Jacob Holm & Sønner Holding A/S

c/o Accura Advokatpartnerselskab
Tuborg Boulevard 1
DK-2900 Hellerup

Annual Report for 2019

CVR No 28 15 69 60

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28 April 2020.

Nils Thomas Weincke
Chairman

Contents

Management's Statement on the Annual Report

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Jacob Holm & Sønner Holding A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as further requirements in the Danish Financial Statements Act. We consider the accounting policies applied appropriate and the accounting estimates reasonable.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the issues addressed by the Review as well as a description of the most significant risks and elements of uncertainty facing the Group.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Jyderup 28 April 2020

Executive Board

Martin Mikkelsen

Supervisory Board

Nils Thomas Weincke (Chairman)	Christian Peter Søberg Jarnov	Martin Mikkelsen

Independent Auditor's Report

To the Shareholder of Jacob Holm & Sønner Holding A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and Parent Company Financial Statements of Jacob Holm & Sønner Holding A/S for the financial year 1 January to 31 December 2019 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
Following the admission of the debt of Jacob Holm & Sønner Holding A/S for listing on Oslo Børs in December 2017 our engagement period for firm rotation purposes has started from that year. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
PPE comprises a significant portion of Jacob Holm & Sønner Holding's total assets. A major part of PPE relates to the segment of Jacob Holm Industries' activities in the USA where indicators	We considered the overall impairment assessment prepared by Management. Main assumptions in Management's PPE impairment test such as expected cash flow projections including remaining useful life and capex needed during the remaining useful life and the applied

triggered an impairment test in 2019. The impairment test showed no need for impairment. We focused on the PPE impairment test because the process is complex and requires significant management estimates 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. Refer to note 2 and note 15 to the Consolidated Financial Statements.	discount rate were considered. We analyzed the bridge between historical and future cash flows to understand the business dynamics and the impact from additional investments to improve productivity and to assess whether cash flows expectations were reasonable. We compared remaining useful lives to production lines elsewhere in the Group. Growth rates were compared to market data. In respect of discount rates we used PwC valuation specialists to assess discount rates used by Management.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 28 April 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Tue Stensgård Sørensen	Jakob Thisted Binder
State Authorised Public Accountant	State Authorised Public Accountant
mne32200	mne42816

Management's Review

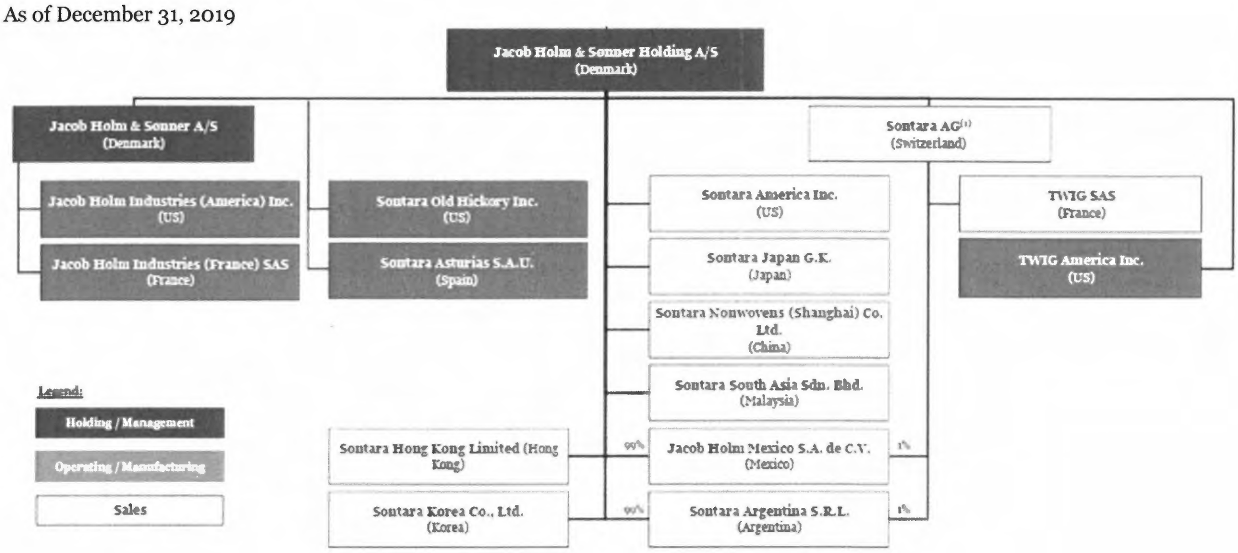
Company Information

The Company	Jacob Holm & Sønner Holding A/S c/o Accura Advokatpartnerselskab Tuborg Boulevard 1 DK-2900 Hellerup
	CVR No.: 28 15 69 60 Financial year: 1. January – 31 December Municipality of reg. office: Gentofte
Ownership	The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the share capital or at least 5% of the votes: Jacob Holm & Sons AG Picassoplatz 8 CH-4052 Basel
Supervisory Board	Nils Thomas Weincke (Chairman) Christian Peter Søberg Jarnov Martin Mikkelsen
Executive Board	Martin Mikkelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Consolidated Financial Statements	The Group is included in the Group Annual Report of the immediate Parent Company Jacob Holm & Sons AG and in the ultimate Parent Company Ammon Ammon AG. The Group Annual Report of Jacob Holm & Sons AG may be obtained at the following address: Jacob Holm & Sons AG Picassoplatz 8 CH-4052 Basel

Management's Review

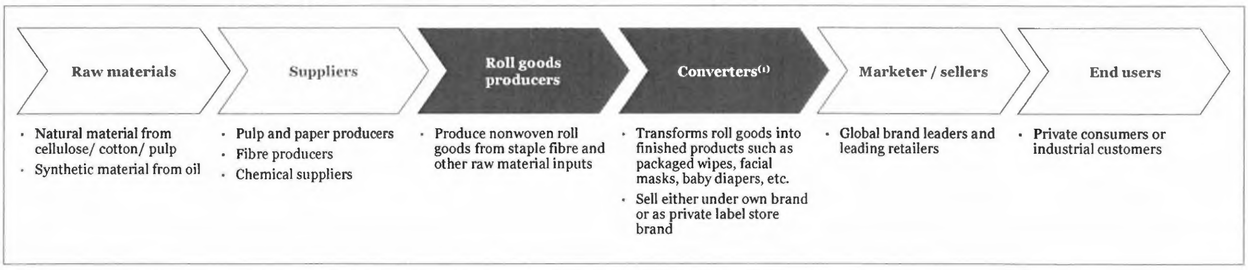
Group Chart[1]

As of December 31, 2019



Business model

Value chain



(1) Jacob Holm Group only performs selected captive finishing for speciality applications.

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[1] 100% ownership if not indicated otherwise

Management's Review

Review

Main activity of the Group
The Group manufactures nonwoven products for performance applications in hygiene, personal care, beauty care, health care and industrial end-use. As a manufacturer of nonwoven products the Group uses natural and synthetic raw materials and hydro-entangles them to a nonwoven fabric. The fabrics are sold as roll goods to converters who produce the finished product sold to end users. The Group performs selected captive finishing activities for specialty applications itself through its own converting assets at the production sites. A graphical overview of the business model is presented on the previous page.

Development in the financial year
The year 2019 saw a continuation of the challenging macro-economic conditions from the second half of 2018 with the escalating tariffs between China and the US.

Also the raw material prices were elevated for the first half of the year, but then stabilized at an acceptable level in the second half.

Despite the challenging environment the Group could maintain its focus on 3 strategic areas:

1. Finalizing the acquisition of certain utility assets in one site, that will lead to meaningful cost- savings going forward
2. The reorganization of the group management structure into 3 business units under 2 business areas. This has the goal of achieving additional focus on the development within the various markets, that the group serves. Relevant additions to the management team has been accomplished
3. Program for accelerated growth of the capabilities of the Groups production platforms. The investment program was started in 2019 and will stretch into 2022. Once accomplished, the Group expects to be even better suited to bring value to its customers. This includes an expanded offering of a wide range of sustainable products.

The evolution in the Groups EBITDA results over the year was positive. This was due to the stabilization of raw material prices in the second half of the year. The above mentioned strategy further contributed as well as management's initiatives started in 2018 regarding cost control.

Revenue growth was restrained due to three production interruptions in the second half of 2019. Given the measures implemented to eliminate reoccurrence, management considers these one-time events.

The group concluded a number of significant commercial contracts securing volume stretching into 2020 and beyond.

The group concluded factoring arrangements to further optimize its working capital finance needs considering both the desire to free up capital faster and the growing needs for payment terms as a commercial competitiveness driver with customers.

Due to the above mentioned production interruptions, the 2019 revenue slightly decreased to around DKK 2.270 million and EBITDA before special items totaled DKK 133 million in 2019, up from DKK 130 million in 2018 (+2.3%).

The net result of the Group amounted to negative DKK 61 million. The Parent Company net result totaled a profit of DKK 22 million.

Management's Review

Group Management considers the results satisfactory given the adverse development in 2019 in the macro-environment in which the group operates.

The Group's equity has decreased by DKK 44 million to DKK 254 million, whereas equity of the Parent Company amounted to DKK 233 million.

Cash flows from operating activities in the year improved significantly over 2018 and contributed DKK 167 million of which DKK 97 million is attributable to the implementation of non-recourse factoring agreements for 3 entities. Cash flows from investing activities consumed a total of DKK 55 million. The group completed regular annual capital upgrade programs with a combination of capability enhancing, de-bottle necking and asset sustaining investments. A major driver from investing activities was the acquisition of certain utility assets in one site with closing in Q4 2019. The outflow from investing activities was positively impacted by the sales of Bonds for DKK 69 million. Cash flows from financing activities consumed DKK 89 million which was mostly due to repayment of credit institutions with DKK 76 million.

The net effect on the Group's cash and cash equivalents in 2019 was positive with DKK 23 million.

Liquidity

Apart from cash, the Group has access to un-utilised credit and factoring facilities necessary to absorb expected sales increases as well as any fluctuations in tied-up capital due to increasing raw material prices. Further, the Group expects a continued tight control of tied-up working capital.

Foreign exchange risks

The Group's currencies used for payment are mostly distributed between EUR and USD. A natural hedge of the USD exposure of the European sales is sought through purchases in the same currency. Apart from this, there is no systematic hedging of positions in foreign currency in connection with other operating activities and for the time being the Group's policy aims not to hedge in excess of the natural hedging.

Exchange adjustment of investments in foreign subsidiaries is recognised directly in equity. As a main rule, related exchange risks are not hedged as it is the Group's opinion that current hedging of such long-term investments will not be optimal from an overall risk and cost point of view.

