

## **DS Smith Packaging Denmark A/S**

Åstrupvej 30  
8500 Grenaa  
CVR No. 21153702

### **Annual report 01.05.2019 - 30.04.2020**

The Annual General Meeting adopted the  
annual report on 30.09.2020

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**Lene Meidahl Højen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019/20	14
Balance sheet at 30.04.2020	15
Statement of changes in equity for 2019/20	18
Cash flow statement for 2019/20	19
Notes	20
Accounting policies	26

# Entity details

## Entity

DS Smith Packaging Denmark A/S

Åstrupvej 30

8500 Grenaa

CVR No.: 21153702

Registered office: Norddjurs

Financial year: 01.05.2019 - 30.04.2020

## Board of Directors

Gustav Thorbjörn Sagerström, Chairman

Lene Meidahl Højen, Deputy Chairman

Frits Thorvald Hillebrecht

Helena Birgitta Redmo

Kim Kjeldsen

Søren Kofoed Ibsen

## Executive Board

Søren Kofoed Ibsen, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of DS Smith Packaging Denmark A/S for the financial year 01.05.2019 - 30.04.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2020 and of the results of its operations and cash flows for the financial year 01.05.2019 - 30.04.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Grenaa, 30.09.2020

## Executive Board

**Søren Kofoed Ibsen**  
CEO

## Board of Directors

**Gustav Thorbjörn Sagerström**  
Chairman

**Lene Meidahl Højen**  
Deputy Chairman

**Frits Thorvald Hillebrecht**

**Helena Birgitta Redmo**

**Kim Kjeldsen**

**Søren Kofoed Ibsen**

# Independent auditor's report

## To the shareholder of DS Smith Packaging Denmark A/S

### Opinion

We have audited the financial statements of DS Smith Packaging Denmark A/S for the financial year 01.05.2019 - 30.04.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2020 and of the results of its operations and cash flows for the financial year 01.05.2019 - 30.04.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 30.09.2020

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052

# Management commentary

## Financial highlights

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000
<b>Key figures</b>					
Revenue	1,200,458	1,299,281	1,247,166	1,004,968	996,997
Gross profit/loss	259,653	228,428	251,160	215,713	236,852
Operating profit/loss	9,571	(62,206)	(26,396)	(24,117)	15,839
Net financials	(11,619)	(8,812)	(11,554)	(6,329)	(5,113)
Profit/loss for the year	(5,711)	(61,795)	(35,815)	(29,161)	3,560
Total assets	802,474	1,113,664	1,173,361	1,174,269	1,012,305
Investments in property, plant and equipment	33,593	25,968	45,900	30,692	30,161
Equity	189,635	195,399	257,071	292,785	321,993
Cash flows from (used in) operating activities	81,381	8,474	12,232	67,100	55,833
Cash flows from (used in) investing activities	(33,360)	(24,025)	(11,537)	(197,593)	(26,633)
Cash flows from (used in) financing activities	(47,970)	14,659	(2,095)	133,562	(41,196)
Average number of employees	669	686	667	578	585



**Ratios**

Gross margin (%)	21.63	17.58	20.14	21.46	23.76
EBIT margin (%)	0.80	(4.79)	(2.12)	(2.40)	1.59
Net margin (%)	(0.48)	(4.76)	(2.87)	(2.90)	0.36
Return on equity (%)	(2.97)	(27.31)	(13.03)	(9.49)	1,10
Equity ratio (%)	23.63	17.55	21.91	24.93	31.81

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

**Gross margin (%):**

Gross profit/loss \* 100  
Revenue

**EBIT margin (%):**

Operating profit/loss \* 100  
Revenue

**Net margin (%):**

Profit/loss for the year \* 100  
Revenue

**Return on equity (%):**

Profit/loss for the year \* 100  
Average equity

**Equity ratio (%):**

Equity \* 100  
Total assets

### Primary activities

DS Smith Packaging Denmark A/S is the leading provider of corrugated paper and display solutions on the Danish market.

Since 2012, DS Smith Denmark has been part of the DS Smith Group, which is a leading player on the international packaging market with deliveries all over Europe and North America. The DS Smith Group continues to strengthen its market position through acquisitions in Europe and the US. The most recent years have therefore also been characterised by a large number of integration projects to secure a more uniform and optimised structure in the Group. At the same time, focus has been on different synergy and optimisation projects to utilise the advantages of the significantly larger platform.

