Jacob Holm & Sons AG
Annual Report for 2018

Contents

Report of the statutory auditor

to the General Meeting of Jacob Holm & Sons AG

Basel

Report on the audit of the consolidated financial statements

Opinion
On your instructions, we have audited the consolidated financial statements of Jacob Holm & Sons AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, CH-4002 Basel, Switzerland
Telefon: +41 58 792 51 00, Telefax: +41 58 792 51 10, www.pwc.ch

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' 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 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 consolidated 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 the Board of Directors or its relevant committee 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.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Thomas Brüderlin

Audit expert
Auditor in charge

Alexandra Fronckowiak

Audit expert

Basel, 25 April 2019

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes)

Consolidated Income Statement 1 January - 31 December

	Note	2018	2017
		CHF '000	CHF '000
Revenue	4	**353'627**	**337'115**
Cost of goods sold	5	-323'920	-301'582
Gross profit		**29'707**	**35'533**
Sales and marketing expenses	5	-8'550	-8'010
Administrative expenses	5	-19'457	-19'215
Operating profit		**1'700**	**8'308**
Other operating income and expenses	10	9	100
Profit before financial income and expenses and special items		**1'709**	**8'408**
Special items, net	6	-794	-255
Financial income	11	2'734	994
Financial expenses	12	-9'220	-16'975
Loss / profit before tax		**-5'571**	**-7'828**
Tax on result for the year	13	-2'696	3'416
Net loss / profit for the year		**-8'267**	**-4'412**

Consolidated Statement of Comprehensive Income 1 January - 31 December

	2018	2017
	CHF '000	CHF '000
Statement of Comprehensive Income 1 January - 31 December		
Net loss / profit for the year	-8'267	-4'412
Items that may be subsequently reclassified to profit or loss		
Exchange adjustment, foreign companies	2'537	-5'456
Comprehensive income	**-5'730**	**-9'868**

Consolidated Balance Sheet at 31 December

Assets

	Note	2018	2017
		CHF '000	CHF '000
Goodwill		13'464	13'514
Customer lists, know-how, patents, licenses and trademarks		3'001	3'342
Software		2'554	3'941
Intangible fixed assets under construction		204	117
Intangible fixed assets	14	**19'223**	**20'914**
Land and buildings		33'291	35'776
Plant and machinery		82'088	93'801
Other fixtures and fittings, tools and equipment		2'212	2'580
Property, plant and equipment under construction		5'417	3'989
Property, plant and equipment	15	**123'008**	**136'146**
Other receivables		237	604
Deferred tax asset	21	826	2'452
Financial fixed assets		**1'063**	**3'056**
Non-current assets		**143'294**	**160'116**
Inventories	16	**29'110**	**25'833**
Corporation tax	17	305	218
Trade receivables	18	51'123	46'930
Bonds at fair value through profit and loss		10'370	1'333
Other receivables	18	6'779	7'277
Prepayments		519	449
Receivables		**69'096**	**56'207**
Cash and cash equivalents		**12'004**	**20'747**
Current assets		**110'210**	**102'787**
Assets		**253'504**	**262'903**

Consolidated Balance Sheet at 31 December

Equity and liabilities

	Note	2018	2017
		CHF '000	CHF '000
Share capital	19	250	250
Reserve for currency translations		1'310	-1'227
Retained earnings		46'037	62'306
Equity		**47'597**	**61'329**
Bond	20	141'993	115'488
Credit institutions	24	0	13'485
Provisions for deferred tax	21	5	1'052
Provisions for other staff obligations	22	1'091	1'059
Provisions for other liabilities and charges	23	980	976
Non-current liabilities		**144'069**	**132'060**
Current portion of non-current liabilities	24	56	5'862
Credit institutions	24	20'071	21'895
Trade payables		26'609	27'056
Payables, plant and machinery		258	325
Corporation tax	25	2'140	2'258
Other payables		12'704	12'118
Current liabilities		**61'838**	**69'514**
Liabilities		**205'907**	**201'574**
Equity and liabilities		**253'504**	**262'903**
Fee to auditors appointed at the annual general meeting	8		
Contingent liabilities and other financial obligations	28		
Financial risks	29		
Related parties	30		
Development costs	31		
Post balance sheet events	32		

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

	Share capital	Reserve for currency translations	Retained earnings	Total
	CHF '000	CHF '000	CHF '000	CHF '000
Equity				
Equity at 1 January 2018	250	-1'227	62'306	61'329
Comprehensive income for the year	0	2'537	-8'267	-5'730
Dividends	0	0	-8'002	-8'002
Equity at 31 December 2018	**250**	**1'310**	**46'037**	**47'597**
Equity at 1 January 2017	250	4'229	74'300	78'779
Comprehensive income for the year	0	-5'456	-4'412	-9'868
Dividends	0	0	-7'582	-7'582
Equity at 31 December 2017	**250**	**-1'227**	**62'306**	**61'329**

Consolidated Cash Flow Statement

	Note	2018	2017
		CHF '000	CHF '000
Net loss / profit for the year		-8'267	-4'412
Adjustments of non-cash items	26	29'164	31'910
Change in working capital	27	-7'611	-6'516
Cash flows from operating activities before financial income and expenses and tax		13'286	20'982
Financial income received		1'067	5'287
Financial expenses paid		-8'575	-15'230
Corporation tax paid		-2'365	-2'971
Cash flows from operating activities		**3'413**	**8'068**
Purchase of intangible fixed assets		-412	-679
Purchase of property, plant and equipment		-5'587	-8'461
Purchase of financial fixed assets		0	-214
Sale of property, plant and equipment		79	79
Sale of financial fixed assets		357	0
Purchase of bonds at fair value through profit and loss		-9'350	0
Sale of bonds at fair value through profit and loss		0	155
Cash flows from investing activities		**-14'913**	**-9'120**
Raising of non-current loans		31'727	33'758
Repayment of non-current loans		-19'451	-22'255
Increase in credit institutions		0	5'285
Decrease in credit institutions		-1'824	0
Dividend paid		-8'002	-7'582
Cash flows from financing activities		**2'450**	**9'206**
Change in cash and cash equivalents		**-9'050**	**8'154**
Cash and cash equivalents at 1 January		20'747	13'150
Exchange adjustment of cash at bank and in hand at 1 January		307	-557
Cash and cash equivalents at 31 December		**12'004**	**20'747**

Notes to the Annual Report, Group

1 Accounting Policies

The Annual Report of Jacob Holm & Sons AG for 2018 is prepared in accordance with International Financial Reporting Standards (IFRS).

