PFNonwovens a.s.

2019 THIRD QUARTER RESULTS

14 November 2019

Third quarter and first nine months of 2019 unaudited consolidated financial results

PFNonwovens a.s. announces its unaudited consolidated financial results for the third quarter and the first nine months of 2019 prepared according to International Financial Reporting Standards (IFRS).

"In the first nine months of this year, EBITDA reached CZK 940.6 million, representing a year-on-year decline of almost 6%. The reason for this decline was primarily poor profit from operations in the second quarter. During the course of the third quarter, we managed to increase inventories of finished products. Also, in the third quarter, commercial production volumes came on line from the newly built production plant in South Africa. Thus, EBITDA amounted to CZK 334.8 million in the third quarter.

We expect that we will maintain production and its efficiency for the remainder of this year. In relation to this, we expect this year's EBITDA to reach the lower bounds of the outlook for 2019, which was set in the range from CZK 1.30 to 1.45 billion.

Capital expenditures in the first nine months of this year amounted to more than CZK 1.1 billion and were predominantly associated with the completion of the new production plant in South Africa and with the installation of the new semi-commercial production line at the Znojmo-Přímětice production plant.

In the third quarter, the production plant in South Africa operated in full commercial mode and its operating parameters are gradually reaching the standard levels achieved on our existing production lines.

At the end of the third quarter, the new semi-commercial production line in Znojmo-Přímětice produced the first commercial-grade tonnes of standard material", said Marian Rašík, Chief Financial Officer and Member of the Board of PFNonwovens a.s.

Overview of Financial Results

	January – September 2019	yoy	Third quarter July - September 2019	yoy
Financials (CZK million)				
Revenues	**4,817.4**	**0.3%**	**1,658.1**	**1.0%**
Operating costs without depreciation and amortization	(3,876.8)	2.0%	(1,323.4)	1.5%
EBITDA	**940.6**	**(5.9%)**	**334.8**	**(0.9%)**
Depreciation and Amortization	(391.0)	12.2%	(138.4)	18.0%
Profit from operations (EBIT)	**549.5**	**(15.7%)**	**196.3**	**(11.0%)**
FX changes and other financial income / (expense) (net)	71.0	n/a	48.6	320.0%
Interest expense (net)	(84.2)	(38.4%)	(28.9)	(37.4%)
Income tax – (expense)/income	(47.7)	(29.7%)	25.8	n/a
Net profit	**488.7**	**11.7%**	**241.9**	**53.5%**
Net debt	4,806.9	(0.5%)	4,806.9	(0.5%)
Capital expenditures (CAPEX)	1,114.4	105.4%	856.0	195.2%
Profitability indicator ratios				
EBITDA margin	19.5%	(1.3 pp.)	20.2%	(0.4 pp.)
Operating profit margin	11.4%	(2.2 pp.)	11.8%	(1.6 pp.)
Net profit margin	10.1%	1 pp.	14.6%	5 pp.
Operational indicators:				
Production output in tonnes	81,322	(1.0%)	28,076	1.6%
Number of employees - at end of period	674	12.5%	674	12.5%
Number of employees - average	668	12.5%	675	12.5%
Exchange Rates				
EUR/CZK - average	25.702	0.5%	25.738	0.1%
EUR/CZK - at end of period	25.815	0.4%	25.815	0.4%
USD/CZK - average	22.878	6.8%	23.154	4.7%
USD/CZK - at end of period	23.707	7.9%	23.707	7.9%
ZAR/CZK - average	1.594	(4.4%)	1.580	0.4%
ZAR/CZK - at end of period	1.559	0.1%	1.559	0.1%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2019, consolidated revenues (revenues from sales of the Company's products) reached CZK 4,817.4 million, up by 0.3% yoy. In the third quarter of 2019, the total consolidated revenues were CZK 1,658.1 million, a 1.0% increase compared with the same period last year. Sales volumes in tonnage terms decreased. On the other hand, the development in the price of polymers had a positive effect on the year-on-year development of revenues.

