

DS Smith Packaging Denmark A/S

Åstrupvej 30
8500 Grenaa
CVR No. 21153702

Annual report 01.05.2021 - 30.04.2022

The Annual General Meeting adopted the
annual report on 30.09.2022

Lene Meidahl Højen

Chairman of the General Meeting

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Entity details

Entity

DS Smith Packaging Denmark A/S

Åstrupvej 30

8500 Grenaa

Business Registration No.: 21153702

Registered office: Norddjurs

Financial year: 01.05.2021 - 30.04.2022

Board of Directors

Gustav Thorbjörn Sagerström, chairman

Lene Meidahl Højen, deputy chairman

Helena Birgitta Redmo

Dan Johannessen

Frits Thorvald Hillebrecht

Asger Bjerre Terkelsen

Executive Board

Dan Johannessen

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 01.05.2021 - 30.04.2022.

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 30.04.2022 and of the results of its operations and cash flows for the financial year 01.05.2021 - 30.04.2022.

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, 30.09.2022

Executive Board

Dan Johannessen

Board of Directors

Gustav Thorbjörn Sagerström
chairman

Lene Meidahl Højen
deputy chairman

Helena Birgitta Redmo

Dan Johannessen

Frits Thorvald Hillebrecht

Asger Bjerre Terkelsen

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 01.05.2021 - 30.04.2022, 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 30.04.2022 and of the results of its operations and cash flows for the financial year 01.05.2021 - 30.04.2022 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 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.

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, 30.09.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Mikael Møller

State Authorised Public Accountant
Identification No (MNE) mne47835

Management commentary

Financial highlights

	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Revenue	1,369,407	1,160,196	1,200,458	1,299,281	1,247,166
Gross profit/loss	202,762	257,195	259,653	228,428	251,160
Operating profit/loss	(43,502)	27,501	9,571	(62,206)	(26,396)
Net financials	(7,059)	(9,299)	(11,619)	(8,812)	(11,554)
Profit/loss for the year	(41,012)	13,309	(5,711)	(61,795)	(35,815)
Total assets	881,387	807,456	802,474	1,113,664	1,173,361
Investments in property, plant and equipment	22,159	55,682	33,593	25,968	45,900
Equity	161,789	202,755	189,635	195,399	257,071
Cash flows from (used in) operating activities	(65,950)	26,410	81,381	8,474	12,232
Cash flows from (used in) investing activities	(22,323)	(52,981)	(33,360)	(24,025)	(11,537)
Cash flows from (used in) financing activities	87,150	28,997	(47,970)	14,659	(2,095)
Average number of employees	666	659	669	686	667

Ratios

Gross margin (%)	14.81	22.17	21.63	17.58	20.14
EBIT margin (%)	(3.18)	2.37	0.80	(4.79)	(2.12)
Net margin (%)	(2.99)	1.15	(0.48)	(4.76)	(2.87)
Return on equity (%)	(22.50)	6.78	(2.97)	(27.31)	(13.03)
Equity ratio (%)	18.36	25.11	23.63	17.55	21.91

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 offers innovative sustainable packaging and display solutions primarily made of corrugated paper.

Since 2012, DS Smith Denmark has been part of the DS Smith Group, which is a leading provider on the international market for innovative sustainable packaging solutions. The Group operates in more than 30 countries and employs more than 30,000 employees.

Sustainability is at the heart of our business model and forms the basis of our goal 'Redefining Packaging for a Changing World'. Our wish is to help our customers through a strategic partnership around our innovative sustainable packaging solutions and through the strategic support we offer our customers throughout their value chain.

Development in activities and finances

The market for corrugated paper across industries has been increasing in 2021/22 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 and the Company's other primary production costs have been affected by high inflationary price increases during the period and a delay in increase of our customers prices, which has had a significant negative effect in the financial year. This is the main explanation for the decrease in gross margin in 2021/22 compared to 2020/21.

