Faerch A/S

Rasmus Færchs Vej 1, DK-7500 Holstebro

Annual Report for 1 January - 31 December 2019

CVR No 13 72 35 40

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 5/3 2020

Nils Smedegaard Andersen
Chairman

Content

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Faerch A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

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

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Holstebro, 5th March 2020

Executive Board

Lars Gade Hansen
CEO

Arne Holme
CTO

Jesper Emil Jensen
Regional CEO

Tom Sand-Kristensen
CFO

Board of Directors

Nils Smedegaard Andersen
Chairman

Ronald John Edward Marsh

Markus Brettschneider

Sönke Renk

Laurent Bendavid

Sven Seidel

Thomas S. Lauridsen
Staff Representative

Torben Toft Jensen
Staff Representative

Brian Troldtoft Pedersen
Staff Representative

Independent Auditor's Report

To the Shareholders of Faerch A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Faerch A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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 Financial Statements Act.

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report (continued)

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 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 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 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.

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, 5th March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Lars Østergaard
State Authorised Public Accountant
mne26806

Company Information

The Company	Faerch A/S Rasmus Færchs Vej 1 DK-7500 Holstebro Telephone: + 45 99 10 10 10 Website: www.faerch.com CVR No: 13 72 35 40 Financial period: 1 January - 31 December Municipality of reg. office: Holstebro
Supervisory Board	Nils Smedegaard Andersen, Chairman Ronald John Edward Marsh Markus Brettschneider Sönke Renk Laurent Bendavid Brian Troldtoft Pedersen Erik Mortensen Torben Toft Jensen Sven Seidel
Executive Board	Lars Gade Hansen Arne Holme Jesper Emil Jensen Tom Sand-Kristensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Group Structure

Investment in group companies comprise the following at 31 December 2019.
3PET holding B.V. owned 50,00002%
Remaining companies are owned 100% by Faerch A/S

Name of entity	Country
Faerch A/S	Denmark
Faerch Liberec s.r.o.	Czech Republic
Faerch SAS	France
CGL Pack Services SAS	France
CGL Pack Annecy SAS	France
CGL Pack Lorient SAS	France
Faerch Bunol S.L.U.	Spain
FPH 2017 Ltd.(UK)	United Kingdom
Faerch London Ltd.(UK)	United Kingdom
FP1988UK Ltd.(UK)	United Kingdom
Faerch Durham Ltd.(UK)	United Kingdom
Avro Holdings Ltd.(UK)	United Kingdom
Faerch UK Ltd.(UK)	United Kingdom
BDE Plastics Ltd. (dormant)	United Kingdom
Avro Industries Ltd. (dormant)	United Kingdom
Anson Food Service Ltd. (dormant)	United Kingdom
Faerch Poole Ltd.	United Kingdom
Færch Netherland B.V.	Netherland
3PET Holding B.V.	Netherland
4PET Holding B.V.	Netherland
Kattenberg Druten B.V.	Netherland
Drupet B.V.	Netherland
Snelcore B.V.	Netherland
Sneltray B.V.	Netherland
4PET Recycling B.V.	Netherland
Folietechniek International B.V.	Netherland

Financial Highlights

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

DKKm	2019	2018	2017	2016	2015
Key figures					
Profit/loss					
Revenue	1,268.2	1,249.8	1,469.8	1,367.8	1,299.4
Operating profit	312.0	245.7	242.2	203.6	180.7
Profit before financial income and expenses	270.1	181.8	216.1	221.4	143.2
Net profit for the year	1,533.2	151.5	176.1	175.0	164.1
Balance sheet					
Balance sheet total	4,355.3	2,752.9	1,814.3	1,473.1	1,439.9
Equity	2,827.4	1,277.7	1,124.4	947.2	834.4
Investments in Fixed Assets	55.8	56.4	102.0	109.1	67.7
Average number of employees	338	364	362	367	372
Ratios					
Profit margin	21.3%	14.5%	14.7%	16.2%	11.0%
Solvency ratio	64.9%	46.4%	62.0%	64.3%	57.9%
Return on equity	74.7%	12.6%	17.0%	19.6%	23.2%

Management's Review

Faerch is a leading supplier of rigid plastic packaging to the European food industry. Faerch operates across Europe from twelve manufacturing facilities and five separate sales offices including three design centres located in Denmark, UK and Spain.

