Jacob Holm & Sons AG

Annual Report for 2016

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Report of the statutory auditor

to the General Meeting of Jacob Holm & Sons AG

Basel

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Jacob Holm & Sons AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Bruederlin	Korbinian Petzi
Audit expert Auditor in charge	Audit expert

Basel, 25 April 2017

Enclosure:

- Consolidated financial statements (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes)

Consolidated Income Statement 1 January - 31 December

	Note	2016	2015
		CHF '000	CHF '000
Revenue	4	**344'279**	**341'476**
Cost of goods sold	5	-301'252	-300'832
Gross profit		**43'027**	**40'644**
Sales and marketing expenses	5	-7'983	-5'332
Administrative expenses	5	-21'143	-21'638
Operating profit		**13'901**	**13'674**
Other operating income and expenses	10	41	118
Profit before financial income and expenses and special items		**13'942**	**13'792**
Special items, net	6	-520	-873
Financial income	11	5'103	3'957
Financial expenses	12	-7'454	-5'787
Profit before tax		**11'071**	**11'089**
Tax on profit for the year	13	1'431	2'490
Net profit for the year		**9'640**	**8'599**

Consolidated Statement of Comprehensive Income 1 January - 31 December

	2016	2015
	CHF '000	CHF '000
Statement of Comprehensive Income 1 January - 31 December		
Net profit for the year	9'640	8'599
Items that may be subsequently reclassified to profit or loss		
Exchange adjustment, foreign companies	1'277	-42
Comprehensive income	**10'917**	**8'557**

Consolidated Balance Sheet at 31 December

Assets

	Note	2016	2015
		CHF '000	CHF '000
Goodwill		13'510	13'510
Customer lists, know-how, patents, licenses and trademarks		3'543	3'941
Software		5'007	6'343
Intangible fixed assets under construction		222	189
Intangible fixed assets	14	**22'282**	**23'983**
Land and buildings		38'320	39'746
Plant and machinery		104'342	108'367
Other fixtures and fittings, tools and equipment		2'734	3'167
Property, plant and equipment under construction		3'007	2'781
Property, plant and equipment	15	**148'403**	**154'061**
Other receivables		356	152
Deferred tax asset	21	2'009	2'706
Financial fixed assets		**2'365**	**2'858**
Non-current assets		**173'050**	**180'902**
Inventories	16	**25'593**	**30'364**
Corporation tax	17	41	925
Trade receivables	18	44'756	47'228
Bonds at fair value through profit and loss		1'375	1'910
Other receivables	18	5'945	4'327
Prepayments		772	556
Receivables		**52'889**	**54'946**
Cash at bank and in hand		**13'150**	**3'841**
Current assets		**91'632**	**89'151**
Assets		**264'682**	**270'053**

Consolidated Balance Sheet at 31 December

Equity and liabilities

	Note	2016	2015
		CHF '000	CHF '000
Share capital	19	250	250
Exchange adjustments		4'229	2'952
Retained earnings		74'300	64'660
Equity		**78'779**	**67'862**
Bond	20	71'820	0
Credit institutions	24	34'168	745
Provisions for deferred tax	21	6'687	8'244
Provisions for other staff obligations	22	941	870
Provisions for other liabilities and charges	23	1'019	990
Non-current liabilities		**114'635**	**10'849**
Current portion of non-current liabilities	24	8'866	125'990
Credit institutions	24	16'610	22'471
Trade payables		28'052	25'744
Payables, plant and machinery		993	4'123
Payables to related companies	30	0	14
Corporation tax	25	2'734	1'751
Other payables		14'013	11'249
Current liabilities		**71'268**	**191'342**
Liabilities		**185'903**	**202'191**
Equity and liabilities		**264'682**	**270'053**
Fee to auditors appointed at the annual general meeting	8		
Contingent liabilities and other financial obligations	28		
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Statement of Changes in Equity, Group 1 January - 31 December

	Share capital	Exchange adjustments	Retained earnings	Total
	CHF '000	CHF '000	CHF '000	CHF '000
Equity				
Equity at 1 January 2016	250	2'952	64'660	67'862
Comprehensive income for the year	0	1'277	9'640	10'917
Dividends	0	0	0	0
Equity at 31 December 2016	**250**	**4'229**	**74'300**	**78'779**
Equity at 1 January 2015	250	2'994	56'061	59'305
Comprehensive income for the year	0	-42	8'599	8'557
Dividends	0	0	0	0
Equity at 31 December 2015	**250**	**2'952**	**64'660**	**67'862**

Consolidated Cash Flow Statement

	Note	2016	2015
		CHF '000	CHF '000
Net profit for the year		9'640	8'599
Adjustments of non-cash items	26	22'643	18'062
Change in working capital	27	10'573	-556
Cash flows from operating activities before financial income and expenses and tax		42'856	26'105
Financial income		1'201	983
Financial expenses		-6'785	-5'225
Corporation tax paid		-470	-3'304
Cash flows from operating activities		**36'802**	**18'559**
Purchase of intangible fixed assets		-296	-6'653
Purchase of property, plant and equipment		-11'186	-31'551
Purchase of financial fixed assets		-207	-14
Sale of property, plant and equipment		125	54
Sale of bonds at fair value through profit and loss		536	6'150
Acquisition of business combinations		0	498
Cash flows from investing activities		**-11'028**	**-31'516**
Change in accounts with related parties		-14	-167
Raising of non-current loans		0	13'365
Repayment of non-current loans		-10'329	-6'216
Cash flows from financing activities		**-10'343**	**6'982**
Change in cash and cash equivalents		**15'431**	**-5'975**
Cash and cash equivalents at 1 January		-18'630	-13'071
Cash and cash equivalents via contribution in kind		0	0
Exchange adjustment of cash at bank and in hand at 1 January		-261	416
Cash and cash equivalents at 31 December		**-3'460**	**-18'630**
specified as follows:			
Cash at bank and in hand		13'150	3'841
Credit institutions (current liabilities)		-16'610	-22'471
		-3'460	**-18'630**

Notes to the Annual Report, Group

1 Accounting Policies

The Annual Report of Jacob Holm & Sons AG for 2016 is prepared in accordance with International Financial Reporting Standards (IFRS).

The Annual Report for 2016 is presented in CHF ’000.

The applied accounting policies are unchanged compared to the previous year.

Restatement of the comparatives for 2015
As disclosed in the annual report 2015 note 29 the covenant ratio on credit institution loans in relation to EBITDA/fixed charges was in breach at the end of Q4 2015 and subsequently waived. Although subsequently waived, the loans were considered current under IFRS. As disclosed in the interim reports this has been adjusted in the comparative figures as of 31 December 2015. Due to cross-default provisions, this also applied for the bond settled in 2017 cf note 32 resulting in a total amount of approx. CHF 116 million being reclassified from non-current to current liabilities. The reclassification does not affect net profit for the year, other comprehensive income or equity.

New standards, amendments and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing the consolidated financial statement.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. Reduces the number of categories of financial assets to two; amortised cost and fair value. In cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement. Furthermore, hedge accounting is simplified and net positions can be hedged.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group assesses that there will be no impact on the Group from IFRS 15.

IFRS 16, “Leases”, which amends the rules for the lessee's accounting treatment of operating leases. In future, operating leases must therefore be recognised in the balance sheet as lease assets and similar lease liabilities. The standard has not yet been adopted by the EU and will become effective for financial years beginning on or after 1 January 2019. The Group expects to implement the standard when it becomes effective. The Group is in the process of examining the effect of the standard, which cannot yet be calculated.

The IASB has approved further new standards and interpretations that are not relevant to Jacob Holm & Sons AG and will have no effect on the Financial Statements.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company Jacob Holm & Sons AG and its subsidiaries. Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Consolidated Financial Statements are prepared on the basis of the Financial Statements of the Parent Company and the group companies by combining items of a uniform nature, and elimination is made of intercompany income and expenses, intercompany accounts as well as profits and losses on transactions between the consolidated companies. The results of foreign group companies are translated into Swiss Franc at average exchange rates. The balance sheets are translated into Swiss Franc at the exchange rates at the balance sheet date. Exchange adjustments in this connection are made over the statement of comprehensive income.