To strengthen DS Smith Denmark's profile and core business, divestments as well as acquisitions of activities have taken place in recent years. With effect from 1 September 2014, DS Smith sold all Danish Flamingo® (Expanded Polystyrene) activities to the Norwegian group BEWi. With effect from 1 September 2016, DS Smith acquired the Deku-Pack Group. Deku-Pack produces and sells display solutions to the Danish market, but also has sales activities in Sweden and Norway. The acquisition was made to strengthen the Company's platform within display solutions, thus making DS Smith Denmark the largest and most important player on the Danish market within display solutions in corrugated paper as well as other materials. With effect from 1 May 2017, the Deku-Pack Group merged with DS Smith Denmark.

Over the past year, DS Smith Denmark has focused on developing and optimising the capacity in the two corrugated paper production facilities as a result of an increase in the demand from customers and the market. These investments are improving flow and production setup in production facilities, and at the same time strengthening the Company's prospective opportunities to serve customers with high-quality innovative solutions. It is therefore also expected that this investment and optimisation will contribute positively to the operating results in the next few years.

The goal of continued value creation towards customers is especially to be created through targeted initiatives on optimisation of paper consumption and paper composition in the individual products, adjustment and optimisation of logistics and supply to customers as well as development and innovation in each customised solution so that the customer will experience improvements throughout the value chain, both in relation to economy and sustainability. These initiatives are supported by the DS Smith group programmes.

The market for corrugated paper across industries has been increasing in 2019/20 and is still affected by fierce competition from domestic as well as foreign producers. DS Smith Denmark's market share is unchanged in this period.

The prices of paper are significant to the Company's earnings being the primary raw material. Financial performance for the year is positively affected as paper prices have been decreasing during the financial year. This, however, has also had a spill-over effect on sales prices, which have decreased over the year.

Seen in the light of the key factors that affected the Company's operations and earnings during the financial year, the total loss before tax of DKK 2m is still considered unsatisfactory despite the significant improvement in operating income. The financial performance is lower than the original expectations for the financial year.

### Capital resources

Total investments in property, plant and equipment amount to DKK 34m. Most of the investments have been used for production optimisation as well as new production equipment with a view to further strengthening the

Company's competitiveness. During the year, no fixed assets were sold.

Thus, total cash flows from company activities have supported current operations and the investments made, and there are only to a limited extent changes in intercompany balances with group enterprises and banks.

### Outlook

Market conditions in Denmark are characterised by strong competition and significant price pressure. This is also expected for 2020/21.

Therefore, the Company's objective is still to maintain the current market shares and market positions with a total return meeting the Group's strategic requirements.

For 2020/21, the Company expects improved financial performance compared to 2019/20. This enhanced financial performance is to be created through continued significant focus on growth of the top and bottom lines driven by increased value creation for our customers, a development of earnings on each customer as well as a current adjustment of the Company's cost structure.

Profit before tax for 2020/21 is expected to be in the interval of DKK 10-15m.

### Basis of earnings

#### External environment

The Company as well as the DS Smith Group have focus on and pay attention to the external environment. All environmental conditions are attempted to be improved on a continuous basis.

### Particular risks

#### Operating risks

Agreements with fellow subsidiaries and group enterprises are concluded on an "arm's length basis", and the Company's operating risk is considered to be normal and acceptable. This also applies for the primary raw material (paper).

In other situations, where the Company's ordinary operations depend on special deliveries, it is attempted to reduce or remove the operating risk by entering into delivery agreements which take into consideration the risks resulting from nondeliveries.

Otherwise, the Company's operations are not considered subject to special or material risk elements.

#### Market risks

The sometimes very considerable fluctuations in paper prices may entail a market risk which may affect earnings in the short term.

#### Foreign exchange risks

The majority of the Company's transactions are effected in DKK or EUR, and the Company's foreign exchange risks are considered to be minimal. The Company does not enter into foreign exchange positions for speculative purposes.

#### Interest rate risks

The net interest-bearing debt is mainly intra-group debt and the interest rate is adjusted on an ongoing basis. Moderate changes in the level of interest will thus only have a less significant and direct effect on results after interest. The Company does not enter into interest rate agreements to hedge against interest rate exposures.

### **Credit risks**

The Company is not exposed to major risks from a single customer or business partner. All major customers and other business partners are credit rated on a regular basis.

