

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

Åstrupvej 30  
8500 Grenaa  
CVR No. 21153702

### **Annual report 01.05.2022. – 30.04.2023.**

The annual General Meeting adopted the annual report  
on 31.10.2023.

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**Connie Rasmussen**  
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: 01.05.2022.-30.04.2023.

### Board of Directors

Gustav Thorbjörn Sagerström, chairman  
Connie Rasmussen, deputy chairman  
Helena Birgitta Redmo  
Dan Johannessen  
Frits Thorvald Hillebrecht  
Asger Bjerre Terkelsen

### Executive Board

Dan Johannessen

### Auditors

EY Godkendt Revisionspartnerselskab  
Værkmestergade 25  
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 01.05.2022.-30.04.2023.

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 30.04.2023. and of the results of its operations and cash flows for the financial year 01.05.2022.-30.04.2023.

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, 31.10.2023.

## Executive board

**Dan Johannessen**

## Board of Directors

**Gustav Thorbjörn Sagerström**  
chairman

**Connie Rasmussen**  
deputy chairman

**Helena Birgitta Redmo**

**Dan Johannessen**

**Frits Thorvald Hillebrecht**

**Asger Bjerre Terkelsen**

# Independent auditor's report

To the shareholders 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 1 May – 30 April 2022/23, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 financial position of the Company at 30 April 2022/23 and of the results of the Company's operations and cash flows for the financial year 1 May – 30 April 2022/23 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Company 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.

## Management's responsibilities for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

## Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 31.10.2023.  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Lone Nørgaard Eskildsen  
State Authorised  
Public Accountant  
mne32085  
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# Management commentary

## Financial highlights

	2022/23 DKK'000	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000
<b>Key figures</b>					
Revenue	1.506.137	1.369.407	1.160.196	1.200.458	1.299.281
Gross profit/loss	257.239	202.762	257.195	259.653	228.428
Operating profit/loss	(2.654)	(43.502)	27.501	9.571	(62.206)
Net financials	(15.888)	(7.059)	(9.299)	(11.619)	(8.812)
Profit/loss for the year	(16.036)	(41.012)	13.309	(5.711)	(61.795)
Total assets	922.969	881.387	807.456	802.474	1.113.664
Investments in property, plant and equipment	53.660	22.159	55.682	33.593	25.968
Equity	145.856	161.789	202.755	189.635	195.399
Cash flows from (used in) operating activities	(12.826)	(65.950)	26.410	81.381	8.474
Cash flows from (used in) investing activities	(55.830)	(22.323)	(52.981)	(33.360)	(24.025)
Cash flows from (used in) financing activities	66.841	87.150	28.997	(47.970)	14.659
Average number of full-time employees	698	666	659	669	686

Ratios	2022/23 DKK'000	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000
Gross margin (%)	17,08	14,81	22,17	21,63	17,58
EBIT margin (%)	(0,18)	(3,18)	2,37	0,80	(4,79)
Net margin (%)	(1,06)	(2,99)	1,15	(0,48)	(4,76)
Return on equity (%)	(10,43)	(22,50)	6,78	(2,97)	(27,31)
Equity ratio (%)	15,80	18,36	25,11	23,63	17,55

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

**Gross margin (%):**

$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

**EBIT margin (%):**

$$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$$

**Net margin (%):**

$$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$$

**Return on equity(%):**

$$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$$

**Equity ratio(%):**

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

### **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 flat throughout the period 2022/23 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 development in raw material prices of paper has always a significant importance on the financial result, this applies also in the fiscal year 2022/23 where prices of paper have been very volatile. Besides, the company's primary production costs have been affected by high inflationary price increases during the period caused by the war in Ukraine and the following energy crisis in Europe.

In the second half of the financial year the development of paper prices has a positive impact on the result for 2022/23. However, this is partially offset by the inflationary price increases in the production costs. Together these factors have a positive impact on gross profit in 2022/23 compared to 2021/22.

