

Jacob Holm & Sønner Holding A/S

Interim Report

Q3 2018

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Management's Review

Summary

Jacob Holm & Sønner Holding A/S and its subsidiaries ("Jacob Holm", the "Company" or the "Group") concluded its third quarter of the financial year 2018 with revenues of DKK 568 million and an EBITDA of DKK 20 million.

The continued pressure on key cost components (e.g. raw material and freight rates) in combination with the tense competitive situation in consumer wipes and new tariffs in China negatively impacted Q3 2018 financial performance for the Group and is impacting the industry as a whole. The Group announced a price increase in September 2018 for implementation during Q4 2018 and Q1 2019.

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 Q3 2018 (Jul 1 – Sep 30, 2018)

Jacob Holm reports for Q3 2018:

- Revenues of DKK 568 million (+4.4% year-on-year)
- EBITDA of DKK 20 million (-59.0% year-on-year)
- Net loss of DKK 26 million (NA)
- Net debt of DKK 930 million, compared with DKK 902 million at the end of Q2 2018

Key figures	Quarter ended Sep 30,		YTD ended Sep 30,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	567.785	543.713	1.710.755	1.713.566
EBITDA	19.502	47.522	102.528	124.594
Net profit	-25.772	2.137	-27.273	-38.529
Cash flow from operating activities	-11.685	61.954	-18.396	13.185
Cash flow from investing activities	-72.232	-18.051	-84.316	-43.232
Cash flow from financing activities	-9.694	-46.495	52.723	48.350
Net interest bearing debt			929.868	871.909
Total assets			1.689.679	1.684.243

This Interim Report for Q3 2018 has not been audited or reviewed.

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Financial Review

Revenue

Revenue in Q3 2018 decreased by DKK 7 million or 1% to DKK 568 million compared with DKK 575 million in Q2 2018. The decrease was mainly driven by lower volumes in September from one site due to plant maintenance as well as lower volumes in one segment.

Operating expenses

Cost of goods sold in Q3 2018 totalled DKK 509 million representing 90% of revenue compared with DKK 494 million or 86% in Q2 2018. Production performance continued to be strong in Q3 2018 partly absorbing the impact of increasing raw material prices and freight rates that had not been passed through in full to customers.

Other operating expenses amounted to DKK 39 million or 7% of revenue in Q3 2018 compared with DKK 38 million or 7% in Q2 2018.

Depreciation charges of DKK 31 million in Q3 2018 were stable compared to the previous quarter.

EBITDA

The Group delivered an EBITDA of DKK 20 million in Q3 2018 compared to DKK 44 million in Q2 2018.

Financial income and expenses

The Group's financial income and expenses related to borrowing costs for the bonds and other financing arrangements were DKK 14 million in Q3 2018 compared to DKK 12 million in Q2 2018 reflecting the higher coupon on the Bonds post-tap issue.

Taxes

The Group reported a tax credit of DKK 3 million in Q3 2018, compared with a tax expense of DKK 4 million in Q2 2018.

Net profit

The net loss was DKK 26 million in Q3 2018 compared with a net profit of DKK 8 million in Q2 2018.

Equity

Equity decreased to DKK 322 million in Q3 2018 as a result of the net loss.

Net debt

The net debt at the end of Q3 2018 was DKK 930 million compared with DKK 902 million at the end of Q2 2018.

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 July 1 – September 30, 2018.

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 September 30, 2018 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 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 for the financial period. 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 2017.

Jyderup, November 20, 2018

Executive Board

Martin Mikkelsen
Chief Executive Officer

Supervisory Board

Nils Thomas Weincke
(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 nine months ended September 30, 2018 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, 2017 are disclosed in the section "Financial Review". These interim financial statements were authorized for issue by the Company's Board of Directors on November 20, 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, 2017.

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, 2017.

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

There has been no material adverse change to the financial condition of the Group after the balance sheet date.

Consolidated income statement

Consolidated income statement	Quarter ended Sep 30,		YTD ended Sep 30,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	567.785	543.713	1.710.755	1.713.566
Cost of goods sold	509.438	458.951	1.493.464	1.471.611
Gross profit	58.347	84.762	217.292	241.955
Sales and marketing expenses	11.596	8.803	34.345	30.556
Administrative expenses	27.411	28.599	80.906	87.292
Other operating income and expenses	163	163	488	488
EBITDA	19.502	47.522	102.528	124.594
Other operating income and expenses	27	-104	-307	-71
Depreciation	31.361	31.118	93.041	95.898
EBIT	-11.832	16.300	9.180	28.625
Special items, net	-767	-732	-1.410	-1.306
Financial income and expenses, net	-13.826	-10.883	-35.856	-63.002
Exchange rate deviation	-2.284	-9.451	1.827	-33.122
Profit before tax	-28.710	-4.765	-26.260	-68.804
Tax on profit for the period	-2.938	-6.902	1.014	-30.275
Net profit for the period	-25.772	2.137	-27.273	-38.529

