



***PFNonwovens a.s.***

***HALF YEAR REPORT***

***2020***

31 August 2020

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# ***Introduction***

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

In 2017, R2G Rohan Czech s.r.o. (from 13 June 2018, PFNonwovens Holding s.r.o.) became the majority shareholder of the Company. PFNonwovens a.s. and companies controlled by it, i.e. the Group, are members of the global concern PFNonwovens (hereinafter "PFN"). PFNonwovens a.s. and its affiliated companies are members of PFNonwovens holding (concern) subject to single management by PFNonwovens Holding s.r.o.

The Group, for which this half year report is created, consists of the holding company PFNonwovens a.s. and four operating companies, PFNonwovens Czech s.r.o., PFN-NW a.s., PFN - NS a.s. and PFN – GIC a.s., all with head offices in the Czech Republic. In 2010, PFNonwovens International s.r.o. was established as a special purpose company for the execution of potential investment opportunities (the company was dissolved in the form of a merger with PFNonwovens Czech s.r.o. as of 30 June 2020) and this was followed by the establishment of PFNonwovens Egypt LLC in June 2011, a company that invests in the Egyptian production facility. In July 2016, the subsidiary PFNonwovens RSA (PTY) LTD was established for the purpose of executing the investment project in the Republic of South Africa. As at 30 June 2020, the Group employed 704 people.

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

Founded in 1990, over almost thirty years the Group has grown to become one of the largest producers of spunmelt nonwovens in the EMEA region (based on 2019 annual production capacity). Presently, the Group operates nine production lines in the Czech Republic, one production line in Egypt and one in South Africa. The total annual production capacity of the Group is presently up to 110 thousand tonnes of nonwoven textiles in the Czech Republic, up to 20 thousand tonnes in Egypt and up to 10 thousand tonnes in the Republic of South Africa.

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

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

# First Half 2020 Key Figures

January – June 2020  
yoy

<b>Financials (CZK million)</b>		
<b>Revenues</b>	<b>3,347.3</b>	<b>6.0%</b>
Operating costs without depreciation and amortization	(2,687.8)	5.3%
<b>EBITDA</b>	<b>659.6</b>	<b>8.9%</b>
Depreciation and Amortization	(292.3)	15.7%
<b>Profit from operations (EBIT)</b>	<b>367.3</b>	<b>4.0%</b>
FX changes and other financial income / (expense) (net)	(242.3)	n/a
Interest expense (net)	(61.1)	10.5%
Income tax – (expense)/income	(54.6)	(25.7%)
<b>Net profit</b>	<b>9.3</b>	<b>(96.2%)</b>
Net debt	4,777.8	14.7%
Capital expenditures (CAPEX)	127.4	(50.7%)
<b>Profitability indicator ratios</b>		
EBITDA margin	19.7%	0,5 p.p.
Operating profit margin	11.0%	-0,2 p.p.
Net profit margin	0.3%	-7,5 p.p.
<b>Operational indicators:</b>		
Production output in tonnes	61,476	15.5%
Number of employees - at end of period	704	13.5%
Number of employees - average	694	13.2%
<b>Exchange Rates</b>		
EUR/CZK - average	26.326	2.5%
EUR/CZK - at end of period	26.740	5.1%
USD/CZK - average	23.895	5.1%
USD/CZK - at end of period	23.879	6.8%
ZAR/CZK - average	1.446	(9.7%)
ZAR/CZK - at end of period	1.375	(12.9%)

**PFNonwovens a.s. announces its unaudited consolidated financial results for the first half of 2020 to 30 June 2020 prepared according to International Financial Reporting Standards (IFRS).**

The EBITDA of CZK 659.6 million achieved in the first half met the bottom range of expectations. Sales and production volumes in tonnes rose year-on-year primarily due to the newly launched production line in the Czech Republic in June 2019 and the subsequent commercial production launch of another production line in South Africa in November 2019. Despite these positive factors, the financial results of the Group were negatively impacted by discounts provided to customers during contract negotiations for 2020-2021.

The indebtedness of the Company and the net debt to EBITDA ratio amounted to 3.76x at the end of the first half", said Marian Rašík, Chief Financial Officer and Member of the Board of PFNonwovens a.s.

# **Interim Management Report for the First Half of 2020**

## Financial Results in the First Half of 2020

### Impact of COVID-19 on the financial results of the Company

The first half of 2020 was characterised by the worldwide outbreak of the COVID-19 pandemic and the implementation of emergency measures against further spreading of the infection, which had a significant effect on the output of the global economy.

Despite all the countries in which the Group has its production plants located having been impacted by the COVID-19 pandemic, and despite significant measures having been taken to limit public and business activities, these limitations did not have a substantial effect on the normal operations of the Company and its financial results.

Due to the fact that the Group was not affected by the pandemic to a greater degree, the management of the Group did not make any changes to its financial reports.