Bond

The bond issued on 31 March 2017 and with maturity date on 31 March 2022 has a floating interest rate and is among others subject to financial covenants, however, only in case the Company issues new debt, refinances existing debt or distributes an annual dividend above EUR 7 million. The bond has been tapped in June 2018 to now total EUR 127,5 million.

Credit facilities

The Group's existing agreements regarding credit lines run without any time limit. Credit lines without time limit follow the bank's terms of business as regards termination both on the part of the bank and on the part of the Group. In general, there are no terms relating to annual renegotiation.

Expected development for 2020

The forecast for 2020, reflect a turnover above 2019 with a relevant EBITDA number above the 2019 result. This expectation is based on the progression of the three main strategic initiatives started in 2019.

Management's Review

Based on the above, the Group has made a reevaluation of its depreciation, and expects a longer commercial and technical lifetime of its asset base. This will be adjusted as a change in accounting estimates with effect from January 1st 2020, and result in decreased depreciations in 2020.

The present Corona crisis does have an impact on the business. It has led to an increase in demand and turnover above the levels expected in the Groups forecast for 2020. The Group is doing its utmost to meet the demand and help fight this crisis.

As always, the Group's result will be influenced also by external factors like the development in raw material prizes and the overall political development.

Statutory statement of social responsibility[2]

A description of the Group's business model is provided on page 6 above. With regard to the individual aspects of Corporate Social Responsibility ("CSR") the Group maintains the principles and policies detailed below. The Group's Code of Conduct, which is shared with all employees and business partners gives the general principles with regard to CSR. These general principles are:

Social performance
The Group's policies in the area of health & well-being and in relation to the Group's employees have strong focus on establishing and ensuring a healthy and safe working environment. This includes providing a work environment that minimizes risk of accidents and injuries, annual training on the Code of Conduct and whistle-blowing policies, wellness programs that foster physical, mental and financial health and generally fostering employee and community engagement as this is critical for the well-being of the employees.

Environment and climate
The Group's policies in the area of environment and climate aim at constantly reducing our environmental impact, as measured by carbon footprint, within the framework of what is technically and financially possible. Besides compliance with current rules and regulations, we promote environmental consciousness among our employees through virtual and on-site sustainability working groups and integrate environmental considerations in our activities. This includes, for example, the development and use of sustainable production processes and products as well as a reduction of the consumption of both raw materials and natural resources. Lower consumption of raw materials, energy and water nets a smaller climate impact. These considerations apply to decisions both internally in the Group and in the ongoing dialogue with our business partners.

Human rights
The Group respects human rights. The Group's Code of Conduct and policies have a strong focus on establishing and ensuring a professional, safe and secure working environment for its employees. Awareness of the Group's Code of Conduct and relevant policies is ensured by the distribution of these documents to all employees and recurring compliance trainings. The Group recognizes the risk that the reach of its supply chains may extend to one or more upstream vendors who have links to sources located in areas of political and military conflict or connected to persons engaged in human rights abuses. Therefore the Group is regularly queries and visits its suppliers as part of its commitment to developing greater transparency in its supply chain and to promoting high ethical standards among its suppliers. The Group is also committed to complying with laws and regulations aimed at promoting these goals.

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[2] cf. the Danish Financial Statements Act section 99 (a)

Anticorruption
The Group does not accept corruption and bribery in any of its activities of the Group. Employees are made aware of this through the Code of Conduct and recurring compliance trainings. In addition, the Group has provided its employees with an app on their mobile devices that provides easy-to-understand behavioral guidelines in high-risk situations. The Group also operates a web-based whistleblowing hotline that allows employees and other stakeholders to report cases of corruption or other unethical behavior anonymously. Any reports made are sent to two separate parties for review to further limit the possibility of corruption.

Perceived risks
The Group management has reviewed potential risks in the aforementioned areas of CSR, and has identified no risks other than the ones addressed by the initiated activities and results below. In particular no Human Rights abuses or corrupt practices have come to the attention of the Group management during the business year.

The Group has defined key performance initiatives for sustainable production processes and products, as well as a reduction of the consumption of both raw materials and natural resources, and will review them on a regular basis. The Group uses a structured CSR due diligence approach in its supplier selection and is working to standardize it globally. As part of this initiative, the Group is working to further codify its preference for local and minority-owned businesses where financially viable. The Group will continue to review potential risks and work towards implementing additional best practices for an environmentally and socially sustainable supply chain.

Initiated activities and results
Social performance
The Group assumes social responsibility for its employees and the surrounding communities. This begins with safety measures in the production facilities, including training, measuring and optimizing risks and maintaining an ownership culture and open dialogue with employees.

The number of accidents in the production units resulting in absence has remained unchanged with 10 in 2018 and 2019. The number of accidents without absence increased from 12 in 2018 to 16 in 2019. The average accidents ratio per employee has slightly increased from 3.23% in 2018 to 3.86% in 2019 with an increase in the average number of employees of 682 in 2018 to 673 in 2019.

The Group management has recognized the necessity of more comprehensive measures to improve employee safety. A Group-wide internal safety audit was conducted in 2019, and a behavior-based safety system has been developed on the basis of the results of this audit. This behavior-based safety system was implemented with Group leadership in February 2020 and will be deployed in all production sites with managers and employees undergoing training before the end of 2020. Further, relevant government agencies or other outside resources will proactively be invited to conduct additional safety audits, and additional measures will be taken based on the outcomes of these external audits.

Environment and climate
The Group's activities in the environmental arena concentrate on preventing negative environmental impact. This is done through the use of sustainable production processes and a progressive use of raw materials that are certified biodegradable, sustainably harvested, or low in carbon footprint. The Group also performs continuous follow-ups to ensure that the actual consumption and environmental impact correspond to expectations and that current legislation is complied with.

Management's Review

In 2019 the Group has set itself targets and a timeline to 2025 to reduce energy and water consumption, greenhouse gas emissions, and waste to landfill below 2018 values. In order to achieve these targets, the Group has further continued its investments in production assets and production efficiency to continually reduce waste, emissions, and energy consumption per kilogram of product manufactured. The production plant of the Group's subsidiary in Soultz, France has already achieved "Zero Manufacturing Waste To Landfill" status. In addition, the new Jacob Holm eCO2-quation app allows customers to calculate the carbon dioxide footprint of the Group's products, taking into account the impact of fiber types, product choices and production site.

Human rights
In line with the Group's Code of Conduct, the Group continues to enforce the protection of internationally proclaimed human rights and the commitment to not condone or allow human rights abuses. This is reflected in particular in the labor policies of the Group's subsidiaries.

The Group management is aware of the necessity to ensure Human Rights compliance upstream in the value chain, and the Group therefore continues to include provisions forbidding the use of child labor and/or forced labor in contracts with suppliers and contract manufacturers.

Review of Human Rights related issues is part of the annual legal and compliance audits conducted in all entities of the Group. In face-to-face interviews in the course of annual legal and compliance audits, human resources managers and other employees are also requested to report on individual cases of unlawful harassment and the measures taken to prevent them. In 2019, the Group Legal Department completed legal and compliance audits of all major Group companies. The findings made during these audits, as well as improvement actions were collected in audit reports, with follow-ups scheduled for subsequent audits in 2020.

Beyond ensuring basic human rights and compliance with relevant laws, the Group endeavors to build strong partnerships with local charitable and non-governmental organizations to increase the general well-being of the people within our communities. This includes providing food, school supplies and monetary donations to these organizations, as well as providing work and skill-training for disabled adults, rehabilitated inmates, and primary, secondary and university students.

Anticorruption
The identification and prevention of potential corrupt practices is also a part of the annual legal and compliance audits performed by the Group's legal department on all Group subsidiaries. These audits include face-to-face interviews with key employees and the review of internal processes. In 2019 the Group Legal Department completed legal and compliance audits of all major Group companies. The findings made during these audits, as well as improvement actions are collected in audit reports, with follow-ups scheduled for subsequent audits in 2020.

In countries with a heightened corruption risk, all financial transactions follow the four-eye principle, whereby one of the authorizing employees will be based in the operational headquarter.

The Group also maintains an online whistleblower hotline that allows for anonymous reporting of misconduct. Employees also have the possibility to access the hotline through an app on their mobile devices and are strongly encouraged to report misconduct. No report of suspected corrupt practices was received in 2019. In 2019 the Group Legal department continued to conduct its various on-site and online compliance trainings for employees of all major Group companies, in which they were informed about expected behavioral norms, how to avoid high-risk situations, and how to report corrupt practices.

Management's Review

Statutory statement regarding the underrepresented gender[3]

Target for the Board of Directors
Jacob Holm & Sønner Holding A/S intends to achieve a more balanced gender representation on the Board of Directors. Candidates will be assessed on basis of qualification needed in order to supplement the rest of the Board of Directors and the Group going forward. Currently, the target is set at having one woman on the Board of Directors before the end of 2021.

The representation of women on the Board of Directors is 0% at the moment. A change in the Board of Directors depends on the development in the Group, and in 2019 there has been no opportunity to expand or change the composition of the Board, which is why the target has not yet been met.

Neither the parent holding company nor the Danish subsidiary are obligated to report on policies regarding the underrepresented gender in remaining levels of management. The exception is due to the parent holding company having less than 50 employees. As such no policies have been disclosed in these financial statements.

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[3] cf. the Danish Financial Statements Act section 99 (b)

Management's Review

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Key figures					
Income statement					
Revenue	2.270.319	2.286.337	2.254.386	2.350.781	2.369.955
Operating profit	-7.302	3.199	37.190	77.742	101.795
Profit before financial income and expenses and special items	-6.355	3.014	37.858	78.025	102.611
Special items, net	-1.991	-2.117	-1.706	-1.281	-2.625
Net financials	-44.544	-44.069	-110.424	-19.255	-16.645
Profit before tax	-52.890	-43.172	-74.272	57.489	83.341
Tax on profit for the year	-7.925	-13.903	26.844	-7.776	-17.993
Net profit for the year	-60.815	-57.075	-47.428	49.713	65.348
Balance sheet					
Balance sheet total	1.563.732	1.666.157	1.600.303	1.799.316	1.833.989
Equity	254.318	298.444	350.933	493.527	453.318
Cash flows from:					
- operating activities	167.026	-3.452	36.627	256.701	136.032
- investing activities	-55.190	-95.207	-59.345	-73.835	-216.691
- including investment in property, plant and equipment	-115.635	-34.789	-56.139	-75.691	-217.399
- financing activities	-88.895	45.514	47.696	-82.501	36.870
Change in cash and cash equivalents for the year	22.941	-53.145	24.978	100.365	-43.789
Number of employees	673	658	635	637	556
Ratios in percent					
Profit margin	-0,3	0,1	1,7	3,3	4,3
Return on assets	-0,4	0,2	2,4	4,3	5,6
Solvency ratio	16,3	17,9	21,9	27,4	24,7
Liquidity ratio	180,2	178,2	141,0	121,3	46,6
Return on equity	-22,0	-17,6	-11,2	10,5	15,8

The ratios have been prepared in accordance with the definitions, see next page.

