

Jacob Holm & Sønner Holding A/S

Interim Report

Q2 2019

Table of content

	<u>Page</u>
Management's Review	2
Interim Report for Q2 2019 (Apr 1 – Jun 30, 2019)	3
Financial Review	4
General information	6
Consolidated income statement	8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated balance sheet	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the Interim Report	14

Management's Review

Summary

Jacob Holm & Sønner Holding A/S and its subsidiaries ("Jacob Holm", the "Company" or the "Group") concluded its second quarter of the financial year 2019 with revenues of DKK 594 million and an EBITDA of DKK 38 million.

The demand for consumer nonwovens remained solid throughout the Q2 2019 both in Europe and the US. However, selected volumes in the Sontara® applications remained lower due to continued uncertainties related to the US / China trade situation plus the tight competitive environment. The volume development was further impacted by lower output in one site a.o. due to mix change and the efforts to reduce finished goods inventory levels.

Defined measures to revamp operating margins resulted in uptick of EBITDA in Q2 2019 compared to the previous quarters. Operating margins were also supported by a reduction on selected input material costs.

The Group has further conducted a reorganization to increase the specialization of resources and define clear strategic and financial accountabilities within the organization.

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 Q2 2019 (Apr 1 – Jun 30, 2019)

Jacob Holm reports for Q2 2019:

- Revenues of DKK 594 million (+3.2% year-on-year)
- EBITDA of DKK 38 million (-12.6% year-on-year)
- Net loss of DKK 19 million (NA)
- Net debt of DKK 991 million, compared with DKK 987 million at the end of Q1 2019

Key figures	Quarter ended Jun 30,		YTD ended Jun 30,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	593.590	575.257	1.179.095	1.142.971
EBITDA	38.184	43.706	60.283	83.026
Net profit	-18.983	7.752	-35.561	-1.502
Cash flow from operating activities	5.424	21.202	-16.970	-6.711
Cash flow from investing activities	-12.401	-7.468	-21.152	-12.084
Cash flow from financing activities	-6.44	72.675	692	62.418
Net interest bearing debt			991.330	901.602
Total assets			1.590.841	1.727.237

This Interim Report for Q2 2019 has not been audited or reviewed.

Contact details:

Finn Schøning,
Group VP Finance,
Tel: +41 61 270 23 00

Financial Review

Revenue

Revenue in Q2 2019 increased by DKK 8 million or 1% to DKK 594 million compared with DKK 586 million in Q1 2019. The increase was mainly driven by the product mix, i.e. a higher share of premium products.

Operating expenses

Cost of goods sold in Q2 2019 totalled DKK 516 million representing 87% of revenue compared with DKK 523 million or 89% in Q1 2019. Production performance continued to be solid in Q2 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 Q2 2019 compared with DKK 41 million or 7% in Q1 2019.

Depreciation charges of DKK 34 million in Q2 2019 were stable compared to the previous quarters.

EBITDA

The Group delivered an EBITDA of DKK 38 million in Q2 2019 compared to DKK 22 million in Q1 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 15 million in Q2 2019. The effect of implementing IFRS 16 increased the financial expenses by DKK 3 million.

Taxes

The Group reported a tax expense of DKK 4 million in Q2 2019, compared with a tax credit of DKK 1 million in Q1 2019.

Net profit

The net loss was DKK 19 million in Q2 2019 compared with a net loss of DKK 17 million in Q1 2019.

Equity

Equity decreased to DKK 268 million in Q2 2019.

Net debt

The net debt at the end of Q2 2019 was DKK 991 million compared with DKK 987 million at the end of Q1 2019. The lease liabilities from having implemented IFRS 16 amounts to DKK 24 million at the end of Q2 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 April 1 – June 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 June 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, August 20, 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 six months ended June 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 August 20, 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

The Group committed to a larger investment in Q4 2019 in order to secure and optimize utility supply at one of the production sites. The investment can be financed using available cash and cash equivalents.

