

# ***Jacob Holm & Sønner Holding A/S***

Interim Report

Q3 2017

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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 2017 with revenues of DKK 544 million and an EBITDA of DKK 48 million.

The changes in the USD/DKK exchange rate and slightly lower volumes negatively impacted revenue compared to the previous period. However, the lower topline was compensated with a solid operational performance and a favorable product mix, resulting in an increase of EBITDA and EBITDA margin compared to Q2 2017.

## **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 2017 (Jul 1 – Sep 30, 2017)

Jacob Holm reports for Q3 2017:

- Revenues of DKK 544 million (-7.2% year-on-year)
- EBITDA of DKK 48 million (-15.0% year-on-year)
- Net profit of DKK 2 million (-89.3%)
- Net debt of DKK 872 million, compared with DKK 914 million at the end of Q2 2017

Key figures	Quarter ended Sep 30,		YTD ended Sep 30,	
	2017	2016	2017	2016
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	543,713	585,771	1,713,566	1,788,452
EBITDA	47,522	55,882	124,594	154,606
Net profit	2,137	19,926	-38,529	33,906
Cash flow from operating activities	61,954	78,499	13,185	199,960
Cash flow from investing activities	-18,051	-11,472	-43,232	-40,824
Cash flow from financing activities	-46,495	-21,977	48,350	-61,249
Net interest bearing debt			871,909	815,345
Total assets			1,684,243	1,745,964

This Interim Report for Q3 2017 has not been audited or reviewed.

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Group VP Finance,  
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# Financial Review

## Revenue

Revenue in Q3 2017 decreased by DKK 42 million or 7% to DKK 544 million compared with DKK 588 million in Q2 2017. The weakening of the USD compared to DKK as main factor for lower consolidated revenue.

## Operating expenses

Cost of goods sold in Q3 2017 totalled DKK 459 million representing 84% of revenue compared with DKK 501 million or 85% in Q2 2017. The lower cost of goods sold were among others a result of improved operational performance compared to the previous quarter.

Other operating expenses amounted to DKK 38 million or 7% of revenue in Q3 2017 compared with DKK 41 million or 7% in Q2 2017.

Depreciation charges of DKK 31 million in Q3 2017 were in line with the previous quarter.

## EBITDA

The Group delivered an EBITDA of DKK 48 million in Q3 2017 compared to DKK 46 million in Q2 2017, representing an increase in EBITDA margin of +0.9%.

## Financial income and expenses

The Group's financial income and expenses related to borrowing costs for the bonds and other financing arrangements were DKK 11 million in Q3 2017 compared to DKK 41 million in Q2 2017.

## Taxes

The Group reported a tax credit of DKK 7 million in Q3 2017, compared with a tax credit of DKK 14 million in Q2 2017.

## Net profit

The net profit was DKK 2 million in Q3 2017 compared with a net loss of DKK 32 million in Q2 2017.

## Equity

Equity decreased to DKK 370 million in Q3 2017 mainly based on changes in exchange rates.

## Net debt

The net debt at the end of Q3 2017 was DKK 872 million compared with DKK 914 million at the end of Q2 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 July 1 – September 30, 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 September 30, 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, November 29, 2017

### **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 nine months ended September 30, 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 November 29, 2017.

#### **(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 Sep 30,		YTD ended Sep 30,	
	2017 unaudited	2016 unaudited	2017 unaudited	2016 unaudited
<b>Revenue</b>	<b>543'713</b>	<b>585'771</b>	<b>1'713'566</b>	<b>1'788'452</b>
Cost of goods sold	458'951	488'757	1'471'611	1'499'464
<b>Gross profit</b>	<b>84'762</b>	<b>97'014</b>	<b>241'955</b>	<b>288'989</b>
Sales and marketing expenses	8'803	9'794	30'556	30'263
Administrative expenses	28'599	31'500	87'292	104'607
Other operating income and expenses	163	163	488	488
<b>EBITDA</b>	<b>47'522</b>	<b>55'882</b>	<b>124'594</b>	<b>154'606</b>
Other operating income and expenses	-104	-267	-71	-267
Depreciation	31'118	30'331	95'898	93'275
<b>EBIT</b>	<b>16'300</b>	<b>25'284</b>	<b>28'625</b>	<b>61'064</b>
Special items, net	-732	0	-1'306	0
Financial income and expenses, net	-10'883	-11'079	-63'002	-36'417
Exchange rate deviation	-9'451	8'592	-33'122	17'017
<b>Profit before tax</b>	<b>-4'765</b>	<b>22'797</b>	<b>-68'804</b>	<b>41'664</b>
Tax on profit for the period	-6'902	2'871	-30'275	7'758
<b>Net profit for the period</b>	<b>2'137</b>	<b>19'926</b>	<b>-38'529</b>	<b>33'906</b>



## Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Quarter ended Sep 30,		YTD ended Sep 30,	
	2017	2016	2017	2016
DKK 1,000	unaudited	unaudited	unaudited	unaudited
<b>Net profit for the period</b>	<b>2'137</b>	<b>19'926</b>	<b>-38'529</b>	<b>33'906</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	-25'612	-685	-59'513	-9'048
<b>Total comprehensive income for the period</b>	<b>-23'475</b>	<b>19'241</b>	<b>-98'042</b>	<b>24'859</b>

## Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
<b>Assets</b>		
<b>Intangible fixed assets</b>	<b>121'369</b>	<b>138'532</b>
Land & Buildings	233'407	265'178
Plant and machinery	601'326	722'044
Other fixtures and fittings, tools and equipment	14'225	15'342
Property, plant and equipment under construction	39'154	20'805
<b>Property, plant and equipment</b>	<b>888'114</b>	<b>1'023'370</b>
Other receivables	3'448	2'030
Deferred tax asset	32'864	13'902
<b>Financial fixed assets</b>	<b>36'312</b>	<b>15'932</b>
<b>Non-current assets</b>	<b>1'045'795</b>	<b>1'177'833</b>
<b>Inventories</b>	<b>179'583</b>	<b>177'102</b>
Trade receivables	299'944	309'713
Receivables due from group companies	4'358	0
Corporate tax	622	267
Bonds at fair value through profit and loss	8'324	9'515
Other receivables and prepayments	40'977	41'489
<b>Receivables</b>	<b>354'225</b>	<b>360'984</b>
Cash at bank and in hand	104'641	83'397
<b>Current assets</b>	<b>638'449</b>	<b>621'483</b>
<b>Assets</b>	<b>1'684'243</b>	<b>1'799'316</b>

## Consolidated balance sheet

Consolidated balance sheet	Sep 30, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>370'485</b>	<b>493'527</b>
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
<b>Non-current liabilities</b>	<b>904'054</b>	<b>854'630</b>
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
<b>Current liabilities</b>	<b>409'705</b>	<b>451'160</b>
<b>Liabilities</b>	<b>1'313'758</b>	<b>1'305'790</b>
<b>Equity and liabilities</b>	<b>1'684'243</b>	<b>1'799'316</b>

## 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				
<b>Equity at January 1, 2017</b>	<b>1'000</b>	<b>87'182</b>	<b>405'345</b>	<b>493'527</b>
Comprehensive income for the period	0	-59'513	-38'529	-98'042
Dividends	0	0	-25'000	-25'000
<b>Equity at September 30, 2017</b>	<b>1'000</b>	<b>27'669</b>	<b>341'817</b>	<b>370'485</b>
<b>Equity at January 1, 2016</b>	<b>1'000</b>	<b>76'686</b>	<b>375'632</b>	<b>453'319</b>
Comprehensive income for the period	0	10'495	49'713	60'208
Dividends	0	0	-20'000	-20'000
<b>Equity at December 31, 2016</b>	<b>1'000</b>	<b>87'182</b>	<b>405'345</b>	<b>493'527</b>

