

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

Interim Report

Q1 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 first quarter of the financial year 2019 with revenues of DKK 586 million and an EBITDA of DKK 22 million.

The topline further increased driven by the continued high level of raw material prices. However, also operating margins remained negatively impacted by the high input costs (e.g. raw materials, freight rates, utility rates), the trade tensions between the US and China and the tight competitive situation in specific segments in North America and Europe.

Management is progressing well in implementing a set of defined measures to increase operating margins to target levels. Measures include cost reductions, organizational adjustments, fast tracking of next generation product launches, and expansion of supplier base

## 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 2019 (Jan 1 – Mar 31, 2019)

Jacob Holm reports for Q1 2019:

- Revenues of DKK 586 million (+3.1% year-on-year)
- EBITDA of DKK 22 million (-43.8% year-on-year)
- Net loss of DKK 17 million (NA)
- Net debt of DKK 987 million, compared with DKK 932 million at the end of Q4 2018

Key figures	YTD ended Mar 31,	
	2019	2018
DKK 1,000	unaudited	unaudited
Revenue	585.505	567.713
EBITDA	22.099	39.320
Net profit	-16.578	-9.254
Cash flow from operating activities	-22.394	-27.913
Cash flow from investing activities	-8.751	-4.616
Cash flow from financing activities	1.336	-10.257
Net interest bearing debt	986.879	888.897
Total assets	1.657.301	1.607.032

This Interim Report for Q1 2019 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 2019 increased by DKK 10 million or 2% to DKK 586 million compared with DKK 576 million in Q4 2018. The increase was mainly driven by an increase in volumes and pass through of increasing raw material prices and other cost items.

## Operating expenses

Cost of goods sold in Q1 2019 totalled DKK 523 million representing 89% of revenue compared with DKK 508 million or 88% in Q4 2018. Production performance continued to be relatively strong in Q1 2019 on most production lines.

Other operating expenses amounted to DKK 41 million or 7% of revenue in Q1 2019 compared with DKK 40 million or 7% in Q4 2018.

Depreciation charges of DKK 34 million in Q1 2019 were stable compared to the previous quarters.

## EBITDA

The Group delivered an EBITDA of DKK 22 million in Q1 2019 compared to DKK 27 million in Q4 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 13 million in Q1 2019. The effect of implementing IFRS 16 increased the financial expenses by DKK 3 million. However, this increase was netted by an unrealized gain on the securities portfolio of DKK 3 million.

## Taxes

The Group reported a tax credit of DKK 1 million in Q1 2019, compared with a tax expense of DKK 13 million in Q4 2018.

## Net profit

The net loss was DKK 17 million in Q1 2019 compared with a net loss of DKK 30 million in Q4 2018.

## Equity

Equity decreased to DKK 290 million in Q1 2019. The decrease due to the net loss for Q1 2019 was partly offset by exchange rate adjustments regarding subsidiaries.

## Net debt

The net debt at the end of Q1 2019 was DKK 987 million compared with DKK 932 million at the end of Q4 2018. The lease liabilities from having implemented IFRS 16 amounts to DKK 25 million at the end of Q1 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 January 1 – March 31, 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 March 31, 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, May 22, 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 three months ended March 31, 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 May 21, 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.

#### **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	YTD ended Mar 31,	
	2019	2018
DKK 1,000	unaudited	unaudited
<b>Revenue</b>	<b>585.505</b>	<b>567.713</b>
Cost of goods sold	522.901	489.696
<b>Gross profit</b>	<b>62.605</b>	<b>78.018</b>
Sales and marketing expenses	11.482	11.443
Administrative expenses	29.186	27.417
Other operating income and expenses	163	163
<b>EBITDA</b>	<b>22.099</b>	<b>39.320</b>
Other operating income and expenses	246	19
Depreciation	33.920	30.445
<b>EBIT</b>	<b>-11.575</b>	<b>8.894</b>
Special items, net	-50	-16
Financial income and expenses, net	-13.140	-9.890
Exchange rate deviation	7.410	-8.675
<b>Profit before tax</b>	<b>-17.356</b>	<b>-9.687</b>
Tax on profit for the period	-778	-434
<b>Net profit for the period</b>	<b>-16.578</b>	<b>-9.254</b>

## Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	YTD ended Mar 31,	
	2019	2018
DKK 1,000	unaudited	unaudited
<b>Net profit for the period</b>	<b>-16.578</b>	<b>-9.254</b>
<b>Other comprehensive income</b>		
Items that may be subsequently reclassified to income statement		
Exchange adjustment, foreign companies	8.531	-11.308
<b>Total comprehensive income for the period</b>	<b>-8.046</b>	<b>-20.562</b>