Key figures for 2015 - 2018 have not been adjusted for IFRS 16 that they do not fully compare with 2019 figures.

Management's Review

Performance measures and financial ratios

Performance measures referred to in the annual report are defined as follows:

EBITDA: Operating profit + amortization of intangible assets, depreciation of property, plant and equipment and +/- losses and gains on disposal of intangible assets and property, plant and equipment.

Financial ratios are calculated as follows:

Profit margin $= \dfrac{\textit{Profit before financials x 100}}{\textit{Revenue}}$

Return on assets $= \dfrac{\textit{Profit before financials x 100}}{\textit{Total assets}}$

Solvency ratio $= \dfrac{\textit{Equity at year end x 100}}{\textit{Total assets}}$

Liquidity ratio $= \dfrac{\textit{Current assets x 100}}{\textit{Current liabilities}}$

Return on equity $= \dfrac{\textit{Net profit for the year x 100}}{\textit{Average equity}}$

Consolidated Income Statement 1 January - 31 December

	Note	2019 DKK '000	2018 DKK '000
Revenue	4	**2.270.319**	**2.286.337**
Cost of goods sold	5	-2.102.605	-2.113.918
Gross profit		**167.714**	**172.419**
Sales and marketing expenses	5	-47.320	-49.098
Administrative expenses	5	-127.696	-120.122
Operating profit		**-7.302**	**3.199**
Other operating income and expenses	10	947	-185
Profit before special items and financial income and expenses		**-6.355**	**3.014**
Special items, net	6	-1.991	-2.117
Operating profit		**-8.346**	**897**
Financial income	11	16.398	17.726
Financial expenses	12	-60.942	-61.795
Profit before tax		**-52.890**	**-43.172**
Tax on profit for the year	13	-7.925	-13.903
Net profit for the year		**-60.815**	**-57.075**

Consolidated Statement of Comprehensive Income 1 January - 31 December

	2019 DKK '000	2018 DKK '000
Statement of Comprehensive Income 1 January - 31 December		
Net profit for the year	-60.815	-57.075
Items that may be subsequently reclassified to profit or loss		
Exchange adjustment, foreign companies	16.689	29.586
Comprehensive income	**-44.126**	**-27.489**

Consolidated Balance Sheet at 31 December

Assets

	Note	2019	2018
		DKK'000	DKK'000
Goodwill		92.496	89.533
Customer lists, know-how, patents and licenses		6.004	7.140
Software		14.284	16.556
Intangible fixed assets under construction		939	960
Intangible fixed assets	14	**113.723**	**114.189**
Land and buildings		225.425	221.383
Plant and machinery		569.848	545.885
Other fixtures and fittings, tools and equipment		10.747	12.013
Property, plant and equipment under construction		26.713	36.023
Property, plant and equipment	15	**832.733**	**815.304**
Right of use assets	16	56.537	0
Other receivables		3.475	1.157
Deferred tax asset	23	3.719	5.493
Financial fixed assets		**63.731**	**6.650**
Non-current assets		**1.010.187**	**936.143**
Inventories	17	**192.816**	**193.581**
Receivables from related companies	33	0	30
Corporation tax	18	5.284	2.027
Trade receivables	19	209.466	339.964
Bonds at fair value through profit and loss	32	0	68.963
Other receivables	19	40.678	44.400
Prepayments		4.286	3.425
Receivables		**259.714**	**458.809**
Cash and cash equivalents		**101.015**	**77.624**
Current assets		**553.545**	**730.014**
Assets		**1.563.732**	**1.666.157**

Consolidated Balance Sheet at 31 December

Equity and liabilities

	Note	2019	2018
		DKK'000	DKK'000
Share capital	20	1.000	1.000
Reserve for currency translations		63.291	46.602
Retained earnings		190.027	250.842
Equity		**254.318**	**298.444**
Bond	21	946.767	944.252
Lease liabilities	22	45.962	0
Provisions for deferred tax	23	0	33
Provisions for other staff obligations	24	9.572	7.255
Provisions for other liabilities and charges	25	0	6.520
Non-current liabilities		**1.002.301**	**958.060**
Current portion of non-current liabilities		0	374
Current portion of lease liabilities	22	12.244	0
Credit institutions	26	57.586	133.474
Trade payables		132.376	176.457
Payables, plant and machinery		2.560	1.714
Corporation tax	27	3.024	8.047
Other payables		99.323	89.587
Current liabilities		**307.113**	**409.653**
Liabilities		**1.309.414**	**1.367.713**
Equity and liabilities		**1.563.732**	**1.666.157**

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Statement of Changes in Equity, Group 1 January - 31 December

	Share capital	Reserve for currency translations	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity				
Equity at 1 January 2019	1.000	46.602	250.842	298.444
Comprehensive income for the year	0	16.689	-60.815	-44.126
Dividends	0	0	0	0
Equity at 31 December 2019	**1.000**	**63.291**	**190.027**	**254.318**
Equity at 1 January 2018	1.000	17.016	332.917	350.933
Comprehensive income for the year	0	29.586	-57.075	-27.489
Dividends	0	0	-25.000	-25.000
Equity at 31 December 2018	**1.000**	**46.602**	**250.842**	**298.444**

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

Only the share capital is restricted. Other reserves may be distributed.

Consolidated Cash Flow Statement

	Note	2019	2018
		DKK '000	DKK '000
Net profit for the year		-60.815	-57.075
Adjustments of non-cash items	28	191.929	184.855
Change in working capital	29	100.468	-65.597
Cash flows from operating activities before financial income and expenses and tax		231.582	62.183
Financial income received		8.053	5.933
Financial expenses paid		-58.332	-57.622
Corporation tax paid		-14.277	-13.946
Cash flows from operating activities		**167.026**	**-3.452**
Purchase of intangible fixed assets		-8.526	-2.322
Purchase of property, plant and equipment		-115.635	-34.789
Purchase of financial fixed assets		-2.645	0
Sale of property, plant and equipment		2.309	76
Sale of financial fixed assets		344	2.312
Purchase of bonds at fair value through profit and loss		0	-60.484
Sale of bonds at fair value through profit and loss		68.963	0
Cash flows from investing activities		**-55.190**	**-95.207**
Reduction of receivables from and increase of payables to related parties		30	0
Increase in receivables from and reduction of payables to related parties		0	-3.118
Raising of non-current loans		0	205.258
Repayment of non-current loans credit institutions		-373	-125.850
Repayment of non-current loans lease liabilities		-12.664	0
Increase in credit institutions		149	0
Decrease in credit institutions		-76.037	-5.776
Dividend paid		0	-25.000
Cash flows from financing activities		**-88.895**	**45.514**
Change in cash and cash equivalents		**22.941**	**-53.145**
Cash and cash equivalents at 1 January		77.624	130.456
Exchange adjustment of cash at bank and in hand at 1 January		450	313
Cash and cash equivalents at 31 December		**101.015**	**77.624**

Notes to the Annual Report, Group

1 Accounting Policies

The Annual Report of Jacob Holm & Sønner Holding A/S for 2019 is prepared in accordance with International Financial Reporting Standards (IFRS) and further requirements in the Danish Financial Statements Act.

The Annual Report for 2019 is presented in DKK '000.

The group has applied the following IFRS standard for the first time, with effect from 1 January 2019:

• IFRS 16: Leases

The group has changed its accounting policies following the adoption of IFRS 16. The effect of adoption of IFRS 16 is material.

IFRS 16 has been adopted using the modified retrospective method. By using this method the cumulative effect of initially applying the standard is recognized at the date of initial application January 1, 2019, and comparative financial information for 2018 is not restated.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

In applying IFRS 16 for the first time, Jacob Holm & Sønner Holding A/S has used the following practical expedients permitted by the standard:

• applying a single discount rate to a portfolio of leases with reasonably similar characteristics
• accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
• excluding initial direct costs for the measurement of the lease assets at 1 January 2019
• using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Jacob Holm & Sønner Holding A/S has elected not to reassess whether a contract is or contains a lease at 1 January 2019. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.625%.

Under the new accounting standard, the right of use of a leased asset must be recognised as an asset in the balance sheet, while the corresponding lease liability must be recognised in the interest bearing debt. Obviously, the increase in total assets will affect the key ratios that the balance sheet items involved are a part of.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

After transition the group has applied the recognition exemptions allowed by IFRS 16. This means that low value leases or leases, where the lease term is initially 12 months or less, are recognized as rental expenses in the statement of profit or loss. In addition, the lease and non-lease components are not separated for all asset classes.

In the income statement, the lease payment is broken down into a depreciation component and an interest component. As a result, the operating profit before depreciation (EBITDA) has improved by the amount of the lease payment, while depreciation charges will increase by the amount of the estimated depreciation component and financial expenses will increase by the estimated interest component.

For 2019, this means the group's right-of-use assets and net interest bearing debt at year start has increased by DKK 70 million and EBITDA has increased by about DKK 15 million, while depreciation charges increased by about DKK 13 million and financial expenses increased by about DKK 4 million. The result for 2019 is negatively impacted by approx. DKK 2 million from IFRS 16.

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 2020, and have not been applied in preparing the consolidated financial statement.

The IASB has approved further new standards and interpretations that are not relevant to Jacob Holm & Sønner Holding A/S and will have no effect on the Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company Jacob Holm & Sønner Holding A/S 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 Danish kroner at average exchange rates. The balance sheets are translated into Danish kroner 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.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

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 Danish Kroner 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.

Balance sheet items including goodwill for consolidated companies that do not have DKK as their functional currency are translated into DKK at the exchange rates at the balance sheet date, whereas the income statements of these companies are translated at average exchange rates for each end of month during the financial year. 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 the sale of goods for resale and finished goods is recognised in the income statement if control has been transferred to the buyer before year-end and if the income can be reliably measured.

Although a sales agreement for the sale of finished goods and goods for resale often contains more than one performance obligation, such obligations are treated as one combined performance obligation because delivery typically takes place at one point in time.

The terms of payment set out in the Group's sales agreements with customers depend on the underlying performance obligation and on the underlying customer relationship. For the sale of goods for which control passes at a specific point in time, the terms of payment will typically be from one to three months. Hence, no element of financing is deemed present.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

Revenue is measured excluding VAT and other taxes and duties charged on behalf of third parties. All discounts granted are deducted from revenue.