Profit/loss for the year in relation to expected developments

In the financial year 2021/22, COVID-19 did not have any significant negative impact on the financial performance. Thanks to the adaptability among employees, customers and other relations, DS Smith Denmark has seen a challenging financial year during a pandemic without the Company's operations having been significantly affected. The Company has not participated in public COVID-19 aid schemes during the period.

Despite the above factors, which have negatively affected the Company's operations and earnings during the financial year, the total loss of DKK 50.6 million before tax is not considered satisfactory.

Outlook

Market conditions in Denmark are characterized by strong competition and significant price pressure. This is also expected for 2022/23.

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 2022/23, the financial performance is expected to improve compared to the previous year, driven by an expected more stable paper price as well as a better balance between the Company's underlying raw materials and price increases for sustainable packaging solutions in the market. There will be continuous focus on growth of both 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.

Pre-tax profit for 2022/23 is expected to be in the range of DKK 5-10m.

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.

Market risks

The sometimes very considerable fluctuations in paper prices and other production costs 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 any major risks from a single customer or business partner. All major customers and other business partners are credit rated on a regular basis.

Statutory report on corporate social responsibility

DS Smith aims to develop the 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 and their development
- Environment, sustainability and circular economy

DS Smith Denmark complies 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', which shows the Group's sustainability strategy 'For Now and for Next': <http://www.dssmith.com/company/sustainability/> The sustainability strategy was launched in September 2020. Several targets have been met at group level since then, including DS Smith's CO₂ emissions which have been reduced by 29% (per tonne of production) since 2015, while the Group has also removed 313 million pieces of problem plastic and replaced them with reusable alternatives (e.g. corrugated paper packaging) since the beginning of 2020/21.

The DS Smith Plc Group has provided a total overview of targets and all targets met in the Sustainability Report – the most recent edition from June 2022: <https://www.dssmith.com/sustainability/reporting-hub/sustainabilityreport>

For the business model in place, we refer to the section of "Primary Activities".

Health and safety Policy

At DS Smith, health (both physical and mental) and safety is an integral and key part of our business activities. We strive to ensure that no employees or visitors are injured on the job or otherwise burdened unnecessarily either mentally or physically. At group level, a target for health and safety has been set in accordance with DS Smith's concept 'Vision zero' with the purpose of preventing situations that give rise to actual accidents. 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 the past year, the Company has put more focus on supporting the safety in DS Smith by implementing the safety tool "Observation & Dialog".

Our employees – employee development

In the financial year 2021/22, we continued to face challenges with COVID-19 and a new situation with the invasion of Ukraine, which has resulted in a continued strong focus on internal communication and our managers' ability to support the individual colleague. For example, it has been possible for all employees to nominate other colleagues for a particularly good effort under the global employee program "The Smithies". Through this program, many Danish colleagues have been recognized for their efforts during difficult times.

We have continued our focus on management through continuous training of our managers. At the training, managers have been given the necessary tools for use in their everyday lives, where we, among other things, adhere to our "Management Standards", which all managers in DS Smith comply with in everyday life. We believe that "Management Standards" is a great driving force to strengthen our managers' competences in order to ensure a common strategic direction for the benefit of the Company and employees' motivation and well-being. As an integral part of our employee development, we held our large global employee survey in 2021, where approximately 400 Danish employees shared their feedback about being part of DS Smith Denmark. The insights were, among other things, that many colleagues were very satisfied with the work-life balance, and in general the pride of working at DS Smith has increased compared to a previous survey from 2018. Moreover, the vast majority of employees believe that DS Smith is a safe place to work.

Finally, it is important to emphasize that, as stated in the management commentary from 2020/21, we have had a strong focus on diversity and inclusive leadership in DS Smith Denmark through learning and workshops, which is also positively reflected in the employee survey. In the coming years, we will continue to work on diversity and inclusive leadership.