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income DKK 1,000	Quarter ended Sep 30,		YTD ended Sep 30,	
	2018 unaudited	2017 unaudited	2018 unaudited	2017 unaudited
Net profit for the period	-25.772	2.137	-27.273	-38.529
Other comprehensive income				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	8.232	-25.612	23.822	-59.513
Total comprehensive income for the period	-17.539	-23.475	-3.452	-98.042

Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2018	Dec 31, 2017
DKK 1,000	unaudited	audited
Assets		
Intangible fixed assets	115.267	118.827
Land & Buildings	222.420	227.539
Plant and machinery	556.127	596.572
Other fixtures and fittings, tools and equipment	12.157	13.870
Property, plant and equipment under construction	33.430	25.367
Property, plant and equipment	824.133	863.348
Other receivables	1.146	3.443
Deferred tax asset	17.502	15.594
Financial fixed assets	18.648	19.037
Non-current assets	958.048	1.001.212
Inventories	183.143	164.300
Trade receivables	328.034	298.476
Receivables due from group companies	618	0
Corporate tax	6.698	1.384
Bonds at fair value through profit and loss	71.938	8.479
Other receivables and prepayments	59.667	48.678
Receivables	466.955	357.018
Cash at bank and in hand	81.533	130.456
Current assets	731.631	651.774
Assets	1.689.679	1.652.985

Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2018	Dec 31, 2017
DKK 1,000	unaudited	audited
Equity and liabilities		
Equity	322.482	350.933
Interest bearing liabilities	943.318	857.548
Provisions for deferred tax	5.677	6.693
Provisions for other staff obligations	6.755	6.734
Provisions other	6.440	6.210
Non-current liabilities	962.190	877.186
Credit institutions	140.021	139.250
Trade payables	155.020	171.678
Payables, plant and machinery	1.089	2.069
Payables due to group companies	0	3.088
Corporate tax	9.019	10.592
Other payables	99.859	98.190
Current liabilities	405.008	424.866
Liabilities	1.367.198	1.302.052
Equity and liabilities	1.689.679	1.652.985

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Share capital unaudited	Exchange adj. unaudited	Retained earnings unaudited	Total unaudited
DKK 1,000				
Equity at Jan 1, 2018	1.000	17.016	332.917	350.933
Comprehensive income for the period	0	23.822	-27.273	-3.452
Dividends	0	0	-25.000	-25.000
Equity at Sep 30, 2018	1.000	40.838	280.644	322.482
Equity at Jan 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 Dec 31, 2017	1.000	17.016	332.917	350.933

Paid dividends per share in 2018 amounts to DKK 25 (DKK 25 in 2017).

Consolidated statement of cash flows

Consolidated statement of cash flows DKK 1,000	Quarter ended Sep 30,		YTD ended Sep 30,	
	2018 unaudited	2017 unaudited	2018 unaudited	2017 unaudited
Ordinary result before tax	-28.710	-4.765	-26.260	-68.804
Non-cash adjustments	33.379	40.716	88.727	132.017
Corporation tax paid	-1.913	-8.661	-11.741	-12.956
Change in inventories	4.200	-6.770	-15.588	-13.413
Change in receivables	10.116	20.292	-31.795	-13.182
Change in suppliers etc.	-28.757	21.143	-21.740	-10.478
Cash flows from operating activities	-11.685	61.954	-18.396	13.185
Property, plant and equipment and intangible fixed assets	-7.153	-18.920	-22.153	-38.418
Purchase of financial fixed assets	-325	-12	2.314	-1.437
Change in bonds at fair value through profit and loss	-64.220	-81	-63.459	1.191
Change in payables, plant and machinery	-535	963	-1.018	-4.569
Cash flows from investing activities	-72.232	-18.051	-84.316	-43.232
Change in non-current liabilities	-3.771	-42.997	81.429	85.070
Change in accounts with related and group companies	-5.923	-3.498	-3.706	-11.720
Paid out dividend	0	0	-25.000	-25.000
Cash flows from financing activities	-9.694	-46.495	52.723	48.350
Change in cash and cash equivalents	-93.612	-2.592	-49.989	18.302
Cash and cash equivalents, net at beginning of the period	34.585	-7.655	-8.794	-31.544
Exchange adjustment of cash at bank and in hand, net at beginning of the period	538	-2.943	294	52
Cash and cash equivalents, net at the end of the period	-58.488	-13.190	-58.488	-13.190