Overall, the business continued to develop positive in 2019 recording the highest sales volume and revenue ever while declining polymer prices helped lift operating margins in the tray business. The recycling business faced operational challenges with ramping up the processing of recycled tray bales, caused by technology issues and poor quality of the input bales.

A number of commercial and operational initiatives that were introduced in 2018, took full effect in 2019, with the key projects being "pricing excellence", "Sales and Operational Planning" and "procurement optimisation". Following the two acquisitions in 2018, the project management office is also monitoring the execution of the identified synergies. At the end of 2019, synergies from realisation is on track for CGL Pack, whereas the synergies from the 4PET recycling business have not materialised in full yet due to the above-mentioned operational challenges. Continued integration of the two acquired businesses and realisation of the identified synergies remain key priorities entering 2020.

The continuous focus on factory optimisation and standardisation of the Groups production platforms are paramount for Faerch to further develop and maintain its cost leadership. In 2019, especially the recipe integration with 4PET had key priority as well as platform automation at the sites in Annecy and Lorient that were acquired in 2018.

Record-breaking revenue
Faerch delivered healthy results in 2019, not least underlined by our record-breaking revenue, which surpassed DKK 3 billion for the first time.

We have managed to drive strong organic growth through our targeted efforts in key markets and industries, including good performances in UK, France and Spain.
Declining polymer prices in 2019 have also had an impact on price levels, where we end of 2019 saw virgin PET at lower prices than recycled PET.

Compared with 2018, Faerch recorded continued strong organic top line growth of 3% both measured in pieces and in value, while EBITDA grew by 5%.

Integration and advancement of recycling
During 2019, we have focussed our efforts on integrating our two 2018-acquired companies, CGL Pack and 4PET Recycling, to the Group.
We have realised significant synergies at CGL in France and our French colleagues has done a tremendous job.

On the commercial side, we are very pleased with the performance at 4PET, where we among other things have managed to use our integrated recycling capabilities to close the loop on food packaging through innovative programmes as e.g. our "tray-to-tray" programme.
Furthermore, we have successfully recycled hundreds of truckloads of PET bottles and trays in 2019. This has played a significant part in consolidating PET as the preferred material in rigid food packaging.

Management's Review (continued)

Trendsetting product introduction
During 2019 we have further supported the advancement of recycled PET in rigid food packaging by introducing new and trendsetting products in the markets. Most significantly the Evolve by Faerch concept, which is designed to overcome limitations in existing sorting infrastructure: Made from recycled content, fully recyclable, reliably detectable, and clearly indicating its circularity by naturally fluctuating colours.

These innovations, our unique capacity as the world's only integrated recycler, and our wide range of exclusive offerings allowed us to close some of the biggest deals in company history during 2019, which further positively impacted our results.

Outlook 2020
We are looking into another exciting and challenging year. We will continue to follow our strategy and put emphasis on integration and organic growth, while further consolidating our European focus.

We will continue our focus on our customers and will consolidate our position as the leading supplier of rigid food packaging to the ready meals, food to go and protein sector, while we will advance into the dairy business and provide this industry with our expertise and innovative solutions.

Adding value across the entire value chain
Great packaging is not only about protecting a product, Faerch persistently strives to add value to all aspects of the supply chain, starting with our own suppliers, to when the tray arrives at our customers and until the end customer purchases and consumes the final product. To succeed with this end-to-end perspective, Faerch is constantly collaborating with our stakeholders to optimise and develop processes and ultimately the final products. Working with NGO organisations like WRAP in the UK fighting food waste, to optimse tray stacking for automated food producers or R&D collaborations with top-film producers, are all examples of the wide span of activities in which Faerch engages on a daily basis in order to maintain and develop our position as a leading supplier adding value for the food industry.

