

Jacob Holm & Sønner Holding A/S

Interim Report

Q4 2017

Table of content

	<u>Page</u>
Management's Review	2
Interim Report for Q4 2017 (Oct 1 – Dec 31, 2017)	3
Financial Review	4
General information	6
Consolidated income statement	7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the Interim Report	13

Management's Review

Summary

Jacob Holm & Sønner Holding A/S and its subsidiaries ("Jacob Holm", the "Company" or the "Group") concluded its fourth quarter of the financial year 2017 with revenues of DKK 541 million and an EBITDA of DKK 40 million.

The continued devaluation of the USD against DKK and slightly lower volumes negatively impacted revenue compared to the previous period. EBITDA margin negatively impacted by reducing inventory at generally lower production volumes .

Forward-looking statements

This report may be deemed to include forward-looking statements, such as statements that relate to the performance of Jacob Holm. Forward-looking statements are typically identified by words or phrases, such as "about", "believe", "expect", "plan", "goal", "target", "strategy" and similar expressions or future or conditional verbs such as "may", "will", "should", "would", and "could". Forward-looking statements are Jacob Holm's current estimates or expectations of future events or future results. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties. All forward-looking statements included in this press release are based on information available at the time of the release, and the Company assumes no obligation to update any forward-looking statements.

Interim Report for Q4 2017 (Oct 1 – Dec 31, 2017)

Jacob Holm reports for Q4 2017:

- Revenues of DKK 541 million (-3.8% year-on-year)
- EBITDA of DKK 48 million (-19.8% year-on-year)
- Net loss of DKK 9 million (NA)
- Net debt of DKK 858 million, compared with DKK 972 million at the end of Q3 2017

Key figures	Quarter ended Dec 31,		YTD ended Dec 30,	
	2017	2016	2017	2016
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	540.820	562.328	2.254.386	2.350.781
EBITDA	39.940	49.799	164.534	204.405
Net profit	-8.899	15.807	-47.428	49.713
Cash flow from operating activities	23.442	56.741	36.627	256.701
Cash flow from investing activities	-16.113	-33.011	-59.345	-73.835
Cash flow from financing activities	-46.495	-46.495	-46,495	-46,495
Net interest bearing debt			857.863	816.819
Total assets			1.652.985	1.799.316

This Interim Report for Q4 2017 has not been audited or reviewed.

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Financial Review

Revenue

Revenue in Q4 2017 decreased by DKK 3 million or 1% to DKK 541 million compared with DKK 544 million in Q3 2017. The continued weakening of the USD compared to DKK accounted for the main factor for lower consolidated revenue. Furthermore, December revenue were impacted by the holiday and end-of-year cut-offs.

Operating expenses

Cost of goods sold in Q4 2017 totalled DKK 467 million representing 86% of revenue compared with DKK 459 million or 84% in Q3 2017. The increase in % was due to the inventory reduction at lower production volumes.

Other operating expenses amounted to DKK 34 million or 6% of revenue in Q4 2017 compared with DKK 38 million or 7% in Q3 2017.

Depreciation charges of DKK 31 million in Q4 2017 were stable compared to the previous quarter.

EBITDA

The Group delivered an EBITDA of DKK 40 million in Q4 2017 compared to DKK 48 million in Q3 2017, representing a decrease in EBITDA margin of 1.4%.

Financial income and expenses

The Group's financial income and expenses related to borrowing costs for the bonds and other financing arrangements were DKK 10 million in Q4 2017 compared to DKK 11 million in Q3 2017.

Taxes

The Group reported a tax expense of DKK 3 million in Q4 2017, compared with a tax credit of DKK 7 million in Q3 2017.

Net profit

The net profit was negative DKK 9 million in Q4 2017 compared with a net profit of DKK 2 million in Q3 2017.

Equity

Equity decreased to DKK 351 million in Q4 2017 as a result of the net loss and the changes in exchange rates.

Net debt

The net debt at the end of Q4 2017 was DKK 858 million compared with DKK 872 million at the end of Q3 2017.

Management's Statement on the Interim Report

The Executive and Supervisory Boards have today considered and adopted the Interim Report of Jacob Holm & Sønner Holding A/S for the financial period October 1 – December 31, 2017.

The Interim Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements included in the executive order on IFRS issued by the Danish Commerce and Companies Agency. We consider the accounting policies applied appropriate and the accounting estimates reasonable.

