

Jacob Holm & Sønner Holding A/S

Interim Report

Q3 2019

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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 2019 with revenues of DKK 565 million and an EBITDA of DKK 38 million.

The demand for consumer nonwovens remained solid throughout the Q3 2019 both in Europe and the US. Also an increase in demand for the Group's sustainable non-plastic product portfolio made from renewable and natural raw materials was observed. The headwinds from raw material pricing have subsided thus providing relief to overall operating margins. Selected Sontara® applications continued however to be impacted by the tighter competitive environment and one site's volume output was negatively impacted by an unplanned production interruption, leading overall to a decrease in volumes.

The previous announced reorganization into business units and the subsequent strengthening of the management team has been implemented as of Q3 2019 for all commercial functions.

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 2019 (Jul 1 – Sep 30, 2019)

Jacob Holm reports for Q3 2019:

- Revenues of DKK 565 million (-0.5% year-on-year)
- EBITDA of DKK 38 million (+93.8% year-on-year)
- Net loss of DKK 1 million (NA)
- Net debt of DKK 942 million, compared with DKK 991 million at the end of Q2 2019

Key figures	Quarter ended Sep 30,		YTD ended Sep 30,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	565.088	567.785	1.744.183	1.710.755
EBITDA	37.790	19.502	98.073	102.528
Net profit	-1.491	-25.772	-37.052	-27.273
Cash flow from operating activities	63.393	-11.685	46.422	-18.396
Cash flow from investing activities	61.179	-72.232	40.027	-84.316
Cash flow from financing activities	-1.482	-9.694	-790	52.723
Net interest bearing debt			941.616	929.868
Total assets			1.618.474	1.689.679

This Interim Report for Q3 2019 has not been audited or reviewed.

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Financial Review

Revenue

Revenue in Q3 2019 decreased by DKK 28 million or 5% to DKK 565 million compared with DKK 594 million in Q2 2019. The decrease was driven by the product mix, the tight competitive environment in specific Sontara® applications and an unplanned production interruption incident on one manufacturing line.

Operating expenses

Cost of goods sold in Q3 2019 totalled DKK 487 million representing 86% of revenue compared with DKK 516 million or 87% in Q2 2019. With the exception of the production interruption at one site, which was covered by the Group's insurance, the production performance continued to be solid throughout Q3 2019 on most production lines and selected input material costs slightly decreased.

Other operating expenses amounted to DKK 40 million or 7% of revenue in Q3 2019 compared with DKK 40 million or 7% in Q2 2019. The impact on operating expenses resulting from the reorganization will be reflected in the Q4 2019 financial results.

Depreciation charges of DKK 33 million in Q3 2019 were stable compared to the previous quarters.

EBITDA

The Group delivered an EBITDA of DKK 38 million in Q3 2019 compared to DKK 38 million in Q2 2019.

Financial income and expenses

The Group's financial income and expenses related to borrowing costs for the bonds and other financing arrangements were DKK 16 million in Q3 2019. The effect of implementing IFRS 16 increased the financial expenses by DKK 3 million.

Taxes

The Group reported a tax expense of DKK 2 million in Q3 2019, compared with a tax expense of DKK 2 million in Q2 2019.

Net profit

The net loss was DKK 1 million in Q3 2019 compared with a net loss of DKK 19 million in Q2 2019.

Equity

Equity increased to DKK 288 million in Q3 2019.

Net debt

The net debt at the end of Q3 2019 was DKK 942 million compared with DKK 991 million at the end of Q2 2019. The lease liabilities from having implemented IFRS 16 amounts to DKK 25 million at the end of Q3 2019.

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, 2019.

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, 2019 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 2018.

Jyderup, November 19, 2019

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, 2019 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, 2018 are disclosed in the section "Financial Review". These interim financial statements were authorized for issue by the Company's Board of Directors on November 19, 2019.

(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, 2018.

3 Significant accounting policies

The accounting policies applied in these interim financial statements are, except as stated below, the same as those applied in the Group's consolidated financial statements as at and for the financial year ended December 31, 2018.

(a) Changes in accounting policies:

The Group has from January 1, 2019 implemented the following new reporting standards (IFRS):

IFRS 16 Leases

IFRS 16 has been adopted using the modified retrospective method. By using this method the cumulative effect of initially applying the standard is recognized at the date of initial application January 1, 2019, and comparative financial information for 2018 is not restated.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.625%.

After transition the group has applied the recognition exemptions allowed by IFRS 16. This means that low value leases or leases, where the lease term is initially 12 months or less, are recognized as rental expenses in the statement of profit or loss. In addition, the lease and non-lease components are not separated for all asset classes.