### **Environmental performance**

Our business model is based on sustainability by providing fully recyclable packaging. We work actively to have a circular business model and focus on continuously optimising the Company's energy use as well as reducing greenhouse gas emissions.

In 2019/20, DS Smith and the Ellen MacArthur Foundation initiated a collaboration at group level with the aim of focusing on the circular economy in the industry and creating the foundation to support our customers in developing innovative new approaches to packaging design, manufacturing and recycling, and to get the most out of our resources and raw materials. Specifically, this partnership has been the building block of a strategic, global and local collaboration between DS Smith and MULTIVAC, which has introduced the ECO Bowl, a sustainable alternative to the traditional plastic trays in supermarkets.

We have made further adjustments of the warehouse/logistics function at the Company's factories to ensure a more optimal supply to our customers, and a majority of the Company's products are transported directly from the factories to the customers. This means fewer kilometres driven, which has a positive impact on environment as well as economy.

Direct deliveries increased from a level of 86% in April 2019 to a level of 96% in April 2020. Our goal for 2019/20 was a level of 95%. The goal has almost been met with 92% of our deliveries being direct deliveries in 2019/20.

In addition, as high a degree of recycling as possible is ensured in the Company's products with a predominant part of all paper raw materials coming from recycled paper. At the same time, all paper waste from the production processes is collected and redistributed to the DS Smith Group's recycling centers where it is recycled and processed into new paper.

In 2019/20, DS Smith Denmark was certified in ISO 50001 (Energy Management). As part of this certification, training in energy management is carried out for employees at all levels in the organisation, which is carried out on an ongoing basis, and moreover, energy-improving initiatives are ensured.

### **Statutory report on corporate social responsibility**

DS Smith aims to develop our business in a responsible and sustainable way, which is a testament of our approach to corporate responsibility.

We pay special attention to:

- Health and safety
- Our employees
- Environment, sustainability and circular economy

We comply with the DS Smith Plc Group's policies and initiatives relating to CSR and sustainability. Both areas are explained on the Group's website under the heading: Sustainability

<http://www.dssmith.com/company/sustainability/>

The DS Smith Plc Group has provided an overview in an annual Sustainability Report:  
<https://www.dssmith.com/company/sustainability/sustainabilityreport>

For a more detailed description of our business model, see above sections on primary activities and development in activities and finances.

## **Health and safety**

### **Policy**

At DS Smith, health and safety is an integral and key part of our business activities. We strive to ensure that no employees are harmed on the job. At group level, a target for health and safety has been set in accordance with DS Smith's concept 'Vision zero'. Therefore, the number of occupational accidents is continuously monitored to assess the status of the strategic goal of zero accidents. Moreover, near misses are monitored for the purpose of preventing situations that give rise to an actual accident. In the safety area, the Company is continuously working on improvements as it must be safe to go to work at DS Smith Denmark.

In 2019/20, there were two occupational accidents, which caused absence. Moreover, there has been special focus on supporting the safety in DS Smith through a deeper implementation of the safety tools 'Take 5' and a technical risk assessment and ergonomics, and at the same time conducting basic training of all employees, especially in our production areas. These tools further support employee involvement and knowledge sharing in the safety area.

### **Our employees – employee development**

In the spring of 2020, we faced a new challenge with COVID-19, which has resulted in great focus on the flow of internal communication and our managers' opportunity to lead at a distance. Thus, we have focused on communicative management, among other things - through our ongoing training of our managers, giving them the necessary tools for use in their everyday work.

In 2019/20, we also had strong focus on presence and health. We have trained our managers to focus on the general health of our employees through collaboration with an external partner specialised in this area. Furthermore, we continue to adhere to our 'Management Standards', which all managers in DS Smith comply with in everyday life, which we believe is a great driving force to strengthen our managers' competencies in order to ensure a common strategic direction for the benefit of the Company and employees' motivation and well-being.

## **Ethical business conduct, incl. human rights and anti-corruption and bribery**

### **Policy**

Like the rest of the Group, DS Smith Denmark is committed to respecting and supporting existing human rights. This applies to internal affairs as well as employees, and towards external cooperative partners and the local areas where DS Smith Denmark has activities. We want to conduct an ethical business, which is expressed in the Group's Code of Conduct. The Code of Conduct sets out, among other things that neither DS Smith nor any employees may make or receive illegal or improper payments or bribes. We refrain from engaging in any form of corrupt business conduct.

