Faerch A/S
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Denmark
CVR no. 13 72 35 40

The Annual Report was presented
and adopted at the Annual General Meeting
of the Company on 27 March 2023

Henrik Poulsen
Chairman

2022

faerch

circular progress

Integrated reporting on our circular progress

Our annual reporting is published in a single integrated report covering financials, sustainability and corporate governance in a single publication.

This provides our stakeholders with a holistic view on Faerch's value creation, strategic aspirations and performance while demonstrating our objective to conduct our activities in a financially, environmentally and socially responsible way.

Faerch

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Faerch at a glance

5,600
DEDICATED EMPLOYEES

34,000
TONNES OF HOUSEHOLD WASTE PROCESSED ANUALLY

+22,500
PRODUCT DESIGNS AVAILABLE

26,600,000
FOOD TRAYS PRODUCED FOR CIRCULARITY - EVERY DAY

1/22
»THE FAERCH CIRCULARITY RATIO«
see p. 45 for additional information

+5,000
VALUED CUSTOMERS GLOBALLY

+100

COUNTRIES WITH SALES PRESENCE

32

PRODUCTION SITES

HIGHLIGHTS OF THE CORPORATE STRATEGY

VISION

Be the global leader in sustainable rigid food packaging and recycling solutions for the most demanding direct contact applications in a truly circular environment

STRATEGIC PRIORITIES

Organic Growth
Continued focus on organic growth in the Food Packaging Business targeting double market growth

Scaling Recycling
Geographical scaling of the Recycling business to address the PET tray waste currently landfilled or incinerated in Europe

Sustainability Leadership
Faerch remains the sustainability leader in food packaging while building the position in PET recycling

US Entry
Enter the US market and support the sustainability journey in the US

STRATEGIC ENABLERS

Organizational Development
Increased focus on organisational development to ensure the most important factor – the people factor

Investment program
Investment program to support the plan with investments in machines, buildings, and sites

Letter from the Chair and CEO

HENRIK POULSEN
Chair of the Board of Directors

"While we have certainly faced many challenges, 2022 has also been a year of significant strategic progress.

In the wake of the pandemic and the war in Ukraine, raw material prices reached record high levels and remained at elevated levels throughout 2022. Very high energy prices and increasing interest rates added to the pressure on our business, and towards the end of the year, we saw volume growth trending down as the high inflation began to impact consumer behaviours. Rising retail prices impacted consumer purchasing power, and we saw volumes starting to decline year-on-year with October being the first month with negative tonnage growth.

Despite difficult market conditions, Faerch has continued to demonstrate its resilience. We experienced strong activity levels during the first and second quarter of 2022, with continuing record-breaking volumes and revenues, and for the full year we managed to maintain organic sales volume at the same level as in 2021. With the acquisition of PACCOR, which has been included in the financials for four months, the reported EBITDA reached a record of EUR 101m despite a moderate organic decline due to the input cost pressure.

Management has taken several steps to mitigate the impacts that the current uncertain market conditions have on our business. In light of the declining market situation and recession outlook in Europe for 2023, we saw no other options than to start adjusting capacity in November 2022. This was a very difficult period where we had to say goodbye to many good colleagues across the Group and in the acquired PACCOR business.

Even though we have not yet seen the full effect of the measures we have taken, we feel confident that Faerch will come out stronger on the other side of the macroeconomic downturn.

A stronger business
While we have certainly faced many challenges, 2022 has also been a year of significant strategic progress. We completed the acquisition of PACCOR - a leading European manufacturer of rigid packaging for the food industry with 16 sites and 3,400 employees, making it the biggest acquisition in Faerch's history. Due to the size and complexity of the transaction and to ensure a clear integration approach, we started planning the integration immediately after signing the agreement in December 2021. The acquisition is transformational and will make Faerch an even stronger partner for our customers in Europe. With PACCOR's outstanding position in the European dairy market, Faerch will have a strong presence in all major food packaging segments.

" Our ambition is to lead the industry's efforts in making food packaging truly circular, and scaling our recycling business is a vital part of our strategy.

In 2022, we also successfully closed the acquisition of the US food packaging company, MCP USA Inc. We are now looking forward to working with our new colleagues and partners to firmly establish Faerch's presence in the US.

At the end of December 2022, our combined business consisted of 32 factories and a revenue of approximately EUR 1.4b and 5,600 employees as well as recycling of 34,000 tonnes of "closed loop" material in the Netherlands. Going forward, we will maintain our strategic focus on well-selected M&A activities.

Apart from the acquisitions, we continued the expansion of our site in Castelbelforte in Italy in 2022. The site is almost fully re-built, and we expect the new extruder to be running from March 2023. In addition, we have started the "full automation" project for the site in Holstebro in Denmark.

Sustainability
As a responsible business, we are committed to minimising our impact on the environment.

In 2022, we have defined our environmental, social and governance (ESG) baseline and our ambitions to enhance our sustainability performance and corporate responsibility. We have committed to set science-based targets reducing greenhouse gas emissions in line with the Paris Climate Agreement. Reducing our carbon emissions by 50% before 2030 and reaching net zero by 2040 are top priorities for Faerch, and we have committed to have our targets validated by the Science Based Targets Initiative. These ambitions fall well in line with our commitment to accelerate circular packaging and PET recycling, which have been on Faerch's agenda for several years.

LARS GADE HANSEN
Group CEO

Strengthened recycling capabilities
Our ambition is to lead the industry in making food packaging truly circular, and scaling our recycling business is a vital part of our strategy. We are therefore very pleased with the progress made during 2022. A new tray recycling line has been ordered and is expected to be fully operational by the end of 2023. Several opportunities are being evaluated to accelerate our circular food packaging journey.

In 2022, we also made further development with the "Back of Store by Faerch" programme. Additionally, with Apetito, one of UK's largest suppliers of delivered-in meals, we have launched a large-scale Evolve by Faerch closed loop recycling initiative which will see rigid trays collected, recycled, and turned back into primary food contact trays or pots. The initiative has been awarded the FDF Sustainable Packaging Initiative award.

Reduced availability of recycled bottle material continued to challenge the packaging industry. However, in 2022, we successfully managed to increase our output of tray pellets after pelletisation by 59%, from 5,381 tonnes in 2021 to 8,554 tonnes

Power Purchase Agreements
In 2022, Faerch formed a partnership on the first Power Purchase Agreement with Heartland for our site in Holstebro, Denmark. The agreement means that the site is now supplied with energy from Heartland's solar park located just eight kilometres from our site. We are very excited and pleased about this collaboration, and we are looking forward to developing the partnership with Heartland even further.

Employee Share Owner Programme
Shortly after A.P. Møller Holding took over ownership of the Faerch Group, we began working on an "Employee Share Owner Programme". The programme launched last year, and we are pleased to see the way in which the programme has been welcomed across the Group. Soon, our new colleagues in PACCOR and MCP USA will be invited to join the programme.

The war in Ukraine
We strongly condemn the Russian invasion of Ukraine, which has led to so much loss of life, devastation and human tragedy. Our deepest sympathies go out to the Ukrainian people. We therefore decided, as a responsible company, to end all business relations with both Russia and Belarus shortly after the start of the war.

Outlook for 2023
Looking into 2023, the war in Ukraine, geopolitical tensions, high inflation, and increasing interest rates will negatively impact the European economy, change consumer behaviours, and strain disposable incomes. We are operating in an era of uncertainty, and market conditions will undoubtedly be challenging throughout the year. We are most likely to see a decline in volume for the first time in many years. On the other hand, we expect margins to recover as resin and energy prices have come down from their peak levels in the second half of 2022. Therefore, despite severe challenges, we remain confident about the long-term potential and growth of Faerch.

Our vision remains the same. We will be driving true circularity in food packaging to the benefit of consumers, our highly valued customers, and not least global ecosystems.

Thank you
This year has been testing our ability to navigate in crisis mode. It goes without saying that we are very saddened by the fact that we had to say goodbye to so many of our good colleagues during the year.

On behalf of the Board and the Executive Management, we would like to thank all our Faerch colleagues for their hard work, commitment, and loyalty.

Despite dark clouds over the global economy, we are still cautiously optimistic about 2023 and stay fully committed to our strategic aspirations – and look forward to continuing our journey together.

Henrik Poulsen
Chair of the Board of Directors

Lars Gade Hansen
Group CEO


RECYCLABLE
FOREVER
Evolve by Faerch

Faerch - how we create value

Faerch helps food producers, distributors, and retailers in the transition to circular rigid food packaging. Our ambition is to make circular food packaging commonplace, and our business model is designed to support our vision and to deliver outstanding food safety, maximum consumer convenience and superior performance to our customers.

HOW WE DO IT

OUR PEOPLE

Our people bring our values to life and generate our business results. The commitment, innovation and potential they bring to our business and our customers are vital to the success and growth of our business.

OUR PARTNERSHIPS

We grow by supporting our customers' growth. We partner with customers, suppliers, and organisations to help innovate our products and support mutual, sustainable growth.

INPUT MATERIALS

Our business relies on the ability to source the necessary volumes of the right raw material. Our focus is to secure the necessary input material through our integrated recycling facility and partnerships with external suppliers.

INTEGRATED TRAY RECYCLING

Integrated recycling is key to delivering enhanced performance across the Group and to supply circular packaging solutions that benefit our customers and society. We scale for the future by implementing strategies that support circularity as well as investing in technologies and processes to clean up and reduce waste streams.

TECHNOLOGICAL LEAD

We serve food manufacturers and retailers globally with our network of production facilities across Europe, the US and Asia. The Faerch platform provides strong material expertise and process capability, setting us apart and allowing us to push the boundaries of our food packaging attributes, for the overall benefit of our customers.

FINANCIAL RESOURCES

With A.P. Møller Holding and our funding partners, we are backed by strong and long-term oriented owners and partners. Strong financial position allows us to invest and scale for the future.

WHO WE CREATE VALUE FOR

OUR PEOPLE
Our people bring key skills and capabilities to our business and in return, we must keep them safe and engaged while offering interesting career paths.

OUR CUSTOMERS
Faerch supplies high-quality food packaging to more than 5,000 customers every year, enabling them to grow in a world where the demands for sustainable and circular food packaging are increasing as well as other attributes like shelf life and food safety.

OUR PLANET
Transitioning to a circular economy, is a precondition to make food packaging sustainable, utilising the resources already available in our economy. By turning waste to value, we take responsibility, helping to combat climate change and protect the environment around us.

OUR SOCIETY
By investing in recycling that cleans up waste streams, we are bringing value to the circular economy and the surrounding society. Through our high quality material, we are ensuring food safety to the end-user and prolonged shelf life to minimise food waste.

Highlights and strategic aspirations

2022 HIGHLIGHTS

GROWTH IN RIGID FOOD PACKAGING

- The PACCOR acquisition increased our commercial and manufacturing footprint to cover most of Europe.
- Entry into the strategically important Dairy business via the PACCOR acquisition.
- Continued to demonstrate our resilience and managed to maintain our organic sales volume with strong demand for PET.
- US market entry.

SCALING RECYCLING

- New tray-line ordered with expected installation in Q4 2023 which will triple our PET tray recycling capacity.
- Record high volumes of post-consumer PET trays recycled in 2022 with an increase of 50% vs 2021.
- Continued development of the Technical Platform supporting the new tray wash line and reducing waste.
- Market tailwind with more countries planning to introduce virgin plastic taxes and minimum amounts of recycled content in packaging.

SUSTAINABILITY LEADERSHIP

- Committed to the Science Based Targets initiative to reach net zero carbon emissions.
- Introduced higher standards for renewable energy sources going forward – and moving into Power Purchase Agreements and one-site solar panels with focus on providing additionality to the electricity grid.

ORGANISATIONAL DEVELOPMENT

- We have established a systematic talent development and feeding system for succession planning with an internal recruitment percentage of approximately 40% prior to this year's acquisitions.
- We have implemented the first steps in our People Factor Platform with the focus on ensuring state-of-the-art factories, a safe working environment, proper on-boarding, equality and our continued ability to attract the talent needed to support our long-term growth.

2025 ASPIRATIONS

Growth in rigid food packaging: Continued focus on organic growth in our rigid food packaging business targeting double market growth i.e., taking market shares from competitors and through well-selected M&A activities.

Scaling recycling: We aim to increase our recycling capacity to at least 5 billion food trays annually on a European level. We will also aim to increase the geographical scale of the recycling business to address the PET tray waste currently being sent to landfills or incineration plants in Europe.

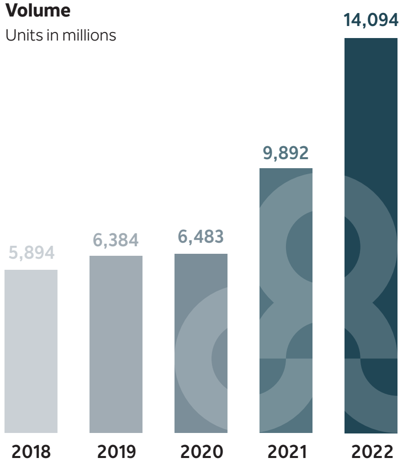
Sustainability leadership: We aim to have entered PPAs for all our sites and installed on-site solar panels, where it makes sense, to support our race towards net zero emissions.
In addition, we want all sites to take the Operation Clean Sweep Pledge to ensure we take all necessary measures to prevent plastic pellets, powder and flakes loss into the environment.

Organisational development: We aim to be widely recognised as a great place to work and as a company with a strong and decisive culture based on Faerch's unique heritage. Our aim is to attract the best talents on the market and to provide attractive opportunities for individual growth and development.

> *Faerch is dedicated to creating a future with less waste, utilising the resources we already have extracted, and decarbonising our world.*

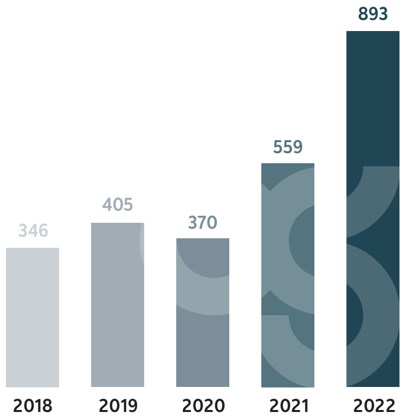
Financial highlights

Volume
Units in millions



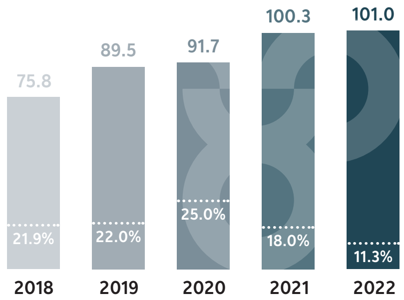
With the acquisition of PACCOR and MCP USA in 2022, Faerch has become a global supplier of food packaging with a focus on Ready Meals, Fresh Meat, Food-To-Go and Dairy. Organic sales volumes were flat in 2022 due to the difficult market conditions.

Revenue
EUR in millions



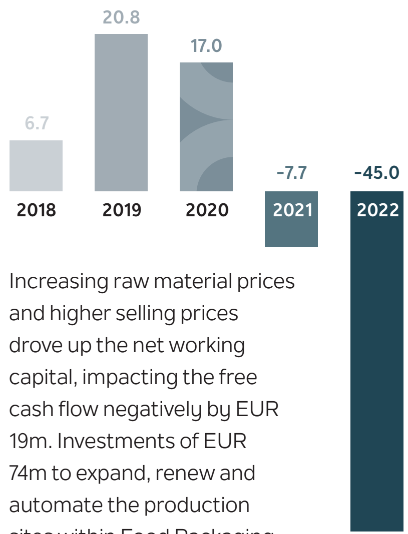
Revenue grew by 60% driven by the PACCOR acquisition. Organic revenue growth was 18% driven by resin pass-through and price increase to counter increase input costs.

EBITDA (before special items)
EUR in millions



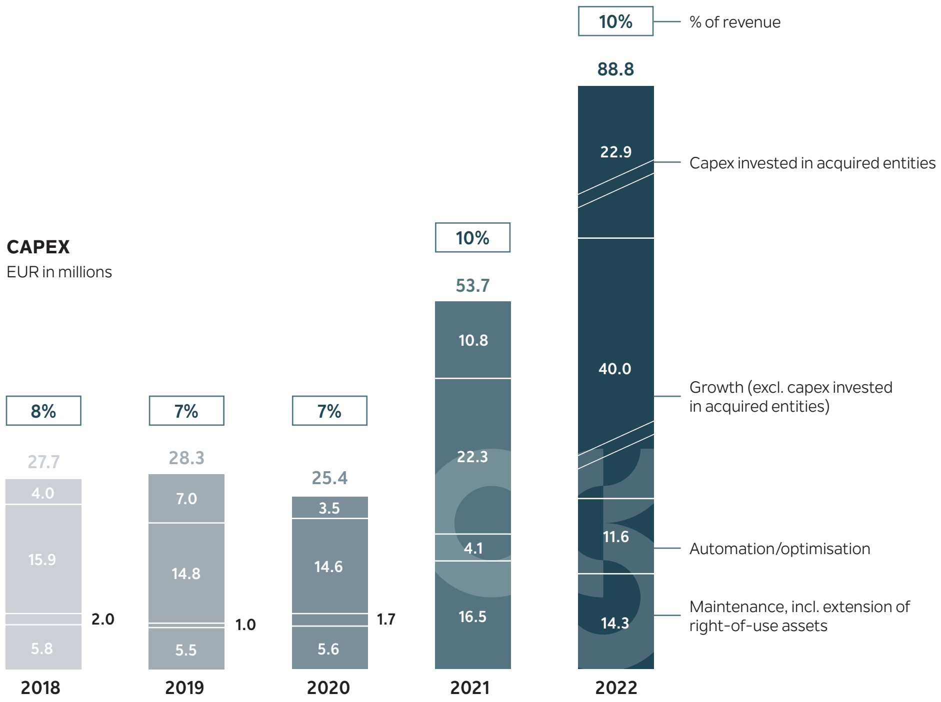
The headwind from increasing input costs resulted in a negative organic EBITDA growth, which was mitigated by the addition of EBITDA from the acquired PACCOR entities from 1 September 2022. Margin negatively impacted by the high input costs and the acquired businesses operating at lower margins. MCP USA were acquired December 2022 and did not contribute to the 2022 EBITDA for the Group.

Free cash flow (excluding acquistions)
EUR in millions



Increasing raw material prices and higher selling prices drove up the net working capital, impacting the free cash flow negatively by EUR 19m. Investments of EUR 74m to expand, renew and automate the production sites within Food Packaging and Recycling.

CAPEX
EUR in millions



Total CAPEX amounted to EUR 88.8m with significant investments into extrusion, thermoforming and recycling capacity to support the future growth. Investments in PACCOR mainly focused on optimisation and automation of key sites in Poland and Hungary.

Operating, financial and sustainability review

Being a global manufacturer of rigid packaging for the food industry, the significant political and economic turmoil caused by the war in Ukraine, continuing supply chain constraints and inflation not seen in decades, impacted Faerch' s business in a negative way. However, despite the many challenges, Faerch kept all sites running and supplied customers on-time and to the usual high quality standards throughout the year.

In the first half of 2022, Faerch experienced a strong like-for-like volume growth across all markets, however, as inflation started to hit many of our key markets in the third quarter of 2022, demand started to decrease resulting in a negative volume development in the second half of the year. In Q4 2022, this development led to the decision to balance capacity and as a result hereof, reducing the workforce across the Faerch Group.

With input cost increasing dramatically on especially raw materials and energy, the commercial focus quickly turned to protecting Faerch' s margins through passing on part of the cost increases. This focus continues into 2023 with the aim of restoring Faerch margins to historic levels.

M&A activities in 2022

Effective 31 August 2022, Faerch acquired 100% of the shares in PACCOR Holdings GmbH excluding the UK business 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. Total enterprise value amounted to EUR 1,039m, of which EUR 433m has been allocated to goodwill through the purchase price allocation.

"Despite the many challenges, Faerch kept all sites running and supplied customers on-time and to the usual high quality standards throughout the year.

With effect from 15 December 2022, Faerch acquired 100% of the shares in MCP USA Inc., a US-based manufacturer of rigid food packaging primarily for the Ready Meals segment. The acquisition marks the entry of Faerch into the strategically important US food packaging market. Total enterprise value amounted to EUR 44m, of which EUR 20m has been allocated to goodwill through the purchase price allocation. The acquisitions were financed through capital injections from the shareholders of EUR 565.7m and additional senior debt from the bank group.

Following the acquisition of PACCOR and MCP USA, the pro-forma financials for 2022 for the Faerch Group were revenue of EUR 1.4 billion, an EBITDA of EUR 155m and 5.600 employees.

Revenue

Revenue in 2022 amounted to EUR 892.8m (2021: EUR 558.8m), equalling a growth of 60%. Of the total revenue, the Food Packaging Business accounted for EUR 882.2m (2021: EUR 541.5m), i.e. a growth of 63%. Measured in volume, sales grew by 53% from 9.89bn trays in 2021 to 14.09bn trays in 2022. The strong revenue growth was driven by the addition of the PACCOR business which contributed with EUR 223.5m

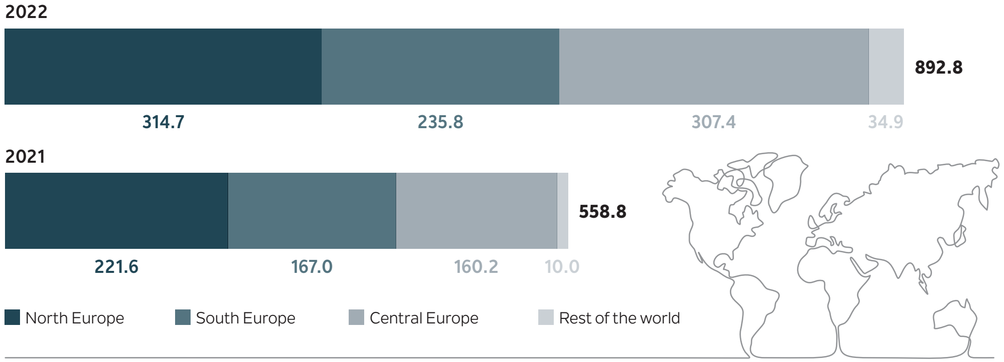
to the revenue growth. The underlying organic growth was strong with 18% revenue growth, despite a flat volume development. The organic revenue growth was within the range estimated in the 2022 Outlook, as the effect of increasing sales prices more than offset the flat volume development.

