

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

October 29, 2021

Glatfelter Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania	001-03560	23-0628360
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
4350 Congress Street, Suite 600, Charlotte, North Carolina		28209
(Address of principal executive offices)		(Zip Code)
Registrant's telephone number, including area code:		704 885-2555
	(N/A)	

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GLT	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

On October 29, 2021, Glatfelter Corporation (“Glatfelter”) filed a Current Report on Form 8-K (the “Initial Form 8-K”) to report the completion of the acquisition (the “Acquisition”) of all of the outstanding equity interests of PMM Holding (Luxembourg) AG (the “Acquired Company” or “Jacob Holm”), pursuant to a previously announced Share Purchase Agreement, dated July 22, 2021, between PHG Tea Leaves, Inc., a Delaware corporation and a wholly-owned subsidiary of Glatfelter, Ammon Ammon AG, a Liechtenstein company (the “Seller”), and the ultimate owners of the Seller. The Acquired Company is the parent company of the Jacob Holm Group. The Initial Form 8-K stated that the historical financial statements of the Acquired Company and pro forma financial information related to the Acquisition would be filed, as permitted under Items 9.01(a) and 9.01(b), by an amendment to the Initial Form 8-K.

This amendment to the Initial Form 8-K on Form 8-K/A amends and supplements the Initial Form 8-K to include the financial statements of the Acquired Company and pro forma financial information as described in Items 9.01(a) and 9.01(b). No other amendments are being made to the Initial Form 8-K. This Current Report on Form 8-K/A should be read in conjunction with the Initial Form 8-K, which provides a more complete description of the Acquisition.

The pro forma financial information included in this Form 8-K/A has been presented for informational purposes only, are based on various adjustments and assumptions and is not necessarily indicative of what the Company’s consolidated statement of operations or consolidated statement of financial condition would have been had the Acquisition and other adjustments been completed as of the dates indicated or will be for any future periods.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of Jacob Holm as of and for the years ended December 31, 2020 and 2019 are filed herewith as Exhibit 99.1 and are incorporated in their entirety herein by reference.

The unaudited consolidated financial statements of Jacob Holm as of and for the six months ended June 30, 2021 are filed herewith as Exhibit 99.2 and are incorporated in their entirety herein by reference.

(b) Pro Forma Financial Information.

Unaudited pro forma financial information as of and for the six months ended June 30, 2021 and for the year ended December 31, 2020 are attached hereto as Exhibit 99.3 and are incorporated in their entirety herein by reference.

(d) Exhibits.

23.1 [Consent of PwC](#)

99.1 [Audited consolidated financial statements Jacob Holm as of December 31, 2020 and 2019 and for the years then ended.](#)

99.2 [Unaudited financial statements of Jacob Holm as of June 30, 2021 and for the six month periods ended June 30, 2021 and 2020.](#)

99.3 [Unaudited condensed combined financial information for the year ended December 31, 2020 and as of and for the six months ended June 30, 2021.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Glatfelter Corporation

January 14, 2022

By: /s/ David C. Elder

Name: David C. Elder

Title: Vice President, Finance and Chief Accounting Officer
(Principal accounting officer)

[logo]

14 January 2022

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-256819) and on Form S-8 (Nos. 33-62331, 333-217883, 333-26587, 333-160310, 333-124485 and 333-188910) of Glatfelter Corporation of our report dated 23 September 2021 relating to the financial statements of PMM Holding (Luxembourg) AG, which appears in this Current Report on Form 8-K/A.

/s/ Patrick Schon

PricewaterhouseCoopers, Société coopérative
Luxembourg, Grand Duchy of Luxembourg

PMM Holding (Luxembourg) AG

Consolidated financial statements 2020 and 2019

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Report of Independent Auditors

To the Board of Directors of
PMM Holding (Luxembourg) AG

We have audited the accompanying consolidated financial statements of PMM Holding (Luxembourg) AG and its subsidiaries (the “Company”), which comprise the consolidated balance sheet as of 31 December 2020 and 2019 and the related consolidated income statements, statements of comprehensive income, of changes in equity and of cash flows for the years then ended and the related notes to the consolidated financial statements.

Responsibility of the Board of Directors of the Company for the consolidated financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the IASB; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477—TVA LU25482518*



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PMM Holding (Luxembourg) AG as of 31 December 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the IASB.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 23 September 2021

/s/ Patrick Schon

PMM Holding (Luxembourg) AG
Consolidated Income Statement 1 January—31 December

	<u>Note</u>	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Revenue	4	353.904	304.100
Cost of goods sold	5	(296.752)	(281.566)
Gross profit		57.152	22.534
Sales and marketing expenses	5	(7.540)	(6.782)
Administrative expenses	5	(18.909)	(17.114)
Operating profit / loss		30.703	(1.362)
Other operating income and expenses	10	(50)	127
Profit / loss before financial income and expenses and special items		30.653	(1.235)
Special items, net	6	(1.694)	(267)
Financial income	11	219	2.203
Financial expenses	12	(14.008)	(7.752)
Profit / loss before tax		15.170	(7.051)
Tax on result for the year	13	(4.626)	(616)
Net profit / loss for the year		10.544	(7.667)

Consolidated Statement of Comprehensive Income 1 January—31 December

	<u>2020</u> <u>EUR '000</u>	<u>2019</u> <u>EUR '000</u>
Statement of Comprehensive Income 1 January—31 December		
Net profit / loss for the year	10.544	(7.667)
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange adjustment, foreign companies	(4.351)	1.935
Comprehensive income	<u>6.193</u>	<u>(5.732)</u>

PMM Holding (Luxembourg) AG
Consolidated Balance Sheet at 31 December

	<u>Note</u>	<u>2020</u> EUR '000	<u>2019</u> EUR '000	<u>January 1 2019</u> EUR '000
Assets				
Goodwill		0	0	0
Customer lists, know-how, patents, licenses and trademarks		2.279	2.530	2.672
Software		1.603	1.932	2.274
Intangible fixed assets under construction		552	131	182
Intangible fixed assets	14	4.434	4.593	5.128
Land and buildings	15	27.450	30.177	29.636
Plant and machinery	15	67.807	76.285	73.077
Other fixtures and fittings, tools and equipment	15	1.674	1.676	1.970
Property, plant and equipment under construction	15	12.143	3.576	4.822
Right of use assets	16	5.680	8.039	9.936
Property, plant and equipment		114.754	119.753	119.441
Other receivables		488	535	211
Deferred tax asset	23	464	499	731
Non-current assets		120.140	125.380	125.511
Inventories	17	24.235	25.812	25.914
Corporation tax	18	499	817	319
Trade receivables	19	32.387	28.041	45.511
Bonds and shares at fair value through profit or loss		0	0	9.232
Other receivables	19	7.002	5.446	6.041
Prepayments		704	575	462
Receivables and others		40.592	34.879	61.565
Cash at bank and in hand		20.606	13.935	10.708
Current assets		85.433	74.626	98.187
Total assets		205.573	200.006	223.698
Equity and liabilities				
Share capital	20	323	323	323
Share premium and similar premiums		64.792	64.792	64.792
Legal reserve		32	32	32
Exchange adjustments		1.511	5.862	3.927
Retained earnings		(42.750)	(53.294)	(38.727)
Equity		23.908	17.715	30.347
Bond	21	127.077	126.743	126.406
Lease liabilities	22	4.316	6.551	8.163
Provisions for other staff obligations	24	1.520	1.281	971
Provisions for other liabilities and charges	25	0	0	873
Non-current liabilities		132.913	134.575	136.413
Current portion of non-current liabilities		0	0	50
Current portion of lease liabilities	22	1.690	1.722	1.773
Credit institutions	26	9.930	7.709	17.868
Trade payables		19.594	17.740	23.710
Payables, plant and machinery		105	343	230
Payables to shareholder	33	251	7.093	80
Corporation tax	27	3.796	405	1.905
Other payables		13.386	12.704	11.322
Current liabilities		48.752	47.716	56.938
Total liabilities		181.665	182.291	193.351
Total equity and liabilities		205.573	200.006	223.698

PMM Holding (Luxembourg) AG
Consolidated Statement of Changes in Equity

	<u>Note</u>	<u>Share capital</u> EUR '000	<u>Share premium and similar premiums</u> EUR '000	<u>Legal reserve</u> EUR '000	<u>Exchange adjustments</u> EUR '000	<u>Retained earnings</u> EUR '000	<u>Total</u> EUR '000
Equity							
Equity at 1 January 2020		323	64.792	32	5.862	(53.294)	17.715
Comprehensive income for the year		0	0	0	(4.351)	10.544	6.193
Dividend		0	0	0	0	0	0
Equity at 31 December 2020	20	<u>323</u>	<u>64.792</u>	<u>32</u>	<u>1.511</u>	<u>(42.750)</u>	<u>23.908</u>
Equity at 1 January 2019		323	64.792	32	3.927	(38.727)	30.347
Comprehensive income for the year		0	0	0	1.935	(7.667)	(5.732)
Dividend		0	0	0	0	(6.900)	(6.900)
Equity at 31 December 2019	20	<u>323</u>	<u>64.792</u>	<u>32</u>	<u>5.862</u>	<u>(53.294)</u>	<u>17.715</u>

PMM Holding (Luxembourg) AG
Consolidated Cash Flow Statement

	<u>Note</u>	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Net profit / loss for the year		10.544	(7.667)
Adjustments of non-cash items	28	29.927	25.284
Change in working capital	29	(1.058)	13.585
Cash flows from operating activities before financial income and expenses and tax		39.413	31.202
Financial income received		213	1.086
Financial expenses paid		(7.791)	(7.403)
Corporation income tax paid		(925)	(2.364)
Cash flows from operating activities		30.910	22.521
Purchase of intangible fixed assets		(1.056)	(1.222)
Purchase of property, plant and equipment		(16.327)	(15.494)
Purchase of financial fixed assets		(7)	(320)
Sale of property, plant and equipment		185	309
Sale of financial fixed assets		19	0
Sale of bonds and shares at fair value through profit and loss		0	9.236
Cash flows from investing activities		(17.186)	(7.491)
Decrease in payables to related parties		(6.842)	0
Increase in payables to related parties		0	7.013
Repayment of non-current loans credit institutions		0	(50)
Repayment of non-current loans lease liabilities		(1.689)	(1.773)
Change in credit institutions	30	2.221	(10.333)
Dividend paid		0	(6.900)
Cash flows from financing activities		(6.310)	(12.043)
Change in cash and cash equivalents		7.414	2.987
Cash and cash equivalents at 1 January		13.935	10.708
Exchange adjustment of cash at bank and in hand at 1 January		(743)	240
Cash and cash equivalents at 31 December		20.606	13.935

Cash-flow related to non-recourse factoring is presented in change in working capital as part of cash-flow from operations. Cash-flow related to recourse factoring is presented as change in credit institutions in cash-flow from financing activities.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements

1 Accounting Policies

General information

PMM Holding (Luxembourg) AG (‘the Company’) and its subsidiaries (together, ‘the Group’) manufacture and sell nonwoven products in roll-goods or converted form. The Group has manufacturing plants in Europe and in the US and sell its products globally.