### Revenues, Costs and EBITDA

In the first half of 2020, consolidated revenues reached CZK 3,347.3 million. Sales volumes in tonnage terms increased. The development in the price of polymers had a negative effect on the year-on-year development of revenues. Positive impact on revenues on a year-on-year basis was due year-on-year impact of IFRS 15 adjustment, on the basis of which the Group recognizes revenues from finished products, which are produced on order for a specific customer, immediately following the production of the given product. The increase in sales was also positively affected by the depreciation of the exchange rate of the Czech koruna against the Euro.

In the first half of 2020, total consolidated operating costs without depreciation and amortization (net) grew by 5.3% yoy to CZK 2,687.8million.

In the first half of 2020, EBITDA amounted to CZK 659.6 million. The main reason for the year-on-year increase was the higher production and sales volumes in tonnes compared to the 1st half of 2019 thanks to the full operation of two new lines in the Czech Republic and South Africa. The polymer price pass-through mechanism, likewise, had a positive effect on a year-on-year basis.

In the first half of 2020, the EBITDA margin was 19.7%.

### Operating Costs

Total raw materials and consumables used in the first half of this year amounted to CZK 2,474.7 million, a 5.6% yoy increase.

In the first half of 2020, total staff costs amounted to CZK 194.1 million, an increase of 5.6% yoy. The revaluation of the share option plan did not affect the total staff costs. The reason for the growth in staff costs was primarily the increase in the number of employees necessitated by the launch of new production lines in the plants in South Africa and Znojmo.

In the first half of this year, Other operating costs (net) amounted to CZK 19.0 million.

## Depreciation and Amortization

Consolidated depreciation and amortization amounted to CZK 292.3 million in the first half of 2020, up by 15.7% 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 2019 and in Znojmo-Přímětica in the second half 2019.

## Profit from Operations

In the first half of 2020, profit from operations (EBIT) amounted to CZK 367.3 million.

## Financial Income and Costs

In the first half of 2020, foreign exchange changes and other financial income/expense (net) amounted to the expense of CZK 242.3 million compared to the gain of CZK 22.4 million booked in the same period last year. This item includes realized and unrealized FX gains/losses and other financial income and expenses.

The cost booked in the first half was primarily the result of the substantial depreciation of the CZK against the EUR by 3% and against the USD by 5%, which led to unrealized exchange rate losses related to the revaluation of balance sheet items denominated in EUR, most particularly in relation to the intra-company loan to the subsidiary in Egypt, resp. EUR-denominated bonds. Further unrealized exchange rate losses were booked as a result of the depreciation of the EUR against the ZAR, which impacted the intra-company loan to the subsidiary in South Africa that was likewise denominated in EUR. Nevertheless, these unrealized foreign exchange rate losses have no effect on the cash flows of the Group.

Interest expenses (net) related to debt servicing amounted to CZK 66.1 million in the first half, a 10.5% increase compared with the same period in 2019. The reason for the increase in interest expenses was the depreciation of the Czech koruna against the EUR, which resulted in the increase in interest expenses on intra-company loans and bonds denominated in EUR.

## Income Tax

In the first half of 2020 income tax amounted to CZK 54.6 million, down by 25.7% over the same period in 2019. Current tax payable amounted to CZK 56.1 million, while changes in deferred tax represented a gain of CZK 1.5 million.

## Net profit

In the first half of 2020, Net profit amounted to CZK 9.3 million, down by 96.2%.



## Investments

In the first half of 2020, consolidated capital expenditures represented CZK 127.4 million, compared to CZK 258.4 million over the same period last year. Of this amount, CZK 40.3 million was spent on investments into production and warehousing capacity expansion, with the remainder being maintenance CAPEX.

## Cash and Indebtedness

The total amount of consolidated financial debt (both short-term and long-term) as at 30 June 2020 was CZK 5,027.8 million. Net Debt as at 30 June 2020 reached CZK 4,777.8 million, down by 0.2% compared with 31 December 2019. As at 30 June 2020 the Net Debt/EBITDA ratio was 3.76x.

## Business Overview for the First Half of 2020

In the first half of 2020, the total production output (net of scrap) reached 61,476 tonnes, up by 15.5% compared with the first half of 2019. The main reason for the year-on-year increase in production was primarily the commercial launch of a new production line in the Czech Republic (June 2019) followed by a launch in South Africa (November 2019). The COVID-19 pandemic did not have a significant effect on the production volumes of the Group, which was running at 100% capacity both during and outside the time of the pandemic. Production capacities are primarily focused on the production of nonwoven textiles for the hygiene segment. The Group has only limited production capacity that is suitable for the production of protective products (facemasks, respirators, protective garments, etc.). The effect of the pandemic only manifested itself in the product mix, where the capacity for the production of materials for protective products was fully utilised.

In the first half of 2020, the share of revenues from sales of nonwoven textiles for the hygiene industry represented a 92.2% share of total revenues.