For 2019, this means the group's right-of-use assets and net interest bearing debt at year start has increased by about DKK 24 million and EBITDA will increase by about DKK 15 million, while depreciation charges will increase by about DKK 5 million and financial expenses will increase by the estimated interest expense of about DKK 13 million.

(b) New IFRSs which have been issued but not yet become effective:

The IASB has approved further new standards and interpretations that are not relevant to Jacob Holm & Sønner Holding A/S and will have no effect on the Financial Statements.

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. This reporting framework will be adjusted upon full implementation of the reorganization.

5 Subsequent events

After the balance sheet date, the Group has established a non-recourse factoring program. The Group also consummated the previously announced investment in order to secure and optimize utility supply at one of the production sites. The investment was financed using available cash and the transition to Jacob Holm operations was completely smoothly and successfully.

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,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	565.088	567.785	1.744.183	1.710.755
Cost of goods sold	487.411	509.438	1.526.343	1.493.464
Gross profit	77.677	58.347	217.841	217.292
Sales and marketing expenses	11.410	11.596	32.967	34.345
Administrative expenses	28.639	27.411	87.288	80.906
Other operating income and expenses	163	163	488	488
EBITDA	37.790	19.502	98.073	102.528
Other operating income and expenses	-63	27	184	-307
Depreciation	33.009	31.361	101.212	93.041
EBIT	4.719	-11.832	-2.955	9.180
Special items, net	-2.008	-767	-2.995	-1.410
Financial income and expenses, net	-16.428	-13.826	-44.320	-35.856
Exchange rate deviation	14.299	-2.284	18.271	1.827
Profit before tax	581	-28.710	-32.000	-26.260
Tax on profit for the period	2.072	-2.938	5.053	1.014
Net profit for the period	-1.491	-25.772	-37.052	-27.273

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income DKK 1,000	Quarter ended Sep 30,		YTD ended Sep 30,	
	2019 unaudited	2018 unaudited	2019 unaudited	2018 unaudited
Net profit for the period	-1.491	-25.772	-37.052	-27.273
Other comprehensive income				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	22.360	8.232	27.083	23.822
Total comprehensive income for the period	20.869	-17.539	-9.969	-3.452

Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2019	Dec 31, 2018
DKK 1,000	unaudited	audited
Assets		
Intangible fixed assets	114.776	114.189
Land & Buildings	218.911	221.383
Plant and machinery	518.688	545.885
Other fixtures and fittings, tools and equipment	11.263	12.013
Property, plant and equipment under construction	31.789	36.023
Property, plant and equipment	780.651	815.305
Right-of-use assets	21.788	0
Other receivables	1.539	1.156
Deferred tax asset	5.760	5.493
Financial fixed assets	29.087	6.649
Non-current assets	924.514	936.143
Inventories	200.905	193.581
Trade receivables	315.218	339.964
Receivables due from group companies	0	30
Corporate tax	4.946	2.027
Bonds at fair value through profit and loss	0	68.963
Other receivables and prepayments	29.653	47.825
Receivables	349.817	458.809
Cash at bank and in hand	143.239	77.625
Current assets	693.960	730.014
Assets	1.618.474	1.666.157

Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2019	Dec 31, 2018
DKK 1,000	unaudited	audited
Equity and liabilities		
Equity	288.475	298.444
Interest bearing liabilities	970.971	944.626
Provisions for deferred tax	0	33
Provisions for other staff obligations	7.259	7.255
Provisions other	6.860	6.520
Non-current liabilities	985.090	958.433
Interest bearing liabilities	0	0
Credit institutions	113.884	133.474
Trade payables	141.722	176.457
Payables, plant and machinery	1.016	1.714
Payables due to group companies	445	0
Corporate tax	6.634	8.047
Other payables	81.209	89.587
Current liabilities	344.909	409.280
Liabilities	1.329.999	1.367.713
Equity and liabilities	1.618.474	1.666.157

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 Jan 1, 2019	1.000	46.601	250.843	298.444
Comprehensive income for the period	0	27.083	-37.052	-9.969
Dividends	0	0	0	0
Equity at Sep 30, 2019	1.000	73.684	213.790	288.475
Equity at Jan 1, 2018	1.000	17.016	332.917	350.933
Comprehensive income for the period	0	29.585	-57.075	-27.489
Dividends	0	0	-25.000	-25.000
Equity at Dec 31, 2018	1.000	46.601	250.843	298.444

Paid dividends per share in 2019 amounts to DKK 0 (DKK 25 in 2018).