Basis of preparation

The consolidated financial statements of PMM Holding (Luxembourg) AG have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (IFRS).

The Consolidated Financial Statements for 2020 and 2019 are presented in EUR ’000 unless stated otherwise.

First time adoption of IFRS (IFRS 1)

This is the first Consolidated Financial Statements of PMM Holding (Luxembourg) AG prepared in accordance with IFRS as issued by the IASB. The subsidiary Jacob Holm & Sons AG prepared consolidated financial statements under IFRS in previous years, and the Group has in accordance with IFRS elected to use reported figures of the subgroup as the carrying amounts of the respective items in Group’s IFRS opening balance as of 1 January 2019. The PMM Holding (Luxembourg) AG figures were added to this and consolidated. The additional entity did not have any material impact to the consolidated PMM Holding (Luxembourg) AG Group as a whole.

Change of accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the companies’ accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Group reviewed the useful life’s of its buildings and machinery equipment early 2020 and revised these for some of the larger assets. The total impact on 2020 was an annual reduction of building depreciations of EUR 432k and a reduction of machinery equipment depreciations of EUR 5.939k.

New standards, amendments and interpretations

The Group has adopted the following new standards and amendments to standards and interpretations that are effective for the financial year 2020:

- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 3 “Business Combinations”
- Amendment to “References to the Conceptual Framework in IFRS Standards”
- Interest rate benchmark reform (Amendment to IFRS 9, IAS 39 and IFRS 7)

The implementation has not had a significant impact on recognition, measurement or disclosures in the annual report 2020 and is not expected to have significant impact on the financial reporting for future periods.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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.

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, PMM Holding (Luxembourg) AG 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

PMM Holding (Luxembourg) AG 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.

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 EUR 9.9 million and EBITDA has increased by about EUR 2.1 million, while depreciation charges increased by about EUR 1.8 million and financial expenses increased by about EUR 0.5 million. The result for 2019 is negatively impacted by approx. EUR 0.2 million from IFRS 16.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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 2021, 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 PMM Holding (Luxembourg) AG and will have no effect on the Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company PMM Holding (Luxembourg) 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 EUR at average exchange rates. The balance sheets are translated into EUR 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.

Profit or loss on the sale of subsidiaries are calculated as the difference between the selling price net of selling expenses and the carrying amount of net assets with addition of goodwill and accumulated exchange adjustments recognised in equity at the time of sale. Acquisition-related costs are charged as expenses in the consolidated income statement.

Foreign currencies

The Group operates in different countries and generates revenue in different currencies. Management has concluded that Euro (EUR) is the functional currency of the Company and has decided to present the Consolidated Financial Statements of the Group in EUR.

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

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 Consolidated 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 EUR as their functional currency are translated into EUR 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

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.

Revenue from the sale of goods for resale and own produced finished goods is recognised in the income statement if control has been transferred to the buyer before year-end. Finished goods is primarily made up of nonwoven roll-goods which requires converting by the customer and secondarily of completed nonwoven products which are ready for use.

Control generally passes when the customer takes possession of the goods, at which time the Group has a right to receive payment for the goods. In most cases, delivery takes place outside of the production plants or warehouses operated by the Group.

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 rebates and 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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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 re. 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 leases, realised and unrealised exchange adjustments and fair value changes on securities.

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.

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(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 – 10 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. Borrowing costs directly attributable to the acquisition, construction or production of the asset are included in the cost of the asset.

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.

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

Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the cost relating to the asset. A qualifying asset is an asset for which considerable time is required to make it ready for its intended use or for sale.

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.

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

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 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.

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 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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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.

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 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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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.

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise the item “Cash at bank and in hand” under current assets.

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

2 Consolidation method

The method applied is full consolidation and the following 100% controlled entities have been included in the consolidation:

Jacob Holm & Sons AG, Picassoplatz 8, CH-4052 Basel

Jacob Holm & Sønner Holding A/S, c/o Accura Advokatpartnerselskab, Tuborg Boulevard 1, DK-2900 Hellerup

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

Jacob Holm & Sønner A/S, c/o Accura Advokatpartnerselskab, Tuborg Boulevard 1, DK-2900 Hellerup

Jacob Holm Industries (America) Inc., 1265 Sand Hill Road, Candler, NC 28715, USA

Jacob Holm Industries (France) SAS, Rue Henri Seiller, Zone Industrielle, 68360 Sultz, France

Sontara AG, Picassoplatz 8, CH-4052 Basel

Sontara Old Hickory Inc., 850 New Burton Road, Suite 201, Dover, County of Kent, Delaware, 19904, USA

Sontara Asturias S.A.U., Polígono Industrial- DuPont - Valle de Tamon; 33469 Carreño Asturias, Spain

Sontara Japan GK, 14/F Kamiyacho MT Building, 4-3-20 Toranomom, Minato-ku, Tokyo 105-0001, Japan

Jacob Holm Mexico SA De CV, Bosque de Ciruelos No. 180, PP 101, Colonia Bosques de las Lomas, Delegación Miguel Hidalgo, México, Distrito Federal, 11700

Sontara Americas Inc., 850 New Burton Road, Suite 201, Dover, County of Kent, Delaware, 19904, USA

Sontara South Asia Sdn Bhd, 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Sontara Argentina S.R.L., Maipu 1210, piso 8° Ofic.850, CABA CP 1006, Buenos Aires, Argentina

Sontara Nonwovens (Shanghai) Co., Ltd., Room 503-07, Floor 5, Building 1, No. 1438, Hongqiao Road, Changning District, Shanghai, China

Sontara Korea Co., Ltd., Room #601, Hanjin building, 6, Teheran-ro 103-gil, Gangnam-gu, 06173 Seoul, Korea

TWIG America Inc., 850 New Burton Road, Suite 201, Dover, County of Kent, Delaware, 19904, USA

3 Significant accounting estimates and judgements

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 CGU's PPE in the USA. In Management's view, the assumptions applied reflect the market conditions existing as of 31 December 2020. 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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

Reassessment of useful life—Property Plant and Equipment (PPE)

The Group reviewed the useful life's of its buildings and machinery equipment early 2020 and revised these for some of the larger assets. The total impact on 2020 was an annual reduction of building depreciations of EUR 432k and a reduction of machinery equipment depreciations of EUR 5.939k.

The review was initiated due to the fact that it became obvious that some of the buildings and machinery equipment was depreciated to a point where it had a low book value although technically and economically it was assumed to continue to be competitive against newer equipment.

4 Revenue

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Sale of goods	353.804	304.002
Royalties	40	49
Other	60	49
	<u>353.904</u>	<u>304.100</u>

Geographic allocation

<i>Revenue</i>		
EU	107.371	90.572
USA/Canada	189.620	166.189
APAC	46.470	37.576
Other	10.443	9.763
Total revenue	<u>353.904</u>	<u>304.100</u>

5 Expenses classified by type

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Production costs	282.202	269.267
Distribution costs	14.550	12.299
Cost of goods sold	296.752	281.566
Sales and marketing expenses	7.540	6.782
Administrative expenses	18.909	17.114
Other income and expenses	50	(127)
Special items, net	1.694	267
	<u>324.945</u>	<u>305.602</u>
<i>Classified by type as follows:</i>		
Expenses for raw materials and consumables	187.434	168.906
Other external expenses	70.809	66.575
Staff expenses	55.434	50.974
Depreciation and amortisation	11.268	19.147
	<u>324.945</u>	<u>305.602</u>

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

6 Special items, net

Special items, costs:

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Release of dismantling accrual regarding assets held on leased land	0	(892)
Restructuring and strategic projects	1.246	0
Organizational right-sizing costs	314	685
Due diligence	134	474
	<u>1.694</u>	<u>267</u>

Special items for 2020 are staff expenses and external third party costs respectively. The restructuring and strategic projects relates to defining the future structure and strategy of the Group.

Special items for 2019, 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 production costs, distribution costs, sales and marketing and administrative expenses as follows:

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Wages and salaries	43.413	39.607
Pensions defined contribution plans	2.095	1.843
Other social security expenses	9.926	9.524
	<u>55.434</u>	<u>50.974</u>

Key management compensation

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

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Salaries and other short-term employee benefits	2.198	1.388
	<u>2.198</u>	<u>1.388</u>
Thereof to the executive board	500	518
Thereof to the supervisory board	10	10
Average number of full-time employees	<u>745</u>	<u>692</u>

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

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Cost of goods sold	39.923	37.482
Sales and marketing expenses	5.942	4.762
Administrative expenses	9.569	8.730
	<u>55.434</u>	<u>50.974</u>

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

8 Fee to auditors appointed at the general meeting

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Audit fee	362	334
Tax consultancy	196	381
Other assurance statements	0	0
Non-audit services	10	16
Total	568	731
<i>Fee to other audit firms</i>		
Audit fee	16	21
Tax consultancy	21	24
Non-audit services	61	58
Total	98	103

9 Depreciation and amortisation

Depreciation and amortisation for the year are specified as follows:

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Customer lists, know-how, patents, licences and trademarks	414	352
Software	777	1.555
Buildings	1.396	1.977
Plant and machinery	6.279	12.650
Other fixtures and fittings, tools and equipment	593	789
Right-of-use assets	1.809	1.824
	11.268	19.147

Depreciation, amortisation and impairment losses are distributed on the individual cost groups as follows:

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Cost of goods sold	9.933	16.979
Sales and marketing expenses	60	58
Administrative expenses	1.275	2.110
	11.268	19.147

10 Other operating income and expenses

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
<i>Other operating income:</i>		
Subsidies	107	12
Gains on disposals of non-current assets	24	61
Management fee	87	87
	218	160

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

	2020	2019
	EUR '000	EUR '000
<i>Other operating expenses:</i>		
Loss on disposals of non-current assets	(268)	(33)
	(268)	(33)
	(50)	127

11 Financial income

	2020	2019
	EUR '000	EUR '000
Interest	12	254
Gain and value adjustments on financial assets	0	696
Exchange adjustments	169	1.230
Other	38	23
	219	2.203

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

12 Financial expenses

	2020	2019
	EUR '000	EUR '000
Interest	6.217	6.484
Interest regarding lease liabilities	340	515
Amortized financing costs	337	405
Interest shareholder and related party	86	73
Exchange adjustments	6.956	246
Other	72	29
	14.008	7.752

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

13 Tax on profit for the year

	2020	2019
	EUR '000	EUR '000
Current tax on profit for the year	4.719	1.031
Change in deferred tax	(6)	249
Change in tax previous years	(87)	(664)
	4.626	616

Tax on profit for the year is specified as follows:

Calculated 24,94% tax on profit for the year before tax	3.783	(1.759)
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PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Tax effect of:		
Higher/lower tax rate in foreign companies	(2,563)	240
Tax on non-deductible expenses and non-taxable income	(63)	38
Non-capitalized and adjustment of valuation of deferred tax asset	3,556	2,761
Adjustment of tax previous years	(87)	(664)
	<u>4,626</u>	<u>616</u>
Effective tax rate for the year	30.49%	(8.74)%

The effective tax rate for the prior year is mainly influenced by the change in taxes from prior years as well as non-capitalized tax losses of Jacob Holm Industries (America) Inc.

