

Jacob Holm & Sønner Holding A/S

Interim Report

Q1 2018

CVR-nr. 28 15 69 60

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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 first quarter of the financial year 2018 with revenues of DKK 568 million and an EBITDA of DKK 39 million.

The strong volume growth combined with improved operational performance result in solid first quarter of 2018. Yoy comparison continued to be negatively impacted by unfavorable exchange rates. Revenues for Q1 2018 at constant Q1 2017 exchange rates would total 622 million, resulting in a negative impact from change in exchange rates of DKK 55 million in Q1 2018.

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 Q1 2018 (Jan 1 – Mar 31, 2018)

Jacob Holm reports for Q1 2018:

- Revenues of DKK 568 million (-2.3% year-on-year)
- EBITDA of DKK 39 million +25.9% year-on-year)
- Net loss of DKK 9 million (NA)
- Net debt of DKK 889 million, compared with DKK 858 million at the end of Q4 2018

| Key figures | Quarter ended Mar 31, | | YTD ended Mar 31, | |
|-------------------------------------|-----------------------|-----------|-------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| DKK 1,000 | unaudited | unaudited | unaudited | unaudited |
| Revenue | 567.713 | 581.590 | 567.713 | 581.590 |
| EBITDA | 39.320 | 31.226 | 39.320 | 31.226 |
| Net profit | -9.254 | -8.514 | -9.254 | -8.514 |
| Cash flow from operating activities | -27.913 | 26.581 | -27.913 | 26.581 |
| Cash flow from investing activities | -4.616 | -17.552 | -4.616 | -17.552 |
| Cash flow from financing activities | -10.257 | -717.988 | -10.257 | -717.988 |
| Net interest bearing debt | | | 888.897 | 935.519 |
| Total assets | | | 1.607.032 | 1.793.036 |

This Interim Report for Q1 2018 has not been audited or reviewed.

Contact details:

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Group VP Finance,

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Financial Review

Revenue

Revenue in Q1 2018 increased by DKK 27 million or 5% to DKK 568 million compared with DKK 541 million in Q4 2017. The increase was mainly driven by high volumes coming from strong operational performance.

Operating expenses

Cost of goods sold in Q1 2018 totalled DKK 490 million representing 86% of revenue compared with DKK 467 million or 86% in Q4 2017. The favourable production performance in Q1 2018 compensated for the increased raw material prices.

Other operating expenses amounted to DKK 39 million or 7% of revenue in Q1 2018 compared with DKK 34 million or 6% in Q4 2017.

Depreciation charges of DKK 30 million in Q1 2018 were stable compared to the previous quarter.

EBITDA

The Group delivered an EBITDA of DKK 39 million in Q1 2018 compared to DKK 40 million in Q4 2017, representing a decrease in EBITDA margin of 0.5%. The decrease is due to the higher inter-company royalty charge from the Parent company.

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 Q1 2018 compared to DKK 10 million in Q4 2017.

Taxes

The Group reported a tax credit of DKK 0 million in Q1 2018, compared with a tax expense of DKK 3 million in Q4 2017.

Net profit

The net profit was negative DKK 9 million in Q1 2018 compared with a net loss of DKK 9 million in Q4 2017.

Equity

Equity decreased to DKK 330 million in Q1 2018 as a result of the net loss and the changes in exchange rates.

Net debt

The net debt at the end of Q1 2018 was DKK 889 million compared with DKK 858 million at the end of Q4 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 January 1 – March 31, 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 March 31, 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 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 2017.

Jyderup, May 22, 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 three months ended March 31, 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 May 22, 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

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 Mar 31, | | YTD ended Mar 31, | |
|--------------------------------------------|-----------------------|-------------------|-------------------|-------------------|
| | 2018 unaudited | 2017 unaudited | 2018 unaudited | 2017 unaudited |
| Revenue | 567.713 | 581.590 | 567.713 | 581.590 |
| Cost of goods sold | 489.696 | 511.289 | 489.696 | 511.289 |
| Gross profit | 78.018 | 70.300 | 78.018 | 70.300 |
| Sales and marketing expenses | 11.443 | 9.688 | 11.443 | 9.688 |
| Administrative expenses | 27.417 | 29.549 | 27.417 | 29.549 |
| Other operating income and expenses | 163 | 163 | 163 | 163 |
| EBITDA | 39.320 | 31.226 | 39.320 | 31.226 |
| Other operating income and expenses | 19 | 110 | 19 | 110 |
| Depreciation | 30.445 | 32.643 | 30.445 | 32.643 |
| EBIT | 8.894 | -1.306 | 8.894 | -1.306 |
| Special items, net | -16 | -586 | -16 | -586 |
| Financial income and expenses, net | -9.890 | -11.291 | -9.890 | -11.291 |
| Exchange rate deviation | -8.675 | -4.531 | -8.675 | -4.531 |
| Profit before tax | -9.687 | -17.714 | -9.687 | -17.714 |
| Tax on profit for the year | -434 | -9.199 | -434 | -9.199 |
| Net profit for the year | -9.254 | -8.514 | -9.254 | -8.514 |