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

## Consolidated statement of cash flows

Consolidated statement of cash flows	Quarter ended Sep 30,		YTD ended Sep 30,	
	2017	2016	2017	2016
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Ordinary result before tax	-4'765	22'797	-68'804	41'664
Non-cash adjustments	40'716	21'640	132'017	76'949
Corporation tax paid	-8'661	-983	-12'956	-4'310
Change in inventories	-6'770	-16'633	-13'413	30'762
Change in receivables	20'292	27'795	-13'182	3'133
Change in suppliers etc.	21'143	23'884	-10'478	51'763
<b>Cash flows from operating activities</b>	<b>61'954</b>	<b>78'499</b>	<b>13'185</b>	<b>199'960</b>
Property, plant and equipment and intangible fixed assets	-18'920	-5'830	-38'418	-30'205
Purchase of financial fixed assets	-12	0	-1'437	-90
Change in bonds at fair value through profit and loss	-81	-85	1'191	2'830
Change in payables, plant and machinery	963	-5'556	-4'569	-13'359
<b>Cash flows from investing activities</b>	<b>-18'051</b>	<b>-11'472</b>	<b>-43'232</b>	<b>-40'824</b>
Change in non-current liabilities	-42'997	-17'454	85'070	-52'050
Change in accounts with related and group companies	-3'498	-4'523	-11'720	10'801
Paid out dividend	0	0	-25'000	-20'000
<b>Cash flows from financing activities</b>	<b>-46'495</b>	<b>-21'977</b>	<b>48'350</b>	<b>-61'249</b>
<b>Change in cash and cash equivalents</b>	<b>-2'592</b>	<b>45'050</b>	<b>18'302</b>	<b>97'888</b>
Cash and cash equivalents, net at beginning of the period	-7'655	-77'231	-31'544	-131'013
Exchange adjustment of cash at bank and in hand, net at beginning of the period	-2'943	235	52	1'179
<b>Cash and cash equivalents, net at the end of the period</b>	<b>-13'190</b>	<b>-31'946</b>	<b>-13'190</b>	<b>-31'946</b>

# 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 January 1	93'491	16'488	69'144	0
Exchange adjustment at half-year rate	-5'654	-1'024	-4'429	0
Additions from business combination	0	0	0	0
Additions for the year	0	0	225	0
Transfer between items	0	0	0	0
Disposals for the year	0	0	0	0
Cost at September 30	87'837	15'464	64'940	0
Amortisation at January 1	0	5'575	35'016	0
Exchange adjustment at year-end rate	0	-411	-2'645	0
Amortisation for the year	0	1'705	7'632	0
Disposals for the year	0	0	0	0
Cost at September 30	0	6'869	40'003	0
<b>Carrying amount at September 30</b>	<b>87'837</b>	<b>8'595</b>	<b>24'937</b>	<b>0</b>
<b>Amortised over</b>		<b>10 years</b>	<b>3-5 years</b>	

## 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 January 1	395'506	1'370'920	53'828	20'805
Exchange adjustment at half-year rate	-27'744	-101'069	-3'087	-1'470
Additions for the year	406	2'842	17	34'225
Transfer between items	0	10'339	4'067	-14'406
Disposals for the year	-135	-460	-400	0
Cost at September 30	368'033	1'282'572	54'425	39'154
Amortisation at January 1	130'328	648'876	38'486	0
Exchange adjustment at year-end rate	-7'155	-38'446	-2'063	0
Depreciation for the year	11'490	71'007	4'064	0
Disposals for the year	-37	-191	-287	0
Depreciation at September 30	134'626	681'246	40'200	0
<b>Carrying amount at September 30</b>	<b>233'407</b>	<b>601'326</b>	<b>14'225</b>	<b>39'154</b>
<b>Amortised over</b>	<b>30-50 years</b>	<b>5-15 years</b>	<b>3-10 years</b>	

### 3 Interest bearing liabilities

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

As at September 30, 2017 the split and maturity is as follows:

Interest bearing liabilities	2017	2018	2019	After	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	0	0	0	744'000	744'000
Credit institutions	9'447	37'788	88'357	0	135'592
Financing costs	-1'205	-3'219	-2'836	-5'288	-12'548
	<b>8'242</b>	<b>34'569</b>	<b>85'521</b>	<b>738'712</b>	<b>867'044</b>

#### (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 Sep 30,	
	2017	2016
DKK 1,000	unaudited	unaudited
<b>Revenue</b>		
Jacob Holm Industries	730'747	803'913
Sontara	977'510	976'030
TWIG	44'364	30'363
Headquarter	1'654	2'414
Eliminations	-40'709	-24'268
<b>Group</b>	<b>1'713'566</b>	<b>1'788'452</b>
<b>EBITDA</b>		
Jacob Holm Industries	13'728	62'523
Sontara	107'065	88'289
TWIG	5'269	4'852
Headquarter	-1'468	-1'058
Eliminations	0	0
<b>Group</b>	<b>124'594</b>	<b>154'606</b>

#### 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 25 million for the year-to-date whereas sales of management services amounted to DKK 4 million for the year-to-date.

Charges of royalty fees for the year-to-date amounts to DKK 33 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 0.5 million 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.