confirmed its steady sales focus on the broader European area. In 2018, revenues from sales to Western Europe amounted to 33.8%, 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 27.8%.

Guidance for 2019

The contracts negotiated with customers indicate the full utilization of our production capacity in 2019.

In 2019, we expect a further increase in production volumes thanks to the fact that the launch of the South Africa production plant is planned for the end of the second quarter and the ramp up of the new production line currently being installed at the Znojmo – Přimětice is planned for the third quarter of this year.

Based on the above factors and information known to date, the Company sets its EBITDA guidance to CZK 1.30 to 1.45 billion.

The Company is planning for total CAPEX in 2019 not to exceed the CZK 1.45 billion level.

Due to the current level of net debt, the level of planned investment expenses for 2019 and generally with the objective of strengthening the financial stability of the Company and to accumulate financial resources for long term growth, the Board of Directors shall propose to the AGM that dividends not be paid out for 2018.

PFNonwovens a.s.

Interim Unaudited Consolidated Financial Statements for 2018
prepared in accordance with the International Financial Reporting Standards

Condensed Consolidated Statement of Comprehensive Income for the years 2018 and 2017

'000 CZK	Twelve month period ending		% change
	31 December 2017 (unaudited)	31 December 2018 (unaudited)	
Revenue	6,169,743	6,484,793	5.1%
Raw materials and consumables used	(4,591,327)	(4,717,781)	2.8%
Staff costs	(388,743)	(346,588)	(10.8%)
Other operating income/(expense) net	(13,970)	(73,370)	425.2%
EBITDA	1,175,702	1,347,055	14.6%
EBITDA margin	19.1%	20.8%	1.7 pp.
Depreciation and amortization expense	(457,565)	(467,523)	2.2%
Profit from operations	718,137	879,531	22.5%
FX gains and other financial income	663,157	71,404	(89.2%)
FX losses and other financial expenses	(861,792)	(57,245)	(93.4%)
Interest income	695	4,206	505.3%
Interest expense	(192,380)	(177,865)	(7.5%)
Profit before tax	327,818	720,032	119.6%
Income Tax	(106,500)	95,125	n/a
Net profit after tax	221,317	815,157	268.3%
Other comprehensive income			
Net value gain on cash flow hedges	24,836	(36,404)	n/a
Changes in translation reserves	82,213	35,767	(56.5%)
Total comprehensive income for the period	328,367	814,519	148.1%
Net earnings per share			
Basic net earnings per share (CZK)	25.25	93.01	268.3%
Diluted net earnings per share (CZK)	25.20	93.01	269.1%

Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 December 2018 and 31 December 2017

'000 CZK	Three month period ending		% change
	31 December 2017 (unaudited)	31 December 2018 (unaudited)	
Revenues	1,447,647	1,682,140	16.2%
Raw materials and consumables used	(1,024,921)	(1,177,831)	14.9%
Staff costs	(77,462)	(89,356)	15.4%
Other operating income/(expense) (net)	7,934	(67,889)	n/a
EBITDA	353,198	347,064	(1.7%)
EBITDA margin	24.4%	20.6%	(3.8 pp.)
Depreciation and amortization expense	(119,561)	(119,126)	(0.4%)
Profit from operations	233,636	227,939	(2.4%)
FX gains and other financial income	433,814	51,429	(88.1%)
FX losses and other financial expenses	(481,945)	(27,550)	(94.3%)
Interest income	1	1,475	n/a
Interest expense	(42,033)	(38,574)	(8.2%)
Profit before tax	143,474	214,720	49.7%
Income tax – (expense)/income net	(59,652)	162,984	n/a
Net profit after tax	83,822	377,704	350.6%
Other comprehensive income			
Net value gain on cash flow hedges	53,899	(7,904)	n/a
Changes in translation reserves	36,723	34,055	(7.3%)
Total comprehensive income for the period	174,444	403,855	131.5%
Net earnings per share			
Basic net earnings per share (CZK)	9.56	43.10	350.6%
Diluted net earnings per share (CZK)	9.56	43.10	351.0%

Condensed Consolidated Statement of Financial Position as at 31 December 2018 and 31 December 2017

'000 CZK	31 December 2017 (unaudited)	31 December 2018 (unaudited)
Assets		
Non-current assets		
Property, plant and equipment	4,918,015	5,193,967
Long term intangible assets	159,083	184,264
Goodwill	2,320,136	2,320,127
Total non-current assets	7,397,234	7,698,358
Current assets		
Inventories	717,278	689,947
Trade and other receivables	2,082,303	2,112,998
Income tax receivable	0	0
Cash and cash equivalents	1,513,977	400,134
Total current assets	4,313,558	3,203,079
Total assets	11,710,792	10,901,437
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	287,627
Cash flow hedging	41,265	4,860
Retained earnings	3,526,424	4,341,581
Total share capital and reserves	4,206,107	5,020,626
Non-current liabilities		
Non-current bank loans	0	0
Deferred tax liabilities	517,033	324,552
Non-current bonds	3,920,618	3,923,267
Total non-current liabilities	4,437,651	4,427,819
Current liabilities		
Trade and other payables	482,509	454,645
Tax liabilities	11,108	17,283
Current bank and bond liabilities	2,573,417	1,153,368
Reserves	0	7,696
Total current liabilities	3,067,034	1,632,992
Total liabilities	7,504,685	5,880,811
Total equity and liabilities	11,710,792	10,901,437

Condensed Consolidated Statement of Cash Flows for 2018 and 2017

'000 CZK	2017 (unaudited)	2018 (unaudited)
Profit before tax	327,814	720,032
Adjustment for:		
Depreciation and Amortization	457,565	467,523
Foreign exchange changes	(35,706)	59,860
Interest expense	192,380	177,865
Other changes in equity	26,548	(36,412)
Other financial income/(expense)	(58,906)	(13,869)
Cash flows from operating activities		
Decrease/(increase) in inventories	(65,566)	43,853
Decrease/(increase) in receivables	(279,991)	(10,801)
Increase/(decrease) in payables	(205,537)	(52,762)
Income tax (paid) / received	(128,151)	(94,087)
Net cash from operating activities	230,449	1,261,203
Cash flows from investment activities		
Purchases of property, plant and equipment	(726,567)	(716,631)
Net cash used in investment activities	(726,567)	(716,631)
Cash flows from financing activities		
Increase/(decrease) in current bank loans and bonds	2,645,129	(1,420,050)
Increase/(decrease) in other long term payables	(829,260)	2,660
Acquisition of own shares and other changes in equity	(210)	0
Distribution of dividends	(299,978)	0
Interest paid	(155,069)	(176,379)
Other financial income/(expense)	(4,932)	(64,646)
Net cash used in financing activities	1,355,680	(1,658,414)
Cash and cash equivalents at the beginning of the period	654,415	1,513,977
Net increase (decrease) in cash and cash equivalents	859,562	(1,113,843)
Cash and cash equivalents at the end of the period	1,513,977	400,134