faerch

ANNUAL REPORT 2021

2021

The Annual Report was presented
and adopted at the Annual General Meeting
of the Company on 18 March 2022

Henrik Poulsen
Chairman

Faerch A/S
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These financial statements are consolidated financial statements for the group consisting of Faerch A/S and its subsidiaries. A list of all subsidiaries is included in note 4.10. The financial statements are presented in the functional currencies for the Group (EUR) and the Parent company(DKK).

Faerch A/S
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VIEW FROM THE CHAIRMAN

In the context of a challenging business environment, we are satisfied with the Group's performance in 2021.

HENRIK POULSEN
CHAIRMAN OF THE BOARD OF DIRECTORS

Reflecting on 2021, it was positive to see economies returning to growth and market conditions improving. However, strong demand and supply chain bottlenecks, created a strong inflationary pressure on input prices and constrained the availability of raw materials. At the same time, the COVID-19 pandemic remained a serious global health challenge and continued to impact our markets to various degrees, despite the easing of government restrictions.

In the context of a challenging business environment, we are satisfied with the Group's performance in 2021. We delivered strong top-line growth, and our results were well above the pre-pandemic levels of 2019. However, top-line growth has not translated into the same earnings growth, as the business was impacted by substantial increases in input costs.

Our organic sales growth came in strong at 8% for the year, and the reported EBITDA reached a record of EUR 100.3m. High raw material prices and inflationary pressure on other cost categories such as energy, packaging and freight exerted a downward pressure on margins. As only a part of the input cost increases can be passed-on, combined with the time-lag effect in our commercial contracts, we saw our margins decline by more than 5%-points. Part of the decline came from the acquisition of the Sirap food packaging business in Italy, Poland and Spain, which initially will operate at a lower EBITDA margin than the Faerch legacy business.

Our strategy defines the dairy market as a strategic focus going forward. With the acquisition of the PACCOR business in late December 2021, Faerch has entered the dairy market with some of the best products and technologies available, with a strong team and organisation across Europe. With the acquisition, we also expand our geographic presence in Eastern Europe and outside Europe. We are eager to welcome all of our new colleagues to the Group and start working together, after the regulatory approvals have been received, expectedly during second half this year at the latest.

A linear economy where resources are used only once is not sustainable. It will over time deplete earth of its resources and add to the destabilisation of global ecosystems. To maintain high food safety standards and minimise food waste, while reducing CO2 emissions and plastic leakage into nature, we need to move rigid food packaging towards truly circular recycled PET concepts. It is our ambition to spearhead this conversion.

Hence, our recycling business is an important part of Faerch's strategy. The progress made during 2021 is very encouraging with the scaling of the tray-line at our recycling plant in the Netherlands. We now have a robust industrial tray-line that is ready to be scaled into new countries and regions in the years to come. With limited availability of recycled bottle PET going forward, our investment in new recycling plants is paramount to our sustainability platform and ability to offer our customers circular food packaging. We plan to have another tray-line installed at our Duiven site in 2022, and to open a new site in a new country during 2023.

We are encouraged by more and more customers taking a keen interest in our circular packaging concepts. In 2021, we used 61,000 tons of recycled PET in our products, up 6% on 2020. The total share of rPET in our PET products remained stable at approximately 70%, adjusted for the impact of the Sirap acquisition. Furthermore, we continued to innovate our concept offerings, e.g. including a circular "Back of Store by Faerch" material programme, developed in collaboration with some of our large retail customers.

We also reinforced our ESG efforts with a focus on establishing a full scope baseline for CO2 emissions, and updating our materiality assessment. We expect to have this work finalised during the first half of 2022, and we will then communicate our ambitions to reduce absolute greenhouse gas emissions by 2030, across scopes 1, 2, and 3. We will also communicate our ambition on the percentage of recycled content in our PET products and our targets on recyclability. We are confident that we can lead the industry by setting the standard in the markets in which we operate.

Shortly after A.P. Møller Holding took over ownership of the Faerch Group, we commenced preparation of an "Employee Share Ownership Programme".

I am pleased that the owners have offered this unique opportunity to the Faerch employees and very happy to see the positive response and strong commitment from the employees across the entire Group.

As we look ahead, 2022 will be another year characterised by high input prices, supply bottlenecks, and macroeconomic uncertainty. Not least following the tragic war in Ukraine. At Faerch, we strongly condemn the Russian government's senseless act of aggression and stand in solidarity with the Ukrainian people. Faerch and the company's employees have taken a number of steps to support our Ukrainian colleagues and ongoing humanitarian relief efforts. Furthermore, we have suspended all our trading activities with Russia and Belarus.

In spite of the increased uncertainty and reduced visibility, Faerch's Board of Directors, remain confident about the company's long-term growth prospects and it's ability to navigate the challenging environment.

On behalf of the Board, I would like to extend my gratitude to our loyal and skilled employees for their dedication and the progress we have made together - and I am looking forward to the next steps of our exciting journey.

Henrik Poulsen
Chairman of the Board of Directors

Evolve by Faerch

HISTORIC GROWTH IN AN UNPREDICTABLE YEAR

In 2021 , we have once again demonstrated the resilience of our business and our ability to deliver strong results. As always, our top priority has been to protect the health and wellbeing of our employees, while continuing to support our customers.

In 2021, we experienced significant organic growth in all our markets with growth rates considerably higher than the overall market average. The growth rates have put pressure on our factories and organisation, and we are both impressed by and proud of the commitment and support demonstrated by our employees. Despite the pandemic, they have managed to overcome many challenges and to ensure that none of our factories have been forced to shut down. We have also been pleased with the positive feedback from our customers on Faerch's ability to supply on time and maintaining a high product quality.

While the impacts of the pandemic has been felt in every industry and region, we have also been impacted by its side effects, especially in our supply chain. From early 2021, raw material prices started to increase, and the scarce availability of polymers and other critical raw materials made it challenging to source the necessary quantities. Combined with the high sales growth rates, this put further pressure on our procurement team. The pressure was partly relieved by increased internal supply from Faerch's recycling business, thus starting to harvest the benefits from being an integrated recycler. In the second half of 2021, energy prices started to increase significantly and despite having hedged the main part of our consumption, margins were significantly impacted by the combined cost line increases.

Record-breaking volume

Despite another year impacted by COVID-19, Faerch managed to grow sales volume organically by a record 8% and by 54%, including the acquisition of the Sirap business. We also saw an increase in EBITDA of 9.4% to a new record for Faerch at EUR 100.3m. However, our margins year-on-year were negatively impacted by the increasing cost lines and the Sirap entities in Italy, Poland and Spain, which we have integrated into the Faerch business during 2021.

Polymer prices increased significantly during 2021, with price increases not seen for more than a decade. This has increased our input cost dramatically in 2021. At the same time, the growing awareness of the sustainability agenda has led to an increase in the demand for recycled PET, causing recycled PET prices to remain above that of virgin PET.

During 2021, the strong sales growth called for capacity investments, and we continued to invest in our platforms to maintain cost-leadership, by being at the forefront of innovation and automation. In addition, in 2021 we commenced the largest project in our history to rebuild, expand and re-equip the Castelbelforte site in Italy, with investments over a five-year period to support the conversion into more sustainable materials in the Italian market.

Recycling

Faerch's strategic focus is to make food packaging circular. At our recycling plant in the Netherlands, we continued to invest in our recycling capabilities of tray materials. In September 2021, we commissioned our new redesigned tray-line which will form the foundation of scaling our recycling footprint into other European markets. In 2021, we also introduced and launched our "Back of Store by Faerch" programme with some of the major UK retail chains. With the reduced availability of recycled material for the packaging industry, our actions in the recycling industry have been accelerated, investing in new recycling equipment and looking for land in markets where we are already present with a tray factory to "close the loop".

As always, our top priority has been to protect the health and wellbeing of our employees while continuing to support our customers.

LARS GADE HANSEN
GROUP CEO

Dairy segment and entering the US market

After just a few months of A.P. Møller Holding ownership, we concluded the first acquisition. In July, Faerch acquired MCP Performance Plastic from Plazit Industries of Kibbutz Gazit and Kibbutz Hama'apil. This acquisition expanded our geographical footprint beyond Europe thereby establishing a presence in the important US market. Just before the turn of the year, we made the biggest acquisition in our history with the acquisition of PACCOR Packaging from the US private equity fund Lindsay Goldberg. With PACCOR's position as a leading European player within the dairy sector, the acquisition provides us access to this large and important market. Subject to closing of the transaction, the new Faerch Group will consists of 34 factories, a turnover of approximately EUR 1.3 billion and 6.000 employees.

Outlook for 2022

Looking into 2022, we are facing yet another year challenged by the impacts of high input costs and ongoing uncertainty due to new COVID-19 variants. However, with a clear 2025 strategy set by our Board and supported by A.P. Møller Holding, I am confident that we are well-positioned to face the challenges that lie ahead, and to provide our customers with circular packaging solutions.

Thank you

On behalf of the Executive Management, I would like to thank our employees for the dedication and hard work this past year. Also, thanks to our customers for choosing Faerch as their trusted supplier and to our owner A.P. Møller Holding and their team for supporting us in further strengthening the tray business, with two major acquisitions and building a unique recycling platform.

2022 will be an exciting year for Faerch with the acquisition of PACCOR and entering the dairy segment, and new geographies including the US, following the MCP acquisition. We are excited and optimistic about the future, and we look forward to welcoming our new colleagues from PACCOR and MCP to the Faerch Group.

Lars Gade Hansen
Group CEO

IN BRIEF
CORPORATE ANNUAL REPORT 2021


PACKAGING THAT CARES

Growth at Faerch

Since Faerch's establishment in 1969, it has grown to become one of the leading rigid packaging manufacturers for the European food industry, with almost 2,300 employees across 16 manufacturing sites producing trays and resin. Since March 2021, Faerch has been owned by A.P. Møller Holding A/S and adopted into a long-term ownership perspective after six years under private equity ownership.

Segment reporting

Faerch's activities are segmented according to the two business areas: Tray Business and Recycling Business. These two business areas make up the two reporting segments. The Tray Business accounts for 97% of the external sales, whereas the Recycling Business accounts for the remaining 3%. The majority of the sales in the Recycling Business is made to the Tray Business with a number of sites benefiting from in-house production of tray flakes from post-consumer PET tray waste.

Faerch Tray Business

Faerch continues to have leading positions within Ready Meals, Fresh Meat, and Food To Go, while building a position in the Dairy industry. Faerch focus on selected food segments where a high quality rigid tray makes a difference, both ensuring smooth production at the food manufacturer and stand-out appearance on the shelves in retail.

We continue to invest in a leading position within recycled content, production methods and products to ensure our products can protect the food and hold the highest levels of food safety. We work with our customers who benefit from Faerch's deep process knowledge and extensive product range, which is also reflected in the long-standing relationships we enjoy with most of our customers.

Ready Meals

The market for prepared meals made for heating continues to grow, driven by consumers' increasing demand for convenience, along with food producers striving for individualisation of brands, while still maintaining a cost-efficient setup. This places major requirements for end-to-end competencies on tray producers such as Faerch. The ability to drive shelf impact through unique design, while maintaining extreme temperature tolerances, enables Faerch to grow further into Ready Meal sub-segments, that have historically have been dominated by non-plastic packaging materials such as aluminium and cardboard. The main materials are PP and CPET, which are both microwaveable and ovenable.

Fresh Meat

The market for Fresh Meat comprises of chilled and marinated poultry, beef, pork and fish, prepared both at point of sale and at highly automated production sites. The market is stable with changes between product types driven, by end-consumers' wish for more variety in protein products. Our focus is to provide customers with high quality trays that can run on highly automated production lines, while protecting the food inside the tray, thus, minimising food waste and footprint. The focus on good quality trays benefits high quality producers like Faerch, and enables us to grow across Europe. The main materials are PET, EPS and PP with a strong trend towards PET, as our customers continue to focus on sustainability and value recyclability and recycled content in the trays, driving a strong growth in mono-material PET solutions like MAPET II.

Food To Go

The market for convenience meals not requiring heating is broad and a diverse set of sub segments, each require a different set of features to producer and consumer. Faerch remains focused on the advanced convenience sub-segments; in which producers, retailers and end-consumers value innovative designs, built-in convenience features as well as high quality and environmentally friendly materials. Delivering on these parameters allows Faerch to tap into the trend of busy lifestyle, where on-the-go consumption of quality food is increasing in most households, regardless of whether the purchase takes place at an urban cafe or in a major supermarket. The main materials are PP, PET and PS with a trend towards PET trays, as it supports the sustainability agenda.

Dairy

Faerch has limited presence in the Dairy segment, but entry into the Dairy segment is a strategic priority. Dairy represents the most important segments in the food market, with very high volumes in the various sub-segments, each with its specific packaging requirements. The dairy market is relatively stable across Europe with intense competition between the dairies, all trying to offer the highest milk price to their owners. To help the dairies achieve cost improvements and sales increases, high quality trays with the right visual appearance are required from producers like Faerch. The visual appearance helps differentiate the brands on the shelves, and is achieved via printing or enrobing. The market is today in PS and PP, but Faerch expects a conversion to PET over the coming years to support the sustainability goals of the brand owners and retailers.

Sales channels

Faerch sells rigid plastic packaging to the European food industry through three different channels: Industrial Food Producers, Distributors, and Retailers. Our approach to the market is based on a sales channel split.

Food Producers

Food producers comprise of our largest channel, accounting for 70% of the Tray Business revenue in 2021. Food producers are large-scale industrial processors within all chilled food and frozen segments (Fresh Meat, Ready Meals, Food To Go, and Dairy). They supply leading European retailers with both branded and private label products. Faerch provides a full sales setup tailored to cater for this channel:

- Sales representatives focused on product applications and with clear Key Account Management responsibility for each account
- Large portfolio of tools, which provides off-the-shelf standard solutions, that can be altered to deliver a tailored solution to the individual customer
- Operational setup that allows for short lead time and dedicated stock levels if required
- Agile logistic model, servicing our customers with daily deliveries when needed
- Full design and innovation team helping our customers to develop the unique packaging solution that suits their needs

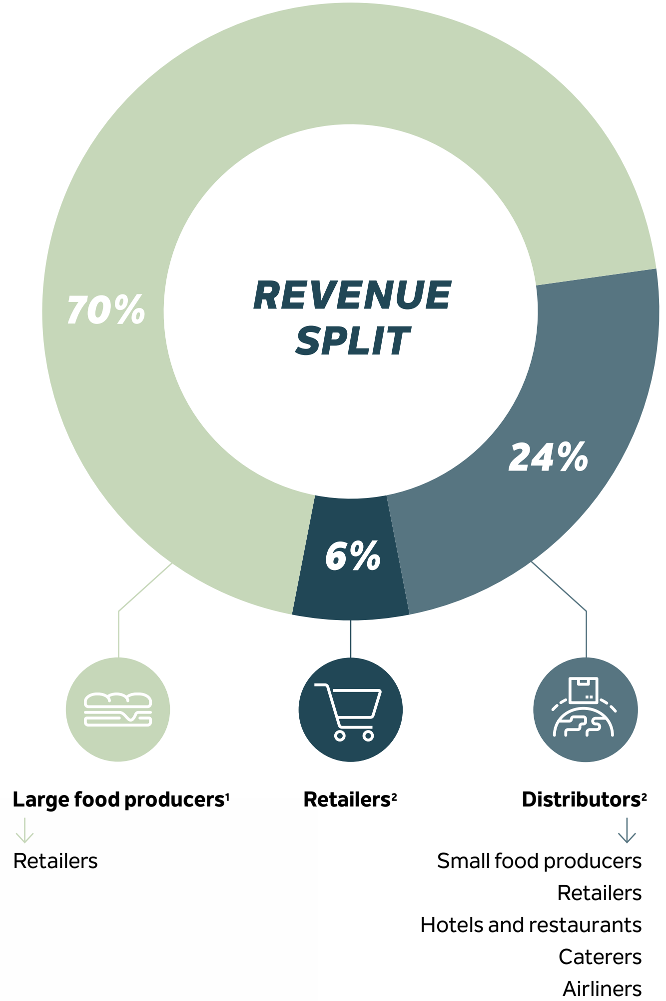
Distributors

The distributors are our second largest channel accounting for 24% of the revenue in the Tray Business segment in 2021. Distributors range from full-service providers for the restaurant and catering industry, covering a wide range of utilities, to more specialised distributors servicing airliners, smaller food producers and retailers with a full packaging solution including tray, top film, sealing equipment etc. Faerch currently holds a strong position with select large distributors across Europe. However, we wish to further expand our presence in this segment, as our presence in the segment is regional and not institutionalised. Expansion will be driven by rolling out tailored service models building on best practices from our current sales areas incl.:

- Dedicated sales resources
- Quick response rates
- Proactive product development aimed for distributor assortment
- Standard assortment in stock and new range development

Retailers

Retailers are predominantly indirect customers through one of the above core sales channels. However, direct retail sales made up 6% of our revenue in 2021, where we mainly supply packaging for food products, which are prepared at point of sale. Direct servicing of retailers allows Faerch to be at the forefront of innovation and customer demand, minimising dependency on any single food producer. The retailers continue to optimise the production, and we see, that more and more products move towards industrial production across Europe.



[1] Core distribution channel [2] Secondary distribution channel

Evolve by Faerch

Faerch Recycling Business

Faerch recycles PET bottles and trays at a site in Duiven, Netherlands through the ownership of 4PET Recycling.

After the initial sorting at the collection companies, the post-consumer bottle and tray bales are delivered to 4PET for further processing. Our recycling lines then process the bales and turn them into flakes or pellets. The flakes and pellets are then used in sheet production for food packaging with the majority of the production consumed by the Faerch Tray Business.

After technical optimisations in 2020 and 2021, the PET tray-line now runs as planned and produces flakes based on PET trays collected from European consumers. The flakes are used for new Faerch PET trays, thus, truly closing the loop on food packaging. Our capabilities as an integrated recycler are also being utilised in special customer service solutions, where we collaborate with partners to create true circularity through tray-to-tray recycling. For instance, collection of back of store waste at a retailer, and then, turning the waste into new trays, benefits both Faerch and the retailer from an economic and sustainability perspective.

Direct involvement in recycling enables Faerch to provide advice on all activities in the waste value chain. We are engaged with a number of national recycling organisations and retailers to increase the percentage of PET trays being recycled. Furthermore, Faerch has launched a number of activities to promote recycling of trays. We also plan to scale the recycling concept to a number of new countries fully closing the loop on Faerch trays.

Sustainability

Faerch strives to be the leader in sustainability within the industry with actions to increase our recycled content in our trays, increase plastic waste recycling, reduce the footprint of our products through transport optimisations, and minimise the emissions from our sites e.g. through sourcing of renewable energy. To limit our footprint impact, we cooperate with many different stakeholders and engage in new projects and working groups with the aim of a reduced footprint for the benefit of society.

Well-invested world-class manufacturing sites

The quality and food safety of our products are critical both to minimise the footprint of the production and ensure the highest possible food safety for end-consumers. To reach both objectives, Faerch continues to invest in new processes and production equipment at our sites.

We also invest in our material and technology expertise to ensure that we are able to deliver new innovations and incorporate new materials in our product portfolio.

These investments also allows our customers to receive the optimal solution at the lowest possible cost. Faerch will continue to invest significant amounts every year to maintain and develop a leading position.

Innovation

The ambition of Faerch is to remain the innovation leader in the industry. Every year, we launch many new products and concepts to the benefit of our customers. We will continue to invest in innovation and launch new products and concepts in the coming years. The most successful recent innovation is the introduction of the Evolve by Faerch tray, which is a sustainable offer based on recycled material.

Materials

Faerch offers a range of materials in the Tray Business with the largest sales in PET, PP, PS and EPS. All polymers have different properties and advantages, but we see a significant conversion into PET driven by the commitments of the retailers and brand owners to increase recycled content in their products. Faerch expects the material conversion to continue, and actively supports and promotes the conversion to PET, as this is the most sustainable material long-term.

The right values

Value creation at Faerch encompasses more than just financial return. It is built on an ingrained sense of responsibility that is permeating our organisation.

Responsibility – and in this case a shared responsibility with the customer, is central to our value model. Responsibility for the environment and the world around us is a natural and basic precondition for our work. This is the only way we can meet our own requirements of being the leading and most recognised player in our industry within Europe. We want to be recognised for quality, credibility, responsibility and our ability to deliver. In this way, we can remain innovative and deliver optimal solutions, where we can combine our competencies.

Responsibility is also about maintaining effective manufacturing processes, environmental considerations, production efficiency and sustainable energy supply. Faerch is fully supplied with renewable energy provided by sustainable energy sources, such as hydro and wind power plants.

OUR FOCUS AREAS

100m
EUR EBITDA

EBITDA grew by 9% to an all-time high of EUR 100m

50%

PET

of the acquired Olvan site's Oriented Polystyrene (OPS) material converted successfully into PET in less than a year

+20%

Sales of Evolve by Faerch grew by 20% in the UK market

WORLDWIDE SALES PRESENCE

Faerch has production at 16 sites in Europe in 8 countries and sells and exports to **more than 60 countries.**

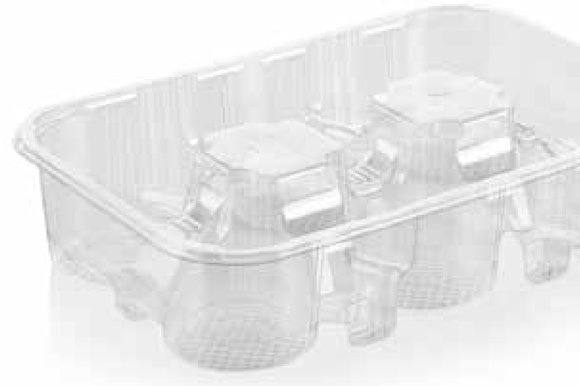
2,237
Dedicated employees

Sales volume growth

+53%

BACK OF STORE

Launched in 2021 as an industry first with UK supermarket chain Tesco. (see page 54)



100,000,000

By the end of 2021, the monthly volumes recycled by Faerch reached almost 100 million food trays

+11%

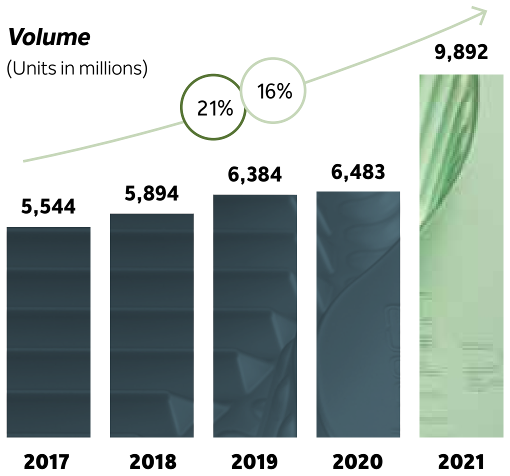
Revenue grew organically by 11% driven by strong volume growth and higher sales prices

Organic revenue growth

FINANCIAL HIGHLIGHTS

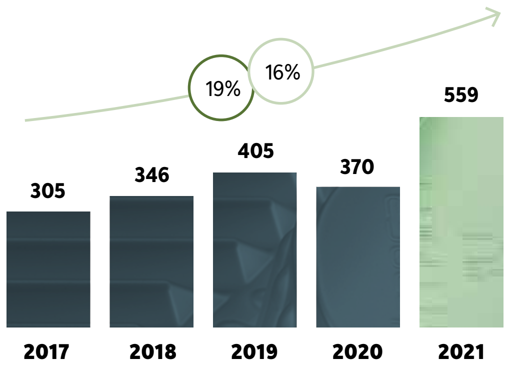
Faerch has grown the business with more than 75% since 2017

Volume
(Units in millions)



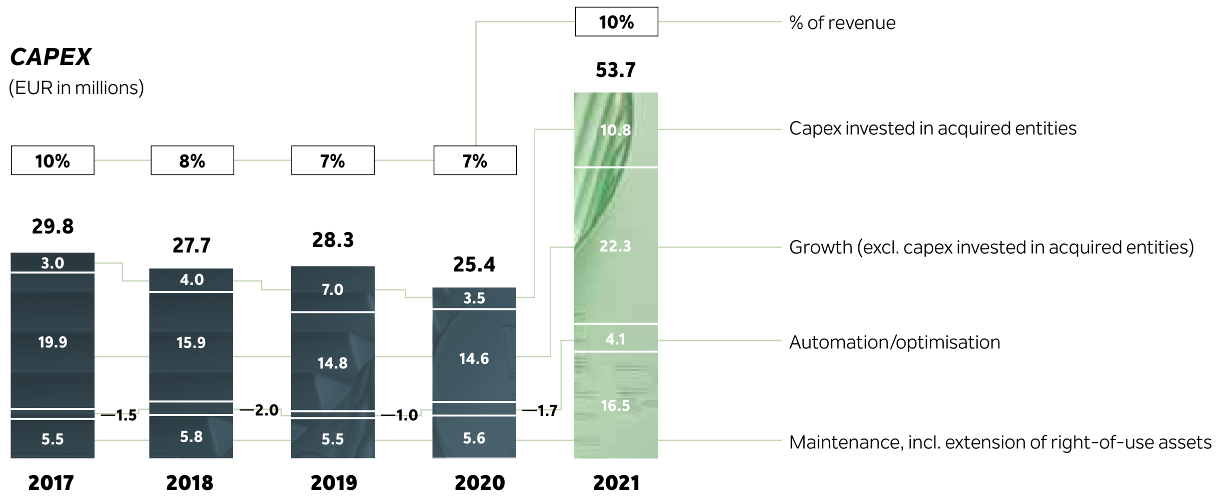
Faerch has grown from a local champion to a pan-European player with focus on the most attractive product groups of Ready Meals, Fresh Meat, Food-To-Go and Dairy. Growth in 2021 continued, supported by the Sirap acquisition.

Revenue
(EUR in millions)



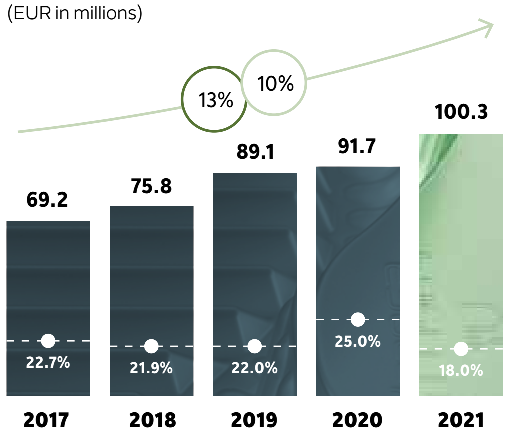
Revenue grew by 51%, driven by the Sirap acquisition and supported by organic growth and higher sales prices.

CAPEX
(EUR in millions)



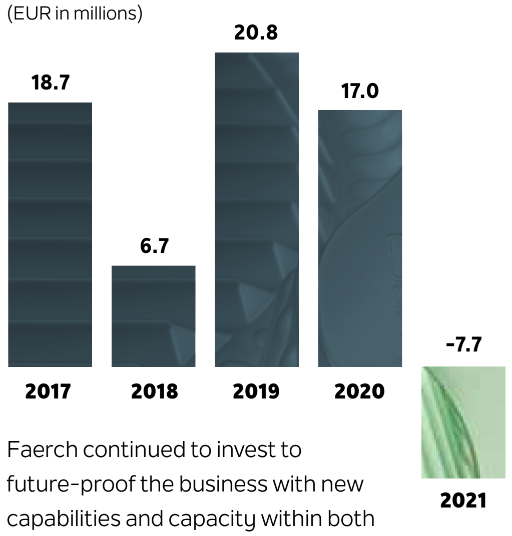
The investment level was 10% of revenue in 2021, up on prior year due to significant investments in the Sirap entities and new extrusion and thermoforming capacity and capabilities.