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.

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 regarding potential acquisitions, integration costs and larger restructuring or organisational changes.

Financial income and expenses

Financial income and expenses comprise interest income and expense including amortisation of transaction cost and premium/discounts (effective interest method), financial expenses in respect of finance leases, realised and unrealised exchange adjustments and fair value changes on securities.

Financial expenses directly attributable to the purchases or construction of a qualifying asset are included as part of the cost price of to the asset. All other financial expenses are recognised in the income statement.

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

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

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.

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 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
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.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

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
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 sales price.

The cost of goods for resale, raw materials and consumables equals cost including freight, duty etc.

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 at amortised cost. Provisions for bad debts are made in accordance with the simplified expected credit loss-model, under which total losses are recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet in the amount of the lifetime expected credit loss on the receivable. Impairment write-downs on receivables are recognised in the income statement under sales and marketing expenses.

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 arising on the initial recognition of an asset or a liability which is not acquired in a business combination and which does neither affect 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.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

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.

The Company is jointly taxed with the Danish group company. Foreign group companies are not comprised by the joint taxation.

The tax effect of the joint taxation is allocated to both profits and losses in proportion to the taxable income. The jointly taxed companies have adopted the on-account taxation scheme.

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 under the projected unit credit method. The effect of re-measuring the liability due to changes in actuarial assumptions is recognised in the income statement.

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.

Leases

If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is or contains a lease.

Each contract is assessed at inception whether it is or contains a lease. If the contract is a lease, the Group, as a lessee, recognizes in accordance with IFRS 16 Leases the right-of-use assets and lease liabilities for the rights and obligations created by leases.

The Group applies the recognition exemptions allowed by IFRS 16. This means that low value asset leases and short-term leases are recognized as expenses in the statement of profit or loss.

The recognition exemptions allows that leases, where the lease term is initially 12 months or less and the leases do not contain any purchase options, are recognized as rental expenses on straight-line basis in the statement of profit or loss.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

Gains arising from modifications in lease contracts are recognized as other operating income and losses as other operating expenses.

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.

Cash Flow Statement

The cash flow statement presents 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.

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 and Executive Management. The operating segments have been determined based on the financial reports reviewed by the Board of Directors and Executive Management.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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 and Executive Management 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 - Property Plant and Equipment (PPE)

An impairment test has been performed on PPE related to the Jacob Holm Industries segment's PPE in the USA. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2019. 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 provides internal converting and logistic services.

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

No operating segments have been aggregated.

Notes to the Annual Report, Group

3 Segment information (continued)

2019 **Income statement**	**Jacob Holm Industries** DKK '000	**Sontara** DKK '000	**TWIG** DKK '000	**Headquarter** DKK '000	**Eliminations** DKK '000	**Group** DKK '000
Revenue						
Inter-segment revenue	0	0	54.949	2.678	-57.627	0
External revenue - sale of goods	1.039.177	1.230.775	0	0	0	2.269.952
External revenue - other	0	0	367	0	0	367
EBITDA	23.076	96.119	15.187	-1.367	0	133.015
Depreciation, amortization and impairment losses	81.370	46.424	11.828	44	0	139.666
Special items, net	-3.512	1.521	0	0	0	-1.991
Financial income	626	566	16	78.481	-63.291	16.398
Financial expenses	-27.682	-14.290	-2.768	-65.133	48.931	-60.942
Income tax income/expense	0	7.097	258	570	0	7.925
Profit or loss	-88.767	30.596	349	11.367	-14.360	-60.815
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	637.776	315.345	57.055	1.786.515	-1.786.504	1.010.187
Additions to non-current assets	18.165	107.588	1.864	0	0	127.617
Current assets	223.512	432.417	7.116	6.838	-116.338	553.545
Total assets	861.288	747.762	64.171	1.793.353	-1.902.842	1.563.732
Non-current liabilities	287.998	177.826	44.047	946.767	-454.337	1.002.301
Current liabilities	193.657	214.076	15.576	364.329	-480.525	307.113
Total Liabilities	481.655	391.902	59.623	1.311.096	-934.862	1.309.414

2018 **Income statement**	**Jacob Holm Industries** DKK '000	**Sontara** DKK '000	**TWIG** DKK '000	**Headquarter** DKK '000	**Eliminations** DKK '000	**Group** DKK '000
Revenue						
Inter-segment revenue	33	0	49.130	2.237	-51.400	0
External revenue - sale of goods	1.018.870	1.267.279	0	0	0	2.286.149
External revenue - other	0	0	188	0	0	188
EBITDA	9.927	119.453	2.105	-1.697	0	129.788
Depreciation, amortization and impairment losses	77.547	47.734	292	366	0	125.939
Special items, net	0	-2.117	0	0	0	-2.117
Financial income	1.167	802	16	99.583	-83.842	17.726
Financial expenses	-22.709	-18.538	0	-59.402	38.854	-61.795
Income tax income/expense	11.869	8.063	443	-6.472	0	13.903
Profit or loss	-101.883	43.820	1.386	44.590	-44.988	-57.075
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	684.042	249.385	2.361	1.438.862	-1.438.507	936.143
Additions to non-current assets	18.919	16.791	1.309	0	0	37.019
Current assets	246.931	552.263	5.809	396.267	-471.256	730.014
Total assets	930.973	801.648	8.170	1.835.129	-1.909.763	1.666.157
Non-current liabilities	256.787	159.195	0	944.252	-402.174	958.060
Current liabilities	243.462	311.299	4.039	322.109	-471.256	409.653
Total Liabilities	500.249	470.494	4.039	1.266.361	-873.430	1.367.713

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)

	2019 DKK '000	2018 DKK '000
Geographic allocation		
Revenue		
Denmark	1.897	1.673
EU	674.392	636.962
USA	1.111.764	1.121.645
APAC	280.214	334.094
Other	202.052	191.963
Total revenue	**2.270.319**	**2.286.337**
Non-current assets other than deferred tax assets, by area		
Denmark	11	55
EU	162.876	174.319
USA	730.006	642.685
APAC	1.186	213
Other	112.388	113.377
Total non-current assets other than deferred tax assets	**1.006.467**	**930.649**

4 Revenue

	2019 DKK '000	2018 DKK '000
Sale of goods	2.269.952	2.286.149
Other	367	188
	2.270.319	**2.286.337**

5 Expenses classified by nature

	2019 DKK '000	2018 DKK '000
Production costs	2.010.767	2.012.236
Distribution costs	91.838	101.682
Cost of goods sold	2.102.605	2.113.918
Sales and marketing expenses	47.320	49.098
Administrative expenses	127.696	120.122
Other income and expenses	-947	185
Special items, net	1.991	2.117
	2.278.665	**2.285.440**
Classified by nature as follows:		
Expenses for raw materials and consumables	1.261.205	1.290.111
Other external expenses	523.100	535.558
Staff expenses	354.694	333.832
Depreciation, amortisation and impairment losses	139.666	125.939
	2.278.665	**2.285.440**

		2019	2018
		DKK '000	DKK '000
6	**Special items, net**		
	Special items, costs:		
	Release of dismantling accrual regarding assets held on leased land	-6.662	0
	Organizational right-sizing costs	5.117	0
	Due dilligence	3.536	2.117
		1.991	**2.117**

Special items, are expenses for raw materials and consumables, staff expenses and external third party costs respectively. The dismantling accrual could be released as the company acquired the leased land during 2019.

7 Staff expenses

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

	2019	2018
Wages and salaries	272.748	255.486
Pensions defined contribution plans	12.624	12.043
Other social security expenses	69.322	66.303
	354.694	**333.832**

Key management compensation

Key management consist of the executive and supervisory board as well as the executive management team.

	2019	2018
Salaries and other short-term employee benefits	10.366	8.103
	10.366	**8.103**
Thereof to the executive board	2.624	2.579
Thereof to the supervisory board	395	395
Average number of full-time employees	**673**	**658**

Staff expenses are included in the functions presented on the face of the income statement as follows:

	2019	2018
Cost of goods sold	274.496	255.034
Sales and marketing expenses	30.116	31.627
Administrative expenses	50.082	47.171
	354.694	**333.832**

		2019	2018
		DKK '000	DKK '000

8 Fee to auditors appointed at the general meeting

	2019	2018
Audit fee	2.140	2.015
Tax consultancy	2.234	2.241
Non-audit services	118	73
Total	**4.492**	**4.329**

Fees for services in addition to the statutory audit of the financial statements provided which were provided by the statutory auditor PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to TDKK 95. Other services in addition to the statutory audit of the financial statements comprise general tax advice and review of tax returns.

9 Depreciation, amortisation and impairment losses

	2019	2018
Depreciation, amortisation and impairment losses for the year are specified as follows:		
Goodwill	0	323
Customer lists, know-how, patents and licences	1.341	1.290
Software	11.306	10.474
Buildings	14.761	14.825
Plant and machinery	94.455	94.070
Other fixtures and fittings, tools and equipment	4.837	4.957
Right-of-use assets	12.966	0
	139.666	**125.939**
Depreciation, amortisation and impairment losses are distributed on the individual cost groups as follows:		
Cost of goods sold	126.677	111.969
Sales and marketing expenses	354	1.793
Administrative expenses	12.635	12.177
	139.666	**125.939**

	2019	2018
	DKK '000	DKK '000

10 Other operating income and expenses

	2019	2018
Other operating income:		
Subsidies	91	109
Gains on disposals of non-current assets	456	30
Management fee	650	650
	1.197	789
Other operating expenses:		
Loss on disposals of non-current assets	-250	-974
	-250	-974
	947	**-185**

11 Financial income

	2019	2018
Interest	1.900	1.773
Exchange adjustments	9.126	14.935
Other	5.372	1.018
	16.398	**17.726**

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

12 Financial expenses

	2019	2018
Interest	48.418	42.158
Interest regarding lease liabilities	3.671	0
Amortized financing costs	3.023	3.820
Exchange adjustments	1.832	6.634
Other	3.998	9.183
	60.942	**61.795**

Interest income and expense relate to loans received and payables measured at amortised cost.

