



## Advanced Industries Packaging A/S

Stigsborgvej 36  
9400 Nørresundby  
CVR No. 31536715

## Annual report 2022

The Annual General Meeting adopted the  
annual report on 13.07.2023

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**Jacob Bach**

Chairman of the General Meeting

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# Entity details

## Entity

Advanced Industries Packaging A/S

Stigsborgvej 36

9400 Nørresundby

Business Registration No.: 31536715

Registered office: Aalborg

Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Rinat Stark

Andrey Volokhov

Dmitry Vardashkin

Annette Vecht

## Executive Board

Jacob Bach

## 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 Advanced Industries Packaging A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

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.

Nørresundby, 13.07.2023

## Executive Board

**Jacob Bach**

## Board of Directors

**Rinat Stark**

**Andrey Volokhov**

**Dmitry Vardashkin**

**Annette Vecht**

# Independent auditor's report

To the shareholders of Advanced Industries Packaging A/S

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Advanced Industries Packaging A/S for the financial year 01.01.2022 - 31.12.2022, 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, except for the possible effect of the matter described in the "Basis for qualified opinion" section, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

### Basis for qualified opinion

As stated in notes 1 and 3, the company's financial statements in 2022 were affected by data loss in the ERP system caused by the company's software supplier. Registrations related to the company's inventories have been based on manual processes and registrations during the period after the loss of data. Reliable valuation of the account balance Manufactured goods and goods for sale is dependent on accurate and complete records related to costs incurred, including indirect production costs. In addition, fluctuating purchase prices over the second half of 2022 have complicated the manual calculation of inventory value. As a result of these factors, it has not been possible to obtain sufficient and appropriate audit evidence for the account balance Manufactured goods and goods for sale.

Furthermore, the data loss in the ERP system has meant that management has not been able to provide a detailed basis for account balances in the income statement. Consequently, it has not been possible to obtain sufficient and appropriate audit evidence for the distribution between the account balances included in the income statement, in particular the distribution between Revenue and Production costs.

A possible shift between the account balances included in income statement and the possible impact of the uncertainty regarding the valuation of Manufactured goods and goods for resale, is not expected to have a significant impact on Gross profit/loss.

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 qualified opinion.

### Emphasis of matter

Without affecting our conclusion, we draw attention to note 2, in which management describes financing

conditions.

### **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.

#### **Report on other legal and regulatory requirements and other reporting responsibilities**

##### **Violation of accounting legislation, including the Danish Bookkeeping Act**

As a result of a data loss caused by the company's software supplier, the Company has lost the bookkeeping basis for the current and previous 4 years. This is a breach to the Danish Bookkeeping Acts requirement, for which Management may be held liable.

Aalborg, 13.07.2023

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Jakob Olesen**

State Authorised Public Accountant  
Identification No (MNE) mne34492

# Management commentary

## Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	292,792	250,733	224,448	231,530	251,483
Gross profit/loss	20,984	21,465	18,847	21,565	24,657
Operating profit/loss	3,893	3,262	2,928	4,111	3,771
Net financials	(1,306)	(506)	(627)	(425)	(467)
Profit/loss for the year	2,022	2,159	1,810	2,862	2,572
Total assets	192,336	177,385	158,278	166,278	183,157
Investments in property, plant and equipment	9,159	5,736	566	604	5,843
Equity	114,542	112,521	110,362	108,551	105,689
Cash flows from (used in) operating activities	16,581	(2,552)	13,509	3,011	11,780
Cash flows from (used in) investing activities	(13,108)	(6,622)	(2,644)	(529)	(5,843)
Cash flows from (used in) financing activities	(3,659)	8,291	(9,923)	(2,522)	(6,911)
Average number of employees	111	113	114	122	127
<b>Ratios</b>					
Gross margin (%)	7.17	8.56	8.40	9.31	9.80
EBIT margin (%)	1.33	1.30	1.30	1.78	1.50
Net margin (%)	0.69	0.86	0.81	1.24	1.02
Return on equity (%)	1.78	1.94	1.65	2.67	2.50
Equity ratio (%)	59.55	63.43	69.73	65.28	57.70

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

The company's principal activities are production, marketing and sale of:

Paper sacks for packaging of consumer products, industrial products and for collection and sorting of waste and for packaging of consumer.

The activities include also sale and servicing of filling equipment for filling and handling of sacks for packaging of consumer and industrial products.

### Development in activities and finances

The company's income statement for 2022 shows a profit of DKK 2,021,698 against a profit in 2021 of DKK 2,159,206.