In the first nine months of 2019, total consolidated operating costs without depreciation and amortization (net) increased by 2.0% yoy to CZK 3,876.8 million. In the third quarter of 2019, consolidated operating costs without depreciation and amortization were CZK 1,323.4 million, representing an increase of 1.5% yoy.

In the first nine months of 2019, EBITDA amounted to CZK 940.6 million, down by 5.9% yoy. The cause of the year-on-year decline in EBITDA were primarily the poor results in the second quarter of this year resulting from inefficient production, which were related to the very low level of inventories of finished products that prevented efficient production. The impact of the polymer price pass-through mechanism was neutral.

In the first nine months of 2019, the EBITDA margin was 19.5%, which is 1.3 percentage points lower than in the same period in 2018.

EBITDA amounted to CZK 334.8 million in the third quarter of 2019, down 0.9% yoy. The improvement of operating results compared to the previous quarter of this year was primarily the result of stabilised production, where production in the third quarter reached the planned volume of 28,000 tonnes.

The EBITDA margin in the third quarter of 2019 amounted to 20.2%, which is 0.4 percentage points below the previous year.

Operating Costs

Total raw materials and consumables used in the first nine months of 2019 amounted to CZK 3,555.9 million, which is 0.4% more than in the previous year. In the third quarter of 2019, this item reached CZK 1,212.4 million, which represents a decline of 0.3% yoy.

In the first nine months of 2019, total staff costs amounted to CZK 271.2 million, an increase of 5.4% yoy.

In the third quarter of 2019 staff costs reached CZK 92.7 million, i.e. up by 10.0% yoy.

In the first nine months of 2019, Other operating income (net) amounted to an expense of CZK 49.8 million.

Depreciation and Amortization

Consolidated depreciation and amortization reached CZK 391.0 million in the first nine months of 2019, up by 12.2% yoy. The reason for the year-on-year increase in depreciation and amortization was partially the appreciation of the USD against the CZK, which resulted in increased depreciation expressed in CZK being booked on the Egyptian production plant, and also the inclusion of the investment in the South African plant at the end of the first half.

Consolidated depreciation and amortization amounted to CZK 138.4

million in the third quarter, up by 18.0% yoy.

Profit from Operations

During the first nine months of this year, profit from operations (EBIT) amounted to CZK 549.5 million, down by 15.7% over the same period in 2018.

In the third quarter of 2019, profit from operations (EBIT) when compared on a year-on-year basis, decreased to CZK 196.3 million, down by 11.0% yoy.

Financial Income and Costs

In the first nine months of 2019, FX changes and other financial income/(expense) (net) amounted to an income of CZK 71.0 million compared with an expense of CZK 9.7 million booked in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses.

The income in the first nine months was primarily the result of the appreciation of the dollar against the EUR by approximately 5%, which resulted in unrealized foreign exchange gains related to the revaluation of intra-company loans denominated in EUR that were provided to the Egyptian subsidiary. In the first nine months, the fluctuation of the South African rand and the CZK against the EUR was not significant for FX changes.

In the third quarter of 2019, FX gains and other financial income/(expense) (net) represented an income of CZK 48.6 million. The predominant effect came from the appreciation of the dollar against the EUR in the third quarter.

Interest expenses (net) related to debt servicing reached CZK 84.2 million in the first nine months of 2019, down by 38.4% compared with the same period last year. In the third quarter of 2019, interest expenses (net) were CZK 28.9 million, a 37.4% decrease compared with the same period last year. The reason for the decline in interest expenses was the repayment of the public bond issue in November 2018.

Income Tax

In the first nine months of 2019, income tax amounted to CZK 47.7 million, down by 29.7% over the same period in 2018. Current tax payable amounted to CZK 86.8 million, while changes in deferred tax represented a gain of CZK 39.1 million.

In the third quarter of 2019, income tax amounted to an income in the amount of CZK 25.8 million, namely as a result of deferred tax.

Net profit

Net profit reached CZK 488.7 million in the first nine months of 2019, up by 11.7% yoy. The growth in net profit was achieved even despite a lower profit from operations (EBIT), primarily as a result of booked unrealised foreign exchange gains and the decline in interest and tax expenses in the compared periods. In the third quarter of 2019, the Company achieved a net profit of CZK 241.9 million.