Business combinations

On acquisition of subsidiaries including acquisition of subsidiaries under common control, the acquisition method is applied.

Purchase price of acquired assets, liabilities and contingent liabilities are initially measured at fair value at the time of acquisition. Identifiable intangible fixed assets are recognised if they can be separated and the fair value can be measured reliably. Deferred tax is recognised on re-measurements made. Any remaining positive differences between the cost and the fair value of assets, liabilities and contingent liabilities acquired are recognised in intangible fixed assets in the balance sheet as goodwill. Goodwill is not amortised, but is tested for impairment on an annual basis.

Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Swiss Franc which is the parent company's functional and presentation currency.

Transactions in foreign currencies are initially recognised at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. Differences between the exchange rates at the balance sheet date and the rates at the time of the establishment of the receivable or payable or recognition in the most recent Financial Statements are recognised in financial income and expenses in the income statement.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

Balance sheet items including goodwill for consolidated companies that do not have Swiss France as their functional currency are translated into Swiss Franc at the exchange rates at the balance sheet date, whereas the income statements of these companies are translated at average exchange rates for the month. Exchange adjustments arising on the translation of the opening equity at year-end rates and net profit for the year at year-end rates are recognised directly in equity under a separate reserve for exchange adjustments.

Income Statement

Revenue and recognition of income

Revenue from sale of goods is measured at fair value of the consideration received net of goods sold excluding VAT and net of provisions for returns, discounts, etc.

Revenue from the sale of goods is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities. In general the recognition of revenue is done when the goods are delivered in accordance with the agreed upon contractual terms.

Cost of goods sold

Cost of goods sold comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories and distribution expenses including salaries to distribution staff.

Cost of goods sold also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Sales and marketing expenses

Sales and marketing expenses comprise costs in the form of salaries to sales staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the companies, including gains and losses on disposals of intangible fixed assets and property, plant and equipment as well as subsidies received which do not directly relate to the purchase of non-current assets.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Special items

Special items comprise income and expenses outside normal operations which are at the same time non-recurring income and expenses. Special items comprise income and expense arising from events and transactions such as due diligence re. potential acquisitions, integration costs and larger restructuring or organisational changes.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities and amortisation of financial assets and liabilities.

Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the expenses relating to the asset. All other financial expenses are recognised in expenses in the financial year in which they were incurred.

A qualifying asset is an asset for which considerable time is required to make it ready for its intended use or for sale.

Tax on profit for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to items recognised in other comprehensive income is recognised in other comprehensive income and tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

Balance Sheet

Intangible fixed assets

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets of the acquired enterprise. Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortised. The carrying amount of goodwill is allocated to the Group's operating segments. The allocation is completed no later than at the end of the reporting period following the acquisition.

Goodwill is tested for impairment annually or on indication of impairment In the event of impairment, the carrying amount is written down to the value in use. Impairment charges on goodwill are not reversed.

Customer lists, know-how, patents and licenses, trademarks and software are measured at cost less accumulated amortisation. Amortisation is made on a straight-line basis over the expected useful life, which are;

Customer lists, know-how, patents and licenses	3-10 years
Trademarks	20 years
Software	3-5 years

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the purchase price and costs which are directly attributable to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises directly attributable costs for labour, materials, components and sub-suppliers. The cost price of new product lines comprise costs related to the commissioning of the production line up until the point in time where the production line is ready for commercial production. Commissioning costs comprise costs such as test runs and repair and maintenance activities.

The initial estimate of the costs of dismantling assets for which there is a legal obligation to dismantle at the end of the useful life of the asset is included as part of the cost price of the asset.

Income from the sale of products during the commissioning period is set off against the cost of the asset.

Government grants received are set off against the cost of assets qualifying for the subsidy.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	30-50 years

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Plant and machinery	10-15 years
Other fixtures and fittings, tools and equipment	3-10 years

Spare parts included in plant and machinery are depreciated over 5 years.

Gains or losses from the sale of property, plant and equipment are calculated as the difference between the selling price net of selling expenses and the carrying amount at the time of the sale. Gains or losses from current replacement of property, plant and equipment are recognised in other operating income and expenses in the income statement.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The asset is written down to its recoverable amount if this is lower than the carrying amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Impairment losses are reversed to the extent that changes have taken place in the assumptions or estimates leading to the write-down for impairment. Impairment losses are only reversed to the extent that the new carrying amount of the asset does not exceed the carrying amount which the asset would have had, had it not been written down for impairment. Impairment on goodwill is not reversed.

Financial fixed assets

Other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Bonds at fair value through profit or loss

Bonds at fair value through profit or loss are financial assets held for trading. Bonds are classified in this category if acquired principally for the purpose of selling in the short term.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour as well as directly attributable labour and production costs. These costs also comprise maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of production management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be paid for the year is disclosed as a separate equity item.

Corporation tax and deferred tax

Current tax liabilities and receivables are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on taxable income for prior years and for taxes paid on account.

Deferred tax is measured according to the balance-sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items where temporary differences – apart from business acquisitions – have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement unless the deferred tax relates to equity entries.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Staff obligations

Wages and salaries, social security contributions, paid absence and sickness absence, bonuses and non-monetary contributions are recognised in the financial year in which the Group's employees have performed the related work. Expenses relating to the Group's long-term staff benefits are accrued so that they follow the performance of work by the employees concerned.

The Group's pension schemes comprise defined contribution plans.

Moreover, provisions are made for seniority based bonuses earned over the employment period.

Provisions

Provisions are recognised when – as a result of an event occurred before or on the balance sheet date – the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. Provisions comprise mainly dismantling cost related to assets held on leased land.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. At the measurement of provisions, discounting is made of the expenses necessary to settle the liability if this has a material effect on the measurement of the liability.

Financial liabilities

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in the income statement under Financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligations on finance leases, which are measured at amortised cost.

Cash Flow Statement

The cash flow statement shows cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit for the year adjusted for non-cash operating items, changes in working capital, financial income/expenses and corporation tax paid.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible fixed assets, property, plant and equipment as well as financial fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of non-current liabilities as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise the item "Cash at bank and in hand" under current assets net of current credits with banks that constitute an integrated part of the Group's current cash management.

The cash flow statement cannot be immediately derived from the information provided in these financial statements.

Segment information

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The operating segments have been determined based on the financial reports reviewed by the Board of Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described above.

Net profit is the measurement reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

In presenting information on the basis of geographical markets the information is based on the geographical location of the enterprises in each segment.

Accounting policies relevant only for the parent company

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost in the Parent Company Financial Statements.

Impairment tests are performed on subsidiaries if events or changes in circumstances indicate that their carrying amount may not be recoverable. Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

Notes to the Annual Report, Group

2 Significant accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that Management believes are reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by nature, seldom equal the actual outcome. The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Impairment test - Goodwill

Goodwill is not amortised but is subject to an annual impairment test. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2016. The impairment test is a complex process that requires significant Management judgement in determining various assumptions, such as general market development, cash-flow projections, discount rates and terminal growth rates. The assumptions for significant goodwill amounts are set out in note 14.

Impairment test - Property Plant and Equipment (PPE)

An impairment test has been performed on PPE related to the Jacob Holm Industries segment's PPE in USA. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2016. The impairment test is a complex process that requires significant Management judgement in determining various assumptions, such as cash-flow projections including remaining useful life and capex needed during the remaining useful life and the applied discount rate.

3 Segment information

The Jacob Holm Industries segment produces and sells non-woven roll-goods.

The Sontara segment produces and sells non-woven in converted and roll-goods form.

The TWIG segment sells non-woven by-products and provides internal converting services.