EBITDA (before special items)
(EUR in millions)



All-time high EBITDA despite significant headwind from increasing input cost. Margin negatively impacted by acquired business operating at lower margins, transformation in Recycling and high input cost.

Free Cash flow
(excluding acquistions)
(EUR in millions)



Faerch continued to invest to future-proof the business with new capabilities and capacity within both Tray Business and Recycling. Working capital was negatively impacted by increases in cost of raw materials.

Organic CAGR   Total CAGR   - - -O- - - % margin

OPERATING AND FINANCIAL REVIEW

Tom Sand-Kristensen
Group CFO

Faerch is a leading supplier of rigid plastic packaging for the European food industry. Faerch operates across Europe from 16 manufacturing facilities and seven separate sales offices including 5 design centres located in Denmark, UK, Spain, Italy and Poland. In addition, Faerch is an integrated recycler operating one of the world's only manufacturing sites processing post-consumer and post-industrial tray and bottle waste.

Faerch's reportable segments consist of the Tray Business and the Recycling Business. Previously the Tray Business was reported based on a distribution channel view, however with the introduction of Business Units from 2020 onwards, and with the increasing importance of the Recycling activity, internal reporting is now focused on the two business units; Tray and Recycling. Comparison figures for 2020 have been restated accordingly.

Following the A.P. Moller Holding A/S acquisition of Faerch Group A/S through Faerch Group Holding A/S (formerly APMH Invest XII A/S), a legal merger was performed between Faerch Group A/S, Faerch Debtco ApS, Faerch Bidco ApS, Faerch Midco ApS and Faerch A/S with Faerch A/S as the continuing parent company for the Faerch Group. The merger was effective as of 1 July 2021. The merger does not impact the comparison figures for the consolidated financial statements, however the reporting entity for the parent company is Faerch A/S.

M&A activities in 2021

With effect from 4 January 2021, the Faerch Group further expanded its European footprint through the acquisition of the Sirap Group's activities in Italy, Poland and Spain. The strategic acquisition included the entire business in these countries and three factories in Italy, one in Poland and one in Spain. Total acquisition consideration amounted to EUR 139.7m, of which EUR 80.9m was allocated to goodwill through the purchase price allocation.

In March 2021, the A.P. Moller Holding A/S acquisition of the Faerch Group from Advent International was completed.

In July 2021, Faerch announced the acquisition of MCP Ltd. MCP Ltd. has production and sales operations in Israel and in the United States of America and is primarily active within the ready meals segment in the Middle East, Europe and the US. The acquisition is pending customary regulatory approvals and is expected to be concluded in first half of 2022.

In December 2021, Faerch announced the acquisition of PACCOR Holdings GmbH from Lindsay Goldberg. PACCOR is a leading European manufacturer of rigid packaging for the food industry with a significant position in the Dairy segment. The acquisition includes 16 manufacturing sites and 8 sales offices in Europe, Asia and the US. The PACCOR activities in the United Kingdom are not part of the transaction. The acquired business generates annual revenues of approximately EUR 625m. The acquisition is subject to customary regulatory approvals and is expected to be completed in the second half of 2022.

The year in review

The global COVID-19 pandemic continued to impact the Faerch business in 2021, however with less volatile swings in customer demands compared to 2020. Activities to protect employees continued through 2021 at all sites, and as a result, supply to customers was not affected by the pandemic.

Revenue in 2021 amounted to EUR 558.8m (2020: EUR 370.9m), equalling a growth of 51%. Of the total revenue, the Tray Business accounted for EUR 541.5m (2020: EUR 347.3m), i.e. a growth of 56%. Measured in volume, sales grew by 53% from 6.48bn trays in 2020 to 9.89bn trays in 2021. The strong growth was driven by the addition of the Sirap business which contributed with EUR 154.3m to the revenue growth, however, the underlying organic growth was also very strong with 11% revenue growth and 8% volume growth. The organic growth is higher than estimated in the 2021 Outlook, due to successful winnings of new business and higher sales prices, due to contractual pass-on of increases in raw material prices.

The global COVID-19 pandemic continued to impact the Faerch business in 2021, however with less volatile swings in customer demands as seen in 2020.

Raw material prices increased significantly during 2021, with average increases of 45% compared to 2020. It was only towards the end of 2021 that prices began to stabilise, but still at record high levels. Part of these price increases were passed on to customers either through contractual pass-through mechanisms or through discretionary price increases for non-contracted customers.

Revenue in the Recycling Business recorded EUR 56.0m (2020: EUR 45.3m) of which EUR 38.7 were sales to Group entities in the tray segment (2020: EUR 21.7m). The increase in sales to Group entities is primarily a result of the continued improvement of recycled tray material output, with more than a tripling of tonnage compared to 2020. The decline in external sales was further accelerated in 2021 due to an intra-group transfer of one extruder from the Recycling Business to the Tray Business Buñol site in Spain.

Production costs for the year amounted to EUR 429.0m (2020: EUR 271.6m), of which EUR 412.7m related to the Tray Business (2020: EUR 246.7m). Tray production cost per kilo increased by 18% in 2021, driven by increasing raw material prices and cost inflation on other input costs such as energy and packaging, especially in the second half of the year. Consequently, the gross profit margin in the tray business declined from 28.9% in 2020 to 23.8% in 2021.

Production costs in the recycling segment amounted to EUR 55.1m vs EUR 46.7m in 2020, with the increase being driven by the higher sales to Group entities. Gross profit margin improved from negative -3.2% in 2020 to 1.6% in 2021 due to the operational improvements on the recycling activities and the ramp-up of the tray line. The ramp-up is running according to schedule, with significantly improved profitability and quality achieved during 2021.

Evolve by Faerch

OPERATING AND FINANCIAL REVIEW

continued

Developing sustainable packaging solutions continued to be a key area for the Group in 2021, which resulted in new closed-loop recycling schemes and increased usage of post-consumer recycled tray material. In parallel, the COVID-19 pandemic made the supply situation volatile, which increased the need for validating alternative additives and materials to secure supply. In addition, several initiatives were implemented to benefit even further from economies of scale and to reduce operational complexity.

Sales and distribution costs amounted to EUR 66.8m (2020: EUR 45.8m), the increase mainly being attributable to the addition of the new entities in Italy, Poland and Spain. Also, the increase in sales volume and inflationary pressure on logistics costs drove up the sales and distribution costs.

Administrative costs amounted to EUR 29.4m (2020: EUR 19.1m), again with the key driver for the increase being the addition of the new entities in Italy, Poland and Spain.

Other operating income amounted to EUR 1.8m against EUR 0.5m in 2020, and mainly related to income from administrative services provided by third parties and energy subsidies.

Other operating expenses amounted to EUR 2.1m (2020: EUR 1.0m), the increase relating to costs for administrative services recharged to third parties, and various costs of non-operating or non-recurring nature.

EBITDA before special items increased from EUR 91.7m in 2020 to EUR 100.3m equalling a growth of 9.4% despite the significant headwind from increasing input costs which were not fully passed on to customers.

Operating profit before special items was EUR 33.1m (2020: EUR 33.8m), as the increased EBITDA was offset by higher depreciations and amortisations.

Net special items amounted to EUR -11.5m against EUR -9.5m in 2020. Special items include acquisition costs of EUR 8.4m (2020: EUR 6.7m) related to advisory costs supporting the Group's M&A activities, including transaction costs of EUR 5.7m for the MCP and PACCOR acquisitions. Integration costs of EUR 1.8m (2020: EUR 6.8m) were incurred and primarily related to restructuring and redundancies for the integration of the new entities in Italy, Poland and Spain, and the ongoing integration of 4PET Recycling. Also, costs incurred as a result of the COVID-19 pandemic, mainly costs for health and safety measures of EUR 0.4m have been included as special items in 2021 (2020: EUR 1.5m). A more detailed breakdown of special items is included in note 1.4 of the consolidated financial statements.

Net financial items amounted to EUR -47.1m against EUR -15.8m in 2020. Net interest costs were EUR -21.1m against EUR -32.5m in 2020, with the decrease being attributable to the recapitalisation and refinancing of the Group following the acquisition by A.P Møller Holding A/S. Net foreign exchange related adjustments were negative by EUR -16.8m against a gain in 2020 of EUR 17.4m, with the loss being attributable to exchange rate losses on GBP nominated loans. In connection with the refinancing of the senior debt, previously capitalised credit fees of EUR 7.4m were expensed under Other Financial Expenses.

Tax for the period amounted to EUR -0.6m against EUR -1.7m in 2020. The effective tax rate was negative by -2.2%. The effective tax rate for the Group was impacted by interest restrictions and various non-deductible expenses including transaction costs.

Loss for the year recorded EUR -26.0m against a profit of EUR 6.8m in 2020. The negative result is a consequence of increasing input costs, and high costs of a non-recurring nature including transaction costs, refinancing costs and currency losses on the Group's positions in GBP.

Investments

The Group's investments (including right-of-use assets) for 2021 were EUR 53.7m (2020: EUR 25.4m), equalling 9.6% of revenue. The high level of investments was driven by investments to support the projected sales growth across the group and support the conversion to supply products manufactured using sustainable PET materials in Italy. In 2021, Faerch commenced the largest project in its history to rebuild, expand and re-equip the Castelbelforte site in Italy with investments over a five-year period exceeding EUR 65m.

Investments through right-of-use assets amounted to EUR 10.6m and mainly related to extension of lease agreements for production and warehousing facilities. The investment outlook for 2021 was EUR 43.0m (excl. right-of-use assets).

Assets

As of 31 December 2021, total non-current assets amounted to EUR 1,243.3m equalling an increase of EUR 130.1m against 31 December 2020. The increase was due to the acquisition of the Sirap activities in Italy, Poland and Spain, which added non-current assets of EUR 135.4m including EUR 80.9m in goodwill.

Inventories increased by EUR 47.1m of which EUR 22.6m was due to the Sirap acquisition. The remaining increase was mainly due to the increase in raw material prices in the second half of the year, which drove up the value of the inventories.

Trade receivables increased by EUR 60.8m of which EUR 38.9m was due to the Sirap acquisition, and the remaining increase being driven by the strong revenue growth. Overall, the credit position improved during the year, reducing the relative share of overdue trade receivables.The ratio of trade receivables covered by credit insurance was 77% as of 31 December 2021. The ratio decreased compared to prior years as the newly acquired entities operates with a different credit policy, which will be aligned to the Group policy during 2022.

Other receivables increased by EUR 3.2m due to amounts withheld as security for non-recourse factoring increasing as a result of the increasing trade receivables. The effect was partly offset by the full payment of all receivables related to the 3PET Holding B.V. settlement agreement from 2020.

Cash and cash equivalents amounted to EUR 8.9m, an increase of EUR 2.0m compared to 31 December 2020.

As of 31 December 2021, the Group had total assets of EUR 1,464.6m against EUR 1,223.6m at 31 December 2020.

Liabilities

Total equity as of 31 December 2021 was EUR 654.2m against EUR 158.5m by the end of 2020, equalling an increase of EUR 495.7m. Prior to the A.P. Møller Holding A/S transaction, the Group's debt to AI Roy (Luxembourg) Finance S.á r.l. of EUR 237.2m was converted to equity by way of a capital increase. Following the A.P. Møller Holding transaction, the Group received a capital contribution from its immediate parent, Faerch Group Holding A/S, of EUR 280m. Other equity movements consist of the loss for the year of EUR -26.0m and other comprehensive income of EUR 4.5m.

Total liabilities were EUR 810.4m compared to EUR 1,065.1m on 31 December 2020 equalling a decrease of EUR 254.7m. The decrease is mainly caused by the debt conversion and

OPERATING AND FINANCIAL REVIEW

continued

a reduction of the senior debt of EUR 264.0m in connection with the refinancing in March 2021.

Long-term debt decreased by EUR 362.8m from EUR 868.4m to EUR 505.5m. In addition to the above-mentioned transactions the decrease was further driven by ordinary repayments of the long-term credit facilities.

Trade payables increased by EUR 49.1m to EUR 86.1m (2020: 37.0m) of which EUR 30.1m was due to the Sirap acquisition. The remaining increase was driven by the increasing raw material prices and higher business activity in general.

Other short-term debt increased by EUR 11.9m of which EUR 5.4m relates to the Sirap acquisition. The remaining increase was mainly due to provisions for transaction costs for the PACCOR acquisition.

Cash Flow

Cash flow from operating activities were positive by EUR 32.4m (2020: EUR 41.2), with the decline being attributable to a significant increase in the working capital as a result of the increases in raw materials and other input costs. The change in the working capital was negative by EUR -23.0m driven by increases in trade receivables and inventories, which only to some extent was offset by an increase in trade payables as described above.

Net interest paid amounted to EUR 26.4m, a reduction of EUR 7.7m compared to 2020. The decrease is explained by more favourable terms on the refinanced senior debt, and an overall reduction in the senior debt.

Corporation tax paid in 2021 was EUR 8.5m against EUR 14.5m in 2020. The decrease is explained by ordinary payment of taxes from 2020 and lower instalments for the income year 2021.

Cash flow from investing activities amounted to EUR 192.3m for 2021 against EUR 24.2m in 2020. The Sirap acquisition accounted for EUR 152.3m. Purchase of tangible assets increased by EUR 17.7m. The increase is explained by investments in additional extrusion and thermoforming capacity at several sites.

Free cash flow amounted to EUR -160.0m vs EUR 17.0m in 2020, due to the significant investments during 2021 incl. the Sirap acquisition.

Total financing activities amounted to EUR 148.0m which included EUR 280.0m in shareholder contribution from Faerch Group Holding A/S, and a net reduction of borrowings of EUR 154.2m driven by the refinancing of the Group in March 2021 and ordinary repayments of long-term debts.

The Groups net-cash position was end of 2021 negative by EUR -8.9m (2020: EUR 2.1m).

Volume
9.9
billion trays

Gross revenue
559
EURm

EBITDA
100
EURm

Free cash flow
-7.7
EURm

OUTLOOK 2022

The turmoil in the raw material markets and the global supply chain challenges are expected to continue into 2022, and this combined with the macroeconomic impact of the war in Ukraine, cause significant uncertainty in the outlook for the year. However, Faerch's underlying business and pipeline remains strong.

A new five-year strategy was approved by the Board of Directors in September 2021. The following strategic priorities apply for 2022:

Organic growth in Tray Business
Based on the strong new business secured during 2021, the focus in 2022 will be on profitable sales growth in all markets in the tray business driven by both existing and new customers. Passing on the price increases on all input costs will be a key focus in 2022, in order to bring profitability back to previous levels.

Break-through in Dairy Market
The PACCOR acquisition will be the key enabler for Faerch's entry in the dairy market. PACCOR's long history in this segment combined with Faerch's leading position in PET based products will give Faerch a strong position in the dairy market. The PACCOR acquisition is expected to close in the second half of 2022.

Continued cost leadership
We will continue to invest in our platforms to maintain cost-leadership at all production sites through innovation, optimisation and automation.

Scaling of tray recycling
Following the significant improvements in output tonnage and quality from the tray-line installed in Duiven, Faerch will initiate the installation of the second tray-line during 2022 with the aim to have it fully operational during 2023.

US Market Entry
Both the MCP and PACCOR acquisitions provide Faerch bridgeheads for US market entry. Both companies have production facilities in the US, which will enable Faerch to further exploit the potential of the US market.

Sustainability leadership
Faerch will, in cooperation with leading European retailers, continue the roll-out of the industry first, closed loop recycling programme - Back of Store by Faerch which was introduced in 2021. Faerch will also continue to develop the Evolve by Faerch concept through collaborations and partnerships with our customers. To further enhance our sustainability and corporate responsibility, and to ensure that our sustainability reporting is in line with EU taxonomy regulations, we will, in 2022, embed ESG management into the core of our business by forming a dedicated ESG team responsible for handling internal data collection, strategy alignment and project management.

Innovation
One of the focus areas in 2022 is to broaden the supply base of raw materials with the purpose of securing supply and further cost savings, without compromising on quality.

Group solutions will be further unified to benefit from improved flexibility across production sites and capture the synergies.

Financial expectations
Due to uncertainty related to the timing of the closing of the MCP and PACCOR transactions, all financial expectations are excluding the effect of these transactions.

Based on the above focus areas for 2022, and with the significant uncertainty in mind, the Group expects for 2022 to deliver:

- Organic volume growth of 5-7% for the Tray Business.
- Organic revenue growth in the Tray Business of 15-20%, driven by the organic volume growth and increasing average sales prices. Sales prices are expected to increase further in the first half of 2022 due to continued high input prices on raw materials.
- Significantly increased production output of recycled tray volume from ramping up the capacity at the Duiven site.
- Increasing EBIT margins for both Tray Business and recycling, and a growth in operating profit for the Group in the range of 50-60%.
- Financial leverage reduction through improved free cash-flow

The Group has applied a EUR/GBP rate of 1.173 for 2022 (2021 actual average rate: 1.163).

The Group expects investment of approximately EUR 52m in 2022 (excluding acquisitions) and to generate a positive free cash flow.

BUSINESS MODEL

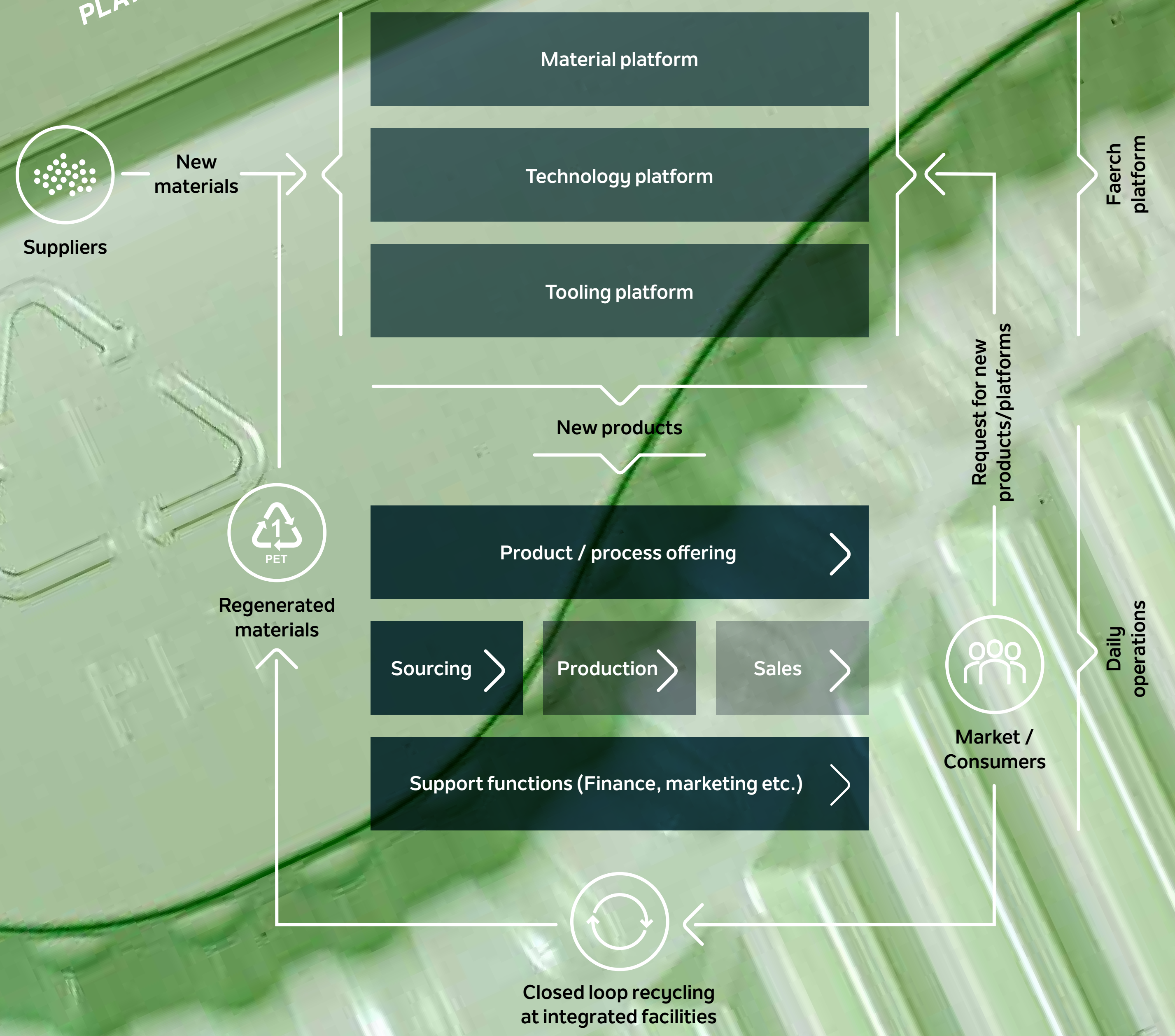
Faerch has a platform-oriented business model that drives a cost leadership position via standardisation, while providing the industry's broadest and most innovative product range to our customers. A combination of standardised manufacturing processes with a high level of operational flexibility to achieve a diverse product range, enables Faerch to provide customers with innovative quality solutions, delivered on time, and at competitive prices.

In-depth material expertise and process know-how allow optimisation and reduce material loss in the production processes. It also generates an ability to use and re-use recyclable raw materials for development of sustainable offerings across product categories. In addition, Faerch's material knowledge allows us to continue to push boundaries of our tray attributes to the benefit of customers – for example, dual colour, high impact strength, 1 mm stacking height, sealing properties or glass clear transparency.

To maintain and grow our position in the market, while evolving with our stakeholders, Faerch takes a long-term approach to our own development. By competing in carefully selected markets and applications where we know we can make a difference, and by maintaining significant investments in research, quality equipment and motivated employees, Faerch is committed to staying true to our business model - our DNA.

Evolve by Faerch

PLATFORM STRATEGY AT THE HEART OF FAERCH'S BUSINESS MODEL



BUSINESS PLAN 2025

In 2020, Faerch Group, in connection with the sale process to A.P. Møller Holding, prepared a new Business Plan for the coming five years. In 2021, the Business Plan was, in collaboration with the owners, confirmed into a strategy document to ensure that the continued growth journey of Faerch Group has clear and prioritised focus.

The Business Plan continues to be founded on Faerch's heritage focusing on organic growth via a broad product portfoli,o tailored for attractive market segments and with an unrivalled focus on cost optimisation, material innovation, automation and sustainable and circular packaging solutions.

Strengthening our geographical position

Faerch holds several product leading positions in our key European markets. We will use the unique product offerings within our core segments and our ability to supply products in sustainable and circular materials to further drive the penetration in our core Western European markets. These strengths will also be utilised in the new market position in Southern Europe and Poland, added to our business through the acquisition of the Sirap Group in 2021.

Product differentiation and investment in new product development will continue to be a core pillar in the strategy to support organic growth. The portfolio pipeline is strong looking ahead and recycling is the key enabler to ensure that our food trays are truly circular. The commercial interest for circularity world-wide is supporting our growth ambitions, including other segments not traditionally being addressed by Faerch.

The strategic direction will continue to focus on acquisition of quality targets/partnerships primarily outside of the European Union, with the right strategic rationale and value creation combined with our core focus on organic growth.

Recycling of PET and closing the loop

Integrated recycling is paramount to Faerch and operating one of the first industrial tray recycling facilities in the world from the Faerch site in Duiven in the Netherlands, provides the foundation for further expansion into new countries and regions. The ramp-up and line-redesign for the Duiven site was concluded in 2021. The strategic focus will now be to accelerate and enable Faerch to close the loop on PET trays in multiple countries around Europe.

Continued focus on cost optimisation and automation

Driving cost improvements is a deeply embedded part of Faerch's way of operating, with our technology and operational teams possessing significant experience in developing and delivering on cost improvement targets. Faerch will continue to invest significantly into our platforms to deliver cost optimisation and secure industrial cost leadership. Automation across the production and supply chain will be a key investment area, leveraging the latest robotic technology and artificial intelligence combined with Faerch best practise process principles. Going forward, this will contribute continued savings in line with our historical achievements.

During the last five years, Faerch has demonstrated a strong track record of successfully integrating acquired businesses. Faerch's expertise and integration playbook, in combination with deep knowledge of local teams, have secured that we have delivered on identified synergies and optimisation targets. Faerch's focus on growth through acquisitions, bringing and maintaining our acquired production sites to the Faerch Group standard, will continue to be a vital priority.

BUSINESS RISK

Introduction and Background

In 2017, Faerch Group established the Risk Management programme. The programme is designed to identify and assess the likelihood of risks arising across the Group's core activities within primarily Procurement, Operations and Sales.

Executive Summary

This report on Risk Management is the fourth regular report, and it covers the 12 months of 2021. Since the establishment of the Risk Management programme and the identification of the selected top risks, no significant shifts in the overall risk exposure of Faerch Group have materialised.

Furthermore, attention is drawn to the fact that no major 'risk event' has occurred during the period covered by this report and that the proposed mitigations are followed according to plan.

Reviewing the Portfolio of Top Risks for 2022

Faerch Group's risk policy focuses on maintaining a medium-low and predictable profile for all its risks. The developments in Faerch Group's top risks are reported in the tables below. In 2022, the Business Units and key managers will have continued focus on the top key risks and the continuation of key risk identification in cooperation with the Risk Committee.

The board of directors (the Board)
Overall responsibility for corporate strategy, governance, performance, internal controls and risk management.

Audit committee
Effectiveness review of the risk management framework and internal controls on behalf of the Board.

Nomination and Remuneration committee
Review of and recommendations for remuneration and incentive of top management, as well as review of top management and succession planning and leadership talent and organisational development in general.

Group executives
Management of the business and delivery of strategy

Business Units & key managers
Responsible for implementation of risk mitigation actions and monitoring compliance with internal control procedures at the operational level of the business.

Review the Risk Management programme to identify risk trends and to support corrective measures.

Delivery of project level risk management activities.

Risk committee
Responsible for the overall Risk Management programme.