The geographical distribution of its markets<sup>1</sup>, confirms the Group's steady focus on sales to the broader European area. In the first half of 2020, revenues from sales to Western Europe amounted to 34.2%, revenues from sales to Central and Eastern Europe and Russia amounted to 39.4% and revenues from sales to other territories amounted to the remaining 26.4%.

## Research and Development

The development of new applications, products and the optimisation of technologies are some of the key components of the current and future strategy of the Company. Further information about the area of research and development is available in the 2019 Annual Report.

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<sup>1</sup> The geographical breakdown is based on the location of delivery.

## **Risk Factors**

The Group's business, results of operations and financial condition may be adversely affected by a set of factors. The individual risk factors are described in the 2019 Annual Report.

A newly arisen risk factor is also COVID-19. Despite the fact that during the course of the announced state-of-emergency the Group implemented all government-mandated measures and over and above also internal directives for the elimination of possible infection and its subsequent spreading among the employees, the greatest risk factor for the Group is presented by a forced full or partial reduction of operations resulting from employees becoming sick or a forced quarantine being implemented.

## **Expected development of the financial situation, business activity and financial results in the 2nd half of 2020**

The business of the Group is not typically subject to seasonal or economic influences other than the general economic cycle, although the hygiene market is to a large extent non-cyclical.

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

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

With respect to a possible repeat outbreak of the COVID-19 infection, despite the end of the state-of-emergency, the Group has left implemented certain internal directives for the minimisation of possible infection of employees, focused its development on new products for protective aids and their potential inclusion in production depending on the development of the epidemiological situation not only in the countries where the Group has its activities but also in the rest of the world.

The management of the Group expects the gradual worldwide recovery of the economy that was impacted by the COVID-19 pandemic and does not expect that further potential massive spreading of the infection would have a significant impact on the standard operations and financial results of the Group, as has already been proven in the first half of 2020.

## Outlook for 2020

In the first half of 2020, the Group achieved financial results that were in line with its expectations and with the announced outlook for the entire year 2020.

Based on the results achieved in the first half of 2020 and respecting the developments in the European nonwoven textile market, including the expected development in the polymer market and respecting the development of the epidemiological situation related to COVID-19, the Group confirms its previously announced outlook for 2020 and expects this year's EBITDA to reach the range that was set from CZK 1.25 to 1.40 billion.

The Company is planning for total CAPEX in 2020 not to exceed the CZK 0.8 billion level.

# Shares and Shareholder Structure

## Public trading of shares

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

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

## Share price and trading development in the first half of 2020

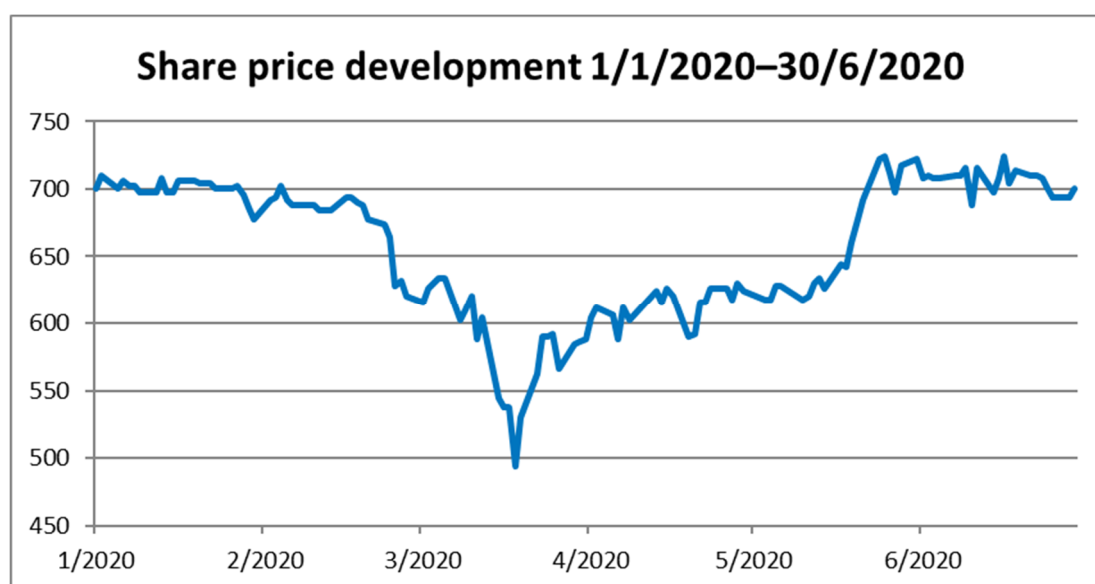
In the first half of 2020, Company shares totalling CZK 134 million were traded on the Prague Stock Exchange. The lowest trading price during the first 6 months of 2020 was CZK 494 and the highest trading price was CZK 724.

The closing price on 30 June 2020 was CZK 700 with market capitalization reaching almost CZK 6.1 billion.

## Subsequent events

The management of the Company is not aware of any events arising subsequent to 30 June 2020, which would have a significant impact on the Company.