Investments

In the first nine months of 2019, total capital expenditure amounted to CZK 1,114.4 million, thereby growing by 105.4% compared with last year. Of this amount, CZK 933.1 million represented capital investment into expansion of production, the remainder being maintenance CAPEX.

In the third quarter of 2019 total consolidated capital expenditures amounted to CZK 856.0 million, up by 195.2% over the same period last year. Of this amount, CZK 801.4 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 2019 was CZK 5,098.7 million. The amount of net debt as at 30 September 2019, was CZK 4,806.9 million, 2.8% higher when compared with the level as at 31 December 2018. As at 30 September 2019, the Net Debt/EBITDA ratio was 3.73x.

Business overview for the first nine months of 2019

In the first nine months of 2019, the total production output (net of scrap) reached 81,322 tonnes, down by 1.0% compared with the same period in 2018. In the third quarter of 2019, the Company produced 28,076 tonnes, i.e. an increase of 1.6% over the same period last year.

In the first nine months of 2019, the share of revenues from sales of nonwoven textiles for the hygiene industry represented a 91.5% 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 2019, revenues from sales to Western Europe amounted to 33.5%, revenues from sales to Central and Eastern Europe and Russia amounted to 39.5% and revenues from sales to other territories amounted to the remaining 26.9%.

Guidance for 2019

Based on the results achieved in the first nine months of 2019 and respecting the developments in the European nonwoven textile market, including the expected developments in the polymer market, the Company expects this year's EBITDA to reach the lower bounds of the outlook for 2019, which was set in the range from 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.

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 2019

Condensed Consolidated Statement of Comprehensive Income for the Nine Month Period

CZK '000	Nine month period to 30 September 2018 (unaudited)	30 September 2019 (unaudited)	% change
Revenues	4,802,652	4,817,402	0.3%
Raw materials and consumables used	(3,539,950)	(3,555,857)	0.4%
Staff costs	(257,232)	(271,229)	5.4%
Other operating income/(expense) net	(5,481)	(49,753)	807.8%
EBITDA	**999,990**	**940,564**	**(5.9%)**
EBITDA margin	***20.8%***	***19.5%***	***(1.3 pp.)***
Depreciation and amortization expense	(348,398)	(391,022)	12.2%
Profit from operations	**651,593**	**549,542**	**(15.7%)**
FX gains and other financial income	19,975	128,252	542.1%
FX losses and other financial expenses	(29,695)	(57,221)	92.7%
Interest income	2,731	5,062	85.4%
Interest expense	(139,291)	(89,220)	(35.9%)
Profit before tax	**505,312**	**536,416**	**6.2%**
Income Tax	(67,859)	(47,704)	(29.7%)
Net profit after tax	**437,453**	**488,712**	**11.7%**
Other comprehensive income			
Net value gain on cash flow hedges	(28,508)	(35,080)	23.1%
Changes in translation reserves	89,283	44,533	(50.1%)
Total comprehensive income for the period	**498,228**	**498,165**	**(0.0%)**
Net earnings per share			
Basic net earnings per share (CZK)	49.92	55.76	11.7%
Diluted net earnings per share (CZK)	49.92	55.76	11.7%

Condensed Consolidated Statement of Comprehensive Income for the Three Month Period