### **Profit/loss for the year in relation to expected developments**

The financial year 2022/23 was influenced by the macroeconomic uncertainty in Denmark as in rest of Europe. With the continuing focus to meet our customer's needs, we managed to increase gross profit margins compared to 2021/22 leading to improvement in operating profit/loss.

Despite the rapid increase of interest rates especially in second half year the profit/loss for the year was significant improved. However, the loss of DKK 16 mill. in 2022/23 is not considered satisfactory.

### **Outlook**

The unstable economic conditions in Europe are expected to continue and influence the financial result also in the year 2023/24.

Market conditions in Denmark are characterized by strong competition and significant price pressure. This is also expected for 2023/24. The objective is to maintain the current market shares and market positions with a total return to meet Group strategic requirements.

For 2023/24 the financial performance is expected to improve compared to the previous year. However, we do continue to expect that the underlying cost variables will be volatile and challenge our performance.

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 continuous adjustment of capacity and costs levels.

Pre-tax profit for 2023/24 is expected to be in the range of DKK 0-5 mill.

## **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 effectuated in DKK or EUR, and the Company's foreign exchange risks are considered to be minimal. The Company does not enter 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. 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 cf. 99a**

Our business model is based on sustainability by providing packaging that is fully recyclable. We work actively to have a circular business model and focus on continuously optimizing the company's energy use, reducing emissions of CO<sub>2</sub> in our production and training our employees to understand and comply with the principles of the circular economy. We are innovating for 'Now and for Next'. From our packaging to our processes, our designers and innovators are relentlessly pursuing every new opportunity to create circular solutions designed to eliminate waste and pollution, circulate products and materials, and regenerate nature.

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 and again 297 million units of plastic replaced with recyclable alternatives, bringing the total to 762 million since 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 2023:

<https://www.dssmith.com/sustainability/reporting-hub/sustainabilityreport>

### **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 addition, "near misses" are monitored with the aim of preventing situations that give rise to actual accidents. In the area of safety, improvements are continuously being made, which is why all employees must report safety observations monthly, as it must be safe to go to work at DS Smith Denmark.

### **Actions and achievements**

In 2022/23, there were two occupational accidents which caused absence. This led to, among other things, extra focus on supporting safety when implementing new security initiatives in 2022/23. As a fundamental part of the health and safety work at DS Smith, safety days have been held at all our locations in Denmark focusing on the working environment and safety. Thorough anchoring and implementation of the safety tools: "Observation & Dialogue", "Safety Rounding", "Take 5" and "LOTOTO" are still maintained. These systems and ways of working with safety must ensure an understanding of the risks of technical solutions and at the same time ensure that employees display correct behavior when working with or maintaining machines.

In addition, a significant upgrade of the working environment and safety in the warehouse has been carried out, where loading docks have been installed to protect employees and external drivers during unloading and loading of trailers. All initiatives aim to improve behaviors, ensure involvement, and create a better and safer workplace for all employees.

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

In the financial year 2022/23, we have continued our focus on internal communication and our managers' development, as well as the opportunity to support the individual colleague in developing throughout our organization.

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. Since a conflicting working environment and unsafe conditions constitute a risk for the organization, as it can impact our ability to attract and retain competent and qualified employees we strive to ensure the well being of our employees.

### **Actions and achievements**

We have relaunched our global employee program "The Smithies", where it has been possible for all employees to nominate other colleagues for a particularly good effort. Here, many Danish colleagues have been recognized for their efforts and celebrated by colleagues in the past year.

We have continued our focus on management through continuous training of our managers. On the training courses, managers have been given the necessary tools for use in their everyday life, where we, among other things, adhere to our "Management Standards", which all managers at DS Smith adhere to in their daily lives. We consider that "Management Standards" are a major driving force for strengthening our managers' skills to ensure a common strategic direction for the benefit of the company and the employees' motivation and well-being. As a supplement, all managers regularly can participate in webinars and training, which, among other things, gives managers the opportunity to constantly develop their skills and ensure that you follow the DS

Smith process for talent development in your team.