For further details on DS Smith's policies in this area, please refer to the Group's website under Code-of-Conduct and Our People: <http://www.dssmith.com/people/culture/code-of-conduct>  
<http://www.dssmith.com/company/sustainability/our-people>

**Actions and achievements**

To ensure knowledge and compliance with the Code of Conduct, new administrative employees must complete electronic training in compliance with the Code of Conduct.

Ethical business conduct is also a requirement for all our suppliers, which is described in the Group's Global Supplier Standards.

<https://www.dssmith.com/company/sustainability/our-business/supplier-standards>

It is the Company's assessment that in the past financial year there have been no violations of the applicable guidelines relating to human rights, corruption and bribery.

**Main risks and handling**

A materiality and risk analysis has been prepared at group level, showing the areas where the group can have the greatest impact on the surrounding community. The main areas were considered to be; health and safety, fiber sourcing, supplier standards and the environmental impact of packaging in relation to recycling. We handle the risk of negative impact through our policies and actions described above.

**Statutory report on the underrepresented gender**

It is the Company's aim that both genders are represented on the Company's Board of Directors and Management. It is also part of the Company's policy that gender is not taken into account when recruiting new staffs internally as well as externally but that positions are always filled on the basis of competencies.

The Board of Directors consists of six members of whom two are appointed by the employees for a four-year period. There has been a positive development in the gender composition in 2019/20. With the replacement and expansion of the number of board members in the financial year 2019/20, there are now two female members against none in the previous financial year. The share of female employees in the Company's management team is 66%.

In the financial year 20/21, we are working on implementing a recruitment policy for DS Smith Denmark, where we set up specific parameters in relation to our future recruitments. The stated parameters are e.g. gender, ethnicity, religious beliefs and sexuality. The policy will become effective in the course of 20/21. It is our expectation that this policy will create more balance in relation to the above parameters in the Company's general staff and in Management.

**Events after the balance sheet date**

No events have occurred after the balance sheet date which would influence the evaluation of the annual report. The outbreak and spread of COVID-19 in 2020 has not had and is not expected to have any significant impact on the Company's financial position and development.

# Income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK '000
Revenue	2	1,200,458	1,299,281
Production costs		(940,805)	(1,070,853)
<b>Gross profit/loss</b>		<b>259,653</b>	<b>228,428</b>
Distribution costs		(154,449)	(178,170)
Administrative expenses	3	(95,633)	(112,464)
<b>Operating profit/loss</b>		<b>9,571</b>	<b>(62,206)</b>
Income from investments in group enterprises		(106)	(300)
Other financial income	6	258	3,291
Other financial expenses	7	(11,771)	(11,803)
<b>Profit/loss before tax</b>		<b>(2,048)</b>	<b>(71,018)</b>
Tax on profit/loss for the year	8	(3,663)	9,223
<b>Profit/loss for the year</b>	9	<b>(5,711)</b>	<b>(61,795)</b>

# Balance sheet at 30.04.2020

## Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Acquired licences		3,046	4,899
Goodwill		117,061	132,577
Development projects in progress	11	708	347
<b>Intangible assets</b>	10	<b>120,815</b>	<b>137,823</b>
Land and buildings		156,768	168,465
Plant and machinery		228,232	235,127
Other fixtures and fittings, tools and equipment		12,037	11,638
Leasehold improvements		116	248
Property, plant and equipment in progress		21,539	17,493
<b>Property, plant and equipment</b>	12	<b>418,692</b>	<b>432,971</b>
Investments in group enterprises		62,671	62,830
Deposits		2,528	3,321
<b>Other financial assets</b>	13	<b>65,199</b>	<b>66,151</b>
<b>Fixed assets</b>		<b>604,706</b>	<b>636,945</b>



Raw materials and consumables		38,293	38,537
Work in progress		3,976	4,617
Manufactured goods and goods for resale		34,416	35,189
<b>Inventories</b>		<b>76,685</b>	<b>78,343</b>
<hr/>			
Trade receivables		74,208	102,239
Receivables from group enterprises		30,844	280,072
Other receivables		9,365	9,212
Income tax receivable		161	38
Prepayments	14	3,920	4,281
<b>Receivables</b>		<b>118,498</b>	<b>395,842</b>
<hr/>			
<b>Cash</b>		<b>2,585</b>	<b>2,534</b>
<hr/>			
<b>Current assets</b>		<b>197,768</b>	<b>476,719</b>
<hr/>			
<b>Assets</b>		<b>802,474</b>	<b>1,113,664</b>
<hr/>			