The Headquarter segment consists of the Danish and Swiss holding and management companies Jacob Holm & Sønner Holding A/S, Jacob Holm & Sønner A/S and Jacob Holm & Sons AG.

No operating segments have been aggregated.

Notes to the Annual Report, Group

3 Segment information (continued)

2016 **Income statement**	**Jacob Holm Industries** CHF '000	**Sontara** CHF '000	**TWIG** CHF '000	**Headquarter** CHF '000	**Eliminations** CHF '000	**Group** CHF '000
Revenue						
Inter-segment revenue	666	0	3'859	10'200	-14'725	0
External revenue	151'438	190'100	2'531	210	0	344'279
EBITDA	11'608	17'574	942	2'666	0	32'790
Depreciation, amortization and impairment losses	12'044	6'367	27	356	0	18'794
Special items, net	0	-188	0	-332	0	-520
Financial income	247	353	30	8'626	-4'153	5'103
Financial expenses	-3'910	-2'231	-5	-5'461	4'153	-7'454
Income tax income/expense	-1'379	1'785	174	851	0	1'431
Profit or loss	-2'768	7'350	766	4'292	0	9'640
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	125'879	44'107	154	316'361	-313'451	173'050
Additions to non-current assets	2'530	5'540	96	247	0	8'413
Current assets	29'472	72'535	2'570	23'576	-36'521	91'632
Total assets	155'351	116'642	2'724	339'937	-349'972	264'682
Non-current liabilities	55'220	20'379	0	75'895	-36'859	114'635
Current liabilities	39'238	49'716	1'102	17'733	-36'521	71'268
Total Liabilities	94'458	70'095	1'102	93'628	-73'380	185'903

2015 **Income statement**	**Jacob Holm Industries** CHF '000	**Sontara** CHF '000	**TWIG** CHF '000	**Headquarter** CHF '000	**Eliminations** CHF '000	**Group** CHF '000
Revenue						
Inter-segment revenue	833	0	0	5'933	-6'766	0
External revenue	143'561	195'014	2'573	328	0	341'476
EBITDA	6'082	22'094	741	-901	-519	27'497
Depreciation, amortization and impairment losses	8'132	5'286	14	298	0	13'730
Special items, net	0	-378	0	-495	0	-873
Financial income	497	8	15	7'932	-4'495	3'957
Financial expenses	-1'436	-3'400	-16	-5'430	4'495	-5'787
Income tax income/expense	2'379	2'273	81	-2'116	-127	2'490
Profit or loss	-5'344	10'764	645	2'926	-392	8'599
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	132'845	44'710	43	315'063	-311'759	180'902
Additions to non-current assets	23'233	10'482	2	1'204	0	34'921
Current assets	33'269	70'796	1'404	8'539	-24'857	89'151
Total assets	166'114	115'506	1'447	323'602	-336'616	270'053
Non-current liabilities	60'733	27'237	0	78'703	-40'163	126'510
Current liabilities	48'178	44'194	592	7'575	-24'858	75'681
Total Liabilities	108'911	71'431	592	86'278	-65'021	202'191

Performance of the operating segments and decisions about resources to be allocated are made on the basis of EBITDA.

Notes to the Annual Report, Group

3 Segment information (continued)

	2016 CHF '000	2015 CHF '000
Geographic allocation		
Revenue		
Switzerland	973	724
EU	89'980	87'926
USA/Canada	184'094	178'598
APAC	54'922	57'769
Other	14'310	16'459
Total revenue	**344'279**	**341'476**
Non-current assets other than deferred tax assets, by area		
Switzerland	19'770	21'511
EU	25'971	26'651
USA/Canada	122'424	127'024
APAC	18	17
Other	15	22
Total non-current assets other than deferred tax assets	**168'198**	**175'225**

4 Revenue

	2016 CHF '000	2015 CHF '000
Sale of goods	344'069	341'148
Royalties	210	328
	344'279	**341'476**

5 Expenses classified by type

	2016 CHF '000	2015 CHF '000
Production costs	286'787	285'182
Distribution costs	14'465	15'650
Cost of goods sold	301'252	300'832
Sales and marketing expenses	7'983	5'332
Administrative expenses	21'143	21'638
Other income and expenses	-41	-118
Special items, net	520	873
	330'857	**328'557**
Classified by type as follows:		
Expenses for raw materials and consumables	188'934	190'726
Other external expenses	68'084	77'281
Staff expenses	55'050	46'820
Depreciation and amortisation	18'789	13'730
	330'857	**328'557**

	2016	2015
	CHF '000	CHF '000

6 Special items, net

Special items, costs:

	2016 CHF '000	2015 CHF '000
Integration costs regarding acquired businesses	0	873
Restructuring projects	520	0
	520	**873**

Special items, are all staff expenses.

7 Staff expenses

Staff expenses are included in the Group's cost of goods sold, sales and marketing and administrative expenses as follows:

	2016 CHF '000	2015 CHF '000
Wages and salaries	43'028	35'143
Pensions defined contribution plans	1'932	2'161
Other social security expenses	10'090	9'516
	55'050	**46'820**
Average number of full-time employees	**653**	**568**

Staff expenses are distributed on the individual cost groups as follows:

	2016 CHF '000	2015 CHF '000
Cost of goods sold	39'374	34'121
Sales and marketing expenses	4'884	3'276
Administrative expenses	10'792	9'423
	55'050	**46'820**

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8 Fee to auditors appointed at the general meeting

	2016 CHF '000	2015 CHF '000
Audit fee	353	566
Tax consultancy	436	719
Non-audit services	50	499
Total	**839**	**1'784**
Fee to other audit firms		
Audit fee	11	18
Tax consultancy	62	25
Other assurance statements	6	8
Non-audit services	71	60
Total	**150**	**111**

9 Depreciation and amortisation

	2016 CHF '000	2015 CHF '000
Depreciation and amortisation for the year are specified as follows:		
Customer lists, know-how, patents, licences and trademarks	485	472
Software	1'520	942
Buildings	2'254	1'793
Plant and machinery	13'592	9'752
Other fixtures and fittings, tools and equipment	943	771
	18'794	**13'730**
Depreciation and amortisation are distributed on the individual cost groups as follows:		
Cost of goods sold	16'318	11'882
Sales and marketing expenses	437	395
Administrative expenses	2'039	1'453
	18'794	**13'730**

Notes to the Annual Report, Group

	2016	2015
	CHF '000	CHF '000

10 Other operating income and expenses

	2016	2015
Other operating income:		
Subsidies	13	13
Gains on disposals of non-current assets	6	25
Management fee	95	94
Other	0	23
	114	155
Other operating expenses:		
Loss on disposals of non-current assets	-73	-37
	-73	-37
	41	**118**

11 Financial income

	2016	2015
Interest	74	200
Exchange adjustments	4'628	3'639
Other	401	118
	5'103	**3'957**

Interest and exchange adjustments relate to loans granted and receivables measured at amortised cost.

12 Financial expenses

	2016	2015
Interest	6'020	4'544
Exchange adjustments	635	927
Other	799	316
	7'454	**5'787**

Interest and exchange adjustments relate to loans received and payables measured at amortised cost.