14 Intangible fixed assets

	<u>Goodwill</u> EUR '000	<u>Customer lists, know-how, patents, licenses and trademarks</u> EUR '000	<u>Software</u> EUR '000	<u>Intangible fixed assets under construction</u> EUR '000
2020				
Cost at 1 January	43	4,691	10,904	131
Exchange adjustment at year-end rate	0	(1)	(142)	(11)
Additions for the year	0	155	1	868
Transfer between items	0	0	436	(436)
Disposals for the year	0	(22)	(320)	0
Cost at 31 December	<u>43</u>	<u>4,823</u>	<u>10,879</u>	<u>552</u>
Accumulated amortisation at 1 January	43	2,161	8,972	0
Exchange adjustment at year-end rate	0	(9)	(153)	0
Amortisation for the year	0	414	777	0
Disposals for the year	0	(22)	(320)	0
Accumulated amortisation at 31 December	<u>43</u>	<u>2,544</u>	<u>9,276</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>2,279</u>	<u>1,603</u>	<u>552</u>
Amortised over		<u>10 years</u>	<u>3-10 years</u>	

Goodwill relates to the acquisition of Sontara Argentina in May 2015 and has been fully impaired in 2018.

	<u>Goodwill</u> EUR '000	<u>Customer lists, know-how, patents, licenses and trademarks</u> EUR '000	<u>Software</u> EUR '000	<u>Intangible fixed assets under construction</u> EUR '000
2019				
Cost at 1 January	43	4,416	9,592	182
Exchange adjustment at year-end rate	0	145	272	6
Additions for the year	0	0	90	1,156
Transfer between items	0	130	1,083	(1,213)
Disposals for the year	0	0	(133)	0
Cost at 31 December	<u>43</u>	<u>4,691</u>	<u>10,904</u>	<u>131</u>

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

	<u>Goodwill</u> EUR '000	<u>Customer lists, know-how, patents, licenses and trademarks</u> EUR '000	<u>Software</u> EUR '000	<u>Intangible fixed assets under construction</u> EUR '000
Accumulated amortisation at 1 January	43	1.744	7.318	0
Exchange adjustment at year-end rate	0	65	232	0
Amortisation for the year	0	352	1.555	0
Disposals for the year	0		(133)	0
Accumulated amortisation at 31 December	<u>43</u>	<u>2.161</u>	<u>8.972</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>2.530</u>	<u>1.932</u>	<u>131</u>
Amortised over		<u>10 years</u>	<u>3-5 years</u>	

Goodwill relates to the acquisition of Sontara Argentina in May 2015 and has been fully impaired in 2018.

15 Property, plant and equipment

	<u>Land and buildings</u> EUR '000	<u>Plant and machinery</u> EUR '000	<u>Other fixtures and fittings, tools and equipment</u> EUR '000	<u>Property, plant and equipment under construction</u> EUR '000
2020				
Cost at 1 January	53.287	198.903	9.542	3.576
Exchange adjustment at year-end rate	(3.153)	(12.253)	(371)	(247)
Additions for the year	0	869	51	14.461
Transfer between items	742	4.331	570	(5.643)
Disposals for the year	(154)	(4.791)	(79)	(4)
Cost at 31 December	<u>50.722</u>	<u>187.059</u>	<u>9.713</u>	<u>12.143</u>
Accumulated depreciation at 1 January	23.110	122.618	7.866	0
Exchange adjustment at year-end rate	(1.159)	(6.939)	(341)	0
Depreciation for the year	1.396	6.279	593	0
Disposals for the year	(75)	(2.706)	(79)	0
Accumulated depreciation at 1 January	23.272	119.252	8.039	0
Carrying amount at 31 December	<u>27.450</u>	<u>67.807</u>	<u>1.674</u>	<u>12.143</u>
Depreciated over	<u>30-50 years</u>	<u>5-20 years</u>	<u>3-10 years</u>	

The carrying amount of buildings at 31 December 2020 includes interest of EUR 754k. The interest capitalized relates to assets completed in 2015.

The carrying amount of plant and machinery at 31 December 2020 includes interest of EUR 1.289k. The interest capitalized relates to assets completed in 2015.

The Group reviewed the useful life's of its buildings and machinery equipment early 2020 and revised these for some of the larger assets. The total impact on 2020 was an annual reduction of building depreciations of EUR 432k and a reduction of machinery equipment depreciations of EUR 5.939k.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

As per 31 December 2020 the Group has performed an impairment test of property, plant and equipment in the US related to the CGU Jacob Holm Industries' US- activities. The test was made due to past performance leading to high operating losses. 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 for 5 years and assumes a terminal growth of 2.0%. The growth rate is based on realistic assumptions.

The cash flow projections are based on the budget for 2021 adjusted for full year effect of the expected improvements in 2021 and increasing quantities in 2022 and 2023.

The discount rate applied is based on a risk-adjusted after tax rate discount rate (weighted average cost of capital) of 7.0% (2019: 7.3%).

Cash flow projections for 2021 is negative due to expected additional CAPEX of approximately USD 21 million to get the production facilities back on historical performance and increase the production volume as estimated in the budget. In 2023 EBITDA less CAPEX is estimated at USD 8.9 million.

Based on the forecasts prepared, there is approx. 7% or USD 6 million of available headroom. The weighted average cost of capital can increase to 7.6% or EBITDA can reduce by USD 0.6 million each year without getting into impairment.

	<u>Land and buildings</u> EUR '000	<u>Plant and machinery</u> EUR '000	<u>Other fixtures and fittings, tools and equipment</u> EUR '000	<u>Property, plant and equipment under construction</u> EUR '000
2019				
Cost at 1 January	50.513	181.802	9.003	4.822
Exchange adjustment at year-end rate	800	3.000	129	77
Additions for the year	0	458	41	15.140
Transfer between items	1.994	14.028	441	(16.463)
Disposals for the year	(20)	(385)	(72)	0
Cost at 31 December	<u>53.287</u>	<u>198.903</u>	<u>9.542</u>	<u>3.576</u>
Accumulated depreciation at 1 January	20.877	108.725	7.033	0
Exchange adjustment at year-end rate	263	1.553	105	0
Depreciation for the year	1.977	12.650	789	0
Disposals for the year	(7)	(310)	(61)	0
Accumulated depreciation at 1 January	23.110	122.618	7.866	0
Carrying amount at 31 December	<u>30.177</u>	<u>76.285</u>	<u>1.676</u>	<u>3.576</u>
Depreciated over	<u>30-50 years</u>	<u>5-15 years</u>	<u>3-10 years</u>	

The carrying amount of buildings at 31 December 2019 includes interest of EUR 868k.

The carrying amount of plant and machinery at 31 December 2019 includes interest of EUR 1.649k.

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

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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, 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%).

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.

16 Right-of-use assets

	<u>Buildings</u> EUR '000	<u>Office spaces</u> EUR '000
2020		
Cost at 1 January	9.156	676
Exchange adjustment at year-end rate	(816)	(3)
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	<u>8.340</u>	<u>673</u>
Depreciation at 1 January	1.701	92
Exchange adjustment at year-end rate	(268)	(1)
Depreciation for the year	1.662	147
Disposals for the year	0	0
Depreciation at 31 December	<u>3.095</u>	<u>238</u>
Carrying amount at 31 December	<u>5.245</u>	<u>435</u>

The Group owns all of its production facilities and production lines. The most significant lease contracts consists of warehouses in the US.

Other lease contracts relates to the lease of office space.

Lease liabilities are disclosed in note 22.

	<u>Land</u> EUR '000	<u>Buildings</u> EUR '000	<u>Office spaces</u> EUR '000
2019			
Cost at 1 January	220	9.156	560
Exchange adjustment at year-end rate	0	0	0
Additions for the year	0	0	116
Disposals for the year	(220)	0	0
Cost at 31 December	<u>0</u>	<u>9.156</u>	<u>676</u>

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

	<u>Land</u> EUR '000	<u>Buildings</u> EUR '000	<u>Office spaces</u> EUR '000
Depreciation at 1 January	0	0	0
Exchange adjustment at year-end rate	0	6	0
Depreciation for the year	37	1.695	92
Disposals for the year	(37)	0	0
Depreciation at 31 December	<u>0</u>	<u>1.701</u>	<u>92</u>
Carrying amount at 31 December	<u>0</u>	<u>7.455</u>	<u>584</u>

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 contracts are disclosed in note 22.

17 Inventories

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Raw materials and consumables	10.573	11.359
Finished goods	13.662	14.453
	<u>24.235</u>	<u>25.812</u>
Raw materials and consumables expensed for the year	187.434	168.906
Inventories expected to be sold after more than 1 year amount to	0	0
Write-down on inventories for the year amounts to	881	1.166
Reversed write-down on inventories for the year amounts to	508	259

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

18 Corporation tax

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Corporation tax receivable at 1 January	817	319
Exchange adjustment at year-end rate	(52)	12
Tax on operating profit	(419)	(369)
Tax refunded/paid	153	855
Corporation tax receivable at 31 December	<u>499</u>	<u>817</u>

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

19 Receivables

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Trade receivables	32.795	28.533
Bad debt provision	(408)	(492)
Trade receivables, net	32.387	28.041
Other receivables	7.002	5.446
	<u>39.389</u>	<u>33.487</u>
Bad debt provision		
Bad debt provision at 1 January	492	345
Exchange adjustment at year-end rate	(42)	14
Additions for the year	87	140
<i>Disposals for the year:</i>		
- Applied	(129)	(7)
- Reversed	0	0
Bad debt provision at 31 December	<u>408</u>	<u>492</u>

Please refer to note 32 for credit quality information.

20 Equity

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Share capital has developed as follows:		
1 January	323	323
Change during the year	0	0
31 December	<u>323</u>	<u>323</u>

Subscribed capital

The subscribed capital, amounting to EUR 323k, is represented by 3,229 shares with a nominal value of EUR 100, fully paid.

Share premium and similar premiums

The share premium amounts to EUR 64,792k.

Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

21 Listed Bond

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

Today 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 Incurrence Event can be either a dividend distribution above the permitted minimum distribution of EUR 7 mio. and/or the incurrence of financial indebtedness.