Notes to the Annual Report, Group

13 Tax on profit for the year

	2019 DKK '000	2018 DKK '000
Current tax on profit for the year	7.537	11.339
Change in deferred tax	1.867	3.486
Change in tax previous years	-1.479	-922
	7.925	**13.903**

Tax on profit for the year is specified as follows:

	2019 DKK '000	2018 DKK '000
Calculated 22% tax on profit for the year before tax	-11.636	-9.498
Tax effect of:		
Higher/lower tax rate in foreign companies	395	-753
Tax on non-deductible expenses and non-taxable income	33	-758
Adjustment of valuation deferred tax	20.612	25.834
Adjustment of tax previous years	-1.479	-922
	7.925	**13.903**
Effective tax rate for the year	**-14,98%**	**-32,20%**

Notes to the Annual Report, Group

14 Intangible fixed assets

	Goodwill	Customer lists, know-how, patents and licences	Software	Intangible fixed assets under construction
	DKK '000	DKK '000	DKK '000	DKK '000
2019				
Cost at 1 January	89.856	15.826	70.225	960
Exchange adjustment at year-end rate	2.963	516	1.987	31
Additions for the year	0	0	291	8.409
Transfer between items	0	0	8.461	-8.461
Disposals for the year	0	0	-937	0
Cost at 31 December	92.819	16.342	80.027	939
Amortisation at 1 January	323	8.686	53.669	0
Exchange adjustment at year-end rate	0	311	1.705	0
Amortisation for the year	0	1.341	11.306	0
Disposals for the year	0	0	-937	0
Amortisation at 31 December	323	10.338	65.743	0
Carrying amount at 31 December	**92.496**	**6.004**	**14.284**	**939**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the activities Sontara AG and TWIG with DKK 91,3 mio. and DKK 1,2 mio. respectively.

The Group has performed impairment test of Goodwill per 31 December 2019.

The valuation of Sontara AG was prepared on basis of the approved budget for 2020 and calculated as a value in use with a terminal growth of 0% and a pre-tax WACC of 6.5%. The budget for 2020 assumes a decrease in sales with increased profit compared against 2019 actuals.

At year-end Management has assessed that the key assumption used to determine value in use of Sontara AG is the demand for non-woven including available by-products.

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

14 Intangible fixed assets (continued)

	Goodwill	Customer lists, know-how, patents and licences	Software	Intangible fixed assets under construction
	DKK '000	DKK '000	DKK '000	DKK '000
2018				
Cost at 1 January	85.952	15.137	66.146	497
Exchange adjustment at year-end rate	3.904	689	2.782	23
Additions for the year	0	0	1.425	960
Transfer between items	0	0	520	-520
Disposals for the year	0	0	-648	0
Cost at 31 December	89.856	15.826	70.225	960
Amortisation at 1 January	0	7.041	41.864	0
Exchange adjustment at year-end rate	0	355	1.979	0
Amortisation for the year	0	1.290	10.474	0
Impairment for the year	323	0	0	0
Disposals for the year	0	0	-648	0
Amortisation at 31 December	323	8.686	53.669	0
Carrying amount at 31 December	**89.533**	**7.140**	**16.556**	**960**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the activities Sontara AG and TWIG with DKK 88,5 mio. and DKK 1,1 mio. respectively.

The Group has performed impairment test of Goodwill per 31 December 2018.

The conclusion was that, apart from an impairment related to Sontara Argentina, there was no need for impairment. The impairment loss was due to the significant deterioration of the Argentinian economy in 2018.

The valuation of Sontara AG was prepared on basis of the approved budget for 2019 and calculated as a value in use with a terminal growth of 0% and a pre-tax WACC of 6.5%. The budget for 2019 assumes an increase in sales and profit compared against 2018 actuals.

At year-end Management has assessed that the key assumption used to determine value in use of Sontara AG is the demand for non-woven including available by-products.

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

15 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	DKK '000	DKK '000	DKK '000	DKK '000
2019				
Cost at 1 January	377.336	1.358.057	58.964	36.023
Exchange adjustment at year-end rate	5.976	22.416	693	576
Additions for the year	0	3.414	240	113.091
Transfer between items	14.894	104.786	3.297	-122.977
Disposals for the year	-148	-2.873	-452	0
Cost at 31 December	398.058	1.485.800	62.742	26.713
Depreciation at 1 January	155.953	812.172	46.951	0
Exchange adjustment at year-end rate	1.970	11.638	574	
Depreciation for the year	14.761	94.455	4.837	0
Disposals for the year	-51	-2.313	-367	0
Depreciation at 31 December	172.633	915.952	51.995	0
Carrying amount at 31 December	**225.425**	**569.848**	**10.747**	**26.713**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2019 includes interest of DKK 6.482k.

The carrying amount of plant and machinery at 31 December 2019 includes interest of DKK 12.318k.

As per 31 December 2019 the Group has performed an impairment test of property, plant and equipment in the US related to the segment Jacob Holm Industries' US- activities. The conclusion was that there was no need for impairment.

The impairment test was performed as a value in use calculation discounting the expected cash-flows in the assets expected remaining technical life for the production lines of 23 years, taking into account upgrades of the assets. The cash flow projections are based on the budget for 2020 adjusted for full year effect of the expected improvements in 2020 and increasing quantities in 2021 and 2022.

A growth rate of 2.0% has been applied in the terminal period from 2023 and onwards.

The discount rate applied is based on a risk-adjusted after tax rate discount rate (weighted average cost of capital) of 7.3% (2018: 7.5%).

Notes to the Annual Report, Group

15 Property, plant and equipment
(continued)

Cash flow projections for 2020 is negative due to expected additional CAPEX of approximately USD 4 million to get the production facilities back on historical performance and increase the production volume as estimated in the budget. In 2022 EBITDA less CAPEX is estimated at USD 8.3 million.

Based on the forecasts prepared, there is no available headroom.

Also refer to note 35 in the Financial Statements for description of the expected impact from Covid-19.

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	DKK '000	DKK '000	DKK '000	DKK '000
2018				
Cost at 1 January	364.913	1.295.193	54.895	25.367
Exchange adjustment at year-end rate	12.104	44.565	1.401	1.123
Additions for the year	0	3.828	473	30.679
Transfer between items	678	18.066	2.402	-21.146
Disposals for the year	-359	-3.595	-207	0
Cost at 31 December	377.336	1.358.057	58.964	36.023
Depreciation at 1 January	137.374	698.621	41.025	0
Exchange adjustment at year-end rate	3.902	22.280	1.129	0
Depreciation for the year	14.825	94.070	4.957	0
Disposals for the year	-148	-2.799	-160	0
Depreciation at 31 December	155.953	812.172	46.951	0
Carrying amount at 31 December	**221.383**	**545.885**	**12.013**	**36.023**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2018 includes interest of DKK 6.621k.

The carrying amount of plant and machinery at 31 December 2018 includes interest of DKK 13.377k.

As per 31 December 2018 the Group has performed an impairment test of property, plant and equipment in the US related to the segment Jacob Holm Industries's US- activities. The conclusion was that there was no need for impairment.

The impairment test was performed as a value in use calculation discounting the expected cash-flows in the assets expected remaining technical life, taking into account upgrades of the assets. The cash flow projections are based on the budget for 2019 adjusted for full year effect of the expected improvements in 2019 and slightly increasing quantities in 2020.

16 Right-of-use assets

	Land	Buildings	Office spaces
	DKK '000	DKK '000	DKK '000
2019			
Cost at 1 January	1.640	68.399	0
Exchange adjustment at year-end rate	0	0	0
Additions for the year	0	0	866
Disposals for the year	-1.640	0	0
Cost at 31 December	0	68.399	866
Depreciation at 1 January	0	0	0
Exchange adjustment at year-end rate	0	35	0
Depreciation for the year	273	12.658	35
Disposals for the year	-273	0	0
Depreciation at 31 December	0	12.693	35
Carrying amount at 31 December	**0**	**55.706**	**831**

The Group owns all of its production facilities and production lines. The most significant lease contracts consists of warehouses in the US. One of the production facilities were on leased land but the Group acquired the land during 2019.

Other lease contracts relates to the lease of office space.

Lease contrats are disclosed in note 22.

Notes to the Annual Report, Group

	2019	2018
	DKK '000	DKK '000

17 Inventories

	2019	2018
Raw materials and consumables	84.852	58.683
Finished goods	107.964	134.898
	192.816	**193.581**
Raw materials and consumables expensed for the year	1.261.205	1.290.111
Inventories expected to be sold after more than 1 year amount to	0	0
Write-down on inventories for the year amounts to	8.706	5.877
Reversed write-down on inventories for the year amounts to	1.939	2.028

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

18 Corporation tax

	2019	2018
Corporation tax receivable at 1 January	2.027	1.384
Exchange adjustment at year-end rate	77	33
Tax on profit, see note 13	-2.765	-398
Tax refunded/paid	5.945	1.008
Corporation tax receivable at 31 December	**5.284**	**2.027**

19 Receivables

	2019	2018
Trade receivables	213.140	342.539
Bad debt provision	-3.674	-2.575
Trade receivables, net	209.466	339.964
Other receivables	40.678	44.400
	250.144	**384.364**

Bad debt provision

	2019	2018
Bad debt provision at 1 January	2.575	1.714
Exchange adjustment at year-end rate	104	83
Additions for the year	1.046	1.083
Disposals for the year:		
- Applied	-51	-41
- Reversed	0	-264
Bad debt provision at 31 December	**3.674**	**2.575**

Please refer to note 32 for credit quality information.

Notes to the Annual Report, Group

	2019	2018
	DKK '000	DKK '000

20 Share capital

The share capital consists of the following classes of shares:

A-shares (358,688 shares of DKK 1)	359	359
B-shares (431 shares of DKK 1)	0	0
C-shares (640,881 shares of DKK 1)	641	641
	1.000	**1.000**

A-shares give the right to 10 votes for each share amount of DKK 100, and B-shares give the right to one vote for each share amount of DKK 100, and C-shares give the right to one vote for each share amount of DKK 10(

In the case of a dividend distribution, B-shares are entitled to 6% upfront and A- and C-shares are entitled to the remaining dividend distributed.

Otherwise no shares carry any special rights.

21 Bond

On March 31, 2017, the Company issued a series of new bonds in the amount of EUR 100 million. The net proceeds of the new bonds were used to refinance the bonds issued in 2014 and for general corporate purposes. On June 29, 2018, the Company tapped an amount of EUR 27.5 million on the bonds.
The net proceeds of the tap issue were used to repay term loans granted by credit institution and for general corporate purposes.

The interest coupon on the par value of the bonds payable is three months EURIBOR plus a margin of 3.75% (subject to adjustment in case of an incurrence event). The tap issue triggered an incurrence test which resulted in a margin of 4.625% until the Company can demonstrate a leverage ratio of maximum 3.0x for net debt / EBITDA.

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

Today to 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 minimum liquidity requirement and a net debt / EBITDA ratio covenant testing in case of an Incurrence Event. An Event can be either a dividend distribution above the EUR 7 mio. permitted minimum distribution and/or the incurrence of financial indebtedness.

