

Jacob Holm & Sønner Holding A/S

Interim Report

Q1 2017

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Management's Review

Summary

Jacob Holm & Sønner Holding A/S and its subsidiaries ("Jacob Holm", the "Company" or the "Group") concluded its first quarter of the financial year 2017 with revenues of DKK 582 million and an EBITDA of DKK 31 million.

Compared to the previous year, the Group started with a weaker quarter into the financial year. The main reason for the lower topline was the continued tight competitive situation especially in Consumer Wipes in North America.

The Company launched the new brand identity at the global nonwoven show in Geneva (Switzerland) in early April 2017. Furthermore, the Group issued a new senior secured note in the Nordic capital markets. The settlement of the new bonds took place on March 31, 2017 while the redemption of the 2014 bonds only occurred on April 25, 2017, inflating the balance sheet at the end of Q1 2017.

Forward-looking statements

This report may be deemed to include forward-looking statements, such as statements that relate to the performance of Jacob Holm. Forward-looking statements are typically identified by words or phrases, such as "about", "believe", "expect", "plan", "goal", "target", "strategy" and similar expressions or future or conditional verbs such as "may", "will", "should", "would", and "could". Forward-looking statements are Jacob Holm's current estimates or expectations of future events or future results. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties. All forward-looking statements included in this press release are based on information available at the time of the release, and the Company assumes no obligation to update any forward-looking statements.

Interim Report for Q1 2017 (Jan 1 – Mar 31, 2017)

Jacob Holm reports for Q1 2017:

- Revenues of DKK 582 million (-2.7% year-on-year)
- EBITDA of DKK 31 million (-42.5% year-on-year)
- Net loss of DKK 9 million (N/A)
- Net debt of DKK 808 million, compared with DKK 817 million at the end of Q4 2016

Key figures	Quarter ended Mar 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Revenue	581,590	597,762
EBITDA	31,226	54,342
Net profit	-8,514	-2,023
Cash flow from operating activities	26,581	48,987
Cash flow from investing activities	-17,552	-7,325
Cash flow from financing activities	717,988	-17,792
Net interest bearing debt	808,041	935,519
Total assets	2,487,101	1,793,036

This Interim Report for Q1 2017 has not been audited or reviewed.

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Financial Review

Revenue

Revenue in Q1 2017 increased by DKK 20 million or 3% to DKK 582 million compared with DKK 562 million in Q4 2016. The competitive situation continued to be tight, especially in Consumer Wipes in North America.

Operating expenses

Cost of goods sold in Q1 2017 totalled DKK 511 million representing 88% of revenue compared with DKK 472 million or 84% in Q4 2016. The higher cost of goods sold were a result of an accumulation of lower production yields on selected campaigns and a series of trial activities for product innovations.

Other operating expenses amounted to DKK 39 million or 7% of revenue in Q1 2017 compared with DKK 41 million or 7% in Q4 2016.

Depreciation charges of DKK 33 million in Q1 2017 were in line with the previous quarter.

EBITDA

The Group delivered an EBITDA of DKK 31 million in Q1 2017 compared to DKK 50 million in Q4 2016, representing a decrease in EBITDA margin. The margin decrease is mainly attributable to an unfavourable product mix and lower production performance.

Financial income and expenses

The Group's financial income and expenses related to borrowing costs for the bonds and other financing arrangements were DKK 11 million in Q1 2017 compared to DKK 10 million in Q4 2016.

Taxes

The Group reported a tax expense of DKK 9 million in Q1 2017, compared with DKK 0 million in Q4 2016.

Net profit

The net loss was DKK 8 million in Q1 2017 compared with a net profit of DKK 16 million in Q4 2016.

Equity

Equity decreased by DKK 12 million in Q1 2017 based on the negative result for the period and changes in exchange rates.

Net debt

The Group has issued new bonds with a nominal amount of EUR 100 million and a maturity of 5 years. The net proceeds were to be used to refinance the existing bonds and for general corporate purposes. The net debt at the end of Q1 2017 was DKK 808 million compared with DKK 817 million at the end of Q4 2016.