After COVID-19, we have focused on re-establishing initiatives that have been on standby due to restrictions. Here we can mention we have ensured that several colleagues from our production areas have attended external training in, among other things, basic IT skills, and that several colleagues have successfully completed the basic operator training.

Finally, it is important to emphasize that, as mentioned in the management report from 2020/21, we have had a great focus on diversity and inclusive leadership through, among other things, internal communication campaigns about our policy for equal opportunities and anti-discrimination and our global whistle-blower scheme "Speak Up!" as well as information on the subject, learning and workshops. We continued to work with insights we gained from our large employee survey in 2021, which resulted in dialogue across the company as well as with the management, where work groups continue to work across departments with concrete measures that emerged in the dialogue. Several activities in our local areas can be mentioned here, such as free access to sports activities, participation in exercise runs and various free activities at our locations. This has caused positive feedback from the staff.

### **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 organizations 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 packaging that is fully recyclable. We work actively to have a circular business model and focus on continuously optimizing the company's energy use, reducing emissions of CO<sub>2</sub> in our production and training our employees to understand and comply with the principles of the circular economy.

Energy consumption, water consumption and the quality of treated wastewater are considered to pose the most significant risks to global environmental and climatic conditions.

Our primary risk is if our production methods and factories fail to safely manage a negative impact on the environment. This may influence our reputation and harm the local environment. Our primary risk within climate is the negative impact in the form of CO<sub>2</sub> emission due to our production.

### **Actions and achievements**

In 2022/23, the group has continued the spread of the circular economy with the objectives from the sustainability strategy "For Now. And for Next" with the aim of continuing to focus on the circular economy in the industry and creating the foundation to support our customers in developing innovative approaches to packaging design, manufacturing, reuse and recycling, and to make the most of our resources and raw materials. "The Circular Design Model" has been a central part of this work. It is a tool where we have the opportunity to evaluate and compare different packaging designs, new and old and in all kinds of materials. We do this using eight different indicators, such as biodegradability, recycled content, material utilization, etc. The Circular Design Model provides a clear identification of a packaging's environmental impact and focuses on what should be developed in collaboration with our customers. The model was developed in collaboration with the Ellen MacArthur Foundation and is based on "Cradle to gate".

Furthermore, in the past financial year, a permanent partnership between the NGO "Klimatræ" and DS Smith Denmark was further developed. The partnership deals with specific measures to plant trees, where DS Smith continuously buys trees every time a new colleague joins - 10 trees for each new colleague. We are also working on how the collaboration can be developed over the coming years.

In addition, we work with as high a degree of recycling as possible in the company's products, which is why

most paper raw materials come from recycled paper. At the same time, all paper waste from the production processes is collected, after which it is forwarded to the DS Smith group's recycling centers in Europe, where it is recycled and processed into new paper.

As part of this, we have also completed a project over the past year, where we have been working on further integration of our FSC certification into our general work processes (internal and for our customers/collaborators) to ensure the responsible use of our raw materials is in line with the general standards that are set up in the FSC certification. This has been implemented successfully throughout the organization.

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 optimize energy utilization and reduce CO<sub>2</sub> emissions. The DS Smith Group sets clear targets for sustainable production and reduction of CO<sub>2</sub>. As corrugated cardboard production is energy-intensive, there is a particular focus on switching to sustainable energy sources. It can be wind and solar energy or CO<sub>2</sub> neutral solutions. Other focus areas can be electricity-based transport. In 2022/23, we have set up chargers for electric cars at all our Danish locations.

### **DS Smith's contribution to charity and good causes**

In the financial year 2022/23, DS Smith has donated DKK 100,000 in connection with the annual Christmas donation, where all DS Smith's customers and business partners have had the opportunity to vote on how the donation should be distributed between three predefined organizations. In the past year, the distribution was as follows: Climate tree: DKK 24,000, Make A Wish: DKK 31,000 & Christmas aid: DKK 45,000.

In this financial year, DS Smith has also donated packaging to the "Kreakasserne" in collaboration with the SMIL Foundation and to various projects that have sent emergency aid to Ukraine. In addition, this year we are again distributing the Christmas donation 2023 to selected charitable causes that are in line with the group's strategy and policies.