Raw material prices increased significantly during 2022, with average increases of 38% compared to 2021. It was only towards the end of 2022 that prices once again began to decrease to 2021 levels. Part of raw material price increases were passed onto customers either through contractual pass-through mechanisms or through discretionary price increases for non-contracted customers driving the increase in sales prices.

Revenue in Northern Europe, including the United Kingdom, and other key markets like Denmark and Sweden, grew by 42%, with an underlying organic growth of 27%, driven by higher raw material prices and a tonnage growth of 6%.

In Southern Europe, including key markets like France, Italy, and Spain, revenue grew by 41%, organically by 18% driven solely by the resin pass-through, as tonnage contracted by 5% due to discontinuation of certain product ranges.

Revenue by geographic segment
EUR in millions



Revenue in Central Europe, including some of PACCOR's key markets like Germany, Poland, and the Netherlands grew by 92%, with an organic revenue growth of 11%, on the backdrop of an 8% tonnage decline.

Revenue in the Recycling Business was recorded at EUR 73.4m (2022: EUR 56.0m) of which EUR 62.8m was sales to Group entities in the tray segment (2021: EUR 38.7m). The increase in sales to Group entities is a result of the continued improvement of recycled tray material output, with more than a 50% increase in tonnage compared to 2021, and higher average sales prices due to the increased share of tray material. The decline in external sales was further accelerated in 2022 due to a strategic decision to shift external sales to internal sales. During 2023, the sheet capacity in the Recycling Business will be transferred to food packaging production sites in order to optimise the factory footprint within the Group.

During 2022 the number of trays being recycled at the site in Duiven increased from 425m in 2021 to now 688m.

Gross Profit

Production costs for the year amounted to EUR 753.2m (2021: EUR 429.0m), of which EUR 739.14m related to the Food Packaging Business (2021: EUR 412.7m). Food packaging production cost per kilo increased significantly driven by increasing raw material prices and cost inflation on other input costs such as energy and packaging, especially during the first three quarters of the year. Consequently, the gross profit margin in the Food Packaging Business declined from 23.8% in 2021 to 16.2% in 2022.

Production costs in the recycling segment amounted to EUR 81.0m vs EUR 55.1m in 2021, with the increase being driven by higher bottle bales prices and energy prices, together with an impairment charge on production assets of EUR 4.6m. This is related to a strategic decision to discontinue the processing of bottle bales and solely focus on tray bales from 2023 onwards. As a result, the value of the bottle processing assets has been impaired. Gross profit margin decreased from 1.6% in 2021 to -1.1% in 2022 as the benefits from the operational improvements on the recycling activities, and the ramp-up of the tray line were more than offset by the one-off impairment charge.

Developing sustainable packaging solutions continued to be a key area for the Group in 2022, which resulted in additional closed-loop recycling schemes and increased usage of post-consumer recycled tray material. In parallel, global supply chain constraints made the supply situation volatile, which increased the need for validating alternative suppliers to secure supply. In addition, several initiatives were implemented to benefit even further from economies of scale and to reduce operational complexity.

Capacity cost

Sales and distribution costs amounted to EUR 92.0m (2021: EUR 66.8m). The increase is mainly attributed to the addition of the PACCOR entities. Also, inflationary pressure on logistics including warehouses services costs drove up sales and distribution costs.

Administrative costs amounted to EUR 45.3m (2021: EUR 29.4m). Again, the addition of PACCOR entities has been the key driver for the increase. In addition, the Group invested in functions supporting strategic projects within integration of newly acquired entities, recycling and ESG.

Other operating income amounted to EUR 2.2m against EUR 1.8m in 2021, and mainly related to government grants incl. energy subsidies, and various income of non-operational nature including reversal of prior year cost provisions.

Other operating expenses amounted to EUR 3.9m (2021: EUR 2.1m), and mainly relate to cost of non-operating or non-recurring nature including loss on disposal of assets related to discontinued production activities, costs for project management office, and cost for various external consultants.

EBITDA and EBIT

EBITDA before special items increased from EUR 100.3m in 2021 to EUR 101.0m equalling a growth of 0.6%. The acquired businesses contributed with an EBITDA before special items of EUR 13.9m, hence on a like-for-like basis EBITDA decreased due to the significant headwind from increasing input costs which were not fully passed onto customers.

Operating profit before special items was EUR 0.6m (2021: EUR 33.1m), as the increased EBITDA was offset by higher depreciations and amortisations as a result of the acquisitions.

Special items

Net special items amounted to EUR -22.5m against EUR -11.5m in 2021. Special items include acquisition costs of EUR 9.3m (2021: EUR 8.4m) related to advisory costs related to the PACCOR and MCP USA acquisitions. Integration costs of EUR 7.5m (2021: EUR 1.8m) were incurred and primarily related to restructuring in PACCOR, the rebuild of the Castelbelforte site in Italy and the factory footprint changes in Cirrec. A more detailed breakdown of special items is included in note 1.4 of the consolidated financial statements.

Financial items

Net financial items amounted to EUR -26.6m against EUR -47.1m in 2021. Net interest costs were EUR -26.3m against EUR -21.0m in 2021. The increase is mainly attributed to the additional debt to fund the acquisitions obtained through a refinancing in the third quarter of 2022. Net foreign exchange related adjustments were positive by EUR 5.3m against a loss in 2021 of EUR 16.8m. The gain is attributed to exchange rate gains on GBP nominated loans. In connection with the refinancing of the senior debt, previously capitalised credit fees of EUR 3.2m were expensed under Other Financial Expenses.

Tax

Tax for the period amounted to an income of EUR 4.1m against EUR -0.6m in 2021. The effective tax rate was negative by -8.4%. The effective tax rate for the Group was impacted by interest deductible restrictions and various non-deductible expenses including transaction costs.

Earnings

Loss for the year recorded EUR -44.4m against a loss of EUR -26.0m in 2021. The negative result is a consequence of increasing input costs and high costs of a non-recurring nature including transaction costs, impairment of assets related to discontinuation of business activities and refinancing costs.

Cash Flow

Cash flow from operating activities were positive by EUR 32.3m (2021: EUR 32.4m). Like in 2021, the free cash-flow was negatively impacted by a significant increase in the working capital as a result of the increases in raw materials and other input costs. As such, change in the working capital was negative by EUR -19.3m (2021: EUR -26.4m) driven by increases in trade receivables and inventories, which only to some extent was offset by an increase in trade payables.

Net interest paid amounted to EUR 22.8m, slightly below the amounts paid in 2021 (EUR 23.0m).

Corporation tax paid in 2022 was EUR 14.3m against EUR 8.5m in 2021. The increase is explained by ordinary payment of taxes from 2021 and instalments for the income year 2022 incl. payments in the acquired entities.

Cash flow from investment activities amounted to EUR 290.6m for 2022 against EUR 192.3m in 2021. The PACCOR and MCP USA acquisitions accounted for EUR 213.3m. Purchase of tangible assets increased by EUR 34.7m. The increase is explained by investments in additional extrusion and thermoforming capacity, automation and efficiency projects at several sites, as well as investment into the second tray bale processing line which will become operational in Q4 2023.

Free cash flow amounted to EUR -258.3m vs EUR -160.0m in 2021, due to the significant investments during 2022 including the PACCOR and MCP USA acquisitions.

Net financing activities amounted to EUR 281.8m which included EUR 565.7m in capital increases by the sole shareholder Faerch Group Holding A/S for acquisition funding, and a net decrease of borrowings of EUR 283.8m driven by repayments of borrowings in the acquired entities and ordinary repayments of long-term debts.

End of 2022, the Group's net-cash position was EUR 11.8m (2021: EUR -8.9m).

Investments

The Group's investments (including right-of-use assets) for 2022 were EUR 88.8m (2021: EUR 53.7m), equalling 8.7% of revenue (2021: 9.6%). Investments were to a large degree capacity related in order to support long-term growth and material conversion, including the expansion and re-build of the Castelbelforte site in Italy, that commenced in 2021 and Group best-practice investment in the factory in the Polish site . Other key projects relate to ongoing automation projects in PACCOR sites at Poland and Hungary and preparation for the installation of the second tray recycling line at the Duiven site in the Netherlands. Investments through right-of-use assets amounted to EUR 11.7m and mainly related to extension of lease agreements for production and warehousing facilities. The investment outlook for 2022 was EUR 52.0m (excl. right-of-use assets and investments through acquired entities).

Assets

As of 31 December 2022, total non-current assets amounted to EUR 2,405.2m equalling an increase of EUR 1,161.9m against 31 December 2021. The increase was due to the acquisition of PACCOR and MCP USA, which added non-current assets of EUR 1,146.0m including EUR 453.7m in goodwill. For further details on the acquisitions please refer to Note 4.1.

Inventories increased by EUR 110.5m of which EUR 93.1m was due to the PACCOR and MCP USA acquisitions. The remaining increase was mainly due to the increase in raw material prices during the year, which drove up the value of the inventories.

Trade receivables increased by EUR 45.8m of which EUR 50.3m was due to the PACCOR and MCP USA acquisitions. On a like-for-like basis trade receivables decreased, despite the strong revenue growth, driven by a strong focus on accounts receivable management. 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 80% as of 31 December 2022 (2021: 77%).

Other receivables increased by EUR 16.2m due to amounts withheld as security for non-recourse factoring increasing as a result of the increasing trade receivables.

Cash and cash equivalents amounted to EUR 48.8m, which is an increase of EUR 39.9m compared to 31 December 2021.

As of 31 December 2022, the Group had total assets of EUR 2,854.7m against EUR 1,464.6m on 31 December 2021.

Liabilities

Total equity as of 31 December 2021 was EUR 1,196.7m against EUR 654.2m by the end of 2021, equalling an increase of EUR 542.5m. In connection with the PACCOR and MCP USA transactions, the Group's immediate parent, Faerch Group Holding A/S, performed capital increases providing cash to the Company to a total of EUR 565.7m. Other equity movements consist of the loss for the year of EUR -44.4m and other comprehensive income of EUR 15.6m. Long-term debt increased by EUR 547.0m from EUR 505.5m to EUR 1,052.5m. The increase was mainly caused by the acquisitions of PACCOR and MCP USA, where additional senior debt of EUR 443.0m was utilised to fund the acquisitions including repayment of existing debts in the acquired entities. To allow for this the Group entered a new 5-year Credit Facility Agreement in July 2022, which included refinancing of the existing senior debt and facilities to finance the acquisitions.

Net interest bearing debt amounted to EUR 1,111.0 as of 31 December 2022 (2021: EUR 563.8m), with the increase explained by the acquisitions.

Trade payables increased by EUR 99.1m to EUR 185.2m (2021: 86.1m) of which EUR 104.0m was due to the PACCOR and MCP USA acquisitions.

Other short-term debt increased by EUR 56.2m of which EUR 47.1m relates to the acquisitions.

Total liabilities were EUR 1,658.0 compared to EUR 810.4m on 31 December 2021, equalling an increase of EUR 847.6m.

Sustainabiliity

With the acquisition of PACCOR and MCP USA in 2022, we grew, not only in size, but also in impact and responsibility. The year 2022 will serve as our baseline year from which we can track future progress within the programmes in our newly introduced four P's framework (Planet, People, Principles of Governance and Prosperity). The collective aim of these programmes is to support the transition to circular rigid food packaging and ensure sustainable value creation.

Our focus has been on outlining the total CO_2e emissions across our entire value chain to identify must-win battles. Furthermore, we have taken the next ambitious step in a long race towards reaching net zero emissions by committing to the Science Based Targets initiative Net Zero Standard. In addition, we initiated a more ambitious Renewable Energy Procurement Strategy for the Group, moving into Power Purchase Agreements and on-site solar panels to contribute with additionality to the electricity grid. This will take years to finish, but we believe it is the right way forward in terms of stating 100% renewable energy. We want to set a higher standard, not only within our own industry but in general for companies claiming renewable energy in their operations.

Outlook 2023

While the turmoil in the raw material markets and the global supply chain challenges experienced in 2022 are expected to ease in 2023, the impact of high inflation and increasing interest rates is expected to negatively impact demand in 2023. However, Faerch's underlying business and pipeline remain strong and resilient, and the following strategic priorities apply for 2023:

Organic growth in tray business
Given that demand is expected to be soft in 2023, commercial focus will be on restoring margins to previous levels, by passing on all input cost increases to customers. Discussions with customers on 2023 price increases commenced in the second half of 2022, and a large part of the price increases were already agreed to take effect from January 2023.

Even though demand is expected to be soft, Faerch will continue to push the sustainability agenda by offering packaging solutions from Faerch's strong circular product portfolio. In addition, Faerch will specifically focus on growth in the Dairy segment, where the PACCOR acquisition has created a strong position.

Integration of acquired entities
Comprehensive integration programmes have been established for both PACCOR and MCP USA, and 2023 will see the execution of several tangible initiatives to start integration of the businesses into the Faerch Group both commercially and operationally. Clear priorities have been set with focus on the initiatives that bring the largest synergies to the Group. The synergy levels from the Business Plan have been confirmed, and we expect significant value creation from the integrations.

Continued cost leadership
We will continue to invest in our platforms to maintain and improve cost-leadership at all production sites through innovation, optimisation, and automation. Development of additional automation solutions is ongoing, and we expect to have the first site 100% automated within the coming 18 months.

US market entry
Both the PACCOR and MCP USA acquisitions have provided 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 for rigid food packaging and support our sustainability journey in the US. For the US CPET business, we target double digit growth rates and will increase local production capacity during first half of 2023.

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 2023 with the aim to have it fully operational in Q4 2023. The installation will triple the post-consumer PET tray waste recycling capacity in Faerch. In 2023, Faerch will also look to prepare installation of additional recycling lines in 2024 and 2025.

With the installation of the second tray wash line at the Duiven site, Faerch will simultaneously terminate the bottle wash line which confirms the focus on tray to tray recycling only.

Transparency and targets in sustainability
In 2023, we will work systematically on our five programmes to ensure and strengthen sustainable value creation. We will enter more Power Purchase Agreements to move closer to our goal of having signed PPAs and on-site solar panel contracts to cover all our electricity consumption by 2025 at the latest.

We will introduce environmental impact data on the products from our material platform through our well-established Product Search Platform containing all relevant information about the product to our customers. This will provide further transparency and make it easier to choose a more sustainable solution.

We will also conduct a Life Cycle Assessment (LCA) of the recycled PET (rPET) material at our recycling site, Cirrec. It will be externally verified, to be able to demonstrate the environmental benefits compared to virgin plastic materials, but also to create a baseline to further reduce the environmental impact of our rPET material to ensure it approaches zero over time.

We will continue to issue PwC audited rPET certificates from all our PET sites. To ensure that rPET percentages are not eroded, because internal virgin scrap are included as part of post-consumer and pre-consumer recycled percentages. Currently, it is a large issue in the market, where several use this method to inflate the rPET content and it is unfortunately still accepted by some accreditation companies.

In 2023, we will also take an important step in terms of climate ambitions and submit our CO_2e emission reduction targets for validation by the Science Based Targets initiative (SBTi).

Innovation
One of the focus areas in 2023 is to broaden the supply base of raw materials geographically with the purpose of securing supply and further cost savings without compromising on quality.

Group platforms and best practices will be implemented across sites to benefit from improved flexibility across production sites and capture the synergies.

Financial expectations
Based on the above focus areas, the 2023 outlook for Faerch Group is:

- Organic volume growth of 0-2% for the Food Packaging Business.
- Stable production output of recycled PET tray material, with the second tray recycling line becoming operational in Q4 2023.
- Increasing EBIT margins for both Food Packaging and Recycling Business, and operating profit for the Group in the range of EUR 85-100m.
- Investments of approximately EUR 90m (excl. acquisitions).
- Financial leverage reduction through improved free cash-flow

The Group has applied a EUR/GBP rate of 1.168 for 2023 (2022 actual average rate: EUR/GBP 1.173).

Expected operating profit

EURm 85-100

Expected investments

EURm 90

Excluding acquisitions

Expected organic sales volume growth

0-2%

Business risks

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.

Faerch Group's business is subject to a number of risks and uncertainties that could have both short and long-term implications for the Faerch Group. The purpose of the Risk Management report is to address and mitigate the identified risks in due time.

Executive summary
This report on Risk Management is the fifth regular report and covers the 12 months of 2022. Since the establishment of the Risk Management programme and the identification and selection of the top risks, no significant shifts in the overall risk exposure of Faerch Group have come to the attention of the Risk Committee. This is despite of the economic effect from Russia's invasion of Ukraine giving another massive setback of the global economy (inflations, commodity markets and supply chain disruptions etc.) which is still struggling to recover from the Covid-19 pandemic.

Furthermore, the attention is drawn to the fact that there has been no significant change in the principal risks during the period covered by this report and that the proposed mitigations are followed according to plan.

Reviewing the portfolio of identified risks
Faerch Group's risk policy focuses on maintaining a medium/low and predictable profile of all risks. The developments in Faerch Group's top risks are reported in the tables below. In 2023, the Business Units and key managers will have continued focus on the top key risks and key risk identification in cooperation with the Risk Committee.

"Faerch Group's risk policy focuses on maintaining a medium/low and predictable profile of all risks.

The Board of Directors
Overall responsible for corporate strategy, governance, performance, internal controls and risk management.

Audit Committee
Review effectiveness of the risk management framework and internal controls on behalf of the Board.

Group Executives
Management of the business and delivery of strategy.

Risk Committee
Risk assessment and the overall responsiblity for the Risk Management programme.

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.

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
1. Ability to source sufficient amounts of 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 globally. For the past few years and especially at the moment, we are experiencing a rapid increase in the demand for rPET material, corresponding to the increasing demand for recycled materials.	The ability to source enough raw materials has been challenged by the high level of pressure on the supply chain in general and the effects (and after-effects) of Covid-19. In 2022, Faerch has managed to ensure a continuous supply of raw materials to its production plants. With Faerch's integrated recycling facility (Cirrec) in the Netherlands and strong strategic partners, the established supply chain setup has demonstrated stability and flexibility. In 2023, the key objective is to maintain the positive developments with strategic partners and expand Faerch's recycling facilities to ensure the ability to secure sufficient raw materials that meet Faerch's requirements and quality standards. **Reviews** Half-yearly updates. **Strategy** Reducing risk – rated 2 in 2023. 1 2 3 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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.	In 2022, Faerch has ensured that alternative sources of utility supply are available. Furthermore, Faerch has ensured 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 compressors and transformers. During 2023, most of the operational risks will be managed at site level through ongoing maintenance and replacement of machines. **Reviews** Half-yearly updates. **Strategy** Reducing risk – rated 1 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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 impact could, however, be high.	In 2022, Faerch's procurement team has continuously carried out internal and external assessments of critical suppliers of raw materials to ensure the best quality and high safety. Also, Faerch has updated its internal and external Supplier Management procedures to ensure that all raw materials delivered to Faerch comply with product specifications. The so-called 'Supplier Approval Process' and 'Supplier Audit Control System' were updated in 2022 to ensure that Faerch's existing and new suppliers have continued focus on high quality and safety. Faerch has appropriate insurances in place to cover product liability. In 2023, Faerch will have continued focus on ensuring the best quality and safety from suppliers. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 1 in 2023 1 2 3 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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 by not being recycled. Such reputational factors can change customers' preferences and perceptions of plastics and packaging trends, which can affect demands.	The acquisition of Cirrec (prev. 4PET) was Faerch's initial answer to 'closing the loop' for PET trays and leading the way towards a sustainable circular economy for food packaging. Today, Faerch is one of the world's first integrated packaging suppliers to recycle PET trays on an industrial scale and transform used trays into raw material for new food grade products of the same quality. With Cirrec's bespoke technology, the company has achieved a break-through in sorting and processing household PET packaging of any colour. This allows Faerch to offer 'tray-to-tray' solutions on an industrial scale and provide a safe and sustainable choice for the food industry. 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 a persistent effort and strategy based on facts and transparency. In 2023, Faerch will have continued focus on upscaling tray-to-tray recycling and developing and promoting circular materials. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 2 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
5. Major breakdown of 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 from another site 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. In addition, Faerch monitors and ensures that critical spare parts are in stock. In case of major breakdown of extruders, Faerch has also ensured that purchase arrangements for sheets are in place with several suppliers. During 2023, additional thermoforming and extruder capacity will be installed. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2023. 1 2 3 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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. Overall, there are two types of ransomware. One is a form of malware that encrypts files and requires a ransom payment for decryption capabilities. The other is called a 'locker' that locks users out of their devices.	At Faerch, the risk has been mitigated on-going by implementing a web-filtering solution, a threat-response process and a ransomware safeguard mechanism. These systems provide an effective last line of defence by detecting attacks on any endpoint by known or unknown ransomware. The mentioned solutions will continuously help to identify infected devices, which are not detected by antivirus or other applications, and it will proactively identify IT systems with a high exposure level to future infections. In continuation of this, Faerch's mitigation strategy has been to educate employees by implementating different awareness campaigns and by developing a new e-learning course in cyber and information security. In addition, Faerch has taken out a cybercrime insurance and cooperates with reputable providers of incident response management and cyber risk assessments, which among other things, includes yearly tests of our defence and security platforms. For 2023, Faerch will have a continued focus on finalising ongoing IT integrations and initiate Security Compromise Assessment analysis of future acquisitions, prior to potential IT integrations. Additionally, Faerch will implement a Risk Assessment framework to continuously prioritise and share security risks at Faerch. Conducting yearly vulnerability scans will also be initiated in 2023. **Reviews** Half-yearly updates **Strategy** Reducing risk – rated 3 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
7. Loss of key employees Faerch has long standing relationships with key employees. The loss of any Faerch key employee could affect the business in the short term.	All sites have procedures in place for identifying and training key personnel, and some sites have also developed a 'learned lesson' tool in order to get critical knowledge written down. Faerch has established Best Practice Networks within Operations with a special focus on tooling, thermoforming, extrusion, maintenance and QHSE. This has enabled a more agile organisation able to work across different departments and sites, contributing to knowledge being shared. However, Faerch also needs to institutionalise ways of working within commercial areas to ensure knowledge and ways of working are well-documented. In 2022, Faerch has installed a systematic talent development and feeding system for succession planning. This means that Faerch systematically identifies and prepares potential successors and backup candidates by knowing our talents across the organisation and having a clear developing strategy of high potentials. With the acquisition of PACCOR and MCP USA in 2022, Faerch will have a structured approach to identifying key talents and quickly integrating them into our feeding system. In 2023, Faerch will work to include a group-wide mobility overview to enhance resource utilisation across Business Units to close skill gaps internally fast and efficiently. In addition, Faerch will strengthen this approach further by dedicating resources to run and follow-up on our organisational review process. **Reviews** Annual update **Strategy** Reducing risk – rated 2 in 2023. 1 2 3 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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.	At Faerch, the most critical logistic risk is freight. Regarding freight, Faerch has entered into logistic service contracts for continental Europe and UK with leading logistic suppliers. On an ongoing basic, these suppliers have been evaluated by Faerch's logistical team to ensure delivery performance and to get a deeper understanding of the day-to-day logistics business and to mitigate the specific challenges of today's road transportation. During 2023, Faerch will complete a tender within transportation. The objectives will be to secure the highest service level for Faerch's customers by selecting a minimum of priority partners to cover the full Group. **Reviews** Annual update **Strategy** Reducing risk - rated 2 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
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 sites and external 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 under our Fire Safety Management and Health and Safety procedures are regularly inspected and audited by both internal and external specialists to ensure that Faerch's sites are operated in accordance with best practice. In addition, most of our external warehouses have sprinklers and smoke detectors installed. The overall aim of fire safety management is to identify and implement fire risk control measures to prevent fires, save lives and minimise business losses. In 2023, Faerch will have continued focus on fire prevention at Faerch's respective sites and external warehouses. All necessary insurances are also in place and renewed for 2023. **Reviews** Annual updates **Strategy** Reducing risk - rated 1 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

"The purpose of the Risk Management report is to address and mitigate the identified risks in due time.