Environment, sustainability and circular economy policy

The world is changing rapidly. Consumers are increasingly demanding more and more from the products and services they buy. At the same time, there is an expectation that all organisations and companies will radically reduce their impact on the environment. And where possible, seek to make a positive impact for people and for our planet.

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 optimizing the Company's energy use as well as reducing CO₂ emission in our production and training our employees in understanding and complying with the principles of the circular economy.

In 2021/22, the Group has continued to spread the circular economy with the aim of supporting our customers in developing innovative approaches to packaging design.

Our sustainability strategy focuses on protecting natural resources by getting the most out of every fiber in packaging, reducing waste and pollution through circular solutions, and getting people ready to transition to the circular economy.

As part of the strategy, 'The Circular Design Model' was introduced in the market. With this tool, we are able to assess and compare different packaging designs based on how they fit into the circular model. The Circular Design Model - which is the first of its kind in the industry - provides a clear identification of the environmental impact of a packaging and focuses on what should be optimised in collaboration with our customers.

Moreover, during the past year, we have expanded a permanent partnership between the NGO organisation Vild med Vilje and DS Smith Denmark. The partnership deals with specific initiatives at DS Smith's locations to advance biodiversity now and in future. These initiatives have been implemented, and there are, e.g. wild areas with focus on biodiversity at our factory in Taulov.

In 2021/2022, we have continued our focus on adapting our warehouse/logistics to ensure a more optimal supply to our customers, and at the same time, a substantial part of the Company's products is transported directly from the production facilities to the customers. This means fewer kilometres driven, which has a positive impact on environment and an effect on economy. We have also had a strong focus on increasing the filling ratio on the transport to our customers. This has resulted in an increase of 4.75% in the number of shipments against 20/21. Our focus in the coming year is to continue to have a strong focus on direct deliveries and reduction of our CO₂ emissions in close cooperation with our suppliers and customers.

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 after which it is redistributed to the DS Smith Group's recycling centers in Europe where it is recycled and processed into new paper. We work focused on our FSC certification and our general work processes to ensure responsible use of our raw materials in line with the general standards set up in the FSC certification.

As part of DS Smith's global multi-site certificate, DS Smith Denmark is ISO 50001 energy certified. This means that throughout the DS Smith Group, we work together to optimise energy efficiency and reduce CO₂ emissions. The DS Smith Group sets clear targets for sustainable production and reduction of CO₂. As corrugated paper production is energy intensive, there is a special focus on switching to sustainable energy sources such as wind and solar energy or CO₂ neutral solutions. Other focus areas could be electricity-based transport. In the coming financial year, electric vehicle chargers will be installed at all the Danish locations.

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, and preventing any form of corrupt activity. Our Anti-bribery and Anti-Corruption policy outlines our principles on preparing employees to comply with the rules against bribery and other corrupt conduct that apply to the DS Smith Group, its Employees and Third Parties. 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 employee may make or receive illegal or improper payments or bribes. We refrain from engaging in any form of corrupt business conduct.

We will continue to work in the future on mitigating potential breaches on human rights and we have evaluated that the most significant risk of impacting human rights negatively is through our supply chain.

We have evaluated that the no corrupt activities have been noted throughout our value chain and we will continue to work in the future on mitigating potential breaches on anti-corruption .

DS Smith is committed to complying with applicable anti-corruption laws in all countries in which it operates, and ensuring that opportunities for corruption and bribery are reduced to the lowest practicable level of risk. If any employees are aware of any circumstances which are or may be in breach of this anti-corruption policy, the employee should promptly report the breach through the secure speak up channels, Group Legal or Group General Counsel & Company Secretary

For further description of our anti-corruption policy see below link:

<http://www.dssmith.com/investors/corporate-governance/policies/anti-corruption-policy>

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> and <http://www.dssmith.com/company/sustainability/our-people>

Actions and achievements

To ensure knowledge of 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.

