

Jacob Holm & Sønner Holding A/S

Interim Report Q4 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 fourth quarter of the financial year 2018 with revenues of DKK 576 million and an EBITDA of DKK 27 million.

The profitability levels continued to be heavily impacted by the significant increases in major cost items (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. The price increases communicated in September 2018 and effective in Q4 2018 for two of the six segments already demonstrated a positive impact on topline and provided some margin relief.

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 Q4 2018 (Oct 1 – Dec 31, 2018)

Jacob Holm reports for Q4 2018:

- Revenues of DKK 576 million (+6.4% year-on-year)
- EBITDA of DKK 27 million (-31.7% year-on-year)
- Net loss of DKK 30 million (NA)
- Net debt of DKK 932 million, compared with DKK 930 million at the end of Q3 2018

Key figures	Quarter ended Dec 31,		YTD ended Dec 31,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	575.582	540.820	2.286.337	2.254.386
EBITDA	27.260	39.940	129.788	164.534
Net profit	-29.801	-8.899	-57.075	-47.428
Cash flow from operating activities	14.944	23.442	-3.452	36.627
Cash flow from investing activities	-10.890	-16.113	-95.207	-59.345
Cash flow from financing activities	-1.434	-654	51.289	47.696
Net interest bearing debt			931.512	857.863
Total assets			1.666.157	1.652.985

This Interim Report for Q4 2018 has not been audited or reviewed.

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Financial Review

Revenue

Revenue in Q4 2018 increased by DKK 8 million or 1% to DKK 576 million compared with DKK 568 million in Q3 2018. The increase was mainly driven by pass through of increasing raw material prices and other cost items.

Operating expenses

Cost of goods sold in Q4 2018 totalled DKK 508 million representing 88% of revenue compared with DKK 509 million or 90% in Q3 2018. Production performance continued to be relatively strong in Q4 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 40 million or 7% of revenue in Q4 2018 compared with DKK 39 million or 7% in Q3 2018.

Depreciation charges of DKK 33 million in Q4 2018 were stable compared to the previous quarters.

EBITDA

The Group delivered an EBITDA of DKK 27 million in Q4 2018 compared to DKK 20 million in Q3 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 16 million in Q4 2018, i.e. slightly increased compared to DKK 14 million in Q3 2018 due to an unrealized loss in short-term securities.

Taxes

The Group reported a tax expense of DKK 13 million in Q4 2018, compared with a tax credit of DKK 3 million in Q3 2018. The increase is caused by a write-off of a deferred tax asset for a Group company.

Net profit

The net loss was DKK 30 million in Q4 2018 compared with a net loss of DKK 26 million in Q3 2018.

Equity

Equity decreased to DKK 298 million in Q4 2018, mainly as a result of the net loss.

Net debt

The net debt at the end of Q4 2018 was DKK 932 million compared with DKK 930 million at the end of Q3 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 October 1 – December 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 December 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 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, February 28, 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 twelve months ended December 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 February 28, 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, 2017.

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, 2017.

(a) Changes in accounting policies:

The Group has from January 1, 2018 implemented the following new reporting standards (IFRS):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The implementation of the new standards have not had any material impact on the Group's financial statements.

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

IASB has issued a number of new amended standards (IFRSs), which have been endorsed by the EU but not yet come into effect. IFRS 16 Leases will replace IAS 17 Leases currently in force and is effective for annual periods beginning on or after January 1, 2019. The new standard is expected to have an impact on the Group as a lessee, as all leases (except for short-term leases and leases of low-value

assets) have to be recognized in the balance sheet as a right-of-use asset and lease liability measured at the present value of future lease payments. The right-of-use asset is subsequently depreciated over the lease term in a similar way to other assets such as property, plant and equipment, and interest on the lease liability is calculated in a similar way to finance leases under IAS 17 Leases. Consequently, the change will also impact the presentation of the income statement and key performance indicators EBITDA and EBIT as well as balance sheet related ratios NIBD and solvency. Leases for the Group primarily comprise rental of warehouses and offices.