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 Jun 30,		YTD ended Jun 30,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Revenue	593.590	575.257	1.179.095	1.142.971
Cost of goods sold	516.031	494.330	1.038.931	984.026
Gross profit	77.559	80.927	140.164	158.945
Sales and marketing expenses	10.075	11.307	21.557	22.749
Administrative expenses	29.463	26.077	58.649	53.495
Other operating income and expenses	163	163	325	325
EBITDA	38.184	43.706	60.283	83.026
Other operating income and expenses	1	-352	247	-333
Depreciation	34.283	31.236	68.204	61.680
EBIT	3.902	12.118	-7.673	21.012
Special items, net	-937	-627	-987	-643
Financial income and expenses, net	-14.752	-12.140	-27.892	-22.031
Exchange rate deviation	-3.438	12.786	3.972	4.111
Profit before tax	-15.225	12.137	-32.581	2.450
Tax on profit for the period	3.758	4.386	2.980	3.952
Net profit for the period	-18.983	7.752	-35.561	-1.502

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income DKK 1,000	Quarter ended Jun 30,		YTD ended Jun 30,	
	2019 unaudited	2018 unaudited	2019 unaudited	2018 unaudited
Net profit for the period	-18.983	7.752	-35.561	-1.502
Other comprehensive income				
Items that may be subsequently reclassified to income statement				
Exchange adjustment, foreign companies	-3.809	26.898	4.723	15.589
Total comprehensive income for the period	-22.792	34.650	-30.839	14.088

Consolidated balance sheet

Consolidated balance sheet	Jun 30, 2019	Dec 31, 2018
DKK 1,000	unaudited	audited
Assets		
Intangible fixed assets	114.187	114.189
Land & Buildings	214.721	221.383
Plant and machinery	518.421	545.885
Other fixtures and fittings, tools and equipment	10.638	12.013
Property, plant and equipment under construction	30.556	36.023
Property, plant and equipment	774.336	815.305
Right-of-use assets	22.100	0
Other receivables	779	1.156
Deferred tax asset	5.480	5.493
Financial fixed assets	28.359	6.649
Non-current assets	916.882	936.143
Inventories	196.100	193.581
Trade receivables	346.514	339.964
Receivables due from group companies	0	30
Corporate tax	3.935	2.027
Bonds at fair value through profit and loss	70.403	68.963
Other receivables and prepayments	31.533	47.825
Receivables	452.386	458.809
Cash at bank and in hand	25.473	77.625
Current assets	673.959	730.014
Assets	1.590.841	1.666.157

Consolidated balance sheet

Consolidated balance sheet	Jun 30, 2019	Dec 31, 2018
DKK 1,000	unaudited	audited
Equity and liabilities		
Equity	267.605	298.444
Interest bearing liabilities	968.331	944.626
Provisions for deferred tax	0	33
Provisions for other staff obligations	7.245	7.255
Provisions other	6.560	6.520
Non-current liabilities	982.136	958.433
Credit institutions	118.875	133.474
Trade payables	140.835	176.457
Payables, plant and machinery	1.289	1.714
Payables due to group companies	1.569	0
Corporate tax	6.638	8.047
Other payables	71.894	89.587
Current liabilities	341.099	409.280
Liabilities	1.323.236	1.367.713
Equity and liabilities	1.590.841	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	4.723	-35.561	-30.839
Dividends	0	0	0	0
Equity at Jun 30, 2019	1.000	51.324	215.281	267.605
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 Jun 30,		YTD ended Jun 30,	
	2019	2018	2019	2018
DKK 1,000	unaudited	unaudited	unaudited	unaudited
Ordinary result before tax	-15.225	12.137	-32.581	2.450
Non-cash adjustments	36.549	19.379	65.296	55.349
Corporation tax paid	-3.177	-6.091	-6.302	-9.828
Change in inventories	10.755	-12.696	-786	-19.787
Change in receivables	8.704	12.169	12.063	-41.911
Change in suppliers etc.	-32.182	-3.696	-54.661	7.017
Cash flows from operating activities	5.424	21.202	-16.970	-6.711
Property, plant and equipment and intangible fixed assets	-10.687	-8.614	-19.657	-15.001
Purchase of financial fixed assets	0	0	380	2.638
Change in bonds at fair value through profit and loss	-1.169	735	-1.440	761
Change in payables, plant and machinery	-544	411	-436	-482
Cash flows from investing activities	-12.401	-7.468	-21.152	-12.084
Change in non-current liabilities	-308	94.342	-907	85.201
Change in accounts with related and group companies	-337	3.333	1.599	2.217
Paid out dividend	0	-25.000	0	-25.000
Cash flows from financing activities	-644	72.675	692	62.418
Change in cash and cash equivalents	-7.621	86.409	-37.431	43.623
Cash and cash equivalents, net at beginning of the period	-86.532	-50.687	-55.850	-8.794
Exchange adjustment of cash at bank and in hand, net at beginning of the period	751	-1.137	-122	-244
Cash and cash equivalents, net at the end of the period	-93.402	34.585	-93.402	34.585