## Share Price Development of the Company on the Prague Stock Exchange (from 1 January 2020 to 30 June 2020)



Source: PSE

# Dividend policy

Respecting the existing level of net debt and the goal of strengthening the financial stability of the Company and to accumulate resources for long-term growth, the General Meeting, held on 15 June 2020, resolved not to pay out a dividend for 2019.

# Corporate Governance

## Annual General Meeting of 15 June 2020

At the General Meeting of PFNonwovens a.s., held 15 June 2020 in Znojmo-Přímětice, all of the points of the agenda presented for shareholder approval were adopted.

The agenda of the Annual General Meeting was as follows:

1. Election of the Chair of the General Meeting, the minute taker, minute verifiers, and scrutinisers.
2. Approval of the Rules of Procedure of the General Meeting.
3. Report of the Board of Directors on the Company's business activities and assets in 2019; a summary explanatory report pursuant to Section 118 (9) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended; conclusions of the Company's 2019 report on relations.
4. Report of the Supervisory Board on the results of its activities in 2019; a statement of the Supervisory Board concerning the regular consolidated financial statements for 2019, the regular unconsolidated financial statements for 2019, the proposal for the settlement of 2019 loss, and the Company Report on Relations for 2019.
5. Approval of regular consolidated financial statements of the Company prepared as at 31 December 2019.
6. Approval of regular unconsolidated financial statements of the Company prepared as at 31 December 2019.
7. Decision on the settlement of the Company's 2019 loss.
8. Appointment of an auditor to carry out a mandatory audit of the Company in 2020.
9. Approval of the Company's remuneration policy.
10. Election of Mr. Oldřich Šlemr to the position of Member of the Supervisory Board of the Company.
11. Election of Mr. Pavel Baudiš to the position of Member of the Supervisory Board of the Company.
12. Election of Mr. Eduard Kučera to the position of Member of the Supervisory Board of the Company.
13. Election of Mr. Ivan Hayek to the position of Member of the Audit Committee of the Company.
14. Election of Mrs. Hana Černá to the position of Member of the Audit Committee of the Company.
15. Election of Mrs. Alena Naatz to the position of Member of the Audit Committee of the Company.
16. Approval of service agreements with members of the Audit Committee, Mr. Ivan Hayek and Mrs. Hana Černá.

## Company Board of Directors Structure as at 30 June 2020

Name	Position/Function	Function Period in the first half of 2020
Carl Allen Bodford	Chairman of the Board of Directors	1.1.2020 – 30.6.2020
Antonius de Beer	Member of the Board of Directors	1.5.2020 – 30.6.2020
Marian Rašík	Member of the Board of Directors	1.1.2020 – 30.6.2020
Michal Smrek	Member of the Board of Directors	1.1.2020 – 30.6.2020
Jakub Dyba	Member of the Board of Directors	1.1.2020 – 30.6.2020

On 17 April 2020, Mr. František Klaška announced his resignation from the position of Member of the Board of Directors of the Company, effective from 1 May 2020.

Effective as of 1 May 2020, the existing Senior Product Development and R&D Director of PFNonwovens, Mr. Antonius de Beer, was appointed to the Board of Directors of the Company.

### Company Supervisory Board structure as at 30 June 2020

Name	Position/Function	Function Period in the first half of 2020
Oldřich Šlemr	Chairman of the Supervisory Board	1.1.2020 – 30.6.2020
Pavel Baudiš	Member of the Supervisory Board	1.1.2020 – 30.6.2020
Eduard Kučera	Member of the Supervisory Board	1.1.2020 – 30.6.2020

There were no personnel changes to the Company's Supervisory board during the first half of 2020.

### Audit Committee structure as at 30 June 2020

Name	Position/Function	Function Period in the first half of 2020
Ivan Hayek	Chairman of the Committee	1.1.2020 – 30.6.2020
Hana Černá	Member of the Committee	1.1.2020 – 30.6.2020
Alena Naatz	Member of the Committee	1.1.2020 – 30.6.2020

There were no personnel changes to the Company's Audit Committee during the first half of 2020.

## Group Entities

For the purpose of translating the registered capital of the subsidiaries, the exchange rates of CZK/USD 23.879 and CZK/ZAR 1.375, effective as at 30 June 2020, were used.