# Consolidated balance sheet

Consolidated balance sheet	Mar 31, 2019	Dec 31, 2018
DKK 1,000	unaudited	audited
<b>Assets</b>		
<b>Intangible fixed assets</b>	<b>113.781</b>	<b>114.189</b>
Land & Buildings	220.562	221.383
Plant and machinery	536.537	545.885
Other fixtures and fittings, tools and equipment	11.064	12.013
Property, plant and equipment under construction	35.908	36.023
<b>Property, plant and equipment</b>	<b>804.071</b>	<b>815.305</b>
Right-of-use assets	23.649	0
Other receivables	786	1.156
Deferred tax asset	5.922	5.493
<b>Financial fixed assets</b>	<b>30.357</b>	<b>6.649</b>
<b>Non-current assets</b>	<b>948.209</b>	<b>936.143</b>
<b>Inventories</b>	<b>206.840</b>	<b>193.581</b>
Trade receivables	349.419	339.964
Receivables due from group companies	0	30
Corporate tax	4.275	2.027
Bonds at fair value through profit and loss	69.233	68.963
Other receivables and prepayments	38.613	47.825
<b>Receivables</b>	<b>461.540</b>	<b>458.809</b>
Cash at bank and in hand	40.712	77.625
<b>Current assets</b>	<b>709.092</b>	<b>730.014</b>
<b>Assets</b>	<b>1.657.301</b>	<b>1.666.157</b>

## Consolidated balance sheet

Consolidated balance sheet	Mar 31, 2019 unaudited	Dec 31, 2018 audited
DKK 1,000		
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>290.397</b>	<b>298.444</b>
Interest bearing liabilities	969.580	944.626
Provisions for deferred tax	0	33
Provisions for other staff obligations	7.256	7.255
Provisions other	6.640	6.520
<b>Non-current liabilities</b>	<b>983.476</b>	<b>958.433</b>
Credit institutions	127.244	133.474
Trade payables	171.538	176.457
Payables, plant and machinery	1.846	1.714
Payables due to group companies	1.905	0
Corporate tax	6.720	8.047
Other payables	74.174	89.587
<b>Current liabilities</b>	<b>383.428</b>	<b>409.280</b>
<b>Liabilities</b>	<b>1.366.904</b>	<b>1.367.713</b>
<b>Equity and liabilities</b>	<b>1.657.301</b>	<b>1.666.157</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 Jan 1, 2019</b>	<b>1.000</b>	<b>46.601</b>	<b>250.843</b>	<b>298.444</b>
Comprehensive income for the period	0	8.531	-16.578	-8.046
Dividends	0	0	0	0
<b>Equity at Mar 31, 2019</b>	<b>1.000</b>	<b>55.133</b>	<b>234.265</b>	<b>290.397</b>
 <b>Equity at Jan 1, 2018</b>	 <b>1.000</b>	 <b>17.016</b>	 <b>332.917</b>	 <b>350.933</b>
Comprehensive income for the period	0	29.585	-57.075	-27.489
Dividends	0	0	-25.000	-25.000
<b>Equity at Dec 31, 2018</b>	<b>1.000</b>	<b>46.601</b>	<b>250.843</b>	<b>298.444</b>

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

## Consolidated statement of cash flows

Consolidated statement of cash flows	YTD ended Mar 31,	
	2019	2018
DKK 1,000	unaudited	unaudited
Ordinary result before tax	-17.356	-9.687
Non-cash adjustments	28.746	35.969
Corporation tax paid	-3.125	-3.737
Change in inventories	-11.540	-7.091
Change in receivables	3.359	-54.080
Change in suppliers etc.	-22.479	10.714
<b>Cash flows from operating activities</b>	<b>-22.394</b>	<b>-27.913</b>
Property, plant and equipment and intangible fixed assets	-8.969	-6.387
Purchase of financial fixed assets	380	2.638
Change in bonds at fair value through profit and loss	-270	26
Change in payables, plant and machinery	108	-893
<b>Cash flows from investing activities</b>	<b>-8.751</b>	<b>-4.616</b>
Change in non-current liabilities	-600	-9.142
Change in accounts with related and group companies	1.936	-1.116
Paid out dividend	0	0
<b>Cash flows from financing activities</b>	<b>1.336</b>	<b>-10.257</b>
<b>Change in cash and cash equivalents</b>	<b>-29.809</b>	<b>-42.786</b>
Cash and cash equivalents, net at beginning of the period	-55.850	-8.794
Exchange adjustment of cash at bank and in hand, net at beginning of the period	-873	893
<b>Cash and cash equivalents, net at the end of the period</b>	<b>-86.532</b>	<b>-50.687</b>