In the coming year, we will continue to focus on monitoring current guidelines throughout the company. Moreover, a major internal communication campaign regarding applicable policies is planned to ensure greater knowledge of the policies for the individual employee.

Data ethics including private policy

Like the rest of the Group, DS Smith Denmark is committed to respecting and supporting ethical and responsible use of data in connection with all conceivable scenarios of the company's operations. This applies to internal matters and data about employees as well as to external business partners, customers, and candidates for vacant positions.

DS Smith Packaging Denmark A/S have updated all Employee and Data Privacy policies to reflect the GDPR Regulations introduced in 2018. A central resource in DS Smith Packaging Denmark A/S has been appointed as GDPR responsible with the responsibility for the business area's registers and with the responsibility to support the business areas in complying to the Data Privacy policies. A Group GDPR person has been appointed, with the tasks to maintain our GDPR system documentation and to perform internal audits. We have given training to our employees on what GDPR means to their day to day work and also on what action to take if there is a personal data breach.

Our policy on data ethics is focused on GDPR, which is the primary data we work with. Moreover, we ensure that all employees are trained in the policy through an e-learning.

Moreover, all managers and union representatives in DS Smith Denmark have participated in a GDPR webinar on how sensitive personal information is handled in everyday life and how we ensure that we comply with the rules, and quarterly samples are taken with a view to storage of sensitive personal data without objective reason.

For business partners and customers, only data used to be able to deliver, invoice and contact in connection with purchases is collected.

For further information on data processing and private policy, see:

<https://www.dssmith.com/da/packaging/om-os-/om-ds-smith/privatpolitik>

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; human rights, anti-corruption risks, 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

In continuation of the great focus on diversity and inclusive leadership over the past year, the Company has a goal that both genders are represented on the Company's Board of Directors and Management. It is also part of the Company's recruitment 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 four are appointed at the Company's general meeting, whilst the additional two members are employee representatives. Among these four members, there are two women and two men, which constitutes an equal gender composition.

The Company's management team in Denmark currently consists of four women and seven men. Going forward, there will be greater focus on more equal gender representation at management level in order to comply with and support the policy for diversity and inclusive leadership.

Events after the balance sheet date

No significant subsequent events occurred after balance sheet date.

Income statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK '000
Revenue	2	1,369,407	1,160,196
Production costs		(1,166,645)	(903,001)
Gross profit/loss		202,762	257,195
Distribution costs		(158,105)	(143,619)
Administrative expenses	3	(88,159)	(86,075)
Operating profit/loss		(43,502)	27,501
Income from investments in group enterprises		(80)	(34)
Other financial income	6	0	2
Other financial expenses	7	(6,979)	(9,267)
Profit/loss before tax		(50,561)	18,202
Tax on profit/loss for the year	8	9,549	(4,893)
Profit/loss for the year	9	(41,012)	13,309

Balance sheet at 30.04.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Acquired licences		1,566	2,329
Goodwill		102,679	109,870
Development projects in progress	11	510	319
Intangible assets	10	104,755	112,518
Land and buildings		145,939	153,878
Plant and machinery		225,212	247,855
Other fixtures and fittings, tools and equipment		10,803	11,241
Leasehold improvements		0	14
Property, plant and equipment in progress		16,001	12,309
Property, plant and equipment	12	397,955	425,297
Investments in group enterprises		62,414	62,448
Deposits		2,330	2,321
Financial assets	13	64,744	64,769
Fixed assets		567,454	602,584