Continued investment to deliver best in class
The plastics packaging industry is constantly changing and the growing external demands require Faerch to evolve by investing in technology as well as in process and material knowledge. Factors like precision, efficiency and automation play a crucial role in achieving success.

To offer our customers the optimal solutions at the lowest possible cost, our factories, processes and people receive substantial investments to ensure the highest standards and use of latest technology. Faerch will continue to invest significant amounts every year to maintain and develop our leading position.

Management's Review (continued)

The right values
Value creation at Faerch encompasses more than just financial return, and is built on an ingrained sense of responsibility that permeates 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. Only on this basis are we able to meet our own requirements of being the leading and most recognised player in our industry in 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.

Segment reporting
Faerch is producing and selling rigid plastic packaging primarily to the European food industry. Our approach to the market is based on a sales channel split, which is also the basis of our segment reporting.

Faerch operates with three different sales channels based on customers' characteristics; Industrial Food Producers, Distributors and Retailers. From 2018 with the acquisition of 3PET Holding, Faerch became an integrated recycler and added the recycling segment to its business:

Food Producers
Food producers comprise our largest segment, and constitute 75% of the Group's revenue in 2019. Food producers are large-scale industrial processors within all chilled food and frozen segments (Fresh Meat, Ready Meals, and Food to go). They deliver mainly to independent retailers or own outlets. Faerch provides a full sales setup tailored to cater for this channel:

- Sales representatives focused around product applications and with clear Key Account Management responsibility

- Large portfolio of tools, which provides off-the-shelf standard solutions or 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

Management's Review (continued)

Distributors
Distributors is our second largest segment representing 13% of revenue. Distributors range from full-service providers for the restaurant and catering industry carrying a wide range of utilities, to more specialised distributors servicing smaller food producers and retailers mainly with a full packaging solution inclusive tray, top film, sealing equipment etc. Faerch currently holds a strong position with select large distributors across Europe, but wishes to further expand our presence in this segment. 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 on stock

Retailers
Retailers are predominantly indirect customers through one of the above core sales channels. However, direct retail sales makes up 3% of our revenue, where we mainly supply packaging for food products, which are prepared and packed on site. Direct servicing of retailers allows Faerch to be on the forefront of innovation and customer demand, minimising dependency on any single food producer.

Recycling
Recycling is a new segment entered into with the acquisition of 4PET in 2018. Recycling represents 9% of revenues in 2019. Sales of sheets to food packers is the main revenue generator.

Corporate Social Responsbility (CSR)
For 2019 there has not been prepared any seperate Sustainability Report for the Group but the section included in Faerch Group A/S page 52-79 presents information according to section 99a and 99b in the Danish Financial Statements Act.

Income statement

1 January - 31 December

DKKm	Note	2019	2018
Revenue	1	1,268.2	1,249.8
Production costs	2	-837.5	-874.4
Gross profit		430.7	375.5
Sales and distribution costs	2	-88.5	-91.1
Administrative expenses	2	-30.2	-38.7
Other operating income		2.4	3.4
Other operating cost		-44.4	-67.3
Earning before interest and tax		270.1	181.8
Income from investments in subsidaries		1,224.7	-
Financial income	3	165.8	47.2
Financial expenses	3	-39.0	-24.4
Profit before income tax		1,621.6	204.5
Income tax expenses	4	-88.4	-53.0
Profit for the year		1,533.2	151.5
Proposed distribution of profit:			
Retained earnings		1,533.2	151.5
		1,533.2	151.5