Management's Statement on the Interim Report

The Executive and Supervisory Boards have today considered and adopted the Interim Report of Jacob Holm & Sønner Holding A/S for the financial period January 1 – March 31, 2017.

The Interim Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements included in the executive order on IFRS issued by the Danish Commerce and Companies Agency. We consider the accounting policies applied appropriate and the accounting estimates reasonable.

To the best of our knowledge, the Consolidated Financial Statements give a true and fair view of the financial position as at March 31, 2017 and of the results of its operations and cash flows for the period of the Group taken as a whole.

To the best of our knowledge, we confirm that the Consolidated Financial Statements include a true and fair account of the development in the operations and financial circumstances of the Group as a whole, of the results for the financial period and of the financial position of the Group as a whole as well as a description of the most significant risks and elements of uncertainty facing the Group. Besides what has been disclosed in the Interim Report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the consolidated financial statements for 2016.

Jyderup, May 30, 2017

Executive Board

Martin Mikkelsen
Chief Executive Officer

Supervisory Board

Nils Thomas Weineke
(Chairman)

Christian Peter Søberg Jarnov

Martin Mikkelsen

General information

1 Reporting entity

Jacob Holm & Sønner Holding A/S (the "Company") is a company domiciled in Denmark. These condensed unaudited consolidated interim financial statements as at and for the three months ended March 31, 2017 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, 2016 are disclosed in the section "Financial Review". These interim financial statements were authorized for issue by the Company's Board of Directors on May 30, 2017.

(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, 2016.

3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the financial year ended December 31, 2016.

4 Segment information

The internal reporting framework used for reporting on revenue and expenses to the Executive Management and the Board of Directors has been set up to reflect and report on the global functional responsibility setup at the Company.

5 Subsequent events

No events have occurred after the balance sheet date that will have material effect on the Group's financial standing.

Consolidated income statement

Consolidated income statement	Quarter ended Mar 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Revenue	581,590	597,762
Cost of goods sold	511,289	495,847
Gross profit	70,300	101,914
Sales and marketing expenses	9,688	9,465
Administrative expenses	29,549	38,270
Other operating income and expenses	163	163
EBITDA	31,226	54,342
Other operating income and expenses	110	0
Depreciation	32,643	32,397
EBIT	-1,306	21,945
Special items, net	-586	0
Financial income and expenses, net	-11,291	-12,811
Exchange rate deviation	-4,531	-11,125
Profit before tax	-17,714	-1,990
Tax on profit for the period	-9,199	33
Net profit for the period	-8,514	-2,023

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Quarter ended Mar 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Net profit for the period	-8,514	-2,023
Other comprehensive income		
Items that may be subsequently reclassified to income statement		
Exchange adjustment, foreign companies	-3,071	-16,804
Total comprehensive income for the period	-11,586	-18,827

Consolidated balance sheet

Consolidated balance sheet	Mar 31, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
Assets		
Intangible fixed assets	135,889	138,532
Land & Buildings	258,808	265,178
Plant and machinery	694,025	722,044
Other fixtures and fittings, tools and equipment	14,460	15,342
Property, plant and equipment under construction	26,932	20,805
Property, plant and equipment	994,226	1,023,370
Other receivables	3,405	2,030
Deferred tax asset	14,982	13,902
Financial fixed assets	18,387	15,932
Non-current assets	1,148,502	1,177,833
Inventories	174,517	177,102
Trade receivables	312,672	309,713
Receivables due from group companies	0	0
Corporate tax	245	267
Bonds at fair value through profit and loss	10,071	9,515
Other receivables and prepayments	32,579	41,489
Receivables	355,566	360,984
Cash at bank and in hand	808,515	83,397
Current assets	1,338,599	621,483
Assets	2,487,101	1,799,316