**Equity and liabilities**

	<b>Notes</b>	<b>2019/20 DKK'000</b>	<b>2018/19 DKK'000</b>
Contributed capital	15	250,000	250,000
Reserve for development expenditure		1,599	1,984
Retained earnings		(61,964)	(56,585)
<b>Equity</b>		<b>189,635</b>	<b>195,399</b>
Deferred tax	16	38,472	35,186
Other provisions	17	7,700	7,181
<b>Provisions</b>		<b>46,172</b>	<b>42,367</b>
Payables to group enterprises		268,182	560,425
<b>Non-current liabilities other than provisions</b>	18	<b>268,182</b>	<b>560,425</b>
Trade payables		71,105	93,478
Payables to group enterprises		117,130	134,429
Other payables	19	110,250	87,566
<b>Current liabilities other than provisions</b>		<b>298,485</b>	<b>315,473</b>
<b>Liabilities other than provisions</b>		<b>566,667</b>	<b>875,898</b>
<b>Equity and liabilities</b>		<b>802,474</b>	<b>1,113,664</b>
Events after the balance sheet date	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	22		
Related parties with controlling interest	23		
Non-arm's length related party transactions	24		
Group relations	25		

# Statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	250,000	1,984	(56,585)	195,399
Value adjustments	0	0	(53)	(53)
Transfer to reserves	0	(385)	385	0
Profit/loss for the year	0	0	(5,711)	(5,711)
<b>Equity end of year</b>	<b>250,000</b>	<b>1,599</b>	<b>(61,964)</b>	<b>189,635</b>

# Cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		9,571	(62,206)
Working capital changes	20	17,864	(1,340)
Other adjustments	21	65,959	83,288
<b>Cash flow from ordinary operating activities</b>		<b>93,394</b>	<b>19,742</b>
Financial income received		258	3,291
Financial expenses paid		(11,771)	(11,803)
Income taxes refunded/(paid)		(500)	(2,756)
<b>Cash flows from operating activities</b>		<b>81,381</b>	<b>8,474</b>
Acquisition etc of intangible assets		(560)	(934)
Acquisition etc of property, plant and equipment		(33,593)	(25,968)
Sale of property, plant and equipment		0	3,595
Acquisition of fixed asset investments		(952)	(732)
Sale of fixed asset investments		1,745	14
<b>Cash flows from investing activities</b>		<b>(33,360)</b>	<b>(24,025)</b>
Incurrence of debt to group enterprises		(47,970)	14,659
<b>Cash flows from financing activities</b>		<b>(47,970)</b>	<b>14,659</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>51</b>	<b>(892)</b>
Cash and cash equivalents beginning of year		2,534	3,426
<b>Cash and cash equivalents end of year</b>		<b>2,585</b>	<b>2,534</b>
Cash and cash equivalents at year-end are composed of:			
Cash		2,585	2,534
<b>Cash and cash equivalents end of year</b>		<b>2,585</b>	<b>2,534</b>

# Notes

## 1 Events after the balance sheet date

No significant events have occurred after the balance sheet date to this date. Please refer to the management commentary for management view on the COVID-19 effect on DS Smith.

## 2 Revenue

	2019/20 DKK'000	2018/19 DKK'000
Home market	1,025,283	1,118,938
Export	175,175	180,343
<b>Total revenue by geographical market</b>	<b>1,200,458</b>	<b>1,299,281</b>
Corrugated paper and related products	1,200,458	1,299,281
<b>Total revenue by activity</b>	<b>1,200,458</b>	<b>1,299,281</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

	2019/20 DKK'000	2018/19 DKK'000
Statutory audit services	510	500
Other services	74	102
	<b>584</b>	<b>602</b>

## 4 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	307,754	318,691
Pension costs	23,590	24,924
Other social security costs	9,969	10,027
	<b>341,313</b>	<b>353,642</b>

Average number of full-time employees	<b>669</b>	<b>686</b>
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Management salaries has not been disclosed in accordance with section § 98b, para. 3 in the Danish Financial Statement Act.