CZK '000	Three month period ending 30 September 2018 (unaudited)	30 September 2019 (unaudited)	% change
Revenues	1,642,026	1,658,137	1.0%
Raw materials and consumables used	(1,216,563)	(1,212,427)	(0.3%)
Staff costs	(84,231)	(92,688)	10.0%
Other operating income/(expense) (net)	(3,328)	(18,250)	448.4%
EBITDA	**337,904**	**334,772**	**(0.9%)**
EBITDA margin	***20.6%***	***20.2%***	***(0.4 pp.)***
Depreciation and amortization expense	(117,280)	(138,446)	18.0%
Profit from operations	**220,624**	**196,326**	**(11.0%)**
FX gains and other financial income	4,941	82,129	1562.4%
FX losses and other financial expenses	6,630	(33,534)	n/a
Interest income	1,042	1,318	26.4%
Interest expense	(47,111)	(30,170)	(36.0%)
Profit before tax	**186,126**	**216,069**	**16.1%**
Income tax – (expense)/income net	(28,598)	25,797	n/a
Net profit after tax	**157,528**	**241,866**	**53.5%**
Other comprehensive income			
Net value gain on cash flow hedges	18,947	(25,317)	n/a
Changes in translation reserves	(176,345)	44,717	n/a
Total comprehensive income for the period	**131**	**261,266**	**200,089.6%**
Net earnings per share			
Basic net earnings per share (CZK)	17.97	27.60	53.5%
Diluted net earnings per share (CZK)	17.97	27.60	53.5%

Condensed Consolidated Statement of Financial Position

CZK '000	30 September 2018 (unaudited)	30 September 2019 (unaudited)
Assets		
Non-current assets		
Property, plant and equipment	5,125,612	5,994,363
Long term intangible assets	169,389	189,458
Goodwill	2,320,127	2,320,127
Total non-current assets	**7,615,127**	**8,503,949**
Current assets		
Inventories	641,707	785,316
Trade receivables, contractual assets and other receivables	2,214,941	1,697,078
Income tax receivable	0	0
Cash and cash equivalents	1,517,784	291,786
Total current assets	**4,374,433**	**2,774,180**
Total assets	**11,989,560**	**11,278,129**
Total equity and outside resources		
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	106,030	102,127
Cash flow hedging	12,764	(30,219)
Retained earnings	4,111,419	5,010,452
Total share capital and reserves	**4,616,772**	**5,468,918**
Non-current liabilities		
Non-current bank loans	0	0
Deferred tax liabilities	501,511	286,854
Non-current bonds	3,920,973	3,932,561
Total non-current liabilities	**4,422,484**	**4,219,415**
Current liabilities		
Trade and other payables	486,598	404,973
Tax liabilities	22,083	15,326
Current bank and bond liabilities	2,428,862	1,166,172
Reserves	12,762	3,325
Total current liabilities	**2,950,305**	**1,589,796**
Total liabilities	**7,372,788**	**5,809,211**
Total equity and liabilities	**11,989,560**	**11,278,129**

Condensed Consolidated Statement of Cash Flows

CZK '000	2018 (unaudited)	2019 (unaudited)
Profit before tax	**505,312**	**536,416**
Adjustment for:		
Depreciation and Amortization	348,398	391,022
Foreign exchange changes	44,399	(27,735)
Interest expense	139,291	84,158
Other changes in equity	(28,508)	0
Other financial income/(expense)	3,338	9,074
Cash flows from operating activities		
Decrease/(increase) in inventories	84,354	(179,411)
Decrease/(increase) in receivables	(115,981)	432,723
Increase/(decrease) in payables	(48,745)	(62,118)
Income tax (paid) / received	(70,615)	(73,654)
Net cash from operating activities	**861,243**	**1,110,476**
Cash flows from investment activities		
Purchases of property, plant and equipment	(542,546)	(1,114,413)
Net cash used in investment activities	**(542,546)**	**(1,114,413)**
Cash flows from financing activities		
Increase/(decrease) in current bank loans and bonds	(144,556)	862
Increase/(decrease) in other long term payables	366	1,653
Interest paid	(108,697)	(106,926)
Other financial income/(expense)	(62,004)	0
Net cash used in financing activities	**(314,890)**	**(104,411)**
Cash and cash equivalents at the beginning of the period	1,513,977	400,134
Net increase (decrease) in cash and cash equivalents	3,807	(108,348)
Cash and cash equivalents at the end of the period	**1,517,784**	**291,786**

Condensed Consolidated Statement of Changes in Equity

CZK '000	Share capital	Legal reserve fund and other reserves	Translation reserves	Cash flow hedging	Retained earnings	Total share capital and reserves
as at 1 January 2018	**299,857**	**86,701**	**16,747**	**41,272**	**3,673,966**	**4,118,544**
Other comprehensive income for the period	0	0	89,283	(28,508)	437,453	**498,228**
as at 30 September 2018	**299,857**	**86,701**	**106,030**	**12,764**	**4,111,419**	**4,616,772**
as at 1 January 2019	**299,857**	**86,701**	**57,594**	**4,860**	**4,521,740**	**4,970,752**
Other comprehensive income for the period	0	0	44,533	(35,080)	488,712	**498,165**
as at 30 September 2019	**299,857**	**86,701**	**102,127**	**(30,219)**	**5,010,452**	**5,468,918**

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.