Notes to the Annual Report, Group

	2019 DKK '000	2018 DKK '000

22 Lease liabilities

	2019 DKK '000	2018 DKK '000
In accordance with IFRS 16:		
Payment due later than 5 years	12.215	0
Payment due 1-5 years	33.747	0
Non-current lease liabilities	**45.962**	**0**
Payment due within 1 year	12.244	0
	58.206	**0**
In accordance with IAS 17:		
Payment due later than 5 years	0	16.894
Payment due 1-5 years	0	51.306
Non-current lease commitments	**0**	**68.200**
Payment due within 1 year	0	16.050
	0	**84.250**
Cash outflow for leases:		
Paid interest expenses on lease liabilities	3.671	0
Repayment of finance lease liabilities	12.664	0
Rental expenses	4.626	18.117
	20.961	**18.117**

Reconciliation of lease liabilities in accordance with IFRS 16 at the date of initial application with operating lease commitments in accordance with IAS 17 as of December 31, 2018:

Operating lease commitments December 31, 2018	84.250
Effect of discounting	-11.108
Short term leases and leases of low value assets	-2.142
Lease liabilities January 1, 2019	**71.000**

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.625%.

The Group owns all of its production facilities and production lines. The most significant lease contracts consists of warehouses in the US. One of the production facilities were on leased land but the Group acquired the land during 2019.

The Group also acts as a lessor to a minor extent in two of it's leased warehouses. The lease payments received from these lease contracts are recognized in production costs and amounted to DKK 3 mio. in 2019.

23 Deferred tax

	2019 DKK '000	2018 DKK '000
Deferred tax at 1 January	-5.460	-8.901
Exchange adjustment at year-end rate	-126	-45
Change in deferred tax, see note 13	1.867	3.486
Deferred tax at 31 December	**-3.719**	**-5.460**
Deferred tax relates to:		
Inventories	-1.000	-705
Other current assets	703	1.893
Other liabilities	-12.123	-6.253
Current part	**-12.420**	**-5.065**
Intangible assets	-4.048	-4.359
Property, plant and equipment	47.395	53.257
Right of use assets, net	-488	0
Other liabilities	1.551	-682
Tax loss carry-forward	-35.709	-48.611
Non-current part	**8.701**	**-395**
Deferred tax, net	**-3.719**	**-5.460**
which breaks down as follows:		
Deferred tax asset	-3.719	-5.493
Provisions for deferred tax liability	0	33
	-3.719	**-5.460**
Unrecognized deferred tax asset	**51.651**	**62.870**

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 were not profitable in 2019. Management has assessed that there is some uncertainty as to the timing of utilizing the tax loss carry-forward, that it has written down the part of the tax loss carry-forward which relates to the period after 5 years. The assessment is based on budgets for 2020 and the expected development over the next years.

Notes to the Annual Report, Group

24 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 0,73% has been used against 1,68% in 2018.

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.

	2019	2018
	DKK '000	DKK '000
Balance at 1 January	7.255	6.734
Exchange adjustment at year-end rate	3	32
Additions for the year	2.068	1.382
Used during the year	-764	-675
Discount effect	1.010	-218
Balance at 31 December	**9.572**	**7.255**

25 Provisions for other liabilities and charges

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

	2019	2018
	DKK '000	DKK '000
Balance at 1 January	6.520	6.210
Exchange adjustment at year-end rate	142	310
Reversals for the year	-6.662	0
Balance at 31 December	**0**	**6.520**

The leased land has been acquired by the company during 2019 that there is no need for a dismantling obligation anymore.

The reversed amount has been included in special items.

Notes to the Annual Report, Group

	2019	2018
	DKK '000	DKK '000

26 Credit institutions

	2019	2018
Payment due within 1 year	57.586	133.848
	57.586	**133.848**

Credit institutions primarily includes revolving credit facilities granted to the Plant in Soultz, France, with a total of DKK 57m. These revolving credits are EUR and USD denominated and with variable interest.

The covenant comprise the cover of revolving credits by working capital.

27 Corporation tax

	2019	2018
Accrued corporation tax at 1 January	8.047	10.592
Exchange adjustment at year-end rate	16	374
Tax on profit, see note 13	4.772	10.019
Adjustment of tax previous years	-1.479	0
Tax paid	-8.332	-12.938
Accrued corporation tax at 31 December	**3.024**	**8.047**

28 Cash flow statement - adjustments non-cash items

	2019	2018
Financial income	-16.398	-17.726
Financial expenses	60.942	61.795
Depreciation, amortisation and impairment losses, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	139.460	126.883
Tax on profit for the year	7.925	13.903
	191.929	**184.855**

29 Cash flow statement - change in working capital

	2019	2018
Change in inventories	4.582	-24.033
Change in receivables	139.388	-28.658
Change in other provisions	-4.347	489
Change in payables	-39.155	-13.395
	100.468	**-65.597**

Notes to the Annual Report, Group

30 Changes in liabilities arising from financing activities

	January 1	Cash flows	Non-cash changes	December 31
	DKK '000	DKK '000	DKK '000	DKK '000
2019				
Bond	944.252	0	2.515	946.767
Lease liabilities	0	-12.664	70.870	58.206
Credit institutions	133.848	-76.262	0	57.586
	1.078.100	**-88.926**	**73.385**	**1.062.559**
2018				
Bond	734.502	205.258	4.492	944.252
Credit institutions	262.296	-131.626	3.178	133.848
Payables to related companies	3.088	-3.088	0	0
	999.886	**70.544**	**7.670**	**1.078.100**

31 Contingent liabilities and other financial obligations

Mortgages

As security for credit institution, mortgage deeds registered to the mortgagor have been issued totalling	0	65.200

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 DKK 0k (at 31 December 2018: DKK 566.902k).

As security for credit institutions, security has moreover been provided in current assets at a carrying amount of DKK 67.414k (at 31 December 2018 DKK 188.331k).

Notes to the Annual Report, Group

31 Contingent liabilities and other financial obligations (continued)

Obligations under rental agreements

Obligations under operating leases primarily comprise agreements entered into concerning the lease of warehouse and office space as well as operational equipment. The leases run until August 2023 at the latest.

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

Minimum payments	2019 DKK '000	2018 DKK '000
0-1 year	1.157	16.051
1-5 years	603	51.305
>5 years	0	16.894
	1.760	**84.250**

Lease expenses recognised regarding short term leases and low-value assets amounts to TDKK 4.626 (2018: TDKK 18.117)

Contractual obligations

	2019	2018
The Group has entered into agreements on delivery of property, plant and equipment with a remaining obligation of	10.701	4.661

Notes to the Annual Report, Group

32 Financial risks

Credit risk

Credit risk arises from cash and cash equivalents 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 carrying amounts of the trade receivables include receivables which are subject to a factoring arrangemen Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as borrowing from credit institution. The group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The total amount included under the factoring agreement amounts to DKK 55 m (2018: DKK 74m), of which an amount of approx. DKK 44m (2018: DKK 61m) is covered by credit insurance. The associated liability amounts to DKK 55m (2018: DKK 65m).

Other trade receivables are not covered by credit insurance

During 2019 the Group has entered into factoring agreements on a non-recourse basis for 3 entities. Eligible receivables are sold to the factoring company and derecognized. At the end of 2019 the total amount sold under these agreements amounted to DKK 97m.

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 as expected future losses are low. Management believes that adequate provisions for losses have been made.

Notes to the Annual Report, Group

32 Financial risks (continued)

The overdue balance on trade receivables is specified as follows at 31 December 2019:

DKK '000

	Not due yet	0-15 days	16-30 days	31-45 days	> 45 days	Total
Expected loss rate	0,27%	2,63%	9,17%	23,50%	100,00%	1,72%
Gross carrying amount	189.251	15.757	3.860	2.464	1.808	213.140
Bad debt provision	519	414	354	579	1.808	3.674

The overdue balance on trade receivables is specified as follows at 31 December 2018:

DKK '000

	Not due yet	0-15 days	16-30 days	31-45 days	> 45 days	Total
Expected loss rate	0,07%	0,59%	3,35%	21,47%	100,00%	0,75%
Gross carrying amount	298.424	34.966	6.293	1.169	1.687	342.539
Bad debt provision	219	207	211	251	1.687	2.575

Liquidity risk

The Group ensures sufficient cash resources by entering into framework agreements for current overdraft facilities as well as factoring agreements on a non-recourse basis. Existing agreements have no repayment obligation or expiration date but can be terminated by both parties.

One of the Group's credit facilities are variable due to the fact that it is based on the amount of eligible trade receivables. The use of factoring agreements are variable too as they are based on the amount of eligible trade receivables.

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, unutilised credits as well as via refinancing or new non-current loans.

Notes to the Annual Report, Group

32 Financial risks (continued)

2019

DKK '000

	< 1 year	1-5 years	>5 years	Total	Carrying amount	Fair value
Measured at amortised cost:						
Bond	44.170	1.001.678	0	1.045.848	946.767	894.232
Leasing	14.680	38.331	13.155	66.166	58.206	58.206
Credit institutions	57.586	0	0	57.586	57.586	57.586
Trade payables	132.376	0	0	132.376	132.376	132.376
Other short-term liabilities	104.638	0	0	104.638	104.638	104.638
Financial liabilities	**353.450**	**1.040.009**	**13.155**	**1.406.614**	**1.299.573**	**1.247.038**
Trade receivables	213.140	0	0	213.140	213.140	209.466
Other receivables	45.962	3.475	0	49.437	49.437	49.437
Cash at bank and in hand	101.015	0	0	101.015	101.015	101.015
Financial assets	**360.117**	**3.475**	**0**	**363.592**	**363.592**	**359.918**
Net cash outflow	**6.667**	**-1.036.534**	**-13.155**	**-1.043.022**	**-935.981**	**-887.120**
Unutilised credits					11.352	11.352

Fair value of bond investments is based on quoted prices (level 1). Fair value of the issued bond is based on the latest market price published by Oslo Børs (level 1). 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.

2018

DKK '000

	< 1 year	1-5 years	>5 years	Total	Carrying amount	Fair value
Measured at amortised cost:						
Bond	44.050	1.043.333	0	1.087.383	944.252	923.852
Credit institutions	133.849	0	0	133.849	133.848	133.848
Trade payables	176.457	0	0	176.457	176.457	176.457
Other short-term liabilities	98.989	0	0	98.989	98.989	98.989
Financial liabilities	**453.345**	**1.043.333**	**0**	**1.496.678**	**1.353.546**	**1.333.146**
Receivables from related companies	30	0	0	30	30	30
Trade receivables	342.539	0	0	342.539	342.539	339.964
Other receivables	46.427	1.157	0	47.584	47.584	47.584
Cash at bank and in hand	77.624	0	0	77.624	77.624	77.624
Financial assets	**466.620**	**1.157**	**0**	**467.777**	**467.777**	**465.202**
Net cash outflow	**13.275**	**-1.042.176**	**0**	**-1.028.901**	**-885.769**	**-867.944**
Bonds at fair value through profit and loss	**68.963**	**0**	**0**	**68.963**	**68.963**	**68.963**
Unutilised credits					56.135	56.135

Notes to the Annual Report, Group

32 Financial risks (continued)

Raw material risk

No derivative financial instruments are used to hedge raw matrial risk.