Finally, it can be mentioned that we have held a large Environment Day in March 2023. Here we invited 50 developmentally disabled people from Grenaa and the middle part of Jutland to a joint environmental day, where those present collected waste on the beach. They had hotdogs to eat, and in collaboration with the "Kattegat Centeret", they were offered free entry to the exhibition and the aquariums. The day was a success, and was, among other things, a concrete initiative that helps us spread awareness of the circular economy - one of the goals in our Now & Next sustainability strategy.

### **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 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**

Our greatest risks related to corruption lie within our global supply chain. We recognize that unethical behavior may present a risk, when dealing with third parties while operating in a global setting.”

We acknowledge that when working across countries and cultures, there is a risk that the employees can be exposed to situations involving corruption, bribery or questions about facilitation payment.

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>

<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 cf. 99b**

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 considered 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 senior management team in Denmark currently consists of four women and seven men. Senior management team is people with employee responsibilities. Going forward, there will be continuing focus on more equal gender representation at management level 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 2022/23

	<u>Notes</u>	<u>2022/23</u> <u>DKK '000</u>	<u>2021/22</u> <u>DKK '000</u>
Revenue	2	1.506.137	1.369.407
Production costs		(1.248.898)	(1.166.645)
<b>Gross profit/loss</b>		<b>257.239</b>	<b>202.762</b>
Distribution costs		(159.731)	(158.105)
Administrative expenses	3	(100.162)	(88.159)
<b>Operating profit/loss</b>		<b>(2.654)</b>	<b>(43.502)</b>
Income from investments in group enterprises	13	305	(80)
Other financial income	6	15	0
Other financial expenses	7	(16.208)	(6.979)
<b>Profit/loss before tax</b>		<b>(18.542)</b>	<b>(50.561)</b>
Tax on profit/loss for the year	8	2.506	9.549
<b>Profit/loss for the year</b>	9	<b>(16.036)</b>	<b>(41.012)</b>

## Balance sheet at 30.04.2023.

Assets	Notes	2022/23 DKK '000	2021/22 DKK '000
Acquired licences		3.303	1.566
Goodwill		95.488	102.679
Development projects in progress	11	312	510
<b>Intangible assets</b>	<b>10</b>	<b>99.103</b>	<b>104.755</b>
Land and buildings		142.940	145.939
Plant and machinery		211.924	225.212
Other fixtures and fittings, tools and equipment		9.715	10.803
Leasehold improvements		0	0
Property, plant and equipment in progress		39.575	16.001
<b>Property, plant and equipment</b>	<b>12</b>	<b>404.154</b>	<b>397.955</b>
Investments in group enterprises		62.822	62.414
Deposits		2.338	2.330
<b>Financial asset</b>	<b>13</b>	<b>65.160</b>	<b>64.744</b>
<b>Fixed assets</b>		<b>568.417</b>	<b>567.454</b>
Raw materials and consumables		63.007	58.839
Work in progress		3.198	5.271
Manufactured goods and goods for resale		43.542	47.841
<b>Inventories</b>		<b>109.747</b>	<b>111.951</b>
Trade receivables		220.583	174.387
Receivables from group enterprises	14	5.370	6.076
Other receivables		12.932	12.220
Tax receivable		0	987
Prepayments	15	3.847	4.424
<b>Receivables</b>		<b>242.732</b>	<b>198.094</b>
<b>Cash</b>		<b>2.073</b>	<b>3.888</b>
<b>Current assets</b>		<b>354.552</b>	<b>313.933</b>
<b>Assets</b>		<b>922.969</b>	<b>881.387</b>