## 5 Depreciation, amortisation and impairment losses

	2019/20 DKK'000	2018/19 DKK'000
Amortisation of intangible assets	17,568	31,505
Depreciation of property, plant and equipment	47,438	45,699
	<b>65,006</b>	<b>77,204</b>

**6 Other financial income**

	2019/20 DKK'000	2018/19 DKK'000
Other interest income	258	3,291
	<b>258</b>	<b>3,291</b>

**7 Other financial expenses**

	2019/20 DKK'000	2018/19 DKK'000
Financial expenses from group enterprises	9,618	9,562
Other interest expenses	2,153	2,241
	<b>11,771</b>	<b>11,803</b>

**8 Tax on profit/loss for the year**

	2019/20 DKK'000	2018/19 DKK'000
Current tax	462	0
Change in deferred tax	3,286	(9,176)
Adjustment concerning previous years	(85)	(47)
	<b>3,663</b>	<b>(9,223)</b>

**9 Proposed distribution of profit and loss**

	2019/20 DKK'000	2018/19 DKK'000
Retained earnings	(5,711)	(61,795)
	<b>(5,711)</b>	<b>(61,795)</b>

**10 Intangible assets**

	Acquired licences DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	96,760	638,778	347
Transfers	199	0	(199)
Additions	0	0	560
Disposals	(20,246)	0	0
<b>Cost end of year</b>	<b>76,713</b>	<b>638,778</b>	<b>708</b>
Amortisation and impairment losses beginning of year	(91,861)	(506,201)	0
Amortisation for the year	(2,052)	(15,516)	0
Reversal regarding disposals	20,246	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(73,667)</b>	<b>(521,717)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,046</b>	<b>117,061</b>	<b>708</b>

## 11 Development projects

The capitalized development projects concern development to the company's existing IT platforms, including update system solutions for inventory and customer management. Management expects new IT systems to be taken in autumn 2020 and will make DS Smith Packaging Denmark A/S customer service even more smooth and efficient.

## 12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	342,762	853,152	47,570	612	17,493
Transfers	234	13,208	1,723	0	(15,165)
Additions	127	12,272	1,983	0	19,211
Disposals	(460)	(47,718)	(9,151)	0	0
<b>Cost end of year</b>	<b>342,663</b>	<b>830,914</b>	<b>42,125</b>	<b>612</b>	<b>21,539</b>
Revaluations beginning of year	25,012	0	0	0	0
<b>Revaluations end of year</b>	<b>25,012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(199,309)	(618,025)	(35,932)	(364)	0
Depreciation for the year	(11,784)	(32,215)	(3,307)	(132)	0
Reversal regarding disposals	186	47,558	9,151	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(210,907)</b>	<b>(602,682)</b>	<b>(30,088)</b>	<b>(496)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>156,768</b>	<b>228,232</b>	<b>12,037</b>	<b>116</b>	<b>21,539</b>

### 13 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	80,045	3,321
Additions	0	952
Disposals	0	(1,745)
<b>Cost end of year</b>	<b>80,045</b>	<b>2,528</b>
Impairment losses beginning of year	(17,215)	0
Exchange rate adjustments	(53)	0
Share of profit/loss for the year	(106)	0
<b>Impairment losses end of year</b>	<b>(17,374)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>62,671</b>	<b>2,528</b>

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
DS Smith Packaging Ireland Limited	Dublin, Ireland	Ltd.	100	62,671	(106)

### 14 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and leasing etc..

### 15 Share capital

	Nominal value DKK'000
Contributed capital beginning of year	250,000
	<b>250,000</b>

### 16 Deferred tax

	2019/20 DKK'000	2018/19 DKK'000
Intangible assets	738	1,155
Property, plant and equipment	36,730	32,410
Inventories	3,040	2,807
Receivables	(554)	(557)
Other taxable temporary differences	(1,482)	(629)
<b>Deferred tax</b>	<b>38,472</b>	<b>35,186</b>



	2019/20 DKK'000	2018/19 DKK'000
<b>Changes during the year</b>		
Beginning of year	35,186	44,362
Recognised in the income statement	3,286	(9,176)
<b>End of year</b>	<b>38,472</b>	<b>35,186</b>

### 17 Other provisions

Provisions for redundancy and plant closure costs which amounts to 7,700 tDKK in the financial year.

### 18 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK'000
Payables to group enterprises	268,182
	<b>268,182</b>

No repayment profile has been agreed for the settlement of long-term liabilities to group enterprises.