Company name	Acquisition/ Registration Date	Share in the Subsidiary	Share Capital CZK '000 / USD '000 / ZAR '000	Share Capital in CZK '000	Number and Nominal Value of Shares
PFNonwovens Czech s.r.o.*	5.12.2005	100%	CZK 3,633 thousand	CZK 3,633 thousand	100% share at the value of CZK 3,633 thousand
PFN - NW a.s.	14.12.2005	100%	CZK 650,000 thousand	CZK 650,000 thousand	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share
PFN - NS a.s.	3.12.2007	100%	CZK 650,000 thousand	CZK 650,000 thousand	64 shares with a nominal value of CZK 10,000 thousand per share and 10 shares with a nominal value of CZK 1,000 thousand per share
PFN – GIC a.s.	11.9.2017	100%	CZK 2,000 thousand	CZK 2,000 thousand	2 ordinary registered shares in printed form at a nominal value of CZK 1,000 thousand
PFNonwovens Egypt LLC **	6.6.2011	100%	USD 43,000 thousand	CZK 1,026,797 thousand	100% share at the value of USD 43,000 thousand
PFNonwovens RSA (PTY) LTD ***	11.7.2016	100%	ZAR 75,000 thousand	CZK 103,125 thousand	100% share at the value of ZAR 75,000 thousand

\* PFNonwovens Czech s.r.o. was registered on 14 November 2003 under the initial name of ELK INVESTMENTS s.r.o.. During the course of 2006 the business name of the company was changed to PEGAS NONWOVENS s.r.o. Towards the end of 2017, the business name of the company was changed to PEGAS NONWOVENS Czech s.r.o. and subsequently in September 2018 to PFNonwovens Czech s.r.o. PEGAS a.s., the subsidiary of PFNonwovens Czech s.r.o., was established in 1990. It merged with PFNonwovens Czech s.r.o. with effect from 1 January 2006. PEGAS a.s. was deleted from the Commercial Register on 12 May 2006. CEE Enterprise a.s. merged with PEGAS NONWOVENS s.r.o. with effect from 1 January 2007. CEE Enterprise a.s. was deleted from the Commercial Register on 20 August 2007. Former subsidiary Pegas - DS a.s. ceased to exist as a result of fusing with PFNonwovens Czech s.r.o. as its successor company (from 1 January 2011). PEGAS-NT a.s. was a subsidiary and ceased to exist as a result of fusing with PFNonwovens Czech s.r.o. as the successor company (from 1 January 2017). The company PFNonwovens International s.r.o., which was established as a special purpose vehicle for the purpose of executing potential future investments, a former sister company, ceased to exist as a result of fusing with the company PFNonwovens Czech s.r.o. as the successor company (from 30 June 2020).

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

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

# **Interim Unaudited Consolidated Financial Statements**

prepared in accordance with the International Financial Reporting Standards for the period of the six months ending on 30 June 2020



## Condensed Consolidated Statement of Comprehensive Income for the Six Month Period

CZK '000	Six month period ending		
	30 June 2019 (unaudited)	30 June 2020 (unaudited)	% change
Revenues	3,159,265	3,347,325	6.0%
Raw materials and consumables used	(2,343,429)	(2,474,668)	5.6%
Staff costs	(178,541)	(194,117)	8.7%
Other operating income/(expense) net	(31,503)	(18,988)	(39.7%)
<b>EBITDA</b>	<b>605,792</b>	<b>659,552</b>	<b>8.9%</b>
<b>EBITDA margin</b>	<b>19.2%</b>	<b>19.7%</b>	<b>0.5 p.p.</b>
Depreciation and amortization expense	(252,576)	(292,250)	15.7%
<b>Profit from operations</b>	<b>353,215</b>	<b>367,302</b>	<b>4.0%</b>
FX gains and other financial income/(expense) net	22,437	(242,282)	n/a
Interest income/(expense) net	(55,306)	(61,099)	10%
<b>Profit before tax</b>	<b>320,347</b>	<b>63,922</b>	<b>(80.0%)</b>
Income Tax	(73,501)	(54,607)	(25.7%)
<b>Net profit after tax</b>	<b>246,846</b>	<b>9,315</b>	<b>(96.2%)</b>
<b>Other comprehensive income</b>			
Net value gain on cash flow hedges	(9,763)	(53,047)	443.4%
Changes in translation reserves	(184)	49,202	n/a
<b>Total comprehensive income for the period</b>	<b>236,899</b>	<b>5,470</b>	<b>(97.7%)</b>
<b>Net earnings per share</b>			
Basic net earnings per share (CZK)	28.17	1.06	(96.2%)
Diluted net earnings per share (CZK)	28.17	1.06	(96.2%)