Equity and liabilities	Notes	2022/23 DKK '000	2021/22 DKK '000
Contributed capital	16	250.000	250.000
Reserve for development expenditure		2.576	888
Retained earnings		(106.720)	(89.099)
<b>Equity</b>		<b>145.856</b>	<b>161.789</b>
Deferred tax	17	31.774	34.280
Other provisions	18	475	700
<b>Provisions</b>		<b>32.249</b>	<b>34.980</b>
Payables to group enterprises		421.713	354.246
Other payables		30.053	30.083
<b>Non-current liabilities other than provisions</b>	19	<b>451.766</b>	<b>384.329</b>
Trade payables		118.964	134.113
Payables to group enterprises		75.462	74.858
Income tax payable		45	0
Other payables	20	98.627	91.318
<b>Current liabilities other than provisions</b>		<b>293.098</b>	<b>300.289</b>
<b>Liabilities other than provisions</b>		<b>744.864</b>	<b>684.618</b>
<b>Equity and liabilities</b>		<b>922.969</b>	<b>881.387</b>
Events after the balance sheet date	1		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Unrecognised rental and lease commitments	23		
Related parties with controlling interest	24		
Non-am's lenght related party transactions	25		
Group relations	26		

## Statement of changes in equity for 2022/23

	Contributed capital DKK '000	Reserve for development expenditure DKK '000	Retained earnings DKK '000	Total DKK '000
Equity beginning of year	250.000	888	(89.099)	161.789
Value adjustments	0	0	103	103
Transfer to reserves	0	1.688	(1.688)	0
Profit/loss for the year	0	0	(16.036)	(16.036)
Equity end of year	<u>250.000</u>	<u>2.576</u>	<u>(106.720)</u>	<u>145.856</u>

## Cash flow statement for 2022/23

	Notes	2022/23 DKK '000	2021/22 DKK '000
Operating profit/loss		(2.654)	(43.502)
Working capital changes	21	(50.061)	(71.575)
Other adjustments	22	55.050	56.869
<b>Cash flows from ordinary operating activities</b>		<b>2.335</b>	<b>(58.208)</b>
Financial income received		15	0
Financial income paid		(16.208)	(6.979)
Taxes refunded/(paid)		1.032	(763)
<b>Cash flows from operating activities</b>		<b>(12.826)</b>	<b>(65.950)</b>
Acquisition etc of intangible assets		(2.437)	(691)
Acquisition etc of property, plant and equipment		(53.660)	(22.159)
Sale of property, plant and equipment		275	536
Acquisition of fixed asset investments		(70)	(9)
Sale of fixed asset investments		62	0
<b>Cash flows from investing activities</b>		<b>(55.830)</b>	<b>(22.323)</b>
<b>Free cash flows generated from operations and investment before financing</b>		<b>(68.656)</b>	<b>(88.273)</b>
Incurrence of debt to group enterprises		66.871	86.548
Other adjustments		(30)	602
<b>Cash flows from financing activities</b>		<b>66.841</b>	<b>87.150</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(1.815)</b>	<b>(1.123)</b>
Cash and cash equivalents beginning of year		3.888	5.011
<b>Cash and cash equivalents end of year</b>		<b>2.073</b>	<b>3.888</b>
Cash and cash equivalents at year-end composed of:			
Cash		2.073	3.888
<b>Cash and cash equivalents end of year</b>		<b>2.073</b>	<b>3.888</b>

# Notes

## 1. Events after the balance sheet date

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

## 2. Revenue

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Home market	1.308.060	1.161.843
Export	198.077	207.564
<b>Total revenue by geographical market</b>	<b>1.506.137</b>	<b>1.369.407</b>
Corrugated paper and related products	1.506.137	1.369.407
<b>Total revenue by activity</b>	<b>1.506.137</b>	<b>1.369.407</b>

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

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Statutory audit services	578	560
Other services	0	60
	<b>578</b>	<b>620</b>

## 4. Staff costs

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Wages and salaries	325.249	315.978
Pension costs	27.361	26.241
Other social security costs	11.682	10.809
	<b>364.292</b>	<b>353.028</b>
Average number of employees	698	666

Management salaries has not been disclosed in accordance with section§ 98b, para. 3 in the Danish Financial Statement Act.