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 2018.

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 2018.

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 2018.

Issue, repurchase and repayments of debt and equity securities

During the course of the first nine months of 2019, the Company drew from an overdraft bank loan. The Company did not conclude any new bank facilities in the first nine months of 2019.

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

Material events subsequent to the end of the interim period

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 2019.

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 2019, the Group held no open interest rate swaps.

Currency forward contracts
As at 30 September 2019, the Group held no open currency forward contracts.

Cross currency swaps
As at 30 June 2018, resp. 30 June 2019, the Group held three, resp. two open cross currency swaps.

The first swap was concluded in November 2014 with a total nominal value of CZK 2,248,575 thousand (receiving leg) against EUR 90,201 thousand (paying leg) with the objective of hedging the currency risk of CZK-denominated bonds PEGAS 2.85/2018, which were issued by the holding company PFNonwovens a.s. The swap bore a fixed interest rate of 3.1% p.a. The swap expired in November 2018 as a result of the repayment of the public bond issue.

The second swap was concluded in July 2015 with a total nominal value of CZK 678,000 thousand (receiving leg) against EUR 25,000 thousand (paying leg) with the objective of hedging the currency risk of private bonds, which were issued by the subsidiary PFNonwovens Czech s.r.o., denominated in CZK and maturing on 14 July 2025, bearing a floating interest rate of 6M PRIBOR + 2% p.a. The swap bears a fixed interest rate of 3.39% p.a. Concurrently, this swap hedges foreign currency risk on cash flows, revenues, which the Group realises in EUR. The economical relationship is defined as the expectation that the value of the hedging instruments and the value of the hedged item shall move in opposite directions in relation to the hedged risk. This means that if interest rates rise then the value of the hedging instrument, asset, will rise and in the same way the value of the hedged items of issued bonds, resp. payables, will increase and vice versa. In the event that CZK appreciates against EUR, the value of the hedging instrument will rise and at the same time the value of the hedged item of EUR revenues denominated in CZK will fall. The Group considers the hedging relationship as effective given the fact that the parameters of the hedging instrument and the hedged item are identical (nominal, interest payment maturity date, consistency of revenues received in EUR). For this reason, a part of the fair value of the hedging derivatives was reported in equity, resp. via other comprehensive income.

The third swap was concluded in July 2015 with a total nominal value of CZK 1,080,000 thousand (receiving leg) against EUR 39,852 thousand (paying leg) with the objective of hedging the currency risk of private bonds, which were issued by the holding company PFNonwovens a.s., 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 does not perform hedge accounting for these cross currency swaps and the changes in their fair value are booked in profit and loss.

The fair value of these swaps, as at 30 September 2019, is presented in the following table. A positive value represents a receivable of the Group, a negative value a payable of the Group.

Counterparty	as at 30 September 2018	as at 30 September 2019
Česká spořitelna – EUR 90.201 mil.	164,020	--
Česká spořitelna – EUR 25 mil.	28,555	(16,988)
Česká spořitelna – EUR 39.852 mil.	(24,410)	(22,333)
Total	**168,165**	**(39,321)**

CZK '000

The fair value of the swaps is given by the EUR and CZK yield curve valid at the balance sheet date and calculated using the discounted cash flow method. The inputs used in the fair value calculation are categorised in accordance with IFRS 7 into level 2 of fair value hierarchy.

Sensitivity of the fair value of cross currency swaps
The appreciation, resp. depreciation of CZK against EUR by 1% would, as at 30 September 2019, increase, resp. decrease the fair value of the cross currency swaps by approximately CZK 16.7 million.