Notes to the Interim Report

1 Intangible fixed assets

Intangible fixed assets	Customer lists, know-how, patents, licences			Software	Intangible fixed assets under construction
DKK 1,000	Goodwill unaudited	licences unaudited	Software unaudited	construction unaudited	construction unaudited
Cost at Jan 1, 2019	89.856	15.826	70.225	960	960
Exchange adjustment	942	163	603	10	10
Additions for the period	0	0	89	4.793	4.793
Transfer between items	0	0	199	-199	-199
Disposals for the period	0	0	0	0	0
Cost at Jun 30, 2019	90.798	15.989	71.116	5.564	5.564
Amortisation at Jan 1, 2019	323	8.686	53.669	0	0
Exchange adjustment	0	98	507	0	0
Amortisation for the period	0	661	5.336	0	0
Disposals for the period	0	0	0	0	0
Amortisation at Jun 30, 2019	323	9.445	59.512	0	0
Carrying amount at Jun 30, 2019	90.475	6.544	11.604	5.564	5.564
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, 2019	377.336	1.358.057	58.964	36.023
Exchange adjustment	1.315	5.009	133	128
Additions for the period	0	2.037	25	13.121
Transfer between items	44	17.773	899	-18.716
Disposals for the period	0	-858	-291	0
Cost at Jun 30, 2019	378.695	1.382.018	59.730	30.556
Depreciation at Jan 1, 2019	155.953	812.172	46.951	0
Exchange adjustment	361	2.218	103	0
Depreciation for the period	7.660	49.678	2.329	0
Disposals for the period	0	-471	-291	0
Depreciation at Jun 30, 2019	163.974	863.597	49.092	0
Carrying amount at Jun 30, 2019	214.721	518.421	10.638	30.556
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 June 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	951.150	951.150
Lease liabilities	750	2.563	4.780	16.004	24.097
Financing costs	-1.257	-2.515	-2.515	-629	-6.916
	-507	48	2.265	966.525	968.331

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 & Søner Holding A/S and Jacob Holm & Søner A/S.

Segment information	YTD ended Jun 30,	
	2019	2018
DKK 1,000	unaudited	unaudited
Revenue		
Jacob Holm Industries	535.545	500.868
Sontara	643.291	642.011
TWIG	28.473	24.753
Headquarter	1.475	1.110
Eliminations	-29.688	-25.771
Group	1.179.095	1.142.971
EBITDA		
Jacob Holm Industries	4.936	11.718
Sontara	48.079	71.110
TWIG	8.480	1.366
Headquarter	-1.212	-1.168
Eliminations	0	0
Group	60.283	83.026

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 15 million for the year-to-date (DKK 14 million for YTD Jun 2018).

Charges of royalty fees for the year-to-date amounts to DKK 7 million (DKK 18 million for YTD Jun 2018).

Further, the Consolidated Income Statement includes a financial expense of DKK 2 million (DKK 1 million for YTD Jun 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 0.3 million (DKK 0.3 million for YTD Jun 2018) to Dønnerup A/S for the year-to-date. Dønnerup A/S has charged rental expenses in the amount of DKK 0.4 million for the year-to-date (DKK 0.3 million for YTD Jun 2018).