The Annual Report for 2018 is presented in CHF ’000 unless stated otherwise.

The applied accounting policies are unchanged compared to the previous year except for the changes resulting from the implementation of IFRS 9 and 15.

Effects of IFRS 9 “Financial Instruments“. Implementing IFRS 9 has not had any material influence on the classification of the Group’s financial assets and liabilities. The change from the previous impairment model, under which impairment was only recognised on evidence of impairment to the expected credit-loss model of IFRS 9 has led to earlier recognition of expected losses. The change has had no effect on the income statements and balance sheets for 2017 and previous years.

Effects of IFRS 15 “Revenue from Contracts with Customers“. The Group has implemented IFRS 15. Implementation led to a review of the Group’s processes and contracts with customers. Following the review, the general assessment is that the standard has no material effect on recognition and measurement.

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 2019, and have not been applied in preparing the consolidated financial statement.

IFRS 16, “Leases”, which amends the rules for the lessee's accounting treatment of operating leases. In future, operating leases must therefore be recognised in the balance sheet as lease assets and similar lease liabilities. The standard will become effective for financial years beginning on 1 January 2019. The Group has implemented the standard on the effective date and selected the modified retrospective transition method, under which comparative figures are not restated.

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.

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) will improve 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 the Group, this will mainly have an effect from leased warehouses and offices as most other assets are owned by the Group.

For 2019, this means the Group’s net interest bearing debt at year start will increase by about CHF 3.9 million and EBITDA will increase by about CHF 2.3 million, while depreciation charges will increase by about CHF 0.8 million and financial expenses will increase by the estimated interest expense of about CHF 2.1 million.

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

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Consolidated Financial Statements

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

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

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

Business combinations

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

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

Foreign currencies

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

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

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

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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

Income Statement

Revenue and recognition of income

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if transfer of risk to the buyer has taken place 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.

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, 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 and depreciation.

Administrative expenses

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

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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

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

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

Tax on profit for the year

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

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

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.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Buildings	30-50 years
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.

Notes to the Annual Report, Group

1 **Accounting Policies** (continued)

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 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.

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.

Inventories

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

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

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

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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.

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.

Dividend

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

Corporation tax and deferred tax

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

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

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

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

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

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.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

Provisions

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

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

Financial liabilities

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

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

Cash Flow Statement

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

Cash flows from operating activities

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

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.

Notes to the Annual Report, Group

1 Accounting Policies (continued)

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.

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 - Goodwill

Goodwill is not amortised but is subject to an annual impairment test. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2018. The impairment test is a complex process that requires significant Management judgement in determining various assumptions, such as general market development, cash-flow projections, discount rates and terminal growth rates. The assumptions for significant goodwill amounts are set out in note 14.

Impairment test - Property Plant and Equipment (PPE)

An impairment test has been performed on PPE related to the Jacob Holm Industries segment's PPE in the USA. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2018. 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 primarily provides internal converting and logistic services.

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

No operating segments have been aggregated.

Notes to the Annual Report, Group

3 Segment information (continued)

2018 Income statement	Jacob Holm Industries CHF '000	Sontara CHF '000	TWIG CHF '000	Headquarter CHF '000	Eliminations CHF '000	Group CHF '000
Revenue						
Inter-segment revenue	5	0	7'595	8'402	-16'002	0
External revenue - sale of goods	157'513	195'916	0	0	0	353'429
External revenue - royalties	0	0	0	169	0	169
External revenue - other	0	0	29	0	0	29
EBITDA	1'535	18'467	326	1'347	0	21'675
Depreciation, amortization and impairment losses	11'988	7'380	45	461	0	19'874
Special items, net	0	-327	0	-467	0	-794
Financial income	181	124	3	2'952	-526	2'734
Financial expenses	-3'511	-2'866	0	-3'369	526	-9'220
Income tax income/expense	1'835	1'247	70	-454	0	2'698
Profit or loss	-15'750	6'774	215	494	0	-8'267
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	102'863	37'502	355	341'741	-339'167	143'294
Additions to non-current assets	2'845	2'525	197	262	0	5'829
Current assets	37'133	83'047	873	62'625	-73'468	110'210
Total assets	139'996	120'549	1'228	404'366	-412'635	253'504
Non-current liabilities	38'615	23'939	0	141'993	-60'478	144'069
Current liabilities	36'611	46'812	607	51'276	-73'468	61'838
Total Liabilities	75'226	70'751	607	193'269	-133'946	205'907

2017 Income statement	Jacob Holm Industries CHF '000	Sontara CHF '000	TWIG CHF '000	Headquarter CHF '000	Eliminations CHF '000	Group CHF '000
Revenue						
Inter-segment revenue	230	0	7'346	10'459	-18'035	0
External revenue - sale of goods	142'120	193'780	984	0	0	336'884
External revenue - royalties	0	0	0	212	0	212
External revenue - other	0	0	19	0	0	19
EBITDA	2'647	21'454	774	2'865	0	27'740
Depreciation, amortization and impairment losses	11'952	6'932	43	408	0	19'335
Special items, net	-52	-203	0	0	0	-255
Financial income	20	619	5	801	-451	994
Financial expenses	-4'107	-2'099	0	-11'220	451	-16'975
Income tax income/expense	-2'736	1'861	122	-2'663	0	-3'416
Profit or loss	-10'712	10'985	614	-5'299	0	-4'412
Balance sheet						
Non-current assets *- including investment in property, plant and equipment*	114'702	42'388	219	338'788	-335'981	160'116
Additions to non-current assets	3'091	5'606	120	252	0	9'069
Current assets	37'676	77'841	2'814	52'772	-68'316	102'787
Total assets	152'378	120'229	3'033	391'560	-404'297	262'903
Non-current liabilities	32'289	24'358	0	116'540	-41'127	132'060
Current liabilities	43'422	47'461	785	46'162	-68'316	69'514
Total Liabilities	75'711	71'819	785	162'702	-109'443	201'574

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)