Balance Sheet

31 December

Note	DKKm	2019	2018
5	Completed development projects	17.6	15.0
	Intangible assets	17.6	15.0
6	Land and buildings	149.6	150.6
6	Plant and machinery	158.9	160.1
6	Other fixtures and fittings, tools and equipment	43.5	48.6
6	Fixed assets in progress	49.4	51.2
	Property, plant and equipment	401.4	410.5
7	Investments in subsidiaries	538.2	334.1
	Fixed assets investments	538.2	334.1
	Fixed assets	957.2	759.6
8	**Inventories**	135.9	125.4
	Trade receivables	142.4	148.2
	Receivables from group enterprises	3,031.2	1,701.3
	Other receivables	12.7	7.3
	Corporation tax	-	0.1
	Prepayments	-	6.5
	Receivables	3,186.3	1,863.4
	Cash at bank and in hand	75.9	4.5
	Current assets	3,398.1	1,993.3
	Assets	4,355.3	2,752.9

Balance Sheet

31 December

Note	DKKm	2019	2018
9	Share capital	73.0	73.0
	Reserve for net revaluation under the equity method	-	-
	Reserve for development costs	13.7	11.7
	Retained earnings	2,740.7	1,193.0
	Equity	2,827.4	1,277.7
	Provision for deferred tax	28.8	28.0
	Provisions	28.8	28.0
	Mortgage loans	138.4	167.8
	Leasing	5.5	6.0
10	**Long-term debt**	143.9	173.8
	Mortgage loans short-term	18.8	8.0
	Leasing	3.6	3.6
	Credit institutions	50.1	23.3
	Trade payables	108.1	107.1
	Payables to group enterprises	1,017.2	1,005.4
	Corporation tax	93.0	62.6
	Other payables	58.6	56.5
	Deferred income	5.8	6.9
	Short-term debt	1,355.2	1,273.4
	Debt	1,499.1	1,447.3
	Liablities	4,355.3	2,752.9

11 Contingent assets, liabilities and other financial obligations
12 Fee to auditors appointed at the general meeting
13 Related parties and ownership
14 Accounting Policies

Statement of changes in equity

DKKm	Share capital	Reserve for net revaluation under the equity method	Reserve for develop-ment costs	Retained earnings	Total
Equity 1 January	73.0	-	11.7	1,193.1	1,277.8
Capitalized development costs			2.0	-2.0	-
Fair value adjustment of hedging instruments				-8.7	-8.7
Tax on adjustment of hedging instruments				1.9	1.9
Currency adj. in investments in subsidaries				30.0	30.0
Tax on currency adj. in investments in subsidaries				-6.6	-6.6
Net profit for the year				1,533.2	1,533.2
Equity 31 December	73.0	-	13.7	2,740.7	2,827.4

Note 1 Revenue

DKKm	2019	2018
Geographical segments		
North Europe	677.4	682.5
South Europe	358.6	197.2
Central Europe	172.4	329.8
Rest of the world	59.9	40.3
Total	1,268.2	1,249.8

Note 2a Staff expenses

	2019	2018
Wages and salaries	176.3	167.6
Pensions	11.2	10.7
Other social security expenses	4.5	3.9
Total	192.0	182.2
Including remuneration to:		
Executive Board	12.7	11.9
Board of Directors	1.4	1.3
Total	14.1	13.2
Average number of employees	**338**	**364**

Note 2b Depreciation, amortisation and impairment losses

	2019	2018
Intangible assets, amortisation	9.8	9.8
Leasing, depreciation	4.1	4.5
Property, plant and equipment, depreciation	57.5	63.8
Total depreciation, amortisation and impairment losses	71.4	78.1
Depreciation/amortisation and impairment losses relate to:		
Cost of goods sold	60.7	69.1
Sales and distribution costs	6.0	6.8
Administration cost	4.8	2.1
Total depriciation, amortisation and impairment losses	71.4	78.1

Note 3 Financial items

	2019	2018
Interest received from group entreprises	146.9	46.9
Other financial income	19.0	0.3
Total financial income	165.8	47.2
Interest paid to group enterprises	23.3	14.7
Other financial expenses	15.6	9.8
Total financial expenses	39.0	24.4