# Notes to the Interim Report

## 1 Intangible fixed assets

<b>Intangible fixed assets</b>	<b>Customer lists, know-how, patents, licences</b>			<b>Intangible fixed assets under construction</b>
DKK 1,000	<b>Goodwill unaudited</b>	<b>unaudited</b>	<b>Software unaudited</b>	<b>unaudited</b>
Cost at Jan 1, 2019	89.856	15.826	70.225	960
Exchange adjustment	404	79	456	4
Additions from business combination	0	0	0	0
Additions for the period	0	0	0	2.090
Transfer between items	0	0	141	-141
Disposals for the period	0	0	0	0
Cost at Mar 31, 2019	90.260	15.905	70.822	2.913
Amortisation at Jan 1, 2019	323	8.686	53.669	0
Exchange adjustment	0	47	405	0
Amortisation for the period	0	330	2.659	0
Disposals for the period	0	0	0	0
Amortisation at Mar 31, 2019	323	9.063	56.733	0
<b>Carrying amount at Mar 31, 2019</b>	<b>89.937</b>	<b>6.842</b>	<b>14.089</b>	<b>2.913</b>
<b>Amortised over</b>	<b>10 years</b>		<b>3-5 years</b>	

## 2 Property, plant and equipment

<b>Property, plant and equipment</b>	<b>Other fixtures and fittings, tools and equipment</b>			<b>PPE under construction</b>
DKK 1,000	<b>Land and buildings unaudited</b>	<b>Plant and machinery unaudited</b>	<b>unaudited</b>	<b>unaudited</b>
Cost at Jan 1, 2019	377.336	1.358.057	58.964	36.023
Exchange adjustment	4.482	16.812	528	433
Additions for the period	0	1.306	25	6.017
Transfer between items	0	6.471	94	-6.565
Disposals for the period	0	-564	0	0
Cost at Mar 31, 2019	381.818	1.382.082	59.611	35.908
Depreciation at Jan 1, 2019	155.953	812.172	46.951	0
Exchange adjustment	1.491	8.845	440	0
Depreciation for the period	3.812	24.700	1.156	0
Disposals for the period	0	-172	0	0
Depreciation at Mar 31, 2019	161.256	845.545	48.547	0
<b>Carrying amount at Mar 31, 2019</b>	<b>220.562</b>	<b>536.537</b>	<b>11.064</b>	<b>35.908</b>
<b>Amortised over</b>	<b>30-50 years</b>	<b>5-15 years</b>	<b>3-10 years</b>	

### 3 Interest bearing liabilities

Non-current interest bearing liabilities is made up of the issued Bond and lease liabilities.

As at March 31, 2019 the split and maturity is as follows:

<b>Interest bearing liabilities</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>After</b>	<b>Total</b>
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	0	0	0	952.425	952.425
Lease liabilities	1.067	2.595	4.838	16.199	24.699
Financing costs	-1.886	-2.515	-2.515	-628	-7.544
	<b>-819</b>	<b>80</b>	<b>2.323</b>	<b>967.996</b>	<b>969.580</b>

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.



#### 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 & Sønner Holding A/S and Jacob Holm & Sønner A/S.

Segment information DKK 1,000	YTD ended Mar 31,	
	2019 unaudited	2018 unaudited
<b>Revenue</b>		
Jacob Holm Industries	277.612	249.186
Sontara	307.794	318.483
TWIG	12.649	12.161
Headquarter	733	555
Eliminations	-13.282	-12.672
<b>Group</b>	<b>585.505</b>	<b>567.713</b>
<b>EBITDA</b>		
Jacob Holm Industries	5.133	5.750
Sontara	15.427	34.050
TWIG	2.542	412
Headquarter	-1.003	-892
Eliminations	0	0
<b>Group</b>	<b>22.099</b>	<b>39.320</b>

#### 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 8 million for the year-to-date (DKK 8 million for YTD Mar 2018).

Charges of royalty fees for the year-to-date amounts to DKK 3 million (DKK 9 million for YTD Mar 2018).

Further, the Consolidated Income Statement includes a financial expense of DKK 1 million (DKK 1 million for YTD Mar 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 0.2 million (DKK 0.2 million for YTD Mar 2018) to Dønnerup A/S for the year-to-date. Dønnerup A/S has charged rental expenses in the amount of DKK 0.2 million (DKK 0.2 million for YTD Mar 2018) for the year-to-date.