Consolidated statement of comprehensive income

| Consolidated statement of comprehensive income DKK 1,000 | Quarter ended Mar 31, | | YTD ended Mar 31, | |
|-----------------------------------------------------------------|-----------------------|-------------------|-------------------|-------------------|
| | 2018 unaudited | 2017 unaudited | 2018 unaudited | 2017 unaudited |
| Net profit for the period | -9.254 | -8.514 | -9.254 | -8.514 |
| Other comprehensive income | | | | |
| Items that may be subsequently reclassified to income statement | | | | |
| Exchange adjustment, foreign companies | -11.308 | -3.071 | -11.308 | -3.071 |
| Total comprehensive income for the period | -20.562 | -11.586 | -20.562 | -11.586 |

Consolidated balance sheet

| Consolidated balance sheet | Mar 31, 2018 | Dec 31, 2017 |
|--------------------------------------------------|------------------|------------------|
| DKK 1,000 | unaudited | audited |
| Assets | | |
| Intangible fixed assets | 115.470 | 118.827 |
| Land & Buildings | 219.757 | 227.539 |
| Plant and machinery | 564.885 | 596.572 |
| Other fixtures and fittings, tools and equipment | 13.186 | 13.870 |
| Property, plant and equipment under construction | 26.960 | 25.367 |
| Property, plant and equipment | 824.787 | 863.348 |
| Other receivables | 807 | 3.443 |
| Deferred tax asset | 16.970 | 15.594 |
| Financial fixed assets | 17.777 | 19.037 |
| Non-current assets | 958.034 | 1.001.212 |
| Inventories | 170.350 | 164.300 |
| Trade receivables | 346.105 | 298.476 |
| Corporate tax | 1.909 | 1.384 |
| Bonds at fair value through profit and loss | 8.453 | 8.479 |
| Other receivables and prepayments | 51.739 | 48.678 |
| Receivables | 408.206 | 357.018 |
| Cash at bank and in hand | 70.443 | 130.456 |
| Current assets | 648.998 | 651.774 |
| Assets | 1.607.032 | 1.652.985 |

Consolidated balance sheet

| Consolidated balance sheet | Mar 31, 2018 | Dec 31, 2017 |
|----------------------------------------|------------------|------------------|
| DKK 1,000 | unaudited | audited |
| Equity and liabilities | | |
| Equity | 330.371 | 350.933 |
| Interest bearing liabilities | 846.662 | 857.548 |
| Provisions for deferred tax | 5.916 | 6.693 |
| Provisions for other staff obligations | 6.741 | 6.734 |
| Provisions other | 6.050 | 6.210 |
| Non-current liabilities | 865.370 | 877.186 |
| Credit institutions | 121.130 | 139.250 |
| Trade payables | 178.407 | 171.678 |
| Payables, plant and machinery | 1.140 | 2.069 |
| Payables due to group companies | 1.972 | 3.088 |
| Corporate tax | 9.104 | 10.592 |
| Other payables | 99.539 | 98.190 |
| Current liabilities | 411.291 | 424.866 |
| Liabilities | 1.276.661 | 1.302.052 |
| Equity and liabilities | 1.607.032 | 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 January 1, 2018 | 1.000 | 17.016 | 332.917 | 350.933 |
| Comprehensive income for the period | 0 | -11.308 | -9.254 | -20.562 |
| Dividends | 0 | 0 | 0 | 0 |
| Equity at March 31, 2018 | 1.000 | 5.708 | 323.664 | 330.371 |
| | | | | |
| 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 March 31, 2017 | 1.000 | 17.016 | 332.917 | 350.933 |

Paid dividends per share in 2018 amounts to DKK 0 (DKK 25 in 2017).

Consolidated statement of cash flows

| Consolidated statement of cash flows DKK 1,000 | Quarter ended Mar 31, | | YTD ended Mar 31, | |
|---------------------------------------------------------------------------------|-----------------------|-------------------|-------------------|-------------------|
| | 2018 unaudited | 2017 unaudited | 2018 unaudited | 2017 unaudited |
| Ordinary result before tax | -9.687 | -17.714 | -9.687 | -17.714 |
| Non-cash adjustments | 35.969 | 36.261 | 35.969 | 36.261 |
| Corporation tax paid | -3.737 | -848 | -3.737 | -848 |
| Change in inventories | -7.091 | 3.106 | -7.091 | 3.106 |
| Change in receivables | -54.080 | 5.783 | -54.080 | 5.783 |
| Change in suppliers etc. | 10.714 | -8 | 10.714 | -8 |
| Cash flows from operating activities | -27.913 | 26.581 | -27.913 | 26.581 |
| Property, plant and equipment and intangible fixed assets | -6.387 | -10.777 | -6.387 | -10.777 |
| Purchase of financial fixed assets | 2.638 | -1.370 | 2.638 | -1.370 |
| Change in bonds at fair value through profit and loss | 26 | -555 | 26 | -555 |
| Change in payables, plant and machinery | -893 | -4.850 | -893 | -4.850 |
| Cash flows from investing activities | -4.616 | -17.552 | -4.616 | -17.552 |
| Change in non-current liabilities | -9.142 | 720.536 | -9.142 | 720.536 |
| Change in accounts with related and group companies | -1.116 | -2.547 | -1.116 | -2.547 |
| Paid out dividend | 0 | 0 | 0 | 0 |
| Cash flows from financing activities | -10.257 | 717.988 | -10.257 | 717.988 |
| Change in cash and cash equivalents | -42.786 | 727.017 | -42.786 | 727.017 |
| Cash and cash equivalents, net at beginning of the period | -8.794 | -31.544 | -8.794 | -31.544 |
| Exchange adjustment of cash at bank and in hand, net at beginning of the period | 893 | 584 | 893 | 584 |
| Cash and cash equivalents, net at the end of the period | -50.687 | 696.057 | -50.687 | 696.057 |