22 Lease liabilities

	<u>2020</u>	<u>2019</u>
	<u>EUR '000</u>	<u>EUR '000</u>
In accordance with IFRS 16:		
Payment due later than 5 years	1.042	1.661
Payment due 1-5 years	3.274	4.890
Non-current lease liabilities	4.316	6.551
Payment due within 1 year	1.690	1.722
	6.006	8.273
Cash outflow for leases:		
Paid interest expenses on lease liabilities	340	515
Repayment of finance lease liabilities	1.689	1.773
Rental expenses	486	623
	2.515	2.911

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 EUR 414k in 2020 and EUR 403k in 2019.

Right of use assets are disclosed in note 16.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

23 Deferred tax

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Deferred tax at 1 January	(499)	(731)
Exchange adjustment at year-end rate	41	(17)
Change in deferred tax	(6)	249
Deferred tax at 31 December	(464)	(499)
Deferred tax relates to (- = deferred tax assets and + = deferred tax liability):		
Inventories	(157)	(134)
Other current assets	51	94
Other current liabilities	(2.273)	(1.623)
Current part	(2.379)	(1.663)
Intangible assets	(454)	(542)
Property, plant and equipment	6.944	6.394
Right of use assets, net	(150)	(116)
Other non-current liabilities	241	208
Tax loss carry-forward	(4.666)	(4.780)
Non-current part	1.915	1.164
Deferred tax, net	(464)	(499)
which breaks down as follows:		
Deferred tax asset	(464)	(499)
Provisions for deferred tax liability	0	0
	(464)	(499)
Unrecognized deferred tax asset	9.274	6.915

The Group was loss making in 2018 and 2019 but turned positive in 2020 which is expected to continue the next years.

Netting of deferred tax assets and tax liabilities are only made by legal entity.

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.

Two of the entities to which the tax loss carry-forward relates to were not profitable in 2020. 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 2021 and the expected development over the next years.

Apart from the tax losses carried forward regarding one of the US entities there is no expiration of the unrecognized tax losses. In the US none of the unrecognized tax losses will expire within the next 5 years.

24 Other staff obligations

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

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

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 0,60% has been used against 0,73% in 2019.

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.

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Balance at 1 January	1.281	971
Exchange adjustment at year-end rate	(1)	0
Disposals for the year	(42)	(102)
Discount effect	22	135
Additions for the year	260	277
Balance at 31 December	<u>1.520</u>	<u>1.281</u>

25 Provisions for other liabilities and charges

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

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Balance at 1 January	0	873
Exchange adjustment at year-end rate	0	19
Reversals for the year	0	(892)
Balance at 31 December	<u>0</u>	<u>0</u>

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 in 2019.

26 Credit institutions

	<u>2020</u>	<u>2019</u>
	EUR '000	EUR '000
Payment due within 1 year	9.930	7.709
	<u>9.930</u>	<u>7.709</u>

Credit institutions primarily includes revolving credit facilities granted to the Plant in Soultz, France, with a total of EUR 9.930k. These revolving credits are EUR and USD denominated and with variable interest.

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

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

27 Corporation tax

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Accrued corporation tax at 1 January	405	1.905
Exchange adjustment at year-end rate	(60)	46
Tax on operating profit	4.213	(2)
Tax paid	(762)	(1.544)
Accrued corporation tax at 31 December	<u>3.796</u>	<u>405</u>

28 Cash flow statement—adjustments non-cash items

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Financial income	(219)	(2.203)
Financial expenses	14.008	7.752
Depreciation and amortisation, including losses and gains on disposals of intangible fixed assets and property, plant and equipment	11.512	19.119
Tax on profit for the year	4.626	616
	<u>29.927</u>	<u>25.284</u>

29 Cash flow statement—change in working capital

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Change in inventories	913	614
Change in receivables	(5.875)	16.520
Change in other provisions	240	(582)
Change in payables	3.664	(2.967)
	<u>(1.058)</u>	<u>13.585</u>

30 Changes in liabilities arising from financing activities

	<u>January 1</u> EUR '000	<u>Cash flows</u> EUR '000	<u>Non-cash changes</u> EUR '000	<u>December 31</u> EUR '000
2020				
Listed bond	126.743	0	334	127.077
Lease liabilities	8.273	(1.689)	(578)	6.006
Credit institutions	7.709	2.221	0	9.930
	<u>142.725</u>	<u>532</u>	<u>(244)</u>	<u>143.013</u>
2019				
Listed bond	126.406	0	337	126.743
Lease liabilities	9.936	(1.773)	110	8.273
Credit institutions	17.868	(10.159)	0	7.709
	<u>154.210</u>	<u>(11.932)</u>	<u>447</u>	<u>142.725</u>

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

31 Contingent liabilities and other financial obligations

Mortgages

As security for credit institutions, security has moreover been provided in current assets at a carrying amount of EUR 12.087k (at 31 December 2019: EUR 9.025).

Shares pledged

As part of the bonds issuance operation as described in note 21, the Group entered into a share pledge agreement dated 3 April 2014 with Norsk Tillitsmann ASA as bond trustee, security agent and pledgee over the shares of Jacob Holm & Sons AG.

Obligations under rental agreements

Obligations under short term leases and low-value assets 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 short term leases and low-value assets break down as follows according to due date:

	<u>2020</u> EUR '000	<u>2019</u> EUR '000
Minimum payments		
0-1 year	181	155
1-5 years	32	81
>5 years	0	0
	<u>213</u>	<u>236</u>

Lease expenses recognised amount to EUR 486k (2019: EUR 623k).

Contractual obligations

The Group has entered into agreements to acquire/buy property, plant and equipment and will therefore have a payment obligation of 6.219 1.433

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.

PMM Holding (Luxembourg) AG

Notes to the Consolidated Financial Statements—(Continued)

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 trade receivables include receivables which are subject to a factoring arrangement. 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 EUR 11m (2019: EUR 7m), of which an amount of approx. EUR 9m (2019: EUR 6m) is covered by credit insurance. The associated liability amounts to EUR 10m (2019: EUR 7m).

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 2020 the total amount sold under these agreements amounted to EUR 18m (2019: EUR 13m).

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 2020:

EUR '000

	<u>0- 15days</u>	<u>16- 30 days</u>	<u>31- 45 days</u>	<u>> 45 days</u>	<u>Total</u>
Overdue receivables not subject to impairment	1.869	1.365	547	369	4.150
Overdue receivables subject to impairment	0	0	0	450	450
	1.869	1.365	547	819	4.600
Bad debt provision	0	0	0	(408)	(408)
	<u>1.869</u>	<u>1.365</u>	<u>547</u>	<u>411</u>	<u>4.192</u>

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

EUR '000

	<u>0- 15days</u>	<u>16- 30 days</u>	<u>31- 45 days</u>	<u>> 45 days</u>	<u>Total</u>
Overdue receivables not subject to impairment	2.109	517	330	242	3.198
Overdue receivables subject to impairment	0	0	0	548	548
	2.109	517	330	790	3.746
Bad debt provision	0	0	0	(492)	(492)
	<u>2.109</u>	<u>517</u>	<u>330</u>	<u>298</u>	<u>3.254</u>

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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.

Based on the current performance the Group expects no issues in refinancing the existing debt when it matures in 2022.

2020							
EUR '000							
	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Repayment not finally agreed</u>	<u>Carrying amount</u>	<u>Fair value</u>
Measured at amortised cost:							
Listed bond	4.781	128.256	0	133.037	0	127.077	129.094
Leasing	1.932	3.691	1.097	6.720	0	6.006	6.006
Credit institutions	9.930	0	0	9.930	0	9.930	9.930
Payables to related companies	251	0	0	251	0	251	251
Trade payables	19.594	0	0	19.594	0	19.594	19.594
Other short-term liabilities	17.167	0	0	17.167	0	17.167	17.167
Financial liabilities	53.655	131.947	1.097	186.699	0	180.025	182.042
Trade receivables	32.795	0	0	32.795	0	32.795	32.387
Other receivables	7.501	488	0	7.989	0	7.989	7.989
Cash at bank and in hand	20.606	0	0	20.606	0	20.606	20.606
Financial assets	60.902	488	0	61.390	0	61.390	60.982
Net cash outflow	7.247	(131.459)	(1.097)	(125.309)	0	(118.635)	(121.060)
Unutilised credits						2.391	2.391

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

2019

EUR '000

	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Repayment not finally agreed</u>	<u>Carrying amount</u>	<u>Fair value</u>
Measured at amortised cost:							
Listed bond	5.913	134.093	0	140.006	0	126.743	119.709
Leasing	1.722	4.890	1.661	8.273	0	8.273	8.273
Credit institutions	7.709	0	0	7.709	0	7.709	7.709
Payables to related companies	7.093	0	0	7.093	0	7.093	7.093
Trade payables	17.740	0	0	17.740	0	17.740	17.740
Other short-term liabilities	13.416	0	0	13.416	0	13.416	13.416
Financial liabilities	53.593	138.983	1.661	194.237	0	180.974	173.940
Trade receivables	28.533	0	0	28.533	0	28.533	28.041
Other receivables	6.263	535	0	6.798	0	6.798	6.798
Cash at bank and in hand	13.935	0	0	13.935	0	13.935	13.935
Financial assets	48.731	535	0	49.266	0	49.266	48.774
Net cash outflow	(4.862)	(138.448)	(1.661)	(144.971)	0	(131.708)	(125.166)
Unutilised credits						1.520	1.520

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.

Raw material risk

In line with Group policy, no derivative financial instruments are used to hedge raw material risks.

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.

In line with Group policy, 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 EUR 1.369k (2019: EUR 1.352k) 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 EUR 5k (2019: EUR 83k) and a similar effect on equity.

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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

Exposure at 31 December 2020

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.

EUR '000					
Currency					
	Payment/ expiry	Receivables	Payables	Bond, bank and credit- institutions	Net position
USD	< 1 year	72.273	(12.001)	10.508	70.780
CHF	< 1 year	1.989	0	1	1.990
EUR	< 1 year	7.296	(9.753)	1.805	(652)
EUR	> 1 year	0	0	(127.500)	(127.500)
JPY	< 1 year	331	(15)	84	400
Other	< 1 year	0	(1.353)	96	(1.257)
		<u>81.889</u>	<u>(23.122)</u>	<u>(115.006)</u>	<u>(56.239)</u>

Exposure at 31 December 2019

EUR '000					
Currency					
	Payment/ expiry	Receivables	Payables	Bond, bank and credit- institutions	Net position
USD	< 1 year	65.086	(10.056)	3.546	58.576
CHF	< 1 year	8.012	0	2	8.014
EUR	< 1 year	6.894	(6.010)	1.622	2.506
EUR	> 1 year	0	0	(127.500)	(127.500)
JPY	< 1 year	100	(31)	104	173
Other	< 1 year	18	(136)	46	(72)
		<u>80.110</u>	<u>(16.233)</u>	<u>(122.180)</u>	<u>(58.303)</u>

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 2020 towards all other currencies will entail a positive change of profit for the year before tax of EUR 7.078k (2019: positive change of EUR 5.858k) and a similar effect on equity without considering tax effect.