Description of the risk	Mitigation, developments in 2021 and ongoing plans
1. **Ability to source enough and the right raw material (volume)** The demand for Faerch's key raw materials (PP, PS, PET and rPET) is very high, not only in Europe but also globally. With growing demand for recycled material, we have seen a rapid increase in the demand for rPET material – not just now but for the past few years. Awareness has been raised e.g. from the bottle industry, making it even more difficult to source sufficient quantities and qualities of the right material.	A focus area has been to enter into supply agreements with key suppliers to secure the necessary volumes for 2022 on Group level. This process is to some extent complicated by COVID-19 issues and global supply constraints reducing overall availability on the global market. The recycled PET ('rPET') market in Europe is influenced by an imbalanced supply and demand situation resulting in a reduction of available quantities for the open market. The acquisition in 2018 of the Dutch 4PET G roup, a leading recycling and sheet manufacturer, has led to Faerch becoming the world's first integrated plastic packaging supplier to achieve a circular economy for recycling food trays on an industrial scale, turning plastic packaging into a resource and helping to secure Faerch's ability to source sufficient quantities of the right quality raw material. During 2021, Faerch has also ensured that Faerch trays are being returned to 4PET from end-consumers to be recycled into rPET resin again, hence closing the loop. The strategic decision to acquire 4PET Recycling has been a key factor in securing recycled material, and this setup will continue to bring strategic value to Faerch's sourcing activities. During 2021, Faerch has increased quantities of tray material from 4PET Recycling in connection with the expansion and de-bottlenecking of the tray line in second half of 2021. The recycled tray to tray material from 4PET Recycling has compensated for the reduction of rPET in the open market. In 2021, Faerch has also launched an industry first, closed loop recycling programme, in collaboration with Tesco called 'Back of Store by Faerch'. The reduction of recycled material in the open market has marginally reduced rPET quantities on Group level during peak season. Diminishing quantities in Europe have increased quality issues with rPET material in Europe. Faerch has been searching for alternative sourcing options to reduce risk exposure to supply constraints. This strategic initiative has expanded the supplier base and new strategic alliances have transformed the supplier portfolio. The supplier base consists of more than 15 rPET suppliers to support Faerch in securing material according to Faerch's quality requirements during peak and off seasons. Multiple-sourcing options have been introduced for 2022 with the objective to become less dependent on external matters. This strategic initiative is aiming to increase flexibility within the supply chain allowing Faerch to support business activities in a fast-moving environment. This strategy will be pursued for resins and other key raw materials. In 2022, the key objective is to maintain and continue the positive development to ensure Faerch's ability to secure direct materials aligned with Faerch's requirements and quality standards. Both post-industrial waste, generated from the original manufacturing process, and post-consumer waste, recycled by end-users, are valuable and play an important role in Faerch's recycling strategy. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 2 in 2022. 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
2. **Major failure on utilities** Faerch faces the potential risk of operations being affected by disruption due to utility failures. The loss of essential utility services could have a significant impact on Faerch's ability to service its customers.	Faerch ensures that alternative sources of supply are available, where possible. In addition, Faerch ensures that utility sources are in good working order through: (i) Planned Preventative Maintenance (PPM) programmes and (ii) investments in new or redundant equipment based on utility risk assessments at the individual sites. All sites have ensured that proper Planned Preventative Maintenance (PPM) systems are in place for air, cooling compressor and transformers. In 2021, Faerch has upgraded the cooling and compressed air utilities at the Buñol site. Furthermore, an installation of NOx emission free steam supply for heating the wash lines at 4PET Recycling took place in 2020 and 2021. During 2021, most of the operational risks have been managed at the sites through the ongoing maintenance. In 2022, a planned expansion of the production site at Castelbelforte includes an upgrade and redundant expansion within electrical power, cooling and compressed air, with installed back-up capacity. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 2 in 2022. 1 **2** 3 4
3. **Purchased Material – Failure** Faerch's reputation as a quality business partner relies heavily on its ability to supply quality products on time and in full. The supply of faulty or contaminated products, especially within the food industry could have serious consequences. While the probability is low, the economic and reputational impact could, however, be high.	Faerch provides for strict control measures to ensure the safety and quality of products that are manufactured. Faerch's procurement team is continuously carrying out internal and external reviews and assessments of critical and potentially new suppliers to ensure best quality and high safety. In addition, Faerch will update internal and external supplier management procedures to ensure adherence and that control systems are working effectively, including ensuring that all raw materials delivered to Faerch comply with product specification. The so-called 'Supplier Approval Process' and 'Supplier Audit Control System' were also updated in 2021 to ensure (i) that Faerch's supplier standards are not compromised as new suppliers deliver raw materials to Faerch and (ii) that Faerch's suppliers have continued focus on quality and safety. Faerch also has appropriate insurances in place to cover product liability. In 2022, Faerch will also continue to focus on Faerch's suppliers' adherence to Faerch's 'Supplier Code of Conduct'. The 'Supplier Code of Conduct' is managed by Group Procurement and/or each site director in the Faerch Group. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2022 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
4. **Reputation of Plastic** Plastic is an important material in our world and daily lives. However, the reputation of plastic is challenged since plastics are often produced and used in a non-circular approach that harms the environment - not being recycled. Such reputational factors can change customer preferences and perception of plastics and packaging trends, which can affect demands.	In 2018, Faerch laid the foundation for a new plastics strategy in which Faerch's designs and productions of plastic trays can be recycled. Furthermore, Faerch takes a leading position on plastic packaging recyclability with a continued focus on 'closing the loop', and proactively influencing the industry and market through an aggressive effort and strategy. Faerch actively monitors the economic environments in which it operates and the patterns of demand. The acquisition of 4PET Group was Faerch's initial answer to 'closing the loop' for PET trays and leading the industry towards a sustainable circular economy. Now, Faerch is one of the world's first integrated packaging suppliers to recycle PET trays on an industrial scale transforming used trays into raw material for new food grade products of the same quality. Using bespoke technology, 4PET has achieved a breakthrough in sorting and processing household PET packaging of any colour. This will allow us to offer 'tray-to-tray' solutions on an industrial scale and provide a safe and sustainable choice for the food industry. In 2019, Faerch launched the 'Tonne for Tonne' programme. The programme is a model to close the loop on food packaging and to create true circularity by committing to purchase one metric tonne of 'post-consumer waste PET' for each metric tonne of Faerch trays sold to the company concerned. Since its launch, the programme has continued to attract great interest from numerous retailers and brand owners. Additionally, in 2019, Faerch launched 'Evolve by Faerch' successfully in UK & Ireland, and many retailers have moved to this new material platform. The 'Evolve by Faerch' trays are made from recycled household post-consumer material which, after use, can be recycled into new mono-material food packaging without any loss of quality. In 2021, 'Evolve by Faerch' accounted for 62% of Faerch's total CPET volume in UK & Ireland. In 2022, Faerch will continue to increase focus on tray-to-tray recycling as well as the development and promotion of circular materials. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 2 in 2022. 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
5. **Major breakdown on machinery** Faerch faces the potential risk of operations being affected by disruptions due to major breakdown of machinery. Major breakdown of machinery could have significant impact on Faerch's ability to service its customers.	Generally, Faerch has ensured that products can be manufactured across sites within the Group. In addition, all sites have established procedures to ensure business continuity in the event of a major breakdown of machinery. All sites have Planned Preventative Maintenance (PPM) programmes in place for thermoform machines and extruders, and all machinery has been serviced according to plan. Furthermore, Faerch monitors and ensures that critical spare parts are in stock, as a minimum within Group sites. In case of major breakdown of extruders, Faerch has purchase arrangements for sheets in place with several suppliers. In 2021, further APET extrusion capacity was installed at the Buñol site with approx. 8,500 tonnes on a yearly basis to ensure the two sites in Spain are "in balance". Consequently, sheet for the Olvan site will be produced in Buñol. In 2021, several extruders at DSF Extrusion have qualified to run sheets for the Group platform, increasing the capacity at Group level. In 2022, a new CPET/APET extruder is planned to be installed at the Castelbelforte site adding additional capacity at Group level. During 2022, additional thermoforming capacity will be installed in Denmark, UK, Czech Republic, Spain, Poland and Italy. All capacity is designed to support Group platform within thermoforming, increasing the flexibility in between production sites and to ensure internal dual sourcing. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2022. 1 2 3 4
6. **RansomWare and other cyber risks** Ransomware is a real threat to Faerch, and potential exposure to this kind of attack is present and can result in major business disruption and loss of data.	The risk has been mitigated by implementing a web-filtering solution in 2018 and a threat-response process in 2019. Furthermore, in 2020, implementation of a ransomware safeguard mechanism was a special area of focus. This solution provides an effective last line of defence, detecting attacks on any endpoint by known or unknown ransomware. These solutions will continuously help to identify infected machines, not detected by antivirus or other applications, and to proactively identify IT systems with high exposure level to future infections. Additionally, Faerch cooperates with reputable providers of incident response management and cyber risk assessments, which includes yearly tests of our defences and cyber environment and improvement of our technical security platforms against such threats. Furthermore, Faerch has a cybercrime insurance in place. Ransomware continues to be a global threat to Faerch in 2022. Increased risk of phishing emails sent to our company, but also supply-chain attacks, expose Faerch to the risk of a ransomware attack. Our main mitigation strategy is to educate users through awareness training, by implementation of awareness campaigns, including a new e-learning course in cyber risk, combined with the abovementioned technological measures. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 2 in 2022. 1 2 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
7. **Loss of key employees** Faerch has long-term relationships with key employees. The loss of any Faerch key employee could affect the business in the short term.	Faerch will continue to strengthen formal procedures to ensure that employee knowledge is well documented and filed. Furthermore, Faerch has an internal promotion approach with a target of at least 50% of all new appointments stemming from internal promotions. All sites have procedures in place for identifying and training key personnel. Some sites go further and have developed a 'learned lesson' tool in order to get all critical knowledge written down. In 2020, Faerch established Best Practice Networks within Operations, including all sites with focus on tooling, thermo-forming, extrusion, maintenance and QHSE. This enables organisational agility across different departments and sites and contributes to knowledge sharing. In 2022, all sites will continue to ensure, as a minimum, 70-80% permanent staff in the Faerch Group and a maximum of 20-30 % temporary workers during holiday periods and during any seasonal variation. Critical technical skilled staff must always be permanently employed. Retaining key employees from the sites in Italy, Spain and Poland, acquired through the acquisition of the Sirap food packaging business in 2021, has been successful. In 2022, a key focus will be the continuous integration of Sirap into the Faerch Group. The acquisitions of PACCOR Packaging and MCP, with closings expected to take place during 2022, require focus on retaining key employees during the integration process in 2022 and going forward. **Reviews** Annual update **Strategy** Reducing risk – rated 2 in 2022. 1 2 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
8. **Logistic failures** The delivery to Faerch's customers is the final part of Faerch's supply chain process. If delivery fails or is delayed, this could impact customer relations and the business in general.	Faerch continuously reviews service levels and service level requirements. To mitigate the risk more manpower will be allocated to the area. Faerch has entered into new long-term logistic service contracts for Europe and UK with leading logistic suppliers. External warehousing suppliers have been evaluated to ensure the correct future setup for Faerch and our customers. UK was a logistical challenge during 2021. Focus and close follow-up has been established to ensure delivery security and alternatives. In 2022, Faerch's logistics team will continue the evaluation and follow the day-to-day logistic business to provide a deeper understanding of potential market risks and how to manage and mitigate the specific challenges of today's road transportation, e.g. fleet safety, cargo damage, claim administration, compliance and regulations. **Reviews** Annual update **Strategy** Reducing risk - rated 2 in 2022. 1 **2** 3 4
9. **Fire at sites and external warehouses** The risk of fire represents a significant risk to Faerch, and the impact of a fire could be considerable. The health and safety of our employees is the number one priority at all Faerch's sites and warehouses. The impact of a fire may result in personal injuries, major loss of stock and/or production area.	Almost all sites have fire prevention such as sprinklers and smoke detectors, which as part of our fire safety management and 'Health And Safety' procedures are regularly inspected and audited by both internal and external specialists in order to operate Faerch's sites in accordance with best practice. The overall aim of fire safety management is to identify and implement fire risk control measures with the aim of preventing fires, saving lives and preventing business loss. Most of our external warehouses also have sprinklers and smoke detectors installed. All necessary insurances are also in place and renewed for 2022 and Faerch follows - to a large extent - the recommendations stated in the technical site reports conducted by Willis Towers Watson. In 2022, Faerch will have continued focus on fire prevention at Faerch's respective sites. Furthermore, in 2022, additional warehouse space will be rented or built in Holstebro to reduce goods at risk in case of fire. When Faerch's acquisition of PACCOR Packaging is completed during 2022, reviews and assessments will also be made in terms of fire prevention at PACCOR Packaging's 16 sites **Reviews** Annual updates **Strategy** Reducing risk - rated 1 in 2022. 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
10. **Single-Use Plastic ("SUP") Directive** The purpose of the SUP Directive is to reduce the amount of plastic waste on beaches and in the ocean. The SUP Directive that came into force on 3 July 2021 completely bans some plastic products while other products will be subject to other regulation.	The directive is tackling the 10 single-use plastics waste items most commonly found on Europe's beaches, as well as abandoned fishing gear, oxo-degradable plastics and expanded polystyrene. The 10 most common plastic waste items on beaches are: 1) cotton buds, 2) cutlery, plates, straw and stirrers, 3) balloons and sticks for balloons, 4) food containers, 5) cups for beverages, 6) beverage containers, 7) cigarette butts, 8) plastic bags, 9) crisp packets and sweet wrappers and 10) wet wipes and sanitary items. According to the SUP Directive those of the above-mentioned single-use plastics products, which are easily replaceable, are completely banned from 3 July 2021 while 'other products' will be subjected to other measures, e.g. consumption reductions. The ban-list encompasses e.g. plastic cotton buds, cutlery, plates, straws, drink stirrers, sticks for balloons, products made of oxo-degradable plastic and food and beverage containers made of expanded polystyrene. In this context, it is important to note that only an insignificant amount of Faerch's products is on the ban-list. For 'other products', primarily 'food containers' and 'plastic cups for beverage', the SUP Directive focuses on limiting the use of these products through: i) a national reduction in consumption by 2026, ii) national awareness campaigns by 31 December 2024, iii) design and labelling requirements and finally iv) waste management/clean-up obligations for producers. Most single-use food containers are not affected by the new rules. Only food containers intended for immediate consumption will fall under the scope of the SUP Directive because these products are at higher risk of ending up as waste on beaches or in nature as they are consumed and potentially mishandled 'on the go'. Other food packaging, like Faerch's meat trays or ready meals trays, fall outside of the scope of the SUP Directive since they are unpacked at home or at the workplace by the consumer and will therefore not be littered. Instead, they end up as household waste, which can then enter a recycling infrastructure. The implementation of the SUP Directive on national levels regarding consumption reductions, awareness campaigns etc. relating to 'other products' is still at an inconclusive stage and impact conclusions in this respect cannot currently be made for Faerch. In 2022, Faerch will continue to adhere to and comply with the SUP Directive. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2022. 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Description of the risk	Mitigation, developments in 2021 and ongoing plans
11. **COVID-19** COVID-19 (coronavirus) has spread throughout the world. The virus may still cause symptoms that can range from mild to severe illness. If a virus outbreak happens at any of Faerch's sites, operations can be disrupted which will affect the business in general.	To prevent the spread of the coronavirus and to reduce the risk of exposure to our staff, Faerch has implemented a Business Continuity Plan and launched a number of measures and restrictions on our employees and visitors to minimise disruption in our operations and to ensure that our business remains viable during a potential major coronavirus outbreak. The plan can, depending on the COVID-19 situation in respective countries, among other things, include the following actions: • Procedures for quarantined and/or infected employees • Increased stock • Travel restrictions • Health screening of all visitors • Home-office for employees • Supplier management and dual sourcing; • Increased cleaning and education on good personal hygiene and physical distancing In 2022, Faerch will yet again follow developments of the COVID-19 situation closely and comply with the local recommendations and guidelines set by the authorities. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2022. 1 **2** 3 4

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

FINANCIAL RISK

Faerch's financial risk relates to:

- Currency
- Interest rate
- Credit risk
- Liquidity risk
- Tax

The Board of Directors approved the Treasury Policy at the end of 2021, which covers the risk exposure related to currency, interest and credit. The policy is reviewed minimum once a year. The Group CFO is responsible for the Treasury Policy and the Treasury Department is responsible for the daily management.

Currency Risk

The reporting currency is Euro, which is closely linked to the Danish Krone within a narrow range of +/- 2,25%. However, a large part of the Group's invoiced sales are in British pound.

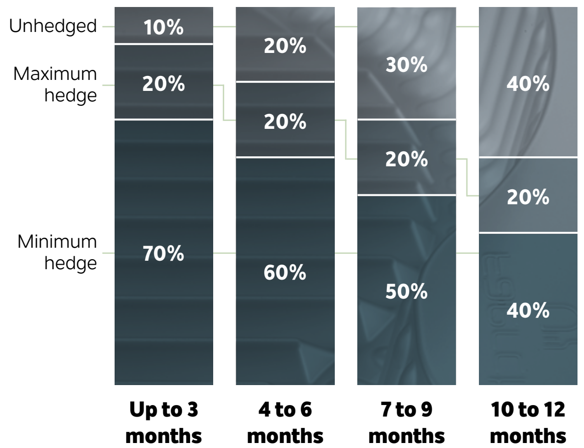
British Pound

The Group has a surplus of approximately GBP 47 million yearly. Exchange rate movements in relation to the GBP is considered the company's biggest financial risk.

Before entering a financial year, the Group forecast the expected net GBP exposure for the coming financial year.

The expected net GBP exposure will be recalculated three times the following financial year, and immediately if any events should occur that would have a significant impact on the forecast, i.e. like a Brexit.

Descending hedge ladder methodology



To manage the exchange risk of the net GBP exposure, the Group use the descending hedge ladder methodology.

Entering into a new financial year the Group can according to the treasury policy have an unhedged GBP exposure of GBP 21 million (45%). A 5% +/- change in the GBP/DKK exchange rate will affect the Groups result by EUR 1.2 million.

Other Currencies

The FX risk related to other currencies is considered low, as no other currency contributes more than 5.0% of the Group's total turnover besides DKK and EUR.

Interest Rate Risk

Faerch is exposed to interest rate risk, as the Group borrows funds at variable rates of interest. The risk is monitored by Faerch and hedging is applied in accordance with the Treasury Policy.

In accordance to the Treasury Policy, the Group's total debt (Senior and subordinated) must be hedged at a minimum of 50% for a future period of minimum three years.

In 2021 the Group entered into new loan agreements and at the end of 2021 the Group has in average hedged 53% of the loans until 2026. All new loans and Interest Rate Swaps have been executed by Faerch A/S, as Faerch A/S also is the counterparty to the external debt.

For the remaining unhedged debt, an increase on 100 basis points in the floating interest rate will affect the Group's interest cost with EUR 2.3m in 2022.

The Group's mortgage loans (EUR 16.1m) are at the end of 2021 unhedged and therefore exposed to fluctuations in the CIBOR rate.

At the end of 2021 the value of the interest rate hedges was EUR +1.3m, reflecting the fixed rate on the hedges is lower than the fixed market rate.

Credit Risk

Further information in note 3.3 (see page 107)

Liquidity Risk

Further information in note 3.3 (see page 108)

Loan Covenants

With the A.P. Møller Holding acquisition of Faerch Group in March, the Group entered into a new loan agreement.

The new facilities are subject to financial covenants in terms of a net leverage covenant on 5.5x in 2021. This covenant will be tested quarterly. During the reporting period the net leverage for the Group was below 5.5. The net leverage covenant for 2022 is 5.0x.

Tax

By operating business globally, transfer pricing disputes with tax authorities may occur. Faerch's policy is to pursue a competitive tax level in a responsible and compliant manner, which entails paying the required tax in jurisdictions where its business activity generates profit. To manage uncertainties regarding tax, Faerch has intercompany transfer pricing agreements on market terms.

Debt with fixed interest

53%

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors and management are responsible for ensuring that the structure and control systems in the Group are suitable and function satisfactorily. The Board of Directors regularly assesses the overall and specific risks associated with the business and operation, and seeks to ensure that such risks are managed in a proactive and efficient manner.

A detailed annual planning and budget process has been established and variances are monitored on a weekly and monthly basis. This includes particular attention to development in sales and earnings. To ensure high quality in the financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting including follow-up on variance from budgets and use of Group accounting policies and reporting instructions to secure alignment and transparency within the Group.

The responsibility for maintaining sufficient and efficient internal control and risk management in connection with financial reporting lies with the Executive Board. The Board of Directors has assessed the Group's existing control environment and concluded that it is currently adequate, however considering the integration of the PACCOR Business over the next couple of years, a further review of the control environment and control risks will be undertaken during 2022.

RISK MANAGEMENT
CORPORATE ANNUAL REPORT 2021

Faerch

Evolve by Faerch

SUSTAINABILTY

CREATING CIRCULARITY IN FOOD PACKAGING

BUILDING A CIRCULAR FUTURE FOR RIGID FOOD PACKAGING

Thomas Bak Thellesen
Senior Director Group Sustainability and External Affairs

As a global frontrunner in circular solutions for rigid PET food packaging, we are conscious of our impact on the world around us. We believe that our success and circularity offerings go hand in hand, and we are determined to grow our business in a way that supports a long-term, sustainable future. Making food packing truly circular is at the heart of our vision and strategy, and we are constantly leveraging our scale and reach across markets to achieve our ambition of driving the industry towards circularity. 2021 was no exception.

Industry first, closed loop recycling programme

In 2021, we launched an industry first, closed loop recycling programme - Back of Store by Faerch - in collaboration with UK supermarket chain Tesco. The programme sees back of store rigid trays collected, recycled and turned back into primary food contact trays or pots. Through the programme, Tesco will be diverting 2,000 tonnes of retail ready packaging tray waste back into food packaging applications. We are excited to be working with Tesco in bringing this concept to market.

As an integrated tray recycler, we have the capability, capacity and expertise to roll out the programme with other European supermarket chains – supporting progress towards a circular economy for primary food packaging.

Preparing for future scaling of our recycling capacity

Our strategic focus is to make food packaging circular, and our recycling capacity is key to achieving our ambition. We have succeeded in closing the loop on food trays and have upscaled our recycling capacity significantly to expand our reach. Entering 2021, the monthly volumes recycled by Faerch reached 25 million food trays. By the end of 2021, the monthly volumes had quadrupled to almost 100 million trays or 1.2 billion per year, equalling the entire Dutch market of sorted PET household food packaging.

But we need to go even further to lead the transition to a circular food packaging future. Being able to leverage the scale of our recycling division is key, and we are therefore currently testing input (waste) from several European countries to validate material properties and compositions.

Closing the circularity gap

Each year, we are making significant progress on our journey to make food packaging circular. In this respect, design is fundamental. Our packaging solutions are designed to not only keep food safe and protected, but they are also designed for circularity. Evolve by Faerch, which was introduced in 2019, is the perfect example of a packaging concept designed to achieve a closed loop. The concept offers packaging solutions made from post-consumer recycled material and can be fully recycled into new food packaging after use without compromising on performance.

Over the course of 2021, the Evolve by Faerch concept has been further strengthened to include even more product categories, ranging from dairy pots to ready meals packaging. In partnership with Wiltshire Farm Foods, we launched the world's first large scale closed loop initiative for ready meal packaging. Going forward, collaborations and partnerships like these will form a vital part of our strategy, and we will continue to launch new products in the concept.

Looking forward

As a business Faerch seeks out ways to improve its metrics concerning all ESG factors (environmental, social, and governance), but to set long term goals and truly reach a tangible impact level, Faerch now needs to adopt and implement an ESG integration framework based on a robust data driven baseline. As Faerch is expanding in size, impact and reach, we need to have a clear, strategic and well-documented approach to our impact on the environment and climate. Building a position as a leader within our field and a

true progressor in both the packaging and circular economy space, we need to prioritise reporting and communication as an essential part of our business.

The landscape of sustainability reporting is changing at pace. To further enhance our sustainability, and corporate responsibility and to ensure that our sustainability reporting is transparent and in line with EU taxonomy regulations, we are embedding ESG management into the core of our business by forming a dedicated ESG team responsible for handling internal data collection, strategy alignment and project management. This will enable us to report on ESG performance and prepare us for the EU Corporate Sustainability Reporting Directive, due to be implemented in 2023.

At the start of 2022, Faerch has initiated the deployment of an ESG framework that will act as a tool in our continued work on creating a more resilient business and strengthen a general sector push towards new frontiers within sustainability.

The process of integrating ESG into the business

Phase 1: Materiality Assessment (importance and impact of ESG) and establish the current state of affairs – CO2e baseline for all Faerch sites (scope 1-3 baseline).
Phase 2: Strategy implementation and target setting (KPIs).
Phase 3: Executing impact programmes and tracking KPIs.

At Faerch, we are determined to reduce our carbon footprint and as an ESG focused company, Faerch will continue to revaluate its strategic priorities to ensure its sustainability and relevance. Our initiatives will follow a clearly-defined path to reduce emissions at a pace and scale necessary to join the Science Based Targets initiative (SBTi) – and set targets in line with the reductions required to keep warming to 1.5C, in alignment with the ambitious goal of the Paris Agreement. We see great potential in the synergies between Faerch's overall business strategy and the EU Taxonomy as we will continue to drive growth through sustainable investments.

We are determined to drive change at scale and to play our part in helping and influencing others. I am thankful to our colleagues, partners and suppliers for supporting us on our journey.

Learn more about our progress and work on sustainability on the following pages.

Thomas Bak Thellesen
Senior Director Group Sustainability & External Affairs

SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability is core to Faerch's values both in terms of our business thinking and practices. Doing business with integrity has always been part of the way we operate. It defines how we behave, and it guides how we do business. We work with responsibility, fundamental respect for labour rights, environmental and climate consideration, principles of anti-corruption and fair competition.

We support the OECD's Principles of Corporate Governance, the UN Sustainability Development Goals and comply with recognised best practice.

Managing performance
Our sustainability governance structure provides the platform for keeping our goals and ambitions on track, and it sets a clear framework for our priorities, roles and responsibilities. The structure makes sure that our sustainability strategy and targets are continuously developed and anchored across the Group. It enables us to embed sustainability into our businessagenda - from our long-term, corporate strategy to our daily operations and priorities.

The governance structure is divided into four levels: The executive management level, business unit level, regional level and local level. Through policies, standards, management systems, procedures and risk management, we ensure that sustainability is truly embedded across the Faerch Group.

Executive management level
- Setting direction for the comprehensive long-term work related to Faerch's sustainability development.

Business unit level
- Resource allocation to enhance continuous sustainability development in the individual business units
- Reporting on non-financial data.

Regional level
- Specific focus areas supporting Faerch's ambition levels and priorities
- Stakeholder engagement and collaboration.

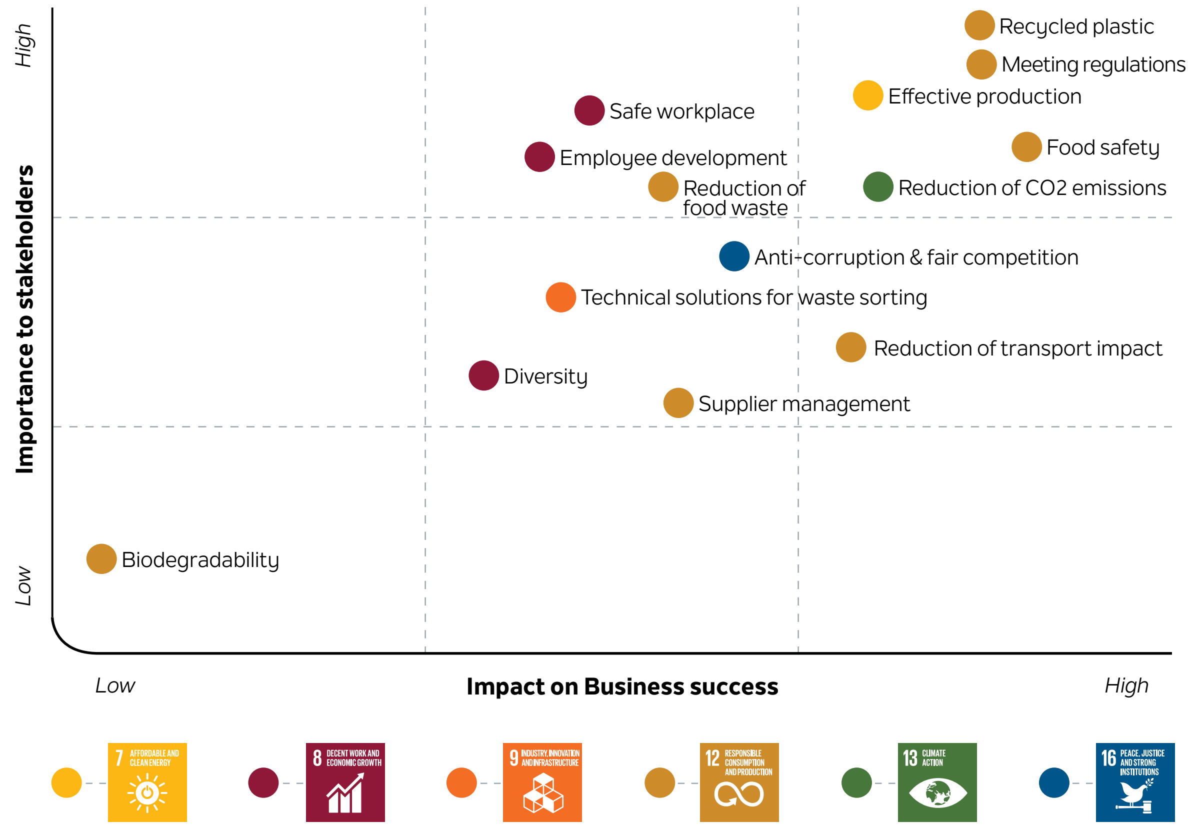
Local level
- Implementation of concrete initiatives and improvements in line with the Group's overall long-term plans and vision.