Notes to the Interim Report

1 Intangible fixed assets

| Intangible fixed assets | Customer lists, know-how, patents, licences | | | Intangible fixed assets under construction |
|-----------------------------------------|------------------------------------------------------|-----------------|-----------------------|-----------------------------------------------------|
| DKK 1,000 | Goodwill unaudited | unaudited | Software unaudited | unaudited |
| Cost at beginning of period | 85.952 | 15.137 | 66.146 | 497 |
| Exchange adjustment at half-year rate | -404 | -82 | -526 | -2 |
| Additions from business combination | 0 | 0 | 0 | 0 |
| Additions for the year | 0 | 0 | 72 | 0 |
| Transfer between items | 0 | 0 | 495 | -495 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| Cost at end of period | 85.548 | 15.055 | 66.187 | 0 |
| Amortisation at beginning of period | 0 | 7.041 | 41.864 | 0 |
| Exchange adjustment at year-end rate | 0 | -39 | -424 | 0 |
| Amortisation for the year | 0 | 318 | 2.560 | 0 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| Amortisation at end of period | 0 | 7.320 | 44.000 | 0 |
| Carrying amount at end of period | 85.548 | 7.735 | 22.187 | 0 |
| Amortised over | | 10 years | 3-5 years | |

2 Property, plant and equipment

| Property, plant and equipment | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | PPE under construction |
|-----------------------------------------|-----------------------|------------------------|-----------------------------------------------------------|------------------------------|
| DKK 1,000 | unaudited | unaudited | unaudited | unaudited |
| Cost at beginning of period | 364.913 | 1.295.193 | 54.895 | 25.367 |
| Exchange adjustment at half-year rate | -5.791 | -21.502 | -652 | -568 |
| Additions from business combination | 0 | 0 | 0 | 0 |
| Additions for the year | 0 | 367 | 47 | 5.882 |
| Transfer between items | 0 | 3.049 | 672 | -3.721 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| Cost at end of period | 359.122 | 1.277.107 | 54.962 | 26.960 |
| Depreciation at beginning of period | 137.374 | 698.621 | 41.025 | 0 |
| Exchange adjustment at year-end rate | -1.613 | -9.142 | -469 | 0 |
| Depreciation for the year | 3.604 | 22.743 | 1.220 | 0 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| Depreciation at end of period | 139.365 | 712.222 | 41.776 | 0 |
| Carrying amount at end of period | 219.757 | 564.885 | 13.186 | 26.960 |
| 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 March 31, 2018 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 | 745.000 | 745.000 |
| Credit institutions | 27.289 | 84.866 | 0 | | 112.155 |
| Financing costs | -2.388 | -2.816 | -2.350 | -2.939 | -10.493 |
| | 24.901 | 82.050 | -2.350 | 742.061 | 846.662 |

(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. 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 minimum liquidity and 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 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 Mar 31, | |
|----------------------------------|-------------------|-------------------|
| | 2018 unaudited | 2017 unaudited |
| Revenue | | |
| Jacob Holm Industries | 249.186 | 259.691 |
| Sontara | 318.483 | 318.691 |
| TWIG | 12.161 | 14.502 |
| Headquarter | 555 | 564 |
| Eliminations | -12.672 | -11.858 |
| Group | 567.713 | 581.590 |
| EBITDA | | |
| Jacob Holm Industries | 5.750 | 4.258 |
| Sontara | 34.050 | 25.655 |
| TWIG | 412 | 2.377 |
| Headquarter | -892 | -1.065 |
| Eliminations | 0 | 0 |
| Group | 39.320 | 31.226 |

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 7 million for the year-to-date (compared to DKK 9 million in Q1 2017) whereas sales of management services amounted to DKK 0 million for the year-to-date (DKK 2 million in Q1 2017).

Charges of royalty fees for the year-to-date amounts to DKK 9 million (DKK 10 million in Q1 2017).

Further, the Consolidated Income Statement includes a financial expense of DKK 1 MM from guarantee fee charges related to the Parent Company's guarantee regarding the bonds (DKK 1 million in 2017). The Parent Company is guaranteeing the nominal value of the bonds.

The Group has charged management services in the amount of DKK 0.2 million to Dønnerup A/S for the year-to-date (DKK 0.2 million in Q1 2017). Dønnerup A/S has charged rental expenses in the amount of DKK 0.2 million for the year-to-date (DKK 0.2 million in Q1 2017).