A 10% increase in EUR compared to the exchange rate at 31 December 2020 towards all other currencies will entail a negative change of profit for the year before tax of EUR 12.815k (2019: negative change of EUR 12.499k) and a similar effect on equity without considering tax effect .

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.

PMM Holding (Luxembourg) AG
Notes to the Consolidated Financial Statements—(Continued)

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.

33 Related parties

	Basis
Controlling interest	
Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau	Controlling shareholder
Martin Mikkelsen, Rosenvængets Allé 33, DK-2100 København Ø.	Shareholder
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz	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 interest expense charged by the related party Ammon Ammon AG and management fee charges to and rental charges from the related party Dønnerup A/S.

The Group has been charged interest expenses of EUR 86k from Ammon Ammon AG (2019: EUR 73k).

The Group has charged management services in the amount of EUR 87k (2019: EUR 87k) to Dønnerup A/S. Dønnerup A/S has charged rental expenses in the amount of EUR 95k (2019: EUR 95k).

	2020	2019
	EUR '000	EUR '000
Payables to shareholder		
Ammon Ammon AG	251	7.093
	251	7.093

34 Development costs

Development costs for the year recognised in the income statement under production costs amount to EUR 1.913k in 2020 against EUR 1.900k in 2019.

35 Post balance sheet events

Due to the nature of the activity of the Group, the Group has benefitted financially from Covid-19 in 2020 and do not expect to have any negative impact in 2021. However, it is difficult to predict the exact impact.

The shareholder of the Group has entered into a definitive agreement on selling all shares of the Group. Closing is expected to take place in the 4th quarter of 2021.

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

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PMM Holding (Luxembourg) AG
Condensed consolidated income statement

EUR '000	For the 6-months period ended Jun 30,	
	2021 unaudited	2020 unaudited
Revenue	157.058	174.577
Cost of goods sold	132.815	148.281
Gross profit	24.243	26.295
Sales and marketing expenses	4.208	3.762
Administrative expenses	10.292	9.560
Operating profit	9.743	12.974
Other operating income and expenses	(373)	(68)
Profit before financial income and expenses and special items	9.370	12.906
Special items, net	(1.232)	(25)
Financial income	2.281	421
Financial expenses	(3.157)	(4.208)
Profit before tax	7.261	9.093
Tax on result for the year	966	2.151
Net profit for the year	6.295	6.942

PMM Holding (Luxembourg) AG
Condensed consolidated statement of comprehensive income

EUR '000	For the 6-months period ended Jun 30,	
	2021 unaudited	2020 unaudited
Net profit for the period	6.295	6.942
Other comprehensive income		
Items that may be subsequently reclassified to income statement		
Exchange adjustment, foreign companies	651	198
Total comprehensive income for the period	6.947	7.140

PMM Holding (Luxembourg) AG
Condensed consolidated balance sheet

EUR '000	<u>Note</u>	<u>Jun 30, 2021</u> unaudited	<u>Dec 31, 2020</u> audited
Assets			
Intangible fixed assets	5	4.654	4.434
Land & Buildings	6	27.614	27.450
Plant and machinery	6	69.193	67.807
Other fixtures and fittings, tools and equipment	6	1.972	1.674
Property, plant and equipment under construction	6	22.102	12.142
Right of use assets		4.977	5.680
Property, plant and equipment		125.858	114.754
Other receivables		505	488
Deferred tax asset		543	464
Non-current assets		131.560	120.140
Inventories		35.333	24.235
Corporate tax		454	499
Trade receivables		27.033	32.387
Other receivables and prepayments		4.232	7.707
Receivables and others		31.719	40.593
Cash at bank and in hand		7.327	20.606
Current assets		74.378	85.434
Total assets		205.939	205.573

PMM Holding (Luxembourg) AG
Condensed consolidated balance sheet

EUR '000	<u>Note</u>	<u>Jun 30, 2021 unaudited</u>	<u>Dec 31, 2020 audited</u>
Equity and liabilities			
Equity		24.125	23.908
Interest bearing liabilities	7	5.327	131.394
Provisions for other staff obligations		1.748	1.521
Non-current liabilities		7.075	132.914
Current portion of interest bearing liabilities	7	127.246	1.690
Credit institutions		11.528	9.930
Trade payables		20.950	19.594
Payables, plant and machinery		900	105
Payables due to group companies		0	251
Corporate tax		3.124	3.796
Other payables		10.991	13.386
Current liabilities		174.738	48.751
Total liabilities		181.814	181.665
Total equity and liabilities		205.939	205.573

PMM Holding (Luxembourg) AG
Condensed consolidated statement of changes in equity

EUR '000	<u>Share capital unaudited</u>	<u>Share premium and similar premiums unaudited</u>	<u>Legal reserve unaudited</u>	<u>Exchange adj. unaudited</u>	<u>Retained earnings unaudited</u>	<u>Total unaudited</u>
Equity at Jan 1, 2021	323	64.792	32	1.510	(42.749)	23.908
Comprehensive income for the period	0	0	0	651	6.295	6.947
Dividends	0	0	0	0	(6.730)	(6.730)
Equity at Jun 30, 2021	323	64.792	32	2.162	(43.184)	24.125
Equity at Jan 1, 2020	323	64.792	32	5.861	(53.293)	17.715
Comprehensive income for the period	0	0	0	198	6.942	7.140
Dividends	0	0	0	0	0	0
Equity at Jun 30, 2020	323	64.792	32	6.059	(46.351)	24.855

Paid dividends per share in 2021 amounts to EUR 2,084 (EUR 0 in 2020).

PMM Holding (Luxembourg) AG
Condensed consolidated statement of cash flows

EUR '000	For the 6-months period ended Jun 30,	
	2021 unaudited	2020 unaudited
Ordinary result before tax	7.261	9.093
Non-cash adjustments	3.724	6.265
Corporation tax paid	(1.616)	(394)
Change in inventories	(11.168)	(1.012)
Change in receivables	7.113	(10.320)
Change in suppliers etc.	(956)	3.462
Cash flows from operating activities	4.357	7.095
Property, plant and equipment and intangible fixed assets, net	(12.066)	(7.058)
Purchase of financial fixed assets	(7)	1
Change in payables, plant and machinery	782	(116)
Cash flows from investing activities	(11.291)	(7.173)
Change in non-current liabilities	(844)	(859)
Change in credit institutions	1.599	4.025
Change in accounts with related and group companies	(251)	(999)
Paid out dividend	(6.730)	0
Cash flows from financing activities	(6.226)	2.167
Change in cash and cash equivalents	(13.160)	2.089
Cash and cash equivalents, net at beginning of the period	20.606	13.935
Exchange adjustment of cash at bank and in hand, net at beginning of the period	(119)	67
Cash and cash equivalents, net at the end of the period	7.327	16.090

Cash-flow related to non-recourse factoring is presented in change in working capital as part of cash-flow from operations. Cash-flow related to recourse factoring is presented as change in credit institutions in cash-flow from financing activities.

PMM Holding (Luxembourg) AG

Notes to the Interim Report

1 Reporting entity

PMM Holding (Luxembourg) AG is domiciled in Luxembourg. These condensed unaudited consolidated interim financial statements as at and for the six months ended June 30, 2021 comprise the Company and its subsidiaries (together the “Group”). The Group is primarily involved in manufacturing nonwoven fabrics for a wide range of applications in the consumer wipes, industrial wipes, hygiene, beauty care and health care segments. The Company’s functional currency is Euro (EUR).

2 Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the IASB. They do not include all the information required for a complete set of IFRS financial statements. Any events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the financial year ended December 31, 2020 are disclosed in these financial statements.

(b) Judgments and estimates

In preparing these interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the financial year ended December 31, 2020.

3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the financial year ended December 31, 2020.

4 Subsequent events

After the balance sheet date, the Company announced that the shareholders of PMM Holding (Luxembourg) AG entered into a definitive agreement to transfer control of the Group to US based Glatfelter Corp. (NYSE: GLT). The agreement is subject to customary conditions, including regulatory approvals. Closing is expected to take place in the second half of 2021.

There has been no material adverse change to the financial condition of the Group after the balance sheet date.

PMM Holding (Luxembourg) AG
Notes to the Interim Report—(Continued)

5 Intangible fixed assets

EUR '000	<u>Goodwill</u> unaudited	<u>Customer lists, know-how, patents, licences</u> unaudited	<u>Software</u> unaudited	<u>Intangible fixed assets under construction</u> unaudited
Cost at Jan 1, 2021	43	4.823	10.879	552
Exchange adjustment	0	(53)	(38)	(6)
Additions for the period	0	0	19	596
Transfer between items	0	53	337	(390)
Disposals for the period	0	0	0	0
Cost at Jun 30, 2021	43	4.823	11.197	752
Amortisation at Jan 1, 2021	43	2.544	9.276	0
Exchange adjustment	0	(27)	(37)	0
Amortisation for the period	0	176	186	0
Disposals for the period	0	0	0	0
Amortisation at Jun 30, 2021	43	2.693	9.425	0
Carrying amount at Jun 30, 2021	0	2.130	1.772	752
Amortised over		10 years	3-10 years	

6 Property, plant and equipment

EUR '000	<u>Land and buildings</u> unaudited	<u>Plant and machinery</u> unaudited	<u>Other fixtures and fittings, tools and equipment</u> unaudited	<u>PPE under construction</u> unaudited
Cost at Jan 1, 2021	50.722	187.059	9.713	12.143
Exchange adjustment	1.081	4.064	120	280
Additions for the period	0	649	241	12.712
Transfer between items	171	2.516	346	(3.033)
Disposals for the period	0	(951)	(228)	0
Cost at Jun 30, 2021	51.974	193.337	10.192	22.102
Depreciation at Jan 1, 2021	23.272	119.252	8.039	0
Exchange adjustment	405	2.317	106	0
Depreciation for the period	683	3.029	303	0
Disposals for the period	0	(454)	(228)	0
Depreciation at Jun 30, 2021	24.360	124.144	8.220	0
Carrying amount at Jun 30, 2021	27.614	69.193	1.972	22.102
Amortised over	30-50 years	5-20 years	3-10 years	

The Group continued the implementation of its long-term investment program (Project Boost) for accelerated growth of the capacity and capabilities of its production platform. The program was started in 2019 and will stretch into 2022. The total Project Boost related additions in the first half of 2021 amounts to approx. EUR 10 million.

PMM Holding (Luxembourg) AG
Notes to the Interim Report—(Continued)

7 Interest bearing liabilities

Non-current and current interest-bearing liabilities is made up of the issued Bond and lease liabilities.