Consolidated statement of cash flows

Consolidated statement of cash flows	Quarter ended Sep 30,		YTD ended Sep 30,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Ordinary result before tax	581	-28.710	-32.000	-26.260
Non-cash adjustments	20.001	33.379	85.297	88.727
Corporation tax paid	-3.117	-1.913	-9.419	-11.741
Change in inventories	-734	4.200	-1.519	-15.588
Change in receivables	42.336	10.116	54.399	-31.795
Change in suppliers etc.	4.325	-28.757	-50.336	-21.740
Cash flows from operating activities	63.393	-11.685	46.422	-18.396
Property, plant and equipment and intangible fixed assets	-8.191	-7.153	-27.847	-22.153
Purchase of financial fixed assets	-714	-325	-334	2.314
Change in bonds at fair value through profit and loss	70.403	-64.220	68.963	-63.459
Change in payables, plant and machinery	-319	-535	-755	-1.018
Cash flows from investing activities	61.179	-72.232	40.027	-84.316
Change in non-current liabilities	-358	-3.771	-1.265	81.429
Change in accounts with related and group companies	-1.124	-5.923	475	-3.706
Paid out dividend	0	0	0	-25.000
Cash flows from financing activities	-1.482	-9.694	-790	52.723
Change in cash and cash equivalents	123.089	-93.612	85.659	-49.989
Cash and cash equivalents, net at beginning of the period	-93.402	34.585	-55.850	-8.794
Exchange adjustment of cash at bank and in hand, net at beginning of the period	-333	538	-454	294
Cash and cash equivalents, net at the end of the period	29.355	-58.488	29.355	-58.488

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 Jan 1, 2019	89.856	15.826	70.225	960
Exchange adjustment	3.097	554	2.403	33
Additions for the period	0	0	94	5.880
Transfer between items	0	0	871	-871
Disposals for the period	0	0	0	0
Cost at Sep 30, 2019	92.953	16.380	73.593	6.002
Amortisation at Jan 1, 2019	323	8.686	53.669	0
Exchange adjustment	0	333	2.068	0
Amortisation for the period	0	1.001	8.072	0
Disposals for the period	0	0	0	0
Amortisation at Sep 30, 2019	323	10.020	63.809	0
Carrying amount at Sep 30, 2019	92.630	6.360	9.784	6.002
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 Jan 1, 2019	377.336	1.358.057	58.964	36.023
Exchange adjustment	12.698	47.633	1.486	1.226
Additions for the period	0	2.823	739	19.535
Transfer between items	563	22.461	1.971	-24.995
Disposals for the period	0	-1.322	-436	0
Cost at Sep 30, 2019	390.597	1.429.652	62.724	31.789
Depreciation at Jan 1, 2019	155.953	812.172	46.951	0
Exchange adjustment	4.375	26.279	1.287	0
Depreciation for the period	11.358	73.367	3.573	0
Disposals for the period	0	-854	-350	0
Depreciation at Sep 30, 2019	171.686	910.964	51.461	0
Carrying amount at Sep 30, 2019	218.911	518.688	11.263	31.789
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 lease liabilities.

As at September 30, 2019 the split and maturity is as follows:

Interest bearing liabilities	2019	2020	2021	After	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	0	0	0	952.425	952.425
Lease liabilities	419	2.681	4.998	16.736	24.834
Financing costs	-629	-2.515	-2.515	-629	-6.288
	-210	166	2.483	968.532	970.971

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 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.

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	YTD ended Sep 30,	
	2019	2018
DKK 1,000	unaudited	unaudited
Revenue		
Jacob Holm Industries	807.078	763.481
Sontara	936.785	947.132
TWIG	42.793	37.083
Headquarter	2.077	1.533
Eliminations	-44.550	-38.473
Group	1.744.183	1.710.755
EBITDA		
Jacob Holm Industries	16.779	13.089
Sontara	69.599	89.495
TWIG	13.129	1.468
Headquarter	-1.434	-1.524
Eliminations	0	0
Group	98.073	102.528

5 Transactions with related parties

Besides intercompany transactions that have been eliminated in the Consolidated Income Statement, related party transactions comprise purchase of management services from 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 22 million for the year-to-date (DKK 20 million for YTD Sep 2018).

Charges of royalty fees for the year-to-date amounts to DKK 7 million (DKK 27 million for YTD Sep 2018).

Further, the Consolidated Income Statement includes a financial expense of DKK 3 million (DKK 2 million for YTD Sep 2018) from guarantee fee charges related to the Parent Company's guarantee regarding the issued Bond. 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 (DKK 0.5 million for YTD Sep 2018) to Dønnerup A/S for the year-to-date. Dønnerup A/S has charged rental expenses in the amount of DKK 0.5 million for the year-to-date (DKK 0.5 million for YTD Sep 2018).