	2016	2015
	CHF '000	CHF '000

13 Tax on profit for the year

	2016 CHF '000	2015 CHF '000
Current tax on profit for the year	2'324	2'831
Change in deferred tax	-932	224
Change in tax previous years	39	-565
	1'431	**2'490**

Tax on profit for the year is specified as follows:

	2016 CHF '000	2015 CHF '000
Calculated 11% tax on profit for the year before tax	1'540	1'683
Tax effect of:		
Higher/lower tax rate in foreign companies	469	103
Tax on non-deductible expenses and non-taxable income	-847	-651
Adjustment of valuation deferred tax	230	1'920
Adjustment of tax previous years	39	-565
	1'431	**2'490**
Effective tax rate for the year	**12.93%**	**22.45%**

14 Intangible fixed assets

	Goodwill	Customer lists, know-how, patents, licenses and trademarks	Software	Intangible fixed assets under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2016				
Cost at 1 January	13'510	4'582	9'881	189
Exchange adjustment at year-end rate	0	0	47	0
Additions for the year	0	87	101	115
Transfer between items	0	0	82	-82
Disposals for the year	0	0	0	0
Cost at 31 December	13'510	4'669	10'111	222
Amortisation at 1 January	0	641	3'538	0
Exchange adjustment at year-end rate	0	0	46	0
Amortisation for the year	0	485	1'520	0
Amortisation at 31 December	0	1'126	5'104	0
Carrying amount at 31 December	**13'510**	**3'543**	**5'007**	**222**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the segments TWIG and Sontara with CHF 13,463 mio. and CHF 0,047 mio. respectively.

Notes to the Annual Report, Group

14 Intangible fixed assets (continued)

	Goodwill	Customer lists, know-how, patents, licenses and trademarks	Software	Intangible fixed assets under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2015				
Cost at 1 January	13'463	4'583	2'845	667
Exchange adjustment at year-end rate	0	-1	-50	0
Additions from business combination	47	0	0	0
Additions for the year	0	0	6'549	59
Transfer between items	0	0	537	-537
Disposals for the year	0	0	0	0
Cost at 31 December	13'510	4'582	9'881	189
Amortisation at 1 January	0	170	2'693	0
Exchange adjustment at year-end rate	0	-1	-97	0
Amortisation for the year	0	472	942	0
Amortisation at 31 December	0	641	3'538	0
Carrying amount at 31 December	**13'510**	**3'941**	**6'343**	**189**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the segments TWIG and Sontara with CHF 13,463 mio. and CHF 0,047 mio. respectively.

The Group has performed impairment test of Goodwill per 31 December 2016.

The Group has performed the impairment test on the basis of overall valuation of the TWIG Group. The conclusion was that there was no need for impairment.

The valuation of the TWIG Group was prepared on basis of the approved budget for 2017 and calculated as a value in use with a terminal growth of 0% and a pre-tax WACC of 6.25%.

At year-end Management has assessed that the key assumption used to determinate value in use of the TWIG Group is the available volume of by-products to this Group and the intercompany purchase price applied. The 2017 budget includes a conservative level of volume. As a result of this, cash-flow used to determine the fair value is at a conservative level which explains why the WACC does not include a risk-premium. Further, the assumption is that the by-products are purchased at market price from group companies.

It is assumed that reasonable possible changes in key assumptions are not expected to cause a change in the need for impairment.

Notes to the Annual Report, Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	CHF '000	CHF '000	CHF '000	CHF '000

15 Property, plant and equipment

2016

	Land and buildings CHF '000	Plant and machinery CHF '000	Other fixtures and fittings, tools and equipment CHF '000	Property, plant and equipment under construction CHF '000
Cost at 1 January	56'154	187'512	8'527	2'781
Exchange adjustment at year-end rate	942	3'400	88	25
Additions for the year	0	1'778	339	6'038
Transfer between items	111	5'593	133	-5'837
Disposals for the year	-53	-173	-27	0
Cost at 31 December	57'154	198'110	9'060	3'007
Depreciation at 1 January	16'408	79'145	5'360	0
Exchange adjustment at year-end rate	191	1'040	50	0
Depreciation for the year	2'254	13'592	943	0
Disposals for the year	-19	-9	-27	0
Depreciation at 31 December	18'834	93'768	6'326	0
Carrying amount at 31 December	**38'320**	**104'342**	**2'734**	**3'007**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2016 includes interest of CHF 1.127k.

The carrying amount of plant and machinery at 31 December 2016 includes interest of CHF 2.514k.

The impairment test was performed as a value in use calculation discounting the expected cash-flows in the assets remaining useful life. The cash flow projections are based on the budget for 2017 adjusted for full year effect of the expected improvements in 2017 and slightly increasing quantities in 2018.

15 Property, plant and equipment
(continued)

	Land and buildings CHF '000	Plant and machinery CHF '000	Other fixtures and fittings, tools and equipment CHF '000	Property, plant and equipment under construction CHF '000
2015				
Cost at 1 January	46'253	132'552	6'731	50'810
Exchange adjustment at year-end rate	-2'133	-5'943	-366	-46
Additions for the year	110	4'606	1'832	21'248
Transfer between items	11'932	56'521	778	-69'231
Disposals for the year	-8	-224	-448	0
Cost at 31 December	56'154	187'512	8'527	2'781
Depreciation at 1 January	15'496	73'916	5'328	0
Exchange adjustment at year-end rate	-875	-4'352	-303	0
Depreciation for the year	1'793	9'752	771	0
Disposals for the year	-6	-171	-436	0
Depreciation at 31 December	16'408	79'145	5'360	0
Carrying amount at 31 December	**39'746**	**108'367**	**3'167**	**2'781**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2015 includes interest of CHF 1.139k.

The carrying amount of plant and machinery at 31 December 2015 includes interest of CHF 2.664k.

During the year, the Group has capitalised borrowing costs amounting to CHF 2.048k on qualifying assets. The average interest rate applied was 3.87% p.a.

Notes to the Annual Report, Group

	2016	2015
	CHF '000	CHF '000

16 Inventories

	2016	2015
Raw materials and consumables	5'465	9'064
Finished goods	20'128	21'300
	25'593	**30'364**
Raw materials and consumables expensed for the year	188'934	190'726
Inventories expected to be sold after more than 1 year amount to	0	0
Write-down on inventories for the year amounts to	763	3'679
Reversed write-down on inventories for the year amounts to	832	705

Subsequent sales have shown that there was no need for the write-down.

17 Corporation tax

	2016	2015
Corporation tax receivable at 1 January	925	7
Exchange adjustment at year-end rate	24	-35
Tax on operating profit, see note 13	-40	-586
Tax refunded/paid	-868	1'539
Corporation tax receivable at 31 December	**41**	**925**

18 Receivables

	2016	2015
Trade receivables	45'024	47'241
Bad debt provision	-268	-13
Trade receivables, net	44'756	47'228
Other receivables	5'945	4'327
	50'701	**51'555**

Bad debt provision

	2016	2015
Bad debt provision at 1 January	13	259
Exchange adjustment at year-end rate	0	-1
Additions for the year	255	6
Disposals for the year:		
- Applied	0	-85
- Reversed	0	-166
Bad debt provision at 31 December	**268**	**13**

Notes to the Annual Report, Group

	2016	2015
	CHF '000	CHF '000

19 Share capital

Share capital has developed as follows:

	2016	2015
1 January	250	250
Increase during the year	0	0
31 December	**250**	**250**

20 Bond

The Group Company Jacob Holm & Sønner Holding A/S has issued a series of bonds in the amount of SEK 650m in 2014. The bonds were listed on the Oslo Børs on 10 March 2016.

The interest coupons on the par value of the bonds payable from and including, the issue date is three months STIBOR plus a margin of 5.25 %.

The bond matures in full on 3 April 2019. The Group Company may redeem the bond issue in whole or in part at any time. The redemption price is:

From the issue date to April 2016 the present value is par value and remaining interest payments discounted at 50 basis point over the comparable Swedish Government bonds.

April 2016 to April 2017	104 % of par value
April 2018 to final maturity	102 % of par value

The holders cannot call the bond unless the covenants set out in the bond agreement are not complied with.
The bond is subject to three covenants:
- Debt/EBITDA ratio
- Interest coverage ratio
- Minimum liquidity

The bond is subject to cross default provisions.