DESCRIPTION OF THE RISK	MITIGATION, DEVELOPMENTS IN 2022 AND GOING FORWARD
10. Single-Use Plastic ("SUP") Directive (EU) 2019/904) 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 takes action against the ten (10) plastic waste items most often found on European 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) sticks for balloons and balloons, 4) food containers, 5) cups for beverages, 6) beverage containers, 7) cigarette butts, 8) plastics 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 plastic products which can easily be replaced is completely banned from 3 July 2021 while 'other [single-use plastic] 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 ("EPS"). For 'other [single use plastic] products', primarily single use plastic 'food containers' and single use '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 for preventing littering, and finally iv) waste management/clean-up obligations for producers (i.e. extended producer responsibility schemes ("polluter pays principle")). Specifically, the SUP Directive also sets minimum requirements for PET bottles which shall contain at least 25 % recycled plastic from 2025 and 30 % from 2030. Most 'food containers' are not affected by the new rules. Only in scenarios where the food is intended for immediate consumption, food containers fall under the scope of the SUP Directive because there is a larger risk that they can end up as waste on beaches or in nature as they are consumed and potentially not disposed of correctly 'on the go'. Food packaging such as 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 into a recycling infrastructure. Faerch Group (including PACCOR Group) is, however manufacturing some products which fall under the SUP Directive, essentially with regard to its beverage cups and EPS containers. The implementation of the SUP Directive on national levels with regard to consumption reductions, awareness campaigns etc. relating to 'other products' is ongoing and still at a rather inconclusive stage. Thus, overall impact conclusions in this respect can currently not be made for Faerch Group. However, on the one hand, some of Faerch Group's products (including PACCOR Group's products) have been discontinued due to the SUP Directive. On the other hand, the SUP Directive's minimum requirements for recycled plastic fit well into Faerch Group's recycling mission. A range of actions to mitigate the risks and take advantage of the opportunities arising out of the SUP Directive have been taken, not only with regard to the market restrictions and labelling requirements but also in view of the product design requirements. The UK also intends to introduce similar rules (including similar bans) from 1 October 2023. In 2023, Faerch Group will continue to adhere to and comply with the SUP Directive. **Reviews** Half-yearly updates **Strategy** Reducing risk - rated 2 in 2023. 1 2 3 4

Most unlikely 1 Unlikely 2 Likely 3 Most likely 4

No significant shifts in the overall risk exposure of Faerch Group have come to the attention of the Risk Committee.

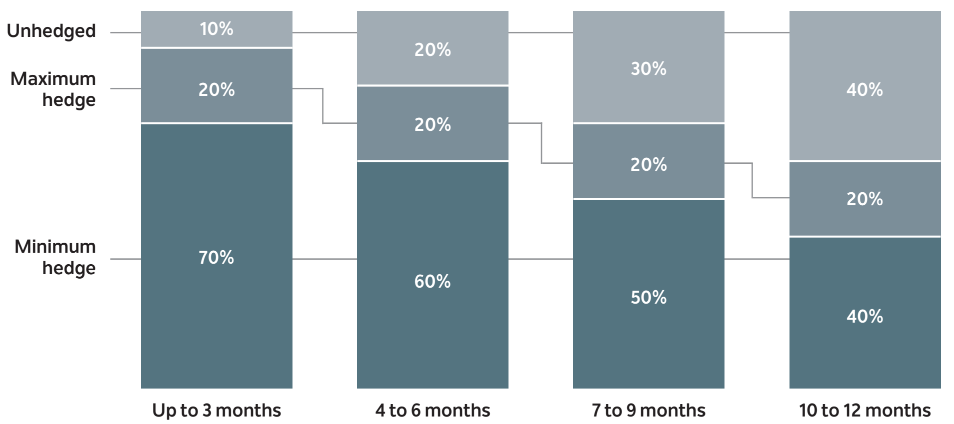
Financial risks

Faerch's financial risks relate to:

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

The Board of Directors approved the Treasury Policy at the end of 2022, which covers the risk exposure related to currency, interest and credit. The policy is reviewed at least once a year. The Group CFO is responsible for the Treasury Policy, and the Treasury Department is responsible for the daily management.

Descending hedge ladder methodology



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, Polish Zlothy and Hungarian Forint.

British pound

The Group has a surplus of approximately GBP 56 million yearly. Exchange rate movements in relation to the GBP is considered the company's biggest currency risk.

Before entering a financial year, the Group forecasts 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., events such as a Brexit.

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

Entering a new financial year, the Group can, according to the Treasury Policy, have an unhedged GBP exposure of GBP 25 million (45%). A 5% +/- change in the GBP/EUR exchange rate will affect the Group's result by EUR 1.4 million.

Other currencies

The FX risk related to other currencies will be hedged, where the Group has a material exposure. Materiality is defined as net exposure per currency exceeding the equivalent of EUR 3 million per quarter. The exposure materiality will be evaluated for the following currencies: PLN, CZK, HUF, TRY and USD.

Interest rate risk

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

In accordance with the Treasury Policy, the Group targets to have a minimum of 75% gross debt at fixed rate (either directly or through derivatives) for the next 12 months period and thereafter a minimum of 50% throughout the remaining tenor of drawn debt and based on the scheduled repayment profile. The Group targets to have the updated Interest Policy implemented before end of 2023.

In 2022, the Group entered into new loan agreements, and at the end of 2022, the Group has on average hedged 28% 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 7.5m in 2023.

During 2022, the Group's mortgage loan was increased from EUR 16.1m to EUR 27.8m and the loan was changed to fixed rate until 2027.

At the end of 2022, the value of the interest rate hedges was EUR +23.8m, reflecting the fixed rate on the hedges is lower than the fixed market rate.

Credit risk
Further information in note 3.3 (see page 85)

Liquidity risk
Further information in note 3.3 (see page 85)

Loan covenants
With the acquisition of PACCOR in August 2022, the Group entered into a new loan agreement.

The new facilities are subject to financial covenants in terms of a net leverage covenant of 5.0x effective from September 2023.
From January 2022 to December 2022, the Group complied with all covenants.

Tax
By operating the 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
28%

Hedged percent
Material currency exposure
45%

Internal control and risk management

The Board of Directors and the Executive Board are responsible for ensuring that the structure and control systems in the Group are suitable and functioning 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 through business intelligence systems and financial reporting tools.

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. This includes analysis and follow-up on variances to budgets and use of uniform 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. In 2022, the Executive Board launched a programme to further strengthen internal controls, taking outset in a risk assessment at Group Level, reviewing the control environment and control risks. Based on the risk assessment, the business processes with the highest risk exposure have been identified, and process descriptions and internal controls are being be prepared. The programme is expected to run over the next couple of years and will include all material entities in the Group.

"In 2022, the Executive Board launched a programme to further strengthen internal controls, taking outset in a risk assessment at Group Level, reviewing the control environment and control risks.

Laying the path for circularity

At Faerch, we focus on obtaining sustainable value creation. We identify the Sustainable Development Goals as our roadmap to align our company goals to serve the long-term goals of society. We do this by balancing short-term and long-term business priorities.

Our environmental, social and governance (ESG) performance is closely connected to our financial performance which is reflected in our four P's framework: **Planet**, **People**, **Principles** of Governance and **Prosperity**.

We will work consistently to integrate these four P's in every aspect of our business and to improve in every dimension to push the bar for sustainable value creation even higher.

Focussing on what matters most

Assessing materiality helps us identify and prioritise the sustainability issues that matter the most to our business and our stakeholders, from customers, consumers, and communities, to owners, suppliers, and employees.

In 2022, we made a double materiality assessment on sustainability related topics. We assessed the most material impacts to Faerch – both where we impact the planet and society the most and where our business is mostly impacted by the world around us. The material risks and opportunities within the areas of ESG have been identified based on universal and industry standards, and from interviews with various stakeholders, both internally and externally.

We have assessed 15 ESG topics as the most material and through our four P's framework, we have prioritized programmes to ensure that we continuously improve on these topics. Some programmes have already started, others are planned to start in 2023.

With the four P's framework, we are highlighting the need to look at sustainable value creation holistically, and work with multiple dimensions to ensure sustainability over time.

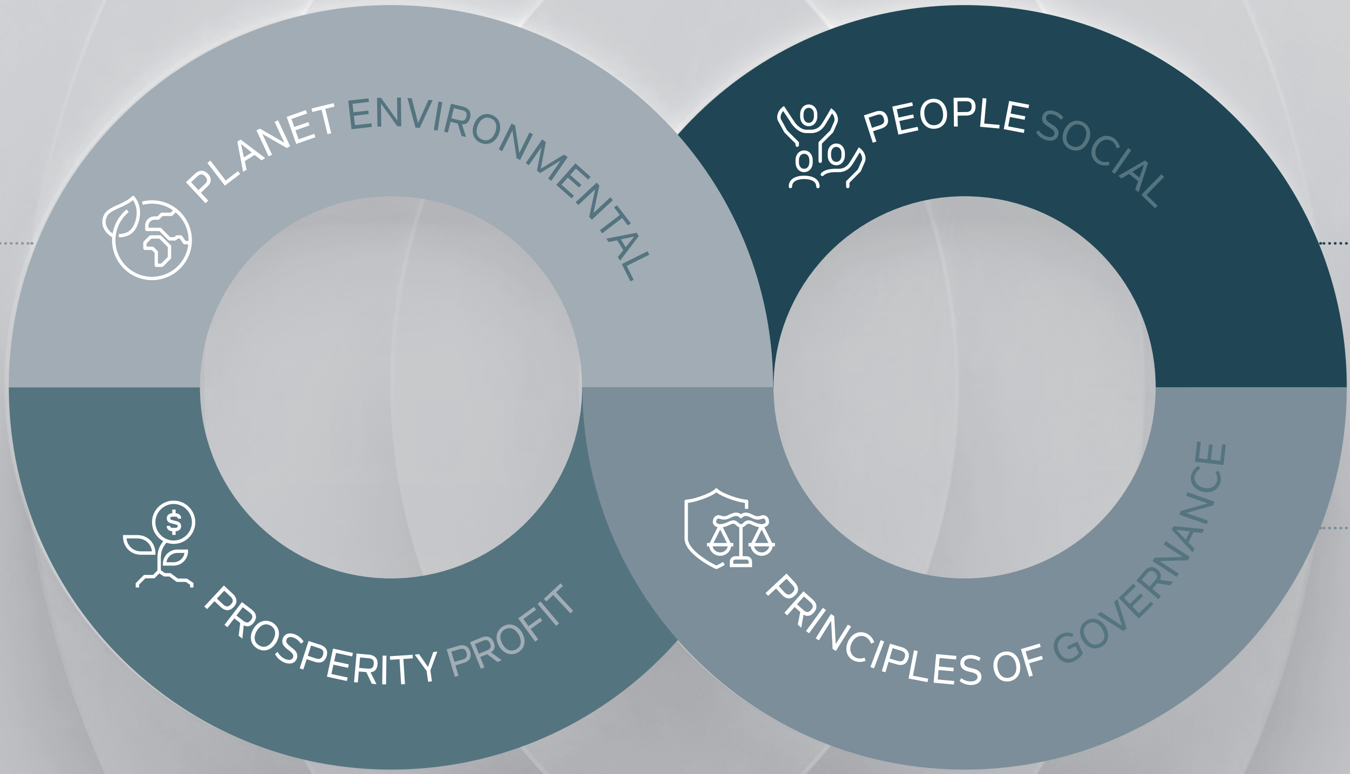
Environmental PLANET	Social PEOPLE	Governance PRINCIPLES OF GOVERNANCE	Profit PROSPERITY
- Climate change - Energy - Impact of product materials - Water usage - Waste - Biodiversity and ecosystems	- Human capital development - Diversity, equity and inclusion - Work safety - Product quality & safety - Human & labour rights	- Sustainable procurement - Environmental and socio-economic compliance - Business ethics - Data security	- Value creation - Profitable growth - Investment in new capabilities
PROGRAMME I Race to Zero PROGRAMME II Support our Planet	PROGRAMME III Unlock the Potential PROGRAMME IV Protect the People	PROGRAMME V Act with Responsibility	

Leading a true circular transition

The four P's framework

PROGRAMME I
Race to Zero

PROGRAMME II
Support our Planet



PROGRAMME III
Unlock the Potential

PROGRAMME IV
Protect the People

PROGRAMME V
Act with Responsibility

Sustainability oversight

Governance of sustainability is anchored with the Board of Directors and the Executive Management Team. Ownership and responsibility to drive actions across the various categories are anchored in the business to ensure alignment with priorities and a long-term focus on sustainability. In 2023, we will assign a sponsor from the Executive Management Team to each category, identified as our sustainability priorities from our double materiality assessment.

Across categories, a central SteerCo representing key corporate functions ensures direction, coordination, and subject matter expertise.

Underlining the commitment to the integrated sustainability strategy, the Board of Directors has committed to linking executive remuneration to key ESG targets from 2024.

As external expectations on sustainability issues continuously develop, and as our efforts progress, we recognise that our priorities will evolve, and our target-setting and reporting will mature.

Direction Policy

Audit Committee

The Board of Directors
Endorses sustainability as an integrated part of strategy review.

Nomination & Remuneration

Executive Management
Defines an integrated strategy and overseas implementation.

Investment Committee

Strategy Monitoring Reporting Coordination

Group Strategy

Group Sustainability
Facilitates and coordinates while keeping oversight, guiding and enabling category owners.

Group Finance

Responsible Action Plans

Planet / Environmental

Category	Owner
Energy	Procurement
Climate change	Sustainability
Environment and ecosystems	HSQE

People / Social

Category	Owner
Human capital development	HR
Diversity, equity and inclusion	HR
Employee relations and conditions	HR
Work safety	HSQE
Human rights	Sustainability
Product safety and quality	HSQE

Principles of Governance

Category	Owner
Business ethics	Legal
Sustainable procurement	Procurement
Data ethics and security	IT

Execution

Operations
Business units and operational levels are responsible for execution and to provide bottom up information for management, monitoring and reporting


RECYCLABLE FOREVER
Evolve by Faerch

AMBITION

Our ambition is to take climate action and reach net zero emissions by creating circular loops, to ensure low-carbon rigid food packaging, and prolong shelf-life through high quality materials lowering emissions by minimising food waste. We want our operations to be powered by 100% renewable energy obtained through Power Purchase Agreements and on-site solar panels to provide additional renewable energy to the electricity grid.

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

POLICIES

- Sustainability Policy
- Travel Policy

TARGETS

2025

- Signed Power Purchase Agreements (PPAs) for all sites

2030

- Reduced absolute scope 1, 2 and 3 GHG emissions 50% from a 2022 base year
- Powered by 100% renewable energy through PPAs and on-site solar panels

2040

- Reached net zero value chain GHGs emissions from a 2022 base year

ENVIRONMENTAL

Race to Zero

SPEEDING UP CLIMATE ACTION

We all have an obligation to contribute to speed up climate action and being a fast-growing global company, the contribution of our decarbonisation actions will only be even more impactful. Faerch is committed to being a frontrunner, within the food packaging industry, to reach net zero emissions as fast as possible.

Our commitments
In 2022, we have committed to the Science Based Targets initiative (SBTi) to align with the most ambitious aim of the Paris Agreement – to reach net zero global emissions by 2050 at the latest.

However, we want to increase the ambition by aiming for net zero across our entire value chain by 2040 at the latest and reducing our emissions 50% by 2030 compared to our base year (2022).

During 2023, we will submit our near-term (2030) and long-term (2040) targets and have them validated by the SBTi.

Our road to net zero
For us to reach our net zero commitment, a full transition into circular low carbon input materials are required. This is a path we have been on for some time already with recycled tray PET from our recycling plant Cirrec, and it is fully aligned with our current business model as an integrated recycler and the foundation of our strategy going ahead in terms of growth and scaling.

Our focus areas and must-win battles are energy efficiency, renewable energy (Power Purchase Agreements and on-site solar panels), recycled input material and supplier engagement. Some initiatives have already commenced, but we expect 2023 to be the year where we accelerate our initiatives on this area, and set concrete interim goals to reach our near-term target of a 50% reduction by 2030.

By using rPET we avoided 138,000 tonnes of carbon emissions, equivalant to approximately

90,000

households'

annual electricity consumption*

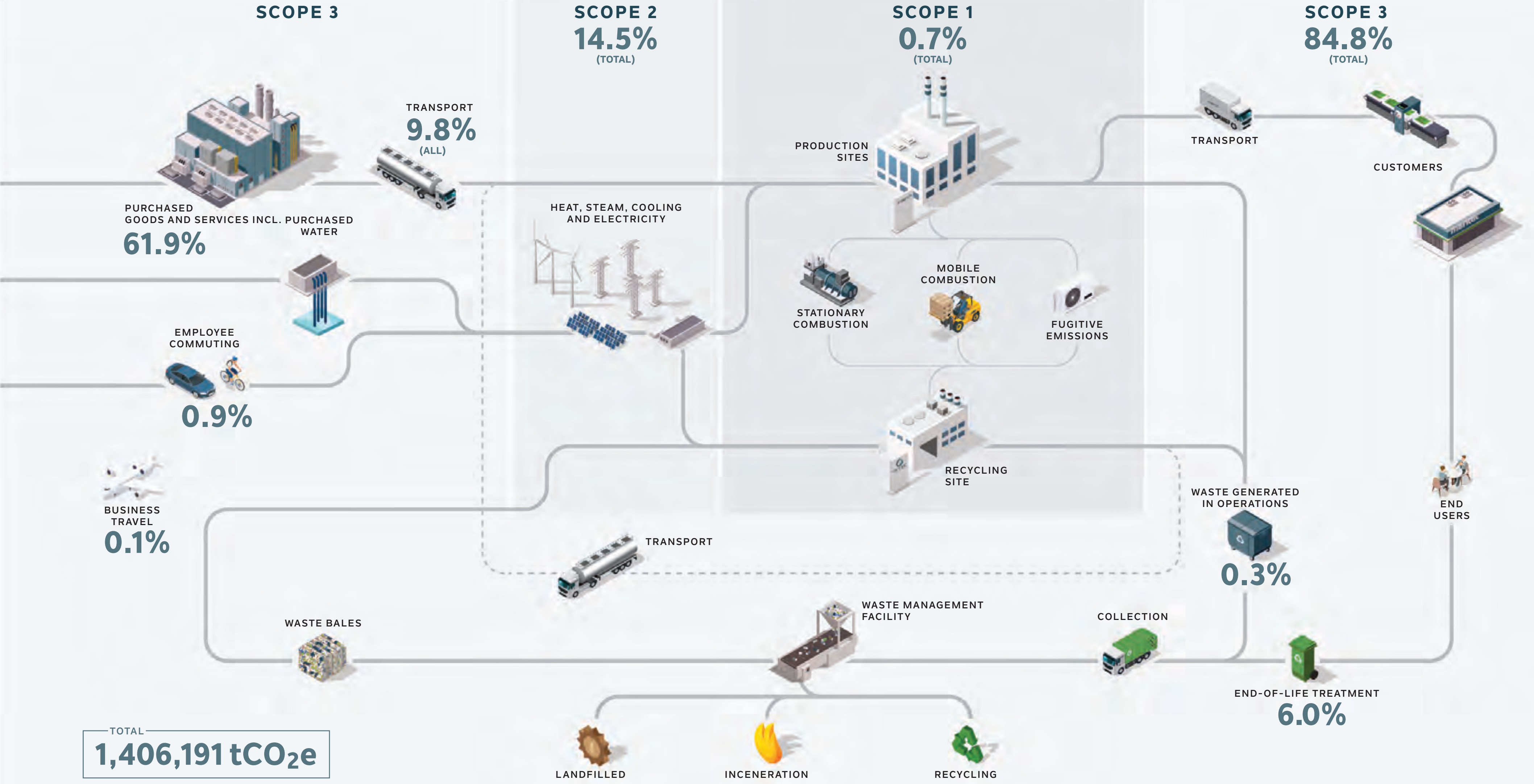
Energy efficiency in the Group platform
To Faerch, the best energy is the energy saved both in terms of emission reductions and costs. We will therefore continue our work to use energy-efficient technologies, and work continuously to reduce our energy consumption with our "Power of Faerch" programme focusing on energy efficiencies. In 2023, we will run a pilot project at a selected site in collaboration with external experts who will examine the portfolio of available solutions to make the site more energy efficient. These solutions will subsequently be rolled out in the Group where suitable and aligned with our Group Platform mindset. This will allow us to set clear guidelines on how Faerch sites should operate to become more energy and cost-efficient.