As of June 30, 2021 the split and maturity is as follows:

EUR '000	<u>2021</u> unaudited	<u>2022</u> unaudited	<u>2023</u> unaudited	<u>After</u> unaudited	<u>Total</u> unaudited
Bond	0	127.500	0	0	127.500
Lease liabilities	882	1.633	709	2.103	5.327
Financing costs	(169)	(85)	0	0	(254)
	<u>713</u>	<u>129.048</u>	<u>709</u>	<u>2.103</u>	<u>132.573</u>

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:

March 2021 to September 2021	100.75% of par value
From September 2021	100.00% of par value

A change of control triggers a Put Option Event, which gives the Bondholders the right to require that the Issuer purchases all or some of the Bonds held by the Bondholder at a price equal to 101 per cent of the Nominal Amount plus accrued and unpaid interest.

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

8 Segment information

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

These are voluntary disclosures to show revenue and EBITDA per business area.

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

- (1) The Jacob Holm Industries segment produces and sells non-woven roll-goods.
- (2) The Sontara segment produces and sells non-woven in converted and roll-goods form.
- (3) Other consists of the holding and management companies PMM Holding (Luxembourg) AG, Jacob Holm & Sons AG, Jacob Holm & Sønner Holding A/S and Jacob Holm & Sønner A/S.

PMM Holding (Luxembourg) AG
Notes to the Interim Report—(Continued)

EUR '000	For the 6-months period ended Jun 30,	
	2021 unaudited	2020 unaudited
Revenue		
Jacob Holm Industries	78.962	76.514
Sontara	78.142	98.055
Other	4.706	5.320
	161.811	179.889
Elimination of internal sales	(4.752)	(5.313)
Group	157.058	174.577
EBITDA		
Jacob Holm Industries	6.479	1.550
Sontara	7.735	15.657
Other	809	1.746
Group	15.022	18.953

Eliminated internal sales mostly comprise royalty and management fee charges made from the holding and management companies to the two segments as well as a minor revenue between the two segments.

Due to the nature of the business of the Group, there is typically no seasonality during a financial year.

9 Transactions with related parties

Besides intercompany transactions that have been eliminated in the Consolidated Income Statement, related party transactions comprise interest expense charged by the related party Ammon Ammon AG and management fee charges to and rental charges from the related party Dønnerup A/S.

The Group has been charged interest expenses of EUR 7k from Ammon Ammon AG (EUR 52k for year-to-date 2020) for the year-to-date.

The Group has charged management services in the amount of EUR 44k (EUR 44k for year-to-date 2020) to Dønnerup A/S for the year-to-date. Dønnerup A/S has charged rental expenses in the amount of EUR 48k (EUR 47k for year-to-date 2020) for the year-to-date.

Controlling interest

Poul M. Mikkelsen, Büelweg 9, CH-6442 Gersau
Martin Mikkelsen, Rosenvængets Allé 33, DK-2100 København Ø.
Ammon Ammon AG, Meierhofstrasse 5, FL-9490 Vaduz

Basis
Controlling shareholder
Shareholder
Parent company

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 29, 2021, we completed the acquisition of the all of the outstanding equity interests of PMM Holding (Luxembourg) AG, the parent company of the Jacob Holm Group (the “Jacob Holm Group”) for an \$304.0 million in cash, including the extinguishment of debt and subject to post-closing adjustments (the “Jacob Holm Acquisition”). In addition, on May 13, 2021, we completed our acquisition of the outstanding equity interests in Georgia-Pacific Mt. Holly LLC (“Mt. Holly”) for \$170.7 million (the “Mount Holly Acquisition”).

In connection with the Jacob Holm Acquisition, on October 25, 2021, we completed an offering of \$500 million aggregate principal amount of 4.750% senior notes due 2029 (the “Notes”). We used the net proceeds of the Notes offered, together with cash on hand, to pay the purchase price for the Jacob Holm Acquisition, to repay certain indebtedness of Jacob Holm, to repay outstanding amounts under our Credit Facility and for other fees and expenses related to the Jacob Holm Acquisition and the Notes offering.

The following unaudited pro forma condensed combined financial information is presented to illustrate the effects on Glatfelter’s historical financial statements after giving effect to the Jacob Holm Acquisition and the Mount Holly Acquisition and related Notes as discussed in the preceding paragraph and is derived from and should be read in conjunction with the historical financial statements and related notes of Glatfelter, Jacob Holm and Mount Holly. The audited combined financial statements of Mt. Holly as of and for the year ended December 31, 2020 and the unaudited interim combined financial statements of Mt. Holly as of and for the three months ended March 31, 2021 were filed by Glatfelter on a Current Report on Form 8-K/A on July 28, 2021. The audited consolidated financial statements of Jacob Holm as of and for the years ended December 31, 2020 and 2019 and the unaudited consolidated financial statements of Jacob Holm as of and for the six months ended June 30, 2021 are filed as Exhibit 99.1 and Exhibit 99.2, respectively, to the Current Report on Form 8-K/A to which this Exhibit 99.3 is also attached as an exhibit.

The unaudited pro forma condensed combined statements of income for the six months ended June 30, 2021 and the year ended December 31, 2020, and the unaudited pro forma condensed combined balance sheet as of June 30, 2021, are presented herein.

The unaudited pro forma condensed combined statement of income for the six months ended June 30, 2021, gives effect to the Mount Holly Acquisition, the Jacob Holm Acquisition, and the Notes offering as if each had occurred on January 1, 2021, and combines (i) the historical condensed consolidated statements of income of Glatfelter (including the results of Mount Holly from May 13, 2021), (ii) Jacob Holm for the six months ended June 30, 2021 and (iii) the historical combined statement of income of Mount Holly for the three months ended March 31, 2021, plus the operating results of Mount Holly from April 1, 2021 through May 13, 2021.

The unaudited pro forma condensed combined statement of income for the year ended December 31, 2020, gives effect to the Jacob Holm Acquisition, the Mount Holly Acquisition and the Notes offering, as if each had occurred on January 1, 2020, and combines the historical consolidated statements of income of Glatfelter, Jacob Holm and Mount Holly for the year ended December 31, 2020.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to the Jacob Holm Acquisition and the Notes offering as if they had occurred on June 30, 2021 and combines the historical balance sheets of Glatfelter (which includes Mount Holly) and Jacob Holm as of June 30, 2021.

In addition, the unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that may be achieved as a result of the Mount Holly Acquisition or the Jacob Holm Acquisition, the costs necessary to achieve these cost savings, operating synergies and revenue enhancements or the costs to be incurred to integrate the operations of each acquisition.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of what the actual combined financial position or results of operations would have been had the Mount Holly Acquisition, the Jacob Holm Acquisition and the Notes offering been completed on the dates indicated or what such financial position or results would be for future periods.

The presentation of certain items in the historical financial statements of Mount Holly and Jacob Holm have been conformed to Glatfelter's presentation for purposes of the unaudited pro forma condensed combined financial information.

The historical financial statements of Jacob Holm have been prepared in accordance with IFRS as issued by the IASB. We have assessed the differences between IFRS and GAAP and, where material, the financial information of Jacob Holm included in the unaudited pro forma condensed combined statements of income and balance sheet has been conformed to accounting principles under GAAP. In addition, certain amounts in the Jacob Holm historical audited and unaudited combined statements of income have been reclassified to conform to Glatfelter's presentation in the pro forma combined consolidated financial statements.

Further, the historical consolidated financial statements of Jacob Holm were prepared in euros. Accordingly, the unaudited pro forma condensed combined financial information reflects a translation of such statements into U.S. dollars. See Note 3 to the accompanying notes to the unaudited pro forma condensed combined consolidated financial information for the translation methodology. Based on its review of Jacob Holm's historical consolidated financial statements, prepared in accordance with IFRS as issued by the IASB, we are not aware of any further adjustment that would be required to Jacob Holm's historical financial statements in connection with the preparation of the unaudited pro forma condensed combined consolidated financial information.

With respect to the Jacob Holm Acquisition, we are in the process of finalizing an analysis of the estimated fair value of the assets acquired and liabilities assumed necessary to complete the purchase price allocation. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the unaudited pro forma condensed combined financial information are preliminary and subject to change.

With respect to the Mount Holly Acquisition, the unaudited pro forma condensed combined financial information reflects the allocation of our cost to acquire Mount Holly to the assets acquired and the liabilities assumed based on management's estimate of the fair value using valuation techniques such as discounted cash flow models, appraisals and similar methodologies. This purchase price allocation is reflected in Glatfelter's historical unaudited condensed consolidated balance sheet.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the six months ended June 30, 2021

<i>In thousands, except per share</i>	Historical ⁽¹⁾				Transaction Adjustments (4)	Glatfelter Pro Forma Combined
	Glatfelter	Mount Holly - three months ended March 31, 2021 (2)	Mount Holly - April 1, 2021 to May 13, 2021 (2)	Jacob Holm U.S. GAAP (3)		
Net sales	\$ 470,585	\$ 20,957	\$ 9,541	\$ 189,365	\$ —	\$ 690,448
Costs of products sold	395,735	17,215	10,609	160,295	(384) ^(4a)	583,470
Gross profit	74,850	3,742	(1,068)	29,070	384	106,978
Selling, general and administrative expenses	51,811	2,077	1,153	19,418	(3,682) ^(4c)	70,777
Gains on dispositions of plant, equipment and timberlands, net	(2,403)	—	133	—	—	(2,270)
Operating income	25,442	1,665	(2,354)	9,652	4,066	38,471
Non-operating income (expense)						
Interest expense	(3,303)	—	—	(3,366)	(9,292) ^(4e)	(15,961)
Interest income	31	—	—	4	—	35
Other, net	(1,073)	—	(123)	2,467	—	1,271
Total non-operating expense	(4,345)	—	(123)	(895)	(9,292)	(14,655)
Income (loss) before income taxes	21,097	1,665	(2,477)	8,757	(5,226)	23,816
Income tax provision (benefit)	11,211	408	(594)	1,165	(1,266) ^(4g)	10,924
Income (loss) from continuing operations	<u>\$ 9,886</u>	<u>\$ 1,257</u>	<u>\$ (1,883)</u>	<u>\$ 7,592</u>	<u>\$ (3,960)</u>	<u>\$ 12,892</u>

Earnings per share

Basic	\$ 0.22	0.29
Diluted	0.22	0.29

Weighted average shares outstanding

Basic	44,507	44,507
Diluted	44,865	44,865

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part of these statements.