21 Deferred tax

	2016 CHF '000	2015 CHF '000
Deferred tax at 1 January	5'538	5'493
Exchange adjustment at year-end rate	72	-159
Additions from business combination	0	-20
Change in deferred tax, see note 13	-932	224
Deferred tax at 31 December	**4'678**	**5'538**
Deferred tax relates to:		
Inventories	-362	-372
Other current assets	319	180
Other liabilities	-751	-380
Current part	**-794**	**-572**
Intangible assets	-1'120	-1'174
Property, plant and equipment	20'182	8'599
Other liabilities	-483	-484
Tax loss carry-forward	-16'905	-4'933
Retaxation relating to utilised losses in foreign subsidiary	3'798	4'102
Non-current part	**5'472**	**6'110**
Deferred tax, net	**4'678**	**5'538**
which breaks down as follows:		
Deferred tax asset	-2'009	-2'706
Provisions for deferred tax liability	6'687	8'244
	4'678	**5'538**
Unrecognized deferred tax asset	**3'006**	**3'604**

The Group's recognised tax loss is subject to varying conditions and is expected fully utilised for set-off against positive taxable income within a 5 year period.

One of the entities to which the tax loss carry-forward relates to, realised a tax loss for assessment year 2016. Management has prepared detailed forecasts for the coming financial years for the entity in question and has reassessed the expected time frame for utilisation of the tax loss carry-forward. It is Management's assessment that the taxable income will increase in the coming financial years due to increasing earnings.

One of the entities to which the tax loss carry-forward relates to, has turned profitable again in 2016. Management has assessed that there is some uncertainty as to the timing of utilizing the tax loss carry-forward, that it has derecognised the part of the tax loss carry-forward which relates to the period after 5 years.

Notes to the Annual Report, Group

22 Other staff obligations

The Group offers part of the employees to participate in pension schemes in the form of defined contribution plans.

The provision for other staff obligations primarily includes seniority based bonuses for employees calculated by an actuary taking into account the expected turnover among employees, wage increases etc. A discount factor of 1,31% has been used against 2,03% in 2015.

As the obligation is uncertain as regards the time of settlement, no breakdown of time of maturity can be made. The entire obligation has therefore been classified as a non-current liability.

	2016	2015
	CHF '000	CHF '000
Balance at 1 January	870	904
Exchange adjustment at year-end rate	-6	-90
Disposals for the year	-79	-2
Discount effect	75	-22
Additions for the year	81	80
Balance at 31 December	**941**	**870**

23 Provisions for other liabilities and charges

The liability relates to an estimated liability regarding dismantling of assets held on leased land.

Balance at 1 January	990	989
Exchange adjustment at year-end rate	29	1
Additions for the year	0	0
Balance at 31 December	**1'019**	**990**

24 Credit institutions

Payment due later than 5 years	0	0
Payment due 1-5 years	34'168	745
Non-current credit institutions	**34'168**	**745**
Payment due within 1 year	25'476	148'461
	59'644	**149'206**

Credit institutions primarily includes term loans granted to the Plant in Asheville, NC with a total of CHF 42m of which CHF 34m is due between 1-5 years. These term loans are USD denominated and with variable interest.

	2016	2015
	CHF '000	CHF '000

24 Credit institutions (continued)

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.

25 Corporation tax

	2016	2015
Accrued corporation tax at 1 January	1'751	1'978
Exchange adjustment at year-end rate	-19	-130
Tax on operating profit, see note 13	2'323	2'245
Adjustment of tax previous years	0	-565
Tax paid	-1'321	-1'777
Accrued corporation tax at 31 December	**2'734**	**1'751**

26 Cash flow statement - adjustments non-cash items

	2016	2015
Financial income	-5'103	-3'957
Financial expenses	7'454	5'787
Depreciation, amortisation and impairment losses, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	18'861	13'742
Tax on profit for the year	1'431	2'490
	22'643	**18'062**

27 Cash flow statement - change in working capital

	2016	2015
Change in inventories	4'785	-331
Change in receivables	927	12'131
Change in other provisions	77	56
Change in payables	4'784	-12'412
	10'573	**-556**

	2016	2015
	CHF '000	CHF '000

28 Contingent liabilities and other financial obligations

Mortgages

As security for credit institution, mortgage deeds registered to the mortgagor have been issued totalling	88'876	87'757

The mortgage deeds registered to the mortgagor are secured on land and buildings as well as the related plant and machinery at a carrying amount of CHF 105,821k (at 31 December 2015: CHF 122,437k).

As security for credit institution, a mortgage on movable property has been issued totalling	644	2'054

The mortgage deed on movable property is secured on intangible fixed assets and property plant and machinery at a carrying amount of CHF 12.043k (at 31 December 2015: CHF 12,922k).

As security for credit institutions, security has moreover been provided in current assets at a carrying amount of CHF 23,039k (at 31 December 2015: CHF 27,839k).

Obligations under operating leases

Obligations under operating leases primarily comprise agreements entered into concerning the lease of operational equipment. The leases run until June 2019 at the latest.

Obligations under operating leases break down as follows according to due date:

Minimum payments	2016	2015
	CHF '000	CHF '000
0-1 year	116	121
1-5 years	32	150
>5 years	0	0
	148	**271**

Lease expenses recognised amount to CHF 118k (2015: CHF 127k).

Notes to the Annual Report, Group

28 Contingent liabilities and other financial obligations (continued)

Obligations under rental agreements

Obligations under rental agreements primarily comprise agreements entered into concerning the renting of warehouse and office space. The rentals run until March 2020 at the latest.

Obligations under rental agreements break down as follows according to due date:

Minimum payments	2016	2015
	CHF '000	CHF '000
0-1 year	2'323	2'022
1-5 years	832	2'470
>5 years	0	0
	3'155	**4'492**

Rental expenses recognised amount to CHF 2.334k (2015: CHF 1.893k).

Contractual obligations

	2016	2015
The Group has entered into agreements on delivery of property, plant and equipment with a remaining obligation of	494	493

Notes to the Annual Report, Group

29 Financial risks

Credit risk

Credit risk arises from cash and cash equivalents, bond investments as well as credit exposure to customers and other outstanding receivables.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of ‘A’ are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Management. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Current follow-up is made on outstanding accounts in accordance with the Group's trade receivables procedures. Where uncertainty arises as to a customer's ability or willingness to pay, and it is estimated that the trade receivable is subject to risk, a bad debt provision is made.

Credit quality

The Group has a factoring agreement in place for one of the plants, which does not qualify for derecognition. The total amount included under the factoring agreement amounts to CHF 11 m (2015: CHF 13m), of which an amount of approx. CHF 8m (2015: CHF 9m) is covered by credit insurance. The associated liability amounts to CHF 9m (2015: CHF 10m).

Other trade receivales are not covered by credit insurance

Generally the Group's trade receivables is concentrated on a smaller number of customers of which several are highly rated large multinational customers which supports the low bad debt provision.

The overdue balance on trade receivables is specified as follows at 31 December 2016:

CHF '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not subject to impairment	2'627	195	280	426	3'528
Overdue receivables subject to impairment	0	0	0	268	268
	2'627	195	280	694	3'796
Bad debt provision	0	0	0	-268	-268
	2'627	195	280	426	3'528

Notes to the Annual Report, Group

29 **Financial risks** (continued)

The overdue balance on trade receivables is specified as follows at 31 December 2015:

CHF '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not subject to impairment	4'497	297	194	856	5'844
Overdue receivables subject to impairment	0	0	0	13	13
	4'497	297	194	869	5'857
Bad debt provision	0	0	0	-13	-13
	4'497	297	194	856	5'844

Liquidity risk

The Group ensures sufficient cash resources by entering into framework agreements for current overdraft facilities. Existing agreements with agreed upon repayment terms cannot be terminated by the banks unless there is a breach of the covenants stated in the loan agreements.

In the event of breach of a covenant the Group has the right to remedy without undue delay, respectively the bank is entitled to terminate part or all of the outstanding loan facilities, should the Group not be able to do so.

One covenant regarding credit institution loans granted to the Plant in Asheville, NC has been in breach during 2016. A covenant on EBITDA in relation to fixed charges has been violated at the end of Q1 and Q2 2016. The bank has waived the breaches which are caused by a delay of a large capex project. In order to avoid similar issues going forward, the company has been negotiating an amendment to the credit agreement with the credit institution.