ASSESSING OUR AREAS OF PRIORITY

Faerch operates in a constantly changing world, and we need to be aware of and react to the external changes that can impact our business. Assessing materiality helps us identify and prioritise the sustainability issues that matter the most to our business and stakeholders. And it helps us channel our resources and activities to the areas where we can have the strongest impact.

As part of our materiality assessment identifying our main economic, environmental, ethical and social impacts, a set of key areas were identified. The assessment engaged both external and internal stakeholder groups. The materiality matrix below shows the 14 most important areas that were identified, their relevance to our stakeholders, their influence on our business, as well as their link to the UN Sustainable Development Goals. We still believe that these 14 issues are relevant and important to Faerch today as an overall guidance, and they therefore continue to form the basis of our defined five focus areas.

Sustainable packaging | **Food safety** | **Responsible operations** | **People & organisation** | **Business ethics**



Our key stakeholders

- Our customers (food producers, distributors and retailers)
- NGOs
- End-users
- Employees
- Local communities
- Academia

OUR FOCUS AREAS & AMBITION LEVELS

At Faerch, we recognise the severe economic, social and environmental challenges our planet is facing. As a leading company within rigid plastic packaging and recycling for the food industry, we are committed to acting as a responsible company and define priorities and actions for our business, now and in the future.

We have chosen to dedicate our focus to five specific areas that are directly linked to our core business. These focus areas are directly linked to six UN Sustainable Development Goals where we believe we can create the biggest impact.

Each focus area has a long-term level of ambition supported by actions. Our ambition is to be the leader in sustainable packaging and food safety. Each focus area has defined KPIs supporting our long-term ambition and sustainable development.

Sustainable packaging
Lead the way in creating true circularity in food packaging

Food safety
Be the leader in methods and products, which protect food, extend shelf life and reduce food waste

LEVEL OF AMBITION
LEAD
We will create competitive advantages and market differentiation through innovative and sustainable products.

Responsible operations
To minimise CO_2 emissions from own activities

People and organisation
To secure workplace with focus on employee development

LEVEL OF AMBITION
DEVELOP
We will strengthen and ensure our position and good practice by being a responsible producer and company.

Business ethics[1]
To ensure orderly and responsible business practice

LEVEL OF AMBITION
COMPLY
We will adhere to legislation and applicable standards within responsible and ethical business practice.

[1] *The focus area "Business Ethics" is covered in section "Governance".*

In 2015, the United Nations drew up a roadmap for peace and prosperity for people and the planet, now and in the future. This resulted in 17 Sustainable Development Goals (SDGs) that represent an unprecedented opportunity to take sustainability to a new level.

While we support all the SDGs, we focus our efforts on the goals and targets that are the most important to our business and where we believe we can make the most meaningful contribution. As we move forwards, we will continue to add actions and initiatives to support the SDGs.

INTRODUCING AN INDUSTRY FIRST

CLOSED LOOP RECYCLING PROGRAMME

Faerch is a global pioneer in PET food packaging. Our packaging solutions are designed to keep food safe and reduce food waste while driving the industry towards circularity. Our aim is a world where rigid food packaging pots, tubs and trays are collected, recycled and turned into new food grade packaging – without becoming waste.

As part of our ongoing efforts to drive circularity in food packaging, in 2021 we launched Back of Store by Faerch with UK supermarket chain Tesco. In an industry first, the programme provides a closed loop recycling solution that sees back of store rigid trays collected, recycled and turned back into primary food grade trays after use. The programme is a first, not just in the UK, but across Europe.

Until recently secondary and tertiary clear PET shelf ready packaging - widely used in the UK to transport products - was used once and downcycled. Now, thanks to the new tray to tray initiative, PET packaging will be collected by Faerch and through an advanced recycling process, the packaging material will be used to make new food contact PET pots, tubs and trays.

Our approach

Circularity and recycling form an important part of Faerch's sustainability strategy. To make sure that PET is treated as a valuable resource and kept in the recycling loop, we need to strengthen collection and sorting. This is at the heart of the Back of Store by Faerch programme. Using Faerch's recycling facility in the Netherlands, Tesco's back of store rigid trays are used for making new food trays across Faerch's production sites.

Why it matters

The Back of Store programme ensures that each year 2,000 tonnes of Tesco's packaging tray waste are recycled to make new food grade packaging, preventing valuable material from being lost from the packaging supply chain.

Seen from a recycling perspective, used PET packaging is a valued material, as it can be fully recycled into new food grade material without any loss of quality. However, the quality of the incoming material determines the yield and value that can be generated. Through a closed loop system, the Back of Store Programme ensures a high and homogeneous input quality, allowing for efficient recycling.

Transforming the rPET supply chain

In today's production of PET trays, there is a heavy reliance on the use of raw material from recycled PET bottles. With the Back of Store by Faerch programme we are able create an additional material recovery stream of post-consumer recycled material, assisting to decouple the tray production from the surging demand for PET bottle flakes across producers.

We see an increasing demand for recycled PET, not just in Europe but globally. This makes it difficult for the entire packaging industry to source enough supply to meet the need. A tray-to-tray initiative such as the Back of Store by Faerch programme not only provides a solution for the shortfall in recycled PET availability, but it also contributes to reducing the dependency on bottle flakes in general.

The project demonstrates that secondary and tertiary PET packaging can be recovered and recycled at an industrial scale. We will continue to explore innovative opportunities to secure that PET packaging which is produced in alignment with the Food Contact Plastics Regulation 'EU 10/2011', is protected, and ensure that this material, initially produced as a food contact material, is recovered and introduced to the circular economy again, says Thomas Bak Thellesen, Senior Director Group Sustainability & External Affairs.

As an integrated tray recycler, Faerch has the capability, capacity and expertise to roll out the Back of Store by Faerch programme with other European supermarket chains – supporting progress towards a circular economy for primary food packaging.

EVOLVE BY FAERCH

CLOSING THE CIRCULARITY GAP ON FOOD PACKAGING

Designing for circularity is a fundamental part of our strategy and we are committed to minimising our impact and ensuring a sustainable future for food packaging. Our packaging solutions are designed to keep food safe and protected, but they are also designed for circularity.

Evolve by Faerch was launched in 2019 and it is the perfect example of a packaging concept designed for true circularity. The concept offers food packaging made from collected and recycled mixed coloured bottles and PET pots, tubs and trays. The Evolve by Faerch trays are fully recyclable into new food grade packaging after use.

Rethinking rigid food packaging

Plastic is a valuable resource, but we need to use better and more sustainable materials. At Faerch, we promote PET as the material of choice when it comes to food packaging, as it is the only material allowing for true circularity while meeting the strictest food safety requirements. Faerch is committed to enabling a waste-free future, and the Evolve by Faerch concept is a great example of how to design for circularity.

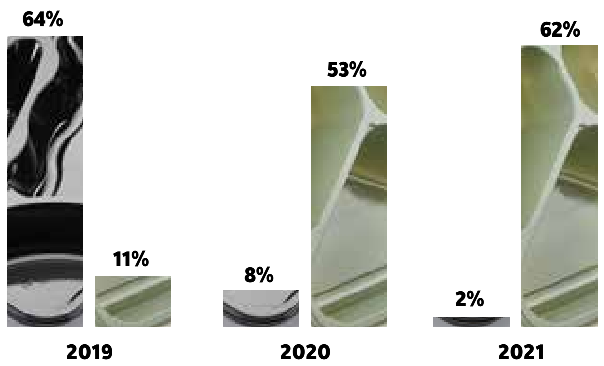
Now more than ever, we need to rethink food packaging. To prevent plastic waste, we need to advance the transition to a circular economy in which plastic products are kept at their highest value throughout their lifecycle, rather than being wasted and downgraded after use. When it comes to making food packaging circular, material choice is key. Without the right materials, we are not able to achieve true circularity. Evolve by Faerch applications provide our customers with long-awaited guidance to easily choose food packaging made from recycled content. At the same time, the concept is designed to overcome the limitation of the existing infrastructure.

A unique look

Evolve by Faerch pots, tubs and trays are made from recycled content. No colour is added during the production process, and the pots will therefore have fluctuating colours, reflecting the specific blend of recycled content the trays are made from. This will allow consumers to immediately recognise the circular nature of the packaging which can help them make conscious decisions when making their packaging decision.

The majority of most thermoformed rPET trays on the market consists of clear bottle flake as the primary recycled materials. However, the market is currently seeing a surge in demand for flakes made from recycled PET bottles. The Evolve by Faerch concepts enable circularity with mixed and jazz flakes from coloured bottles and trays, ensuring an additional circular outlet for a valuable material like PET.

Carbon black share vs. Evolve by Faerch share
of total Faerch UK market CPET



Achievements

Since the release on the UK market in 2019, Evolve by Faerch has achieved a significant increase in sales volumes, and many retailers have successfully moved to this new material platform. In 2021, Evolve by Faerch accounted for a total of 62% of Faerch's total CPET volume in UK and Ireland.

In 2021, the concept was further strengthened to cover even more food packaging categories, ranging from dairy pots to ready meals trays. Going forward, we will continue to launch new products in the Evolve by Faerch concept to support our customers towards fully circular packaging.

STRENGTHENING OUR BUSINESS THROUGH QUALITY ACQUISITIONS AND AN OVERALL INDUSTRY PUSH

1
PET

Adding quality companies to our portfolio is an essential part our strategy to strengthen our business and create value. Besides expanding our geographical footprint, it accelerates our ability to offer cutting-edge, innovative food packaging solutions to leading food manufacturers and retailers around the world. However, as we welcome new companies into the Faerch Group, we need to ensure that they become fully aligned with Faerch's requirements and quality standards while we get inspired by their innovations and practices to lead the Group on the path towards a circular economy for food packaging.

What we do

Being a global frontrunner in sustainable rigid food packaging, we invest in and transform businesses that share our ambition of accelerating action on circularity within food packaging. When new entities become part of the Faerch Group, we are working actively to reduce their carbon footprint by transforming them into more resource and energy efficient entities. We also drive the businesses towards more recyclable materials through a group-wide push for mono-materials.

Accelerating material conversion

In 2020, Faerch acquired Sirap food packaging business activities in Italy, Poland and Spain. In 2021, at our new site in Olvan in Spain, we successfully converted 50% of the site's Oriented Polystyrene (OPS) material into PET .

Olvan in Spain

50%

of the site's Oriented Polystyrene (OPS) material converted successfully into PET

The remaining OPS material volume will be converted in 2022.
We do this to push the local industry towards a more circular future, as the material is a fundamental part of ensuring an economy around our European recycling streams. As an industry, we need to push for less complex material compositions, and we support joint and bold commitments from the packaging industry, complemented by ambitious company-specific targets.

Within the industry, there might be discussions about details like definitions, specific targets and timelines. However, as plastic converters, we need to enable a circular choice for the rest of the value chain and for society. We need to:

- Ensure that all packaging placed in the market is fully recyclable, i.e. tax or ban those materials that cannot realistically be recycled.

- Foster the use of recycled content in packaging across all applications, by introducing mandatory minimum shares of post-consumer content.

- Strengthen collection and sorting to make sure plastics are made fully available for recycling, i.e. kept in the economy and out of the environment.

- Protect and increase the quality of waste streams, not polluting them with multi-materials.

As a direct response to these principles, the focus in the coming years will be to reduce the use of problematic packaging materials and further accelerate the transformation toward a circular economy through the use of recyclable materials – across the Faerch Group.

SUSTAINABILITY IN OUR VALUE CHAIN

Faerch is a leading manufacturer of plastic packaging and we are aware that the scale of our business and our activities have far-reaching environmental, social and economic impacts.

A circular economy
Creating circularity in food packaging has topped our agenda for many years and in 2018, we took a significant step in closing the loop on food trays with the acquisition of 4PET Group. The acquisition enables 100% recycling of the same material, for the same use, turning used food trays into a valuable resource rather than waste. When a tray has been used by the consumer, it is disposed, collected and processed into a new tray – and the circle repeats itself.

To reduce negative impacts and to make sure that we continue to add value and deliver competitive advantages to our customers, we have defined a set of actions to each stage in our value chain.

Suppliers & Sourcing
- Supplier Code of Conduct
- Supplier audits
- Responsible packaging activities

Product Development
- Delivering technical solutions for circularity
- Packaging to extend food shelf life and reduce food waste
- Reducing packaging weight
- Reducing stacking height
- Meeting high standards & going beyond food safety legislation
- Innovative mono-material solutions improving recyclability

Production: Extrusion/Thermoforming
- Raw material: Recycled plastic
- Reducing energy consumption through specific environmental projects
- Minimising plastic waste in the production
- Investing in energy effective technology
- Implementing specific activities to reduce work-related accidents
- Training our employees in occupational health

Logistics
- Reducing shipment by producing trays closer to customer locations
- Compiling transportation by delivering more trays in one truckload due to reduced stacking height
- Optimising motor vehicles
- Reducing outer packaging

At the customer
- Helping customers to extend food shelf life and optimise their packaging solutions
- Working with retailers on improving recycling rates of plastic trays
- Bringing new knowledge on sustainable packaging to our customers
- Testing packaging used in a closed loop system
- Helping customers reduce their CO2 footprint by offering alternatives to aluminium foil and cans
- Training our employees in anti-corruption and fair competition

At the end-user
- Convenient packaging for single household, helping reduce food waste
- Long shelf life reducing food waste
- Positive food experience

MAIN IMPACTS | Minimising plastic waste | Minimising CO2 emissions | Reducing work-related accidents

SUSTAINABLE DEVELOPMENT GOALS

The UN's 2030 Sustainable Development Goals have created a framework for addressing sustainability issues and creating a plan of actions in the areas of critical importance to the global society.

We are committed to making the SDGs operational and to identifying future business opportunities. By reviewing the areas of importance determined by the materiality assessment, we explore how we can support the SDGs linking them to our value chain and our business.

Currently, the Faerch business will focus on how we can make the biggest impact on the five UN SDG's highlighted in the table below.

Evolve by Faerch

Materiality Area	SDG		Sustainable Development Target	Faerch's Focus Area	Faerch's KPI	Value chain involvement
Reduction of CO2 emissions	13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	13.2. Integrate climate change measures into policies, strategies and planning	Sustainable Packaging	CO2 emissions with increased use of recycled plastic	Suppliers & Sourcing Product Development Production
Recycled plastic	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.4. Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment	Sustainable Packaging	Quantity of recycled plastic used in production	Production Product Development
Technical solutions for waste sorting	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	9.4. Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	Sustainable Packaging	Develop solutions such as the Evolve by Faerch concept and further innovate the technology in Faerch's recycling devision	Customers End-users
Reduction of food waste	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.3. Reduce food waste at the retail and consumer levels and reduce food losses along production and supply chains	Food Safety	Number of reported cases of migration tests Improvement sealing properties of trays to prolong food shelf life and reduce food waste	Suppliers & Sourcing Product Development Customers End-users
Recycled plastic	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.5. Substantially reduce waste generation through prevention, reduction, recycling and reuse	Responsible Operations	Plastic waste as percentage of raw materials	Product Development Production
Effecient production	7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	7.2. Increase substantially the share of renewable energy	Responsible Operations	Energy consumption '100% powered by electricity from renewable energy sources'	Production Logistics
Safe workplace	8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.8. Protect labour rights and promote safe and secure working environments for all workers	People & Organisation	Accident frequency	Production
Business ethics	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels	16.5. Substantially reduce corruption and bribery	Business ethics	Number of reported compliance cases	Complete value chain

SUPPORTING INTERNATIONAL STANDARDS

Our progress and reporting are based on the principles of the UN Declaration of Human Rights, the ILO conventions and the UN Global Compact.

Even though Faerch has not joined the UN Global Compact, we see it as an important framework for our sustainability efforts. To meet fundamental responsibilities in areas of human rights, labour, environment and anti-corruption, we therefore align our strategies, policies and procedures to its principles and guidelines.

The table below illustrates how we approach and implement the ten principles of the UN Global Compact.

Our Policies	How the Policy Supports the UN Global Compact	Example of Policy Implementation
• **Sustainability Policy** • **Human Rights Policy** • **Statement on the Prevention of Slavery and Human Trafficking** • **Trade Sanctions in the Product Supply Agreements for raw materials and packaging**	Ensuring continuous growth and development supporting and respecting the protection of internationally proclaimed human rights and good business ethics.	Anchoring sustainability by ensuring that roles and responsibilities related to sustainable development in Faerch are defined and communicated through Group Forum on Sustainability Governance. Monitoring and measuring progress towards sustainability through Group Procedure on non-financial data on sustainable development. Ensuring that our economic and financial transactions are in line with the applicable economic sanction laws and international trade restrictions, including providing information to our distributors about product final destination.
Supplier Code of Conduct	Ensuring responsible supplier management, defining and communicating expectations to our suppliers in terms of developing responsible business practices.	Carrying out supplier audits of top suppliers of raw materials, additives, colours, packaging and supplementary range.
Environment, Health & Safety Policy	Reducing own footprint, meeting high health & safety standards and creating a workplace culture based on commitment and responsibility.	• ISO 14001 Management System • Risk assessment of production equipment • Prevention of work-related injuries through analysis tools.
People Policies • Health Promotion Policy • Employee Development Policy	Ensuring equal opportunities at the workplace, eliminating discrimination in respect of employment and occupation and recognising the right to collective bargaining.	Initiating health promoting initiatives; performing external training; defining individual development plans (as a part of Employee Performance and Development Review); supporting employee intercultural & professional development through international secondments.
Legal Compliance Policy • Gifts Policy • Anti-corruption Policy • Fair Competition Policy • Procurement Policy	Working against corruption in all its forms, increasing employees' understanding of the rules and minimising the risk of breaking the rules.	Training in fair competition and anti-corruption, including e-learning programme.

SUSTAINABLE PACKAGING

The focus area "Sustainable Packaging" involves everything we do to minimise the environmental impact of our products. In terms of manufacturing, it is important that we look at the composition of our products and continuously aim to increase the share of recycled PET derived from trays in our product recipes and production processes, and aim to integrate a truly closed loop where used trays are collected and processed into new trays.

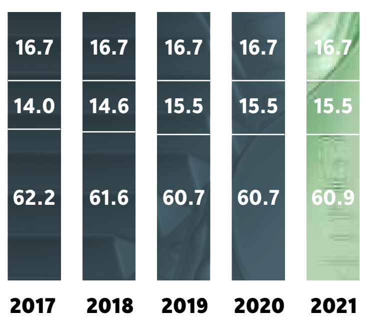
This will help us reduce plastic waste and CO2 emissions. Our aim is to take a leading position in the use of recycled plastic.

Scope	Guidelines	Impact	Risk & challenges
Manufacturing and recycling of plastic trays creating a closed loop within food packaging.	European Strategy for Plastics in a Circular Economy. Reuse and recyclability of own materials in own operational setup and the market, reaching a true "closed loop".	**Impact waste** Impact mitigation by optimising design proposals to minimise material consumption, by developing partitioned packaging, and by designing trays with smaller portion sizes to avoid dispose of surplus food. **CO2 emissions** Impact mitigation by increasing the share of recycled plastic in our product formulas and manufacturing processes; by rethinking product composition in existing and new products, material and processes.	Plastic waste management, mainly outside Europe, remains an immense challenge. We need to build a new mentality and customer behaviour moving away from the throwaway culture.

Performance progress

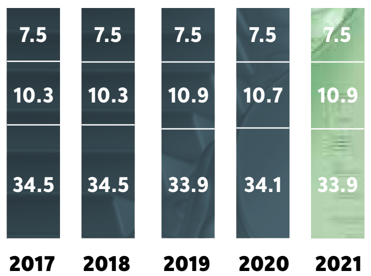
CO2 emissions with increased use of recycled plastic (21g CPET tray)[1]
Kg/CO2 equivalents per 1,000 trays

Bottom bars = Emissions with initiatives
Middle bars = Saved via rPET
Top bars = Saved via renewable energy

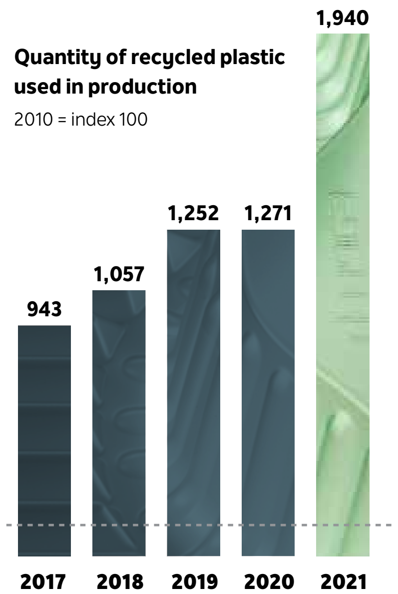


CO2 emissions with increased use of recycled plastic (12g APET tray)[1]
Kg/CO2 equivalents per 1,000 trays

Bottom bars = Emissions with initiatives
Middle bars = Saved via rPET
Top bars = Saved via renewable energy



Quantity of recycled plastic used in production
2010 = index 100



[1] Changed calculation principle. The historical figures were recalculated accordingly.

FOOD SAFETY

Food safety is essential to our business, and even more so than ever, consumers should always be confident that the food that they buy is packaged and designed for food contact.

Our aim is to maintain a leading position within rigid food packaging while complying with the strictest food safety requirements. Guaranteeing food safety is our key priority. Without that, our efforts to achieve circularity and reduced environmental impacts will have little value. At Faerch, we therefore continuously develop methods and processes to ensure and validate food safety for our products.

Scope	Guidelines	Impact	Risk & challenges
Continuously monitor methods and approaches to improve or uphold food safety requirements.	FCM shall comply with Article 3 of 1935/2004; this applies to all food contact material. Regulation (EU) 10/2011, explains in great detail "what plastic converters have to do in order to comply" with 1935/2004.	Impact mitigation by developing food safe mono-PET packaging solutions with a high content of recycled material that additionally enables long shelf life, consequently reducing the carbon footprint from food waste and enabling circularity.	It may be difficult for end-users to distinguish between different types of plastic packaging and their purpose. Hence, we will continue to promote and produce food safe mono-material PET solutions and work with academia on topics such as food safety and circularity.

Performance progress

Number of reported cases of migration

0 out of 25

tests in 2021

2020: 0 of 24 tests
2019: 1 of 26 tests
2018: 0 of 32 tests
2017: 0 of 21 tests

RESPONSIBLE OPERATIONS

We have a responsibility to minimise negative environmental impacts from our operations, in compliance with regulations, and to live up to the requirements and expectations of our customers and other key stakeholders.

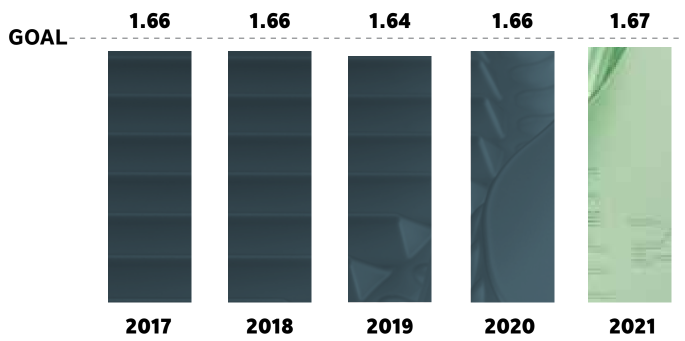
The focus area "Responsible Operations" involves everything we do to ensure that our production is efficient. We are aware that the reach and scale of our activities can impact the environment, society, and people. It is therefore important to keep our factory environmental footprints as low as possible.

To ensure that we significantly reduce the environmental impact of producing, using, and disposing our packaging solutions, we continuously pursue new ways and methods to reduce emissions and to improve resource consumption and waste management. Environmental risks include spillage of raw materials, chemicals, and untreated waste water. Numerous mitigating activities and procedures are in places to reduce these risks.

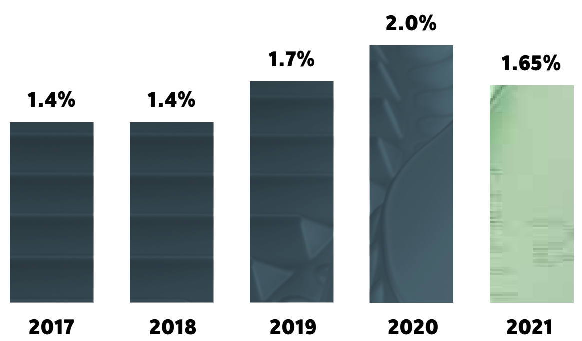
Scope	Guidelines	Impact	Risk & challenges
Ensure that our production is effecient in the way we utilise resources and by this, minimising our environmental footprint.	Group Quality Policy Group Environment, Health & Safety Policy ISO 14001 Management System	**Plastic waste** Impact mitigation by establishing a common solution for transparent and comparable reporting on waste management. **CO2 emissions** Impact mitigation by defining and implementing specific projects; investing in sustainable technology, optimising transportation and minimising imperfections resulted in repeated work.	It is important that we strive to strike a balance between sustaining a high level of product quality while also ensuring high production efficiency and responsible manufacturing processes.

Performance progress

Energy Consumption[1]
Mwh / tonne produced finished goods



Plastic Waste
Plastic waste as a percentage of raw materials



[1] Changed calculation principle. The historical figures were recalculated accordingly.

PEOPLE & ORGANISATION

Health & safety

We strongly believe that it is our people and organisation that bring our values to life and generate our business results. Their commitment to our business and our customers is vital to the success and long-term growth of our business. People & Organisation is therefore an important focus area.

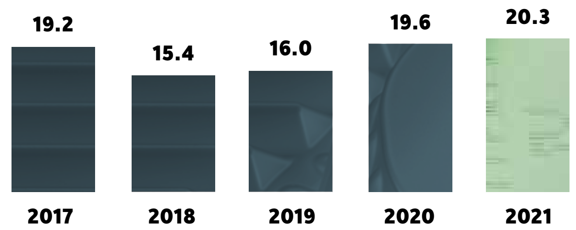
Many aspects of our business touch on human rights, including our employees' working conditions, and health and safety. Our conduct within our own business and through our business relationships can therefore have an impact on society, both positive and negative. Further, increasing regulation and growing expectations from our stakeholders confirm that human rights is a material topic for Faerch. A key area is health and safety, and we are committed to maintaining high standards of health and safety across the Group's business units and we continue to implement new initiatives to help us ensure that our workplace is attractive. We believe this is key to achieving our long-term objectives.

Several initiatives have been started to reduce the number of work-related accidents. These initiatives include awareness campaigns throughout the organisation, sharing of best practice procedures and standards, all to support the development of a safety culture and mindset.

Scope	Guidelines	Impact	Risk & challenges
Maintaining high standards of health & safety at our workplace.	Environment, Health & Safety Policy Health Promotion Policy	**Work-related accidents/heavy lifting** Impact mitigation by automating work processes in the operation areas and investing in equipment to remedy risk of manual movements and muscular strain.	It is important to continue addressing safety performance as a key element of our operations and to prevent workplace hazards and occupational risk in a busy working environment.

Performance progress

Accident frequency
Total work accidents per one million working hours



PEOPLE & ORGANISATION

People

The way we treat our employees is fundamental to the way we want to do business, and not to discriminate against our employees is a core value for Faerch and basic responsibility for any organisation. Discrimination bars people from living up to their full potential, creates inequality and less stable and prosperous societies.