Foreign currency option structures

Foreign currency option structure I.
In July 2019, the foreign currency option structure that the Group had entered into in March 2016 expired. The objective of this foreign currency option structure was to hedge currency risk connected to revenues in EUR and their conversion to CZK in approximately the amount as the Group expended each month on the payment of wages and salaries.

The foreign currency option structure consisted 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 Group implemented 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 was considered as effective in terms of hedging, was recorded in equity. The change in the fair value of these synthetic forwards that was considered as non-effective in terms of hedging was recorded in the profit and loss statement. The Group implemented a second part of the option structure, a series of monthly barrier options, outside its hedge accounting, and the change in its fair value was booked in the profit and loss statement.

Foreign currency option structure II.
In April 2018, the Group 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 Group 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 Group 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 Group 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.

Foreign currency option structure III.
In March 2019, the Group 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 Group expends each month on the payment of wages and salaries after the expiration to the aforementioned option structure from 2018.

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 2021 to March 2022.

The Group 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 Group 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 2019, is presented in the following table. A positive value represents a receivable of the Group, a negative value a payable of the Group.

Counterparty	as at 30 September 2018	as at 30 September 2019
Foreign currency option structure I. - series of synthetic forwards	9,076	--
Foreign currency option structure I. - series of barrier options	10	--
Foreign currency option structure II. – series of synthetic forwards	(10,109)	(4,176)
Foreign currency option structure II. – series of written options	(6,276)	(3,144)
Foreign currency option structure III. – series of synthetic forwards	--	(1,118)
Foreign currency option structure III. – series of written options	--	(1,502)
Total	**(7,299)**	**(9,940)**

CZK '000

Sensitivity of the fair value of the foreign currency option structure I.
The structure has now expired.

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 2019, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 34.1 million.

Sensitivity of the fair value of the foreign currency option structure III.
The appreciation, resp. depreciation of CZK against EUR by 5% would, as at 30 September 2019, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 11.4 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.

No changes to the number of shares issued by the Company occurred during the first nine months of 2019.

Basic earnings per share

		Three months ended		Nine months ended	
		30/09/2018	30/09/2019	30/09/2018	30/09/2019
Net profit attributable to equity holders	'000 CZK	157,528	241,866	437,453	488,712
Weighted average number of ordinary shares	amount	8,763,859	8,763,859	8,763,859	8,763,859
Basic earnings per share	**CZK**	**17.97**	**27.60**	**49.92**	**55.76**

Diluted earnings per share

		Three months ended		Nine months ended	
		30/09/2018	30/09/2019	30/09/2018	30/09/2019
Net profit attributable to equity holders	'000 CZK	157,528	241,866	437,453	488,712
Weighted average number of ordinary shares	amount	8,763,859	8,763,859	8,763,859	8,763,859
Diluted earnings per share	**CZK**	**17.97**	**27.60**	**49.92**	**55.76**

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 2019.

Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 13 November 2019.

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. Its total population is approximately half a million people and many international 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, 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 Group 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.: 1-9/2019: 0 + 3,932.6 + 1,166.2 – 291.8 = 4,806.9
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.	See Consolidated Financial Results – Cash and Indebtedness in CZK mil.: 2019: 4,806.9 / 940.6 = 3.73
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 first nine months and the Condensed Consolidated Statement of Comprehensive Income for the first three months.

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 Overview of Financial Results in CZK mil.: 1-9/2019: 549.5 + 391.0 = 940.6 7-9/2019: 196.3 + 138.4 = 334.8
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.: 1-9/2019: 488.7 / 4,817.4 = 10,1 % 7-9/2019: 241.9 / 1,658.1 = 11.8%
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.: 1-9/2019: 549.5 / 4,817.4 = 11.4% 7-9/2019: 196.3 / 1,658.1 = 11.8%
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.: 1-9/2019: 940.6 / 4,817.4 = 19.5% 7-9/2019: 334.8 / 1,658.1 = 20.2%
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 Guidance for 2019: Set as a qualified estimation by the Company's management.