Scaling our recycling and engaging with suppliers
Over 60% of our carbon emissions are tied to our purchased goods. In line with our business strategy we will scale our recycling business and ensure that we are able to provide low carbon and circular input material into our food packaging business.

In addition we will work with our suppliers to reach our goals and ambitions. This will be done through a comprehensive Supplier Engagement

** Estimation of 1 tonne of CO_2e is equal to 0.65 households' annual electricity consumption in NL - calculated by climateneutralgroup*

GHG emissions across our value chain



Capital goods, upstream leased assets, and fuel and energy related activities not included in scope 1-2 account for 5.9%

The GHG emission calculations follow the GHG Protocol reporting standards. Scope 1 emissions comprise of direct CO_2e emissions from sources that are owned or controlled by Faerch A/S. Scope 2 emissions are based on consumed electricity, steam, heat and cooling. Of the 15 scope 3 categories in the GHG Protocol, only 10 categories are determined as applicable to Faerch's business model and activities. The excluded categories are category 10: processing of sold products, category 11: use of sold products, category 13: downstream leased assets, category 14: franchises and category 15: investment. For more information please refer to note 6.4 on page 103-104.

Programme. We will assess our suppliers and split them into two groups; high emitters and low emitters. Firstly, we will engage with the high emitters, being mostly our resin suppliers, due to their large quantities provided; ensuring they support our targets and are encouraged to set their own Science Based Targets with the SBTi. We will then continue to the low emitters.

Carbon footprint on products

In 2023, we will make a strong effort to ensure further transparency to respond to the increasing customer requests concerning our products' carbon footprint and other environmental impacts. We are convinced that by helping our customers decarbonise and achieving their environmental targets, we will move closer to achieving our circularity ambitions.

We want to unlock low carbon and circular solutions for our customers. Mono-PET is currently the sustainable material of choice being fully circular and naturally lower in carbon emission compared to virgin material. Furthermore, we expect the emissions for recycled PET (rPET) to approach zero in the coming years through greener waste collection, sorting processes and production of recycled material.

In 2023, we will perform an externally audited Life Cycle Assessment (LCA) of the recycled tray PET material being produced at our recycling plant, Cirrec. The assessment will enable us to demonstrate the environmental benefits of the material to stakeholders and to provide a baseline for systematically making the rPET material even more sustainable over time, as there is always room for improvements until reaching zero environmental impact.

Our roadmap to net zero emissions

☆ = Priorities

SCOPE 1 & 2

Own Operations

- All sites powered by 100% renewable energy through PPAs and on-site solar panels ☆
- Initiate "Power of Faerch" to ensure continuous energy efficiency and reduction in consumption
- Transition to electrical car fleet
- Convert all forklift trucks and other equipment from fossil fuels to electrical/renewable fuel

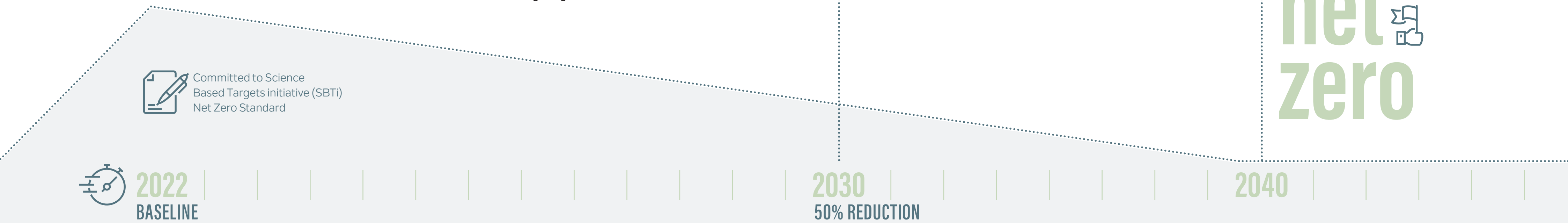
SCOPE 3

Value Chain Focus

- Convert to low carbon input material by scaling our recycling business and engaging with suppliers ☆
- Begin transition to low carbon transportation using electrical trucks and vans or renewable fuels
- Focus on increasing recyclable or reusable external packaging
- Waste reduction and segregation for reuse and recycling

Delivering Net Zero

Together with our partners and customers, we will support and further develop a net zero food packaging sector of the future, with a wide array of low carbon and circular products. Active partnerships supporting circularity are essential to lower carbon footprint and to measure and manage the sustainability impacts of our value chain. We will balance any remaining emissions through trusted third party verified climate solutions that benefit society as whole.



In 2022 we signed a PPA with Heartland, to supply renewable energy to our site in Holstebro, Denmark. The Heartland solar park is located only 8 km from the Holstebro site and consists of 500.000 solarpanels producing more than 205 GWh.

Higher standard for renewable energy

Faerch Group's energy consumption is spread across 32 locations in 15 countries, and our annual consumption is currently reaching over 560 GWh.

Previously, Faerch Group had bought guarantees of origin (green certificates) to secure the use of 100 % renewable energy. However, with the recent developments in the market it has become clear that guarantees of origin are not an effective tool for ensuring 100% renewable energy. Therefore, we have initiated a more ambitious plan focusing on contributing with additionality to the electricity grid. This will be through Power Purchasing Agreements (PPAs) and on-site solar panels, as we believe it is a more legitimate way to help accelerate the transition to a society powered 100% by renewable energy.

"As part of our commitment to secure 100% renewable energy, we are launching a new renewable energy procurement strategy focusing on long-term Power Purchase Agreements (PPAs) and on-site solar panels. Moving our focus is a major step towards achieving our goal to ensure 100% renewable energy consumption through additionality, where possible, by 2030. At the same time, we are actively helping to increase the amount of renewable energy in society and thereby reducing emissions", says Thomas Peter Vikkelsø Tranders, Group Category Director, Sourcing and Procurement and continues:

"With PPAs, we are ensured a long-term and attractive price agreement which will help secure long-term input price certainty at Faerch. The same goes for renewable energy developers and their lenders, where PPAs can help make new renewable energy projects financially viable."

We expect to have entered into PPAs for all sites no later than the end of 2025 and for all PPAs to be fully implemented 1-2 years later for solar and 2-3 years for wind. This will bring Faerch in line with the overall 1.5°C ambition of the Paris Agreement for our scope 2 emissions. When fully implemented, the PPAs will cover 80-100% of our energy consumption with on-site solar panels covering the rest. Our goal is to ensure renewable energy consumption and to achieve the best possible terms and attractive prices for electricity in the long run, being a sustainable solution both in terms of climate and finances. We also commit to transparent reporting on our progress made and will work to align our CO_2e-reporting with the 24/7 carbon-free energy principles.

CASE

AMBITION

Our ambition is to support our planet by minimising waste and create circular loops to decouple natural resource use from economic growth, reduce carbon emissions and protect our ecosystems, as no waste should ever end up in our water or nature regardless of material. We want to turn waste into value.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

POLICIES

- Sustainability Policy
- Environmental, Health & Safety Policy

TARGETS

2025
- All sites to take the Operation Clean Sweep Pledge

2030
- All packaging solutions designed for circularity
- Recycle more plastic than we sell
- Our food packaging operations becomes "circular to zero"

ENVIRONMENTAL

Support our Planet

CIRCULARITY IS KEY

PLANET ENVIRONMENTAL PEOPLE PROSPERITY PRINCIPLES OF GOVERNANCE

Waste should never end up in nature or oceans, not plastic, nor any other material. We aim to clean up waste streams by transforming tray waste into new trays, creating a circular loop – turning waste into value. We want to unlock the potential but recognise that much is still to be done in improving the eco-design of food packaging on the market, waste infrastructure and the culture around waste handling throughout in the world.

Material choice and design are essential to fully close the loop in food packaging. To transition into a circular economy, we need to see positive changes in product design from producers, waste management infrastructure from governments and littering behavior from end-consumers.

Eco-design is fundamental

In order for us to lead the transition to a circular economy within rigid food packaging, the availability of post-consumer household waste is crucial. However, this is one of our greatest challenges, as demand is significantly increasing, and plastic packaging collection rates are generally stagnating. This makes it difficult to source sufficient household waste material of the right quality. However, we are seeing tailwinds from legislation with commitments to circularity, which is being rolled out in the coming years through taxes and Extended Producer Responsibility schemes This will incentivise the use of circular materials when designing packaging products.

To encourage circularity and support the availability of tray waste, it is important that we interact directly with retailers and customers to create closed loops through take-back systems. An example is our Back at Store Programme with UK's largest retailer, Tesco. The programme sees 2,000 tonnes of retail ready tray waste going into a circular loop each year.

Being reliant on circular, mono-PET input material, we, as a producer have a responsibility and a great incentive to support the loop, with products that can feed into our own recycling plant. Our acquisitions in recent years underline our commitment to lead the transition to circularity in food packaging, as well as our continuous journey to convert into mono-material PET.

With the acquisition of PACCOR in 2022, we went from having 15% Polypropylene (PP) material in our business to 43%. This increase in PP is challenging, but with it comes even bigger opportunities. It allows us to scale up conversions and make a significant impact on the rigid food packaging market, especially in Europe. With that said, we continue to keep a close eye on technological developments that could solve circularity issues related to other resin materials, especially PP, which could become technically and economically feasible for chemical recycling at a large industrial scale. Until then, we continue to support the conversion and increase of PET, being the only scalable circular solution available on the rigid food packaging market.

Reducing waste streams

Our recycling business enabled recycling of around 34,000 tonnes of household waste in 2022. The capacity is expected to grow in coming years in accordance with our business plan to scale up tray recycling.

In 2023, our new tray wash line will be installed at our recycling plant Cirrec in the Netherlands. This will increase capacity to around 55,000 tonnes and more than triple our PET tray recycling capacity, as we discontinue our current bottle wash line to accelerate tray-to-tray recycling.

Striving for less

Not all materials processed in our recycling plant meet the quality standards required for Faerch's products. Some are not even suitable as recycled content in our products. The input waste bales processed in our recycling plant reflect how well household waste is sorted. The current waste stream is challenged by mixed materials that cannot be separated in the recycling process, counteracting circularity.

Upcoming EU regulation, will make the future waste streams cleaner as a result of improved sorting, higher demands for eco-design and a harmonisation in product development. This will reduce the output waste stream from our recycling business significantly.

However, the regulation may be a long time coming. In the meantime, we will focus on partnerships to secure that everything that can be recycled, is recycled. For the non-recyclable materials called "waste-of-waste", we will ensure that they are used as alternative fuels instead of being landfilled. This will substitute fossil fuels and function as a stepping stone to minimise fossil-fuel dependency.

Environmental management

We want our food packaging operations to be circular to zero, meaning zero production waste is landfilled or incinerated, zero pollution going into air, soil or water and zero waste of water by reducing water use and reusing water whenever possible at our production sites.

Waste and water strategy

In 2023, we will outline a waste and water strategy and identify waste and water reduction initiatives and establish more partnerships to make sure that our production waste is recycled.

Operation Clean Sweep

In 2019, Faerch joined Operation Clean Sweep, a dedicated program to help every plastic resin handling operation achieve zero plastic resin loss. With our recent acqusitions we will ensure that all of our sites commit to this and implement the initiative as soon as possible, making sure we take all necessary measures to prevent plastic pellets, powder and flakes loss to the environment.

The Faerch Circularity Ratio

Currently, an estimated **1 bn pieces** of Faerch's products are fully circular out of our total **22 bn pieces** sold. We call this ratio the **"Faerch Circularity Ratio"**. The 1bn pieces are estimated based on the output of tray rPET from our Recycling Division and using an average APET tray weight to make mono-PET trays from tray rPET.

In Europe, around **106 bn pieces** of rigid food packaging are produced p.a. We need to increase the Circularity Ratio in the market. This is why we open up our recycling platform for competitors to establish rPET from trays (PTT) as a global commodity.

For more information on the ratios, please refer to page 105.

Replacing 330 tonnes of virgin plastic with recycled CPET

Material conversion is necessary to achieve true circularity in food packaging. In 2022, in collaboration with Bunzl Catering Supplies, we successfully designed and delivered a new range of innovative CPET bowls into the UK restaurant chain Wagamama. Thanks to the initiative, more than 8 million delivery bowls are now replaced with circular and recyclable food packaging made of 70% recycled content on average.

Output: The overall shift is expected to replace 330 tonnes of virgin plastic from Wagamama's takeaway each year and to reduce carbon footprint of its most popular dish, the Katsu Curry, by 62%. Thereby, getting our customers on the right path towards reaching their net zero emission targets.

David Lucas, Foodservice Sales Director for UK & Ireland says: "Faerch are delighted to be part of this initiative to create a Foodservice industry first. By Wagamama choosing CPET as the base material for this new product launch, they have made the right decision using fact-based sustainability information and ensured the quality of their food will not be compromised".

Fully recyclable into new food grade products

Made from up to 70% recycled content and fully recyclable into new food grade products of the same quality, mono-material CPET allows for true circularity. It is the material of choice for hot meals due to its superior functional properties and unique way of combining food safety and circularity. The Wagamama bowls are manufactured in a lighter creamy sand colour and are NIR detectable in UK recycling plants.

Bowl Bank – a bowl-return initiative

As a bonus to the initiative, Wagamama is introducing a bowl-return initiative called 'Bowl Bank', enabling its customers to bring back used packaging to its restaurants for recycling.

The bowls are collected by Bunzl Catering Supplies drivers while they are making their usual deliveries, utilising existing space on the vehicle. On return to the Bunzl Catering Supplies branches, the waste bags are put into dedicated recycling bins and sent for recycling via its waste management partner. Going forward, Faerch plans to collect this material for recycling, enhancing the closed loop of tray-to-tray in Europe.

CASE

Accelerating material conversion

Evolve by Faerch trays are reliably detected by today's sorting infrastructure and can, after use, be collected and recycled into new food packaging without any loss in quality.

In 2022, the Evolve by Faerch concept continued to increase in sales volumes, and many food producers have moved closer to a closed loop, driving true circularity in food packaging forward. In 2022, Evolve by Faerch accounted for 48% of Faerch's total CPET volume which is an increase of 8% compared to last year.

In Germany, several food producers within the ready meals segment have converted from black CPET to the Evolve by Faerch concept in 2022, allowing them to offer fully recyclable food packaging solutions made from post-consumer recycled material.

CASE

Keeping fresh meat products safe and protected

In partnership with Faerch, Danish beef and veal producer, Himmerlandskød, has launched truly circular mono APET trays for fresh meat made with 84% recycled content. The trays boast superior barrier and sealing properties, extending shelf-life and reducing food waste. With superior uniformity, the trays are designed for a smooth production flow.

CASE

SOCIAL

Unlock the Potential

A PEOPLE BUSINESS

AMBITION

Our ambition is to ensure that everyone can fulfil their potential with dignity and equality. We are committed to building an engaging corporate culture, which promotes diversity, inclusion, and personal development.

5 GENDER EQUALITY
10 REDUCED INEQUALITIES

POLICIES

- Employee Development Policy
- Policy for Gender Balance in Management

TARGETS

2025
- Minimum 27% women on the two management layers below the Board
- Maintain a minimum of two Board members of the underrepresented gender

2028
- Minimum 33% women on the two management layers below the Board

Our primary focus is on developing our organisation to meet the demands caused by the increased size and complexity of our Group. We will further align our structures and processes to ensure that knowledge and ways of working are well-documented.

We will establish a new set of training formats within specific areas to better support the growth of the business. It is a way of developing and institutionalising the Faerch Way of Working. We call it the Faerch Way of Leading and the Faerch Way of Selling. Furthermore, we will develop and implement our own in-house Setter and Maintenance eduction programme focusing on training our employees at the factories.

The People Factor
During 2022, we have implemented the first step in our People Factor Platform within the Faerch Group. In 2023, we will begin implementing the Platform in selected PACCOR sites.

We are a people business, and the People Factor Platform is one of our efforts to protect and develop our values and culture further across all our sites. The aim of the platform approach is to ensure fundamentals are in place to improve employee engagement and retention and increase attractiveness to new employees by operating with a best practice platform across all sites. Focus is on ensuring state-of-the-art factories, a safe working environment, proper on-boarding, equality, and that people enjoy working for us.

In 2023, we will continue the roll out and follow-up on the People Factor Platform implementation across sites to ensure we always stay the local employer of choice. This is part of our values and culture and a natural part of driving our business forward.

Ensuring the right people - feeding system
In 2022, we needed to scale up the organisation and our processes to adapt to our increased size and complexity and the speed needed. This is a focus that will continue into 2023. Developing the organisation therefore represents one of the most important enablers of our strategy.

We have established systematic talent development and an internal feeding system for succession planning, where we systematically identify and prepare potential successors and back-up candidates for all critical roles. We also have a clear development strategy of high potentials.

Our process has shown that the feeding system works as our internal recruitment percentage over the past three years has been at a high level around 40% prior to this year's acquisitions. In 2023, we will recruit a dedicated resource to drive this further as well as integrate the system into our acquired companies to ensure fast integration into our feeding system across the entire Group.

Graduate Programme
In 2022, we established our Future Faerch Generation programme. The programme focuses on developing a graduate programme, recruiting graduates within business relevant areas such as our technical area. The aim is to complement our already existing flow of new talent into our organisation through our trainee and apprentice education programmes.

At Faerch, we are happy to cooperate with students when it comes to case studies and internships. It is a great way to make our presence known and to give students an insight into an international business environment. It also allows Faerch to meet potential future employees and ensure a flow of new talents into the organisation.

Taking on new areas of specialisation

Olga Gammelgaard has been at Faerch since October 2020 where she started in our production as a Thermoform Operator. In August 2022, she was promoted to Planning and Purchasing Assistant. Olga is originally from Ukraine and has been in Denmark since 2014. Like Olga, many of our employees take their career into a new area of specialisation, pursuing greater responsibility and utilising their unique skills and educational background.

From apprentice to working abroad

Benjamin Bernt Jensen has been at Faerch since September 2019 where he started in a position as Sales Apprentice. During his apprenticeship, Benjamin built a strong knowledge about our customers and products. After having completed his apprenticeship, he was offered a position as Sales and Project Coordinator. Shortly after entering his new role, he was given the possibility to travel to the Netherlands for half a year taking on an important role in building a new, local Customer Service Centre. This gave him the opportunity to expand his professional skills, take on greater responsibilities and experience cross-cultural co-operation.

From student to starting a career

Dawid Kucaj is a great example of a graduate who did a case project for Faerch during his studies. Dawid was consequently offered a position as Student worker in our Group Controlling department. From 2023 Dawid will take on a full-time role as Business Analyst in Group Strategy.

CASES

Diversity, equity, and inclusion

We want to see a society where everyone is treated equally, and we are determined to achieve a culture where everyone can develop and thrive. In 2023, we will drive development towards a more diverse and inclusive organisation which is crucial to retain and attract the best people.

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 identity, nationality etc. A company where differences are respected and valued.

Inclusion will be the main driver for diversity going forward. Our policy for gender balance in management 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 equal career opportunities, including hiring procedures and conditions, internal promotion procedures and parental leave conditions.

In 2023 we will be launching a Diversity, Equity, and Inclusion Programme (DEI) to promote and improve these prioritised topics within our workplace.

Statutory gender reporting under Danish law

Large companies are required to set a target for the share of the underrepresented gender on the Board of Directors.

As of 1 January 2023 large companies are also required to set a target as well as a policy for the share of underrepresented gender at the two management layers below the Board[1].

As of 31 December 2022, the Board of Directors is regarded as having equal gender representation and is therefore not legally required to set a gender target for the Board[2].

As diversity remains important for the Board, it has maintained a voluntary 2025 target of having at least two shareholder-elected Board members of each gender.

In 2022, the share of women at the two management layers below the Board of Faerch was 25%, but the low level calls for an evaluation of our ability to attract women to leadership positions and not least to retain women in leadership positions. This will allow us to reach our short-term target of minimum 27% women by end 2025, and reaching at least 33% by 2028. It will be the stepping stones towards our long-term target of minimum 40% women at the two management layers below the Board.

[1] *Cf. the Danish Companies Act, section 139 (c).*
[2] *Cf. the Danish Financial Statements Act. section 99(b).*

Attract the potential and become a more inclusive workplace

"Leading the transition of food packing into a truly circular economy and following our strategy of combining innovation and cost leadership has always been demanding. In a much larger Group with a global footprint and operating in changing societies, it has become even more demanding.

To succeed, we need to attract and retain the best people. We cannot afford to leave potentials untapped. Embracing differences, we consistently need to ensure equal opportunities and make our Group more inclusive.

We will put additional focus on systematically establishing a more inclusive workplace – simply because it will make us better and more successful. Regardless of e.g., cultural background, origin, gender, mother tongue, age or nationality, everyone at Faerch needs to feel valued and respected, feel a strong sense of belonging, and all colleagues need be able to be themselves.

We respect the experience of long-serving colleagues, while appreciating the drive and new ways of working younger team members contribute with.

When we see groups underrepresented in specific areas, we spend time to understand the reason for it, systematically remove obstacles, and support them to quickly catch up.

We will always look for the right qualifications, skills and quality of personality because we want more colleagues who can help us promote our Faerch values of being reliable, act with integrity, foster collaboration and always focus on results. We are decent, responsible, and we care. Becoming more inclusive reinforces these fundamental values.

We as an organisation certainly have a way to go. I personally have a journey ahead of me, and I assume everyone has some blind spots. We need to spend time on this, asking ourselves where perspectives are underrepresented and how we drive change towards more inclusion and diversity without compromising on qualification and performance.

We need raise awareness for this important subject and act accordingly. If we are not consciously inclusive, we are unconsciously exclusive.

I expect the top management, all our leaders and colleagues to follow me in supporting the DEI programme which we will be launching during 2023."

Lars Gade Hansen
Group CEO

STATEMENT

PERFORMANCE HIGHLIGHTS

Members of the Board - gender composition

Baseline 2022

33% | 67%

Minimum composition 2025

33% | 67%

The gender composition of shareholder-elected board members in percentage.

The two management layers below the Board - gender composition

Baseline 2022

25% | 75%

Minimum composition 2025

27% | 73%

The gender composition in percentage at the the two management layers below the Board, meaning our Executive Management Team (EMT) and people with personnel responsibilities who report directly to the EMT.

SOCIAL

Protect the People

SAFETY FOR EVERYONE

AMBITION

Our ambition is to protect all people in our value chain. Our workforce through a healthy and safe working environment, our customers and end-users with products of the highest quality and by demanding fundamental human and labour rights for the workers in our supply chain.