The company's balance sheet at 31 December 2022 shows equity of DKK 114,542,494.

The activity level in 2022 was lower than the level of 2021 measured in volume, while revenue has increased compared to 2021 due to higher prices. The number of employees decreased from 113 persons in 2021 to 111 in 2022.

The Management of the company characterizes the results for the year as being satisfactory in view of the market and competitive conditions.

The staff have been very stable throughout the year and have shown a high degree of flexibility in relation to the variations in the order volume during the year.

The sale of sacks for industrial purposes decreased from 2021 to 2022. The beginning of 2023 was in terms of orders lower than 2022 level and there are no signs of market improvements.

The food segment continues its positive development and is not directly seen to depend on the market conditions. The company has therefore continued its development activities, both products and equipment, to meet the requirements of the food sector in relation to packing of food. The company intends to pursue this strategy in 2023 and 2024.

The sale of paper sacks for collection of waste continues to drop. The use of sacks in the Nordic countries in this segment is generally declining because of changes in the way of handling of household waste.

The competition in the company's primary markets continues to be high and the sales prices in the market are constantly under pressure.

Higher customer demands for quality, reliability of delivery and service in general, became more pronounced during 2022. This is not expected to change in the coming years. The company sees most of all the higher customer demands as an advantage because it will attach the customers even closer to the company. Activities are started currently to ensure this development.

The prices of the main raw material, paper, has continued to increase during 2022. Like the main raw material, prices on foil and other secondary raw materials, has also increased in general. Price decreases are expected throughout 2023 on raw materials in general.

The company's total investments in 2022 amount to DKK 17,571,603 which have been used mainly for improvements in production equipment but also IT equipment.

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

The development in the results for the year does not meet the expectations at beginning of the year. Refer to the section on development in activities and financial position.

### **Uncertainty relating to recognition and measurement**

The data loss described in section "Unusual circumstances affecting recognition and measurement" related to the company's ERP system has naturally affected the year-end process and despite management's effort in relation to the year-end, there remains some uncertainty related to recognition and measurement in the financial statements.

In relation to the assets and liabilities in the annual report, the Management have documented to a sufficient extent all account balances with the exception of inventories. As Advanced Industries Packaging A/S is a manufacturing company, inventories are a complicated account balance to accurately measure without an ERP system. The Management have made a complete inventory count at year-end, including identification of potential obsolescence, and therefore only minor uncertainties exists regarding the quantities in stock at year-end. However, some uncertainty relates to the valuation of inventories, since the company has lost its ERP information on cost prices and indirect production costs. Historically, information about cost prices and indirect production costs would not be difficult to estimate, but the fluctuating purchase prices over the second half of 2022 have made the estimates more difficult. Based on our monthly financial reporting incl. gross margin analysis in 2022 and 2023, it is however our opinion that the uncertainty on inventories, which is specifically related to Manufacturing goods and goods for resale, is not significant.

The manual registrations in the last part of 2022 have naturally affected the company's processes related to invoicing of costumers and registration of supplier invoices. In connection with the year-end, the Management analyzed the monthly gross and EBIT margins during 2022 and, on the basis of these analyzes, the Management conclude account balances in the income statement not subject to significant uncertainty. However, the Management acknowledge the manual registrations can give rise to some uncertainty in relation between split of account balances in the income statement for 2022.

### **Unusual circumstances affecting recognition and measurement**

The company's financial reporting for 2022 is affected by data loss in the ERP system caused by the company's software supplier in the autumn of 2022. As a basis for the financial reporting, management has therefore had to use the company's monthly reports up to the time of the data loss, supplemented by manual registrations outside the ERP system for the remainder of the year. Simultaneously with the year-end process, the management's main focus has been on establishing a new ERP solution, which has been put into operation at the beginning of 2023.

### **Outlook**

The European market for paper sacks showed a decrease from 2021 to 2022. The market is still affected by the very different economic conditions existing in the different European countries, and relatively huge variations are seen from month to month.

The company expects a negative development in 2023 within the sale of paper sacks for industrial purposes and waste sacks, through both additional sales to existing customers and new customers.

The company's Management takes a positive line on 2023 and the company's results. The result will reflect the lower activity and the result is expected to decrease compared to 2022. An expected decrease in revenue and an expected change of the product mix, combined with a continued tight cost management in relation to fluctuations in the demand, contribute to the expectations. The results are expected to be DKK 0 - 2 mio. in 2023.

### **Environmental performance**

The company does not have any particular environmental impacts, except for those common to the industry. Management is aware of its responsibility in relation to the company's environmental impact and takes this into account when making decisions.