	2018 CHF '000	2017 CHF '000
Geographic allocation		
Revenue		
Switzerland	719	946
EU	98'730	89'309
USA/Canada	190'769	175'204
APAC	51'819	59'930
Other	11'590	11'726
Total revenue	**353'627**	**337'115**
Non-current assets other than deferred tax assets, by area		
Switzerland	17'046	18'424
EU	26'222	28'692
USA/Canada	96'644	107'821
APAC	32	26
Other	3	9
Total non-current assets other than deferred tax assets	**139'947**	**154'972**

4 Revenue

	2018 CHF '000	2017 CHF '000
Sale of goods	353'429	336'884
Royalties	169	212
Other	29	19
	353'627	**337'115**

5 Expenses classified by type

	2018 CHF '000	2017 CHF '000
Production costs	308'200	286'832
Distribution costs	15'720	14'750
Cost of goods sold	323'920	301'582
Sales and marketing expenses	8'550	8'010
Administrative expenses	19'457	19'215
Other income and expenses	-9	-100
Special items, net	794	255
	352'712	**328'962**

Notes to the Annual Report, Group

	2018	2017
	CHF '000	CHF '000

5 Expenses classified by type (continued)

	2018	2017
Classified by type as follows:		
Expenses for raw materials and consumables	199'445	185'828
Other external expenses	77'884	70'097
Staff expenses	55'509	53'702
Depreciation and amortisation	19'874	19'335
	352'712	**328'962**

6 Special items, net

Special items, costs:

	2018	2017
Due diligence	794	172
Restructuring projects	0	83
	794	**255**

Special items, are staff expenses and external third party costs.

7 Staff expenses

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

	2018	2017
Wages and salaries	42'938	41'760
Pensions defined contribution plans	2'025	1'972
Other social security expenses	10'546	9'970
	55'509	**53'702**
Average number of full-time employees	**676**	**654**

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

	2018	2017
Cost of goods sold	40'137	38'234
Sales and marketing expenses	5'693	4'771
Administrative expenses	9'679	10'697
	55'509	**53'702**

Notes to the Annual Report, Group

	2018 CHF '000	2017 CHF '000
8 Fee to auditors appointed at the general meeting		
Audit fee	337	292
Tax consultancy	567	499
Non-audit services	11	14
Total	**915**	**805**
Fee to other audit firms		
Audit fee	16	14
Tax consultancy	37	21
Other assurance statements	2	2
Non-audit services	74	67
Total	**129**	**104**
9 Depreciation, amortisation and impairment losses		
Depreciation, amortisation and impairment losses for the year are specified as follows:		
Goodwill	49	0
Customer lists, know-how, patents, licences and trademarks	369	465
Software	1'682	1'581
Buildings	2'292	2'272
Plant and machinery	14'543	14'022
Other fixtures and fittings, tools and equipment	939	995
	19'874	**19'335**
Depreciation, amortisation and impairment losses are distributed on the individual cost groups as follows:		
Cost of goods sold	17'325	16'842
Sales and marketing expenses	293	381
Administrative expenses	2'256	2'112
	19'874	**19'335**

Notes to the Annual Report, Group

	2018	2017
	CHF '000	CHF '000

10 Other operating income and expenses

Other operating income:		
Subsidies	17	13
Gains on disposals of non-current assets	43	16
Management fee	100	97
	160	126
Other operating expenses:		
Loss on disposals of non-current assets	-151	-26
	-151	-26
	9	**100**

11 Financial income

Interest	274	88
Exchange adjustments	2'303	683
Other	157	223
	2'734	**994**

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

12 Financial expenses

Interest	6'517	5'928
Call premium	0	3'031
Amortized financing costs	591	1'745
Exchange adjustments	1'211	6'222
Other	901	49
	9'220	**16'975**

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

Notes to the Annual Report, Group

	2018	2017
	CHF '000	CHF '000

13 Tax on profit for the year

	2018	2017
Current tax on profit for the year	2'045	2'947
Change in deferred tax	539	-6'167
Change in tax previous years	112	-196
	2'696	**-3'416**

Tax on profit for the year is specified as follows:

	2018	2017
Calculated 22,2% / 11% tax on profit for the year before tax	-1'237	-861
Tax effect of:		
Higher/lower tax rate in foreign companies	-103	-3'029
Tax on non-deductible expenses and non-taxable income	-70	1'602
Adjustment of valuation deferred tax	3'994	-932
Adjustment of tax previous years	112	-196
	2'696	**-3'416**
Effective tax rate for the year	**-48.39%**	**43.64%**

The high effective tax rate for the year is mainly due to an increase in the unrecognized deferred tax asset.

14 Intangible fixed assets

	Goodwill	Customer lists, know-how, patents, licenses and trademarks	Software	Intangible fixed assets under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2018				
Cost at 1 January	13'514	4'933	10'610	117
Exchange adjustment at year-end rate	-1	0	-35	0
Additions for the year	0	0	219	193
Transfer between items	0	28	78	-106
Disposals for the year	0	0	-97	0
Cost at 31 December	13'513	4'961	10'775	204
Amortisation at 1 January	0	1'591	6'669	0
Exchange adjustment at year-end rate	0	0	-33	0
Amortisation for the year	0	369	1'682	0
Impairment for the year	49	0	0	0
Disposals for the year	0	0	-97	0
Amortisation at 31 December	49	1'960	8'221	0
Carrying amount at 31 December	**13'464**	**3'001**	**2'554**	**204**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the activities Sontara and TWIG with CHF 13.296k and CHF 168k. 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 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 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.

14 Intangible fixed assets (continued)

	Goodwill	Customer lists, know-how, patents, licenses and trademarks	Software	Intangible fixed assets under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2017				
Cost at 1 January	13'510	4'669	10'111	222
Exchange adjustment at year-end rate	4	-3	-1	0
Additions for the year	0	0	521	162
Transfer between items	0	267	0	-267
Disposals for the year	0	0	-21	0
Cost at 31 December	13'514	4'933	10'610	117
Amortisation at 1 January	0	1'126	5'104	0
Exchange adjustment at year-end rate	0	0	5	0
Amortisation for the year	0	465	1'581	0
Disposals for the year	0	0	-21	0
Amortisation at 31 December	0	1'591	6'669	0
Carrying amount at 31 December	**13'514**	**3'342**	**3'941**	**117**
Amortised over		**10 years**	**3-5 years**	

Goodwill can be broken out on the activities Sontara and TWIG with CHF 13.346k and CHF 168k. respectively.

The Group has performed impairment test of Goodwill per 31 December 2017.