8 DECENT WORK AND ECONOMIC GROWTH

POLICIES

- Quality Policy
- Sustainability Policy
- Human Rights Policy
- Environmental, Health & Safety Policy
- Health Promotion Policy

TARGETS

2023
- Reduce Lost Time Injury Frequency Rate (LTIFR) to 7.5

2025
- All sites to be covered by an Integrated Management System

We are committed to grow our business responsibly and the health, safety and well-being of our employees, temporary workers, contractors, and visitors is one of our most important priorities. Providing a safe work environment that supports personal growth and optimises well-being, is part of our culture and is deeply embedded in our values and purpose to make a difference in the food packaging industry.

Safety culture
We want promote a culture of safe behaviour that reaches beyond compliance. We work systematically to prevent work-related injuries and monitor our health and safety performance through systematic safety reporting and third-party management certification. In addition to complying with applicable legal requirements and regulations, we comply with prevailing industry standards and the internationally recognised framework for occupational health and safety management ISO 45001. Some of our sites are ISO 45001 certified. The remaining have started to prepare for the certification.

To promote a strong safety culture across our organisation, we have outlined both individual and shared responsibilities for health and safety.

Everyone at Faerch plays an important role in maintaining a safe work environment, spanning from top management to the last person employed. Through active engagement and communication at all levels of the organisation, we seek to promote a strong safety culture.

Integrated Management System
Our health and safety management system aims to support our ambitions, and it contains policies that defines responsibilities and obligations to ensure a systematic approach for protecting the health and safety of our employees and contractors.

The health & safety management system will be included in an integrated management system, which is planned to be implemented. the integrated management system will ensure natural integration of health & safety, quality and environmental ambitions in the daily work.

Leadership commitment
Visible leadership commitment is essential to promoting a strong and positive safety culture. Management at all levels at Faerch is obligated to promote and comply with our policy by:

- Encouraging a workplace culture where employees are committed to and accountable for taking care of themselves and colleagues in a healthy and safe way.
- Ensuring that all our facilities and technical equipment are maintained and meet high safety and appearance standards.
- Continuously developing and implementing risk management to understand risks, eliminate hazards and reduce impact by engaging employees in the planning and execution.
- Encouraging employees to work in a safe and healthy way – and to encourage reporting of unsafe and unhealthy situations and conditions.
- Ensuring that necessary skills and training are available to implement the Health and Safety policy.
- Engaging customers, employees, contractors, suppliers, and other stakeholders through dialogue to meet our health & safety standards.

Employee engagement
Employee engagement is essential to improving our Health & Safety performance. Employees, temporary workers and contractors must be aware of safety risks and committed to taking appropriate action. This requires a culture where people feel safe to raise safety issues and concerns to colleagues.

Improving our safety reporting with Assure

To align our safety reporting across the Group and to remove barriers to reporting, we introduced a new incident reporting system in 2022. The health and safety software Assure provides us with a comprehensive view of health and safety across our organisation by enabling us to report and capture data with ease. The system helps us to report incidents, near misses and unsafe acts without delay, and it encourages employees to think safety into their daily work.

By implementing Assure, we aim to lower the barrier to recording incidents. The system provides our people with simple, intuitive tools for reporting via PC, laptop, or mobile phone. When an incident is recorded through the system, the local organisation is alerted and can assign tasks to the right people. For incidents and near misses, a detailed investigation will be launched, and learnings will be distributed. For a reported hazard, the potential risk is removed, and a risk assessment is made.

Records can be made by everyone entering one of Faerch's sites, including both internal and external personnel. QR codes are placed in tactical locations in every manufacturing site. Simply scan the QR code, click on the link and you are directed to the portal for reporting an incident, near miss or a hazard observation. To overcome language barriers, the system is developed to handle eight languages.

The system includes a task manager providing a comprehensive overview of all tasks related to reported incidents, near misses and hazards. This allows for quick action and effective follow-assessment and follow-up.

Data captured in the Incident reporting system will be available in the Faerch Group Business Intelligence system for reporting and analysis. Incidents, near misses and hazards are categorised, analysed, and managed by Group Health & Safety to make sure that the right safety process improvements are prioritised to make the working environment at Faerch safer.

CASE

PERFORMANCE HIGHLIGHTS

Risk assessments
In 2023, we will continue to strengthen the health and safety performance across the Group. We will conduct risk assessments for each individual sites to identify, analyse and control hazards and risks. The risk assessments are essential to preventing potential risks and accidents. The risk assessments will be made in cooperation between the H&S responsible and the employees working on the shopfloor who know the process. This is also a part of the engagement and raising awareness of taking care of your own and your colleagues' safety.

Safety walks
Another action to come is regular safety walks, where various employees in cooperation with the H&S responsible will go through a planned area to follow up on conditions and behaviour. This will be filled into a template for safety walks. The purpose of the safety walks is to improve awareness of the importance of safety but also to encourage safe behaviour.

Lost Time Injuries
Today, we measure the number of lost time injuries per million working hours (LTIFR). Our target is to continue to decrease this number. In 2022, the LTIFR was 9.4. The acquisition of PACCOR and MCP USA makes historical data incomparable, therefore 2022 serves as our base year. Even though we see a movement in the right direction concerning injuries, we continue to intensify our efforts to drive further improvements. In 2023, our target is to reduce LTIFR to 7.5 reflecting our preventive and systematic approach to safety.

Going forward, we will introduce other KPIs based on data captured in the Incident Reporting system (Assure) to show the maturity of the Health & Safety work on each individual site.

Food safety
Food safety is essential to our business, and consumers should always be confident that the food they buy is safe to consume.

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 effort 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 of our products.

Introduced
safer handheld knives
to decrease the number of cutting injuries

Introduced regular meetings in groups between local H&S managers to
share knowledge
and good practice

Lost Time Injury Frequency Rate
9.4
The LTIFR is the reported number of accidents with absence per million nominal working hours. For more information please refer to page 106.

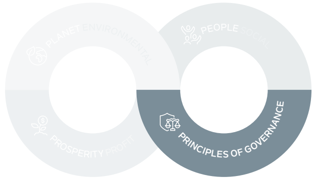
Quarterly newsletters to the whole organisation to
increase awareness
of H&S for all employees

We continuously aim at making the working environment at Faerch safer. Whether you are employed, a temporary worker or contractor...

RECYCLABLE FOREVER
Evolve by Faerch

GOVERNANCE

Act with Responsibility



AMBITION

We are committed to conduct our activities in a financially, environmentally, and socially responsible way with transparent business practices and high ethical standards.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

POLICIES

- Gifts policy
- Anti-corruption policy
- Fair competition policy
- IPR policy
- Procurement policy
- Trade compliance policy
- Human rights policy
- Modern slavery policy
- Whistleblower policy
- Privacy policy
- Supplier Code of Conduct
- Tax policy

TARGETS

2023

- Alignment of the compliance structures with new acquisitions (PACCOR and MCP USA)

2025

- Local compliance risk assessments carried out for each site
- Implement procedures to comply with EU's Corporate Sustainability Reporting Directive and EU's Corporate Sustainability Due Diligence

Responsibility
We are an international organisation committed to act as a proper and responsible group at all times, and we have imposed strict requirements on ourselves, including our employees, officers and directors, as well as our business partners, through internal and external policies and guidelines.

Training in fair competition, anti-corruption and GDPR
We actively support international and national 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.

We have a zero tolerance against corruption and anti-competitive behaviour.

By implementing and sending out guidelines, policies, e-learning courses and conducting on-site training for officers and employees, we actively fights inappropriate business conduct.

In 2022, 134 employees were trained on-site in anti-corruption and fair competition. A total of 398 employees have received on-site training, including the majority of our officers, directors, managers, sales and procurement personnel. To obtain a beneficial face-to-face dialogue, the on-site training of employees is often held in smaller groups of 5-15 employees.

In addition, a total of 666 employees have completed the e-learning training course in anti-corruption law, and 300 employees have completed the e-learning training programme in competition law. Our PACCOR colleagues did not have this training previously, which explains the relatively low number. The training will be rolled out in 2023 to all relevant employees. The training enables our employees to e.g., execute business negotiations, attend meetings and social events with knowledge and understanding of basic competition law and anti-corruption law in order to protect both themselves and Faerch against prosecution while contributing to upholding a fair and healthy market.

At Faerch, we also process personal data in different areas. To support our officers' and employees' understanding of personal data and how to deal with it, Group Legal has implemented a GDPR e-learning course. In 2022, 707 employees have completed the GDPR e-learning course.

Furthermore, Group Legal has prepared several GDPR procedures to ensure basic data subject rights, e.g., the right to access one's own personal data, the right to rectify one's personal data, the right to erase one's personal data. Any such requests from data subjects will be handled and answered by Group Legal.

We have also prepared policies and established technical and organisational measures to ensure i) that personal data is not accidentally or illegally destroyed, lost or changed, ii) that unauthorised persons do not get access to personal data and iii) that personal data is not processed in breach of GDPR in any other way.

Overall, personal data is deleted when storage of such is no longer needed for the intended and legitimate purposes.

In 2023, Group Legal will continue to focus on overseeing and improving Faerch's compliance programmes, including policies and internal guidelines on fair competition, anti-corruption and GDPR as well as sanctions, while also focusing on integrating the same principals to PACCOR and MCP USA.

Whistleblower scheme
Our 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, we have implemented a whistleblower scheme in co-operation with a renowned Danish law firm enabling employees, business partners (such as customers and suppliers) and other third parties to report suspicions or knowledge of unethical and/or criminal conduct (on anonymous basis if so desired). The whistleblower scheme includes whistleblower units on entity level. It is ensured that investigators in whistleblower units are – and remain - impartial. If, during the law firm's and the first whistleblower unit's investigations and assessments, it is ascertained that a whistleblower filing should be further dealt with, such filing will be reported to impartial members of management for further assessment and action.

The whistleblower scheme was launched in December 2018 and was updated in 2021 pursuant to new EU whistleblower legislation that came into force on 17 December 2021. The whistleblower scheme can be found on our websites. Employees have been informed hereof during compliance training sessions, in internal announcements and in introduction programmes. In 2023, we will look into ways of improving the whistleblower scheme due to a relatively low number of cases being reported to make sure it functions properly.

Supplier Code of Conduct

Faerch conducts business in a conscious way and follows the ten principles of the UN Global Compact. To ensure that our suppliers adhere to the same standards and guidelines as we do, Faerch has developed a 'Supplier Code of Conduct'.

The 'Supplier Code of Conduct' thus reflects the same ten principles as the UN Global Compact which covers human rights, labour rights, the environment and anti-corruption and was updated with improvements in 2022.

Each site director and/or relevant group function of Faerch Group is responsible for ensuring that new suppliers sign Faerch's 'Supplier Code of Conduct', while also ensuring that all signed Code of Conducts are stored within Faerch.

Further, we recognize our responsibility to continuously improve the quality and effectiveness of our human rights, labor rights, environmental and anti-corruption due diligence across operations and business relationships.

In 2022, PACCOR implemented a Supplier Onboarding Process with the purpose of obtaining (additional) relevant information for the due diligence which will e.g. help to secure fundamental human rights and labor rights and thereby proctecting workers in the value chain. This will in 2023 be rolled out to the entire Group.

Data ethics

The responsible use of data is an enabler for Faerch's business model. In line with our 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 has been adopted yet due to the strong existing data governance, but in context of the recent acquisitions and as part of the sustainability priorities Faerch will establish a formal data ethics and security policy in 2023, with accompanying governance measures.

PERFORMANCE HIGHLIGHTS

Reported cases about corruption **0**

2018-2021: 0 cases

Reported cases about unfair competition **0**

2018-2021: 0 cases

Reported cases about gifts over EUR 200 **3**

2018-2019: 0 cases / 2020: 3 cases / 2021: 1 case

Reported cases in our whistle-blower solution **3**

2018-2019: 0 cases / 2020: 3 cases / 2021: 1 case

Board of Directors

Henrik Poulsen (1967)

Member since:
2021

Current position:
Senior Advisor, A.P. Møller Holding A/S, since 2021

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

Nationality:
Danish

Jaska de Bakker (1970)

Member since:
2021

Current position:
Non-Executive Director

Other Board positions:
The Ocean Cleanup
Prysmian S.p.A.
Shop Apotheke Europe N.V.

Nationality:
Dutch

Marianne Kirkegaard (1968)

Member since:
2021

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

Other Board Positions:
AAK AB
Salling Group A/S
Pandora A/S
illycaffè S.p.A.
Biomar Group A/S

Nationality:
Danish

Ronald John Edward Marsh (1950)

Member since:
2013

Current position:
Professional Advisor

Other Board positions:
Chair of the UK Packaging Federation
Chair of the Alliance for European Polymers
Non-Executive Director of the Walstead Group Limited
SID and Chair of the Audit Committee at Walstead Group Limited

Nationality:
British

Sven Seidel (1973)

Member since:
2018

Current position:
CEO, Phoenix Pharmahandel GmbH & Co KG, since 2019

Other Board positions:
Currently no other Board positions

Nationality:
German

Jan Thorsgaard Nielsen (1974)

Member since:
2021

Current position:
CIO, A.P. Møller Holding A/S

Other Board positions:
Chair, KK Wind Solutions A/S
Vice Chair, Danske Bank A/S
Lego A/S

Nationality:
Danish

Brian Troldtoft (1963)

Member since:
1995

Current position:
Thermoforming Technician, Faerch A/S

Nationality:
Danish

Torben Toft Jensen (1970)

Member since: 2015
Current position: Technician, Faerch A/S
Nationality: Danish

Thomas Skovgaard Lauridsen (1975)

Member since: 2019
Current position: Technician, Faerch A/S
Nationality: Danish

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

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

Kilian Braunsdorf (1975)
Regional CEO – PACCOR

Member since:
2022

Previous experience:
CFO, PACCOR
Senior Vice President Finance, Constantia Flexibles Group GmbH
Managing Director, Constantia Flexibles Germany GmbH
Manager, Arthur Andersen GmbH & Ernst & Young AG

Consolidated financial statements

Table of contents - Consolidated financial statements

Consolidated income statement and consolidated statement of other comprehensive income

1 JANUARY - 31 DECEMBER

Note	EURm	2022	2021
1.1	Revenue	892.8	558.8
1.2	Production costs	-753.2	-429.0
	Gross profit	**139.6**	**129.7**
1.2	Sales and distribution expenses	-92.0	-66.8
1.2	Administrative expenses	-45.3	-29.4
1.3	Other operating income	2.2	1.8
1.3	Other operating expenses	-3.9	-2.1
	Operating profit (EBIT) before special items	**0.6**	**33.1**
	Specification:		
	Earnings before interest, tax, depreciations and amortisation (EBITDA)	101.0	100.3
	Depreciation, amortisation and impairment losses, net	-100.4	-67.2
	Operating profit (EBIT) before special items	**0.6**	**33.1**
1.4	Special items	-22.5	-11.5
	Operating profit (EBIT)	**-21.9**	**21.6**
3.1	Financial income	16.1	12.9
3.1	Financial expenses	-42.7	-60.0
	Profit before income tax	**-48.5**	**-25.4**
4.3	Tax on profit for the year	4.1	-0.6
	Profit for the year	**-44.4**	**-26.0**
	Of which:		
	Non-controlling interest	0.5	-
	Faerch A/S' share of the profit	**-43.9**	**-26.0**

Note	EURm	2022	2021
	Statement of comprehensive income		
	Profit for the year	-44.4	-26.0
	Items that will be reclassified subsequently to the income statement when specific conditions are met:		
	Unrealized gain / loss on hedging reserves	23.7	1.8
	Tax on unrealized gain / loss on hedging reserves	-5.2	-0.4
	Foreign exchange adjustment on translation	-5.0	6.3
	Tax on foreign exchange adjustment	2.5	-3.2
	Total comprehensive income for the year	**-28.3**	**-21.5**
	Of which:		
	Non-controlling interest	1.0	-
	Faerch A/S' share	**-27.3**	**-21.5**

Consolidated balance sheet

31 DECEMBER

Note	EURm	2022	2021
	Assets		
	Goodwill	1,027.8	576.5
	Brand	156.5	155.7
	Customer relations	453.9	169.9
	Other intangible assets	19.5	10.5
2.1, 2.2	**Intangible assets**	**1,657.8**	**912.6**
	Land and buildings	207.3	99.2
	Plant and machinery	397.1	173.0
	Fixtures and fittings, tools and equipment	31.0	25.5
	Fixed assets under construction	64.7	23.0
2.3	**Tangible assets**	**700.1**	**320.8**
4.3	Deferred tax assets	28.9	10.0
3.2	Derivatives, non-current	16.5	-
	Other non-current assets	1.9	-
	Total non-current assets	**2,405.2**	**1,243.3**
2.4	Inventories	212.5	102.0
2.5, 3.2	Trade receivables	139.4	93.6
	Other receivables	30.9	13.4
3.2	Derivatives, current	8.2	1.3
3.2	Prepayments	4.5	0.2
3.2	Current tax assets	5.3	1.9
3.2	Cash at banks	48.8	8.9
	Total current assets	**449.5**	**221.3**
	Total assets	**2,854.7**	**1,464.6**

Note	EURm	2022	2021
	Equity and liabilities		
3.6	Share capital	10.7	9.8
	Reserve for currency translation	-2.0	0.5
	Retained earnings	1,183.3	643.9
	Equity attributable to Faerch A/S	**1,192.0**	**654.2**
	Non-controlling interest	4.8	-
	Total equity	**1,196.7**	**654.2**
3.2	Borrowings	1,052.5	505.5
3.5	Provisions	4.0	-
4.3	Deferred tax liabilities	181.3	93.8
	Total non-current liabilities	**1,237.8**	**599.3**
3.2	Borrowings	90.5	44.9
	Debt to Parent Company	16.8	22.3
3.2	Trade payables	185.2	86.1
	Current tax liabilities	13.2	6.2
3.2	Derivatives, current	0.3	0.7
3.5	Provisions	3.8	-
3.2, 3.4	Other short term debt	106.1	49.9
3.2	Deferred revenue	4.3	1.1
	Total current liabilities	**420.2**	**211.1**
	Total liabilities	**1,658.0**	**810.4**
	Total equity and liabilities	**2,854.7**	**1,464.6**

Consolidated statement of changes in equity

EURm	Share capital	Reserve for currency translation	Retained earnings	Non controlling interest	Total Equity
Equity at 1 January 2022	**9.8**	**0.5**	**643.9**	**-**	**654.2**
Profit for the year			-43.9	-0.5	-44.4
Hedging reserves			23.7		23.7
Tax on hedging reserves			-5.2		-5.2
Capital increase	0.8		79.7		80.6
Shareholder contribution			485.0		485.0
Acquistion of non-controlling interest				5.7	5.7
Other comprehensive income		-5.0	-	-0.5	-5.5
Tax on other comprehensive income		2.5			2.5
Total comprehensive income for the period	**0.8**	**-2.4**	**539.4**	**4.8**	**542.5**
Equity at 31 December 2022	**10.7**	**-2.0**	**1,183.3**	**4.8**	**1,196.7**
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**

Consolidated cash flow statement

1 JANUARY - 31 DECEMBER

Note	EURm	2022	2021
	Profit before tax	-48.5	-25.4
4.2	Adjustments for non-cash transactions	139.3	115.7
2.6	Change in working capital	-19.3	-26.4
	Interest paid	-22.8	-23.0
	Interest received	0.6	0.0
	Income taxes paid	-14.3	-8.5
	Change in provisions	-2.7	-
	Cash flow from operating activities	**32.3**	**32.4**
2.1	Purchase of intangible assets	-3.7	-2.1
2.3	Purchase of tangible assets	-73.9	-39.2
	Proceeds from sale of tangible assets	0.3	1.2
	Acquisition of subsidiaries	-213.3	-152.3
	Cash flow from investing activities	**-290.6**	**-192.3**
	Free cash flow	**-258.3**	**-160.0**

Note	EURm	2022	2021
	Proceeds from capital increase / shareholder contribution	565.7	280.0
	Proceeds from borrowings	1,144.6	1,063.7
	Borrowings from parent company	-5.3	22.1
	Repayments of borrowings	-1,423.2	-1,217.8
	Cash flow from financing activities	**281.8**	**148.0**
	Net increase in cash and cash equivalents	**23.5**	**-12.0**
	Cash and cash equivalents at 1 January	-8.9	2.1
	Foreign exchange rate adjustments on cash and cash equivalents	-2.8	1.0
	Cash and cash equivalents at 31 December	**11.8**	**-8.9**
	Cash and cash equivalents are specified as follows:		
	Cash at bank and in hand	48.8	8.9
	Credit institutions	-37.0	-17.8
	Cash and cash equivalents at 31 December	**11.8**	**-8.9**

Note 1.1 // Revenue

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.

EURm	2022	2021
Sale of goods	**892.8**	**558.8**
Sale of goods per region		
North Europe	314.7	221.6
South Europe	235.8	167.0
Central Europe	307.4	160.2
Rest of the world	34.9	10.0
Total	**892.8**	**558.8**

Sale of goods by segment	Tray	Recycling	Unallocated & eliminations	Total
2022	882.2	73.4	-62.9	892.8
2021	541.5	56.0	-38.7	558.8

The geographical distribution of “Total revenue” is based on the external customers country of residence.
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 and amortisations. 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 and amortisations.

EURm	2022	2021
Wages, salaries and remuneration	139.5	102.3
Pension contribution	8.2	5.6
Other social security costs	11.1	6.4
Total staff costs	**158.8**	**114.3**
Staff costs relate to:		
Production costs	108.8	84.2
Sales and distribution expenses	15.0	13.4
Administrative expenses	22.9	12.4
	146.8	**109.9**
Staff cost recognised as inventory or fixed assets	2.1	1.6
Staff cost recognised as special items	10.0	2.8
Total staff costs	**158.8**	**114.3**
Average number of full time employees	**3,411**	**2,237**
Total number of employees as of end of the year	**5,566**	**2,275**
Remuneration for Key Management Personnel (Executive Management)		
Salaries and wages	4.0	2.5
Pension expenses	0.3	0.2
Total	**4.2**	**2.7**
Fee to Board of Directors	**0.3**	**0.2**

Total remuneration for registered members of the Group Executive Team amounts to EUR 2.9m (2021: 1.7m).