### **Research and development activities**

The company's development activities have mainly been aimed at a continuous adjustment and enhancement of the company's products and machines. Development costs in 2022 are recognized as expenses as they do not meet the requirements for capitalization.

### **Education**

The company continuously works with the development of employees and processes with efficiency and quality improvement as the main focus.

### **Management system**

The company's integrated management system is updated regularly to match the development of the company. The company is certified according to the international ISO standard ISO 9001: 2015 and for food safety ISO 22000: 2018, FSSC 22000 Version 3.1-ISO TS 22002-4:2013 and has a FSC Certificate.

### **Foreign branches**

The company established and registered a Swedish branch in 2005 to support the sales activities in Sweden.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date that change our assessment of the annual report other than those mentioned above.

The company's current bank agreement expires in November 2023. The company have initiated negotiations on the extension of the company's bank arrangements, and it is management's expectation that the negotiations will end in a positive outcome.

It is to be mentioned that the company has been 100% sold 22th February 2023 to Advanced Industries Group S.á r.l.. This fact will effect operations during 2023 in an expected positive degree.

The Management has restored a new ERP-solution from the beginning of 2023 and the business is back to normal.

# Income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue		292,792,216	250,733,061
Production costs		(271,807,722)	(229,267,962)
<b>Gross profit/loss</b>		<b>20,984,494</b>	<b>21,465,099</b>
Distribution costs		(6,635,468)	(7,351,926)
Administrative expenses		(13,205,585)	(13,269,006)
Other operating income	6	2,749,610	2,418,099
<b>Operating profit/loss</b>		<b>3,893,051</b>	<b>3,262,266</b>
Other financial income		476,896	304,506
Other financial expenses		(1,783,167)	(810,713)
<b>Profit/loss before tax</b>		<b>2,586,780</b>	<b>2,756,059</b>
Tax on profit/loss for the year	7	(565,082)	(596,853)
<b>Profit/loss for the year</b>	8	<b>2,021,698</b>	<b>2,159,206</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		5,343,286	2,751,619
<b>Intangible assets</b>	9	<b>5,343,286</b>	<b>2,751,619</b>
Land and buildings		32,129,885	32,129,885
Plant and machinery		52,553,136	43,566,779
Other fixtures and fittings, tools and equipment		802,059	1,364,530
Property, plant and equipment in progress		0	5,676,692
<b>Property, plant and equipment</b>	10	<b>85,485,080</b>	<b>82,737,886</b>
<b>Fixed assets</b>		<b>90,828,366</b>	<b>85,489,505</b>
Raw materials and consumables		30,936,619	23,619,951
Work in progress		1,129,013	1,211,884
Manufactured goods and goods for resale		23,709,110	22,138,374
Prepayments for goods		2,174,374	765,012
<b>Inventories</b>		<b>57,949,116</b>	<b>47,735,221</b>
Trade receivables		41,700,686	40,377,225
Receivables from group enterprises		245,110	2,173,274
Deferred tax	11	74,386	639,468
Other receivables		59,490	46,916
Prepayments	12	1,188,975	447,380
<b>Receivables</b>		<b>43,268,647</b>	<b>43,684,263</b>
<b>Cash</b>		<b>290,366</b>	<b>475,698</b>
<b>Current assets</b>		<b>101,508,129</b>	<b>91,895,182</b>
<b>Assets</b>		<b>192,336,495</b>	<b>177,384,687</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital	13	50,000,000	50,000,000
Retained earnings		64,542,494	62,520,796
<b>Equity</b>		<b>114,542,494</b>	<b>112,520,796</b>
Lease liabilities		69,032	506,667
Other payables		790,000	790,000
<b>Non-current liabilities other than provisions</b>	<b>14</b>	<b>859,032</b>	<b>1,296,667</b>
Current portion of non-current liabilities other than provisions	14	436,568	2,900,156
Payables to other credit institutions		12,972,398	13,729,727
Trade payables		13,801,302	25,011,492
Payables to group enterprises		39,680,932	10,869,188
Other payables		10,043,769	11,056,661
<b>Current liabilities other than provisions</b>		<b>76,934,969</b>	<b>63,567,224</b>
<b>Liabilities other than provisions</b>		<b>77,794,001</b>	<b>64,863,891</b>
<b>Equity and liabilities</b>		<b>192,336,495</b>	<b>177,384,687</b>
Unusual circumstances	1		
Events after the balance sheet date	2		
Uncertainty relating to recognition and measurement	3		
Staff costs	4		
Amortisation, depreciation and impairment losses	5		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Transactions with related parties	19		
Group relations	20		