### 19 Other payables

	2019/20 DKK'000	2018/19 DKK'000
VAT and duties	12,247	9,419
Wages and salaries, personal income taxes, social security costs, etc payable	94,299	75,432
Other costs payable	3,704	2,715
	<b>110,250</b>	<b>87,566</b>

### 20 Changes in working capital

	2019/20 DKK'000	2018/19 DKK'000
Increase/decrease in inventories	1,658	(90)
Increase/decrease in receivables	33,194	1,444
Increase/decrease in trade payables etc	(16,988)	(2,694)
	<b>17,864</b>	<b>(1,340)</b>

## 21 Other adjustments

Other adjustments in the cash flow statement are summarised as follows:

	2019/20 DKK '000	2018/19 DKK '000
Depreciation and write-downs on intangible and tangible assets	65.006	77.204
Profit on sale of fixtures and fittings	434	(964)
Adjustment in provisions for pension and restructuring for the year	519	7.048
	<b>65.959</b>	<b>83.288</b>

## 22 Unrecognised rental and lease commitments

	2019/20 DKK'000	2018/19 DKK'000
Liabilities under rental or lease agreements until maturity in total	<b>46,444</b>	<b>37,867</b>

The company's operating leasing obligations at the balance sheet date comprises property rental contracts, leasing contracts on rolling stock and other obligations.

## 23 Related parties with controlling interest

DS Smith Packaging International B. V. Eerbeek, Netherland owns all shares in the company and thus has a controlling interest influence on this.

## 24 Non-arm's length related party transactions

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions were carried out during the financial year.

## 25 Group relations

Copies of the consolidated financial statements of DS Smith Plc may be ordered at the following address:  
DS Smith Plc, 7th Floor 350 Euston Road, Regent's Place, London, England

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium). This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

The Group Annual Report may be obtained at the following address:

DS Smith Plc  
7th Floor  
350 Euston Road  
Regent's Place  
London  
NW13AX  
England  
Tel: +44 20 7756 1800  
[www.dssmith.com](http://www.dssmith.com)

## Recognition and measurement

All revenues are recognised in the income statement as earned based on the following criteria:

- delivery has been made before year end,
- a binding sales agreement has been made,
- the sales price has been determined, and
- payment has been received at the time of sale or may with reasonable certainty be expected to be received.

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

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

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

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

### **Business combinations**

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

Acquisitions of enterprises, mergers, demergers, addition of assets and share exchanges etc. where the participating enterprises are under the Parent's control are accounted for applying the uniting-of-interests method, where the uniting of interests is considered implemented at the time of the acquisition without restating comparative figures. According to the uniting-of-interests method, the acquired company's assets and liabilities are recognised at carrying amounts adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquired enterprise is recognised in equity.

### **Foreign currency translation**

Transactions in foreign currency (e.g. purchases/-sales) are translated into local currency at monthly average rates of exchange or at forward rates. The monthly average rates of exchange are used for practical reasons, as these reflect approximately the rates of exchange at the transaction date.

The differences in exchange rates arising between the average monthly rate and the rate at the date of payment are stated in the income statement under production costs.

Receivables and creditors in foreign currency are translated into local currency at the exchange rates ruling at the balance sheet date or in some cases at forward rates. The difference between the rate of exchange at the balance sheet date (or the forward rate as the case may be) and the rate of exchange at the time when the debtor or the creditor was incurred is included in the income statement under production costs.

Tangible fixed assets purchased in foreign currency are translated into local currency at the rate of exchange at the date of transaction or at a forward rate, as the case may be.

Other realised and unrealised exchange rate adjustments are included in the income statement under production costs.

For the purpose of translating the financial statements of group enterprises, the income statements are translated at average exchange rates, while the balance sheet items are translated at the exchange rates as at the balance sheet date as the undertakings are considered independent foreign entities.

Exchange rate adjustments arising upon translation of the shareholders' equity of foreign under-takings at the beginning of the year and exchange rate adjustments arising as a result of the translation of the income statements of foreign undertakings at average exchange rates are taken directly to shareholders' equity.

## **Income statement**

### **Revenue**

Net sales comprise sales invoiced during the year less returned goods and discounts granted in connection with sales.

Segment information regarding revenue is presented in respect of business segments and geographical segments.

### **Production costs**

Production costs include costs incurred to achieve the net sales of the year. Cost of sales includes raw materials, consumables, direct labour and production overheads such as maintenance and depreciation of production plant and operations, as well as administration and factory management.

### **Distribution costs**

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including salaries for sales personnel, advertising and exhibition costs, depreciation, etc.

### **Administrative expenses**

Administrative expenses comprise the costs of the administrative staff and management, including offices, salaries and depreciation, etc.