Note 1.2.b // Depreciation, amortisation and impairment losses

EURm	2022	2021
Intangible assets, amortisation	27.7	18.9
Property, plant and equipment, depreciation	68.1	48.3
Property, plant and equipment, impairment	4.6	-
Total depreciation, amortisation and impairment losses	**100.4**	**67.2**
Depreciation/amortisation and impairment losses relate to:		
Production costs	69.9	47.2
Sales and distribution expenses	25.5	16.3
Administrative expenses	5.0	3.7
Total depreciation, amortisation and impairment losses	**100.4**	**67.2**

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	2022	2021
Research and development costs expensed during the year	3.4	0.7
	3.4	**0.7**

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
- Cost of non-recurring or non-operational income
- Income incl. subsidies of a non-operating nature
- Cost related to the project management office

EURm	2022	2021
Gain on disposal of intangible assets and property, plant and equipment	0.2	-
Other items	2.0	1.8
Total other operating income	**2.2**	**1.8**
Loss on disposal of intangible assets and property, plant and equipment	1.2	0.1
Other items	2.7	2.0
Total other operating expenses	**3.9**	**2.1**

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 in 2022 and 2021. In 2022 Covid cost primarily relates to refund of subsidies, in 2021 additional cost incurred due to the COVID-19 pandemic and certain energy taxes were categorised as special items.

These items are classified separately in the income statement, in order to provide a more transparent view of the Group's recurring operating profit.

EURm	2022	2021
Acquisition	-9.3	-8.4
Integration	-7.5	-1.8
Redundancy	-0.6	-
COVID-19 (incl. refund of subsidies)	-0.6	-0.4
Energy taxes	-	-0.5
One-off inflation compensation to employees	-5.4	-
Compensation from termination of contract	1.0	-
Other	-0.1	-0.5
Total Special items	**-22.5**	**-11.5**

Note 2.1 // Intangible assets

ACCOUNTING POLICIES

Goodwill

Goodwill increased by 451.4m EUR during 2022 due to the acquisition of the PACCOR Group and MCP USA Inc. 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 2022 brand value increased by 0.9m EUR due to the acquisition of the PACCOR Group and exchange rate adjustments.

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. Brand value from PACCOR is amortized on a straight-line basis over the expected uselife, which is considered to be a period of 5 years from the original acquisition dates.

Customer relations

Customer relations increased by 308.1m EUR during 2022 due to the acquisition of the PACCOR Group and MCP USA Inc. Customer relations, are amortized on a straight-line basis over the expected useful life, which is typically a period of 15 to 20 years.

Other intangible assets

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.

EURm	Goodwill	Brand	Customer relations	Other intangible assets	Total
2022					
Cost at 1 January	576.5	191.5	238.3	21.4	1,027.6
Exchange rate adjustments	-2.4	-0.0	0.0	-0.2	-2.6
Additions	–	–	–	3.7	3.7
Increase / adjustment due to company acquisition	453.8	0.9	308.1	8.6	771.4
Transfer	–	–	–	0.3	0.3
Disposals	–	–	–	-1.0	-1.0
Cost at 31 December	**1,027.8**	**192.4**	**546.4**	**32.9**	**1,799.5**
Amortization and impairment at 1 January	–	35.8	68.4	10.9	115.0
Exchange rate adjustments	–	-0.0	0.0	-0.1	-0.1
Amortization and impairment for the year	–	0.1	24.0	3.5	27.7
Transfer	–	–	-0	0	0
Diposals	–	–	–	-1	-1
Amortization and impairment at 31 December	**-**	**35.9**	**92.5**	**13.3**	**141.7**
Carrying amount at 31 December	**1,027.8**	**156.5**	**453.9**	**19.5**	**1,657.8**
2021					
Cost at 1 January	493.6	191.4	238.2	18.5	941.7
Exchange rate adjustments	1.9	0.1	0.1	0.1	2.2
Additions	–	–	–	2.1	2.1
Increase / adjustment due to company acquisition	80.9	–	–	0.7	81.6
Cost at 31 December	**576.5**	**191.5**	**238.3**	**21.4**	**1,027.6**
Amortization and impairment at 1 January	–	35.8	52.5	7.8	96.0
Exchange rate adjustments	–	0.0	0.0	0.1	0.1
Amortization and impairment for the year	–	–	15.9	3.0	18.9
Depreciation on disposals	–	–	–	-0.0	-0.0
Depreciation and impairment at 31 December	**-**	**35.8**	**68.4**	**10.9**	**115.0**
Carrying amount at 31 December	**576.5**	**155.7**	**169.9**	**10.5**	**912.6**

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 453.8m EUR during 2022 due to the acquisition of the PACCOR Group and MCP USA Inc., the entire value was allocated to the "Tray Business" CGU.

Brand
The brand value primarily 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, CGL Pack Service SAS in 2018 and the PACCOR Group and MCP USA Inc. in 2022, the value of theese are allocated to the Tray Business.

Other intangible assets
Other intangible assets 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 2023 and business plans and projections for 2024-2027. 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 (2023-2027) are generally kept unchanged compared to prior year, 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.

Note 2.2 // Impairment tests (continued)

EURm	Carrying amount goodwill	Carrying amount Brand	Carrying amount customer relations	Carrying amount other intangible assets	Discount rate after tax	Discount rate before tax	Average revenue growth in forecast period in %	Revenue growth in residual period in %
2022								
Tray Business	942.5	156.5	453.9	19.5	7.2%	8.8%	-1.4%	2%
Recycling Business	85.3	–	–	–	7.1%	8.8%	11.2%	2%
Total carrying amount at 31 December	**1,027.8**	**156.5**	**453.9**	**19.5**	**-**	**-**	**-**	**-**
2021								
Tray Business	491.1	155.6	169.9	10.5	6.7%	8.1%	8.5%	2%
Recycling Business	85.3	–	–	–	6.7%	8.1%	18.5%	2%
Total carrying amount at 31 December	**576.4**	**155.6**	**169.9**	**10.5**	**-**	**-**	**-**	**-**

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 tests performed, shows that there is reasonable headroom for changes in the key assumptions individually, as illustrated in the table below. Applying the discounted cash flow approach, the table indicates the scenarios where the enterprise value of the CGU's would equal the invested capital of the CGU's by changes in the key assumptions individually.

	Tray		Recycling	
	from	to	from	to
Discount rate, after tax (WACC)	7.2%	9.4%	7.1%	11.2%
Growth in residual period (%)	2.0%	-0.8%	2.0%	-3.5%
Change in ebitda margin in residual year (%)	25.3%	18.9%	34.7%	19.6%
Change in revenue in residual year (EURm)	1,339.0	981.2	61.2	34.7

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
2022					
Cost at 1 January	125.0	309.7	72.7	23.0	530.4
Exchange rate adjustments	-2.2	-5.8	-1.0	-0.8	-9.8
Additions	4.8	31.0	4.9	44.4	85.1
Increase due to company acquisition	115.0	218.6	10.8	30.5	374.9
Transfer	2.0	25.4	4.7	-32.4	-0.3
Disposals	-0.9	-20.8	-3.9	-0.0	-25.6
Cost at 31 December	**243.5**	**558.1**	**88.2**	**64.7**	**954.6**
Depreciation and impairment at 1 January	25.8	136.7	47.2	-	209.6
Exchange rate adjustments	-0.4	-2.9	-0.8	-	-4.2
Increase due to company acquisition	-	-	0.1	-	0.1
Depreciation for the year	11.7	42.1	14.3	-	68.1
Impairment losses	-	4.6	-	-	4.6
Transfer	0.0	-0.1	0.1	-	-0.0
Depreciation on disposals	-0.9	-19.3	-3.6	-	-23.7
Depreciation and impairment at 31 December	**36.2**	**161.1**	**57.2**	**-**	**254.5**
Carrying amount at 31 December	**207.3**	**397.1**	**31.0**	**64.7**	**700.1**
Of which related to right-of-use assets	35.2	13.1	5.5	-	53.7
Depreciation for the year related to right-of-use assets	6.6	2.4	1.8	-	10.7
Addition of right-of-use assets	2.5	7.3	1.9	-	11.7
Cash outflow for right-of-use assets for the period 2022	-	-	-	-	12.1
Interest expense for right-of-use assets for the period 2022	-	-	-	-	2.0
Expenses relating to short-term leases for the period 2022	-	-	-	-	1.2

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

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	2022	2021
Raw materials and consumables	74.5	38.7
Work in progress	42.8	22.2
Finished goods	82.2	32.7
Other inventory	13.1	8.4
Total inventory	**212.5**	**102.0**
Amounts recognised in profit or loss		
Cost of goods sold included in cost of sales	673.5	347.1
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	-4.1	1.2

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	2022	2021
Trade receivables before provision for bad debts	144.8	94.7
Loss allowance	-5.4	-1.0
Total trade receivables, net	**139.4**	**93.6**

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

Loss allowance for bad debts at 1 January	-1.0	-0.3
Additions through acquisition of subsidiaries	-2.2	-0.8
Change in write-downs	-2.2	0.0
Realized loss	-	-
Loss allowance for bad debts at 31 December	**-5.4**	**-1.0**

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 2022 and 31 December 2021 was determined as follows for trade receivables.

31. December 2022	Not overdue	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-365 days	Overdue more than 1 year	Total
Expected loss rate	0%	1%	11%	49%	27%	100%	4%
Gross carrying amount - trade receivables	112.1	25.5	1.4	0.4	0.9	4.5	144.8
Loss allowance	**-**	**-0.3**	**-0.2**	**-0.2**	**-0.2**	**-4.5**	**-5.4**
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**

Note 2.6 // Working capital change

EURm	2022	2021
Change in inventories	-24.8	-25.3
Change in trade receivables	16.4	-22.9
Change in other receivables	2.8	-1.9
Change in prepayments	-4.3	-
Change in trade payables	-12.7	18.7
Change in other payables	3.3	5.0
Total	**-19.3**	**-26.4**

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	2022	2021
Interest on financial liabilities measured at amortised cost	0.8	0.0
Foreign exchange adjustments	15.0	12.9
Other financial income	0.3	0.1
Total financial income	**16.1**	**12.9**
Interest on financial liabilities measured at amortised cost	26.3	21.0
Foreign exchange adjustments	9.7	29.6
Other financial expenses	6.6	9.3
Total financial expenses	**42.7**	**60.0**

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
2022						
Measured at amortised cost (loans and receivables):						
Trade receivables	139.4	139.4	139.4	139.4	-	-
Other receivables	30.9	30.9	30.9	30.9	-	-
Prepayments	4.5	4.5	4.5	4.5	-	-
	174.7	**174.7**	**174.7**	**174.7**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	24.4	24.4	24.4	7.9	16.5	-
	24.4	**24.4**	**24.4**	**7.9**	**16.5**	**-**
Total financial assets	**199.1**	**199.1**	**199.1**	**182.6**	**16.5**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	27.8	27.8	33.2	0.4	3.1	29.7
Bank borrowings	1,056.9	1,056.9	1,271.9	71.9	1,195.1	4.9
Lease liabilities	57.0	57.0	64.3	19.9	29.3	15.2
Borrowings from Group Enterprises	16.8	16.8	16.8	16.8	-	-
Contingent payment	1.2	1.2	1.2	-	1.2	-
Deferred revenue	4.3	4.3	4.3	4.3	-	-
Trade payables	185.2	185.2	185.2	185.2	-	-
Other short term debt	106.1	106.1	106.1	106.2	-	-
Total financial liabilities	**1,455.4**	**1,455.4**	**1,683.2**	**404.7**	**1,228.7**	**49.8**

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	-	-
Contingent payment	–	–	–	–	-	-
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	-	-
Total financial liabilities	**710.4**	**710.4**	**766.4**	**200.0**	**555.3**	**11.1**

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 on p. 82-83.

Net interest-bearing debt

EURm	2022	2021
Cash at banks	-48.8	-8.9
Long-term borrowings	1,052.5	505.5
Short-term borrowings	-	-
Borrowings from Group Enterprises	16.8	22.3
Credit institutions	37.0	17.8
Finance lease liabilities	17.6	7.2
Payments due within 1 year from long term debt	35.9	20.0
Total net interest-bearing debt	**1,111.0**	**563.8**

Note 3.3 // Financial risks and instruments

Financial risk management
Managing financial risks are an inherent part of the Group's operating activities. We are exposed to financial risks that impact the Group's profit such as 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 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 it 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 updated and approved in December 2022 including approach to evaluate the risks of additional currencies and target a higher level of hedged interest rate risk.

Currency risk
Currency risk arises due to imbalances between income and costs in each individual currency and due to imbalance between assets and liabilities. Hedging of currency risk is carried out in currencies, where the Group has a material exposure. Materiality is defined as net exposure per currency exceeding equivalent of EUR 3 million per quarter. The hedging is managed by entering derivatives such as forward contracts, currency options and swaps. Loans and deposits in foreign currencies are also utilised as hedging. Hedge effectiveness is assessed on a regular basis.

The Group hedges material currency exposure 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%

The exposure materiality will be evaluated for the following currencies: GBP, PLN, CZK, HUF, TRY and USD.

Forward contracts are continually used for this hedging and for commercial and financial 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. In addition, the currency exposure arising from debt in other currency than EUR is not hedged. The group has debt in EUR (81,5%), GBP (15,7%%), DKK (2.7%%) and other currencies (0.1%).

EURm	Contract value	Carrying amount	Fair value adjustments recognised in other comprehensive income
Forward exchange contracts - GBP			
2022	39.8	0.5	1.2
2021	40.6	-0.7	-0.7

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 31 December 2022 adjusted for hedge accounting.

The sensitivity analysis reflects the transaction and translation risk, and it assumes that the exchange rates are changed on 31 December 2022, 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.

		2022		2021	
EURm	Change in exchange rate	Profit before tax	Equity	Profit before tax	Equity
Exchange rate analysis on assets and liabilities					
GPB	10.0%	5.3	2.2	2.2	-0.5

Interest rate risk
Interest rate risk concerns 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, the Group targets to have a minimum of 50 % gross debt at fixed interest rate throughout the remaining tenor of drawn debt and based on the scheduled repayment profile. In addition, the Group targets to have a minimum of 75% gross debt at fixed rate for the next 12 months period. The audit committee agreed to have the updated interest rate risk policy implemented before the end of 2023.

As of 31 December 2022, 28% of loans were hedged to fixed rate until March 2026. Hedging of the interest risk is managed by entering fixed-rate loans and interest rate swaps.

Interest rate swaps are used to hedge the risk related to changes in interest rates. On 31 December 2022, the outstanding interest swaps had the following market value (next page).

Note 3.3 // Financial risks and instruments (continued)

EURm	Contract value	Carrying amount	Fair value adjustments recognised in other comprehensive income
Interest rate swaps			
2022	260.0	23.8	22.5
2021	260.0	1.3	2.4

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 entire year.

An increase of 1 percentage in the average interest rate of the Group's net bearing-debt would have a negative effect on profit before tax of EUR 7.5m (2021: 2.3m) and equity of EUR 0.7m (2021: 4.0m). A decrease of 1 percentage in the average interest of the Group's net bearing debt would have a positive effect on profit before tax of EUR 7.5m and a positive effect on equity of EUR 0.7m.

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 2022 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 minimised to the extent possible using credit insurance and guarantees. Historically, the Group has only had limited losses on bad debts. On 31 December 2022, 80% (2021: 77%) of the trade receivables have been credit insured.

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

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 treasury 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 treasury 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. In July 2022, the Group finalised a refinancing, and the new Senior Finance Agreement includes a covenant holiday until Q4 2023. The Senior Finance Agreement effective in first half of 2022 included a leverage covenant of maximum 5.0x. During the first half of 2022, net leverage did not exceed 5.0x.

Note 3.4 // Other short term debt

EURm	2022	2021
Wage-related payables and other charges	36.1	13.0
VAT and other indirect taxes	6.4	4.7
Customer discounts and rebates	11.8	6.9
Other current liabilities	51.8	25.2
	106.1	**49.9**

Note 3.5 // Provisions

ACCOUNTING POLICIES

Restructuring includes provisions for decided and publicly announced restructurings. Legal disputes, etc. include, among other things, uncertain indirect and corporate income-tax positions.

Other includes provisions for various contractual obligations where there is uncertainty of the total amount and timing hereoff.

The provisions are subject to considerable uncertainty.

EURm	Restruc-turing	Legal disputes, etc.	Other	Total
Provision at 1 January 2022	0.0	0.0	0.0	0.0
Provision made	0.6	0.4	0.6	1.6
Amount used	-4.3	0.0	-0.4	-4.7
Amount reversed	0.0	0.0	-0.2	-0.3
Addition from business combinations	5.3	4.0	1.1	10.4
Transfer between assets / liabilities	0.5	0.0	0.3	0.8
Exchange rate adjustment	0.0	0.0	0.0	0.0
Total movements for the period	**2.1**	**4.4**	**1.3**	**7.8**
Provision at 31 December 2022	**2.1**	**4.4**	**1.3**	**7.8**
Of which:				
Classified as non-current	0.5	3.5	0.0	4.0
Classified as current	1.6	0.9	1.3	3.8

Note 3.6 // Share capital

ACCOUNTING POLICIES

Dividends
No dividend payments were made during 2022 and the board of directors have not distributed any dividends in 2023 and is not expecting to distribute any dividends up until the date of the financial statement

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:

DKKm	Number	Nominal value
A-shares	13	13
B-shares	66	66
	79	**79**

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	2022	2021
Share capital at 1 January	9.8	9.8
Capital increase	0.8	-
Capital decrease	-	-
Share capital at 31 December	**10.7**	**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 2022
PACCOR Group
On 31 August 2022, the Faerch Group acquired PACCOR Group from Lindsey Goldberg by acquiring 100% of the shares in Paccor Holdings GmbH.

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 728m. Total purchase consideration amounted to EUR 239.2 million net of liabilities taken over as part of the acquisition. The purchase consideration was funded through external debt financing and capital contribution from Faerch Group Holding A/S. Cost related to the transaction incurred in 2022 and 2021 amounted to EUR 14.3m has been recognized in the income statement as special items.

MCP USA Inc.
On 15 December 2022, the Faerch Group acquired MCP USA Inc. from MCP Ltd. by acquiring 100% of the shares in MCP USA Inc. The acquisition expanded Faerch's presence in the strategically important US market. MCP has production and sales operations in the US and is primarily active within the ready meals segment. The acquired business generates annual revenues of approximately EUR 32m. Total purchase consideration amounted to EUR 30.2m net of liabilities taken over as part of the acquisition. The purchase consideration was funded through capital contribution from Faerch Group Holding A/S. Cost related to the transaction incurred in 2022 and 2021 to a total of EUR 0.8m 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 2022**	**Contribution to the Group's profit in 2022**
PACCOR Group	31/08/2022	100%	223.3	-27.3
MCP USA Inc.	15/12/2022	100%	0.0	-0.1

Assets and liabilities at the time of acquisition

	PACCOR Group	**MCP USA Inc.**	**Total**
Intangible assets exclusive goodwill	305.1	12.4	317.5
Property, plant and equipment	361.2	13.6	374.8
Inventory	91.1	1.9	93.1
Other assets	195.6	6.6	202.2
Liabilities	-1,141.4	-24.7	-1,166.1
Net assets acquired	**-188.3**	**9.8**	**-178.5**
Non-controlling interest	-5.7	-	-5.7
Faerch A/S' share	**-194.1**	**9.8**	**-184.3**
Goodwill	433.3	20.4	453.7
Purchase consideration	**239.2**	**30.2**	**269.4**
Cash movements:			
Purchase consideration	239.2	30.2	269.4
Net cash in acquired company	-54.9	-1.2	-56.1
Consideration on debt free basis	184.3	29.0	213.3
Change in short term payable/receivable	-	-	-
Net cash payment during the year	**184.3**	**29.0**	**213.3**

Note 4.1 // Business combinations (continued)

ACCOUNTING POLICIES

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 154.3m. Total purchase consideration amounted to EUR 139.7m 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 0.1m 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

	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	81.0
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	152.2
Change in short term payable/receivable	-	-	-	-
Net cash payment during the year	**110.7**	**5.9**	**35.7**	**152.2**

Note 4.2 // Adjustment for non-cash transactions

EURm	2022	2021
Depreciation/amortization and impairment	100.4	67.2
Gain(-)/loss on disposal of tangible assets	1.6	0.2
Financial income	-16.1	-12.9
Financial expenses	42.7	60.0
Other including provisions	10.7	1.3
Total	**139.3**	**115.7**

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 or 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.

Tax on profit for the year

EURm	**2022**	**2021**
Current tax	-11.1	-8.8
Adjustment to current tax concerning previous years	0.6	0.7
Change in deferred tax	12.0	6.4
Adjustment to deferred tax concerning previous years	2.6	1.1
Total	**4.1**	**-0.6**

Reconcilation of effective tax rate in the income statement

EURm	**ETR in %**	**2022**	**ETR in %**	**2021**
Profit/(loss) before tax	-	-48.5	-	-25.4
Calculated 22% on profit before tax	22.0%	10.7	22.0%	5.6
Adjustment of tax to local tax rate compared with group tax rate of 22%	3.9%	1.9	-0.1%	-0.0
Non-taxable income and non-deductible expenses	-10.4%	-5.1	-29.6%	-7.5
Impact of changes in the tax rate	-0.1%	-0.0	-0.9%	-0.2
Impact of not recognised tax losses to be carried forward	-11.4%	-5.5	0.0%	-
Adjustment concerning previous years	6.6%	3.2	7.2%	1.8
Other	-2.1%	-1.0	-0.9%	-0.2
Total	**8.4%**	**4.1**	**-2.2%**	**-0.6**
Tax on profit for the year (income statement)		4.1		-0.6
Tax on fair value adjustment of hedging instruments (other comprehensive income)		-5.2		-0.4
Tax on foreign exchange adjustment (other comprehensive income)		2.5		-3.2
Total taxes		**1.4**		**-4.1**

Note 4.3 // Tax (continued)

Deferred tax EURm	2022	2021
Deferred tax, net at 1 January	-83.8	-89.7
Exchange rate adjustments	0.2	-0.3
Additions through acquisition of subsidiaries	-83.5	-1.5
Adjustments concerning previous years	3.0	1.1
Deferred tax recognised in the income statement	12.0	6.4
Deferred tax recognised in other comprehensive income	-0.3	0.1
Deferred tax, net at 31 December	**-152.4**	**-83.8**

Classified as:

EURm	2022	2021
Deferred tax assets	28.9	10.0
Deferred tax liabilities	-181.3	-93.8
Total	**-152.4**	**-83.8**

Deferred tax EURm	Deferred tax assets	Deferred tax liabilities	Deferred tax net
2022			
Intangible assets	0.1	-146.5	-146.4
Property plant and equipment	4.0	-52.2	-48.2
Inventories	1.6	-0.4	1.2
Foreign exchange hedging	-	-0.1	-0.1
Tax losses to be carried forward	34.0	-	34.0
Other	11.0	-3.8	7.2
Temporary differences	**50.6**	**-203.1**	**-152.4**
Offset	-21.7	21.7	-
Total	**28.9**	**-181.3**	**-152.4**
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**

Unrecognised deferred tax assets

EURm	2022	2021
Tax loss carryforward	37.5	1.2
Total	**37.5**	**1.2**

16.8m EUR of the unrecognised deferred tax assets have time limitations, these are useable within 10 years, the remaing part have indefinite use.