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 EUR interest rate by 1% would decrease the profit for the year before tax of DKK 10.099k (2018: DKK 10.253k) and a similar effect on equity and an increase in all other market rates by 1% would decrease the profit for the year before tax of DKK 1k (2018: DKK 609k) and a similar effect on equity.

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 2019

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.

	Payment/ expiry	Receivables	Payables	Bond, bank and credit-institutions	Net position
USD	< 1 year	486.174	-75.101	25.856	436.929
EUR	< 1 year	51.499	-43.319	11.996	20.176
EUR	> 1 year	0	0	-952.425	-952.425
CHF	< 1 year	59.849	0	18	59.867
JPY	< 1 year	749	-231	776	1.294
Other	< 1 year	138	-798	341	-319
		598.409	-119.449	-913.438	-434.478

Notes to the Annual Report, Group

32 Financial risks (continued)

Exposure at 31 December 2018

DKK '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit- institutions	Net position
USD	< 1 year	479.092	-151.994	47.928	375.026
USD	> 1 year	0	-30.430	0	-30.430
EUR	< 1 year	44.071	-27.272	13.518	30.317
EUR	> 1 year	0	0	-952.425	-952.425
CHF	< 1 year	83.308	0	26	83.334
JPY	< 1 year	5.349	-290	1.012	6.071
Other	< 1 year	0	-614	524	-90
		611.820	-210.600	-889.417	-488.197

Due to the fixed rate policy conducted by the Danish National Bank in respect of the EUR, it is assessed that foreign currency positions in EUR do not entail a risk of material impact due to changes in the EUR rate.

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 CHF.

A 10% increase in USD compared to the exchange rate at 31 December 2019 towards all other currencies will entail a positive change of profit for the year before tax of DKK 43.693k (2018: positive change of DKK 34.460k) and a similar effect on equity.

A 10% increase in CHF compared to the exchange rate at 31 December 2019 towards all other currencies will entail a positive change of profit for the year before tax of DKK 5.987k (2018: positive change of DKK 8.333k) 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

33 Related parties

Controlling interest	Basis
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Martin Mikkelsen, Svanevænget 34, DK-2100 København Ø	Shareholder
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz	Ultimate parent company
PMM Holding (Luxembourg) AG, 15, Boulevard F.W. Raiffeisen L-2411 Luxembourg	Parent company
Jacob Holm & Sons AG, Picassoplatz 8, CH-4052 Basel	Parent company
Other related parties	
PMM Holding AG, Büelweg 9, CH-6442 Gersau	Sister company
Dønnerup A/S, c/o Accura Advokatpartnerselskab, Tuborg Boulevard 1, DK-2900 Hellerup	Sister company

Transactions

	2019 DKK '000	2018 DKK '000
Parent:		
The Group has during the year paid a management fee of	26.960	27.219
The Group has during the year paid a royalty fee of	14.315	24.891
The Group has during the year paid a guarantee fee of	3.807	3.395
The Group has during the year paid dividends of	0	25.000

The guarantee fee relates to the Parent company's guarantee regarding the issued Bond. The Parent company is guaranteeing an amount of up to EUR 127,5m (2018: EUR 127,5m).

	2019 DKK '000	2018 DKK '000
Other related parties:		
The company has during the year received a management fee of	650	650
The company has during the year paid rental charges of	707	685

Compensation to key management is disclosed in note 7.

Notes to the Annual Report, Group

33 Related parties (continued)

	2019 DKK '000	2018 DKK '000
Receivables from related parties		
Jacob Holm & Sons AG	0	30
	0	**30**

34 Development costs

Development costs for the year recognised in the income statement under production costs amount to DKK 11.949k in 2019 against DKK 10.950k in 2018.

35 Post balance sheet events

The implications of Covid-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of Covid-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

The Group manufactures a large number of essential products and has been able of maintaining full production so far in 2020. Demand has been increasing and the Group has been able of securing sufficient raw material and of shipping finished products without any significant interruptions.

The impairment test re. Jacob Holm Industries' US- activities is based on 31 December 2019 status.

Apart from this there have been no material events after the balance sheet date.

Parent Company Income Statement 1 January - 31 December

	Note	2019	2018
		DKK '000	DKK '000
Revenue	1	**3.328**	**2.887**
Administrative expenses		-4.296	-4.501
Profit before financial income and expenses and special items		**-968**	**-1.614**
Financial income	4	74.657	93.515
Financial expenses	5	-51.108	-47.181
Profit before tax		**22.581**	**44.720**
Tax on profit for the year	6	-570	-221
Net profit for the year		**22.011**	**44.499**

Parent company Statement of Comprehensive Income 1 January - 31 December

Net profit for the year	22.011	44.499
Comprehensive income	**22.011**	**44.499**

Parent Company Balance Sheet at 31 December

Assets

	Note	2019	2018
		DKK '000	DKK '000
Other fixtures and fittings, tools and equipment	7	11	55
Property, plant and equipment		**11**	**55**
Investments in subsidiaries	8	416.811	416.811
Receivables from group companies		756.741	664.311
Deferred tax asset	9	0	300
Financial fixed assets		**1.173.552**	**1.081.422**
Non-current assets		**1.173.563**	**1.081.477**
Receivables from group companies		1.274	628
Corporation tax	10	0	0
Bonds at fair value through profit and loss		0	68.963
Other receivables		303	1.158
Prepayments		37	36
Receivables		**1.614**	**70.785**
Cash and cash equivalents		**6.397**	**4.320**
Current assets		**8.011**	**75.105**
Assets		**1.181.574**	**1.156.582**

Parent Company Balance Sheet at 31 December

Equity and liabilities

	Note	2019	2018
		DKK '000	DKK '000
Share capital	11	1.000	1.000
Retained earnings		232.455	210.444
Equity		**233.455**	**211.444**
Bond	12	946.767	944.252
Non-current liabilities		**946.767**	**944.252**
Credit institutions		149	0
Corporation tax	13	270	0
Other payables		933	886
Current liabilities		**1.352**	**886**
Liabilities		**948.119**	**945.138**
Equity and liabilities		**1.181.574**	**1.156.582**

Contingent liabilities	17
Financial risks	18
Related parties	19
Fee to auditors appointed at the annual general meeting	20

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

	Share capital	Retained earnings	Total
	DKK '000	DKK '000	DKK '000
Equity			
Equity at 1 January 2019	1.000	210.444	211.444
Comprehensive income for the year	0	22.011	22.011
Dividends	0	0	0
Equity at 31 December 2019	**1.000**	**232.455**	**233.455**
Equity at 1 January 2018	1.000	190.945	191.945
Comprehensive income for the year	0	44.499	44.499
Dividends	0	-25.000	-25.000
Equity at 31 December 2018	**1.000**	**210.444**	**211.444**

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

Only the share capital is restricted. Other reserves may be distributed.

Parent Company Cash Flow Statement

	Note	2019	2018
		DKK '000	DKK '000
Net profit for the year		22.011	44.499
Adjustments of non-cash items	14	-22.935	-45.746
Change in working capital	15	901	-537
Cash flows from operating activities before financial income and expenses and special items		-23	-1.784
Financial income received		60.297	50.587
Financial expenses paid		-48.593	-44.749
Corporation tax paid		0	569
Cash flows from operating activities		**11.681**	**4.623**
Purchase of financial fixed assets		0	-560
Purchase of bonds at fair value through profit and loss		0	-60.484
Sale of bonds at fair value through profit and loss		68.963	0
Dividend received		14.360	44.988
Cash flows from investing activities		**83.323**	**-16.056**
Change in accounts with group companies		-93.076	-175.513
Change in accounts with related companies		0	-71
Raising of non-current loans		149	205.258
Dividend paid		0	-25.000
Cash flows from financing activities		**-92.927**	**4.674**
Change in cash and cash equivalents		**2.077**	**-6.759**
Cash and cash equivalents at 1 January		4.320	11.079
Cash and cash equivalents at 31 December		**6.397**	**4.320**

Notes to the Annual Report, Parent Company

		2019	2018
		DKK '000	DKK '000
1	**Revenue**		
	Management fee	3.328	2.887
		3.328	**2.887**
2	**Expenses classified by type**		
	Administrative expenses	4.296	4.501
		4.296	**4.501**
	Classified by type as follows:		
	Other external expenses	1.837	2.221
	Staff expenses	2.459	2.280
		4.296	**4.501**
3	**Staff expenses**		
	Wages and salaries	2.428	2.247
	Pensions	6	6
	Other social security expenses	25	27
		2.459	**2.280**

Key management compensation

Key management consist of the executive and supervisory board as well as the executive management team.

	2019	2018
Salaries and other short-term employee benefits	508	507
	508	**507**
Thereof to the executive board	34	36
Thereof to the supervisory board	395	395
Average number of full-time employees	**2**	**3**
Staff expenses are distributed on the individual cost groups as follows:		
Administrative expenses	2.459	2.280
	2.459	**2.280**

Notes to the Annual Report, Parent Company

		2019 DKK '000	2018 DKK '000
4	**Financial income**		
	Interest	1.615	1.308
	Exchange adjustments	6.955	10.889
	Interest intercompany accounts	46.621	36.384
	Dividend from subsidiaries	14.266	44.348
	Other financial income	5.200	586
		74.657	**93.515**
5	**Financial expenses**		
	Commission on guarantees	3.807	3.395
	Interest	44.786	36.732
	Amortized financing costs	2.515	2.432
	Other financial expenses	0	4.622
		51.108	**47.181**

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

		2019	2018
6	**Tax on profit for the year**		
	Current tax on profit for the year	270	0
	Change in deferred tax	300	0
	Adjustment tax previous years	0	221
		570	**221**
	Tax on profit for the year is specified as follows:		
	Calculated 22,0% tax on profit for the year before tax	4.968	9.838
	Tax effect of:		
	Non-taxable income and expenses	-3.138	-9.838
	Non-capitalized deferred tax asset	-1.260	0
	Adjustment tax previous years	0	221
		570	**221**
	Effective tax rate for the year	**2,52%**	**0,49%**

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK '000
2019	
Cost at 1 January	175
Additions for the year	0
Disposals for the year	0
Cost at 31 December	175
Depreciation at 1 January	120
Depreciation for the year	44
Disposals for the year	0
Depreciation at 31 December	164
Carrying amount at 31 December	**11**
Depreciated over	**3-10 years**

Depreciation for the year is charged to Administrative expenses in the Income Statement.