The majority of the TWIG Group was merged into Sontara AG effective January 1, 2017. In consequence, there is no separate management reporting available for this part anymore, that the Group has performed the impairment test on the basis of an overall valuation of Sontara AG. The conclusion was that there was no need for impairment.

The valuation of Sontara was prepared on basis of the approved budget for 2018 and calculated as a value in use with a terminal growth of 0% and a pre-tax WACC of 6.5%.

At year-end Management has assessed that the key assumption used to determine value in use of Sontara 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

15 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2018				
Cost at 1 January	57'376	203'647	9'956	3'989
Exchange adjustment at year-end rate	-682	-2'179	-165	-5
Additions for the year	0	575	280	4'613
Transfer between items	102	2'717	361	-3'180
Disposals for the year	-54	-541	-319	0
Cost at 31 December	56'742	204'219	10'113	5'417
Depreciation at 1 January	21'600	109'846	7'376	0
Exchange adjustment at year-end rate	-418	-1'837	-132	0
Depreciation for the year	2'292	14'543	939	0
Disposals for the year	-23	-421	-282	0
Depreciation at 31 December	23'451	122'131	7'901	0
Carrying amount at 31 December	**33'291**	**82'088**	**2'212**	**5'417**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2018 includes interest of CHF 996k.

The carrying amount of plant and machinery at 31 December 2018 includes interest of CHF 2.012k.

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' 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 remaining useful life. 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.

15 Property, plant and equipment
(continued)

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
	CHF '000	CHF '000	CHF '000	CHF '000
2017				
Cost at 1 January	57'154	198'110	9'060	3'007
Exchange adjustment at year-end rate	143	-365	139	6
Additions for the year	0	710	328	6'908
Transfer between items	100	5'263	569	-5'932
Disposals for the year	-21	-71	-140	0
Cost at 31 December	57'376	203'647	9'956	3'989
Depreciation at 1 January	18'834	93'768	6'326	0
Exchange adjustment at year-end rate	500	2'086	161	0
Depreciation for the year	2'272	14'022	995	0
Disposals for the year	-6	-30	-106	0
Depreciation at 31 December	21'600	109'846	7'376	0
Carrying amount at 31 December	**35'776**	**93'801**	**2'580**	**3'989**
Depreciated over	**30-50 years**	**5-15 years**	**3-10 years**	

The carrying amount of buildings at 31 December 2017 includes interest of CHF 1.036k.

The carrying amount of plant and machinery at 31 December 2017 includes interest of CHF 2.206k.

As per 31 December 2017 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 remaining useful life. The cash flow projections are based on the budget for 2018 adjusted for full year effect of the expected improvements in 2018 and slightly increasing quantities in 2019.

Notes to the Annual Report, Group

	2018 CHF '000	2017 CHF '000

16 Inventories

	2018 CHF '000	2017 CHF '000
Raw materials and consumables	8'825	7'882
Finished goods	20'285	17'951
	29'110	**25'833**
Raw materials and consumables expensed for the year	199'445	185'828
Inventories expected to be sold after more than 1 year amount to	0	0
Write-down on inventories for the year amounts to	909	911
Reversed write-down on inventories for the year amounts to	313	892

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

17 Corporation tax

	2018 CHF '000	2017 CHF '000
Corporation tax receivable at 1 January	218	41
Exchange adjustment at year-end rate	-7	8
Tax on operating profit, see note 13	-62	-75
Tax refunded/paid	156	244
Corporation tax receivable at 31 December	**305**	**218**

18 Receivables

	2018 CHF '000	2017 CHF '000
Trade receivables	51'510	47'199
Bad debt provision	-387	-269
Trade receivables, net	51'123	46'930
Other receivables	6'779	7'277
	57'902	**54'207**

Bad debt provision

	2018 CHF '000	2017 CHF '000
Bad debt provision at 1 January	269	268
Exchange adjustment at year-end rate	1	1
Additions for the year	163	0
Disposals for the year:		
- Applied	-6	0
- Reversed	-40	0
Bad debt provision at 31 December	**387**	**269**

Please refer to note 30 for credit quality information.

	2018 CHF '000	2017 CHF '000

19 Share capital

Share capital has developed as follows:

	2018 CHF '000	2017 CHF '000
1 January	250	250
Increase during the year	0	0
31 December	**250**	**250**

20 Bond

On March 31, 2017, a Group 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 Group Company tapped an amount of EUR 27.5 million on the bonds. The net proceeds of the tap issue were used to repay term loans granted by credit institution and for general corporate purposes.

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

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

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

The bonds are subject to 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.

	2018	2017
	CHF '000	CHF '000

21 Deferred tax

	2018	2017
Deferred tax at 1 January	-1'400	4'678
Exchange adjustment at year-end rate	40	-7
Change in deferred tax, see note 13	539	-6'071
Deferred tax at 31 December	**-821**	**-1'400**
Deferred tax relates to:		
Inventories	-106	-170
Other assets	285	276
Other liabilities	-940	-380
Current part	**-761**	**-274**
Intangible assets	-656	-714
Property, plant and equipment	8'009	12'409
Other liabilities	-103	-399
Tax loss carry-forward	-7'310	-13'886
Retaxation relating to utilised losses in foreign subsidiary	0	1'464
Non-current part	**-60**	**-1'126**
Deferred tax, net	**-821**	**-1'400**
which breaks down as follows:		
Deferred tax asset	-826	-2'452
Provisions for deferred tax liability	5	1'052
	-821	**-1'400**
Unrecognized deferred tax asset	**9'454**	**4'211**

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.

Three of the entities to which the tax loss carry-forward relates to were not profitable in 2018. 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 2019 and the expected development over the next years.

Notes to the Annual Report, Group

22 Other staff obligations

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

The provision for other staff obligations primarily includes seniority based bonuses for employees calculated by an actuary taking into account the expected turnover among employees, wage increases etc. A discount factor of 1,68% has been used against 1,30% in 2017.

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.

	2018	2017
	CHF '000	CHF '000
Balance at 1 January	1'059	941
Exchange adjustment at year-end rate	-41	83
Additions for the year	208	68
Disposals for the year	-102	-34
Discount effect	-33	1
Balance at 31 December	**1'091**	**1'059**

23 Provisions for other liabilities and charges

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

Balance at 1 January	976	1'019
Exchange adjustment at year-end rate	4	-43
Additions for the year	0	0
Balance at 31 December	**980**	**976**

24 Credit institutions

Payment due later than 5 years	0	0
Payment due 1-5 years	0	13'485
Non-current credit institutions	**0**	**13'485**
Payment due within 1 year	20'127	27'757
	20'127	**41'242**

Credit institutions primarily includes revolving credits granted to the Plants in Soultz, France and Asheville, NC, USA with a total of CHF 20m. These revolving credits are EUR and USD denominated and with variable interest.