## 5. Depreciation, amortization and impairment losses

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Amortisation of intangible assets	8.089	8.454
Depreciation of property, plant and equipment	47.425	49.368
	<b>55.514</b>	<b>57.822</b>
<b>6. Other financial income</b>		
	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Other interest income	15	0
	<b>15</b>	<b>0</b>
<b>7. Other financial expenses</b>		
	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Financial expenses from group enterprises	10.697	4.187
Other interest expenses	5.511	2.792
	<b>16.208</b>	<b>6.979</b>
<b>8. Tax on profit/loss for the year</b>		
	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Change in deferred tax	(2.506)	(9.547)
Adjustment relating to previous years	0	(2)
	<b>(2.506)</b>	<b>(9.549)</b>
<b>9. Proposed distribution of profit and loss</b>		
	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Reserve for development expenditure	1.688	(225)
Retained earnings	(17.724)	(40.787)
	<b>(16.036)</b>	<b>(41.012)</b>

## 10. Intangible assets

	<i>Acquired licences DKK '000</i>	<i>Goodwill DKK '000</i>	<i>Development projects in progress DKK '000</i>
Cost beginning of year	77.712	638.778	510
Transfers	378	0	(378)
Additions	2.257	0	180
Disposals	(7.771)	0	0
<b>Cost end of year</b>	<b>72.576</b>	<b>638.778</b>	<b>312</b>
Amortisation and impairment losses beginning of year	(76.146)	(536.099)	0
Amortisation for the year	(898)	(7.191)	0
Reversal regarding disposals	7.771	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(69.273)</b>	<b>(543.290)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3.303</b>	<b>95.488</b>	<b>312</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 use in autumn 2023 and will make DS Smith Packaging Denmark A/S customer service even more smooth and efficient.

## 12. Property, plant and equipment

	<i>Land and buildings DKK '000</i>	<i>Plant and machinery DKK '000</i>	<i>Other fixtures and fittings, tools and equipment DKK '000</i>	<i>Leasehold improvements DKK '000</i>	<i>Property, plant and equipment in progress DKK '000</i>
Cost beginning of year	354.452	871.945	46.821	391	16.001
Transfers	3.093	11.269	803	0	(15.165)
Additions	4.948	7.957	2.016	0	38.739
Disposals	(140)	(10.300)	(4.376)	0	0
<b>Cost end of year</b>	<b>362.353</b>	<b>880.871</b>	<b>45.264</b>	<b>391</b>	<b>39.575</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	(233.525)	(646.733)	(36.018)	(391)	0
Depreciation for the year	(11.040)	(32.478)	(3.907)	0	0
Reversal regarding disposals	140	10.264	4.376	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(244.425)</b>	<b>(668.947)</b>	<b>(35.549)</b>	<b>(391)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>142.940</b>	<b>211.924</b>	<b>9.715</b>	<b>0</b>	<b>39.575</b>

### 13. Financial assets

	<i>Investments in group enterprises DKK '000</i>	<i>Deposits DKK '000</i>
Cost beginning of year	80.045	2.330
Additions	0	70
Disposals	0	(62)
<b>Cost end of year</b>	<b>80.045</b>	<b>2.338</b>
Impairment losses beginning of year	(17.631)	0
Exchange rate adjustments	103	0
Share of profit/loss for the year	305	0
<b>Impairment losses end of year</b>	<b>(17.223)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>62.822</b>	<b>2.338</b>

<u>Investments in subsidiaries</u>	<u>Registered in</u>	<u>Corporate form</u>	<u>Equity interest %</u>	<u>Equity DKK '000</u>	<u>Profit/loss DKK '000</u>
DS Smith Recycling Ireland Limited	Dublin, Ireland	Ltd.	100	62.822	305

### 14. Receivables from group enterprises

DS Smith Plc have made a cash-pool agreement with J.P. Morgan, where DS Smith Plc is the account holder and DS Smith Packaging Denmark A/S is a sub-account holder together with the group's other subsidiaries.

The terms of the cash pool scheme confer on J.P. Morgan the right to settle withdrawals and deposits with each other, whereby only the net balance of the total cash pool accounts constitutes DS Smith Plc's balance with J.P. Morgan.