The Group expect the impact of the implementation of IFRS 16 to have a positive impact on EBITDA whereas net profit will decrease. The balance sheet will increase and due to higher total assets the equity ratio of the Group will be affected negatively.

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 Dec 31,		YTD ended Dec 31,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	575.582	540.820	2.286.337	2.254.386
Cost of goods sold	508.485	467.094	2.001.949	1.938.705
Gross profit	67.097	73.726	284.389	315.681
Sales and marketing expenses	12.960	9.088	47.305	39.644
Administrative expenses	27.040	24.861	107.946	112.153
Other operating income and expenses	163	163	650	650
EBITDA	27.260	39.940	129.788	164.534
Other operating income and expenses	-528	88	-835	18
Depreciation	32.898	30.796	125.939	126.693
EBIT	-6.166	9.233	3.014	37.858
Special items, net	-707	-400	-2.117	-1.706
Financial income and expenses, net	-16.414	-10.364	-52.270	-73.366
Exchange rate deviation	6.375	-3.936	8.201	-37.058
Profit before tax	-16.912	-5.468	-43.172	-74.272
Tax on profit for the period	12.889	3.431	13.903	-26.844
Net profit for the period	-29.801	-8.899	-57.075	-47.428

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Quarter ended Dec 31,		YTD ended Dec 31,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Net profit for the period	-29.801	-8.899	-57.075	-47.428
Other comprehensive income				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	5.764	-10.652	29.585	-70.165
Total comprehensive income for the period	-24.038	-19.552	-27.489	-117.594

Consolidated balance sheet

Consolidated balance sheet	Dec 31, 2018 unaudited	Dec 31, 2017 audited
DKK 1,000		
Assets		
Intangible fixed assets	114.189	118.827
Land & Buildings	221.383	227.539
Plant and machinery	545.885	596.572
Other fixtures and fittings, tools and equipment	12.013	13.870
Property, plant and equipment under construction	36.023	25.367
Property, plant and equipment	815.305	863.348
Other receivables	1.156	3.443
Deferred tax asset	5.493	15.594
Financial fixed assets	6.649	19.037
Non-current assets	936.143	1.001.212
Inventories	193.581	164.300
Trade receivables	339.964	298.476
Receivables due from group companies	30	0
Corporate tax	2.027	1.384
Bonds at fair value through profit and loss	68.963	8.479
Other receivables and prepayments	47.825	48.678
Receivables	458.809	357.018
Cash at bank and in hand	77.625	130.456
Current assets	730.014	651.774
Assets	1.666.157	1.652.985

Consolidated balance sheet

Consolidated balance sheet	Dec 31, 2018 unaudited	Dec 31, 2017 audited
DKK 1,000		
Equity and liabilities		
Equity	298.444	350.933
Interest bearing liabilities	944.626	857.548
Provisions for deferred tax	33	6.693
Provisions for other staff obligations	7.255	6.734
Provisions other	6.520	6.210
Non-current liabilities	958.433	877.186
Credit institutions	133.474	139.250
Trade payables	176.457	171.678
Payables, plant and machinery	1.714	2.069
Payables due to group companies	0	3.088
Corporate tax	8.047	10.592
Other payables	89.587	98.190
Current liabilities	409.280	424.866
Liabilities	1.367.713	1.302.052
Equity and liabilities	1.666.157	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	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
 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	Quarter ended Dec 31,		YTD ended Dec 31,	
	2018	2017	2018	2017
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Ordinary result before tax	-16.912	-5.468	-43.172	-74.272
Non-cash adjustments	30.535	36.487	119.263	168.504
Corporation tax paid	-2.205	-6.922	-13.946	-19.878
Change in inventories	-8.445	13.084	-24.033	-329
Change in receivables	3.137	-14.243	-28.658	-27.425
Change in suppliers etc.	8.833	505	-12.907	-9.973
Cash flows from operating activities	14.944	23.442	-3.452	36.627
Property, plant and equipment and intangible fixed assets	-14.455	-16.221	-36.608	-54.639
Purchase of financial fixed assets	-2	2	2.312	-1.434
Change in bonds at fair value through profit and loss	2.975	-155	-60.484	1.037
Change in payables, plant and machinery	591	260	-426	-4.309
Cash flows from investing activities	-10.890	-16.113	-95.207	-59.345
Change in non-current liabilities	-2.022	-8.099	79.407	76.971
Change in accounts with related and group companies	588	7.446	-3.118	-4.275
Paid out dividend	0	0	-25.000	-25.000
Cash flows from financing activities	-1.434	-654	51.289	47.696
Change in cash and cash equivalents	2.619	6.676	-47.370	24.978
Cash and cash equivalents, net at beginning of the period	-58.488	-13.190	-8.794	-31.544
Exchange adjustment of cash at bank and in hand, net at beginning of the period	19	-2.279	313	-2.228
Cash and cash equivalents, net at the end of the period	-55.850	-8.794	-55.850	-8.794