Notes to the Annual Report, Group

24 Credit institutions (continued)

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

	2018	2017
	CHF '000	CHF '000

25 Corporation tax

	2018 CHF '000	2017 CHF '000
Accrued corporation tax at 1 January	2'258	2'734
Exchange adjustment at year-end rate	-4	141
Tax on operating profit, see note 13	2'095	2'253
Tax paid	-2'209	-2'870
Accrued corporation tax at 31 December	**2'140**	**2'258**

26 Cash flow statement - adjustments non-cash items

	2018 CHF '000	2017 CHF '000
Financial income	-2'734	-994
Financial expenses	9'220	16'975
Depreciation, amortisation and impairment losses, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	19'982	19'345
Tax on profit for the year	2'696	-3'416
	29'164	**31'910**

27 Cash flow statement - change in working capital

	2018 CHF '000	2017 CHF '000
Change in inventories	-3'715	-49
Change in receivables	-4'465	-3'449
Change in other provisions	75	34
Change in payables	494	-3'052
	-7'611	**-6'516**

Notes to the Annual Report, Group

	2018	2017
	CHF '000	CHF '000

28 Contingent liabilities and other financial obligations

Mortgages

As security for credit institution, mortgage deeds registered to the mortgagor have been issued totalling	9'805	85'180

The mortgage deeds registered to the mortgagor are secured on land and buildings as well as the related plant and machinery at a carrying amount of CHF 85.248k (at 31 December 2017: CHF 93.208k).

As security for credit institution, a mortgage on movable property has been issued totalling	0	702

The mortgage deed on movable property is secured on intangible fixed assets and property plant and machinery at a carrying amount of CHF 0k (at 31 December 2017: CHF 12.161k).

As security for credit institutions, security has moreover been provided in current assets at a carrying amount of CHF 28.320k (at 31 December 2017: CHF 24.586k).

Obligations under operating leases

Obligations under operating leases primarily comprise agreements entered into concerning the lease of operational equipment. The leases run until January 2022 at the latest.

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

Minimum payments	2018	2017
	CHF '000	CHF '000
0-1 year	207	146
1-5 years	427	18
>5 years	0	0
	634	**164**

Lease expenses recognised amount to CHF 217k (2017: CHF 133k).

Notes to the Annual Report, Group

28 Contingent liabilities and other financial obligations (continued)

Obligations under rental agreements

Obligations under rental agreements primarily comprise agreements entered into concerning the renting of warehouse and office space. The rentals run until February 2028 at the latest.

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

Minimum payments	2018	2017
	CHF '000	CHF '000
0-1 year	2'319	2'495
1-5 years	7'316	8'072
>5 years	2'540	3'338
	12'175	**13'905**

Rental expenses recognised amount to CHF 2.696k (2017: CHF 2.586k).

Contractual obligations

The Group has entered into agreements on delivery of property, plant and equipment with a remaining obligation of	701	1'147

Taxes

The Parent has recorded a capital tax provision amounting to CHF 63k for the year ended 31 December 2017 and a capital tax provision amounting to CHF 63k for the year ended 31 December 2018. Expense resulting from net additions to the capital tax accrual is disclosed in the income statement in financial statement line item 'Administrative expenses'. The accrual for 2017 and 2018 was calculated by management based on the classification of the Parent Company as subject to ordinary taxation for income tax purposes and privileged taxation for capital tax purposes. The classification is challenged by the Basel City Tax Authorities as of the period ended 31 December 2017. The tax authorities do not agree with an ordinary taxation for income tax purposes and privileged taxation for capital tax purposes. Contingent on the outcome of discussions between the Parent and the Basel City Tax Authorities, the Parent is potentially liable to pay an estimated amount of CHF 632k in capital taxes for the year ended 31 December 2017 and CHF 658k in capital taxes for the year ended 31 December 2018. This represents an additional CHF 1.164k in potential capital tax liabilities as of 31 December 2018 contingent on the outcome of discussions with the Basel City Tax Authorities As of the period ended 31 December 2018, management has not provided for this additional potential liability of CHF 1.164k in the financial statements of the Parent due to the uncertainty associated with the outcome.

Notes to the Annual Report, Group

29 Financial risks

Credit risk

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

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

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

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

Credit quality

The Group has a factoring agreement in place for one of the plants, which does not qualify for derecognition. The total amount included under the factoring agreement amounts to CHF 11m (2017: CHF 9m), of which an amount of approx. CHF 9m (2017: CHF 8m) is covered by credit insurance. The associated liability amounts to CHF 10m (2017: CHF 9m).

Other trade receivables are not covered by credit insurance

Generally the Group's trade receivables is concentrated on a smaller number of customers of which several are highly rated large multinational customers which supports the low bad debt provision as expected future losses are low. Management believes that adequate provisions for losses have been made.

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

CHF '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not subject to impairment	5'258	946	176	254	6'634
Overdue receivables subject to impairment	0	0	0	402	402
	5'258	946	176	656	7'036
Bad debt provision	0	0	0	-387	-387
	5'258	946	176	269	6'649

Notes to the Annual Report, Group

29 Financial risks (continued)

The overdue balance on trade receivables is specified as follows at 31 December 2017:

CHF '000	0-15 days	16-30 days	31-45 days	> 45 days	Total
Overdue receivables not subject to impairment	4'110	393	211	360	5'074
Overdue receivables subject to impairment	0	0	0	269	269
	4'110	393	211	629	5'343
Bad debt provision	0	0	0	-269	-269
	4'110	393	211	360	5'074

Liquidity risk

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

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

There were no covenant breaches during 2018.