## Condensed Consolidated Statement of Financial Position

CZK '000	30 June 2019 (unaudited)	31 December 2019 (audited)	30 June 2019 (unaudited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5,168,474	6,046,997	5,843,362
Long term intangible assets	195,577	2,320,127	160,062
Goodwill	2,320,127	184,791	2,320,127
<b>Total non-current assets</b>	<b>7,684,178</b>	<b>8,551,916</b>	<b>8,323,551</b>
<b>Current assets</b>			
Inventories	733,017	776,496	850,420
Trade receivables, contractual assets and other receivables	1,810,893	2,054,335	2,369,637
Income tax receivable	0	0	0
Cash and cash equivalents	319,511	202,534	250,034
<b>Total current assets</b>	<b>2,863,421</b>	<b>3,033,366</b>	<b>3,470,092</b>
<b>Total assets</b>	<b>10,547,599</b>	<b>11,585,281</b>	<b>11,793,642</b>
<b>Total equity and outside resources</b>			
<b>Share capital and reserves</b>			
Share capital	299,857	299,857	299,857
Legal reserve fund and other reserves	86,701	86,701	86,701
Translation reserves	57,410	88,335	137,537
Cash flow hedging	(4,903)	16,270	(36,777)
Retained earnings	4,768,586	4,994,938	5,004,254
<b>Total share capital and reserves</b>	<b>5,207,652</b>	<b>5,486,101</b>	<b>5,491,572</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	308,969	450,061	433,928
Non-current bonds	3,900,598	3,898,726	4,012,762
<b>Total non-current liabilities</b>	<b>4,209,567</b>	<b>4,348,787</b>	<b>4,446,690</b>
<b>Current liabilities</b>			
Trade and other payables	486,914	582,943	832,828
Tax liabilities	55,340	11,395	4,004
Current bank and bond liabilities	583,873	1,152,544	1,015,038
Reserves	4,253	3,510	3,510
<b>Total current liabilities</b>	<b>1,130,380</b>	<b>1,750,393</b>	<b>1,855,380</b>
<b>Total liabilities</b>	<b>5,339,947</b>	<b>6,099,180</b>	<b>6,302,071</b>
<b>Total equity and liabilities</b>	<b>10,547,599</b>	<b>11,585,281</b>	<b>11,793,642</b>

## Condensed Consolidated Statement of Cash Flows for the Six Month Period

CZK '000	2019 (unaudited)	2020 (unaudited)
<b>Profit before tax</b>	<b>320,347</b>	<b>63,922</b>
<b>Adjustment for:</b>		
Depreciation and Amortization	252,576	292,250
Foreign exchange changes	(18,679)	227,474
Interest expense	55,306	61,351
Other financial income/(expense)	(10,155)	(253)
Other non-cash	0	6 535
<b>Cash flows from operating activities</b>		
Decrease/(increase) in inventories	(127,111)	(73,924)
Decrease/(increase) in receivables	363,520	(315,300)
Increase/(decrease) in payables	(26,332)	82,553
Income tax (paid) / received	(46,944)	(59,552)
<b>Net cash from operating activities</b>	<b>762,528</b>	<b>285,055</b>
<b>Cash flows from investment activities</b>		
Purchases of property, plant and equipment	(258,432)	(127,406)
<b>Net cash used in investment activities</b>	<b>(258,432)</b>	<b>(127,406)</b>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in current bank loans and bonds	(563,493)	(129,924)
Increase/(decrease) in other long term payables	1,103	0
Acquisition of own shares and other changes in equity	0	0
Distribution of dividends	0	0
Interest paid	(22,329)	(30,398)
Other financial income/(expense)	0	0
<b>Net cash used in financing activities</b>	<b>(584,718)</b>	<b>(160,322)</b>
Cash and cash equivalents at the beginning of the period	400,134	202,534
Net increase (decrease) in cash and cash equivalents	(80,623)	47,500
<b>Cash and cash equivalents at the end of the period</b>	<b>319,511</b>	<b>250,034</b>

## Condensed Consolidated Statement of Changes in Equity

CZK '000	Share capital	Legal reserve fund and other reserves	Own shares	Translation reserves	Cash flow hedging	Retained earnings	Total share capital and reserves
<b>as at 1 January 2019</b>	<b>299,857</b>	<b>86,701</b>	<b>0</b>	<b>57,594</b>	<b>4,860</b>	<b>4,521,740</b>	<b>4,970,752</b>
Distribution	--	--	--	--	--	--	--
Other comprehensive income for the period	--	--	--	(184)	(9,763)	--	(9,947)
Net profit for the period	--	--	--	--	--	246,846	<b>246,846</b>
<b>as at 30 June 2019</b>				<b>57,410</b>	<b>(4,903)</b>	<b>4,768,586</b>	<b>5,207,652</b>
<b>as at 1 January 2020</b>	<b>299,857</b>	<b>86,701</b>	<b>88,335</b>	<b>16,270</b>	<b>4,994,938</b>	<b>5,486,102</b>	<b>299,857</b>
Distribution	--	--	--	--	--	--	--
Other comprehensive income for the period	--	--	49,202	-53,047	--	--	(3,845)
Net profit for the period	--	--	--	--	9,315	<b>9,315</b>	--
<b>as at 30 June 2020</b>	<b>299,857</b>	<b>86,701</b>	<b>137,537</b>	<b>-36,777</b>	<b>5,004,254</b>	<b>5,491,572</b>	<b>299,857</b>

## **Selected explanatory notes to the interim consolidated financial statements**

### **Rounding off and presentation**

When preparing consolidated financial statements, the Group uses CZK 1,000 as the minimum reporting unit. All reported figures were rounded off and for this reason some additions may not add up.