To the best of our knowledge, the Consolidated Financial Statements give a true and fair view of the financial position as at December 31, 2017 and of the results of its operations and cash flows for the period of the Group taken as a whole.

To the best of our knowledge, we confirm that the Consolidated Financial Statements include a true and fair account of the development in the operations and financial circumstances of the Group as a whole, of the results for the financial period and of the financial position of the Group as a whole as well as a description of the most significant risks and elements of uncertainty facing the Group. Besides what has been disclosed in the Interim Report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated financial statements for 2016.

Jyderup, February 28, 2018

Executive Board

Martin Mikkelsen
Chief Executive Officer

Supervisory Board

Nils Thomas Weinecke
(Chairman)

Christian Peter Søberg Jarnov

Martin Mikkelsen

General information

1 Reporting entity

Jacob Holm & Sønner Holding A/S (the "Company") is a company domiciled in Denmark. These condensed unaudited consolidated interim financial statements as at and for the twelve months ended December 31, 2017 comprise the Company and its subsidiaries (together the "Group"). The Group is primarily involved in manufacturing nonwoven fabrics for a wide range of applications in the consumer wipes, industrial wipes, hygiene, beauty care and health care segments. The Company's functional currency is Danish kroner.

2 Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU as well as additional Danish disclosure requirements. They do not include all the information required for a complete set of IFRS financial statements. Any events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the financial year ended December 31, 2016 are disclosed in the section "Financial Review". These interim financial statements were authorized for issue by the Company's Board of Directors on February 28, 2018.

(b) Judgments and estimates

In preparing these interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the financial year ended December 31, 2016.

3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the financial year ended December 31, 2016.

4 Segment information

The internal reporting framework used for reporting on revenue and expenses to the Executive Management and the Board of Directors has been set up to reflect and report on the global functional responsibility setup at the Company.

5 Subsequent events

No events have occurred after the balance sheet date that will have material effect on the Group's financial standing.

Consolidated income statement

Consolidated income statement DKK 1,000	Quarter ended Dec 31,		YTD ended Dec 31,	
	2017 unaudited	2016 unaudited	2017 unaudited	2016 unaudited
Revenue	540.820	562.328	2.254.386	2.350.781
Cost of goods sold	467.094	471.761	1.938.705	1.971.224
Gross profit	73.726	90.567	315.681	379.556
Sales and marketing expenses	9.088	12.085	39.644	42.348
Administrative expenses	24.861	28.846	112.153	133.453
Other operating income and expenses	163	163	650	650
EBITDA	39.940	49.799	164.534	204.405
Other operating income and expenses	88	-100	18	-367
Depreciation	30.796	32.738	126.693	126.013
EBIT	9.233	16.961	37.858	78.025
Special items, net	-400	-1.281	-1.706	-1.281
Financial income and expenses, net	-10.364	-10.141	-73.366	-46.558
Exchange rate deviation	-3.936	10.287	-37.058	27.303
Profit before tax	-5.468	15.826	-74.272	57.489
Tax on profit for the year	3.431	19	-26.844	7.776
Net profit for the year	-8.899	15.807	-47.428	49.713

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Quarter ended Dec 31,		YTD ended Dec 31,	
	2017	2016	2017	2016
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Net profit for the period	-8.899	15.807	-47.428	49.713
Other comprehensive income				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	-10.652	19.543	-70.165	10.495
Total comprehensive income for the period	-19.552	35.350	-117.594	60.208

Consolidated balance sheet

Consolidated balance sheet	Dec 31, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
Assets		
Intangible fixed assets	118.827	138.532
Land & Buildings	227.539	265.178
Plant and machinery	596.572	722.044
Other fixtures and fittings, tools and equipment	13.870	15.342
Property, plant and equipment under construction	25.367	20.805
Property, plant and equipment	863.348	1.023.370
Other receivables	3.443	2.030
Deferred tax asset	15.594	13.902
Financial fixed assets	19.037	15.932
Non-current assets	1.001.212	1.177.833
Inventories	164.300	177.102
Trade receivables	298.476	309.713
Receivables due from group companies	0	0
Corporate tax	1.384	267
Bonds at fair value through profit and loss	8.479	9.515
Other receivables and prepayments	48.678	41.489
Receivables	357.018	360.984
Cash at bank and in hand	130.456	83.397
Current assets	651.774	621.483
Assets	1.652.985	1.799.316