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 Jan 1, 2018	85.952	15.137	66.146	497
Exchange adjustment at half-year rate	3.904	689	2.782	23
Additions from business combination	0	0		0
Additions for the period	0	0	1.425	960
Transfer between items	0	0	520	-520
Disposals for the period	0	0	-648	0
Cost at Dec 31, 2018	89.856	15.826	70.225	960
Amortisation at Jan 1, 2018	0	7.041	41.864	0
Exchange adjustment at year-end rate	0	355	1.979	0
Amortisation for the period	323	1.290	10.474	0
Disposals for the period	0	0	-648	0
Amortisation at Dec 31, 2018	323	8.686	53.669	0
Carrying amount at Dec 31, 2018	89.533	7.140	16.556	960
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 Jan 1, 2018	364.913	1.295.193	54.895	25.367
Exchange adjustment at half-year rate	12.104	44.565	1.401	1.123
Additions for the period	0	3.828	473	30.679
Transfer between items	678	18.066	2.402	-21.146
Disposals for the period	-359	-3.595	-207	0
Cost at Dec 31, 2018	377.336	1.358.057	58.964	36.023
Depreciation at Jan 1, 2018	137.374	698.621	41.025	0
Exchange adjustment at year-end rate	3.902	22.280	1.129	0
Depreciation for the period	14.825	94.070	4.957	0
Disposals for the period	-148	-2.799	-160	0
Depreciation at Dec 31, 2018	155.953	812.172	46.951	0
Carrying amount at Dec 31, 2018	221.383	545.885	12.013	36.023
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 December 31, 2018 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
Credit institutions	373	0	0	0	373
Financing costs	-2.515	-2.515	-2.515	-627	-8.172
	-2.142	-2.515	-2.515	951.798	944.626

(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 a term loan granted to the Plant in Soultz, France. This term loan is EUR denominated and with 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 & Sønner Holding A/S and Jacob Holm & Sønner A/S.

Segment information DKK 1,000	YTD ended Dec 31,	
	2018 unaudited	2017 unaudited
Revenue		
Jacob Holm Industries	1.018.870	952.534
Sontara	1.267.280	1.296.675
TWIG	49.318	55.868
Headquarter	2.237	2.164
Eliminations	-51.367	-52.854
Group	2.286.337	2.254.386
EBITDA		
Jacob Holm Industries	9.927	17.708
Sontara	119.454	143.563
TWIG	2.105	5.183
Headquarter	-1.697	-1.920
Eliminations	0	0
Group	129.788	164.534

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 27 million for the year-to-date (compared to DKK 30 million in YTD Dec 2017) whereas sales of management services amounted to DKK 0 million for the year-to-date (DKK 6 million in YTD Dec 2017).

Charges of royalty fees for the year-to-date amounts to DKK 25 million (DKK 30 million in YTD Dec 2017).

Further, the Consolidated Income Statement includes a financial expense of DKK 3 million from guarantee fee charges related to the Parent Company's guarantee regarding the bonds (DKK 3 million in YTD Dec 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 0.7 million to Dønnerup A/S for the year-to-date (DKK 0.7 million in YTD Dec 2017). Dønnerup A/S has charged rental expenses in the amount of DKK 0.7 million for the year-to-date (DKK 0.7 million in YTD Sep 2017).