### **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 2019.

### **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 the year ending 31 December 2019.

### **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.

In connection with the COVID-19 pandemic, the management of the Group did not apply any estimates, judgements or assumptions that would have an effect on the application of accounting procedures and the value of reported assets and liabilities, income and expenses, on the grounds that the Company was not significantly impacted by the pandemic.

### **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 2019. As at 30 June 2020, the company PFNonwovens International s.r.o. ceased to exist by means of a fusion with the sister company PFNonwovens Czech s.r.o.

### **Issue, repurchase and repayments of debt and equity securities**

During the course of the first half of 2020, the Company drew from overdraft bank loans. The Company did not conclude any new bank facilities in the first half of 2020.

### **Important events and transactions**

#### **Material events subsequent to the end of the interim period**

On 8 July 2020, the Company's Supervisory Board approved the dismissal of the current Chairman of the Board of Directors, Mr. Carl Allen Bodford, with immediate effect.

The management of the Company is not aware of any other events that occurred subsequent to the end of the interim period, which would have a significant effect on the consolidated financial statements as at 30 June 2020.

### **Information about the fair value of financial instruments**

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

#### **Interest rate swaps**

As at 30 June 2020, the Group held no open interest rate swaps.

#### **Currency forward contracts**

As at 30 June 2020, the Group held no open currency forward contracts.

## Cross currency swaps

As at 30 June 2019 and 30 June 2020, the Group held two open cross currency swaps.

The first 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 second 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 fair value of these swaps, as at 30 June 2020, 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 June 2019	as at 30 June 2020
ČSOB – EUR 25 mil.	(9,046)	(44,744)
Česká spořitelna – EUR 39.852 mil.	(6,422)	(9,341)
<b>Total</b>	<b>(15,468)</b>	<b>(54,085)</b>

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 June 2020, increase, resp. decrease the fair value of the cross currency swaps by approximately CZK 17.3 million.

## Foreign currency option structures

### *Foreign currency option structure I.*

In July 2019, a foreign currency option structure expired this structure was concluded by the Group in March 2016. 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 expends each month on the payment of wages and salaries.

### *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 Company has implemented hedge accounting on a part of the foreign currency option structure, namely a series of monthly synthetic forwards. The economic relationship is defined as the expectation that the value of the hedging instrument and the value of the hedged item will move in the opposite direction with respect to the hedged risk. In case of appreciation of CZK against EUR, the value of the hedging instrument will increase and at the same time the value of the hedged item, sales, in EUR, will decrease. The Group considers the hedging relationship to be effective due to the fact that the parameters of the hedging instrument's and the hedged items are identical (nominal, maturity dates for interest payments, stable sales in EUR). For this reason, the entire fair value of the hedging derivative was recognized in equity, resp. other comprehensive result.

The Group accounts for the second part of the option structure, a series of monthly written options, outside hedge accounting, and accordingly the change in its fair value is booked in the profit and loss statement.

### *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 Company has implemented hedge accounting on a part of the foreign currency option structure, namely a series of monthly synthetic forwards. The economic relationship is defined as the expectation that the value of the hedging instrument and the value of the hedged item will move in the opposite direction with respect to the



hedged risk. In case of appreciation of CZK against EUR, the value of the hedging instrument will increase and at the same time the value of the hedged item, sales, in EUR, will decrease. The Group considers the hedging relationship to be effective due to the fact that the parameters of the hedging instrument's and the hedged items are identical (nominal, maturity dates for interest payments, stable sales in EUR). For this reason, the entire fair value of the hedging derivative was recognized in equity, resp. other comprehensive result.

The Group accounts for the second part of the option structure, a series of monthly written options, outside hedge accounting, and accordingly the change in its fair value is booked in the profit and loss statement.

The fair value of these foreign currency option structures, as at 30 June 2020, 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 June 2019	as at 30 June 2020
Foreign currency option structure I. - series of synthetic forwards	1,346	--
Foreign currency option structure I. - series of barrier options	0	--
Foreign currency option structure II. – series of synthetic forwards	4,453	(9,790)
Foreign currency option structure II. – series of written options	(2,573)	(3,295)
Foreign currency option structure III. – series of synthetic forwards	2,255	(91)
Foreign currency option structure III. – series of written options	(1,179)	(1,648)
<b>Total</b>	<b>4,302</b>	<b>(14,824)</b>
CZK '000		

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

The appreciation, resp. depreciation of CZK against EUR by 5% would, as at 30 June 2020, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 20.9 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 June 2020, increase, resp. decrease the fair value of the foreign currency option structure by approximately CZK 14.7 million.

## Earnings per share

The calculation of basic earnings per share as at 30 June 2020 was based on the net profit attributable to equity holders and a weighted average number of ordinary shares in the first half 2020.

Fully diluted earnings per share as at 30 June 2020 and at 30 June 2019 are equal to basic earnings per share since the Company has no instruments issued that would potentially have a diluting effect on earnings.

No changes to the number of shares issued by the Company occurred during the first six months of 2020.