1. Refer to Note 3 for the description of the historical amounts.
2. Refer to Note 3b for the details of the Mount Holly historical amounts.
3. Refer to Note 3c for the details of the Jacob Holm historical amounts.
4. Refer to Note 4 for details of the Transaction accounting adjustments.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the year ended December 31, 2020

<i>In thousands, except per share</i>	Historical ⁽⁵⁾			Transaction Adjustments (8)	Glatfelter Pro Forma Combined
	Glatfelter	Mount Holly (6)	Jacob Holm U.S. GAAP (7)		
Net sales	\$ 916,498	\$ 101,169	\$ 403,911	\$ —	\$ 1,421,578
Costs of products sold	768,629	80,497	339,071	(2,654) ^(4b)	1,185,543
Gross profit	147,869	20,672	64,840	2,654	236,035
Selling, general and administrative expenses	100,045	9,879	32,177	18,613 ^(4d)	160,714
Gains on dispositions of plant, equipment and timberlands, net	(1,332)	545	—	—	(787)
Operating income	49,156	10,248	32,663	(15,959)	76,108
Non-operating income (expense)					
Interest expense	(7,022)	—	(7,660)	(17,158) ^(4f)	(31,840)
Interest income	399	—	250	—	649
Pension settlement	(6,154)	—	—	—	(6,154)
Other, net	(4,020)	(123)	(7,939)	—	(12,082)
Total non-operating expense	(16,797)	(123)	(15,349)	(17,158)	(49,427)
Income (loss) before income taxes	32,359	10,125	17,314	(33,117) ^(4g)	26,681
Income tax provision (benefit)	11,576	3,061	5,280	(2,532)	17,385
Income (loss) from continuing operations	<u>\$ 20,783</u>	<u>\$ 7,064</u>	<u>\$ 12,034</u>	<u>\$ (30,585)</u>	<u>\$ 9,296</u>
Earnings per share					
Basic	\$ 0.47				0.21
Diluted	0.47				0.21
Weighted average shares outstanding					
Basic	44,339				44,339
Diluted	44,614				44,614

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part of these statements.

5. Refer to Note 3 for the description of the historical amounts.
6. Refer to Note 3b for the details of the Mount Holly historical amounts.
7. Refer to Note 3c for the details of the Jacob Holm historical amounts.
8. Refer to Note 4 for details of the Transaction accounting adjustments.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2021

<i>In thousands</i>	Glatfelter Historical ⁽⁹⁾	Jacob Holm Historical U.S. GAAP ⁽¹⁰⁾	Transaction Accounting Adjustments ⁽¹¹⁾	Pro Forma for the Transactions
Assets				
Cash and cash equivalents	\$ 84,164	\$ 8,707	\$ (43,740) (4h)	\$ 49,131
Accounts receivable, net	144,155	32,126	—	176,281
Inventories	220,206	41,990	5,539 (4i)	267,735
Prepaid expenses and other current assets	43,578	5,569	—	49,147
Total current assets	492,103	88,392	(38,201)	542,294
Plant, equipment and timberlands, net	621,103	146,655	13,676 (4i)	781,434
Goodwill	195,461	—	72,991 (4i)	268,452
Intangible assets, net	95,022	2,531	68,729 (4i)	166,282
Other assets	56,401	7,160	20,000 (4i)	83,561
Total assets	<u>\$ 1,460,090</u>	<u>\$ 244,738</u>	<u>\$ 137,195</u>	<u>\$ 1,842,023</u>
Liabilities and Shareholders' Equity				
Current portion of long-term debt	\$ 24,267	\$ —	\$ —	\$ 24,267
Short-term debt	11,884	13,700	—	25,584
Accounts payable	122,834	24,897	—	147,731
Dividends payable	6,233	—	—	6,233
Environmental liabilities	3,206	—	—	3,206
Other current liabilities	73,930	17,844	(2,168)	89,606
Total current liabilities	242,354	56,441	(2,168)	296,627
Long-term debt	445,261	151,219	119,923 (4j)	716,403
Deferred income taxes	77,123	—	13,070 (4i)	90,193
Other long-term liabilities	124,107	8,408	41,543 (4i)	174,058
Total liabilities	888,845	216,068	172,368	1,277,281
Commitments and contingencies	—	—	—	—
Shareholders' equity				
Common stock	544	—	—	544
Capital in excess of par value	62,796	—	—	62,796
Retained earnings	720,934	28,670	(35,173) (4k)	714,431
Accumulated other comprehensive loss	(64,813)	—	—	(64,813)
	719,461	28,670	(35,173)	712,958
Less cost of common stock in treasury	(148,216)	—	—	(148,216)
Total shareholders' equity	571,245	28,670	(35,173)	564,742
Total liabilities and shareholders' equity	<u>\$ 1,460,090</u>	<u>\$ 244,738</u>	<u>\$ 137,195</u>	<u>\$ 1,842,023</u>

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part of these statements.

9. Refer to Note 3 for the description of the historical amounts.

10. Refer to Note 3c for the details of the Jacob Holm amounts.

11. Refer to Note 4 for details of the Transaction accounting adjustments.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of the transactions

a. Mount Holly

On May 13, 2021, we completed the acquisition of all the outstanding equity interests in Mount Holly, for \$170.7 million, subject to customary post-closing purchase price adjustments.

b. Jacob Holm

On October 29, 2021, we completed the acquisition of Jacob Holm, a global leading manufacturer of premium quality spunlace nonwoven fabrics for critical cleaning, high-performance materials, personal care, hygiene and medical applications, for approximately \$304.0 million including the extinguishment of debt and subject to post-closing adjustments. The transaction, purchase price and acquisition-date preliminary fair values assigned to the assets acquired and liabilities assumed are set out in Note 4 to the unaudited pro forma condensed combined consolidated financial information.

c. Notes financing

We used the net proceeds from the offering of \$500 million of 4.750% Notes, together with cash on hand, to pay the purchase price for the Jacob Holm Acquisition, to repay certain indebtedness of Jacob Holm, to repay outstanding borrowings under our Credit Facility and to pay fees and expenses (collectively, the “Transactions”).

2. Basis of presentation

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting to account for the Mount Holly Acquisition and the Jacob Holm Acquisition. Accordingly, we have adjusted the historical consolidated financial information to give effect to the consideration issued in connection with the Mount Holly Acquisition and the Jacob Holm Acquisition. In addition, the unaudited pro forma condensed combined financial information was prepared giving effect to proceeds of, and interest expense associated with, the Notes offering.

Under the acquisition method of accounting, the total purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair market value at the acquisition date. With respect to the Mount Holly Acquisition, fair value is based on management’s estimate of the fair value using valuation techniques such as discounted cash flow models, appraisals and similar methodologies. With respect to the Jacob Holm Acquisition we are in the process of finalizing an analysis of the estimated fair value of the assets acquired and liabilities assumed necessary to complete the purchase price allocation.

Definitive allocations will be finalized based on the completion of certain valuations and other studies. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the unaudited pro forma condensed combined financial information are preliminary, have been made solely for the purpose of preparing this unaudited pro forma condensed combined financial information and are subject to revision based on a final determination of fair value after closing of the Jacob Holm Acquisition, and such

revisions could have a material effect on the accompanying unaudited pro forma condensed combined financial information.

3. Historical Financial Information

The historical amounts set forth in the unaudited pro forma condensed combined statements of income for the year ended December 31, 2020 and for the six months ended June 30, 2021 were derived from:

a. Glatfelter—historical financial information derived from Glatfelter’s audited consolidated financial statements as of and for the year ended December 31, 2020 and unaudited condensed consolidated statements as of and for the three months and six months ended June 30, 2021.

b. Mount Holly—historical financial information derived from Mount Holly’s audited combined financial statements for the year ended December 31, 2020 and unaudited interim combined financial statements for the three months ended March 31, 2021, each previously filed by Glatfelter on a Current Report on Form 8-K/A filed on July 28, 2021, adjusted for certain reclassifications necessary to conform the presentation to that of Glatfelter. The historical financial information for the period April 1, 2021 through May 13, 2021 was derived from Mount Holly’s management’s internally produced financial information. Because such financial information did not include a provision for income taxes, management of Glatfelter estimated income taxes assuming an effective tax rate of 24%.

c. Jacob Holm—historical financial information derived from Jacob Holm’s audited consolidated financial statements for the year ended December 31, 2020 and unaudited interim consolidated financial statements for the six months ended June 30, 2021, filed as Exhibit 99.1 and Exhibit 99.2, respectively, to the Current Report on Form 8-K/A to which this Exhibit 99.3 is also filed as an exhibit. The historical consolidated financial statements of Jacob Holm are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”) and presented in euros, its reporting currency.

The following table summarizes currency exchange rates used to translate historical financial information from euro to U.S. dollar:

Average rate six months ended June 30, 2021	1.2057
Average rate six months ended June 30, 2020	1.1015
Average rate 2020	1.1413
Spot rate June 30, 2021	1.1884

The following tables summarize adjustments from IFRS to GAAP, certain reclassifications necessary to conform the presentation to that of Glatfelter and translation from euros to U.S. dollars.

For the six months ended June 30, 2021

<i>In thousands</i>	Jacob Holm Group IFRS (i)	U.S. GAAP Adjustments	Jacob Holm Group Adjusted for U.S. GAAP	Reclass	Translation to U.S. Dollars	Jacob Holm Group U.S. GAAP
Net sales	€ 157,058	€ —	€ 157,058	€ —	\$ 32,307	\$ 189,365
Costs of products sold	132,815	133 (ii)	132,948	—	27,347	160,295
Gross profit (loss)	24,243	(133)	24,110	—	4,960	29,070
Selling and marketing expenses	4,208	—	4,208	11,897	3,313	19,418
Administrative expenses	10,292	—	10,292	(10,292)	—	—
Other operating income and expense	373	—	373	(373)	—	—
Operating income (loss)	9,370	(133)	9,237	(1,232)	1,647	9,652
Non-operating income (expense)						
Interest expense	(3,157) (i)	133 (ii)	(3,024)	232 (ii)	(574)	(3,366)
Interest income	2,281 (i)	—	2,281	(2,278) (ii)	1	4
Other, net	(1,232) (i)	—	(1,232)	3,278	421	2,467
Total non-operating expense	(2,108)	133	(1,975)	1,232	(152)	(895)
Income before income taxes	7,261	—	7,262	—	1,495	8,757
Income tax provision	966	—	966	—	199	1,165
Income from continuing operations	€ 6,295	€ —	€ 6,296	€ —	\$ 1,296	\$ 7,592

- i. The amounts presented are derived from comparable line items in Jacob Holm's historical unaudited interim consolidated financial statements for the six months ended June 30, 2021 filed herewith as Exhibit 99.2. The sum of certain amounts does not agree to the total presented due to rounding. The amounts derived from Jacob Holm's unaudited interim consolidated financial statements for the six months ended June 30, 2021 were adjusted to conform to the presentation to that of Glatfelter as follows:

<i>Euros, In thousands</i>				
Financial Statement Line Item			As reported in Jacob Holm Financial Statements	Jacob Holm Group IFRS presented above
Jacob Holm	Glatfelter		Reclassification	
Special items, net	—	(1,232)	1,232	—
Financial income	Interest income	2,281		2,281
Financial expense	Interest expense	(3,157)		(3,157)
—	Other, net	—	(1,232)	(1,232)
		2,108	—	(2,108)

- ii. Represents a reclass of interest expense on financial leases to lease expense to conform to treatment as operating leases under GAAP.
iii. Represents reclass of foreign currency gains and losses to "Other, net."