Some of the Group's credit facilities are variable due to the fact that some of the Group's credit lines are based on the amount of the Group's trade receivables and inventory.

The analysis of due dates is stated on the basis of category and class broken down on due date. The calculation of interest payments on floating-rate obligations is based on the interest rate on the balance sheet date.

The cash need is expected covered by the current liquidity surplus from operations, bonds at fair value, unutilised credits as well as via refinancing or new non-current loans.

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29 Financial risks (continued)

2016

CHF '000

	< 1 year	1-5 years	>5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:							
Bond	3'837	76'655	0	80'492	0	71'820	74'357
Credit institutions	26'771	35'652	0	62'423	0	59'644	59'644
Trade payables	28'052	0	0	28'052	0	28'052	28'052
Other short-term liabilities	17'663	0	0	17'663	0	17'663	17'663
Financial liabilities	**76'323**	**112'307**	**0**	**188'630**	**0**	**177'179**	**179'716**
Trade receivables	45'024	0	0	45'024	0	45'024	44'756
Other receivables	5'986	356	0	6'342	0	6'342	6'342
Cash at bank and in hand	13'150	0	0	13'150	0	13'150	13'150
Financial assets	**64'160**	**356**	**0**	**64'516**	**0**	**64'516**	**64'248**
Net cash outflow	**-12'163**	**-111'951**	**0**	**-124'114**	**0**	**-112'663**	**-115'468**
Bonds at fair value through profit and loss	**1'375**	**0**	**0**	**1'375**	**0**	**1'375**	**1'375**
Unutilised credits						8'740	8'740

2015

CHF '000

	< 1 year	1-5 years	>5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:							
Bond	78'687	0	0	78'687	0	74'671	76'493
Credit institutions	75'300	746	0	76'046	0	74'535	74'535
Payables to related companies	14	0	0	14	0	14	14
Trade payables	25'744	0	0	25'744	0	25'744	25'744
Other short-term liabilities	17'032	0	0	17'032	0	17'032	17'032
Financial liabilities	**196'777**	**746**	**0**	**197'523**	**0**	**191'996**	**193'818**
Trade receivables	47'241	0	0	47'241	0	47'241	47'228
Other receivables	5'252	152	0	5'404	0	5'404	5'404
Cash at bank and in hand	3'841	0	0	3'841	0	3'841	3'841
Financial assets	**56'334**	**152**	**0**	**56'486**	**0**	**56'486**	**56'473**
Net cash outflow	**-140'443**	**-594**	**0**	**-141'037**	**0**	**-135'510**	**-137'345**
Bonds at fair value through profit and loss	**1'910**	**0**	**0**	**1'910**	**0**	**1'910**	**1'910**
Unutilised credits						8'690	8'690

Notes to the Annual Report, Group

29 **Financial risks** (continued)

Fair value of bond investments is based on quoted prices (level 1). Fair value of the issued bond is based on an indicative price published by a Broker (level 2). Fair value of floating rate loans from credit institutions is based on an assessment of the current margin on such loan arrangements (level 2). Fair value of cash and cash equivalents and short term receivables and payables is determined to equal the nominal amount.

Market risk

The Group's credits and bonds are floating-rate credits and bonds, which exposes the Group to fluctuations in interest rates. It is Group policy that all financing of working capital and investments in non-current assets take place at floating interest rate.

No derivative financial instruments are used to hedge interest rate risk.

Based on interest-bearing debt at the balance sheet date, an increase in the SEK market rate by 1% would decrease the profit for the year before tax of CHF 731k (2015: CHF 765k) and an increase in all other market rates by 1% would decrease the profit for the year before tax of CHF 596k (2015: CHF 745k).

The Group's currencies used for payment are mostly distributed between EUR and USD. No financial instruments are used to hedge positions in foreign currency.

Exposure at 31 December 2016

The below balances represents the net Group exposure for each individual currency. Accordingly, where an entity reports in the stated currency, it has been excluded in the balance shown.

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit-institutions	Net position
USD	< 1 year	54'409	-20'795	4'921	38'535
USD	> 1 year	12	-3'337	0	-3'325
EUR	< 1 year	7'105	-8'489	1'479	95
CHF	< 1 year	9'394	-1'155	2	8'241
SEK	< 1 year	0	-949	1'070	121
SEK	> 1 year	0	0	-73'078	-73'078
Other	< 1 year	267	-61	104	310
		71'187	-34'786	-65'502	-29'101

Notes to the Annual Report, Group

29 **Financial risks** (continued)

Exposure at 31 December 2015

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit- institutions	Net position
USD	< 1 year	50'534	-19'044	-768	30'722
USD	> 1 year	0	-2'988	0	-2'988
EUR	< 1 year	5'491	-7'034	747	-796
CHF	< 1 year	14'335	-109	9	14'235
SEK	< 1 year	0	0	-76'492	-76'492
Other	< 1 year	483	-33	67	517
		70'843	-29'208	-76'437	-34'802

As the individual group companies primarily operate in their individual functional currencies, the Group's profit is primarily sensitive to changes in exchange rates related to intercompany accounts and receivables/ payables denominated in other currencies than the functional currency.

The two currencies to which profit/loss of the Group is most sensitive is USD and SEK.

A 10% increase in USD compared to the exchange rate at 31 December 2016 towards all other currencies will entail a positive change of profit for the year before tax of CHF 3,521k (2015: positive change of CHF 2,773k) and a similar effect on equity.

A 10% increase in SEK compared to the exchange rate at 31 December 2016 towards all other currencies will entail a negative change of profit for the year before tax of CHF 7,296k (2015: negative change of CHF 7,649k) and a similar effect on equity.

Capital management

The objective of the Group's capital management is to ensure the Group's ability to continue as a going concern in order to yield return on investment to the shareholders and to create and maintain an optimal capital structure in order to reduce the costs of capital and maintain a basis of continued growth in the Group.

The Group's capital management is also partly governed by loan agreements which include requirements to financial ratios. These financial ratios are affected by the size of the capital, that a reduction will reduce the ratios.

Total capital makes up the equity shown in the consolidated balance sheet.

Notes to the Annual Report, Group

30 Related parties

	Basis
Controlling interest	
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz	Ultimate parent company
PMM Holding (Luxembourg) AG, 5, rue Guillaume Kroll, L-1882 Luxembourg	Parent company
Other related parties	
PMM Holding AG, Rebstockrain 16, CH-6006 Luzern	Sister company
Dønnerup A/S, c/o Bech-Bruun Advokatfirma, Langelinie Allé 35 DK-2100 København Ø	Sister company

Transactions

Besides intercompany transactions that have been eliminated in the Consolidated Financial Statements, related party transactions comprise purchases of management services from the related company PMM Holding (Luxembourg) AG.

Purchases of management services amounted to CHF 751k (2015: CHF 742) in financial year 2016.

The Group has charged management services in the amount of CHF 95k (2015: CHF 94k) to Dønnerup A/S. Dønnerup A/S has charged rental expenses in the amount of CHF 99k (2015: CHF 99k).

Payables to related companies		
Ammon Ammon AG	0	14
	0	**14**

31 Development costs

Development costs for the year recognised in the income statement under production costs amount to CHF 1.525k in 2016 against CHF 903k in 2015.

32 Post balance sheet events

The Group has refinanced the outstanding bond of SEK 650 mio. during March 2017. A new bond of EUR 100 mio. has been sold and the old bond has been called for redemption.

Apart form the above, there have been no material events after the balance sheet date.