Scope	Guidelines	Tools	Impact	Risk & challenges
Ensuring our position as an ambitious and responsible company by focusing on employee development and succession management. 8 DECENT WORK AND ECONOMIC GROWTH	Human Rights Policy including our focus on development, training and diversity. People Policies including the Employee Development Policy.	Employee Development Review Individual Development Plan Career Development Paths On-boarding Programme	We wish to develop and scale our organisation to support our strong growth and realise our targets.	To scale up the organisation and thereby continue to support our strong growth, it is important that we develop our people and structures further. We will strengthen our core skills and competences in and across specific functions and expand our succession management. We will optimise new employee integration through enhanced on-boarding.

Performance progress

Our Culture and Heritage
As a rapidly growing company, we want to ensure that our strong culture is integrated into our acquired companies. We are true to our heritage, while evolving with the needs of our business.

With the acquisition of PACCOR, with 18 sites across Europe, USA and Asia, we have completed our largest acquisition to date. This calls for an even further strengthening of our culture and people development agenda to make sure it reflects our accelerating growth.

Building on a deep technical, material and operational knowledge, we know that our efficient production set-up provides a competitive advantage. As a leader in sustainable packaging for the food industry, and to meet the needs of the future to further drive a closed loop on an industrial scale, we are aware that our unique culture of simplicity, agility, execution and dignity will be essential to scale up our business even further and to go globally.

Our Leadership Values reflect our company's heritage and DNA, providing clear guidance when recruiting and developing the organisation further. Our accelerating growth calls for a reinforced effort to establish a common, in-depth understanding of the Faerch Leadership Values in all senior positions and within our acquired companies.

People Factor
We are a people business, and another central pillar in our efforts to strengthen our values and culture is our new People Factor Platform. The aim of the platform approach is to ensure that our leadership values are translated into concrete actions across all of our sites. We want all of our employees to feel welcome when they enter a Faerch site.

Our People Factor Platform ensures the right framework is in place across of our sites, and that we treat our employees with dignity and respect and that we show them we care. The purpose of this is to ensure employee engagement and retention, and to increase attractiveness for new employees. The platform describes the way we treat our employees from their first day of work and within areas such as physical work environment, on-boarding, working conditions, compensation, training and being part of the team. The platform will be rolled out from 2022.

Employee and Career Development
The limiting factor for our growth is neither our market opportunities, nor our innovation potential. We are lean, agile and fast, which is part of our value proposition. As in 2021, our focus going forward is to scale up the organisation and processes to our increased size and complexity at the speed needed. Developing the organisation therefore represents one of the most important enablers of our strategy.

We have installed a systematic talent development and internal feeding system for succession, where we identify and prepare potential successors and back-up candidates for all critical roles, developing a pool of high potentials and constant flow of talents into the organisation.

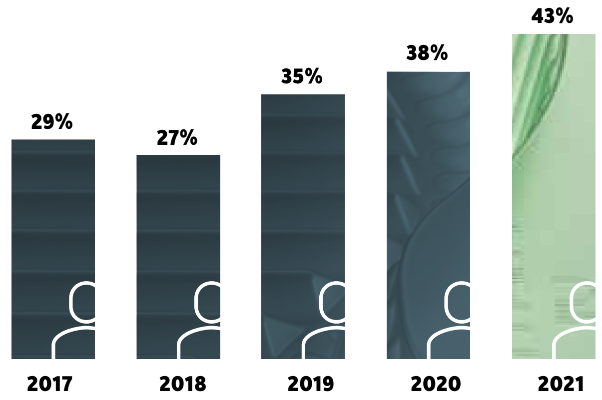
- Identify critical roles and map current and future requirements
- Establish successor pipeline and identify development and retention needs
- Establish Future Faerch Generation (FFG) to ensure a continuous flow of new young talent into the organisation, complementing feeding programme with graduates, trainees and apprentices
- Quickly identify and integrate key resources from acquired companies into the feeding process

Furthermore, our Employee Development Review process supports the individual development of our employees.

The purpose of the Individual Development Plan is to ensure a structured approach in agreeing on, working with and following up on long-term career development objectives. It provides an overview of learnings and reflections from both employee, manager and other possible stakeholders, and it helps to measure progress and success and ultimately reaching the long-term objectives.

We practice career development through training and internal recruitment.

Career development
Internal recruitments for salaried employees



Gender Proportion among the Members of the Board of Directors and Executive Management
It is our goal that the Board of Directors and executive management is composed in such a way that it is effectively able to perform its tasks. In 2021 a new Board of Directors was established with the new ownership from A.P. Møller Holding. With our new Chairman and Deputy Chairman plus two new externally elected Board members, the gender proportion has changed. The Board of Directors consists of 2 women and 4 men. Our goal for future gender proportion is to maintain at least 33% of the under-represented gender in the Board of Directors.

The executive management was expanded from 6 to 8 members with the appointment of Chief Integration Officer Patricia Requena (1 March 2021) and Chief People Officer Karina Kviesgård Hounisen (1 January 2022). The executive management consists of 2 women and 6 men. Our goal for future gender proportion is to reach at least 33% of the under-represented gender in the Executive Management, up from the present level of 25%.

The goals for Gender Proportion will be reviewed further in 2022 as part of our ESG strategy.

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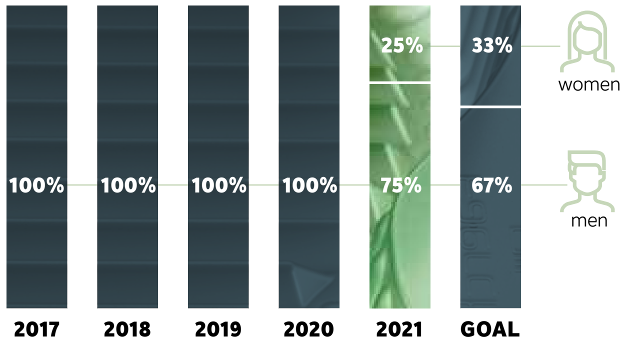
Faerch

PEOPLE & ORGANISATION

People (continued)

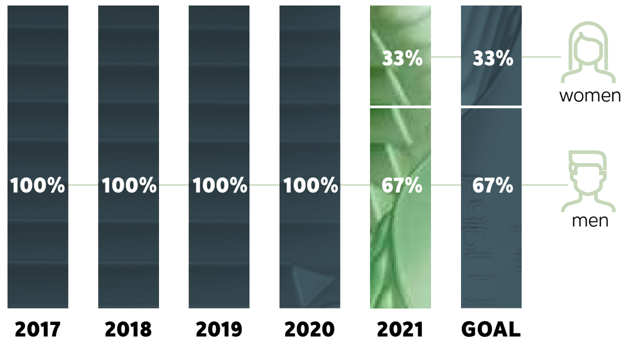
Members of the Executive management

Goal to be reviewed in 2022



Members of the Board elected at the annual general meeting

Goal to be reviewed in 2022

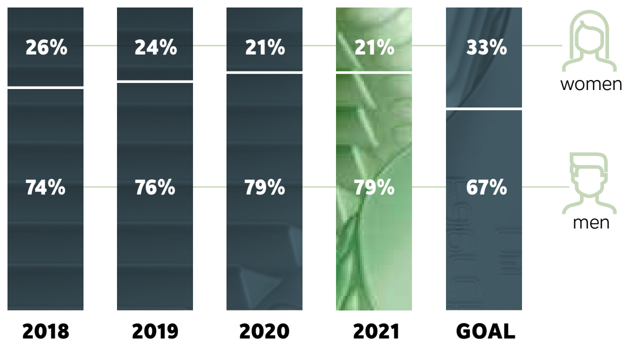


Gender Proportion on Manager Level

By the end of 2021, the gender distribution among managers* was 79% men and 21% women, which means no changes compared to 2020. This calls for an evaluation of our ability to attract women to leadership positions and not least to retain women in leadership positions.

We report on the total gender proportion for all managers in the Faerch Group.

Manager level



Diversity

We will drive development towards becoming a significantly more diverse organisation, starting with basics to ensure success, e.g. language training for better inclusion and strengthening inter-cultural understanding.

We are an international growth organisation, and we want to maintain our reputation as a workplace committed to ensuring fair and equal treatment and opportunities for all employees regardless of age, gender, nationality, religion, sexuality etc. A company where differences are respected and valued.

Our policy on gender proportion aims to increase the number of women at management level and to improve the representation of women in management at Faerch in general.

With a clear objective to enhance diversity in our workforce, we promote and encourage equal opportunities ensuring that all aspects of our personnel practices promote women's and men's equal career opportunities, including hiring procedures and conditions, recruitment and parental leave conditions. Additionally, we strive, as much as possible, to have both female and male candidates in both internal and external recruitment.

* Includes Team Leaders, Mangers, Directors and Senior Directors.

GOVERNANCE

We take on responsibility
Faerch is an international organisation committed to acting as a proper and responsible company at all times, and we have imposed strict requirements on ourselves and our business partners through internal and external policies and guidelines.

Training in fair competition, anti-corruption and GDPR
Corruption is one of our compliance risks. It undermines social and economic development, destabilises the business environment and adds to the cost of doing business and participating in trade. It is against our core values and affects external confidence as well as company morale. Non-compliance with bribery and corruption law may lead to legal and reputational risks, extra costs, inefficiencies in our business, fines, imprisonment, and debarment from markets.

At Faerch, we actively support international anti-corruption and fair competition efforts, and we are dedicated to upholding the highest standards of integrity and business ethics among our employees and business partners.

Faerch has a zero tolerance for corruption and anti-competitive activities.

By implementing guidelines, policies, e-learning and conducting on-site training for Executives, Managers, Sales and Procurement departments etc., Faerch actively works to combat inappropriate business conduct.

In 2021, 34 employees were trained on-site in anti-corruption and fair competition. A total of 265 employees have received on-site training, including most Directors, Managers, Sales and Purchasing personnel. The on-site training of employees is often done in smaller groups of 5-10 employees in order to obtain a good face-to-face dialogue. In addition, a total of 179 employees have completed and passed the e-learning training course in anti-corruption law and 215 employees have completed and passed the e-learning training programme in competition law. The training enables our employees to execute business negotiations, attend meetings and social events with knowledge and understanding of basic competition law and anti-corruption law, in order to protect themselves and the reputation of Faerch.

At Faerch, we are processing personal data in many areas. To support our employees' understanding of personal data and how to deal with it, Group Legal is also providing a GDPR e-learning programme. In 2021, 360 employees have completed the GDPR e-learning course.

Reported cases about corruption

0

2021: 0 cases
2020: 0 cases
2019: 0 cases
2018: 0 cases
2017: 0 cases

Reported cases about unfair competition

0

2021: 0 cases
2020: 0 cases
2019: 0 cases
2018: 0 cases
2017: 0 cases

Reported cases about gifts over EUR 200

1

2021: 1 case
2020: 3 cases
2019: 0 case
2018: 0 cases
2017: 4 cases

Reported cases in our whistle-blower solution

1

2021: 1 case
2020: 3 cases
2019: 0 cases
2018: 0 cases
The program was launched in 2018

Furthermore, Group Legal has prepared procedures to ensure basic data subject rights, e.g., right to access personal data about themselves, right to rectify personal data about themselves, right to erase personal data about themselves etc. Any such requests from data subjects will be handled and answered by Group Legal.

Faerch Group has also established technical and organisational measures to ensure i) that our personal data is not accidentally or illegally destroyed, lost or changed, and ii) to ensure that personal data does not fall into the hands of unauthorised persons or in other manner processed in breach of the GDPR.

Generally, personal data is deleted when storage no longer has a factual purpose, which is in line with our Privacy policies published on our website.

In 2022, Group Legal will have continued focus on providing Faerch Italy, Faerch Barcelona and Inline Poland on-site training in Faerch Group policies and internal guidelines on fair competition, anti-corruption and GDPR.

When MCP and PACCOR Packaging are acquired – expectedly during 2022 – Group Legal will have a similar focus on providing on-site training for MCP and PACCOR Packaging employees in connection with the integration process.

Whistleblower hotline
Faerch Group's governance programme is designed to identify and prevent serious offences and criminal acts. However, even the most effective compliance procedures cannot fully protect against every conceivable situation.

Consequently, Faerch Group has developed a whistleblower hotline in co-operation with the Danish law firm Plesner that can be used by our business partners and employees to report suspicions or knowledge of unethical conduct and criminal acts.

The whistleblower hotline was launched in December 2018 and can be found on our website. An updated version of Faerch Group's Whistleblower solution has been launched pursuant to new EU whistleblower legislation that came into force on 17 December 2021.

In 2018 and 2019, no issues were reported through the whistleblower hotline. However, in 2020 three cases were reported. All three incidents were investigated by Group Legal without finding any actual violations by the Faerch Group or its employees, and these cases have all been formally closed.

During 2021, one case has been reported. This case was filed on 29 November 2021 and is now under investigation.

To further strenghten the awareness of the whistleblower solution, and in the light of the new EU Whistleblower legslation, we will launch an awareness campaign during 2022.

A good relationship with our suppliers
Faerch Group values long-term supplier relationships based on mutually trustful collaboration. As part of this collaboration and to ensure that our suppliers adhere to the same guidelines as we do, Faerch Group has developed a 'Supplier Code of Conduct'.

The 'Supplier Code of Conduct' reflects the ten principles of the UN Global Compact, which covers human rights, labour rights, the environment and anti-corruption. As of 2021, the conduct has been accepted and signed by more than 500 suppliers, primarily suppliers with annual sales to Faerch Group of at least EUR 5,000. Going forward we expect the number of suppliers to sign the Supplier Code of Conduct to increase as the business expands.

Each site director is responsible for ensuring that new suppliers sign Faerch's 'Supplier Code of Conduct' and to make sure that all signed Code of Conducts are stored in a local folder.

Data ethics
The responsible use of data is an enabler for Faerch's business model. In line with Faerch's core values we strive to ethically manage and use data, with customers trusting that the company uses their data appropriately. To avoid abuse and privacy infringement issues, and to safeguard the company from legal, business and reputational risks, it is vital to manage and control the storage and use of customers' and employees' data ethically and proactively. No formal data ethics policy was adopted in 2021 due to the strong existing data governance, but in context of the Paccor and MCP acquisitions Faerch will establish a data ethics policy in 2022, with accompanying governance measures, including a target of all relevant employees trained on data ethics by 2023.

BOARD OF DIRECTORS

***Henrik Poulsen* (1967)**
Chairman

Member since:
2021

Current position:
Senior Advisor,
A.P. Moller Holding

Other Board Positions:
Deputy Chair, Carlsberg A/S
Deputy Chair, ISS A/S
Bertelsmann SE & Co. KGaA
Novo Nordisk A/S
Novo Holdings A/S
Ørsted A/S

Nationality:
Danish

***Jaska de Bakker* (1970)**

Member since:
2021

Current position:
Non-Executive Director

Other Board positions:
The Ocean Cleanup
Prysmian Group

Nationality:
Dutch

***Marianne Kirkegaard* (1968)**

Member since:
2021

Current position:
Executive Chairman at
Baker & Baker, since 2016

Other Board Positions:
AAK
illycaffè
Pandora Jewelry
Salling Group

Nationality:
Danish

***Ronald John Edward Marsh* (1950)**

Member since:
2013

Current position:
Professional Advisor

Other Board positions:
Chairman of Genuit Group
Chairman of the UK
Packaging Federation
Non-Executive Director of
the Walstead Group
SID and Chair of the Audit
Committee at Walstead

Nationality:
British

***Sven Seidel* (1973)**

Member since:
2018

Current position:
CEO at Phoenix
Group

Other Board positions:
Currently no other
Board positions

Nationality:
German

***Jan Thorsgaard Nielsen* (1974)**
Deputy Chairman

Member since:
2021

Current position:
Chief Investment Officer,
A.P. Moller Holding

Other Board positions:
Chairman, KK Wind Solutions
Chairman, Nissens Cooling
Solutions
Vice Chairman, Danske Bank
Board member, LEGO

Nationality:
Danish

***Brian Troldtoft* (1963)**
Employee representative

Member since:
1995

Current position:
Thermoforming
Technician, Faerch A/S

Nationality:
Danish

***Torben Toft Jensen* (1970)**
Employee representative

Member since:
2015

Current position:
Technician, Faerch A/S

Nationality:
Danish

***Thomas Skovgaard Lauridsen* (1975)**
Employee representative

Member since:
2019

Current position:
Technician, Faerch A/S

Nationality:
Danish

GOVERNANCE
CORPORATE ANNUAL REPORT 2021

EXECUTIVE MANAGEMENT

Lars Gade Hansen (1968)
Group CEO

Member since:
2009

Previous experience:
Bodilsen - CEO
Vestfrost - COO
Kirk Acoustics - CEO
Terma - Vice President

Tom Sand-Kristensen (1971)
Group CFO

Member since:
2016

Previous experience:
Rockwool Asia - Regional Finance Director, South East Asia, India and Greater China
Rockwool Greater China - Managing Director
Privathospitalet Hamlet - CFO
Gourmet Bryggeriet A/S - Managing Director
Carlsberg Brewery Malaysia Berhad - CFO

Jesper Emil Jensen (1978)
Regional CEO - Continental Europe

Member since:
2018

Previous experience:
Faerch - Sales and Marketing Director North
Faerch - Vice President NPI and NPD
Faerch - Sales Director Central
Faerch - Product Manager

Patricia Requena (1968)
Group CIO

Member since:
2021

Previous experience:
Faerch - Regional CEO
Faerch - Regional CFO and Integration Director
Faerch - Site Director
Sealed Air Food Care - General Manager
Sealed Air Food Care - Financial Controller

Arne Holme (1973)
Group CTO

Member since:
2018

Previous experience:
Faerch - Director Operational Development
Faerch - Site Director Holstebro
Faerch - Production Manager
Faerch - Project Manager

Karina Kviesgård Hounisen (1973)
Group CPO
(Appointed on January 1, 2022)

Member since:
2022

Previous experience:
Faerch - Senior Director Group HR
Faerch - Group HR Director
Faerch - Regional HR Director
Faerch - Senior Manager HR
Faerch - HR Manager
Unimerco A/S (Kyocera Unimerco) - HR Consultant

Spencer Johnston (1978)
Regional CEO - UK & Ireland

Member since:
2019

Previous experience:
Multi-Packaging Solutions - Vice President, European Label Division
Multi-Packaging Solutions - General Manager, UK & Ireland
Multi-Packaging Solutions - Site Director
Multi-Packaging Solutions - Commercial Manager, UK & Ireland

Michael Orye (1972)
Regional CEO - Recycling

Member since:
2020

Previous experience:
Huhtamaki Oyj - Executive Vice President Fiber
Amcor Ltd. - Managing Director Sub-Saharan Africa
Amcor Ltd. - Vice President Medical Europe
Amcor Ltd. - Managing Director AF Winterbourne
Amcor Ltd. - General Manager Mt Holly, New Jersey
Amcor Ltd. - Business Development Executive USA & Canada

FINANCIALS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

Note	EURm	2021	2020
1.1	Revenue	558.8	370.9
1.2	Production costs	-429.0	-271.6
	Gross profit	**129.7**	**99.2**
1.2	Sales and distribution expenses	-66.8	-45.8
1.2	Administrative expenses	-29.4	-19.1
1.3	Other operating income	1.8	0.5
1.3	Other operating expenses	-2.1	-1.0
	Operating profit (EBIT) before special items	**33.1**	**33.8**
	Specification:		
	Earnings before interest. tax. depreciations and amortisation (EBITDA)	100.3	91.7
	Depreciation and amortisation	-67.2	-57.9
	Operating profit (EBIT) before special items	33.1	33.8
1.4	Special items	-11.5	-9.5
	Operating profit (EBIT)	**21.6**	**24.3**
3.1	Financial income	12.9	26.0
3.1	Financial expenses	-60.0	-41.8
	Profit before income tax	**-25.4**	**8.5**
4.3	Tax on profit for the year	-0.6	-1.7
	Profit for the year	**-26.0**	**6.8**
	Statement of comprehensive income		
	Profit for the year	-26.0	6.8
	Items that will be reclassified subsequently to the income statement when specific conditions are met:		
	Unrealized gain / loss on hedging reserves	1.8	1.2
	Tax on unrealized gain / loss on hedging reserves	-0.4	-0.3
	Foreign exchange adjustment on translation	6.3	-6.0
	Tax on foreign exchange adjustment	-3.2	2.8
	Total comprehensive income for the year	**-21.5**	**4.6**
	Total comprehensive income for the year is attributable to:		
	Shareholders in Faerch A/S	-21.5	4.6

CONSOLIDATED BALANCE SHEET

31 DECEMBER

Note	(EURm)	2021	2020
	Assets		
	Goodwill	576.5	493.6
	Brand	155.7	155.6
	Customer relations and other	180.4	196.4
2.1. 2.2	**Intangible assets**	**912.6**	**845.7**
	Land and buildings	99.2	72.3
	Plant and machinery	173.0	158.2
	Fixtures and fittings. tools and equipment	25.5	22.8
	Fixed assets under construction	23.0	6.4
2.3	**Tangible assets**	**320.8**	**259.7**
4.3	**Deferred tax assets**	**10.0**	**7.8**
	Total non-current assets	**1,243.3**	**1.113.2**
2.4	Inventories	102.0	54.9
2.5. 3.2	Trade receivables	93.6	32.9
3.2	Other receivables	14.7	11.4
3.2	Prepayments	0.2	0.1
	Current tax assets	1.9	4.2
3.2	Cash at banks	8.9	6.9
	Total current assets	**221.3**	**110.4**
	Total assets	**1,464.6**	**1,223.6**

CONSOLIDATED BALANCE SHEET

31 DECEMBER

Note	(EURm)	2021	2020
Equity and liabilities			
3.5	Share capital	9.8	1.9
	Reserve for currency translation	0.5	-2.7
	Retained earnings	643.9	159.3
	Total equity	**654.2**	**158.5**
3.2	Borrowings	505.5	631.1
	Debt to Parent Company	-	237.3
4.3	Deferred tax liabilities	93.8	97.5
	Total non-current liabilities	**599.3**	**965.8**
3.2	Borrowings	44.9	17.9
	Debt to Parent Company	22.3	-
3.2	Trade payables	86.1	37.0
	Current tax liabilities	6.2	4.9
3.2. 3.4	Other short term debt	50.5	38.6
3.2	Deferred revenue	1.1	0.8
	Total current liabilities	**211.1**	**99.2**
	Total liabilities	**810.4**	**1,065.1**
	Total equity and liabilities	**1,464.6**	**1,223.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EURm)	Share capital	Reserve for currency translation	Retained earnings	Total Equity
Equity at 1 January 2021	**9.8**	**-2.7**	**151.4**	**158.5**
Profit for the year	-	-	-26.0	-26.0
Hedging reserves	-	-	1.8	1.8
Tax on hedging reserves	-	-	-0.4	-0.4
Capital increase	-	-	237.2	237.2
Shareholder contribution	-	-	280.0	280.0
Other comprehensive income	-	6.3	-	6.3
Tax on other comprehensive income	-	-3.2	-	-3.2
Total comprehensive income for the period	**-**	**3.2**	**492.6**	**495.7**
Equity at 31 December 2021	**9.8**	**0.5**	**643.9**	**654.2**
Equity at 1 January 2020	**1.9**	**0.5**	**151.5**	**153.9**
Effect from merger	8.0	-	-8.0	-
Equity 1 January 2020 after merger	9.8	0.5	143.6	153.9
Profit for the year	-	-	6.8	6.8
Hedging reserves	-	-	1.2	1.2
Tax on hedging reserves	-	-	-0.3	-0.3
Other comprehensive income	-	-6.0	-	-6.0
Tax on other comprehensive income	-	2.8	-	2.8
Total comprehensive income for the period	**-**	**-3.2**	**7.8**	**4.6**
Equity at 31 December 2020	**9.8**	**-2.7**	**151.4**	**158.5**

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

Note	(EURm)	2021	2020
	Profit before tax	-25.4	8.5
4.2	Adjustments for non-cash transactions	115.7	67.7
2.6	Change in working capital	-26.4	10.3
	Interest paid	-23.0	-30.7
	Interest received	0.0	0.0
	Income taxes paid	-8.5	-14.5
	Cash flow from operating activities	**32.4**	**41.2**
2.1	Purchase of intangible assets	-2.1	-2.9
2.3	Purchase of tangible assets	-39.2	-21.4
	Proceeds from sale of tangible assets	1.2	0.3
4.2	Acquisition of subsidiaries	-152.3	-0.1
	Cash flow from investing activities	**-192.3**	**-24.2**
	Free cash flow	**-162.6**	**17.0**
	Proceeds from shareholder contribution	280.0	0.0
	Proceeds from borrowings	1.063.7	0.0
	Borrowings from parent company	22.1	0.0
	Repayments of borrowings	-1.217.8	-13.5
	Cash flow from financing activities	**148.0**	**-13.5**
	Net increase in cash and cash equivalents	**-12.0**	**3.6**
	Cash and cash equivalents at 1 January	2.1	0.0
	Foreign exchange rate adjustments on cash and cash equivalents	1.0	-1.5
	Cash and cash equivalents at 31 December	**-8.9**	**2.1**
	Cash and cash equivalents are specified as follows:		
	Cash at bank and in hand	8.9	6.9
	Credit institutions	-17.8	-4.8
	Cash and cash equivalents at 31 December	**-8.9**	**2.1**

NOTE 1.1 SEGMENT INFORMATION

ACCOUNTING POLICIES

Revenue recognition
Revenue from the sale of trays, sheets, flakes and other similar products is recognised in the income statement, when delivery and risk of the products have passed to the buyer, the amount of revenue can be measured reliably, and collection is probable. Revenue comprises invoiced sales for the year less sales rebates, cash discounts, VAT and duties.

Segment information
Operating segments are reported in a manner consistent with the internal reporting provided to the group's management.

Headquarter costs are allocated to the business segments based on allocation keys used in the internal management reporting. Financial income and expenses and income taxes are managed at Group level and are not allocated to business segments.

Central functions' assets, cash and cash equivalents, deferred tax assets and interest-bearing debt are unallocated.

Trade between the Group's reportable segments is carried out at arm's length.

(EURm)	Tray	Recycling	Unallocated & eliminations	Total
2021				
Volume (m'pcs)	**9,892**	**-**	**-**	**9,892**
Revenue	541.5	56.0	-38.7	558.8
Operating profit before special items	35.0	-1.9	-	33.1
Depreciations and amortisations	-61.5	-5.7	-	-67.2
Financial items	-	-	-47.1	-47.1
Profit before tax	-	-	-25.4	-25.4
Total assets	**1,196.3**	**249.5**	**18.9**	**1,464.6**
Total liabilities	**311.1**	**10.7**	**488.5**	**810.4**
2020				
Volume (m'pcs)	**6,483**	**-**	**-**	**6,483**
Revenue	347.3	45.3	-21.7	370.9
Operating profit before special items	37.1	-3.4	-	33.8
Depreciations and amortisations	-51.8	-6.1	-	-57.9
Financial items	-	-	-15.8	-15.8
Profit before tax	-	-	8.5	8.5
Total assets	**1,025.5**	**183.3**	**14.7**	**1,223.6**
Total liabilities	**444.6**	**21.8**	**598.7**	**1,065.1**

NOTE 1.1 SEGMENT INFORMATION *(CONTINUED)*

1 JANUARY - 31 DECEMBER

Geographical information

	Total non-current assets		Total liabilities		Total revenue	
(EURm)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
North Europe	859.8	873.3	692.1	1.014.8	221.6	194.0
South Europe	234.8	92.9	101.2	23.9	167.0	48.2
Central Europe	148.7	147.0	17.1	26.4	160.2	123.2
Rest of the world	–	–	–	–	10.0	5.5
Total	**1,243.3**	**1,113.2**	**810.4**	**1,065.1**	**558.8**	**370.9**

The geographical distribution of "Total revenue" is based on the external customers country of residence.

The distribution of "Total non-current assets" is based on the actual geographical location of the assets.

No customer exceeds 10% of the group's net sales neither this year nor last year.