Consolidated balance sheet

Consolidated balance sheet	Dec 31, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
Equity and liabilities		
Equity	370.485	493.527
Interest bearing liabilities	867.044	794.791
Provisions for deferred tax	24.198	46.277
Provisions for other staff obligations	6.512	6.512
Provisions other	6.300	7.050
Non-current liabilities	904.054	854.630
Interest bearing liabilities	0	0
Credit institutions	117.831	114.941
Trade payables	169.013	188.785
Payables, plant and machinery	1.923	6.875
Payables due to group companies	0	7.362
Corporate tax	15.949	18.921
Other payables	104.989	114.277
Current liabilities	409.705	451.160
Liabilities	1.313.758	1.305.790
Equity and liabilities	1.684.243	1.799.316

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Share capital	Exchange adj.	Retained earnings	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Equity at January 1, 2017	1.000	87.182	405.345	493.527
Comprehensive income for the period	0	-70.165	-47.428	-117.594
Dividends	0	0	-25.000	-25.000
Equity at December 31, 2017	1.000	17.016	332.917	350.933
Equity at January 1, 2016	1.000	76.686	375.632	453.319
Comprehensive income for the period	0	10.495	49.713	60.208
Dividends	0	0	-20.000	-20.000
Equity at December 31, 2016	1.000	87.182	405.345	493.527

Paid dividends per share in 2017 amounts to DKK 25 (DKK 20 in 2016).

Consolidated statement of cash flows

Consolidated statement of cash flows DKK 1,000	Quarter ended Dec 31,		YTD ended Dec 31,	
	2017 unaudited	2016 unaudited	2017 unaudited	2016 unaudited
Ordinary result before tax	-5.468	15.826	-74.272	57.489
Non-cash adjustments	36.487	27.296	168.504	104.244
Corporation tax paid	-6.922	1.071	-19.878	-3.239
Change in inventories	13.084	1.933	-329	32.695
Change in receivables	-14.243	3.354	-27.425	6.487
Change in suppliers etc.	505	7.262	-9.973	59.024
Cash flows from operating activities	23.442	56.741	36.627	256.701
Property, plant and equipment and intangible fixed assets	-16.221	-24.347	-54.639	-54.551
Purchase of financial fixed assets	2	-1.323	-1.434	-1.413
Change in bonds at fair value through profit and loss	-155	832	1.037	3.663
Change in payables, plant and machinery	260	-8.174	-4.309	-21.533
Cash flows from investing activities	-16.113	-33.011	-59.345	-73.835
Change in non-current liabilities	-8.099	-18.520	76.971	-70.570
Change in accounts with related and group companies	7.446	-2.733	-4.275	8.069
Paid out dividend	0	0	-25.000	-20.000
Cash flows from financing activities	-654	-21.253	47.696	-82.501
Change in cash and cash equivalents	6.676	2.477	24.978	100.365
Cash and cash equivalents, net at beginning of the period	-13.190	-31.946	-31.544	-131.013
Exchange adjustment of cash at bank and in hand, net at beginning of the period	-2.279	-2.076	-2.228	-897
Cash and cash equivalents, net at the end of the period	-8.794	-31.544	-8.794	-31.544

Notes to the Interim Report

1 Intangible fixed assets

Intangible fixed assets	Customer lists, know-how, patents, licences			Intangible fixed assets under construction
	Goodwill unaudited	unaudited	Software unaudited	
DKK 1,000				
Cost at beginning of period	93.491	16.488	69.144	0
Exchange adjustment at half-year rate	-7.539	-1.351	-5.598	0
Additions for the year	0	0	2.703	497
Transfer between items	0	0	0	0
Disposals for the year	0	0	-103	0
Cost at end of period	85.952	15.137	66.146	497
Amortisation at beginning of period	0	5.575	35.016	0
Exchange adjustment at year-end rate	0	-549	-3.307	0
Amortisation for the year	0	2.015	10.258	0
Disposals for the year	0	0	-103	0
Amortisation at end of period	0	7.041	41.864	0
Carrying amount at end of period	85.952	8.096	24.282	497
Amortised over		10 years	3-5 years	

2 Property, plant and equipment

Property, plant and equipment	Other fixtures and fittings, tools and equipment			PPE under construction
	Land and buildings unaudited	Plant and machinery unaudited	unaudited	
DKK 1,000				
Cost at beginning of period	395.506	1.370.920	53.828	20.805
Exchange adjustment at half-year rate	-31.095	-113.265	-3.473	-1.648
Additions for the year	0	4.517	1.632	43.937
Transfer between items	635	33.474	3.618	-37.727
Disposals for the year	-133	-453	-710	0
Cost at end of period	364.913	1.295.193	54.895	25.367
Depreciation at beginning of period	130.328	648.876	38.486	0
Exchange adjustment at year-end rate	-8.119	-43.893	-2.357	0
Depreciation for the year	15.202	93.826	5.392	0
Disposals for the year	-37	-188	-496	0
Depreciation at end of period	137.374	698.621	41.025	0
Carrying amount at end of period	227.539	596.572	13.870	25.367
Amortised over	30-50 years	5-15 years	3-10 years	

3 Interest bearing liabilities

Interest bearing liabilities is made up of the issued Bond and financing granted by credit institutions.