### **Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

### **Other financial income**

Other financial income comprises dividends on interest income and allowances under the tax on account scheme.

### **Other financial expenses**

Other financial expenses comprise interest expenses and tax surcharge under the Danish Tax Prepayment Scheme etc.

### **Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and the deferred tax for the year, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity. Any share of the tax reported in the income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

## Balance sheet

### Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area.

The amortisation period is usually five years, how-ever, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### Intellectual property rights etc

Intellectual property rights etc. comprise acquired licences and development projects in progress.

Intangible assets are measured at cost less accumulated amortization and write-downs. Amortization is preceded according to the straight-line method based on the estimated useful lives of the asset which are 3-10 years for acquired licences. The amortization period is determined on the basis of the management's experience within the com-pany's business area. In the opinion of the man-agement, it reflects the best estimate for the use-ful lives of the assets.

The amortization period is assessed on a continuous basis and write-down is recorded in the in-come statement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings are measured at cost with the addition of revaluations and less accumulated depreciation and impairment losses. Land is not depreciated.

Plant and machinery as well as fixtures, fittings and equipment are measured at cost less accumulated depreciation.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Investments in progress are measured at defrayed expenses.

Cost comprises acquisition price and expenses directly related to the acquisition as well as expenses for set-up.

Depreciation based on cost with the addition of revaluations and reduced by any scrap value is calculated on a straight line basis over the expected useful lives of the assets which are:

Buildings	20-40 years
Plant and machinery	10-20 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	4 years

Expected lifetimes and scrap values are reevaluted yearly.

Leasehold improvements are depreciated over the lifetime of the leasehold contract.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. New acquisitions costing less than DKK 35,000 are fully expensed in the year of acquisition. Office equipment functioning as a whole is capitalised even if the purchase price of the individual parts is less than the amount stated above.

Equipment subject to financial leasing arrangements is treated as if acquired by the company.

### **Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method.

The item "Income from investments in group enterprises" in the income statement includes the share of up enterprise's result for the year less amortisation of goodwill.

The item "Investments in group enterprises" in the balance sheet includes the proportionate ownership share of the net asset value of the group enterprise's calculated according to the accounting policies of the parent company with deduction or addition of unrealised intercompany profits and losses and with addition or deduction of any remaining value of positive or negative goodwill.

Group enterprises with a negative net asset value are valued at DKK 0. If the parent company has a legal or actual liability to cover the negative equity of the company, a provision for this is set up.

Upon profit distribution, the total net revaluation of investments in group enterprises is allocated to a "reserve for net revaluation under the equity method" under shareholders' equity in the parent company.

When group enterprises are acquired, the difference between the cost and the net asset value of the subsidiary acquired is computed subsequent to adjustment of the individual assets and liabilities to fair value. Remaining positive differences are amortized on a straight-line basis in the income statement over 20 years.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired.

The amortisation period of 20 years for goodwill on consolidation is determined on the basis of the management's experience within the company's business area. In the opinion of the management, it reflects the best estimate of the useful lives of the assets.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

Inventories of raw materials, consumables and goods for resale are measured at the cost price according to the FIFO principle or net realisable value if the latter is lower than the cost price.

Finished goods and semi-finished goods are measured at direct materials and labour costs involved as well as indirect production overheads such as maintenance and depreciation of production plant as well as operations, administration and management of the plants.

Provisions are made for slow-moving and obsolete items.

**Receivables**

In the balance sheet receivables are measured at the lower of amortised cost and net realisable value, which usually corresponds to nominal value less provisions for bad debts. The provision is calculated on the basis of an assessment of the individual debtors.

**Income tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Deferred tax**

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Other provisions**

Provisions are recognized when - in consequence of an event that occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Pension commitments, which are not covered by insurance, are calculated and stated as the capitalised value of the actual pensions.

Other provisions are made to the extent that at the year-end unsettled claims remain from customers or risk of claims concerning actual matters. Moreover, amounts are provided for restructuring decided which have not yet been completed.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other debt is recognised at cost at the time of contracting the debt. Subsequently, it is stated at amortised cost, which in respect of short and non-interest bearing liabilities and of variable, interest-bearing liabilities usually corresponds to the nominal value.

**Cash flow statement**

The cash flow statement shows the Company'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 Company's cash and cash equivalents at the beginning and end of the year.



Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortization and impairment losses, provisions as well as changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payment of dividend to shareholders.

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be solely derived from the published financial records.