2018	
Cost at 1 January	175
Additions for the year	0
Disposals for the year	0
Cost at 31 December	175
Depreciation at 1 January	77
Depreciation for the year	43
Disposals for the year	0
Depreciation at 31 December	120
Carrying amount at 31 December	**55**
Depreciated over	**3-10 years**

Depreciation for the year is charged to Administrative expenses in the Income Statement.

Notes to the Annual Report, Parent Company

8 Investments in subsidiaries

	Share capital	Currency	Ownership %	Carrying amount	Equity	Result
	'000			DKK '000	DKK '000	DKK '000
Jacob Holm & Sønner A/S, Denmark	32.512	DKK	100%	193.330	248.801	-99.411
Sontara AG, Switzerland	100	CHF	100%	155.925	221.276	10.366
Sontara Asturias S.A.U, Spain	1.000	EUR	100%	26.052	33.491	1.077
Jacob Holm Mexico SA De CV, Mexico	1.500	MXN	99%	619	3.991	413
Sontara Japan GK, Japan	10.000	JPY	100%	1.119	6.668	1.924
Sontara South Asia Sdn Bhd, Malaysia	0	MYR	100%	0	251	60
Sontara Old Hickory Inc, USA	0	USD	100%	29.160	58.011	5.610
Sontara America Inc, USA	0	USD	100%	2.898	29.740	7.830
Sontara Argentina S.R.L., Argentina	8.393	ARS	100%	6.097	1.672	814
Sontara Nonwovens (Shanghai) Co., Ltd., China	1.000	CNY	100%	1.050	5.155	1.863
TWIG America Inc., USA	0	USD	100%	1	3.117	297
Sontara Hong Kong Limited	0	HKD	100%	0	0	50
Sontara Korea Co. Ltd.	100.000	KRW	100%	560	658	60
				416.811	**612.831**	**-69.047**

	2019	2018
	DKK '000	DKK '000
Cost at 1 January	417.134	416.574
Additions for the year	0	560
Cost at 31 December	417.134	417.134
Impairment at 1 January	323	0
Impairment for the year	0	323
Impairment at 31 December	323	323
Carrying amount at 31 December	**416.811**	**416.811**

Notes to the Annual Report, Parent Company

		2019	2018
		DKK '000	DKK '000
9	**Deferred tax asset**		
	Deferred tax at 1 January	300	300
	Change in deferred tax, see note 6	-300	0
	Deferred tax at 31 December	0	300
	Deferred tax relates to:		
	Other current assets	-1.245	-1.798
	Non-current portion	**-1.245**	**-1.798**
	Property, plant and equipment	19	17
	Tax loss carry-forward	1.226	2.081
	Non-current part	**1.245**	**2.098**
	Deferred tax, net	**0**	**300**
	Unrecognized deferred tax asset	**5.772**	**7.032**

10 Corporation tax

	2019	2018
Corporation tax receivable at 1 January	0	790
Tax on operating profit, see note 6	0	0
Tax refunded/paid	0	-790
Corporation tax receivable at 31 December	**0**	**0**

11 Share capital

The share capital consists of the following share classes:

	2019	2018
A-shares (358.688 shares of DKK 1)	359	359
B-shares (431 shares of DKK 1)	0	0
C-shares (640.881 shares of DKK 1)	641	641
	1.000	**1.000**

A-shares give the right to 10 votes for each share amount of DKK 100, and B-shares give the right to one vote for each share amount of DKK 100, and C-shares give the right to one vote for each share amount of DKK 100.

In the case of a dividend distribution, B-shares are entitled to 6% upfront and A- and C-shares are entitled to the remaining dividend distributed.

Otherwise no shares carry any special rights.

	2019	2018
	DKK '000	DKK '000

12 Bond

For a description of the Bond, please see note 22 to the Annual Report of the Group.

13 Corporation tax

	2019 DKK '000	2018 DKK '000
Accrued corporation tax at 1 January	0	0
Tax on profit, see note 6	270	221
Tax paid	0	-221
Accrued corporation tax at 31 December	**270**	**0**

14 Cash flow statement - adjustments of non-cash items

	2019 DKK '000	2018 DKK '000
Financial income	-74.657	-93.515
Financial expenses	51.108	47.181
Depreciation and impairment losses	44	367
Tax on profit for the year	570	221
	-22.935	**-45.746**

15 Cash flow statement - change in working capital

	2019 DKK '000	2018 DKK '000
Change in receivables	854	-713
Change in payables	47	176
	901	**-537**

16 Changes in liabilities arising from financing activities

	January 1	Cash flows	Non-cash changes	December 31
	DKK '000	DKK '000	DKK '000	DKK '000
2019				
Bond	944.252	0	2.515	946.767
Credit institutions	0	149	0	149
	944.252	**149**	**2.515**	**946.916**
2018				
Bond	734.502	205.258	4.492	944.252
	734.502	**205.258**	**4.492**	**944.252**

	2019	2018
	DKK '000	DKK '000

17 Contingent liabilities

	2019	2018
As security for the Bond issued by the Company, intercompany loan agreements have been assigned to the Bondholders of	393.826	343.150

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

	2019	2018
As security for credit institution, the Company has provided surety with a maximum amount of	0	52.160

18 Financial risks

Credit risk

For a description of the credit risk, please see note 32 to the Annual Report of the Group. The Parent company credit risk relates primarily to receivables from Group companies and secondarily to cash deposits.

Receivables from Group companies has been determined to be of low credit risk and any expected credit losses within the next 12 months immaterial.

Liquidity risk

For a description of the liquidity risk, please see note 32 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

2019

DKK '000

	< 1 year	1-5 years	Total	Carrying amount	Fair value
Measured at amortised cost:					
Bond	44.170	1.001.678	1.045.848	946.767	894.232
Credit institutions	149	0	149	149	149
Other short-term liabilities	1.203	0	1.203	1.203	1.203
Financial liabilities	**45.522**	**1.001.678**	**1.047.200**	**948.119**	**895.584**
Receivables from group companies	758.015	0	758.015	758.015	758.015
Other receivables	303	0	303	303	303
Cash at bank and in hand	6.397	0	6.397	6.397	6.397
Financial assets	**764.715**	**0**	**764.715**	**764.715**	**764.715**
Net cash outflow	**719.193**	**-1.001.678**	**-282.485**	**-183.404**	**-130.869**

Fair value of the issued bond is based on the latest market price published by Oslo Børs.

Notes to the Annual Report, Parent Company

18 Financial risks (continued)

2018

DKK '000

	< 1 year	1-5 years	Total	Carrying amount	Fair value
Measured at amortised cost					
Bond	44.050	1.043.333	1.087.383	944.252	923.852
Other short-term liabilities	886	0	886	886	886
Financial liabilities	**44.936**	**1.043.333**	**1.088.269**	**945.138**	**924.738**
Receivables from group companies	664.939	0	664.939	664.939	664.939
Other receivables	1.158	0	1.158	1.158	1.158
Cash at bank and in hand	4.320	0	4.320	4.320	4.320
Financial assets	**670.417**	**0**	**670.417**	**670.417**	**670.417**
Net cash outflow	**625.481**	**-1.043.333**	**-417.852**	**-274.721**	**-254.321**
Bonds at fair value through profit and loss	**68.963**	**0**	**68.963**	**68.963**	**68.963**

*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

Accounts with related companies are interest bearing.

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

Exposure at 31 December 2019:

DKK '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit-institutions	Net position
USD	< 1 year	304.379	0	5908	310.287
EUR	< 1 year	30.734	0	204	30.938
EUR	> 1 year	0	0	-952.425	-952.425
CHF	< 1 year	59.849	0	12	59.861
Other	< 1 year	138	0	21	159
		395.100	0	-946.280	-551.180

18 Financial risks (continued)

Exposure at 31 December 2018:

DKK '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit-institutions	Net position
USD	< 1 year	259.842	0	381	260.223
EUR	< 1 year	1.694	0	3.109	4.803
EUR	> 1 year	0	0	-952.425	-952.425
CHF	< 1 year	83.308	0	20	83.328
Other	< 1 year	0	0	170	170
		344.844	0	-948.745	-603.901

A 10% increase in USD compared to the exchange rate at 31 December 2019 towards all other currencies will entail a positive change of profit for the year before tax of DKK 31.029k (2018: DKK 26.022k) and a similar effect on equity.

A 10% increase in CHF compared to the exchange rate at 31 December 2019 towards all other currencies will entail a positive change of profit for the year before tax of DKK 5.986k (2018: DKK 8.333k) and a similar effect 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

19 Related parties

Controlling interest	Basis
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Martin Mikkelsen, Svanevænget 34, DK-2100 København Ø	Shareholder
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz	Ultimate parent company
PMM Holding (Luxembourg) AG, 15, Boulevard F.W. Raiffeisen L-2411 Luxembourg	Parent company
Jacob Holm & Sons AG, Picassoplatz 8, CH-4052 Basel	Parent company
Other related parties	
PMM Holding AG, Büelweg 9, CH-6442 Gersau	Sister company
Dønnerup A/S, c/o Accura Advokatpartnerselskab, Tuborg Boulevard 1, DK-2900 Hellerup	Sister company

Transactions

	2019 DKK '000	2018 DKK '000
Parent:		
The company has during the year paid a management fee of	374	372
The company has during the year paid a guarantee fee of	3.807	3.395
The company has during the year paid dividends of	0	25.000

The guarantee fee relates to the Parent company's guarantee regarding the issued Bond. The Parent company is guaranteeing an amount of up to EUR 127,5m (2017: EUR 100m).

	2019 DKK '000	2018 DKK '000
Subsidiaries:		
The company has during the year received a management fee of	2.678	2.237
The company has during the year received interests of	46.621	36.384
The company has during the year received dividends of	14.266	44.348
Other related parties:		
The company has during the year received a management fee of	650	650
The company has during the year paid rental charges of	707	685

Recceivables from related companies

	2019	2018
Sontara AG	138	0
Jacob Holm Industries (France) SAS	1.136	628
	1.274	**628**

20 Fee to auditors appointed at the general meeting

	2019 DKK '000	2018 DKK '000
Audit fee	75	75
Tax consultancy	0	143
Non-audit services	55	50
Total	**130**	**268**