As at December 31, 2017 the split and maturity is as follows:

Interest bearing liabilities	2018	2019	2020	2021	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	0	0	0	744.490	744.490
Credit institutions	37.281	87.100	0	0	124.381
Financing costs	-3.206	-2.829	-2.350	-2.938	-11.323
	34.075	84.271	-2.350	741.552	857.548

(a) Bond

On March 31, 2017, the parent company issued a series of new bonds in the amount of EUR 100 million. The net proceeds of the new bonds were used to refinance the bonds issued in 2014 and for general corporate purposes. The redemption of the 2014 bonds including the call premium as well as the release of the remaining proceeds from the escrow to the Group occurred on April 25, 2017. Between the settlement of the EUR bonds on March 31, 2017 and the redemption of the SEK bonds, the net proceeds were deposited on an escrow account and presented in Cash at bank and in hand on the balance sheet. The interest coupon on the par value of the new bonds payable and including, the issue date is three months EURIBOR plus a margin of 3.75% (subject to adjustment in case of incurrence events).

The Bond matures in full on March 31, 2022. The Company may redeem the bond issue in whole or in part at any time. The redemption price is:

Today to September 2019	102% of par value plus remaining interest payments until September 2019 discounted at 50 basis point over the comparable government bonds of the Federal Republic of Germany.
September 2019 to March 2020	102% of par value
March 2020 to September 2020	101.50% of par value
September 2020 to March 2021	101.25% of par value
March 2021 to September 2021	100.75% of par value
From September 2021	100% of par value

The bonds are subject to a net debt / EBITDA ratio covenant testing in case of an Incurrence Event.

(b) Credit institutions

Credit institutions primarily includes term loans granted to the Plant in Asheville, United States. These term loans are USD denominated and with variable interest.

The covenants comprise measurements on specific financial ratios, including solvency, EBITDA in relation to fixed charges (interest, instalments, income tax, dividend and capital expenditure) and the cover of revolving credit by working capital.

4 Segment information

The Group's global functional responsibility is divided into four segments:

- (1) The Jacob Holm Industries segment produces and sells non-woven roll-goods.
- (2) The Sontara segment produces and sells non-woven in converted and roll-goods form.
- (3) The TWIG segment sells non-woven by-products and provides internal converting services.
- (4) The Headquarter segment consists of the Danish holding and management companies Jacob Holm & Søner Holding A/S and Jacob Holm & Søner A/S.

Segment information	YTD ended Dec 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Revenue		
Jacob Holm Industries	952.534	1.039.219
Sontara	1.296.675	1.298.818
TWIG	55.868	43.660
Headquarter	2.164	2.811
Eliminations	-52.854	-33.728
Group	2.254.386	2.350.781
EBITDA		
Jacob Holm Industries	17.708	79.307
Sontara	143.563	120.073
TWIG	5.183	6.436
Headquarter	-1.920	-1.411
Eliminations	0	0
Group	164.534	204.405

5 Transactions with related parties

Besides intercompany transactions that have been eliminated in the Consolidated Income Statement, related party transactions comprise purchases and sales of management services from and to the related company Jacob Holm & Sons AG. Further, royalty fee charges are being made by Jacob Holm & Sons AG.

Purchases of management services amounts to DKK 30 million for the year-to-date whereas sales of management services amounted to DKK 6 million for the year-to-date.

Charges of royalty fees for the year-to-date amounts to DKK 38 million.

Further, the Consolidated Income Statement includes a financial expense of DKK 3 MM from guarantee fee charges related to the Parent Company's guarantee regarding the bonds. The Parent Company is guaranteeing the nominal value of the bonds.

The Group has charged management services in the amount of DKK 0.7 million to Dønnerup A/S for the year-to-date. Dønnerup A/S has charged rental expenses in the amount of DKK 0.7 million for the year-to-date.