Notes to the Annual Report, Group

33 Restatement of the comparatives for 2015

As disclosed in the annual report 2015 note 29 the covenant ratio on credit institution loans in relation to EBITDA/fixed charges was in breach at the end of Q4 2015 and subsequently waived. Although subsequently waived, the loans were considered current under IFRS. As disclosed in the interim reports this has been adjusted in the comparative figures as of 31 December 2015. Due to cross-default provisions, this also applied for the bond settled in 2017 cf note 32 resulting in a total amount of approx. CHF 116 million being reclassified from non-current to current liabilities. The reclassification does not affect net profit for the year, other comprehensive income or equity.

Report on the Review

of Financial statements to the Board of Directors of Jacob Holm & Sons AG

Basel

Introduction

We have reviewed the accompanying financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes) of Jacob Holm & Sons AG for the period ended 31 December 2016. The Board of Directors is responsible for the preparation and presentation of this financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements have not been prepared, in all material respects, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers AG

Thomas Bruederlin

Korbinian Petzi

Basel, 25 April 2017

Enclosure:

- Financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

Parent Company Income Statement 1 January - 31 December

	Note	2016	2015
		CHF '000	CHF '000
Revenue	1	**9'992**	**5'753**
Cost of goods sold	2	-495	-135
Gross profit		**9'497**	**5'618**
Sales and marketing expenses	2	-1'283	-184
Administrative expenses	2	-5'692	-6'413
Operating profit		**2'522**	**-979**
Other operating income and expenses		0	0
Profit before financial income and expenses and special items		**2'522**	**-979**
Special items, net	3	-333	-495
Dividend income	5	2'932	4'212
Financial income	6	471	631
Financial expenses	7	-3	-65
Profit before tax		**5'589**	**3'304**
Tax on profit for the year	8	293	-100
Net profit for the year		**5'296**	**3'404**

Parent company Statement of Comprehensive Income 1 January - 31 December

Net profit for the year		5'296	3'404
Comprehensive income		**5'296**	**3'404**

Parent Company Balance Sheet at 31 December

Assets

	Note	2016	2015
		CHF '000	CHF '000
Patents and trademarks		1'966	2'103
Software		75	25
Intangible fixed assets under construction		222	189
Intangible fixed assets	9	**2'263**	**2'317**
Other fixtures and fittings, tools and equipment		517	593
Property, plant and equipment	10	**517**	**593**
Investments in subsidiaries	11	122'850	122'850
Other receivables		63	63
Deferred tax asset	12	0	285
Financial fixed assets		**122'913**	**123'198**
Non-current assets		**125'693**	**126'108**
Receivables from related companies		1'155	109
Corporation tax		3	14
Trade receivables		0	71
Other receivables		4'549	627
Receivables		**5'707**	**821**
Cash at bank and in hand		**1'098**	**390**
Current assets		**6'805**	**1'211**
Assets		**132'498**	**127'319**

Parent Company Balance Sheet at 31 December

Equity and liabilities

	Note	2016	2015
		CHF '000	CHF '000
Share capital	13	250	250
Retained earnings		130'060	124'764
Equity		**130'310**	**125'014**
Credit institutions		0	33
Trade payables		770	685
Payables to related companies		91	225
Other payables		1'327	1'362
Current liabilities		**2'188**	**2'305**
Liabilities		**2'188**	**2'305**
Equity and liabilities		**132'498**	**127'319**

Contingent liabilities	16
Financial risks	17
Related parties	18

Statement of Changes in Equity, Parent Company
1 January - 31 December

	Share capital	Retained earnings	Total
	CHF '000	CHF '000	CHF '000
Equity			
Equity at 1 January 2016	250	124'764	125'014
Comprehensive income for the year	0	5'296	5'296
Dividends	0	0	0
Equity at 31 December 2016	**250**	**130'060**	**130'310**
Equity at 1 January 2015	250	121'360	121'610
Additions from contribution in kind	0	0	0
Comprehensive income for the year	0	3'404	3'404
Dividends	0	0	0
Equity at 31 December 2015	**250**	**124'764**	**125'014**

Parent Company Cash Flow Statement

	Note	2016	2015
		CHF '000	CHF '000
Net profit for the year		5'296	3'404
Adjustments of non-cash items	14	175	-390
Change in working capital	15	-3'800	27
Cash flows from operating activities before financial income and expenses and special items		1'671	3'041
Financial income		471	631
Financial expenses		-3	-65
Corporation tax paid		4	-10
Cash flows from operating activities		**2'143**	**3'597**
Purchase of intangible fixed assets		-115	-72
Purchase of property, plant and equipment		-106	-257
Purchase of financial fixed assets		0	-17
Sale of property, plant and equipment		0	22
Cash flows from investing activities		**-221**	**-324**
Increase in accounts with group companies		2	0
Decrease in accounts with group companies		-1'183	-2'777
Increase in accounts with related companies		0	0
Decrease in accounts with related companies		0	-167
Cash flows from financing activities		**-1'181**	**-2'944**
Change in cash and cash equivalents		**741**	**329**
Cash and cash equivalents at 1 January		357	28
Cash and cash equivalents at 31 December		**1'098**	**357**
specified as follows:			
Cash at bank and in hand		1'098	390
Credit institutions (current liabilities)		0	-33
		1'098	**357**

Notes to the Annual Report, Parent Company

	2016	2015
	CHF '000	CHF '000

1 Revenue

	2016 CHF '000	2015 CHF '000
Royalty fee	4'038	328
Management fee	5'954	5'425
	9'992	**5'753**

2 Expenses classified by type

	2016 CHF '000	2015 CHF '000
Production costs	495	135
Cost of goods sold	495	135
Sales and marketing expenses	1'283	184
Administrative expenses	5'692	6'413
Other income and expenses	0	0
Special items, net	333	495
	7'803	**7'227**
Classified by type as follows:		
Other external expenses	3'893	4'039
Staff expenses	3'560	2'890
Depreciation and amortisation	350	298
	7'803	**7'227**

3 Special items, net

Special items, costs:

	2016 CHF '000	2015 CHF '000
Integration costs regarding acquired businesses	0	495
Restructuring projects	333	0
	333	**495**

Special items, are all staff expenses.

Notes to the Annual Report, Parent Company

	2016	2015
	CHF '000	CHF '000

4 Staff expenses

	2016	2015
Wages and salaries	3'179	2'573
Pensions	137	103
Other social security expenses	244	214
	3'560	**2'890**
Average number of full-time employees	**15**	**13**

	2016	2015
Staff expenses are distributed on the individual cost groups as follows:		
Cost of goods sold	300	68
Sales and marketing expenses	425	107
Administrative expenses	2'835	2'715
	3'560	**2'890**

5 Dividend income

	2016	2015
Jacob Holm & Sønner Holding A/S	2'932	4'212
	2'932	**4'212**

6 Financial income

	2016	2015
Exchange adjustments	4	170
Commission from guarantee	467	461
	471	**631**

7 Financial expenses

	2016	2015
Interest intercompany accounts	0	61
Interest	3	4
	3	**65**

Interest relates to loans received and payables measured at amortised cost.