Raw materials and consumables		58,839	39,708
Work in progress		5,271	5,148
Manufactured goods and goods for resale		47,841	35,622
Inventories		111,951	80,478
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Trade receivables		174,387	98,256
Receivables from group enterprises		6,076	7,101
Other receivables		12,220	9,949
Tax receivable		987	222
Prepayments	14	4,424	3,855
Receivables		198,094	119,383
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Cash		3,888	5,011
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Current assets		313,933	204,872
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Assets		881,387	807,456
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Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital	15	250,000	250,000
Reserve for development expenditure		888	1,113
Retained earnings		(89,099)	(48,358)
Equity		161,789	202,755
Deferred tax	16	34,280	43,827
Other provisions	17	700	1,250
Provisions		34,980	45,077
Payables to group enterprises		354,246	267,698
Other payables		30,083	29,481
Non-current liabilities other than provisions	18	384,329	297,179
Trade payables		134,113	115,582
Payables to group enterprises		74,858	57,418
Other payables	19	91,318	89,445
Current liabilities other than provisions		300,289	262,445
Liabilities other than provisions		684,618	559,624
Equity and liabilities		881,387	807,456
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 2021/22

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	250,000	1,113	(48,358)	202,755
Value adjustments	0	0	46	46
Transfer to reserves	0	(225)	225	0
Profit/loss for the year	0	0	(41,012)	(41,012)
Equity end of year	250,000	888	(89,099)	161,789

Cash flow statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK'000
Operating profit/loss		(43,502)	27,501
Working capital changes	20	(71,575)	(40,657)
Other adjustments	21	56,869	48,430
Cash flow from ordinary operating activities		(58,208)	35,274
Financial income received		0	2
Financial expenses paid		(6,979)	(9,267)
Taxes refunded/(paid)		(763)	401
Cash flows from operating activities		(65,950)	26,410
Acquisition etc of intangible assets		(691)	(110)
Acquisition etc of property, plant and equipment		(22,159)	(55,682)
Sale of property, plant and equipment		536	2,604
Acquisition of fixed asset investments		(9)	(80)
Sale of fixed asset investments		0	287
Cash flows from investing activities		(22,323)	(52,981)
Free cash flows generated from operations and investments before financing		(88,273)	(26,571)
Incurrence of debt to group enterprises		86,548	(484)
Other adjustments		602	29,481
Cash flows from financing activities		87,150	28,997
Increase/decrease in cash and cash equivalents		(1,123)	2,426
Cash and cash equivalents beginning of year		5,011	2,585
Cash and cash equivalents end of year		3,888	5,011
Cash and cash equivalents at year-end are composed of:			
Cash		3,888	5,011
Cash and cash equivalents end of year		3,888	5,011

Notes

1 Events after the balance sheet date

No significant events have occurred after the balance sheet date to this date.

2 Revenue

	2021/22 DKK'000	2020/21 DKK'000
Home market	1,161,843	997,187
Export	207,564	163,009
Total revenue by geographical market	1,369,407	1,160,196
Corrugated paper and related products	1,369,407	1,160,196
Total revenue by activity	1,369,407	1,160,196

3 Fees to the auditor appointed by the Annual General Meeting

	2021/22 DKK'000	2020/21 DKK'000
Statutory audit services	560	545
Other services	60	81
	620	626

4 Staff costs

	2021/22 DKK'000	2020/21 DKK'000
Wages and salaries	315,978	298,872
Pension costs	26,241	26,647
Other social security costs	10,809	9,457
	353,028	334,976

Average number of full-time employees	666	659
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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

	2021/22 DKK'000	2020/21 DKK'000
Amortisation of intangible assets	8,454	8,407
Depreciation of property, plant and equipment	49,368	48,768
	57,822	57,175

6 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Other interest income	0	2
	0	2

7 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Financial expenses from group enterprises	4,187	7,412
Other interest expenses	2,792	1,855
	6,979	9,267

8 Tax on profit/loss for the year

	2021/22 DKK'000	2020/21 DKK'000
Change in deferred tax	(9,547)	5,355
Adjustment concerning previous years	(2)	(462)
	(9,549)	4,893

9 Proposed distribution of profit and loss

	2021/22 DKK'000	2020/21 DKK'000
Retained earnings	(41,012)	13,309
	(41,012)	13,309