NOTE 1.2.A STAFF EXPENSES

ACCOUNTING POLICIES

Production costs
Production costs comprise cost incurred to achieve revenue for the year. Costs comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance, depreciation and amortisations etc.

Sales and distribution expenses
Sales and distribution expenses comprise costs related to distribution of products sold during the year and sales staff, research and development, advertising and exhibition expenses etc., including depreciations. Furthermore, provisions for bad debt are included.

Administration expenses
Administration expenses incurred in the course of the year relate to management and administration, including administrative staff, office premises and office costs, as well as depreciations.

NOTE 1.2.A STAFF EXPENSES *(CONTINUED)*

(EURm)	**2021**	**2020**
Wages, salaries and remuneration	99.5	67.7
Pension contribution	5.6	3.1
Other social security costs	6.4	4.7
Total staff costs	**111.5**	**75.4**
Staff costs relate to:		
Production costs	84.2	55.6
Sales and distribution expenses	13.4	9.2
Administrative expenses	12.4	9.1
	109.9	**73.9**
Staff cost recognised as inventory or fixed assets	1.6	1.5
Total staff costs	**111.5**	**75.4**
Average number of full time employees	**2,237**	**1,468**
Remuneration for Key Management Personnel (Executive Management)		
Salaries and wages	2.5	2.5
Pension expenses	0.2	0.2
Total	**2.7**	**2.7**
Fee to Board of Directors	**0.2**	**0.2**

Total remuneration for registered members of the Group Executive Team amounts to EUR 1.7m (2020: 2.3m).

NOTE 1.2.B DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

(EURm)	**2021**	**2020**
Intangible assets, amortisation	18.9	18.0
Property. plant and equipment. depreciation	48.3	40.0
Total depreciation. amortisation and impairment losses	**67.2**	**57.9**
Depreciation/amortisation and impairment losses relate to:		
Production costs	47.2	40.5
Sales and distribution expenses	16.3	16.6
Administrative expenses	3.7	0.8
Total depreciation. amortisation and impairment losses	**67.2**	**57.9**

NOTE 1.2.C RESEARCH AND DEVELOPMENTS COSTS

ACCOUNTING POLICIES

Research and development expenses are expenses that do not meet the criteria for asset recognition. These are expensed as incurred and include costs like wages, salaries and consumables.

(EURm)	2021	2020
Research and development costs expensed during the year	0.2	0.1
	0.2	**0.1**

NOTE 1.3 OTHER OPERATING INCOME AND EXPENSES

ACCOUNTING POLICIES

Other operating income and expenses comprise items secondary to the Group's primary activities.
These items comprise gains and losses relating to:
- Divestment of intangible assets and property, plant and equipment
- Income incl. subsidies of a non-operating nature
- Cost related to the project management office
- Cost of a non-recurring or non-operational income

(EURm)	2021	2020
Other items	1.8	0.5
Total other operating income	**1.8**	**0.5**
Loss on disposal of intangible assets and property. plant and equipment	0.1	-
Other items	2.0	1.0
Total other operating expenses	**2.1**	**1.0**

NOTE 1.4 SPECIAL ITEMS

ACCOUNTING POLICIES

Special items include income and expenses of a special non-recurring nature which cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses include acquisition and integration cost relating to recently acquired businesses and additional cost incurred due to the COVID-19 pandemic in 2021 and 2020. In 2020, income from the settlement agreements related to the acquisition of 3PET Holding B.V. were categorised as special items. In 2020 and 2021 certain energy taxes were categorised as special items.

NOTE 1.4 SPECIAL ITEMS *(CONTINUED)*

(EURm)	2021	2020
Acquisition	-8.4	-6.7
Integration	-1.8	-6.8
COVID-19	-0.4	-1.5
Settlement agreement related the acquisition of 3PET Holding B.V.	-	8.3
Energy taxes	-0.5	-1.1
Other	-0.5	-1.7
Total Special items	**-11.5**	**-9.5**

NOTE 2.1 INTANGIBLE ASSETS

ACCOUNTING POLICIES

Goodwill
Goodwill increased by 82.9m EUR during 2021 due to the acquisition of Faerch Italy S.r.l., Faerch Barcelona S.L.U. and Inline Poland Sp. z o.o and exchange rate adjustments.

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets, liabilities and contingent liabilities. Subsequently to initial recognition goodwill is measured at cost less impairment losses. The carrying amount of goodwill is allocated to the Group's cash-generating units that follow the management structure and internal financial reporting.

Goodwill is not amortised and impairment loss charges in previous years are not reversed.

Brand
During 2021 brand value increased by 0.1m EUR due to exchange rate adjustments. The majority in the tray segment are marketed under the Faerch brand name.

Brand is initially recognised at cost. It is estimated that the Faerch brand will generate net cash inflows for the group for an indefinite period. Therefore, the brand is carried at cost without amortisation, but is tested for impairment in accordance with note 2.2.

Customer relations and others
Projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future commercial or utilization opportunity within the Group is demonstrated, and where the Group intends to produce, market or use the project, are recognized as intangible assets provided that future benefits are probable.

Completed projects are amortised on a straight-line basis over 3 years. Projects in progress are not amortised, but are annually tested for impairment.

NOTE 2.1 INTANGIBLE ASSETS *(CONTINUED)*

(EURm)	Goodwill	Brand	Customer relations and others	Total
2021				
Cost at 1 January	493.6	191.4	256.7	941.7
Exchange rate adjustments	1.9	0.1	0.2	2.2
Additions	-	-	2.1	2.1
Increase / adjustment due to company acquisition	80.9	-	0.7	81.6
Transfer	-	-	0.0	0.0
Cost at 31 December	**576.5**	**191.5**	**259.7**	**1,027.6**
Amortization and impairment at 1 January	-	35.8	60.3	96.0
Exchange rate adjustments	-	0.0	0.1	0.1
Amortization and impairment for the year	-	-	18.9	18.9
Transfer	-	-	-0.0	-0.0
Amortization and impairment at 31 December	**-**	**35.8**	**79.3**	**115.0**
Carrying amount at 31 December	**576.5**	**155.7**	**180.4**	**912.6**
2020				
Cost at 1 January	493.8	190.7	252.6	937.1
Exchange rate adjustments	-0.2	0.7	0.9	1.5
Additions	-	-	2.9	2.9
Transfer	-	-	0.2	0.2
Cost at 31 December	**493.6**	**191.4**	**256.7**	**941.7**
Amortization and impairment at 1 January	-	35.7	42.1	77.8
Exchange rate adjustments	-	0.1	0.1	0.2
Amortization and impairment for the year	-	-	18.0	18.0
Transfer	-	-	0.1	0.1
Depreciation and impairment at 31 December	**-**	**35.8**	**60.3**	**96.0**
Carrying amount at 31 December	**493.6**	**155.6**	**196.4**	**845.7**

NOTE 2.2 IMPAIRMENT TESTS

ACCOUNTING POLICIES

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the recoverable amount of the asset.

Goodwill
Goodwill relates to the two CGUs "Tray Business" and "Recycling Business". Goodwill increased by 80.9m EUR during 2021 due to the acquisition of Faerch Italy S.r.l., Faerch Barcelona S.L.U. and Inline Poland Sp. z o.o, the entire value was allocated to the "Tray Business" CGU.

Brand
The brand value relates to the acquisition of Faerch Plast Group A/S in 2017. All brand value is allocated to Tray Business.

Customer relations and other
The value customer relations relates to the acquisition of Faerch Plast Group A/S in 2017 and CGL Pack Service SAS in 2018, the value of theese are allocated to the Tray Business. Others consist of internal development projects all placed within the Tray Business.

Testing method
The carrying amount of intangibles is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The recoverable amount is calculated as the present value of future net cash flows from the cash-generating unit to which the intangible asset is related.

The estimated future free net cash flows are based on budgets for 2022 and business plans and projections for 2023-2025. The business plans and projections are based on a market by market approach, assessing the organic business potential for each of key markets and segments, and estimating the volume growth, sales prices and contribution margins for each segment. Also the capital expenditure and working capital required to maintain and organically grow the business is considered.

Cash tax outflows are calculated using the current tax rates per jurisdiction, taking into account the cash effect of any significant tax loss carry forwards.

The average revenue growth rates in the forecast period (2022-2025) are generally kept unchanged compared to prior year, and while uncertainty connected to the COVID-19 pandemic can impact the short term growth rates, management considers the average growth rates for realistic based on the business and market plans at hand.

The long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 2% for the euro region.

A discount rate (WACC) is applied for the specific business areas based on assumptions about interest rates, tax rates and risks premiums. The impairment tests did not show any need for impairment losses to be recognised. In the Management's opinion, reasonable changes in key assumptions mentioned above will not cause material impairment losses for the Group.

Significant accounting estimates and adjustments
Due to the nature of the business, estimates are made on anticipated cash flows together with an assessment of the long-term growth rate and profitability. Additionally, an assessment of a reasonable discount rate is made, reflecting the risks inherent in the asset or cash-generating unit. This naturally result in a degree of uncertainty. Changes in the future cash flow or discount rate estimates used may result in materially different values.

Development projects in progress
For development projects in progress, the Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. In the Management's opinion, the development projects qualify for recognition.

The most significant allocations of intangible assets as well as the most significant assumptions for the performed impairment tests are summarized below.

(EURm)	Carrying amount, goodwill	Carrying amount, Brand	Carrying amount, customer relations and other	Discount rate, after tax	Discount rate, before tax	Average revenue growth in forecast period in %	Revenue growth in terminal period in %
2021							
Tray Business	491.1	155.7	180.4	6.7%	8.1%	8.5%	2%
Recycling Business	85.3	-	-	6.7%	8.1%	18.5%	2%
Total carrying amount at 31 Dec.	**576.5**	**155.7**	**180.4**				
2020							
Tray Business	408.3	155.6	196.4	7.5%	9.0%	6%	2%
Recycling Business	85.3	-	-	7.5%	9.0%	7%	2%
Total carrying amount at 31 Dec.	**493.6**	**155.6**	**196.4**				

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NOTE 2.2 IMPAIRMENT TESTS *(CONTINUED)*

Significant estimate:
impact of possible changes in key assumptions
Estimation uncertainty is present due to the complex calculations. Multiple sensitivity test have been performed. The sensitivity test have been performed split by Tray and Recycling using a different WACC, different growth rates in the residual year, different EBITDA margins and different revenues in the residual year. The sensitivity test indicates no sign of impairment even when changing variables, this applies both for Recycling and Tray.

The enterprise value of the CGU's would equal its invested capital if the key assumptions were to change as follows:

	Tray		Recycling	
	From	To	From	To
Discount rate, after tax (WACC)	6.7%	8.2%	6.7%	13.8%
Growth in residual period (%)	2.0%	-0.1%	2.0%	-7.4%
Change in ebitda margin in residual year (%)	23.4%	18.4%	44.0%	24.4%
Change in revenue in residual year (EURm)	726.0	572.0	137.5	42.7

NOTE 2.3 TANGIBLE ASSETS

ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Assets in progress and land are not depreciated.

Cost
Cost comprises the acquisition price as well as cost directly associated with the asset until such time as the asset is ready for its intended use. In case of self-constructed assets, cost comprises direct and indirect costs related to materials, components and payroll that directly concerns the construction of assets. Subsequent expenditure items of property, plant and equipment are only recognised as an addition to the carrying amount of the item, when it is likely that incurring the cost will result in future financial benefits for the Group. Other costs such as general repair and maintenance are recognised in the income statement when incurred.

Depreciation
The basis of deprecation is cost less estimated residual value. Property, plant and equipment are depreciated on a straight-line basis from the time of acquisition, or when the assets are available for use based on an assessment of the anticipated useful life.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The estimated useful lives are as follows:
- Buildings 30 years
- Plant and machinery 10-20 years
- Other fixtures, tools and equipment 3-5 years

Right-of-use assets
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Uncertainties and estimates
Estimates are made in assessing the useful lives of property, plant at equipment that determine the period over which the depreciable amount of the asset is expensed to the income statement. The depreciable amount of an item of property, plant and equipment is a function of the asset's cost or carrying amount and its residual value. Estimates are made in assessing the amount that the Group can recover at the end of the useful life of an asset. An annual review of the appropriateness of the depreciation method, useful life and residual values of items property, plant and equipment is undertaken.

NOTE 2.3 TANGIBLE ASSETS *(CONTINUED)*

(EURm)	Land and buildings	Plant and machinery	Fixtures and fitting, tools and equipment	Fixed assets in progress	Total
2021					
Cost at 1 January	91.1	265.8	57.4	6.4	420.7
Exchange rate adjustments	2.5	7.3	1.0	0.3	11.1
Additions	8.9	15.0	7.1	20.6	51.6
Increase due to company acquisition	23.7	21.4	8.0	0.5	53.6
Transfer	0.3	2.3	2.2	-4.8	0.0
Disposals	-1.4	-2.1	-3.1	-	-6.6
Cost at 31 December	**125.0**	**309.7**	**72.7**	**23.0**	**530.4**
Depreciation and impairment at 1 January	18.7	107.7	34.7	-	161.1
Exchange rate adjustments	0.8	4.1	0.7	-	5.6
Increase due to company acquisition	-0.0	-0.2	-0.0	-	-0.2
Depreciation for the year	6.6	27.4	14.3	-	48.3
Depreciation on disposals	-0.2	-2.3	-2.5	-	-5.1
Depreciation and impairment at 31 December	**25.8**	**136.7**	**47.2**	**-**	**209.6**
Carrying amount at 31 December	**99.2**	**173.0**	**25.5**	**23.0**	**320.8**
Of which related to right-of-use assets	14.1	2.0	2.7	-	18.9
Depreciation for the year related to right-of-use assets	3.3	0.9	1.2	-	5.5
Addition of right-of-use assets	8.2	0.8	1.6	-	10.6
Cash outflow for right-of-use assets for the period 2021	-	-	-	-	11.0
Interest expense for right-of-use assets for the period 2021	-	-	-	-	0.9
Expenses relating to short-term leases for the period 2021	-	-	-	-	1.0
2020					
Cost at 1 January	88.0	250.8	62.9	9.6	411.3
Exchange rate adjustments	-1.7	-5.0	-0.7	-0.1	-7.5
Additions	1.2	15.6	8.5	-2.8	22.5
Increase due to company acquisition	5.0	0.0	-	-	5.0
Transfer	-	7.8	-9.7	-0.3	-2.2
Disposals	-1.5	-3.4	-3.5	-	-8.4
Cost at 31 December	**91.1**	**265.8**	**57.4**	**6.4**	**420.7**
Depreciation and impairment at 1 January	14.8	85.7	31.9	-	132.4
Exchange rate adjustments	-0.4	-2.7	-0.6	-	-3.7
Increase due to company acquistion	0.3	-0.0	-	-	0.3
Depreciation for the year	4.7	23.2	12.1	-	40.0
Transfer	-	4.1	-5.4	-	-1.3
Depreciation on disposals	-0.6	-2.7	-3.4	-	-6.7
Depreciation and impairment at 31 December	**18.7**	**107.7**	**34.7**	**-**	**161.1**
Carrying amount at 31 December	**72.3**	**158.2**	**22.8**	**6.4**	**259.7**
Of which related to right-of-use assets	8.6	12.5	1.4	-	22.5
Depreciation for the year related to right-of-use assets	1.9	2.2	0.8	-	5.0
Addition of right-of-use assets	0.3	0.8	1.2	-	2.3
Cash outflow for right-of-use assets for the period 2020	-	-	-	-	6.6
Interest expense for right-of-use assets for the period 2020	-	-	-	-	1.1
Expenses relating to short-term leases for the period 2020	-	-	-	-	0.3

NOTE 2.4 INVENTORIES

ACCOUNTING POLICIES

Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value. The cost price of raw materials, consumable and purchased goods comprises the acquisition price including delivery costs. The cost price of finished goods and work in progress comprises costs of materials and direct labour plus production costs.

Production costs include indirect materials and wages, maintenance, depreciation on plant and machinery, factory buildings and other equipment used in the production process as well as cost of factory administration and management.

The net realisable value of inventories is calculated as the expected selling price less cost of completion and costs necessary to make the sale.

Significant accounting estimates and judgements
Indirect production costs are calculated based on relevant assumptions with respect to capacity utilisation and other factors characteristic to the product type.

The assessment of the net realisable value requires judgement in relation to the estimate of the selling price of certain raw materials.

(EURm)	2021	2020
Raw materials and consumables	38.7	20.0
Work in progress	22.2	9.9
Finished goods	32.7	18.5
Other inventory	8.4	6.4
Total inventory	**102.0**	**54.9**
Amounts recognised in profit or loss		
Cost of goods sold included in cost of sales	347.1	209.9
Semi-finished and finished goods are regularly reprocessed together with scrap from the production process as a normal part of the process of re-using materials in the production of sheets and trays. The cost hereoff including write-downs on slow-moving goods etc. amounts to	1.2	1.1

NOTE 2.5 TRADE RECEIVABLES

ACCOUNTING POLICIES

On initial recognition, the receivables are measured at fair value and subsequently at amortised cost, which normally correspond to fair value less provisions for expected losses. Provisions for expected losses are based on an individual assessment of each outstanding account.

(EURm)	2021	2020
Trade receivables before provision for bad debts	94.7	33.2
Loss allowance	-1.0	-0.3
Total trade receivables. net	**93.6**	**32.9**

The carrying amount of the trade receivables excludes receivables which are subject to non-recourse factoring arrangement. Under these arrangements, the Group has transferred the relevant receivables to the factor in exchange of cash and is prevented from selling or pledging the receivables.

	2021	2020
Transferred receivables	-	1.1
Associated secured borrowing (bank loan)	-	1.1

NOTE 2.5 TRADE RECEIVABLES (CONTINUED)

(EURm)	2021	2020
Loss allowance for bad debts at 1 January	-0.3	-0.6
Additions through acquisition of subsidiaries	-0.8	-
Change in write-downs	0.0	0.3
Realized loss	-	-
Loss allowance for bad debts at 31 December	**-1.0**	**-0.3**

Credit risk
The expected loss rates are based on individual assements of each outstanding account, on that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables

	Not overdue	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-365 days	Overdue more than 1 year	Total
31. December 2021							
Expected loss rate	0%	2%	0%	3%	4%	18%	1%
Gross carrying amount (trade receivables)	77.5	10.2	1.8	0.2	0.7	4.3	94.7
Loss allowance	**-**	**-0.2**	**-0.0**	**-0.0**	**-0.0**	**-0.8**	**-1.0**
31. December 2020							
Expected loss rate	0%	2%	0%	0%	0%	6%	1%
Gross carrying amount (trade receivables)	22.5	6.3	0.3	0.2	0.1	3.9	33.2
Loss allowance	**-**	**-0.1**	**-**	**-**	**-**	**-0.2**	**-0.3**

NOTE 2.6 WORKING CAPITAL CHANGE

(EURm)	2021	2020
Change in inventories	-25.3	3.4
Change in trade receivables	-22.9	15.6
Change in other receivables	-1.8	-2.5
Change in prepayments	-0.1	0.9
Change in trade payables	18.7	-15.5
Change in other payables	5.0	8.3
Total	**-26.4**	**10.3**

NOTE 3.1 FINANCIAL ITEMS

ACCOUNTING POLICIES

Financial income and financial expenses
Interest income and expenses as well as capital gains and losses are recognised in the income statement at the amounts that can be attributed to the period. Additionally, financial items comprise realised and unrealised fair value adjustments of securities and currency adjustments on financial assets and financial liabilities as well as the interest portion of financial lease payments.

Additionally, realised gains and losses on derivative financial instruments contracts are included. Borrowing costs from general borrowing, or loans that directly relate to the acquisition, construction or development of qualified assets are attributed to the cost of such assets, and are therefore not included in financial expenses.

Exchange differences arising on a monetary item that is a receivable from or payable to a foreign operation and forms part as a net investment in a foreign operation, is initially recognised in other comprehensive income and reclassified from equity to the income statement on disposal of the net investment in accordance with IAS 21.

(EURm)	2021	2020
Interest of financial assets measured at amortised cost	0.0	0.0
Foreign exchange adjustments	12.9	26.0
Other financial income	0.1	0.0
Total financial income	**12.9**	**26.0**
Interest on financial liabilities measured at amortised cost	21.0	32.5
Foreign exchange adjustments	29.6	8.6
Other financial expenses	9.3	0.7
Total financial expenses	**60.0**	**41.8**

* Other financial expenses mainly include amortised loan cost and letter of credit fees as well as bank commitment fees.

NOTE 3.2 FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING POLICIES

Loans and receivables
Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period.

Bank debt and other financial liabilities

Bank debt and other financial liabilities are initially recognized at fair value less transaction cost and subsequently measured at amortised cost using the effective interest method. The difference between proceeds and the nominal value is recognised as a financial expense over the term of the loan. Other debt is recognised as a financial expense over the term of the loan. Other debt is recognised at amortised costs.

Derivative financial instruments
Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off (only relevant to currency hedging with banks) only where the enterprise has the right and the intention to settle several financial instruments on a net basis.

Fair values of derivative financial instruments are calculated on the basis of observable data applying generally accepted valuation methods.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future cash flows and effectively hedge changes in the value of the hedged item are recognised in other comprehensive income. Profits or losses on such hedging transactions are transferred from the hedging reserve on realisation of the hedged item and are recognised in the same item as the hedged item.

Derivative financial instruments are recognised as other receivables/payables and measured at fair value.

Changes in the fair values of currency derivative financial instruments entered into for the purpose of hedging commercial cash flow which do not qualify for hedge accounting are recognised as they arise in other income and expenses in the income statement. Gains and losses on other derivative financial instruments are recognised as they arise in financial income and expense.

Lease liabilities
The group leases various offices, production facilities, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 20 years but may include extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has decided not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Uncertainties and estimates
The maturity analysis is based on all undiscounted cash flows, including estimated interest payments, which are estimated based on the current market conditions.

The undiscounted cash flows from derivative financial instruments are presented in gross amounts.

NOTE 3.2 FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

(EURm)	Carrying amount	Fair value	Total contractual cash flows	Maturity: Due within 1 year	Maturity: Due between 1 and 5 years	Maturity: Due after 5 years
2021						
Measured at amortised cost (loans and receivables):						
Trade receivables	93.6	93.6	93.6	93.6	-	-
Other receivables	14.7	14.7	14.7	14.7	-	-
Prepayments	0.2	0.2	0.2	0.2	-	-
	108.5	**108.5**	**108.5**	**108.5**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	0.7	0.7	0.7	0.7	-	-
	0.7	**0.7**	**0.7**	**0.7**	**-**	**-**
Total financial assets	**109.1**	**109.1**	**109.1**	**109.1**	**-**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	16.1	16.1	16.8	2.7	10.4	3.7
Bank borrowings	515.1	515.1	569.4	29.7	539.6	0.1
Lease liabilities	19.2	19.2	20.1	7.5	5.3	7.3
Borrowings from Group Enterprises	22.3	22.3	22.3	22.3	-	-
Deferred revenue	1.1	1.1	1.1	1.1	-	-
Trade payables	86.1	86.1	86.1	86.1	-	-
Other short term debt	50.5	50.5	50.5	50.5	-	-
	710.4	**710.4**	**766.4**	**200.0**	**555.3**	**11.1**
Total financial liabilities	**710.4**	**710.4**	**766.4**	**200.0**	**555.3**	**11.1**

NOTE 3.2 FINANCIAL ASSETS AND LIABILITIES *(CONTINUED)*

(EURm)	Carrying amount	Fair value	Total contractual cash flows	Maturity: Due within 1 year	Maturity: Due between 1 and 5 years	Maturity: Due after 5 years
2020						
Measured at amortised cost (loans and receivables):						
Trade receivables	32.9	32.9	32.9	32.9	-	-
Other receivables	11.4	11.4	11.4	11.4	-	-
Prepayments	0.1	0.1	0.1	0.1	-	-
	44.3	**44.3**	**44.3**	**44.3**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	-1.1	-1.1	-1.1	-1.1	-	-
	-1.1	**-1.1**	**-1.1**	**-1.1**	**-**	**-**
Total financial assets	**43.2**	**43.2**	**43.2**	**43.2**	**-**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	18.6	18.6	19.6	2.7	10.6	6.3
Bank borrowings	611.7	611.7	720.3	35.0	685.3	-
Lease liabilities	18.6	18.6	25.0	5.8	11.9	7.3
Borrowings from Group Enterprises	237.3	237.3	237.3	-	-	237.3
Deferred revenue	0.8	0.8	0.8	0.8	-	-
Trade payables	37.0	37.0	37.0	37.0	-	-
Other short term debt	38.6	38.6	38.6	38.6	-	-
	962.7	**962.7**	**1,078.6**	**120.0**	**707.7**	**250.9**
Total financial liabilities	**962.7**	**962.7**	**1,078.6**	**120.0**	**707.7**	**250.9**

Financial assets and liabilities measured at fair value relate to derivatives. Calculation of fair value of these derivatives is based on observable inputs such as interest rates, currency rates etc.

The Group's exposure to various risks associated with the financial instruments is discussed in note 3.3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Net interest-bearing debt

(EURm)	2021	2020
Cash at banks	-8.9	-6.9
Long-term borrowings	505.5	631.1
Short-term borrowings:		
Borrowings from Group Enterprises	22.3	-
Credit institutions	17.8	4.8
Finance lease liabilities	7.2	5.8
Payments due within 1 year from long term debt	20.0	7.3
Total net interest-bearing debt	**563.8**	**642.0**

NOTE 3.3 FINANCIAL RISKS AND INSTRUMENTS

Financial risk management
Financial risks are an inherent part of the group's operating activities and hence, the Group's profit is impacted by the developments in currencies, interest rates and certain types of commodities. The global financial markets are volatile and thus, it is critical for the group to have a well implemented financial risk management approach in order to mitigate short-term market volatilities.

The Group's comprehensive financial risk management strategy builds on a thorough understanding of the interaction between the group's operating activities and the financial risks.

The treasury policy is approved by the Board of Directors, and sets the limits for the various financial risks and the derivatives used to hedge the risks. The treasury policy is adjusted on an ongoing basis and discussed in the audit committee to adapt to the market situation and states risk limits for each type of financial risk, permitted financial instruments and counterparties. The treasury policy was approved in December 2021 with a descending hedger ladder methodology for GBP exposure and a reduction of minimum interest rate hedge.

Currency risk
Currency risk arises due to imbalances between income and costs in each individual currency and also due to imbalance between assets and liabilities. Hedging of currency risk is carried out in GBP, where Faerch has the largest exposure. The hedging is managed by entering into derivatives such as forward contracts, currency options and swaps. Loans and deposits in foreign currencies are also utilized as hedging. Hedge effectiveness is assessed on a regular basis.

Since 2018 the Group hedges GBP using the following descending hedger ladder methodology:

Exposure horizon	Hedge ratio range:
Up to 3 month:	70-90%
4 to 6 motnh:	60-80%
7 to 9 month:	50-70%
10 to 12 month:	40-60%

Forward contracts are continually used for this hedging and are used for commercial transactions.

Besides the foreign exchange rate risk relating to current transactions, the Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to EUR. This exchange risk has not been hedged. Further to this, the currency exposure arising from debt in other currency than EUR is not hedged. The Group has debt in DKK, EUR, GBP and PLN.

(EURm)	Contract value	Carrying amount	Fair value adjustments recognised in other comprehensive income
Forward exchange contracts - GBP			
2021	40.6	-0.7	-0.7
2020	16.6	0.1	1.2

The sensitivity analysis below shows the impact on net profit of a change of 10% in the EUR versus GBP, which is the main currency to which the Group was exposed on December 31, 2021 adjusted for hedge accounting.

The sensitivity analyses reflects the transaction and translation risk, and assumes that the exchange rates are changed on 31 December 2021, and that all other variables remain constant. A similar negative change in exchange rates would have a similar opposite effect on profit before tax and equity.