Consolidated balance sheet

Consolidated balance sheet	Mar 31, 2017	Dec 31, 2016
DKK 1,000	unaudited	audited
Equity and liabilities		
Equity	481,941	493,527
Interest bearing liabilities	1,514,168	794,791
Provisions for deferred tax	37,880	46,277
Provisions for other staff obligations	6,520	6,512
Provisions other	6,960	7,050
Non-current liabilities	1,565,528	854,630
Credit institutions	112,459	114,941
Trade payables	188,004	188,785
Payables, plant and machinery	1,962	6,875
Payables due to group companies	4,815	7,362
Corporate tax	18,047	18,921
Other payables	114,345	114,277
Current liabilities	439,632	451,160
Liabilities	2,005,160	1,305,790
Equity and liabilities	2,487,101	1,799,316

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Share capital unaudited	Exchange adj. unaudited	Retained earnings unaudited	Total unaudited
DKK 1,000				
Equity at January 1, 2017	1,000	87,182	405,345	493,527
Comprehensive income for the period	0	-3,071	-8,514	-11,586
Dividends	0	0	0	0
Equity at March 31, 2017	1,000	84,110	396,831	481,941
Equity at January 1, 2016	1,000	76,686	375,632	453,319
Comprehensive income for the period	0	10,495	49,713	60,208
Dividends	0	0	-20,000	-20,000
Equity at December 31, 2016	1,000	87,182	405,345	493,527

Consolidated statement of cash flows

Consolidated statement of cash flows	Quarter ended Mar 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Ordinary result before tax	-17,714	-1,990
Non-cash adjustments	36,261	40,463
Corporation tax paid	-848	295
Change in inventories	3,106	19,132
Change in receivables	5,783	-29,280
Change in suppliers etc.	-8	20,366
Cash flows from operating activities	26,581	48,987
Property, plant and equipment and intangible fixed assets	-10,777	-8,466
Purchase of financial fixed assets and acquired business operations	-1,370	-10
Change in bonds at fair value through profit and loss	-555	2,744
Change in payables, plant and machinery	-4,850	-1,592
Cash flows from investing activities	-17,552	-7,325
Change in non-current liabilities	720,536	-17,432
Change in accounts with related and group companies	-2,547	-360
Paid out dividend	0	0
Cash flows from financing activities	717,988	-17,792
Change in cash and cash equivalents	727,017	23,870
Cash and cash equivalents, net at beginning of the period	-31,544	-131,013
Exchange adjustment of cash at bank and in hand, net at beginning of the period	584	2,299
Cash and cash equivalents, net at the end of the period	696,057	-104,843

Notes to the Interim Report

1 Intangible fixed assets

Intangible fixed assets	Customer lists, know-how, patents, licences			Intangible fixed assets under construction
	Goodwill unaudited	unaudited	Software unaudited	
DKK 1,000				
Cost at January 1	93,491	16,488	69,144	0
Exchange adjustment at half-year rate	404	61	46	0
Additions from business combination	0	0	0	0
Additions for the year	0	0	0	0
Transfer between items	0	0	0	0
Disposals for the year	0	0	0	0
Cost at March 31	93,895	16,549	69,190	0
Amortisation at January 1	0	5,575	35,016	0
Exchange adjustment at year-end rate	0	22	-86	0
Amortisation for the year	0	612	2,606	0
Disposals for the year	0	0	0	0
Amortisation at March 31	0	6,209	37,536	0
Carrying amount at March 31	93,895	10,340	31,654	0
Amortised over		10 years	3-5 years	

2 Property, plant and equipment

Property, plant and equipment	Other fixtures and fittings, tools and equipment			PPE under construction
	Land and buildings unaudited	Plant and machinery unaudited	unaudited	
DKK 1,000				
Cost at January 1	395,506	1,370,920	53,828	20,805
Exchange adjustment at half-year rate	-3,172	-11,636	-329	-168
Additions for the year	0	1,620	0	9,162
Transfer between items	0	2,231	636	-2,867
Disposals for the year	0	0	-141	0
Cost at March 31	392,334	1,363,135	53,994	26,932
Amortisation at January 1	130,328	648,876	38,486	0
Exchange adjustment at year-end rate	-736	-3,899	-200	0
Depreciation for the year	3,934	24,132	1,357	0
Disposals for the year	0	0	-109	0
Depreciation at March 31	133,526	669,109	39,534	0
Carrying amount at March 31	258,808	694,026	14,460	26,932

3 Interest bearing liabilities

Interest bearing liabilities is made up of the issued Bond and financing granted by credit institutions.