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

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

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

Notes to the Annual Report, Group

29 Financial risks (continued)

2018

CHF '000	< 1 year	1-5 years	>5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:							
Bond	6'624	156'892	0	163'516	0	141'993	138'925
Credit institutions	20'127	0	0	20'127	0	20'127	20'127
Trade payables	26'609	0	0	26'609	0	26'609	26'609
Other short-term liabilities	15'047	0	0	15'047	0	15'047	15'047
Financial liabilities	**68'407**	**156'892**	**0**	**225'299**	**0**	**203'776**	**200'708**
Trade receivables	51'510	0	0	51'510	0	51'510	51'123
Other receivables	7'084	237	0	7'321	0	7'321	7'321
Cash at bank and in hand	12'004	0	0	12'004	0	12'004	12'004
Financial assets	**70'598**	**237**	**0**	**70'835**	**0**	**70'835**	**70'448**
Net cash outflow	**2'191**	**-156'655**	**0**	**-154'464**	**0**	**-132'941**	**-130'260**
Bonds at fair value through profit and loss	**10'370**	**0**	**0**	**10'370**	**0**	**10'370**	**10'370**
Unutilised credits						8'441	8'441

2017

CHF '000	< 1 year	1-5 years	>5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:							
Bond	4'390	129'751	0	134'141	0	115'488	118'463
Credit institutions	28'389	13'754	0	42'143	0	41'242	41'242
Trade payables	27'056	0	0	27'056	0	27'056	27'056
Other short-term liabilities	14'631	0	0	14'631	0	14'631	14'631
Financial liabilities	**74'466**	**143'505**	**0**	**217'971**	**0**	**198'417**	**201'392**
Trade receivables	47'199	0	0	47'199	0	47'199	46'930
Other receivables	7'495	604	0	8'099	0	8'099	8'099
Cash at bank and in hand	20'747	0	0	20'747	0	20'747	20'747
Financial assets	**75'441**	**604**	**0**	**76'045**	**0**	**76'045**	**75'776**
Net cash outflow	**975**	**-142'901**	**0**	**-141'926**	**0**	**-122'372**	**-125'616**
Bonds at fair value through profit and loss	**1'333**	**0**	**0**	**1'333**	**0**	**1'333**	**1'333**
Unutilised credits						7'279	7'279

Notes to the Annual Report, Group

29 Financial risks (continued)

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

Market risk

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

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

Based on interest-bearing debt at the balance sheet date, an increase in the EUR market rate by 1% would decrease the profit for the year before tax of CHF 1.545k (2017: CHF 1.142k) 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 CHF 88k (2017: CHF 256k) 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 2018

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

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit-institutions	Net position
USD	< 1 year	72'044	-22'861	7'243	56'426
USD	> 1 year	0	-4'576	0	-4'576
EUR	< 1 year	6'658	-4'469	2'169	4'358
EUR	> 1 year	0	0	-143'222	-143'222
CHF	< 1 year	12'527	0	4	12'531
JPY	< 1 year	804	-43	152	913
Other	< 1 year	0	-165	79	-86
		92'033	-32'114	-133'575	-73'656

Notes to the Annual Report, Group

29 Financial risks (continued)

Exposure at 31 December 2017

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bond, bank and credit- institutions	Net position
USD	< 1 year	53'448	-18'968	13'174	47'654
USD	> 1 year	0	-4'138	0	-4'138
EUR	< 1 year	7'867	-7'008	2'741	3'600
EUR	> 1 year	0	0	-117'058	-117'058
CHF	< 1 year	13'417	-11	1	13'407
JPY	< 1 year	901	0	756	1'657
Other	< 1 year	0	-118	419	301
		75'633	-30'243	-99'967	-54'577

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 EUR.

A 10% increase in USD compared to the exchange rate at 31 December 2018 towards all other currencies will entail a positive change of profit for the year before tax of CHF 5.185k (2017: positive change of CHF 4.352k) and a similar effect on equity.

A 10% increase in EUR compared to the exchange rate at 31 December 2018 towards all other currencies will entail a negative change of profit for the year before tax of CHF 13.886k (2017: negative change of CHF 11.346k) and a similar effect on equity.

Capital management

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

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

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

Notes to the Annual Report, Group

30 Related parties

	Basis
Controlling interest	
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Martin Mikkelsen, Malmøgade 9, DK-2100 København	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
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

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

Purchases of management services amounted to CHF 0k (2017: CHF 181k) in financial year 2018.

The Group has charged management services in the amount of CHF 100k (2017: CHF 97k) to Dønnerup A/S. Dønnerup A/S has charged rental expenses in the amount of CHF 106k (2017: CHF 101k).

31 Development costs

Development costs for the year recognised in the income statement under production costs amount to CHF 2.000k in 2018 against CHF 2.087k in 2017.

32 Post balance sheet events

There have been no material events after the balance sheet date.

Report on the Review

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

Basel

Introduction

We have reviewed the accompanying financial statements (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes) of Jacob Holm & Sons AG for the period ended 31 December 2018. The Board of Directors is responsible for the preparation and presentation of this financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this financial statements based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

Thomas Brüderlin

Alexandra Fronckowiak

Basel, 25 April 2019

Enclosure:

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

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, CH-4002 Basel, Switzerland
Telefon: +41 58 792 51 00, Telefax: +41 58 792 51 10, www.pwc.ch

Parent Company Income Statement 1 January - 31 December

	Note	2018	2017
		CHF '000	CHF '000
Revenue	1	**8'225**	**10'349**
Cost of goods sold	2	-966	-997
Gross profit		**7'259**	**9'352**
Sales and marketing expenses	2	-1'153	-1'434
Administrative expenses	2	-4'901	-5'167
Operating profit		**1'205**	**2'751**
Other operating income and expenses		38	0
Profit before financial income and expenses and special items		**1'243**	**2'751**
Special items, net	3	-467	0
Dividend income	5	4'013	3'598
Financial income	6	519	530
Financial expenses	7	-193	-10
Profit before tax		**5'115**	**6'869**
Tax on profit for the year	8	546	596
Net profit for the year		**4'569**	**6'273**

Parent company Statement of Comprehensive Income 1 January - 31 December

Net profit for the year	4'569	6'273
Comprehensive income	**4'569**	**6'273**

Parent Company Balance Sheet at 31 December

Assets

	Note	2018	2017
		CHF '000	CHF '000
Patents and trademarks		1'928	2'069
Software		65	123
Intangible fixed assets under construction		60	39
Intangible fixed assets	9	**2'053**	**2'231**
Other fixtures and fittings, tools and equipment		406	399
Property, plant and equipment	10	**406**	**399**
Investments in subsidiaries	11	122'850	122'850
Other receivables		63	63
Financial fixed assets		**122'913**	**122'913**
Non-current assets		**125'372**	**125'543**
Receivables from related companies		0	485
Other receivables		2'700	4'926
Prepayments		4	9
Receivables		**2'704**	**5'420**
Cash and cash equivalents		**331**	**235**
Current assets		**3'035**	**5'655**
Assets		**128'407**	**131'198**