For the year ended December 31, 2020

<i>In thousands</i>	Jacob Holm Group IFRS	U.S. GAAP Adjustments	Jacob Holm Group Adjusted for U.S. GAAP	Reclass	Translation to U.S. Dollars	Jacob Holm Group U.S. GAAP
Net sales	€ 353,904	€ —	€ 353,904	€ —	\$ 50,007	\$ 403,911
Costs of products sold	296,752	340 (iv)	297,092	—	41,979	339,071
Gross profit (loss)	57,152	(340)	56,812	—	8,028	64,840
Selling and marketing expenses	7,540	—	7,540	20,653	3,984	32,177
Administrative expenses	18,909	—	18,909	(18,909)	—	—
Other operating income and expense	50	—	50	(50)	—	—
Operating income (loss)	30,653	(340)	30,313	(1,694)	4,044	32,663
Non-operating income (expense)						
Interest expense	(14,008) (iv)	340 (v)	(13,668)	6,956 (vi)	(948)	(7,660)
Interest income	219 (iv)	—	219	—	31	250
Other, net	(1,694) (iv)	—	(1,694)	(5,262)	(983)	(7,939)
Total non-operating expense	(15,483)	340	(15,143)	1,694	(1,900)	(15,349)
Income before income taxes	15,170	—	15,170	—	2,144	17,314
Income tax provision (benefit)	4,626	—	4,626	—	654	5,280
Income from continuing operations	€ 10,544	€ —	€ 10,544	€ —	\$ 1,490	\$ 12,034

iv. The amounts presented are derived from comparable line items in Jacob Holm’s historical unaudited interim consolidated financial statements for the year ended December 31, 2020 filed herewith as Exhibit 99.1, adjusted to conform to the presentation to that of Glatfelter as follows:

Euros, In thousands

Financial Statement Line Item		As reported in Jacob Holm Financial Statements	Reclassification	Jacob Holm Group IFRS presented above
Jacob Holm	Glatfelter			
Special items, net	—	(1,694)	1,694	—
Financial income	Interest income	219	—	219
Financial expense	Interest expense	(14,008)	—	(14,008)
—	Other, net	—	(1,694)	(1,694)
		<u>(15,483)</u>	<u>—</u>	<u>(15,483)</u>

- v. Represents a reclass of interest on financial leases to lease expense to conform to treatment as operating leases under GAAP.
- vi. Represents the reclass of currency transaction losses from “Financial expenses” in Jacob Holm historical financial statements to “other, net” to conform to the presentation of Glatfelter, net of “Special items” reclassified from “Other, net” to “Selling and marketing.”
- vii. Represents reclass of foreign currency gains and losses to “Other, net.”

4. Transaction Accounting Adjustments

a) Adjustments to cost of goods sold for the six months ended June 30, 2021 consist of the following:

<i>In thousands</i>	Depreciation & amortization	Lease expense	Total
Eliminate Mount Holly historical expenses	\$ (1,792)	\$ —	\$ (1,792)
Eliminate Jacob Holm historical expenses	(5,277)	—	(5,277)
Transaction-related depreciation - Mount Holly	3,109	—	3,109
Transaction-related depreciation & amortization - Jacob Holm	3,528	—	3,528
Record estimated lease expense related to Mount Holly	—	48	48
Total	<u>\$ (432)</u>	<u>\$ 48</u>	<u>\$ (384)</u>

- i. A decrease of \$432 thousand in depreciation expense due to the difference in the bases of depreciable assets together with changes in the estimated lives resulting from the application of the FASB ASC 805 to account for the Mount Holly Acquisition and the Jacob Holm Acquisition; and
- ii. Lease expense of \$48 thousand due to the application of FASB ASC No. 842, “Leases” (“FASB ASC 842”), to account for the lease of a building in connection with the Mount Holly Acquisition.

b) Adjustments to cost of goods sold for the year ended December 31, 2020 consist of the following:

<i>In thousands</i>	Depreciation & amortization	Lease expense	Total
Eliminate Mount Holly historical expenses	\$ (5,261)	\$ —	\$ (5,261)
Eliminate Jacob Holm historical expenses	(10,796)	—	(10,796)
Transaction-related depreciation & amortization - Mount Holly	6,218	—	6,218
Transaction-related depreciation & amortization - Jacob Holm	7,055	—	7,055
Record estimated lease expense related to Mount Holly	—	130	130
Total	<u>\$ (2,784)</u>	<u>\$ 130</u>	<u>\$ (2,654)</u>

- i. A \$2.8 million decrease in depreciation expense due to the difference in the bases of depreciable assets together with changes in estimated lives resulting from the application of the FASB ASC 805 to account for the Mount Holly Acquisition and the Jacob Holm Acquisition; and
- ii. Lease expense of \$130 thousand due to the application of FASB ASC 842, to account for the lease of a building in connection the Mount Holly Acquisition.

- c) Adjustments to selling, general and administrative expenses for the six months ended June 30, 2021 consist of the following:

<u><i>In thousands</i></u>	<u>Transaction costs</u>	<u>Intangible asset amortization</u>	<u>Total</u>
Transaction-related amortization - Mount Holly	\$ —	\$ 909	\$ 909
Transaction-related amortization - Jacob Holm	—	1,537	1,537
Expenses directly related to the Transactions included in Glatfelter historical amounts and assumed to be recorded in 2020 for pro forma purposes	(6,128)	—	(6,128)
Total	<u>\$ (6,128)</u>	<u>\$ 2,446</u>	<u>\$ (3,682)</u>

- i. A \$2.4 million increase in amortization expense related to identifiable intangible assets from the application of the FASB ASC 805 to account for the Mount Holly Acquisition and the Jacob Holm Acquisition. The identifiable intangible assets consist of customer lists, technical know-how, tradenames and patents with estimated useful life of approximately 10 years; and
- ii. \$6.1 million of legal and professional fees directly related to the Mount Holly Acquisition included in Glatfelter's historical amounts during the first six months of 2021 which, for pro forma purposes, are assumed to be incurred as of January 1, 2020.

- d) Adjustments to selling, general and administrative expenses for the year ended December 31, 2020 consist of the following:

<u><i>In thousands</i></u>	<u>Transaction costs</u>	<u>Intangible asset amortization</u>	<u>Total</u>
Transaction-related amortization - Mount Holly	\$ —	\$ 1,818	\$ 1,818
Transaction-related amortization - Jacob Holm	—	3,074	3,074
Expenses directly related to the Transactions recorded in 2021 and assumed to be recorded in 2020 for pro forma purposes	6,128	—	6,128
Expenses directly related to the Transactions	7,593	—	7,593
Total	<u>\$ 13,721</u>	<u>\$ 4,892</u>	<u>\$ 18,613</u>

- i. A \$6.1 million increase of legal and professional fees directly related to the Mount Holly Acquisition included in Glatfelter's historical amounts during the first six months of 2021 which, for pro forma purposes, are assumed to be incurred as of January 1, 2020, and a \$7.6 million adjustment for estimated expenses to be incurred that are directly related to the Jacob Holm Acquisition.
- ii. A \$4.9 million increase in amortization expense related to identifiable intangible assets from the application of the FASB ASC 805 to account for the Mount Holly Acquisition and the Jacob Holm Acquisition.

- e) Adjustment to interest expense for the six months ended June 30, 2021 represents the following:

<u>In thousands</u>	
Eliminate Jacob Holm historical interest expense	\$ (3,366)
Incremental expense associated with Bond offering	12,658
Adjustment to interest expense	<u>\$ 9,292</u>

f) Adjustment to interest expense for the year ended December 31, 2020 represents the following:

<u>In thousands</u>	
Eliminate Jacob Holm historical interest expense	\$ (7,660)
Incremental expense associated with Bond offering	<u>24,818</u>
Adjustment to interest expense	<u>\$ 17,158</u>

g) The tax effect of the pro forma adjustments is based on the tax rates of the jurisdiction in which the transactions would have taken place. The tax rate reflects the impact on certain of the Transaction Accounting Adjustments giving effect to i) certain of the amounts included in the Transaction Accounting Adjustments are nondeductible for U.S. tax purposes; and ii) because Glatfelter is in a loss for U.S.-based taxable income and is unable to recognize deferred tax assets, management has determined it would be unable to recognize any tax benefit from the adjustments.

h) Reflects the amount of cash used, together with the Notes offering, to fund the Jacob Holm Acquisition, the repayment of revolving borrowings under the Credit Facility and for transaction expenses.

i) The pro forma adjustments reflect the preliminary allocation of the purchase price for the Jacob Holm Acquisition as follows:

<u>In thousands</u>	
Total consideration	\$ 303,951
Less: Debt repaid	<u>(148,959)</u>
	154,992
Less book value of net assets acquired	<u>(28,670)</u>
Purchase price in excess of book value of net assets acquired	<u>\$ 126,322</u>

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 reflects adjustments to allocate the purchase price in excess of the book values of net assets acquired to the fair value of the assets acquired and liabilities assumed based on management's preliminary estimate of the respective fair values. We are in the process of finalizing an analysis of the estimated fair value of the assets acquired and liabilities assumed necessary to complete the purchase price allocation. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the unaudited pro forma condensed combined financial information are preliminary and subject to change and the change could be material.

The following sets forth the preliminary allocation of the purchase price in excess of the book value of net assets acquired assuming the Jacob Holm Acquisition occurred as of June 30, 2021:

<u>In thousands</u>	
Inventory	\$ 5,539
Property, plant and equipment	13,676
Intangible assets - customer relationships, technical know-how, patents and trademarks	68,729
Goodwill	72,991
Indemnification asset	20,000
Total assets	<u>180,935</u>
Deferred income taxes	13,070
Other long-term liabilities	41,543
Total liabilities	<u>54,613</u>
Total preliminary purchase price allocation	<u>\$ 126,322</u>

j) Reflects the Notes offering, net of the repayment of revolving borrowings under the Credit Facility and the retirement of Jacob Holm's long-term debt.

k) Reflects the elimination of the equity of Jacob Holm in accordance with FASB ASC 805.

5. Sensitivity Analysis

(a) With respect to the Jacob Holm Acquisition, we are in the process of finalizing analysis of the estimated fair value of the assets acquired and liabilities assumed necessary to complete the purchase price allocation. Therefore, there are certain preliminary assumptions regarding the purchase price allocation used in the unaudited pro forma condensed combined financial information, for which actual amounts may differ from the amounts assumed and such differences could be material.

For purposes of the unaudited pro forma condensed combined financial information, the excess of the book value of net assets to be acquired has been allocated to the assets to be acquired and liabilities assumed based on management's estimate of fair value, since the formal extensive fair valuation studies have not been completed. Although management considers its estimates to be reasonable, the actual fair values may differ from such preliminary estimates, the differences could be material and the amounts of depreciation or amortization expense would change accordingly.