As at March 31, 2017 the split and maturity is as follows:

Interest bearing liabilities	2017	2018	2019	After	Total
DKK 1,000	unaudited	unaudited	unaudited	unaudited	unaudited
Bond	507,000	0	0	744,000	1,251,000
Credit institutions	43,145	53,387	182,156	0	278,688
Financing costs	-9,274	-1,947	-1,624	-2,675	-15,520
	540,871	51,440	180,532	741,325	1,514,168

(a) Bond

On March 31, 2017, the parent company issued a series of new bonds in the amount of EUR 100 million. The net proceeds of the new bonds were used to refinance the bonds issued in 2014 and for general corporate purposes. The redemption of the 2014 bonds including the call premium as well as the release of the remaining proceeds from the escrow to the Group occurred on April 25, 2017. Between the settlement of the EUR bonds on March 31, 2017 and the redemption of the SEK bonds, the net proceeds were deposited on an escrow account and presented in Cash at bank and in hand on the balance sheet. The interest coupon on the par value of the new bonds payable and including, the issue date is three months EURIBOR plus a margin of 3.75% (subject to adjustment in case of incurrence events).

The Bond matures in full on March 31, 2022. The Company may redeem the bond issue in whole or in part at any time. The redemption price is:

Today to September 2019	102% of par value plus remaining interest payments until September 2019 discounted at 50 basis point over the comparable government bonds of the Federal Republic of Germany.
September 2019 to March 2020	102% of par value
March 2020 to September 2020	101.50% of par value
September 2020 to March 2021	101.25% of par value
March 2021 to September 2021	100.75% of par value
From September 2021	100% of par value

The bonds are subject to a net debt / EBITDA ratio covenant testing in case of an Incurrence Event.

(b) Credit institutions

Credit institutions primarily includes term loans granted to the Plant in Asheville, United States. These term loans are USD denominated and with variable interest.

The covenants comprise measurements on specific financial ratios, including solvency, EBITDA in relation to fixed charges (interest, instalments, income tax, dividend and capital expenditure) and the cover of revolving credit by working capital.

4 Segment information

The Group's global functional responsibility is divided into four segments:

- (1) The Jacob Holm Industries segment produces and sells non-woven roll-goods.
- (2) The Sontara segment produces and sells non-woven in converted and roll-goods form.
- (3) The TWIG segment sells non-woven by-products and provides internal converting 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 Mar 31,	
	2017	2016
DKK 1,000	unaudited	unaudited
Revenue		
Jacob Holm Industries	259,691	270,656
Sontara	318,691	323,653
TWIG	14,502	4,597
Headquarter	564	765
Eliminations	-11,858	-1,909
Group	581,590	597,762
EBITDA		
Jacob Holm Industries	4,258	24,403
Sontara	25,655	29,333
TWIG	2,377	1,662
Headquarter	-1,065	-1,055
Eliminations	0	0
Group	31,226	54,342

5 Transactions with related parties

Besides intercompany transactions that have been eliminated in the Consolidated Income Statement, related party transactions comprise purchases and sales of management services from and to the related company Jacob Holm & Sons AG. Further, royalty fee charges are being made by Jacob Holm & Sons AG.

Purchases of management services amounts to DKK 9 million for the year-to-date whereas sales of management services amounted to DKK 2 million for the year-to-date.

Charges of royalty fees for the year-to-date amounts to DKK 10 million.

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

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