Parent Company Balance Sheet at 31 December

Equity and liabilities

	Note	2018	2017
		CHF '000	CHF '000
Share capital	12	250	250
Retained earnings		125'318	128'751
Equity		**125'568**	**129'001**
Trade payables		75	62
Payables to related companies		5	0
Corporation tax	13	930	593
Other payables		1'829	1'542
Current liabilities		**2'839**	**2'197**
Liabilities		**2'839**	**2'197**
Equity and liabilities		**128'407**	**131'198**

Contingent liabilities	16
Financial risks	17
Related parties	18

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

	Share capital	Retained earnings	Total
	CHF '000	CHF '000	CHF '000
Equity			
Equity at 1 January 2018	250	128'751	129'001
Comprehensive income for the year	0	4'569	4'569
Dividends	0	-8'002	-8'002
Equity at 31 December 2018	**250**	**125'318**	**125'568**
Equity at 1 January 2017	250	130'060	130'310
Comprehensive income for the year	0	6'273	6'273
Dividends	0	-7'582	-7'582
Equity at 31 December 2017	**250**	**128'751**	**129'001**

Parent Company Cash Flow Statement

	Note	2018	2017
		CHF '000	CHF '000
Net profit for the year		4'569	6'273
Adjustments of non-cash items	14	586	477
Change in working capital	15	2'530	-879
Cash flows from operating activities before financial income and expenses and special items		7'685	5'871
Financial income received		519	530
Financial expenses paid		-193	-10
Corporation tax paid		-209	0
Cash flows from operating activities		**7'802**	**6'391**
Purchase of intangible fixed assets		-53	-180
Purchase of property, plant and equipment		-209	-71
Sale of property, plant and equipment		68	0
Cash flows from investing activities		**-194**	**-251**
Increase in accounts with group companies		490	1'144
Decrease in accounts with group companies		0	-565
Dividend paid		-8'002	-7'582
Cash flows from financing activities		**-7'512**	**-7'003**
Change in cash and cash equivalents		**96**	**-863**
Cash and cash equivalents at 1 January		235	1'098
Cash and cash equivalents at 31 December		**331**	**235**

Notes to the Annual Report, Parent Company

	2018	2017
	CHF '000	CHF '000

1 Revenue

	2018	2017
Royalty fee	4'017	5'825
Management fee	4'208	4'524
	8'225	**10'349**

2 Expenses classified by type

	2018	2017
Production costs	966	997
Cost of goods sold	966	997
Sales and marketing expenses	1'153	1'434
Administrative expenses	4'901	5'167
Other income and expenses	-38	0
Special items, net	467	0
	7'449	**7'598**
Classified by type as follows:		
Other external expenses	1'892	2'786
Staff expenses	5'153	4'411
Depreciation and amortisation	404	401
	7'449	**7'598**

3 Special items, net

Special items, costs:

	2018	2017
Due diligence	467	0
	467	**0**

Special items, are primarily external expenses.

Notes to the Annual Report, Parent Company

		2018	2017
		CHF '000	CHF '000
4	**Staff expenses**		
	Wages and salaries	4'537	3'870
	Pensions	230	212
	Other social security expenses	386	329
		5'153	**4'411**
	Average number of full-time employees	**21**	**19**
	Staff expenses are distributed on the individual cost groups as follows:		
	Cost of goods sold	711	547
	Sales and marketing expenses	803	688
	Administrative expenses	3'639	3'176
		5'153	**4'411**
5	**Dividend income**		
	Jacob Holm & Sønner Holding A/S	4'013	3'598
		4'013	**3'598**
6	**Financial income**		
	Exchange adjustments	0	83
	Commission from guarantee	519	447
		519	**530**
7	**Financial expenses**		
	Interest	0	10
	Exchange adjustments	186	0
	Other financial expenses	7	0
		193	**10**

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

Notes to the Annual Report, Parent Company

8 Tax on profit for the year

	2018 CHF '000	2017 CHF '000
Current tax on profit for the year	292	383
Adjustment tax previous years	254	213
	546	**596**
Tax on profit for the year is specified as follows:		
Calculated 22,2% / 11% tax on profit for the year before tax	1'135	756
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	-843	-373
Adjustment tax previous years	254	213
	546	**596**
Effective tax rate for the year	**10.67%**	**8.68%**

9 Intangible fixed assets

	Patents and trademarks CHF '000	Software CHF '000	Intangible fixed assets under construction CHF '000
2018			
Cost at 1 January	2'553	210	39
Additions for the year	0	5	49
Transfer between items	28	0	-28
Disposals for the year	0	0	0
Cost at 31 December	2'581	215	60
Amortisation at 1 January	484	87	0
Amortisation for the year	169	63	0
Disposals for the year	0	0	0
Amortisation at 31 December	653	150	0
Carrying amount at 31 December	**1'928**	**65**	**60**
Amortised over	**10-20 years**	**3-5 years**	
2017			
Cost at 1 January	2'286	119	222
Additions for the year	0	96	84
Transfer between items	267	0	-267
Disposals for the year	0	-5	0
Cost at 31 December	2'553	210	39
Amortisation at 1 January	320	44	0
Amortisation for the year	164	48	0
Disposals for the year	0	-5	0
Amortisation at 31 December	484	87	0
Carrying amount at 31 December	**2'069**	**123**	**39**
Amortised over	**10-20 years**	**3-5 years**	

Notes to the Annual Report, Parent Company

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	CHF '000
2018	
Cost at 1 January	1'325
Additions for the year	209
Disposals for the year	-288
Cost at 31 December	1'246
Depreciation at 1 January	926
Depreciation for the year	172
Disposals for the year	-258
Depreciation at 31 December	840
Carrying amount at 31 December	**406**
Depreciated over	**3-10 years**
2017	
Cost at 1 January	1'281
Additions for the year	71
Disposals for the year	-27
Cost at 31 December	1'325
Depreciation at 1 January	764
Depreciation for the year	189
Disposals for the year	-27
Depreciation at 31 December	926
Carrying amount at 31 December	**399**
Depreciated over	**3-10 years**