NOTE 3.3 FINANCIAL RISKS AND INSTRUMENTS (CONTINUED)

(EURm)	Change in exchange rate	2021 Profit before tax	2021 Equity	2020 Profit before tax	2020 Equity
Exchange rate analysis on assets and liabilities					
GPB	10.0%	2.2	-0.5	3.3	-7.6

Interest rate risk
Interest rate risk concern the interest-bearing assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of bank and mortgage debt, as set out in note 3.2. The main funding currencies of the Group are DKK, EUR and GBP.

In accordance with the treasury policy, a minimum of 50 % of loans must be at fixed interest rates for a future period of minimum three years. As at 31 December 2021, 53 % of loans were heged to fixed rate until March 2026. Hedging of the interest risk is managed by entering into fixed-rate loans and interest rate swaps.

Interest rate swaps are used to hedge the risk related to changes in interest rates. At 31 December 2021, the outstanding interest swaps had the following market value:

(EURm)	Contract value	Carrying amount	Fair value adjustments recognised in other comprehensive income
Interest rate swaps			
2021	260.0	1.3	2.4
2020	288.4	-1.1	0.1

The sensitivity analysis below has been determined based on the exposure to interest rate for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming that the amount of the outstanding liability at the end of the reporting period was outstanding for the whole year.

An increase of 1 percentage in the average interest rate on the Group's net bearing-debt would have a negative effect on profit before tax of EUR 2,3m (2020: 2,9m) and a positive effect on equity of EUR 4,0m (2020: 1,4m). A decrease of 1 percentage in the average interest on the Group's net bearing debt would have a positive effect on profit before tax of EUR 0.4m and a negative effect on equity of EUR 1.1m.

The Group has entered into non-recourse factoring for key markets.

Credit risk
The Group's balance sheet items that are subject to credit risk are primarily trade receivable and bank deposits.The Group is also exposed to commercial credit risks, which arise from customers not paying their receivables. However no customers exceed 10% of the Group's net sales neither in 2021 nor last year.

Moreover, the credit risk related to trade receivables is managed by continuous risk assessment and credit evaluation of major customers. Credit risk on counterparties other than banks are minimized to the extent possible through the use of credit insurance and guarantees. Historically, the Group has only had limited losses on bad debts. At 31 December 2021 77% (2020: 89.%) of the trade receivables were covered by credit insurance.

Funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts and interest rate swaps, are entered into with such institutions only. Therefore, it is deemed that the credit risk related to funds is of no significance to the annual report.

NOTE 3.3 FINANCIAL RISKS AND INSTRUMENTS (CONTINUED)

Liquidity risk
Liquidity risk results from the Groups inability to cover its financial liabilities with cash (please refer to note 3.2).

The financial reserve is continually assessed and managed by the tresuary department. It is ensured, that the Group at all times has sufficient and flexible financial resources at its disposal to assure continuous operations and honour obligations when due. The tresuary department manages its short-term liability risks through cash pool arrangements in various currencies and by having short-term overdraft facilities in place with various financial institutions. Long-term liquidity risk is managed through committed financial facilities.

Loan covenants
In terms of financial covenants the group has to comply with a net leverage covenant. The groups net leverage must not exceed 5.5x in 2021 and 5.0x in 2022. During the reporting period net leverage did not exceed 5.5x.

NOTE 3.4 OTHER SHORT TERM DEBT

(EURm)	2021	2020
Wage-related payables and other charges	13.0	11.0
VAT and other indirect taxes	4.7	3.5
Customer discounts and rebates	6.9	5.4
Other current liabilities	25.9	18.7
	50.5	**38.6**

NOTE 3.5 SHARE CAPITAL

ACCOUNTING POLICIES

Dividends
No dividend payments were made during 2021 and the board of directors have not distributed any dividends in 2022 and is not expecting to distribute any dividends up until the date of the financial statements.

Reserve for currency translation
The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Faerch Group's presentation currency.

Reserve for hedge accounting
Reserve for cash flow hedges comprises accumulated changes in fair value of derivative financial instruments, which meets the conditions for hedging of future cash flows, where the hedged position has not yet been realised.

The changes in fair value are transferred to the income statement, when the hedged positions are realised.

The share capital consists of shares of DKK 1,000,000 or multiples thereof.

The shares have been divided into classes:

	Number	Nominal value (DKKm)
A-shares	13	13
B-shares	60	60
	73	**73**

All shares are fully paid up.

Each Class A Preference Share entitles the holder to ten votes at the general meeting. Each Class B Preference Share entitles the holder to one vote at the general meeting.

As per the Articles of Association each shareclass holds the same rights to dividends and proceeds.

Changes in share capital in the past two years:

(EURm)	2021	2020
Share capital at 1 January (2020 Faerch Group A/S)	9.8	1.9
Effect from merger	-	8.0
Capital increase	-	-
Capital decrease	-	-
Share capital at 31 December	**9.8**	**9.8**

NOTE 4.1 BUSINESS COMBINATIONS

ACCOUNTING POLICIES

Recognition date and considerations
Newly acquired companies are recognised in the consolidated financial statement at the date, when the group obtains control. The purchase consideration is generally at fair value. If an agreement relation to a business combination requires that the purchase consideration be adjusted in connection with future events of the performance of certain obligation (contingent obligations), this portion of the purchase consideration is recognised at fair value at the date of acquisition. Changes in estimates relating to a contingent consideration is recognised in the income statement. Cost directly attributable to the acquisition are recognised in the income statement as incurred. Transaction cost have been recognised as special items in the income statement.

The acquired assets, liabilities and contingent liabilities are generally measured at their fair value at the date of acquisition.

Goodwill arises when the aggregate of the fair value of consideration transferred exceeds the fair value of the identifiable net assets of the acquired company. Any goodwill that arises, which is not amortised, is tested annually for impairment.

Uncertainties and estimates
For acquisitions where the group acquires control of the company in question, the purchase method is applied. There can be uncertainty associated with the identification of assets, liabilities and contingent liabilities, and with measuring the fair value at the time of acquisition. Significant estimates are made in the measurement of the fair value of the consideration transferred by the group in the acquisition.

Acquisitions in 2021
On 4 January 2021, the Faerch Group acquired the Sirap food packaging business in Italy, Poland and Spain from Italmobiliare (Italy) by acquiring 100% of the shares in Faerch Italy S.r.l., Faerch Barcelona S.L.U. and Inline Poland Sp. z o.o. The strategic acquisition includes the entire business in these countries and three factories in Italy, one in Poland and one in Spain. The acquired businesses has annual revenues of EUR 154.3 million. Total purchase consideration amounted to EUR 139.7 million net of liabilities taken over as part of the acquisition. The purchase consideration was fully funded through external debt financing. Cost related to the transaction incurred in 2021 of EUR 0.1 million has been recognized in the income statement as special items.

Company (EURm)	Income statement consolidated from	Holding acquired	Contribution to the Group's revenue in 2021	Contribution to the Group's profit in 2021
Faerch Italy S.r.l.	4 January	100%	104.9	5.1
Faerch Barcelona S.L.U.	4 January	100%	13.9	0.5
Inline Poland Sp. z o.o.	4 January	100%	35.5	3.2

Assets and liabilities at the time of acquisition (EURm)	Faerch Italy S.r.l.	Faerch Barcelona S.L.U.	Inline Poland Sp. z o.o.	Total
Intangible assets exclusive goodwill	0.4	0.1	0.2	0.7
Property. plant and equipment	36.9	2.7	14.1	53.7
Inventory	15.6	1.7	5.3	22.6
Other assets	30.2	3.4	8.7	42.4
Liabilities	-45.9	-4.3	-10.4	-60.6
Net assets acquired	**37.2**	**3.7**	**17.9**	**58.8**
Goodwill	60.4	3.3	17.2	80.9
Purchase consideration	**97.6**	**7.0**	**35.1**	**139.7**
Cash movements:				
Purchase consideration	97.6	7.0	35.1	139.7
Net debt in acquired company	**13.0**	**-1.1**	**0.6**	**12.5**
Consideration on debt free basis	110.7	5.9	35.7	152.3
Change in short term payable/receivable	-	-	-	-
Net cash payment during the year	**110.7**	**5.9**	**35.7**	**152.3**

Acquisitions in 2020
On 27 May 2020, the Faerch Group acquired 100% of the shares in 'T PETJE B.V. in the Netherlands. The purchase consideration amounted to EUR 0m, with a fair value of the shares of EUR 2.1m. The transaction was part of the settlement agreement related to the shares in 3PET Holding B.V.

Company (EURm)	Income statement consolidated from	Holding acquired	Contribution to the Group's revenue in 2020	Contribution to the Group's profit in 2020
T PETJE B.V.	1 June	100%	0.0	0.1

Assets and liabilities at the time of acquisition

(EURm)	T PETJE B.V.
Intangible assets exclusive goodwill	
Property. plant and equipment	4.7
Inventory	0.0
Other assets	0.7
Liabilities	-3.3
Net assets acquired	**2.1**
Goodwill	0.0
Purchase consideration	**2.1**
Cash movements:	
Purchase consideration	0.0
Net debt in acquired company	**0.0**
Consideration on debt free basis	0.0
Change in short term payable/receivable	0.0
Net cash payment during the year	**0.0**

NOTE 4.2 ADJUSTMENT FOR NON-CASH TRANSACTIONS

(EURm)	2021	2020
Depreciation/amortization and impairment	67.2	57.9
Gain(-)/loss on disposal of tangible assets	0.2	0.1
Financial income	-12.9	-26.0
Financial expenses	60.0	41.8
Other including provisions	1.3	-6.2
Total	**115.7**	**67.7**

NOTE 4.3 TAX

ACCOUNTING POLICIES

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTE 4.3 TAX *(CONTINUED)*

Tax on profit for the year (EURm)	2021	2020
Current tax	-8.8	-8.9
Adjustment to current tax concerning previous years	0.7	0.4
Change in deferred tax	6.4	6.7
Adjustment to deferred tax concerning previous years	1.1	0.2
Total	**-0.6**	**-1.7**

Reconciliation of effective tax rate in the income statement: (EURm)	ETR in %	2021	ETR in %	2020
Profit/(loss) before tax	-	-25.4	-	8.5
Calculated 22% on profit before tax	22.0%	5.6	22.0%	-1.9
Adjustment of tax to local tax rate compared with group tax rate of 22%	-0.1%	-0.0	-2.2%	0.2
Non-taxable income and non-deductible expenses	-29.6%	-7.5	47.8%	-4.1
Impact of changes in the tax rate	-0.9%	-0.2	0.0%	-0.0
Adjustment concerning previous years	7.2%	1.8	-6.3%	0.5
Utilized not previously capitalized deferred tax assets	0.0%	-	-56.3%	4.8
Other	-0.9%	-0.2	14.7%	-1.2
Total	**-2.2%**	**-0.6**	**19.7%**	**-1.7**
Tax on profit for the year (income statement)		-0.6		-1.7
Tax on fair value adjustment of hedging instruments (other comprehensive income)		-0.4		-0.3
Tax on foreign exchange adjustment (other comprehensive income)		-3.2		2.8
Total taxes		**-4.1**		**0.9**

NOTE 4.3 TAX *(CONTINUED)*

Deferred tax (EURm)	2021	2020
Deferred tax, net at 1 January	-89.7	-97.6
Exchange rate adjustments	-0.3	-0.2
Additions through acquisition of subsidiaries	-1.5	-
Adjustments concerning previous years	1.1	1.4
Deferred tax recognised in the income statement	6.4	6.7
Deferred tax recognised in other comprehensive income	0.1	-
Deferred tax. net at 31 December	**-83.8**	**-89.7**

Classified as:

EURm	2021	2020
Deferred tax assets	10.0	7.8
Deferred tax liabilities	-93.8	-97.5
Total	**-83.8**	**-89.7**

Deferred tax (EURm)	Deferred tax assets	Deferred tax liabilities	Deferred tax net
2021			
Intangible assets	0.0	-74.7	-74.7
Property plant and equipment	0.4	-19.3	-18.9
Inventories	0.6	-0.2	0.4
Tax losses to be carried forward	7.7	-	7.7
Other	1.7	-	1.7
Temporary differences	**10.4**	**-94.2**	**-83.8**
Offset	-0.4	0.4	-
Total	**10.0**	**-93.8**	**-83.8**
2020			
Intangible assets	-0.0	-78.8	-78.8
Property plant and equipment	0.5	-18.5	-18.0
Inventories	0.1	-0.2	-0.1
Tax losses to be carried forward	5.0	-	5.0
Other	2.4	-0.1	2.3
Temporary differences	**7.9**	**-97.6**	**-89.7**
Offset	-0.1	0.1	-
Total	**7.8**	**-97.5**	**-89.7**

NOTE 4.4 FEES TO AUDITORS APPOINTED BY THE BOARD OF DIRECTORS

(EURm)	2021	2020
Statutory audit of financial statements	0.7	0.5
Other assurance engagements	-	0.1
Tax advisory services	0.1	0.1
Other services	0.1	0.0
Total fees to auditors appointed by the board of directors	**1.0**	**0.7**

NOTE 4.5 RELATED PARTIES

	Parties with significant influence		Associates	
(EURm)	2021	2020	2021	2020
Income statement				
Costs	1.2	-	-	-
Financial expenses	1.3	-	2.3	-
Assets				
Derivatives	-	-	1.2	-
Liabilities				
Borrowings	-	-	-72.6	-

Related parties exercising control
Faerch A/S was subject to controlling influence by Al Roy (Luxembourg) S.à.r.l., which held 87 % of the share capital until 10 March 2021.

From 11 March 2021 Faerch A/S is subject to controlling influence by Faerch Group Holding A/S which holds 100% of the share capital.

Faerch A/S has registered the following shareholders who hold 5% or more of the share capital: Faerch Group Holding A/S, Rasmus Færchs Vej 1, 7500 Holstebro, Denmark

During 2021 there were transactions with the previous controlling shareholder Al Roy (Luxembourg) and the new controlling shareholder Faerch Group Holding A/S and APMH Invest A/S.

Al Roy (Luxembourg) increased the capital of Faerch A/S during 2021 with 237.2m EUR by way of conversion of debt.

Faerch Group Holding A/S charged management fees of 1.2m EUR to Faerch A/S during 2021.

APMH Invest A/S advanced loans to the Faerch A/S during 2021 of EUR 652m. All loans were repaid during 2021, and 1.3m EUR were charged in interest.

Related parties exercising significant influence
Related parties in Faerch A/S with significant influence include the Group's Executive Management and Board of Directors and their close relatives. Related parties also comprise companies in which these individuals have material interests.

Other related parties
The Board of Directors and the Executive Management of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal, A.P. Møller Holding A/S, APMH Invest A/S, and their close relatives including undertakings under their significant influence are also considered related parties. This includes subsidiaries and affiliates to A.P. Møller Holding A/S, including A.P. Møller - Mærsk A/S and its subsidiaries and affiliates and Danske Bank A/S.

Transactions with Key Management Personnel
There have been no transactions with the board of Directors or Executive Management besides remuneration. For information about the saleries of the Board of Directors and Executive Management, please refer to Remuneration of Group Management in note 1.2a.

A.P. Møller Holding A/S operates a management and employee participation program and due to the ownership structure, the program resides in the parent company Faerch Group Holding A/S. All transactions with management and employees were performed at fair market value. As of 31 December 2021, management and employees held 2.8% of the share capital in Faerch Group Holding A/S.

Terms and conditions
All transactions were made on normal commercial terms and at market rates.

NOTE 4.6 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

(EURm)	2021	2020
Carrying amount of land and buildings pledged as security for bank loans and mortgages	26.9	22.5
Carrying amount of plant and machinery pledged as security for bank loans and mortgages	21.0	49.8
Carrying amount of inventory pledeged as security for bank loans	-	4.3
Leased assets pledged as security for leasing commitments.	18.9	22.5
Bank guarantee commitments	**1.1**	**1.1**
0-1 year	-	-
1-5 years	-	-
Over 5 years	-	-
Operating rent commitments	**-**	**-**
Commitments in relation to agreements on the purchase of intangible assets	-	-
Commitments in relation to agreements on the purchase of property, plant and equipment	11.2	2.3
Total commitment in relation to agreement	**11.2**	**2.3**

The Group has concluded contracts with a number of suppliers. The contracts do not entail any obligationsother than those normally involved in trading relationships.

Certain subsidiaries in the group are guarantors as principal obligor for the parent company's external banking facility of EUR 560m of which EUR 493m are drawn as of 31 December 2021. The net assets of the guarantor's amount to EUR 76m as of 31 December 2021.

The Group is not involved in any lawsuits which are expected to have a material effect on the financial position of the Company or the Group.

In addition to the transaction cost already expensed in 2021 under Special Items, successful closing in 2022 of the in 2021 announced M&A transactions will trigger certain fees for external advisors of an amount up to EUR 6.6 million. These fees will be expensed upon closing of the transactions in 2022.

Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish companies are jointly and severally liable for taxes payable in Denmark.

NOTE 4.7 EVENTS AFTER THE BALANCE SHEET DATE

In July 2021, Faerch announced the acquisition of MCP Ltd. MCP Ltd. has production and sales operations in Israel and in the United States of America.The acquisition is pending customary regulatory approvals and is expected to be concluded in first half of 2022. The acquisition is expected to be funded through a capital contribution from Faerch Group Holding A/S.

In December 2021, Faerch announced the acquisition of Paccor Holdings GmbH from Lindsey Goldberg. Paccor is a leading European manufacturer of rigid packaging for the food industry with a significant position in the Dairy segment. The acquisition includes 16 manufacturing sites and 8 sales offices in Europe, Asia, and the US. The acquired business generates annual revenues of approximately EUR 625m. The acquisition is subject to customary regulatory approvals and is expected to be completed in the second half of 2022. The acquisition is expected to be funded through a combination of capital contribution from Faerch Group Holding A/S and external debt financing.

Both acquisitions are considered a business combination in accordance with IFRS 3, Business Combinations.

No other events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.

NOTE 4.8 GENERAL ACCOUNTING POLICIES

The Annual Report for the period 1 January - 31 December 2021 comprises the consolidated financial statement of the parent company Faerch A/S and subsidiaries controlled by the parent company (the Group) as well as separate financial statements for the parent company, Faerch A/S.

Statement of compliance
The consolidated financial statement have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

The Annual Report is the 6th Annual Report presented in accordance with IFRS.

The Annual Report for 2021 was discussed and approved by the Executive Management and the Boards of Directors (the Board) on 4 March 2022 and will be presented for approval at the subsequent Annual General Meeting on 18 March 2022.

Basis for measurement
The consolidated financial statement are presented in EURO (EUR), which reflects that the main part of the Group's revenue is generated outside of Denmark and that EUR is the prevailing functional currency within the Group. Consequently, the Annual Report is presented in EUR, rounded to the nearest hundred thousand unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and provisions for the acquisition of non-controlling interests, which are measured at fair value.

Adoption of new or amended IFRSs
Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the (IASB), and IFRSs endorsed by the European Union.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

A number of issued, but not yet effective, standards and interpretations have been published, which have not been adopted early by Faerch A/S in the preparation of the 2021 Annual Report. The Group has assessed these standards and interpretations and conclude they are not expected to have a material impact on the Group.

- Amendments to IFRS 3, Business Combination; updated examples to the framework
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 - Clarify which cost to inculde when assessing wether a contract is lossmaking
- Amendments to IFRS 3 Reference to Conceptual Framework
- Minor amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16 (annual project 2018-2020)

The amendments will be effective beginning on or after 1 January 2022.

Accounting policies
Accounting policies related to specific line items are described in connection with the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies. Accounting policies not directly related to a specific line item covered by a note are presented below.

Basis for consolidation
The consolidated financial statement comprise the financial statement of the parent company Faerch Plast Group A/S and subsidiaries controlled by the parent company. Subsidiaries controlled by the parent company are fully consolidated from the date on which the parent company obtains control, and continue to be consolidated until the date that such control ceases. Control is obtained when the parent company directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or has control in some other way. The financial statements of the controlled subsidiaries are prepared for the same reporting period as the parent company, suing consistent accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value at the date that control is lost.

NOTE 4.8 GENERAL ACCOUNTING POLICIES *(CONTINUED)*

Translation policies

Functional currency and presentation currency

Assets, liabilities and transactions of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the parent company is Danish kroner (DKK) and the presentation currency of the group is EURO (EUR).

Translation of transactions and amounts

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the date of payment are recognised as financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

Translation of Group entities

On recognition in the consolidated financial statements of the foreign entities with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign entities at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Cash flow statement

The cash flow statement shows the Group's 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 the Group's cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of companies is shown separately under cash flows from investing activities.

Cash flow relating to acquired companies are recognized in the cash flow statement at the acquisition date, and cash flows relating to divested companies are included until the disposal date.

Cash flow from operating activities

Cash flow from operating activities are calculated according to the indirect method on the basis of profit before tax and adjusted for non-cash operating items, changes in working capital, paid financial items, received dividend and paid corporation taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payment in connection with the acquisition and disposal of companies and activities, intangible assets and property, plant and equipment.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital, the raising and repayment of long-term bank debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise bank account deposits and cash balances and the portion of the liability "borrowings" which constitutes overdraft facilities.

NOTE 4.9 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The consolidated financial statements have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2021. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

The judgements, estimates and assumptions made are based on historical experience and other factors that the Executive Management considers to be reasonable under the given circumstances. The actual outcome can differ from the estimates.

The estimates made and the underlying assumptions are reviewed on a continuous basis. Changes made to the accounting estimates are recognised in the financial period, where the change takes place and future financial periods, if the change affects both the period, where the change takes place, and the following financial periods.

The critical accounting estimates and judgements are described under the sections to which they relate.

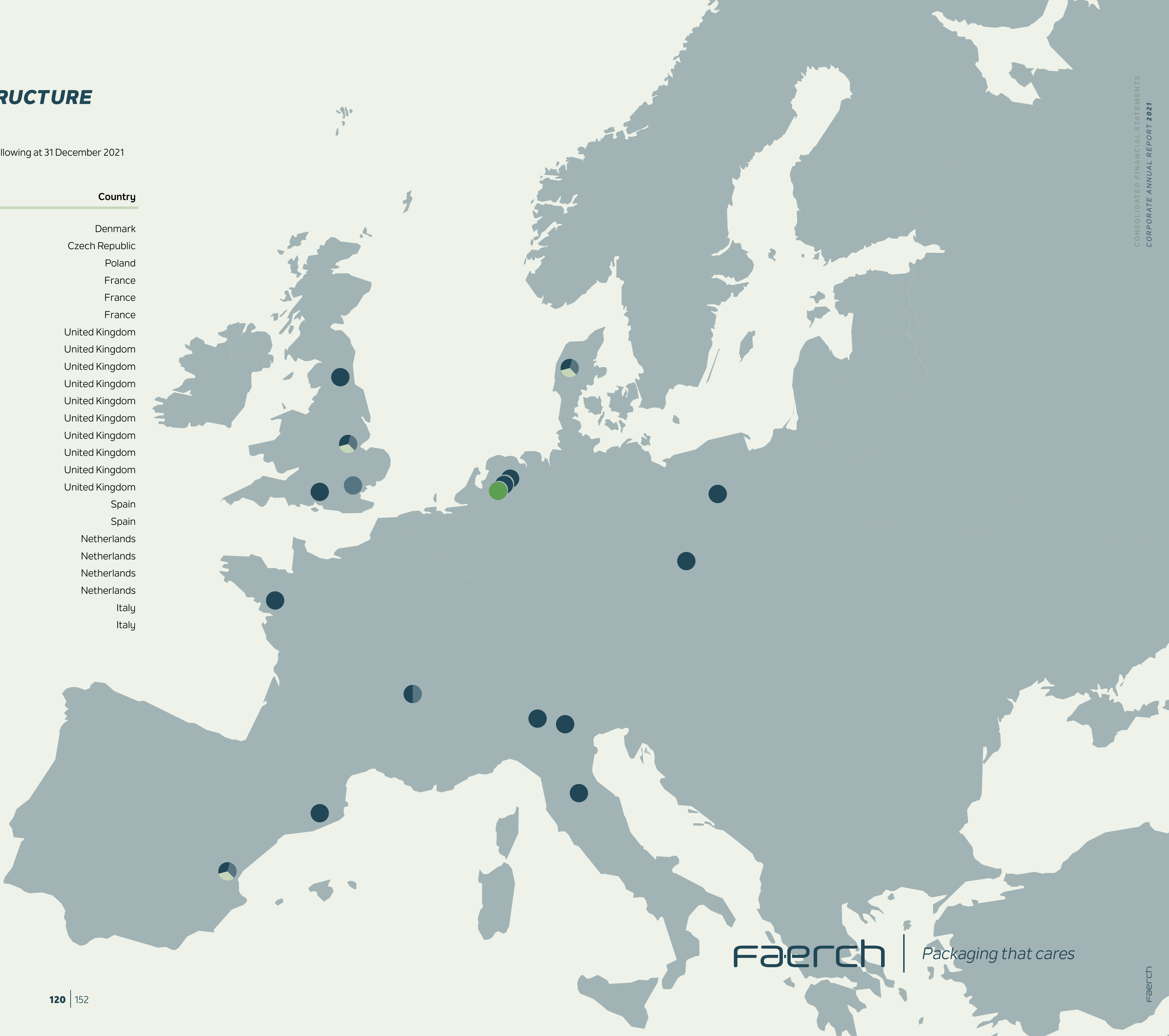
Accounting estimate/judgement	Note
Intangible assets	2.1
Tangible assets	2.3
Inventories	2.4
Trade receivables	2.5

NOTE 4.10 GROUP STRUCTURE

Investment in group companies comprise the following at 31 December 2021
All companies are owned 100% by Faerch A/S

Name of entity	Country
Faerch A/S	Denmark
Faerch Liberec s.r.o.	Czech Republic
Inline Poland Sp. z o. o.	Poland
Faerch France SAS	France
Faerch Annecy SAS	France
Faerch Lorient SAS	France
Faerch London Ltd.	United Kingdom
FP1988UK Ltd.	United Kingdom
Faerch Durham Ltd	United Kingdom
Faerch UKCO I Ltd.	United Kingdom
Faerch UK Ltd.	United Kingdom
Faerch UKCO II Ltd. (dormant)	United Kingdom
Faerch UKCO III Ltd. (dormant)	United Kingdom
Faerch UKCO IV Ltd. (dormant)	United Kingdom
Faerch Poole Ltd.	United Kingdom
FPH 2017 Ltd.	United Kingdom
Faerch Bunol S.L.U.	Spain
Faerch Barcelona S.L.U	Spain
Faerch Netherlands B.V.	Netherlands
4PET Recycling B.V.	Netherlands
DSF Extrusion B.V.	Netherlands
Drupet B.V.*	Netherlands
Faerch Italy Holding S.r.l.	Italy
Faerch Italy S.r.l.	Italy

*Merged as of 1/1/22 with 4PET Recycling B.V.



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NOTE 4.11 DEFINITION OF KEY FIGURES AND RATIO

The figures and ratios have been compiled based on the following definitions and formulas:

Gross margin = $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

EBITDA margin before special items = $$\frac{\text{EBITDA before special items}}{\text{Revenue}}$$

EBIT Margin before special items = $$\frac{\text{EBIT before special items}}{\text{Revenue}}$$

EBIT Margin = $$\frac{\text{EBIT}}{\text{Revenue}}$$

Net interest-bearing debt = Bank debt + leasing + mortgages - cash and cash equivalents

Net working capital ratio = $$\frac{\text{Net working capital}}{\text{Revenue}}$$

Return on equity (ROE) = $$\frac{\text{Profit for the year}}{\text{Equity}}$$

Net working capital consist of inventories, trade receivables and prepayments deducted with trade payables and other short term debt.