Note 4.4 // Fees to auditors appointed by the board of directors

EURm	2022	2021
Statutory audit of financial statements	1.4	0.7
Other assurance engagements	0.1	-
Tax advisory services	0.1	0.1
Other services	0.3	0.1
	1.9	**1.0**

Note 4.5 // Related parties

	Parties with significant influence		Associates	
EURm	**2022**	**2021**	**2022**	**2021**
Income statement				
Costs	1.9	1.2	–	-
Financial expenses	–	1.3	4.9	2.3
Assets				
Derivatives	–	-	23.8	1.2
Liabilities				
Borrowings	–	-	-162.5	-72.6

Related parties exercising control

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 2022 there were transactions with the controlling shareholder Faerch Group Holding A/S. Faerch Group Holding A/S charged management fees of 1.9m EUR to Faerch A/S during 2022.

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 2022, management and employees held 1.8% 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	2022	2021
Carrying amount of land and buildings pledged as security for bank loans and mortgages	26.2	26.9
Carrying amount of plant and machinery pledged as security for bank loans and mortgages	22.1	21.0
Carrying amount of inventory pledeged as security for bank loans	-	-
Leased assets pledged as security for leasing commitments.	53.7	18.9
Bank guarantee commitments	**0.1**	**1.1**
Commitments in relation to agreements on the purchase of property, plant and equipment	30.1	11.2
Total commitment in relation to agreement	**30.1**	**11.2**

The Group has concluded contracts with a number of suppliers. The contracts do not entail any obligations other 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 1,250m of which EUR 1,008m are drawn as of 31 December 2022. The net assets of the guarantor's amount to EUR 163.1m as of 31 December 2022.

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.

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

Subsequent to December 31, 2022 there have been no further events with any significant effect on the financial statements beyond what has been recognized and disclosed in the Annual report.

Note 4.8 // General accounting policies

The Annual Report for the period 1 January - 31 December 2022 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 7th Annual Report presented in accordance with IFRS.

The Annual Report for 2022 was discussed and approved by the Executive Management and the Boards of Directors (the Board) on 27 March 2023 and will be presented for approval at the subsequent Annual General Meeting on 27 March 2023.

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, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:
• Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
• Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
• Annual Improvements to IFRS Standards 2018-2020, and
• Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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.

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

Note 4.8 // General accounting policies (continued)

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 judgements

The consolidated financial statements have been prepared to given a true and fair view of the Group's assets, liabilities and financial position at 31 December 2022. 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 give 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
Impairment tests	2.2
Tangible assets	2.3
Inventories	2.4
Trade receivables	2.5

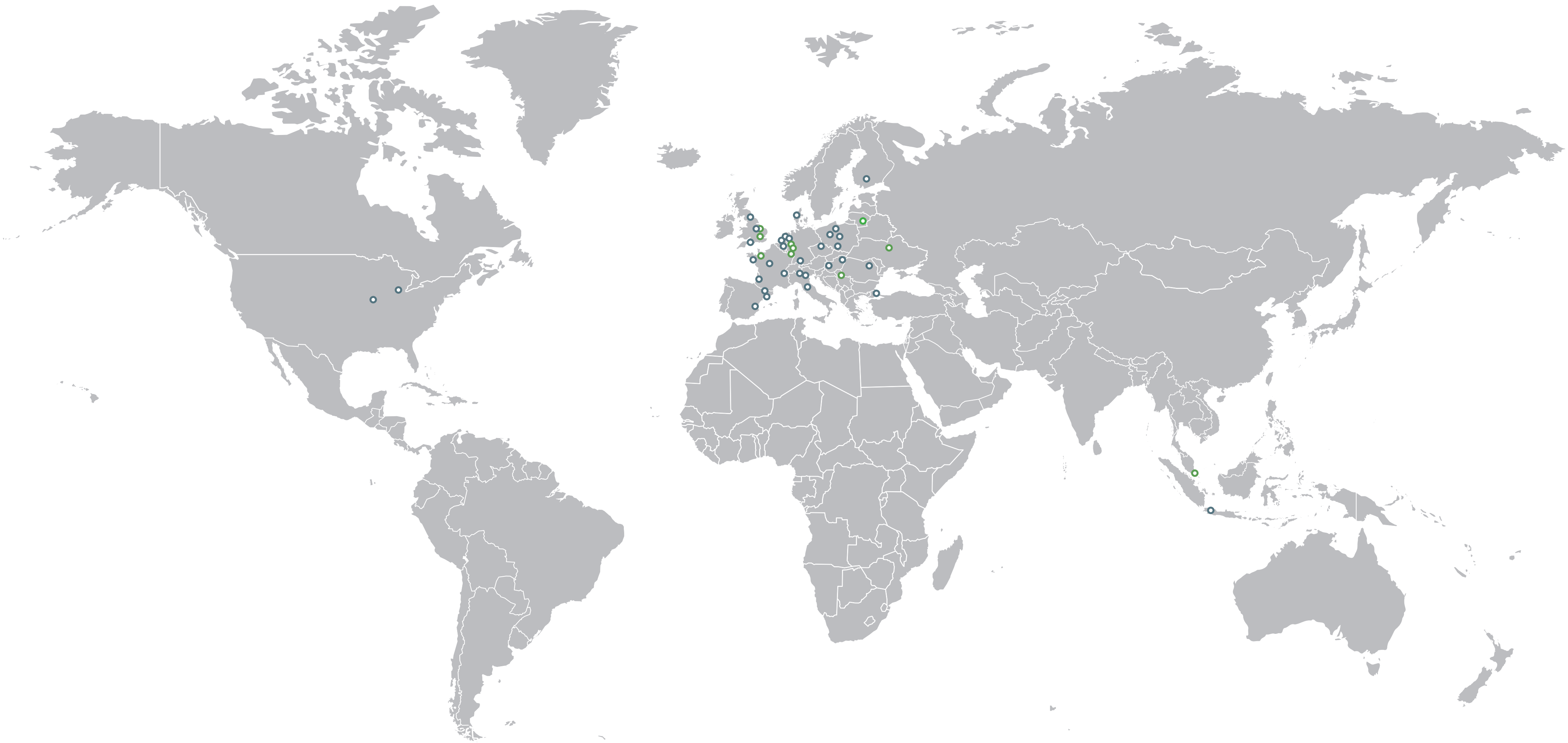
Note 4.10 // Group structure

Investment in group companies comprise the following at 31 December 2022

Name of entity	Ownership share	Country
Faerch Liberec s.r.o.	100%	Czech Republic
Inline Poland Sp. z o. o.	100%	Poland
Faerch France SAS	100%	France
Faerch Annecy SAS	100%	France
Faerch Lorient SAS	100%	France
Faerch London Ltd.	100%	United Kingdom
FP1988UK Ltd.	100%	United Kingdom
Faerch Durham Ltd	100%	United Kingdom
Faerch UKCO I Ltd.	100%	United Kingdom
Faerch UK Ltd.	100%	United Kingdom
Faerch UKCO II Ltd. (dormant)	100%	United Kingdom
Faerch UKCO III Ltd. (dormant)	100%	United Kingdom
Faerch UKCO IV Ltd. (dormant)	100%	United Kingdom
Faerch Poole Ltd.	100%	United Kingdom
FPH 2017 Ltd.	100%	United Kingdom
Faerch Bunol S.L.U.	100%	Spain
Faerch Barcelona S.L.U	100%	Spain
Faerch Netherlands B.V.	100%	Netherlands
Cirrec Netherlands B.V.	100%	Netherlands
DSF Extrusion B.V.	100%	Netherlands
Faerch Italy Holding S.r.l.	100%	Italy
Faerch Italy S.r.l.	100%	Italy
Paccor Holding GmbH	100%	Germany
Paccor Packaging GmbH	100%	Germany
Paccor International Holdings SARL	100%	Luxembourg
Miko Pac NV Belgium	100%	Belgium
Paccor Deutschland (Ravensburg) GmbH	100%	Germany
Paccor Deutschland GmbH	100%	Germany
Paccor France SAS	100%	France
Miko Pac Sp. z o.o.	100%	Poland
Miko Pac France SAS	55%	France
PT. Innoware (Indonesia)	50%	Indonesia

Name of entity	Ownership share	Country
Miko-Hordijk Verpackungen GmbH	100%	Germany
Atlas Rigid North America Inc.	100%	USA
Paccor NA. Inc.	100%	USA
Paccor Iberia S.A.	100%	Spain
Immobiliaria Frank Lloyd SL	100%	Spain
Paccor Singapore Pte. Ltd (dormant)	100%	Singapore
Paccor Polska Sp.z o.o.	100%	Poland
Paccor Finland Oy	100%	Finland
Paccor Turkey Ambalaj Sanayi A.S.	100%	Turkey
Paccor Netherlands BV	100%	Netherlands
Paccor Hungary Kft.	100%	Hungary
Paccor Lietuva UAB	100%	Lietuva
Paccor Romania SRL	100%	Romania
Paccor Serbia d o.o. (dormant)	100%	Serbia
Paccor Ukraine LLC	100%	Ukraine
Paccor Packaging NA. Inc.	100%	USA
Paccor Bulgaria JSC (dormant)	98%	Bulgaria
Sofiaplast 96 JSC (dormant)	95%	Bulgaria
MCP USA, Inc.	100%	USA

Note 4.10 // Group structure (continued)



- Sales offices
- Plants

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	2022[a]	2021	2020	2019	2018
Income statement					
Revenue	892.8	558.8	370.3	405.4	346.4
Gross profit	139.6	129.7	98.7	103.5	96.6
EBITDA before special items	101.0	100.3	91.7	89.5	75.8
EBIT before special items	0.6	33.1	33.8	33.4	23.9
EBIT	-21.9	21.6	24.3	46.7	13.6
Financial items, net	-26.6	-47.1	-15.8	-48.7	-34.9
Profit for the year	-44.4	-26.0	6.8	3.9	-21.9
Financial position at 31 December					
Total assets	2,854.7	1,464.6	1,223.6	1,283.8	1,333.8
Net working capital	95.9	73.9	23.6	26.1	38.0
Equity	1,192.0	654.2	158.5	153.9	147.3
Net interest-bearing debt	1,094.2	541.5	642.0	669.2	732.0
Cash flow and investment					
Cash flow from operating activities	32.3	32.4	41.2	49.0	34.1
Cash flow from investing activities	-290.6	-192.3	-24.2	-28.3	-154.0
Investment in property, plant and equipment	-73.9	-39.2	-21.4	-26.5	-26.6
Free cash flow, excluding acquisitions	-45.0	-7.7	17.0	20.8	6.7
Key ratio					
Revenue growth	59.8%	50.9%	-8.6%	17.0%	-
Gross margin	15.6%	23.2%	26.6%	25.5%	27.9%
EBITDA margin before special items	11.3%	18.0%	24.8%	22.1%	21.9%
EBIT margin before special items	0.1%	5.9%	9.1%	8.2%	6.9%
EBIT margin	-2.5%	3.9%	6.6%	11.5%	3.9%
Net working capital ratio	10.7%	13.2%	6.4%	6.4%	11.0%
Average number of employees	5,566	2,237	1,468	1,497	1,285
Return on equity (ROE)	-3.7%	-4.0%	4.3%	2.5%	-14.9%

2022[a] reflects ownership of PACCOR for the period September to December and MCP USA Inc. for December.


ABB

Consolidated sustainability statements

Consolidated statement of sustainability performance

31 DECEMBER 2022

Note		Base year 2022
	Climate and environmental performance	
	Resources	
6.1	Energy consumption (MWh)	656,113
6.2	Waste from production (tonnes)	23,719
6.3	Water consumption (m^3)	331,708
	Greenhouse Gas (GHG) Emissions (tonnes)	
6.4	Scope 1 GHG emissions	10,109
6.4	Scope 2 GHG emissions (location-based)	179,309
6.4	Scope 2 GHG emissions (market-based)	203,509
6.4	Scope 3 GHG emissions	1,192,573
6.4	Total GHG emissions (location-based)	1,381,991
6.4	Total GHG emissions (market-based)	1,406,191
	Circularity	
6.5	Output of tray recycled PET from Recycling Division (ktonnes)	10
6.6	Share of products designed for circularity (%)	40%
6.7	Faerch Circularity Ratio	1:22
6.8	Market Circularity Ratio	1:106
	Social performance	
	Human Capital	
7.1	Number of employees (FTEs)	5,566
	Diversity, Equity & Inclusion	
7.2	Gender on the Board of Directors (female/total)	33%
7.3	Gender at the two management layers below the Board (female/total)	25%
	Health & Safety	
7.4	Lost Time Injury Frequency Rate (LTIFR)	9.4

Note 5.0 // Basis of preparation

Reporting period
Faerch A/S sustainability performance data reporting covers the period from 1 January to 31 December 2022.

General reporting standards and principles
Faerch does not apply a specific overall reporting framework, but is inspired by the Integrated Reporting Framework and adheres to the AA1000AP (2018), which states that reporting must provide a complete, accurate, relevant and balanced picture of the organisation's approach to and impact on stakeholders and society.

Inclusivity
As a producer of rigid food packaging with international reach, Faerch is committed to being accountable to those stakeholders, who are impacted by the organisation. From the perspective of social responsibility, the key stakeholder groups are customers and consumers who rely on the Faerch products for food quality and safety, employees at Faerch, and throughout the Group's value chain, business partners, shareholders and local communities. Faerch maps its stakeholders and has processes in place to ensure inclusion of stakeholder concerns and expectations.

Materiality
When assessing whether a disclosure is material to include in the consolidated sustainability statement, Management considers whether the matter is of such relevance and importance that it could substantively influence Faerch's ability to create value over the short-, medium- and long-term. This assessment builds on a double materiality assessment conducted on sustainability related topics. We assessed the most material impacts to Faerch – both where we impact the planet and society the most and where our business is mostly impacted by the world around us. The material risks and opportunities within the areas of ESG have been identified based on universal and industry standards, and from interviews with various stakeholders, both internally and externally. The identified key topics are addressed by programmes with action plans and targets. The topics presented in the Annual Report are thus deemed to have a significant impact on the Group's Environmental, Social and Governance performance and thereby the future business performance and may support stakeholders in their decision-making.

Responsiveness
The Annual Report reflects how the company is managing operations in ways that consider and respond to stakeholder concerns and interests. The report reaches out to a wide range of stakeholders. To all Faerch stakeholders, the Annual Report is just one element in the interaction and communication with the company

Impact
Understanding, measuring and communicating the positive and negative impacts on society and the planet of Faerch's activities is important and remains a priority for Faerch.

Principles of consolidation
The sustainability performance data includes consolidated data from the parent company, Faerch A/S and entities controlled by Faerch. Data is collected per legal entity per activity and the figures are consolidated line-by-line.

The disclosures of energy consumption, greenhouse gas (GHG) emissions and water consumption covers operations. The disclosure of waste, circularity inflow and circularity outflow covers production sites, where recycled PET output from our Recycling Division only applies to our recycling plant Cirrec in the Netherlands.

The consolidation of the GHG emission data is based on the operational consolidation approach and stated in accordance with the GHG Protocol. Consolidation of GHG emission data using the operational control approach implies that:

- Everything where Faerch A/S or one of its subsidiaries has complete authority to create and apply operating policies is included

The social-related disclosures covers Faerch A/S and entities controlled by Faerch A/S. MCP USA is not in scope of reporting on Lost Time Injury Frequency Rate (LTIFR).

Note 6.1 // Energy consumption

ACCOUNTING POLICIES

Energy consumption for operations (production sites and offices) are measured as consumption of power, steam, heat, cooling and fuels except fuels used in mobile combustion e.g. fuel for company cars. The fuel is mainly from natural gas, gas oil and diesel fuel. Energy consumption is based on meter readings and invoices.

Note 6.2 // Waste from production sites

ACCOUNTING POLICIES

Waste is measured as the sum of all the waste (except waste water) disposed of at production sites based on weight receipts. Much waste is plastic not suitable for internal regrind at our production sites. Waste being incinerated with no energy recovery covers waste not suitable for other disposal methods, such as minor hazardous waste for incineration and various other types of waste dependent on waste management in the specific country. Energy recovery is waste disposed of at waste-to-energy plants. Recycling covers various kinds of waste, for the plastic waste it is being downcycled and used for other purposes than food packaging. The remaining waste is being landfilled.

Note 6.3 // Water consumption for production sites

ACCOUNTING POLICIES

Production sites in Spain and Turkey are located in areas of high risk of water scarcity (WWF Water Risk Filter). They consume 4,5% of the total water for global production.

Water consumption is measured based on meter readings and invoices and covers both production sites and offices.

Note 6.4 // Scope 1, 2 and 3 emissions

GHG emissions by scope 1, 2 and 3 (tonnes)	2022
Scope 1 GHG emissions	10,109
Scope 2 GHG emissions (location-based)	179,309
Scope 2 GHG emissions (market-based)	203,509
Scope 3 GHG emissions	
3.1 Purchased goods and services	870,564
3.2 Capital goods	17,070
3.3 Fuel and energy related activities	63,425
3.4 Upstream transportation and distribution	125,373
3.5 Waste generated in operations	4,203
3.6 Business travel	1,053
3.7 Employee commuting	13,229
3.8 Upstream leased assets	1,899
3.9 Downstream transportation and distribution	11,808
3.12 End-of-life treatment of sold products	83,947
Total GHG emissions (location-based)	**1,381,991**
Total GHG emissions (market-based)	**1,406,191**

Scope 1 GHG emissions
Scope 1 emissions comprise of direct CO_2e emissions from sources that are owned or controlled by Faerch A/S. It is calculated based on the amount of direct energy used for stationary combustion from meter readings and invoices. For mobile combustion it is based on kilometre readings or, if not available, the maximum annual kilometres in the leasing contract. The scope also includes fugitive emissions coming primarily from recharging of cooling systems. The emission factors used are from DEFRA.

Scope 2 GHG emissions (location-based)
Scope 2 GHG emissions (location-based) are the CO_2e calculated based on consumed electricity, steam, district heating, and district cooling bought from a third party and using the total IEA emission factor based on location.

Scope 2 GHG emissions (market-based)
Scope 2 GHG emissions (market-based) are the CO_2e, calculated based on consumed electricity, steam, district heating, and district cooling bought from a third party and using the supplier specific grid mix stated at the latest invoice using IEA emission factors. If specific grid mix is unavailable the total IEA emission factor is used based on location.

Note 6.4 // Scope 1, 2 and 3 emissions (continued)

Scope 3 GHG emissions
Scope 3 GHG emissions are the CO_2e emissions from value chain activities. Of the 15 scope 3 categories in the GHG Protocol, only 10 categories are determined as applicable to Faerch's business model and activities. The excluded categories are category 10: processing of sold products, category 11: use of sold products, category 13: downstream leased assets, category 14: franchises and category 15: investment.
The scope 3 GHG emissions comprise emissions related to:

3.1 Purchased goods and services
Purchased goods and services include emissions related to all purchases from external suppliers except for investments and travel categories. Purchased goods and services within the "Bill of Material" (BOM) includes emissions related to the purchased weight from the supplier using Ecoinvent for emission factors supplemented by DEFRA. For the purchased goods and services outside BOM (not directly related to the product e.g. IT equipment), a spend-based approach is applied, when no weight can be obtained.

3.2 Capital goods
Capital goods include emissions related to all indirect investment spend from external suppliers, specifically production utilities and equipment. Indirect spend is converted via the average spend-based method into CO_2e emissions using emission factors from EPA. For some of the Tooling with activity-based data available, Ecoinvent is used. We include the full scope 3 impact in the first year of the CAPEX investment in line with the GHG protocol.

3.3 Fuel and energy related activities
Fuel and energy related activities include all upstream CO_2e emissions of purchased fuels, electricity, steam, district heating and district cooling (beyond scope 1 and 2 emissions). The energy consumption is converted to kWh and multiplied with DEFRA's relevant Well-to-Tank (WTT) emission factor to assess CO_2e emissions. The category also covers the upstream emissions from transportation and distribution of electricity, steam, district heating and district cooling using DEFRA.

3.4 Upstream transportation and distribution
Upstream transportation and distribution includes CO_2e emissions from product distribution and transportation from tier 1 suppliers to Faerch facilities, between Faerch facilities and from Faerch facilities to customers, where Faerch pays the freight. Only emissions connected to transportation is calculated. CO_2e emissions from inbound transportation is based on the calculated distance from known supplier addresses and the purchased weight. For the remaining suppliers the distance is calculated using the average-based method. Assumptions are made on transportation mode. For intercompany transportation the actual distances and the weight of transported goods are used. For the outbound transportation emissions are calculated based on i) the weight of sold products ii) distances travelled based on customers' addresses iii) the emission factor for the mode of transportation. DEFRA is used for emission factors.

3.5 Waste generated in operations
Waste generated in own operations include CO_2e emissions associated with third-party disposal and treatment of waste, which is reported based on waste amounts, type of waste and disposal method. In most cases either DEFRA or EPA is used as emission factor dependent on type of waste and disposal method. For wastewater Ecoinvent is used.

3.6 Business travel
Business travel includes CO_2e emissions from business flights, hotel stays and other travel. CO_2e emissions from business flights are estimated based on mileage and passenger class details obtained from the travel agencies or calculated based on flight distances between airports. These are multiplied by emission factors for short- and long-haul flights. For hotel stays the emission calculation is based on nights spent in each country together with the relevant DEFRA emission factor. For the remaining travel not covered by the above, the spend-based method is used for completeness.