Note 4 Tax

	2019	2018
Current tax for the year	91.6	49.3
Deferred tax for the year	0.8	0.5
Adjustment of tax concerning previous years	0.7	3.2
Tax on profit for the year	**93.1**	**53.0**
which breaks down as follows:		
Tax on profit/loss for the year	88.4	52.5
Tax on changes in equity	4.7	0.5
Total	**93.1**	**53.0**

Note 5 Intangible assets

DKKm	2019 Completed development projects
Cost at 1 January	67.8
Exchange rate adjustments	-
Additions	12.4
Reclassification	-
Disposals	-
Cost at 31 December	80.2
Amortization and impairment at 1 January	52.8
Exchange rate adjustments	-
Amortization for the year	9.8
Impairments	-
Amortization on disposals	-
Amortization and impairment at 31 December	62.6
Carrying amount at 31 December	**17.6**

Note 6 Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fitting, tools and equipment	Fixed assets in progress	Total
Cost at 1 January	270.6	793.5	344.7	51.2	1,460.0
Additions	4.1	32.4	21.0	-1.8	55.8
Reclassification	-	-	-	-	-
Disposals	-	-5.9	-4.8	-	-10.7
Cost at 31 December	274.7	820.0	361.0	49.4	1,505.1
Depreciation and impairment at 1 January	120.0	633.4	296.1	-	1,049.5
Depreciation for the year	5.2	30.6	25.6	-	61.4
Depreciation on disposals	-	-3.0	-4.3	-	-7.2
Depreciation and impairment at 31 December	125.2	661.1	317.4	-	1,103.7
Carrying amount at 31 December	**149.6**	**158.9**	**43.5**	**49.4**	**401.4**

Including assets under finance leases amounting to DKK 4.6m for Plant and Machinery and DKK 4.1m for Automobiles

Note 7 Investment in subsidaries

	2019	2018
Cost at 1 January	334.1	311.7
Additions for the year	340.2	22.4
Disposals for the year	-136.1	-
Cost at 31 December	538.2	334.1
Value adjustments at 1 January	-	-
Value adjustments at 31 December	-	-
Carring amount at 31 December	538.2	334.1

Investments in subsidaries are specified as follows:

Name	Place of registered office	Share capital	Equity	Profit for the year
Faerch Plast s.r.o.	Liberec, CZ	CZK 500.200k	CZK 721.684k	CZK 38.214k
Faerch Plast SAS	Semoy, France	EUR 3.010k	EUR -3.225k	EUR -3.615k
Faerch Plast Bunol S.L.U.	Bunol, Spain	EUR 4.500k	EUR 13.238k	EUR 2.154k
FPH 2017 Ltd.	Sutton, UK	GBP 39.903k	GBP 36.586k	GBP -3.318k
Færch Netherland B.V.	Duiven, NL	EUR 10	EUR 48.914K	EUR 52.359k

Færch Netherland B.V. 50% owned.

Remaining subsidiaries are 100% owned by the company.

All foreign subsidiaries are recognised and measured as separate entities.

Note 8 Inventory

	2019	2018
Raw materials and consumables	53.6	49.4
Work in progress	37.7	31.2
Finished goods	44.6	44.7
Total inventory	135.9	125.4

Note 9 Share Capital

The share capital is broken down as follow:

	Number	Nominal value
		DKK '000
A-shares	13	13,000
B-shares	60	60,000
Total		73,000

The share capital has developed as follows:

DKKm	2019	2018
Share capital at 1 January	73.0	73.0
Capital increase/decrease	-	-
Equity 31 December	73.0	73.0

Note 10 Long-term debt

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

Mortgage loans	2019	2018
After 5 years	63.9	86.7
Between 1 and 5 years	74.4	81.1
Long-term part	138.4	167.8
Within 1 year	18.8	8.0
Total mortgage loans	157.2	175.9

Leasing	2019	2018
After 5 years	0.3	-
Between 1 and 5 years	5.2	6.0
Long-term part	5.5	6.0
Within 1 year	3.6	3.6
Total leasing	9.1	9.6