DS Smith Packaging Denmark A/S' accounts in the cash pool scheme are recognized under receivables from group enterprises with the amount DKK K 596 as of 30 April 2023.

### 15. Prepayments

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

### 16. Share capital

	<b>Nominal value DKK '000</b>
Contributed capital beginning of year	250.000
<b>Contributed capital end of year</b>	<b>250.000</b>

The contributed capital is composed of 100 shares of DKK K 500, 100 shares of DKK K 1.500 and 200 shares of DKK K 250.

**17. Deferred tax**

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK '000</b>	<b>DKK '000</b>
Intangible assets	768	395
Property, plant and equipment	27.558	30.655
Inventories	3.714	3.677
Receivables	(416)	(517)
Other taxable temporary differences	150	70
<b>Deferred tax</b>	<b>31.774</b>	<b>34.280</b>
	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK '000</b>	<b>DKK '000</b>
<b>Changes during the year</b>		
Beginning of year	34.280	43.827
Recognised in the income statement	(2.506)	(9.547)
End of year	<b>31.774</b>	<b>34.280</b>

**18. Other provisions**

Provisions for redundancy costs which amounts to DKK K 475.

The whole provision is expected to mature within 1 year.

**19. Non-current liabilities other than provisions**

	<b>Due after more than 12 months</b>
	<b>2022/23</b>
	<b>DKK '000</b>
Payables to group enterprises	421.713
Other payables	30.053
	<b>451.766</b>

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

**20. Other payables**

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK '000</b>	<b>DKK '000</b>
VAT and duties	8.999	4.022
Wages and salaries, personal income taxes, social security costs, etc payable	81.651	80.062
Other cost payable	7.977	7.234
	<b>98.627</b>	<b>91.318</b>

**21. Changes in working capital**

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Increase/decrease in inventories	2.204	(31.473)
Increase/decrease in receivables	(45.029)	(77.946)
Increase/decrease in trade payables etc	(7.236)	37.844
	<b>(50.061)</b>	<b>(71.575)</b>

**22. Other adjustments**

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Depreciation and write-downs on intangible and tangible assets	55.514	57.822
Profit on sale of fixtures and fittings	(239)	(403)
Adjustement in provisions for pension and restructuring for the year	(225)	(550)
	<b>55.050</b>	<b>56.869</b>

**23. Unrecognized rental and lease commitments**

	<b>2022/23</b> <b>DKK '000</b>	<b>2021/22</b> <b>DKK '000</b>
Liabilities under rental or lease agreements until maturity in total	<b>38.770</b>	<b>46.074</b>

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

**24. 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.

**25. 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.

**26. Group relations**

Copies of the consolidated financial statements of DS Smith Plc may be ordered at the following address: DS Smith Plc, Level 3, 1 Paddington Square, London, W2 1DL 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 (large).

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  
Level 3  
1 Paddington Square  
London  
W2 1DL  
England  
Tel: +44 20 7756 1800  
www.dssmith.com

## Recognition and measurement

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

Assets are recognized 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 recognized 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 amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any deductions and with addition/deduction of the cumulative amortization 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 recognized in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognized 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 recognized 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 recognized 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 realized and unrealized 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 amortized straight line over its estimated useful life which is fixed based on the experience gained by Management for each business area.

The amortization 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 amortization 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 licenses 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 licenses. 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:

	<b>Use life Years</b>
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 capitalized 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**

Investment in group enterprises is recognized 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 amortization 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 unrealized 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 amortization 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 realizable 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 amortized cost and net realizable value, which usually corresponds to nominal value less provisions for bad debts. The provision is calculated based on an assessment of the individual debtors.

**Tax payable or receivable**

Current tax payable or receivable is recognized 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. Cash on intra-group cash pool agreements are reclassified to receivables from group companies.

**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 capitalized value of the actual pensions.

Other provisions are made to the extent that at the yearend 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 recognized on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other debt is recognized at cost at the time of contracting the debt. Subsequently, it is stated at amortized 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.