	2016	2015
	CHF '000	CHF '000

8 Tax on profit for the year

Current tax on profit for the year	8	0
Change in deferred tax	285	-100
Adjustment tax previous years	0	0
	293	**-100**
Tax on profit for the year is specified as follows:		
Calculated 11% tax on profit for the year before tax	615	363
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	-322	-463
	293	**-100**
Effective tax rate for the year	**5.24%**	**-3.03%**

9 Intangible fixed assets

	Patents and trademarks	Software	Intangible fixed assets under construction
	CHF '000	CHF '000	CHF '000
2016			
Cost at 1 January	2'286	38	189
Additions for the year	0	81	33
Disposals for the year	0	0	0
Cost at 31 December	2'286	119	222
Amortisation at 1 January	183	13	0
Amortisation for the year	137	31	0
Disposals for the year	0	0	0
Amortisation at 31 December	320	44	0
Carrying amount at 31 December	**1'966**	**75**	**222**
Amortised over	**10-20 years**	**3-5 years**	
2015			
Cost at 1 January	2'286	25	130
Additions for the year	0	13	59
Disposals for the year	0	0	0
Cost at 31 December	2'286	38	189
Amortisation at 1 January	46	2	0
Amortisation for the year	137	11	0
Disposals for the year	0	0	0
Amortisation at 31 December	183	13	0
Carrying amount at 31 December	**2'103**	**25**	**189**
Amortised over	**10-20 years**	**3-5 years**	

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment CHF '000
2016	
Cost at 1 January	1'175
Additions for the year	106
Disposals for the year	0
Cost at 31 December	1'281
Depreciation at 1 January	582
Depreciation for the year	182
Disposals for the year	0
Depreciation at 31 December	764
Carrying amount at 31 December	**517**
Depreciated over	**3-10 years**
2015	
Cost at 1 January	1'102
Additions for the year	257
Disposals for the year	-184
Cost at 31 December	1'175
Depreciation at 1 January	616
Depreciation for the year	150
Disposals for the year	-184
Depreciation at 31 December	582
Carrying amount at 31 December	**593**
Depreciated over	**3-10 years**

Notes to the Annual Report, Parent Company

11 Investments in subsidiaries

	Share capital	Currency	Ownership %	Equity
	'000			CHF '000
Jacob Holm & Sønner Holding A/S, Denmark	1'000	DKK	100%	71'319
				71'319

	2016	2015
	CHF '000	CHF '000
Cost at 1 January	122'850	122'850
Additions for the year	0	0
Cost at 31 December	122'850	122'850

12 Deferred tax asset

Deferred tax at 1 January	285	185
Change in deferred tax, see note 8	-285	100
Deferred tax at 31 December	0	285
Deferred tax relates to:		
Tax loss carry-forward	0	285
Non-current portion	**0**	**285**

13 Share capital

Share capital has developed as follows:

1 January	250	250
Increase during the year	0	0
31 December	**250**	**250**

Notes to the Annual Report, Parent Company

	2016	2015
	CHF '000	CHF '000

14 Cash flow statement - adjustments of non-cash items

	2016	2015
Financial income	-471	-631
Financial expenses	3	65
Depreciation, amortisation and impairment losses, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	350	276
Tax on profit for the year	293	-100
	175	**-390**

15 Cash flow statement - change in working capital

	2016	2015
Change in receivables	-3'851	771
Change in payables	51	-744
	-3'800	**27**

16 Contingent liabilities

	2016	2015
As security for a bond issued by the Subsidiary, the Company is guaranteeing	73'078	76'493

As security for the Bond issued by the Company, all shares in direct and indirect subsidiaries have been pledged.

	2016	2015
As security for credit institution, the Company has provided surety with a maximum amount of	6'113	7'919

Obligations under rental agreements

Obligations under rental agreements primarily comprise agreements entered into concerning the rent of office space. The lease run until 2020 at the latest.

Obligations under rental agreements break down as follows according to due date:

Minimum payments

	2016	2015
0-1 year	112	112
1-5 years	253	365
>5 years	0	0
	365	**477**

Rental expenses recognised amount to CHF 112k (2015: CHF 118k)

Notes to the Annual Report, Parent Company

17 Financial risks

Credit risk

For a description of the credit risk, please see note 29 to the Annual Report of the Group.

Liquidity risk

For a description of the liquidity risk, please see note 29 to the Annual Report of the Group.

The analysis of due dates is stated on the basis of category and class broken down on due date. The calculation of interest payments on floating-rate obligations is based on the interest rate on the balance sheet date.

2016

CHF '000

	< 1 year	1-5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:						
Payables to group companies	91	0	91	0	91	91
Trade payables	770	0	770	0	770	770
Other short-term liabilities	1'327	0	1'327	0	1'327	1'327
Financial liabilities	**2'188**	**0**	**2'188**	**0**	**2'188**	**2'188**
Receivables from group companies	1'155	0	1'155	0	1'155	1'155
Other receivables	4'552	63	4'615	0	4'615	4'615
Cash at bank and in hand	1'098	0	1'098	0	1'098	1'098
Financial assets	**6'805**	**63**	**6'868**	**0**	**6'868**	**6'868**
Net cash outflow	**4'617**	**63**	**4'680**	**0**	**4'680**	**4'680**

Notes to the Annual Report, Parent Company

17 Financial risks (continued)

2015

CHF '000

	< 1 year	1-5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:						
Credit institutions	33	0	33	0	33	33
Payables to group companies	211	0	211	0	211	211
Payables to related companies	14	0	14	0	14	14
Trade payables	685	0	685	0	685	685
Other short-term liabilities	1'362	0	1'362	0	1'362	1'362
Financial liabilities	**2'305**	**0**	**2'305**	**0**	**2'305**	**2'305**
Receivables from related companies	109	0	109	0	109	109
Trade receivables	71		71	0	71	71
Other receivables	641	63	704	0	704	704
Cash at bank and in hand	390	0	390	0	390	390
Financial assets	**1'211**	**63**	**1'274**	**0**	**1'274**	**1'274**
Net cash outflow	**-1'094**	**63**	**-1'031**	**0**	**-1'031**	**-1'031**

*Information on fair value hierarchy is not relevant as the debt is subject to variable interest and no transaction expenses have been paid.

Market risk

The Company's currency used for payment is primarily CHF, USD and EUR. No financial instruments are used to hedge positions in foreign currency.

Exposure at 31 December 2016:

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bank and credit-institutions	Net position
USD	< 1 year	0	-321	253	-68
EUR	< 1 year	52	-142	610	520
Other	< 1 year	0	-10	0	-10
		52	-473	863	442

Notes to the Annual Report, Parent Company

17 **Financial risks** (continued)

Exposure at 31 December 2015:

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bank and credit-institutions	Net position
USD	< 1 year	71	-499	66	-362
EUR	< 1 year	27	-137	64	-46
Other	< 1 year	0	-33	1	-32
		98	-669	131	-440

A 10% increase in USD towards all currencies would mean a negative change in net position of CHF 7k (2015: a negative change of CHF 36k) respectively, which would affect the profit for the year before tax and corresponding impact on equity.

A 10% increase in EUR towards all currencies would mean a positive change in net position of CHF 52k (2015: a negative change of CHF 5k), which would affect the profit for the year before tax and corresponding impact on equity.

Capital management

The objective of the Company's capital management is to ensure the Company's ability to continue as a going concern in order to yield return on investment to the shareholders and to create and maintain an optimal capital structure in order to reduce the costs of capital and maintain a basis of continued growth in the Group.

Total capital makes up the equity shown in the balance sheet.

Notes to the Annual Report, Parent Company

18 Related parties

	Basis
Controlling interest	
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz	Ultimate parent company
PMM Holding (Luxembourg) AG, 5, rue Guillaume Kroll, L-1882 Luxembourg	Parent company
Other related parties	
PMM Holding AG, Rebstockrain 16, CH-6006 Luzern	Sister company
Dønnerup A/S, c/o Bech-Bruun Advokatfirma, Langelinie Allé 35 DK-2100 København Ø	Sister company

Transactions

Besides intercompany transactions that have been eliminated in the Consolidated Financial Statements, related party transactions comprise purchases of management services from the related company PMM Holding (Luxembourg) AG.

Purchases of management services amounted to CHF 751k (2015: CHF 742) in financial year 2016.

Further, the Financial Statements includes a financial income of CHF 467k (2015: CHF 461k) from guarantee fee charges related to the guarantee regarding the Bond issued by Jacob Holm & Sønner Holding A/S. The Company is guaranteeing an amount of up to SEK 650m.

	2016	2015
	CHF '000	CHF '000
Receivables from related companies		
Jacob Holm & Sønner Holding A/S	1'155	109
	1'155	**109**
Payables to related companies		
Ammon Ammon AG	0	14
Jacob Holm Industries (France) SAS	0	16
Sontara AG	0	106
Sontara Old Hickory, Inc.	91	89
	91	**225**