3.7 Employee commuting
Employee commuting includes CO_2e emissions associated with commuting by all employees except the amount of employees having company cars, since these emissions are already reported as scope 1 emissions. The CO_2e emissions are based on the average distance to work using employee addresses, and making assumptions on transportation mode and working days while using DEFRA for emission factors.

3.8 Upstream leased assets
Upstream leased assets are reported based on operations and assets that are leased and not reported in scope 1 and 2.

3.9 Downstream transportation and distribution
Downstream transportation and distribution includes CO_2e emissions that occur from transportation and distribution of sold products in vehicles and facilities not owned or controlled by Faerch, where the customer pays for freight. Only transportation emissions are included in the calculations, specifically from the first receiving warehouse to customers. Emissions are calculated based on i) the weight of sold products ii) distances travelled based on customers' addresses iii) the emission factor for the mode of transportation.

3.12 End-of-life treatment of sold products
End-of-life treatment of sold products include CO_2e emissions from end-of-life treatment of our sold products on the markets. The amount of sold products is based on actual sales data. It is assumed that the products are discarded in the countries, where they are sold. The end-of-life treatment for EU27+3 countries follows the post-consumer plastic waste treatment per country covering the vast majority of sold amounts. The end-of-life waste treatment for the remaining countries follows the end-of-life fates for plastic waste on the corresponding regional level from the OECD database. DEFRA or EPA are used as emission factor dependent on the disposal method.

Total GHG Emissions – location-based
Total GHG emissions is the sum of reported scope 1, scope 2 – location-based and scope 3 emissions.

Total GHG Emissions – market-based
Total GHG emissions is the sum of reported scope 1, scope 2 – market-based and scope 3 emissions.

Note 6.5 // Output of tray recycled PET from Recycling Division

ACCOUNTING POLICIES

It is the volume of tray recycled PET (rPET) output material derived from Faerch's Recycling Division. The output material "tray rPET" is derived from post-consumer PET packaging collected from European kerbside collection and closed-loop systems (ISO 14021:2016) excluding input material from the deposit system of bottles.

Note 6.6 // Share of products designed for circularity

ACCOUNTING POLICIES

The share of products designed for circularity means the weight of products, where the recycled material can feed a closed-loop scheme to be used in the same quality applications (e.g. tray-to-tray). Currently, it is only mono-PET products that are accepted as products designed for circularity. This is taken relatively to the total weight sold by Faerch.

Note 6.7 // The Faerch Circularity Ratio

ACCOUNTING POLICIES

The "Faerch Circularity Ratio" is the output weight of tray rPET from our Recycling Division converted into average weighted APET trays - assuming the trays only contain tray rPET (besides other raw materials such as additives and masterbatch) - guaranteeing a minimum of 95% tray rPET. This is taken relatively to Faerch's total pieces sold within rigid food packaging in Europe.

Note 6.8 // The Market Circularity Ratio

ACCOUNTING POLICIES

The "Market Circularity Ratio" is the output weight of tray rPET from our Recycling Division converted into average weighted APET trays - assuming the trays only contain tray rPET (besides other raw materials such as additives and masterbatch) - guaranteeing a minimum of 95% tray rPET. This is taken relatively to the total pieces sold on the European market within rigid food packaging (source: internal market study with external support).

Note 7.1 // Employees

ACCOUNTING POLICIES

The number of employees is recorded as all employees in headcount.

Note 7.2 // Gender on the Board of Directors

ACCOUNTING POLICIES

The share of female board members is calculated as the number of shareholder-elected female Board members taken relatively to the total number of shareholder-elected Board members.

Note 7.3 // Gender at the two management layers below the Board

ACCOUNTING POLICIES

The share of females at the two management layers below the Board is calculated as the number of females on the first and secondary management level, meaning our Executive Management Team and people with personnel responsibilities who report directly to the first management level, respectively. This is taken relatively to the total number of people at the two management layers below the Board.

Note 7.4 // Lost Time Injury Frequency Rate (LTIFR)

ACCOUNTING POLICIES

The Lost Time Injury Frequency Rate is measured as the reported number of accidents with absence per million nominal working hours. A lost-time injury is any work-related accident causing at least one day of absence in addition to the day of the accident.

Independent limited assurance report on CO_2e emissions (scope 1, 2 and 3)

To the Stakeholders of Faerch A/S

Faerch A/S ("Faerch") engaged us to provide limited assurance on CO_2e emissions (scope 1, 2 and 3) ("CO_2e emissions") stated on page 101 in the 2022 Annual Report of Faerch for the period 1 January 2022 - 31 December 2022 ("2022 Annual Report").

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the CO_2e emissions stated on page 101 in the 2022 Annual Report are prepared, in all material respects, in accordance with the accounting policies developed by Faerch as stated on pages 103-104 of the 2022 Annual Report ("accounting policies"). This conclusion is to be read in the context of what we state in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over the CO_2e emissions stated on page 101 in the 2022 Annual Report for:

- Scope 1 (CO_2e)
- Scope 2 (location-based) (CO_2e)
- Scope 2 (market-based) (CO_2e)
- Scope 3 (CO_2e)

We express limited assurance in our conclusion.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gases.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The CO_2e emissions need to be read and understood together with the accounting policies. The accounting policies used for the preparation of the CO_2e emissions are the applied accounting policies developed by Faerch, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure CO_2e emissions allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the CO_2e emissions. In doing so and based on our professional judgement, we:

- evaluated the appropriateness of the accounting policies used, their consistent application and related disclosures in the 2022 Annual Report;
- made inquiries and conducted interviews with Faerch's Management with responsibility for management and reporting of the CO_2e emissions to assess reporting and consolidation process, use of company-wide systems and controls performed;
- performed limited substantive testing on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing CO_2e emissions at corporate head office and in relation to selected Faerch reporting sites;
- performed analytical review and trend explanation of the CO_2e emissions; and
- evaluated the evidence obtained.

Management's responsibilities

Management of Faerch is responsible for:

- designing, implementing and maintaining internal control over information relevant to the preparation of the CO_2e emissions in the 2022 Annual Report that are free from material misstatement, whether due to fraud or error;
- establishing objective accounting policies for preparing the CO_2e emissions;
- measuring and reporting the information in the CO_2e emissions based on the accounting policies; and
- the content of the 2022 Annual Report.

Our responsibility

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the CO_2e emissions for the period 1 January - 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- reporting our conclusion to the stakeholders of Faerch.

Hellerup, 27 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Brian Christiansen
State Authorised Public Accountant
mne23371

Financial statements

Parent company

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Income statement - Parent company

1 JANUARY - 31 DECEMBER

Note	DKKm	2022	2021
1.1	Revenue	1,541.5	1,257.5
1.2	Production costs	-1,297.1	-963.2
	Gross profit	**244.3**	**294.3**
1.2	Sales and distribution costs	-175.6	-179.7
1.2	Administrative expenses	-43.9	-38.6
	Other operating income	0.6	0.1
1.2c	Other operating cost	-102.7	-70.8
	Earnings before interest and tax	**-77.2**	**5.4**
2.1	Financial income	334.5	200.6
2.1	Financial expenses	-256.0	-414.0
	Profit before income tax	**1.3**	**-208.0**
2.2	Income tax expenses	-17.5	4.6
	Profit for the year	**-16.2**	**-203.4**
	Proposed distribution of profit:		
	Retained earnings	-14.9	-203.6
	Reserve for development projects	-1.3	0.2
		-16.2	**-203.4**

Balance sheet - Parent company

31 DECEMBER

Note	DKKm	2022	2021
	Assets		
3.1	Goodwill	259.5	277.2
3.1	Brand	849.0	906.9
3.1	Customer relations	281.7	310.8
3.1	Other intangible assets	68.3	72.6
	Intangible assets	**1,458.5**	**1,567.5**
3.2	Land and buildings	143.5	143.8
3.2	Plant and machinery	301.8	315.2
3.2	Fixtures and fittings, tools and equipment	40.6	54.0
3.2	Fixed assets under construction	67.3	39.6
	Tangible assets	**553.2**	**552.6**
3.3	Investments in subsidiaries	6,047.3	4,043.3
	Fixed assets investments	**6,047.3**	**4,043.3**
4.5	Derivatives, non-current	122.6	-
	Total non-current assets	**8,181.6**	**6,163.4**
3.4	**Inventories**	**168.8**	**156.8**
	Trade receivables	22.9	38.8
	Receivables from group enterprises	9,994.7	4,242.2
4.5	Derivatives, current	60.9	9.8
	Other receivables	41.3	45.0
	Receivables	**10,119.7**	**4,335.8**
	Cash at bank and in hand	**146.5**	**44.0**
	Total current assets	**10,435.0**	**4,536.6**
	Total assets	**18,616.7**	**10,700.0**

Note	DKKm	2022	2021
	Equity and liabilities		
4.1	Share capital	79.0	73.0
	Reserve for hedging instruments	155.0	17.3
	Reserve for currency adjustments	-56.8	9.3
	Reserve for development costs	18.0	19.3
4.2	Retained earnings	9,710.6	5,524.1
	Equity	**9,905.8**	**5,643.1**
4.3	Provision for deferred tax	329.2	351.7
	Provisions	**329.2**	**351.7**
	Mortgage loans	207.1	101.3
	Credit institutions	7,458.2	3,638.1
	Long term provisions	1.5	-
	Lease liabilities	4.3	5.6
4.4	**Total non current liabilities**	**7,671.1**	**3,745.0**
	Mortgage loans	0.0	18.6
	Lease liabilities	4.5	4.5
	Trade payables	100.6	122.3
	Payables to group enterprises	380.5	595.5
	Corporation tax	61.9	23.9
4.5	Derivatives, current	2.1	4.9
	Other payables	106.2	103.9
	Deferred income	4.0	5.5
	Cash pool liabilities	50.7	81.2
	Total current liabilities	**710.5**	**960.3**
	Total liabilities	**8,381.6**	**4,705.3**
	Total equity and liabilities	**18,616.7**	**10,700.0**

Statement of changes in equity - Parent company

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

DKKm	Share capital	Reserve for hedging instruments	Reserve for currency adjustments	Reserve for develop-ment costs	Retained earnings	Total
Equity 1 January 2022	**73.0**	**17.3**	**9.3**	**19.3**	**5,524.1**	**5,643.1**
Capitalized development costs	-	-	-	-1.3	1.3	-
Fair value adjustment of hedging instruments	-	176.5	-	-	-	176.5
Tax on adjustment of hedging instruments	-	-38.8	-	-	-	-38.8
Currency adj. on investments in subsidaries	-	-	-84.7	-	-	-84.7
Tax on currency adj. on investments in subsidaries	-	-	18.6	-	-	18.6
Capital increase	6.0	-		-	4,201.4	4,207.4
Shareholder contribution	-	-		-	-	-
Net profit for the year	-	-		-	-16.2	-16.2
Equity 31 December 2022	**79.0**	**155.0**	**-56.8**	**18.0**	**9,710.6**	**9,905.8**
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	0.0
Fair value adjustment of hedging instruments	-	13.1	-	-	-	13.1
Tax on adjustment of hedging instruments	-	-2.9	-	-	-	-2.9
Currency adj. on investments in subsidaries	-	-	107.1	-	-	107.1
Tax on currency adj. on investments in subsidaries	-	-	-23.6	-	-	-23.6
Capital contribution	-	-	-	-	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**

Note 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	2022	2021
North Europe	850.0	689.7
South Europe	195.1	158.4
Central Europe	445.9	377.1
Rest of the world	50.5	32.3
Total	**1,541.5**	**1,257.5**

Note 1.2a // Staff expenses

ACCOUNTING POLICIES

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

DKKm	2022	2021
Wages and salaries	207.3	207.1
Pensions	11.0	12.1
Other social security expenses	4.6	4.5
Total	**222.9**	**223.7**
Including remuneration to:		
Executive Board	21.9	12.5
Board of Directors	1.9	1.7
Total	**23.8**	**14.1**
Average number of employees	**375**	**357**

Note 1.2b // 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)	2022	2021
Intangible assets, amortisation	122.8	122.3
Leased assets, depreciation	5.4	4.4
Property, plant and equipment, depreciation	90.1	97.5
Total depreciation, amortisation and impairment losses	**218.4**	**224.3**
Depreciation/amortisation and impairment losses relate to:		
Cost of goods sold	108.8	116.0
Sales and distribution costs	95.5	95.0
Administration cost	14.0	13.2
Total depriciation, amortisation and impairment losses	**218.4**	**224.3**

Note 1.2c // Special items included in other operating cost

(DKKm)	2022	2021
Acquisition	69.4	54.1
Integration	9.6	0.0
One-off inflation compensation to employees	2.0	-
COVID-19	0.0	0.4
Other	0.4	0.3
Total special items	**81.5**	**54.8**

Note 2.1 // Financial income and expenses

ACCOUNTING POLICIES

Financial income and expenses comprise interest, financial expenses in respect of lease liabilities, 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)	2022	2021
Interest received from group entreprises	227.7	117.7
Other financial income	106.8	82.9
Total financial income	**334.5**	**200.6**
Interest paid to group enterprises	1.0	-
Other financial expenses	254.9	414.0
Total financial expenses	**256.0**	**414.0**

Note 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)	2022	2021
Current tax for the year	-44.2	-14.2
Deferred tax for the year	24.5	18.6
Adjustment of tax concerning previous years	2.2	0.2
Tax on profit for the year	**-17.5**	**4.6**
Tax on profit/loss for the year	-17.5	4.6
Tax on changes in equity	-20.2	-26.5
Total tax	**-37.7**	**-21.9**

Note 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 costumer base.

Customer relations and 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.

DKKm	Goodwill	Brand	Customer relations	Other intangible assets	Total
Cost at 1 January	312.6	1,022.6	369.1	167.2	1,871.5
Exchange rate adjustments	-	-	-	-	-
Additions	-	-	-	13.9	13.9
Disposals	-	-	-	-0.5	-0.5
Cost at 31 December 2022	**312.6**	**1,022.6**	**369.1**	**180.6**	**1,884.9**
Amortization and impairment at 1 January	35.4	115.8	58.3	94.6	304.0
Exchange rate adjustments	-	-	-	-	-
Amortization for the year	17.7	57.9	29.1	18.1	122.8
Amortization and impairment at 31 December	**53.1**	**173.7**	**87.4**	**112.2**	**426.4**
Carrying amount at 31 December 2022	**259.5**	**849.0**	**281.7**	**68.3**	**1,458.5**

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 period of the expected aconomic benefit. The period of amoritsation is three years.

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

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

Note 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 2022	280.2	1,071.0	450.0	39.6	1,840.7
Additions	–	2.1	3.0	92.0	97.1
Transfers	6.4	31.1	27.7	-64.3	0.8
Disposals	–	-65.4	-8.6	–	-74.1
Cost at 31 December 2022	**286.5**	**1,038.6**	**472.1**	**67.3**	**1,864.5**
Depreciation and impairment at 1 January 2022	136.3	755.7	396.0	–	1,288.1
Transfers	–	-4.9	4.3	–	-0.7
Depreciation for the year	6.6	49.3	39.6	–	95.5
Depreciation on disposals	–	-63.3	-8.3	–	-71.6
Depreciation and impairment at 31 December 2022	**143.0**	**736.8**	**431.5**	**-**	**1,311.3**
Carrying amount at 31 December 2022	**143.5**	**301.8**	**40.6**	**67.3**	**553.2**

Assets under finance leases amounting to DKK 3.1m for Plant and Machinery and DKK 5.4m for Other fixtures are included.

Note 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)	2022	2021
Cost at 1 January after merger	4,043.3	3,614.9
Additions for the year	2,004.0	428.4
Disposals for the year	–	–
Cost at 31 December	**6,047.3**	**4,043.3**
Value adjustments at 1 January	–	–
Change of accounting policies	–	–
Value adjustments at 31 December	**-**	**-**
Carring amount at 31 December	**6,047.3**	**4,043.3**

Company overviews as at 31 December 2022
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.

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)	2022	2021
Raw materials and consumables	79.7	70.2
Work in progress	36.0	36.7
Finished goods	53.1	49.9
Total inventories	**168.8**	**156.8**

Note 4.1 // Share Capital

The share capital is broken down as follows:

(DKKm)	Number	Nominal value
A-shares	13	13,000
B-share	66	66,000
Total	**79**	**79,000**

The share capital has developed as follows:

(DKKm)	2022	2021
Share capital at 1 January	73.0	73.0
Capital increase/decrease	6.0	-
Equity 31 December	**79.0**	**73.0**

Note 4.2 // Proposed profit appropriation

(DKKm)	2022	2021
Reserve for development projects	-1.3	0.2
Proposed dividends for the year	-	-
Retained earnings	-14.9	-203.6
Total	**-16.2**	**-203.4**

Note 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)	2022	2021
Deferred tax, net at 1 January	351.7	371.3
Effect from merger	–	–
Deferred tax, net at 1 January after merger	351.7	371.3
Adjustments concerning previous years	–	–
Deferred tax recognised in the income statement	-24.5	-18.6
Deferred tax recognised in other comprehensive income	2.0	-1.0
Deferred tax, net at 31 December	**329.2**	**351.7**
Classified as:		
Deferred tax assets	–	–
Deferred tax liabilities	329.2	351.7
Total	**329.2**	**351.7**

Note 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)	2022	2021
Mortgage loans		
After 5 years	196.6	27.4
Between 1 and 5 years	10.5	73.9
Long-term part	207.1	101.3
Within 1 year	0.0	18.6
Total mortgage loans	**207.1**	**119.9**
Credit institutions		
After 5 years	-	-
Between 1 and 5 years	7,458.2	3,638.1
Long-term part	7,458.2	3,638.1
Within 1 year	-	-
Total credit institutions	**7,458.2**	**3,638.1**
Leasing liabilities		
After 5 years	0.1	0.1
Between 1 and 5 years	4.2	5.5
Long-term part	4.3	5.6
Within 1 year	4.5	4.5
Total leasing	**8.8**	**10.1**

Note 4.5 // Fair value of hedging

(DKKm)	2022	2021
Agreements have been made on hedging contracts in terms of swaps		
Value of hedging 1 January	4.9	7.7
Effect from merger	-	-
Value of hedging 1 January	4.9	7.7
Additions and fair value adjustments	176.5	-2.8
Value of hedging 31 December	**181.4**	**4.9**
Contracts concerning sale of foreign exchange	**296.0**	**299.5**

Contracts of GBP 35m has been entered into with an average rate of EUR/GBP 0.8793 which will expire in 2023.

Note 5.1 // Contingent assets, liabilities and other financial obligations

(DKKm)	2022	2021
Security		
The following assets have been placed as security with mortgage credit institutions:		
Land and buildings with the carrying amount of	142.7	142.2
Plant and machinery and other fixtures with the carrying amount of	298.7	307.3

Faerch A/S has handed over part of it's receivables to BNP through a factoringcontract.

Contingent liablities

Certain subsidiaries in the group are guarantors as principal obligor for the company's external banking facility of EUR 1,250m of which EUR 1,008m are drawn as of 31 December 2022. The net assets of the guarantor's amount to EUR 163m as of 31 December 2022.

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

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.

Note 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	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.

Note 5.3 // General Accounting Policies

BASIS OF PREPARATION

The Financial Statements of Faerch A/S for 2022 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 2022 are presented in DKK millions.

Accounting policies applied are unchanged compared to the previous year.

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

Management statement

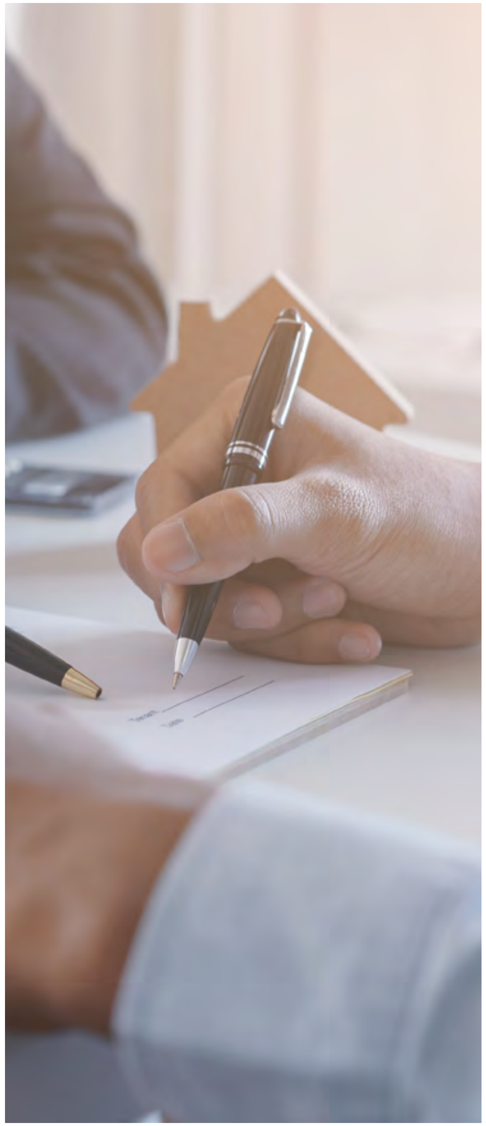
The Executive Management and Board of Directors have today considered and adopted the Annual Report of Faerch A/S for the financial year 1 January – 31 December 2022

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 2022 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 2022.

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, 27. March 2023

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
Chair

Jaska de Bakker

Ronald John Edward Marsh

Marianne Kirkegaard

Jan Thorsgaard Nielsen
Deputy Chair

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 financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 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 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 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 2022, 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 ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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, 27. March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Jens Weiersøe Jakobsen
State Authorised Public Accountant
mne30152

About this report

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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CVR no. 13723540

Integrated reporting on our circular progress
Our annual reporting is published in a single integrated report covering our performance, financial and sustainability statements, as well as a management review.

By applying integrated reporting principals, we demonstrate our objective to ‘conduct our activities in a financially, environmentally and socially responsible way’ while providing a comprehensive overview of our performance, progress, positions, and strategic initiatives.

We value a sustainable feedback
We welcome questions, comments or suggestions you might have to this report’s ESG topics and performance. Please send your feedback to:

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www.faerch.com/sustainability

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We welcome questions, comments or suggestions you might have to this report's ESG topics and performance.

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