10 Intangible assets

	Acquired licences DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	77,212	638,778	319
Transfers	319	0	(319)
Additions	181	0	510
Cost end of year	77,712	638,778	510
Amortisation and impairment losses beginning of year	(74,883)	(528,908)	0
Amortisation for the year	(1,263)	(7,191)	0
Amortisation and impairment losses end of year	(76,146)	(536,099)	0
Carrying amount end of year	1,566	102,679	510

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 use in autumn 2022 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	350,903	868,850	43,890	391	12,309
Transfers	1,828	8,757	1,341	0	(11,926)
Additions	1,721	3,230	1,590	0	15,618
Disposals	0	(8,892)	0	0	0
Cost end of year	354,452	871,945	46,821	391	16,001
Revaluations beginning of year	25,012	0	0	0	0
Revaluations end of year	25,012	0	0	0	0
Depreciation and impairment losses beginning of year	(222,037)	(620,995)	(32,649)	(377)	0
Depreciation for the year	(11,488)	(34,497)	(3,369)	(14)	0
Reversal regarding disposals	0	8,759	0	0	0
Depreciation and impairment losses end of year	(233,525)	(646,733)	(36,018)	(391)	0
Carrying amount end of year	145,939	225,212	10,803	0	16,001

13 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	80,045	2,321
Additions	0	9
Cost end of year	80,045	2,330
Impairment losses beginning of year	(17,597)	0
Exchange rate adjustments	46	0
Share of profit/loss for the year	(80)	0
Impairment losses end of year	(17,631)	0
Carrying amount end of year	62,414	2,330

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
DS Smith Recycling Ireland Limited	Dublin, Ireland	Ltd.	100	62,414	(80)

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
	250,000

16 Deferred tax

	2021/22 DKK'000	2020/21 DKK'000
Intangible assets	395	572
Property, plant and equipment	30,655	40,657
Inventories	3,677	3,142
Receivables	(517)	(462)
Other taxable temporary differences	70	(82)
Deferred tax	34,280	43,827
Changes during the year	2021/22 DKK'000	2020/21 DKK'000
Beginning of year	43,827	38,472
Recognised in the income statement	(9,547)	5,355
End of year	34,280	43,827

17 Other provisions

Provisions for redundancy costs which amounts to 700 t.DKK.

18 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22 DKK'000
Payables to group enterprises	354,246
Other payables	30,083
	384,329

The long-term debt to group enterprises falls due for payment between 1 and 5 years after the balance sheet date.

19 Other payables

	2021/22 DKK'000	2020/21 DKK'000
VAT and duties	4,022	1,277
Wages and salaries, personal income taxes, social security costs, etc payable	80,062	83,305
Other costs payable	7,234	4,863
	91,318	89,445

20 Changes in working capital

	2021/22 DKK'000	2020/21 DKK'000
Increase/decrease in inventories	(31,473)	(3,793)
Increase/decrease in receivables	(77,946)	(824)
Increase/decrease in trade payables etc	37,844	(36,040)
	(71,575)	(40,657)

21 Other adjustments

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

	2021/22 DKK '000	2020/21 DKK '000
Depreciation and write-downs on intangible and tangible assets	57.822	57.175
Profit on sale of fixtures and fittings	(403)	(2.295)
Adjustement in provisions for pension and restructuring for the year	(550)	(6.450)
	56.869	48.430

22 Unrecognised rental and lease commitments

	2021/22 DKK'000	2020/21 DKK'000
Liabilities under rental or lease agreements until maturity in total	46,074	40,851

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).

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

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 undertakings 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 intragroup 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, however, 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 company's business area. In the opinion of the management, it reflects the best estimate for the useful lives of the assets.

The amortization period is assessed on a continuous basis and write-down is recorded in the income 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:

	Useful life Years
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 reevaluated 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.

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 noncash 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.



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Lene Meidahl Højen
Chairman of the General Meeting

Signer's name supplied by Lene Højen
03-10-2022 14:30

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