## Basic earnings per share

		as at 30 June 2019	as at 30 June 2020
Net profit attributable to equity holders	'000 CZK	246,846	9,315
Weighted average number of ordinary shares	Number	8,763,859	8,763,859
<b>Basic earnings per share</b>	<b>CZK</b>	<b>28.17</b>	<b>1.06</b>
<b>Diluted earnings per share</b>	<b>CZK</b>	<b>28.17</b>	<b>1.06</b>

## Information about affiliates

### Significant transactions concluded by the Company with affiliates

During the first six months of 2019 and 2020, no transactions were concluded between the Company and affiliates under other than market conditions.

### Transactions between the Company and entities discharging Company managerial responsibilities

During the first six months of 2019 and 2020, the Company did not provide the persons discharging managerial responsibilities or their affiliates any deposits, loans, credit, guarantees, nor did it conclude any contracts for providing services of the Group and its affiliates to such persons.

During the first six months of 2019 and 2020, the Company did not conclude any significant transactions with persons discharging managerial responsibilities, their family relations or otherwise affiliated parties.

### Transactions between affiliated entities of the Company and entities discharging Company managerial responsibilities

During the first six months of 2019 and 2020, the entities discharging Company managerial responsibilities did not conclude any significant transactions with affiliated entities of the Company.

## Approval of the interim financial statements

The interim financial statements were approved by the Company's Board of Directors on 28 August 2020.

# Declaration

Zdeněk Husták, Member of the Board of Directors of PFNonwovens a.s. and

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

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

28 August 2020

Zdeněk Husták  
Member of the Board of Directors of  
PFNonwovens a.s.

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

# Contacts

## PR/IR Officer

Tel.: +420 515 262 408  
iro@pfnonwovens.cz

# 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 (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 needed.

**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
<b>CAPEX</b>	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).
<b>Net debt</b>	Financial indicator calculated as: Non-current bank loans + Non-current bonds + Current bank loans + Current bonds – (Cash and cash equivalents)	This indicator expresses the actual state of the Company's financial debt, i.e. the nominal debt value less financial assets, financial equivalents and highly liquid financial assets of the company. The measure is used primarily for assessing the overall proportionality of the Company's indebtedness, i.e. e.g. when compared with selected profit or balance sheet indicators of the Company.	See First Half 2020 Key Figures in CZK mil.: 1-6/2020: $0 + 4,012.8 + 1,015.0 - 250.0 = 4,777.8$
<b>Net debt/EBITDA</b>	Net Debt/EBITDA, where EBITDA uses a sliding value over the last 12 months.	It expresses, on the one hand the ability of the Company to lower and repay its debt and, on the other, also its ability to accept further debt for developing its business. The measure approximately expresses the time that it would take the Company to pay off its debts from its primary source of operating cash flow.	Financial Results in the First Half of 2020 – Cash and Indebtedness in CZK mil.: 2020: $4,777.8 / 1,271.3 = 3.76$
<b>EBIT (Profit from operations)</b>	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

<b>EBITDA</b>	Financial indicator that determines the operating margin of the company before the deduction of interest, taxes, depreciation and amortization. Calculated as net profit before taxation, interest expenses, interest income, exchange rate movements, other financial income/expenses and depreciation and amortization, i.e. profit from operations + depreciation and amortization.	Since it does not contain financial and tax indicators or accounting costs not including outflows, it is used by management to assess the Company's results over the course of time.	See Condensed Consolidated Statement of Comprehensive Income for the Six Month Period, in CZK mil.: 2020: $367.3 + 292.3 = 659.6$ 2019: $353.2 + 252.6 = 605.8$
<b>Net profit margin</b>	Percentage margin is calculated as net earnings after income tax and before distribution to shareholders divided by total revenues.	It is used to express how well the Company converts revenues into profit available to shareholders.	See First Half 2020 Key Figures in CZK mil.: 1-6/2020: $9.3 / 3,347.3 = 0.3\%$
<b>Operating profit margin</b>	Percentage margin calculated as EBIT / total revenues.	It is used for assessing the operating performance of the Company.	See First Half 2020 Key Figures in CZK mil.: 1-6/2020: $367.3 / 3,347.3 = 11.0\%$
<b>EBITDA margin</b>	Percentage margin calculated as EBITDA / total revenues.	It is used for expressing the profitability of the Company.	See First Half 2020 Key Figures in CZK mil.: 1-6/2020: $659.6 / 3,347.3 = 19.7\%$
<b>Planned EBITDA</b>	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 2020 Outlook: Set as a qualified estimation by the Company's management.



# Other information

## Basic Information on the Company

### Company Name

PFNonwovens a.s.

### Headquarters

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

### Registry and registration number

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

### Incorporated

18 November 2005 under the name Pamplona PE Holdco 2 SA

### Jurisdiction

Czech Republic

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

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

changed the Company's name to PEGAS NONWOVENS a.s.

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

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

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

### Company's scope of business is:

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

### Company's scope of activity is:

- Administration of own assets