Credit institutions	2019	2018
After 5 years	-	-
Between 1 and 5 years	-	-
Long-term part	-	-
Within 1 year	50.1	23.3
Total credit institutions	50.1	23.3

Note 10 Long-term debt (continued)

Payables to group enterprises	2019	2018
After 5 years	-	-
Between 1 and 5 years	-	-
Long-term part	-	-
Within 1 year	-1,017.2	-1,005.4
Total payables to group enterprises	-1,017.2	-1,005.4

Note 11 Contingent assets, liabilities and other financial obligations

Security	2019	2018
The following assets have been placed as security with mortgage credit institutions:		
Land and buildings with the carrying amount of	149.6	150.6
Plant and machinery with the carrying amount of maximum	202.5	208.7

Contractual obligations	2019	2018
To hedge interest rate risks, the Company have concluded contracts of	258.2	289.5

The Company has concluded contracts concerning sale of foreign exchange at a countervalue of DKK130,5m.

The Company has concluded contracts with a number of suppliers. The contracts do not entail any obligations other than those normally involved in tradig relationships.

The Company has concluded operating leases with a remaining obligation over the term of DKK 8,6m. The leases have remaining terms up to 72 months.

Contingent liablities

The Company has placed the shares of the subsidiaries; FPH 2017 Ltd and Faerch Bunol SLU and their subsidiaries as security with the Groups credit institutions.

The Company and its subsidiaries have issued irrevoably and unconditionally jointly and severally guarantess towards the Group's credit institutions.

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

Note 12 Fees to auditors appointed by the board of representatives

	2019	2018
Statutory audit of financial statements	0.4	0.4
Other assurance engagements	-	0.0
Tax advisory services	0.0	0.3
Other services	0.5	1.6
	1.0	2.3

Note 13 Related parties and ownership

Controlling interest	Basis
Faerch Group A/S	Parent Company
The Company's subsidiaries, see group chart	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(1) of the Danish Financial Statements Act, the Company does not disclose any information on transactions with related parties.

Ownership

Faerch Group 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 Plast Group A/S.

Consolidated Financial Statements

The Company's Annual Report is included in the Consolidated Financial Statements of:
Faerch Group A/S, Holstebro, Denmark, CVR No 38 81 24 24.

The Group Annual Reports of Faerch Group A/S may be obtained at the following address:
Faerch Group A/S, Rasmus Færchs Vej 1, 7500 Holstebro, Denmark

Note 14 Accounting Policies

Basis of Preparation

The Financial Statements of Faerch A/S for 2019 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 2019 are presented in DKK millions.

All other accounting policies applied are unchanged compared to the previous year. Some reclassifications were made in the financial statements. These do not affect results or equity. Comparative figures have been restated.
With reference to section 112 (1) of the Danish Financial Statements Act and to the consolidated financial statements of Faerch Group A/S, the Company has not prepared consolidated financial statements.

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act and to the Cash Flow statement included in the Consolidated Financial Statement of Faerch Group A/S, the Company has not prepared a Cash Flow Statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.
Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Note 14 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Note 14 Accounting Policies **(continued)**

Segment reporting

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".

Income Statement

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprises, including gains and losses on the sale of intangible assets and property, plant and equipment.

Note 14 Accounting Policies (continued)

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include dividend adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

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

Tax on profit for the year

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.

Balance Sheet

Intangible assets

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.

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 indi rect 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.

Note 14 Accounting Policies (continued)

Property, plant and equipment (continued)

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

Buildings	30-50 years
Plant and machinery	1-20 years
Other fixtures and fittings, tools and equipment	1-10 years

Assets costing less than DKK 50k are expensed in the year of acquisition.

Investments in subsidiaries

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

Inventories

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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Current asset invest ments

Current asset invest ments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Note 14 Accounting Policies (continued)

Current asset invest ments

Current asset invest ments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Prepayments

Prepayments comprise prepaid expenses concerning subscriptions.

Equity

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

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.

Financial debts

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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Note 14 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$