KEY FIGURES

(EURm)	2021	2020	2019	2018	2017[a]	2017[b]
Income statement						
Revenue	558.8	370.3	405.4	346.4	107.2	304.7
Gross profit	129.7	98.7	103.5	96.6	20.2	86.6
EBITDA before special items	100.3	91.7	89.5	75.8	16.0	69.2
EBIT before special items	33.1	33.8	33.4	23.9	-0.1	45.7
EBIT	21.6	24.3	46.7	13.6	-2.6	42.0
Financial items, net	-47.1	-15.8	-48.7	-34.9	-13.9	-14.7
Profit for the year	-26.0	6.8	3.9	-21.9	-17.0	18.8
Financial position at 31 December						
Total assets	1,464.6	1,223.6	1,283.8	1,333.8	1,165.1	538.9
Net working capital	73.9	23.6	26.1	38.0	49.8	49.8
Equity	654.2	158.5	153.9	147.3	170.0	190.7
Net interest-bearing debt	541.5	642.0	669.2	732.0	526.7	526.7
Cash flow and investment						
Cash flow from operating activities	32.4	41.2	49.0	34.1	40.5	50.9
Cash flow from investing activities	-195.0	-24.2	-28.3	-154.0	-714.6	-32.2
Investment in property, plant and equipment	-41.8	-21.4	-26.5	-26.6	-11.3	-29.9
Free cash flow, excluding acquisitions	-10.4	17.1	20.8	6.8	-0.1	20.9
Key ratio						
Revenue growth	50.9%	-8.6%	17.0%	n/a	n/a	9.0%
Gross margin	23.2%	26.6%	25.5%	27.9%	28.4%	28.4%
EBITDA margin before special items	18.0%	24.8%	22.1%	21.9%	22.7%	22.7%
EBIT margin before special items	5.9%	9.1%	8.2%	6.9%	15.0%	15.0%
EBIT margin	3.9%	6.6%	11.5%	3.9%	13.8%	13.8%
Net working capital ratio	13.2%	6.4%	6.4%	11.0%	21.8%	16.3%
Total number of employees	2,237	1,468	1,497	1,285	1,175	1,175
Return on equity (ROE)	-4.0%	4.3%	2.5%	-14.9%	-10.0%	9.8%

2017[a] reflects ownership period of Sept. to Dec. 2017
2017[b] reflects full year with CGL Pack and 4PET included for the same period in 2017 as the actual ownership period in 2018 (i.e. July-Dec 2017 for CGL Pack and Sept-Dec 2017 for 4PET)

FINANCIALS

FINANCIAL STATEMENTS - PARENT COMPANY

FINANCIAL STATEMENTS - PARENT COMPANY

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INCOME STATEMENT - PARENT COMPANY

1 JANUARY – 31 DECEMBER

Note	(DKKm)	2021	2020
1.1	Revenue	1,257.5	1,193.1
1.2	Production costs	-963.2	-847.5
	Gross profit	**294.3**	**345.7**
1.2	Sales and distribution costs	-179.7	-184.5
1.2	Administrative expenses	-38.6	-27.6
	Other operating income	0.1	5.2
1.2	Other operating cost	-70.8	-66.2
	Earnings before interest and tax	**5.4**	**72.6**
2.1	Financial income	200.6	305.4
2.1	Financial expenses	-414.0	-263.1
	Profit before income tax	**-208.0**	**114.9**
2.2	Income tax expenses	4.6	-14.8
	Profit for the year	**-203.4**	**100.1**
	Proposed distribution of profit:		
	Retained earnings	-203.6	100.1
	Reserved for development projects	0.2	-
		-203.4	**100.1**

BALANCE SHEETS - PARENT COMPANY

31 DECEMBER

Note	(DKKm)	2021	2020
	Assets		
3.1	Goodwill	277.2	294.9
3.1	Brand	906.9	964.8
3.1	Customer relations and other	383.4	415.4
	Intangible assets	**1,567.5**	**1,675.0**
3.2	Land and buildings	143.8	146.3
3.2	Plant and machinery	315.2	355.6
3.2	Fixtures and fittings, tools and equipment	54.0	83.8
3.2	Fixed assets under construction	39.6	22.2
	Property, plant and equipment	**552.6**	**607.9**
3.3	Investments in subsidiaries	4,043.3	3,614.9
	Deferred tax	-	10.4
	Fixed assets investments	**4,043.3**	**3,625.3**
	Fixed assets	6,163.4	5,908.2
3.4	**Inventories**	**156.8**	**116.6**
	Trade receivables	38.8	30.2
	Receivables from group enterprises	4,242.2	2,655.5
	Other receivables	54.8	52.7
	Receivables	**4,335.8**	**2,738.4**
	Cash at bank and in hand	**44.0**	**217.3**
	Current assets	**4,536.6**	**3,072.3**
	Total assets	**10,700.0**	**8,980.6**

BALANCE SHEETS - PARENT COMPANY

31 DECEMBER

Note	(DKKm)	2021	2020
	Equity and liabilities		
4.1	Share capital	73.0	73.0
	Reserve for hedging instruments	17.3	7.2
	Reserve for currency adjustments	9.3	-74.2
	Reserve for development costs	19.3	19.2
4.2	Retained earnings	5,524.1	1,881.1
	Equity	**5,643.1**	**1,906.2**
4.3	Provision for deferred tax	351.7	381.7
	Provisions	**351.7**	**381.7**
	Mortgage loans	101.3	119.9
	Credit institutions	3,638.1	4,454.3
	Preferred Equity certificate	-	1,765.2
	Lease liabilities	5.6	6.0
4.4	**Total non current liabilities**	**3,745.0**	**6,345.4**
	Mortgage loans	18.6	18.6
	Credit institutions	-	0.0
	Leasing	4.5	4.1
	Trade payables	122.3	74.4
	Payables to group enterprises	595.5	41.9
	Corporation tax	23.9	27.9
4.5	Other payables	108.8	133.9
	Deferred income	5.5	5.9
	Cash pool liabilities	81.2	40.7
	Total current liabilities	**960.3**	**347.3**
	Total liabilities	**4,705.3**	**6,692.7**
	Total equity and liabilities	**10,700.0**	**8,980.6**

STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

(DKKm)	Share capital	Reserve for hedging instruments	Reserve for currency adjustments	Reserve for develop-ment costs	Retained earnings	Total
Equity 1 January 2021	**73.0**	**7.2**	**-74.2**	**19.2**	**1,881.1**	**1,906.2**
Capitalized development costs	-	-	-	0.2	-0.2	-
Fair value adjustment of hedging instruments	-	13.1	-	-	-	13.1
Tax on adjustment of hedging instruments	-	-2.9	-	-	-	-2.9
Currency adj. in investments in subsidaries	-	-	107.1	-	-	107.1
Tax on currency adj. in investments in subsidaries	-	-	-23.6	-	-	-23.6
Capital increase	-	-	-	-	1,764.4	1,764.4
Shareholder contribution	-	-	-	-	2,082.2	2,082.2
Net profit for the year	-	-	-	-	-203.4	-203.4
Equity 31 December 2021	**73.0**	**17.3**	**9.3**	**19.3**	**5,524.1**	**5,643.1**
Equity 1 January 2020	**73.0**	**-**	**-**	**13.7**	**2,741.3**	**2,828.0**
Effect from merger	-	-	-	-	-954.9	-954.9
Equity 1 January 2020 after merger	73.0	-	-	13.7	1,786.4	1,873.2
Capitalized development costs	-	-	-	5.5	-5.5	-
Fair value adjustment of hedging instruments	-	9.2	-	-	-	9.2
Tax on adjustment of hedging instruments	-	-2.0	-	-	-	-2.0
Currency adj. in investments in subsidaries	-	-	-95.2	-	-	-95.2
Tax on currency adj. in investments in subsidaries	-	-	20.9	-	-	20.9
Net profit for the year	-	-	-	-	100.1	100.1
Equity 31 December 2020	**73.0**	**7.2**	**-74.2**	**19.2**	**1,881.1**	**1,906.2**

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

1.1 REVENUE

ACCOUNTING POLICIES

Revenue from contracts with customers is recognised in the income statement after IFRS 15 happens on the time where control of the delivered product/service is handed over to the customer.

The control is seen as handed over when:
- There is a binding sales agreement
- Delivery has taken place before the end of the financial year,
- The selling price is fixed, and
- The payment has been received or can be expected to be received with reasonable certainty.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Geographical segments
Segment information is presented relating to the distribution of revenue on geographical segments.

Based on this, it is the Company's assessment that it has one business segment which is "production and sale of plastic packaging" and four geographical segments which are "North Europe", "South Europe", "Central Europe" and "rest of the World".

(DKKm)	2021	2020
North Europe	689.7	656.1
South Europe	158.4	141.5
Central Europe	377.1	355.3
Rest of the world	32.3	40.3
Total	**1,257.5**	**1,193.1**

1.2.A STAFF EXPENSES

ACCOUNTING POLICIES

Staff expenses comprise wages and salaries as well as payroll expenses.

(DKKm)	2021	2020
Wages and salaries	207.1	169.9
Pensions	12.1	12.4
Other social security expenses	4.5	3.9
Total	**223.7**	**186.1**
Including remuneration to:		
Executive Board	12.5	17.1
Board of Directors	1.7	1.3
Total	**14.1**	**18.4**
Average number of employees	**357**	**358**

1.2.B DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

ACCOUNTING POLICIES

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets, leasing and property, plant and equipment.

(DKKm)	2021	2020
Intangible assets, amortisation	122.3	119.1
Leased assets, depreciation	4.4	4.1
Property, plant and equipment, depreciation	97.5	99.0
Total depreciation, amortisation and impairment losses	**224.3**	**222.3**
Depreciation/amortisation and impairment losses relate to:		
Cost of goods sold	116.0	116.1
Sales and distribution costs	95.0	99.4
Administration cost	13.2	6.8
Total depriciation, amortisation and impairment losses	**224.3**	**222.3**

1.2.C SPECIAL ITEMS INCLUDED IN OTHER OPERATING COST

ACCOUNTING POLICIES

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets, leasing and property, plant and equipment.

(DKKm)	2021	2020
Acquisition	54.1	38.2
Integration	0.0	1.9
COVID-19	0.4	2.4
Other	0.3	0.2
Total special items	**54.8**	**42.6**

2.1 FINANCIAL INCOME AND EXPENSES

ACCOUNTING POLICIES

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the account taxation scheme.

(DKKm)	2021	2020
Interest received from group entreprises	117.7	139.9
Other financial income	82.9	165.5
Total financial income	**200.6**	**305.4**
Interest paid to group enterprises	0.0	-
Other financial expenses	414.0	263.1
Total financial expenses	**414.0**	**263.1**

2.2 TAX ON RESULT OF THE YEAR

ACCOUNTING POLICIES

Tax for the year consists of current tax for the year and changes in 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 equity transactions is recognised directly in equity.

(DKKm)	2021	2020
Current tax for the year	-14.2	-41.9
Deferred tax for the year	18.6	27.1
Adjustment of tax concerning previous years	0.2	-
Tax on profit for the year	**4.6**	**-14.8**
Tax on profit/loss for the year	4.6	-14.8
Tax on changes in equity	-26.5	18.9
Total tax	**-21.9**	**4.1**

3.1 INTANGIBLE ASSETS

ACCOUNTING POLICIES

Goodwill
Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years, which is determined considering Faerch's marketposistion and track-record of delivering long-term growth in revenue and earnings.

Brand
Brand is amortised on a straight-line basis over the estimated useful life of 20 years, which is determined considering Faerch's overall marketposistion and strong costumerbase.

Other Intangible assets
Projects that are clearly defined and identifiable, with the technical feasibilty , sufficient ressources and a potential future commercial or utilization opportunity within the Group is demonstrated, and where the Group intends to produce, market or use the project are recognized as Intangible assets provided that future benefits are probable. The projects are recognised in the Income statement when incurred.

Costs incurred in connection with development projects are recognised as assets if they are expected to bring future economic benefits. Other development costs are expensed as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the periode of the expected aconomic benefit. The period of amoritsation is three years.

Technology is amortised on a straigh-line basis over 20 years.

Customer relations is amortised on a straigh-line basis over 15 years.

(DKKm)	Goodwill	Brand	Other intangible assets	Total
Cost at 1 January 2021	-	-	98.5	98.5
Effect from merger/ change in opening balance	312.6	1,022.6	423.0	1,758.2
Cost at 1 January	312.6	1,022.6	521.5	1,856.7
Exchange rate adjustments	-	-	-	-
Additions	-	-	14.8	14.8
Cost at 31 December 2021	**312.6**	**1,022.6**	**536.3**	**1,871.5**
Amortization and impairment at 1 January 2021	-	-	74.0	74.0
Effect from merger/ change in opening balance	17.7	57.9	32.2	107.8
Amortization and impairment at 1 January	17.7	57.9	106.1	181.7
Exchange rate adjustments	-	-	-	-
Amortization for the year	17.7	57.9	46.7	122.3
Amortization and impairment at 31 December 2021	**35.4**	**115.8**	**152.9**	**304.0**
Carrying amount at 31 December 2021	**277.2**	**906.9**	**383.4**	**1,567.5**

3.2 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:	20-30 years
Plant and Machinery:	1-20 years
Other fixtures and fittings, tools and equipment:	1-10 years

(DKKm)	Land and buildings	Plant and machinery	Other fixtures and fitting, tools and equipment	Fixed assets in progress	Total
Cost at 1 January 2021	276.8	867.7	376.3	22.2	1,543.0
Effect from merger/ change in opening balance	-	195.5	69.2	-	264.7
Cost at 1 January 2021	276.8	1,063.2	445.5	22.2	1,807.7
Additions	1.9	2.9	0.1	45.5	50.4
Transfers	1.4	11.2	15.5	-28.2	-
Disposals	-	-6.4	-11.0	-	-17.5
Cost at 31 December 2021	**280.2**	**1,071.0**	**450.0**	**39.6**	**1,840.7**
Depreciation and impairment at 1 January 2021	130.5	692.2	335.7	-	1,158.4
Effect from merger/ change in opening balance	-0.0	15.4	26.0	-	41.4
Depreciation and impairment at 1 January 2021	130.5	707.6	361.7	-	1,199.8
Depreciation for the year	5.8	50.8	45.4	-	102.0
Depreciation on disposals	-	-2.7	-11.0	-	-13.7
Depreciation and impairment at 31 December 2021	**136.3**	**755.7**	**396.0**	**-**	**1,288.1**
Carrying amount at 31 December 2021	**143.8**	**315.2**	**54.0**	**39.6**	**552.6**

Assets under finance leases amounting to DKK 3.7m for Plant and Machinery and DKK 5.8m for Other fixtures are included.

FINANCIAL STATEMENT - PARENT COMPANY
CORPORATE ANNUAL REPORT 2021

3.3 INVESTMENT IN SUBSIDARIES

ACCOUNTING POLICIES

Investments in subsidiaries are recognised and measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

(DKKm)	2021	2020
Cost at 1 January	3,614.9	538.2
Effect from merger	–	3,076.7
Cost at 1 January after merger	3,614.9	3,614.9
Additions for the year	428.4	–
Disposals for the year	–	–
Cost at 31 December	**4,043.3**	**3,614.9**
Value adjustments at 1 January	–	–
Change of accounting policies	–	–
Value adjustments at 31 December	**-**	**-**
Carring amount at 31 December	**4,043.3**	**3,614.9**

Company overviews as at 31 December 2021
All subsidiaries are 100% owned by the company.
All foreign subsidiaries are recognised and measured as separate entities.

Please refer to the company overview for Faerch A/S group of companies as stated in note 4.10, which is an integrated part of this note.

3.4 INVENTORIES

ACCOUNTING POLICIES

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

(DKKm)	2021	2020
Raw materials and consumables	70.2	51.8
Work in progress	36.7	25.1
Finished goods	49.9	39.6
Total inventories	**156.8**	**116.6**

4.1 SHARE CAPITAL

The share capital is broken down as follows:

(DKKm)	Number	Nominal value
A-shares	13	13,000
B-shares	60	60,000
Total		**73,000**

The share capital has developed as follows:

(DKKm)	2021	2020
Share capital at 1 January	73.0	73.0
Capital increase/decrease	–	–
Equity 31 December	**73.0**	**73.0**

4.2 PROPOSED PROFIT APPROPRIATION

(DKKm)	2021	2020
Reserve for development projects	0.2	5.5
Proposed dividends for the year	–	–
Retained earnings	-203.6	94.6
Total	**-203.4**	**100.1**

4.3 PROVISION FOR DEFERRED TAX

ACCOUNTING POLICIES

Deferred tax assets and liabilities
Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax is measured on the basis of the tax rules and tax rates 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.

Current tax receivables and liabilities
Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

(DKKm)	2021	2020
Deferred tax, net at 1 January	371.3	28.8
Effect from merger	-	369.5
Deferred tax, net at 1 January after merger	371.3	398.4
Adjustments concerning previous years	-	-
Deferred tax recognised in the income statement	-18.6	-27.1
Deferred tax recognised in other comprehensive income	-1.0	-
Deferred tax, net at 31 December	**351.7**	**371.3**
Classified as:		
Deferred tax assets	-	10.4
Deferred tax liabilities	351.7	381.7
Total	**351.7**	**371.3**

4.4 LONG-TERM DEBT

ACCOUNTING POLICIES

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in logn-term debt.
The debt falls due for payment as specified below:

(DKKm)	2021	2020
Mortgage loans		
After 5 years	27.4	45.9
Between 1 and 5 years	73.9	74.0
Long-term part	101.3	119.9
Within 1 year	18.6	18.6
Total mortgage loans	**119.9**	**138.5**
Credit institutions		
After 5 years	-	-
Between 1 and 5 years	3,638.1	4,454.3
Long-term part	3,638.1	4,454.3
Within 1 year	-	-
Total credit institutions	**3,638.1**	**4,454.3**
Leasing liabilities		
After 5 years	0.1	0.2
Between 1 and 5 years	5.5	5.8
Long-term part	5.6	6.0
Within 1 year	4.5	4.1
Total leasing liabilities	**10.1**	**10.1**

4.5 FAIR VALUE OF HEDGING

(DKKm)	2021	2020
Agreements have been entered into hedging contracts in terms of swaps		
Value of hedging 1 January	7.7	-9.3
Effect from merger	-	7.9
Value of hedging 1 January	7.7	-1.4
Additions	-2.8	9.1
Value of hedging 31 December	**4.9**	**7.7**
Contracts concerning sale of foreign exchange	**299.5**	**124.8**

Contracts of GBP 34.5m has been entered into an average rate of EUR/GBP 0,8583 which will expire in 2022.

5.1 CONTINGENT ASSETS, LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

(DKKm)	2021	2020
Security		
The following assets have been placed as security with mortgage credit institutions:		
Land and buildings with the carrying amount of	142.2	146.3
Plant and machinery and other fixtures with the carrying amount of	307.3	216.1

Contingent liablities
Certain subsidiaries in the group are guarantors as principal obligor for the company's external banking facility of EUR 560m of which EUR 493m are drawn as of 31 December 2021. The net assets of the guarantor's amount to EUR 76m as of 31 December 2021.

The Company is not involved in any lawsuits which are expected to have a material effect on the financial position of the Company.

In addition to the transaction cost already expensed in 2021 under Special Items, successful closing in 2022 of the in 2021 announced M&A transactions will trigger certain fees for external advisors of an amount up to DKK 49.1 million. These fees will be expensed upon closing of the transactions in 2022.

Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the company is jointly and severally liable for taxes payable in Denmark.

5.2 RELATED PARTIES AND OWNERSHIP

Controlling interest	Basis
Faerch Group Holding A/S, Rasmus Færchs Vej 1, 7500 Holstebro, Denmark	Parent Company
The Company's subsidiaries, see group structure (p.118)	Subsidiaries

Transactions
Related parties with significant influence comprise group enterprises as well as the Board of Directors and the Executive Board of the Company.

Pursuant to section 98c(7) of the Danish Financial Statements Act, the Company transact with related parties on market terms.

Ownership
Faerch Group Holding A/S, Holstebro, Denmark is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital in Faerch A/S.

5.3 GENERAL ACCOUNTING POLICIES

Basis of Preparation
The Financial Statements of Faerch A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2021 are presented in DKK millions.

Accounting policies applied are unchanged compared to the previous year.

With effect from 1 January 2021, Faerch A/S merged with Faerch Bidco ApS, Faerch Midco ApS, Faerch Debtco ApS and Faerch Group A/S, with Faerch A/S as the continuing company.

The merger has been accounted for using the aggregation method under which assets and liabilities transferred to Faerch A/S have been recognised at book value at the effective date 1 January 2021. Comparative figures have been restated to account for the effect of the merger.

The merger has resulted in a decrease in equity per 1 January 2020 of DKK 954.9 million, an increase in non-current assets of DKK 5,099.6 million, an increase in net debt of DKK 5,685.0 million and an increase in deferred tax liabilities of DKK 369.5 million.

The accounting policies are the same as for the consolidated financial statements.

REPORTS

MANAGEMENT STATEMENT | AUDITOR'S REPORT | DATA BASIS

MANAGEMENT STATEMENT

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Faerch A/S for the financial year 1 January – 31 December 2021.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act. Management's Review is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January - 31 December 2021.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

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

Holstebro, 4. March 2022

Executive Management

Lars Gade Hansen
CEO

Arne Holme
CTO

Jesper Emil Jensen
Regional CEO Continental Europe

Tom Sand-Kristensen
CFO

Board of Directors

Henrik Poulsen
Chairman

Jaska de Bakker

Ronald John Edward Marsh

Marianne Kirkegaard

Jan Thorsgaard Nielsen

Sven Seidel

Brian Troldtoft Pedersen
Employee representative

Torben Toft Jensen
Employee representative

Thomas Skovgaard Lauridsen
Employee representative

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Faerch A/S

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's finan-cial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Faerch A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 4. March 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen	**Jens Weiersøe Jakobsen**
State Authorised Public Accountant	*State Authorised Public Accountant*
mne23328	mne30152

DATA BASIS FOR SUSTAINABILITY

Applied reporting practices
The reporting practices are based on the significance criteria, which were prepared in connection with certification in accordance with ISO 14001:2004, ISO 9001, BRC/IoP Global Standard and national health and safety regulations for selected production sites. This report also serves as compliance by Faerch with Sections 99a and 99b of the Danish Financial Statements Act. There are specific thresholds for when different conditions are deemed to be significant. The key figures and values in the report are calculated in accordance with the reporting practices described below.

Changes and updating of data
The same measurement and reporting method is used at all Faerch locations. The accounting policies are changed compared to 2016 related to the figures for Gender distribution on manager level (page 75). It is not possible to recalculate the historical figures.

Management report
This report contains, according to the Executive Management opinion, the information that is necessary for the evaluation of the most significant social issues in the company's activities. This information is prepared in accordance with Act on Accounting for Social Responsibility and the under-represented gender, cf. Section 99a and 99b of the Danish Financial Statements Act.

Management process
In the winter of 2013, the Faerch board and management adopted a policy whereby Faerch would work more explicitly with its CSR communication, and thereby report annually on its social responsibility activities. The management also conducted an analysis to identify five focus areas assessed as being of particular relevance to the company and its stakeholders. The materiality assessment of focus areas was revised in 2016. The focus areas cover topics that are relevant now and that Faerch believes will grow in importance in the years to come. The activities are all categorised under one of the five focus areas and will be reassessed annually by the management to ensure that the categories reflect new influences in society and the previous year's CSR activities. Stakeholders' interest in certain issues is central to Faerch 's choice of content. The collection of information and preparation of the report is carried out in collaboration with the following group functions: HR, Finance, Marketing, Legal, QHSE and Technology Development.

Data basis for key figures
Key figures are calculated by the company. The current report comprises the following companies:

- Faerch A/S
- Faerch UK Ltd. (three locations)
- Faerch Liberec s.r.o.
- Faerch Annecy
- Faerch Lorient
- Faerch Buñol S.L.U.
- Faerch Italy (three locations)
- Faerch Barcelona
- Inline Poland
- 4PET Holding B.V. (only incl. in People & organisation - People)

This report is divided into topics relating to the five focus areas. The data and reporting practices for each of the five focus areas are listed below. Demarcations are stated for the individual focus areas.

Sustainable Packaging
CO_2 emissions for Faerch trays are based on calculations made by an independent consultant using the elementary calculation requirements of ISO 16067:2018. The figures include – Raw Material Production, Manufacturing, Distribution to Customer and End-of-fife.

CPET
CO_2 emissions per 1,000 trays are calculated on the basis of average weight of produced trays in 2019 – 21 g.

APET
CO_2 emissions per 1,000 trays are calculated on the basis of average weight of produced trays in 2019 – 12 g.

The share of recycled content has been calculated using purchase data for our production sites. For CPET, 15% additives have been assumed.

The savings from using renewable energy is applicable to all Faerch production sites.

The CO_2 from distribution to customer is calculated using transportation distance of 1000km by truck and using Steel Cages as secondary packaging.

End-of-life emissions are calculated using EU average End-of-life scenario.

Food Safety
Information in this section is based on approved certifications and legislation.

Regulation 10/2011 is complied with and all new plastic types are tested internally and by an external analysis institute. All of the plastic types are tested and the data is stored internally.
The certifications, ISO 9001 for quality and BRC/IoP Global Standard for hygiene and product safety are followed and ensured through audits by external auditors.

Number of reported cases of migration tests
From 2016, in order to measure progress related to food contact safety, a quantitative target was introduced.

The target is zero breaches of the established limits. Faerch reports the total number of tests completed during the year, as well as the amount of breaches.

The tests are performed in accordance to Faerch's migration test program, which continuously monitor products released for production and encompass analysis of a product recipe involving examination of different substances in each recipe.

Responsible Operations
Energy Sector
The consumption of electricity and natural gas is measured in absolute amounts and reported by suppliers via invoices and by reading energy consumption data on the company's electricity meters.

The consumption of raw materials is calculated based on purchasing statistics and invoices from suppliers.

Energy from renewable energy sources were purchased for the year in relation to the actual energy consumption and for the future in relation to budgeted amounts.

Plastic Waste
Key figures for plastic waste in Denmark are calculated on the basis of statistics from the waste recipient Wastenet. The result is calculated as a percentage in relation to the share of raw materials and data is collected internally by the purchasing department. Key figures for plastic waste in the Czech Republic, Spain and the UK are provided and documented by the recipient of the plastic waste and reporting from internal sources.

Plastic waste is defined as surplus plastic material in the production of plastic packaging that is not reused in production. Plastic waste is disposed and removed by a different actor than Faerch A/S.

Data for plastic waste is calculated for all sites covered by this report.

Demarcation
This report covering electricity consumption only applies to Faerch's eight factories. Energy consumption from Faerch's two foreign sales offices are deemed insignificant in this context, as it comprises a relatively small percentage of the Group's total energy consumption.

People & Organisation
Accident Frequency
The number of work accidents is calculated as the number of injuries in the given year that resulted in one or more days of absence from work. The accident rate is calculated as the number of work accidents per one million working hours.

The accident frequency for the period 2017-2021 covers both production and office employees.

Demarcation
Temporary workers are not included in the report, but any work-related accidents are reported to the Authorities.

Career Development
The results in relation to internal recruitment and career development are calculated on the basis of internal reports from the HR department in the form of a HR report. The total number of internal recruitments and career development as a percentage of the total number of recruitments and career development in total.

Governance
The developed compliance program increases the employees' knowledge about fair competition and anti-corruption and consists of employee training, e-learning, reviewing group policies and manuals.

Information about the actual staff training is recorded in internal registration system.

The 'Supplier Code of Conduct' reflects Faerch's expectations to our suppliers and is based on the ten principles of the UN Global Compact. Most of our major suppliers have already signed our Supplier Code of Conduct. Major suppliers are defined as suppliers of items, materials etc. to Faerch.


Faerch