Notes to the Annual Report, Parent Company

11 Investments in subsidiaries

	Share capital	Currency	Ownership %	Equity
	'000			CHF '000
Jacob Holm & Sønner Holding A/S, Denmark	1'000	DKK	100%	44'879
				44'879

	2018	2017
	CHF '000	CHF '000
Cost at 1 January	122'850	122'850
Additions for the year	0	0
Cost at 31 December	122'850	122'850

12 Share capital

Share capital has developed as follows:

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

13 Corporation tax

Accrued corporation tax at 1 January	593	0
Tax on operating profit, see note 8	292	380
Adjustment of tax previous years	254	213
Tax paid	-209	0
Accrued corporation tax at 31 December	**930**	**593**

Notes to the Annual Report, Parent Company

	2018	2017
	CHF '000	CHF '000

14 Cash flow statement - adjustments of non-cash items

	2018	2017
Financial income	-519	-530
Financial expenses	193	10
Depreciation, amortisation and impairment losses, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	366	401
Tax on profit for the year	546	596
	586	**477**

15 Cash flow statement - change in working capital

	2018	2017
Change in receivables	2'230	-385
Change in payables	300	-494
	2'530	**-879**

16 Contingent liabilities

	2018	2017
As security for a bond issued by the Subsidiary, the Company is guaranteeing	143'222	117'058

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

	2018	2017
As security for credit institution, the Company has provided surety with a maximum amount of	5'883	5'858

Obligations under rental agreements

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

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

Minimum payments

	2018	2017
0-1 year	112	112
1-5 years	28	141
>5 years	0	0
	140	**253**

Rental expenses recognised amount to CHF 112k (2017: CHF 112k)

Notes to the Annual Report, Parent Company

16 Contingent liabilities (continued)

Taxes

The Company has recorded a capital tax provision amounting to CHF 63k for the year ended 31 December 201' and a capital tax provision amounting to CHF 63k for the year ended 31 December 2018. Expense resulting from net additions to the capital tax accrual is disclosed in the income statement in financial statement line item 'Administrative expenses'. The accrual for 2017 and 2018 was calculated by management based on the classification of the Company as subject to ordinary taxation for income tax purposes and privileged taxation for capital tax purposes. The classification is challenged by the Basel City Tax Authorities as of the period ended 31 December 2017. The tax authorities do not agree with an ordinary taxation for income tax purposes and privileged taxation for capital tax purposes. Contingent on the outcome of discussions between the Company and the Basel City Tax Authorities, the Company is potentially liable to pay an estimated amount of CHF 632k in capital taxes for the year ended 31 December 2017 and CHF 658k in capital taxes for the year ended 31 December 2018. This represents an additional CHF 1.164k in potential capital tax liabilities as of 31 December 2018 contingent on the outcome of discussions with the Basel City Tax Authorities.As of the period ended 31 December 2018, management has not provided for this additional potential liability of CHF 1.164k in the financial statements of the Company due to the uncertainty associated with the outcome.

17 Financial risks

Credit risk

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

Liquidity risk

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

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

2018

CHF '000

	< 1 year	1-5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:						
Payables to related companie	5	0	5	0	5	5
Trade payables	75	0	75	0	75	75
Other short-term liabilities	2'759	0	2'759	0	2'759	2'759
Financial liabilities	**2'839**	**0**	**2'839**	**0**	**2'839**	**2'839**
Other receivables	2'700	63	2'763	0	2'763	2'763
Cash at bank and in hand	331	0	331	0	331	331
Financial assets	**3'031**	**63**	**3'094**	**0**	**3'094**	**3'094**
Net cash in-flow	**192**	**63**	**255**	**0**	**255**	**255**

Notes to the Annual Report, Parent Company

17 Financial risks (continued)

2017

CHF '000

	< 1 year	1-5 years	Total	Repayment not finally agreed	Carrying amount	Fair value
Measured at amortised cost:						
Trade payables	62	0	62	0	62	62
Other short-term liabilities	2'134	0	2'134	0	2'134	2'134
Financial liabilities	**2'196**	**0**	**2'196**	**0**	**2'196**	**2'196**
Receivables from related companies	485	0	485	0	485	485
Other receivables	4'926	63	4'989	0	4'989	4'989
Cash at bank and in hand	235	0	235	0	235	235
Financial assets	**5'646**	**63**	**5'709**	**0**	**5'709**	**5'709**
Net cash in-flow	**3'450**	**63**	**3'513**	**0**	**3'513**	**3'513**

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

Market risk

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

Exposure at 31 December 2018:

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bank and credit-institutions	Net position
USD	< 1 year	0	-5	36	31
EUR	< 1 year	31	-368	136	-201
Other	< 1 year	0	-73	0	-73
		31	-446	172	-243

Notes to the Annual Report, Parent Company

17 Financial risks (continued)

Exposure at 31 December 2017:

CHF '000

Currency	Payment/ expiry	Receivables	Payables	Bank and credit-institutions	Net position
USD	< 1 year	0	-6	14	8
EUR	< 1 year	482	-254	148	376
Other	< 1 year	0	-35	1	-34
		482	-295	163	350

A 10% increase in USD towards all currencies would mean a positive change in net position of CHF 3k (2017: a positive change of CHF 1k) respectively, which would affect the profit for the year before tax and corresponding impact on equity.

A 10% increase in EUR towards all currencies would mean a negative change in net position of CHF 20k (2017: a positive change of CHF 38k), which would affect the profit for the year before tax and corresponding impact on equity.

Capital management

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

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

Notes to the Annual Report, Parent Company

18 Related parties

	Basis
Controlling interest	
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Martin Mikkelsen, Malmøgade 9, DK-2100 København	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
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

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

Purchases of management services amounted to CHF 0k (2017: CHF 181) in financial year 2018.

Further, the Financial Statements includes a financial income of CHF 519k (2017: CHF 447k) from guarantee fee charges related to the guarantee regarding the Bond issued by Jacob Holm & Sønner Holding A/S. The Company is guaranteeing an amount of up to EUR 127,5m (2017: EUR 100m).

	2018 CHF '000	2017 CHF '000
Receivables from related companies		
Jacob Holm & Sønner Holding A/S	0	11
Jacob Holm Industries (France) SAS	0	474
	0	**485**
Payables to related companies		
Sontara Old Hickory, Inc.	5	0
	5	**0**