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				unaudited
Cost at Jan 1, 2018	85.952	15.137	66.146	497
Exchange adjustment at half-year rate	3.097	545	2.172	18
Additions from business combination	0	0	0	0
Additions for the period	0	0	76	1.084
Transfer between items	0	0	1.599	-1.599
Disposals for the period	0	0	0	0
Cost at Sep 30, 2018	89.049	15.682	69.993	0
Amortisation at Jan 1, 2018	0	7.041	41.864	0
Exchange adjustment at year-end rate	0	277	1.499	0
Amortisation for the period	0	962	7.814	0
Disposals for the period	0	0	0	0
Amortisation at Sep 30, 2018	0	8.280	51.177	0
Carrying amount at Sep 30, 2018	89.049	7.402	18.816	0
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				unaudited
Cost at Jan 1, 2018	364.913	1.295.193	54.895	25.367
Exchange adjustment at half-year rate	8.940	32.931	1.017	832
Additions for the period	34	1.853	201	19.704
Transfer between items	0	10.843	1.630	-12.473
Disposals for the period	-354	-212	-77	0
Cost at Sep 30, 2018	373.533	1.340.608	57.666	33.430
Depreciation at Jan 1, 2018	137.374	698.621	41.025	0
Exchange adjustment at year-end rate	2.864	16.363	820	0
Depreciation for the period	11.021	69.550	3.695	0
Disposals for the period	-146	-53	-31	0
Depreciation at Sep 30, 2018	151.113	784.481	45.509	0
Carrying amount at Sep 30, 2018	222.420	556.127	12.157	33.430
Amortised over	30-50 years	5-15 years	3-10 years	

3 Interest bearing liabilities

Non-current interest bearing liabilities is made up of the issued Bond and financing granted by credit institutions.

As at September 30, 2018 the split and maturity is as follows:

Interest bearing liabilities	2018	2019	2020	After	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	0	0	0	951.150	951.150
Credit institutions	597	373	0	0	970
Financing costs	-629	-2.515	-2.515	-3.143	-8.802
	-32	-2.142	-2.515	948.007	943.318

(a) Bond

On March 31, 2017, the 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. On June 29, 2018, the Company tapped an amount of EUR 27.5 million on the bonds. The net proceeds of the tap issue were used to repay term loans granted by credit institution and for general corporate purposes.

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 tap issue triggered an incurrence test which resulted in a margin of 4.625% until the Company can demonstrate a leverage ratio of maximum 3.0x for net debt / EBITDA.

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 minimum liquidity and a net debt / EBITDA ratio covenant testing in case of an Incurrence Event. An Incurrence Event can be either a dividend distribution above the permitted minimum distribution of EUR 7 million and/or the incurrence of financial indebtedness.

(b) Credit institutions

Credit institutions includes term loans granted to the Plant in Soultz, France. These term loans are EUR denominated and with both variable and fixed interest. The covenant comprise a specific equity level.

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 provides converting and logistics 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 DKK 1,000	YTD ended Sep 30,	
	2018 unaudited	2017 unaudited
Revenue		
Jacob Holm Industries	763.481	730.747
Sontara	947.132	977.510
TWIG	37.083	44.364
Headquarter	1.533	1.654
Eliminations	-38.473	-40.709
Group	1.710.755	1.713.566
EBITDA		
Jacob Holm Industries	13.089	13.728
Sontara	89.495	107.065
TWIG	1.468	5.269
Headquarter	-1.524	-1.468
Eliminations	0	0
Group	102.528	124.594

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 20 million for the year-to-date (compared to DKK 25 million in YTD Sep 2017) whereas sales of management services amounted to DKK 0 million for the year-to-date (DKK 4 million in YTD Sep 2017).

Charges of royalty fees for the year-to-date amounts to DKK 27 million (DKK 33 million in YTD Sep 2017).

Further, the Consolidated Income Statement includes a financial expense of DKK 2 million from guarantee fee charges related to the Parent Company's guarantee regarding the bonds (DKK 3 million in YTD Sep 2017). The Parent Company is guaranteeing an amount of up to EUR 127.5 million.

The Group has charged management services in the amount of DKK 0.5 million to Dønnerup A/S for the year-to-date (DKK 0.5 million in YTD Sep 2017). Dønnerup A/S has charged rental expenses in the amount of DKK 0.5 million for the year-to-date (DKK 0.5 million in YTD Sep 2017).