# Statement of changes in equity for 2022

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	50,000,000	62,520,796	112,520,796
Profit/loss for the year	0	2,021,698	2,021,698
<b>Equity end of year</b>	<b>50,000,000</b>	<b>64,542,494</b>	<b>114,542,494</b>



# Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		3,893,051	3,262,266
Amortisation, depreciation and impairment losses		7,769,179	8,491,662
Working capital changes	15	6,225,301	(13,799,997)
Other adjustments		(2,749,610)	(2,418,099)
<b>Cash flow from ordinary operating activities</b>		<b>15,137,921</b>	<b>(4,464,168)</b>
Financial income received		476,896	304,506
Financial expenses paid		(1,783,167)	(810,713)
Other cash flows from operating activities		2,749,610	2,418,099
<b>Cash flows from operating activities</b>		<b>16,581,260</b>	<b>(2,552,276)</b>
Acquisition etc of intangible assets		(3,949,235)	(885,861)
Acquisition etc of property, plant and equipment		(9,158,805)	(5,736,042)
<b>Cash flows from investing activities</b>		<b>(13,108,040)</b>	<b>(6,621,903)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>3,473,220</b>	<b>(9,174,179)</b>
Repayments of loans etc		(2,901,223)	(3,369,741)
Change in bank overdraft		(757,329)	11,660,241
<b>Cash flows from financing activities</b>		<b>(3,658,552)</b>	<b>8,290,500</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(185,332)</b>	<b>(883,679)</b>
Cash and cash equivalents beginning of year		475,698	1,359,377
<b>Cash and cash equivalents end of year</b>		<b>290,366</b>	<b>475,698</b>
Cash and cash equivalents at year-end are composed of:			
Cash		290,366	475,698
<b>Cash and cash equivalents end of year</b>		<b>290,366</b>	<b>475,698</b>

# Notes

## 1 Unusual circumstances

The company's financial reporting for 2022 is affected by data loss in the ERP system caused by the company's software supplier in the autumn of 2022. As a basis for the financial reporting, management has therefore had to use the company's monthly reports up to the time of the data loss, supplemented by manual registrations outside the ERP system for the remainder of the year. Simultaneously with the year-end process, the management's main focus has been on establishing a new ERP solution, which has been put into operation at the beginning of 2023.

## 2 Events after the balance sheet date

The company's current bank agreement expires in November 2023. The company have initiated negotiations on the extension of the company's bank arrangements, and it is management's expectation that the negotiations will end in a positive outcome.

It is to be mentioned that the company has been 100% sold 22th February 2023 to Advanced Industries Group S.á r.l.. This fact will effect operations during 2023 in an expected positive degree.

The Management has restored a new ERP-solution from the beginning of 2023 and the business is back to normal.

## 3 Uncertainty relating to recognition and measurement

The data loss described in note 1 related to the company's ERP system has naturally affected the year-end process and despite management's effort in relation to the year-end, there remains some uncertainty related to recognition and measurement in the financial statements.

In relation to the assets and liabilities in the annual report, the Management have documented to a sufficient extent all account balances with the exception of inventories. As Advanced Industries Packaging A/S is a manufacturing company, inventories are a complicated account balance to accurately measure without an ERP system. The Management have made a complete inventory count at year-end, including identification of potential obsolescence, and therefore only minor uncertainties exists regarding the quantities in stock at year-end. However, some uncertainty relates to the valuation of inventories, since the company has lost its ERP information on cost prices and indirect production costs. Historically, information about cost prices and indirect production costs would not be difficult to estimate, but the fluctuating purchase prices over the second half of 2022 have made the estimates more difficult. Based on our monthly financial reporting incl. gross margin analysis in 2022 and 2023, it is however our opinion that the uncertainty on inventories, which is specifically related to Manufacturing goods and goods for resale, is not significant.

The manual registrations in the last part of 2022 have naturally affected the company's processes related to invoicing of costumers and registration of supplier invoices. In connection with the year-end, the Management analyzed the monthly gross and EBIT margins during 2022 and, on the basis of these analyzes, the Management conclude account balances in the income statement not subject to significant uncertainty. However, the Management acknowledge the manual registrations can give rise to some uncertainty in relation between split of account balances in the income statement for 2022.

#### 4 Staff costs

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	47,583,423	46,769,932
Pension costs	4,316,322	3,945,640
Other social security costs	1,289,407	1,357,904
	<b>53,189,152</b>	<b>52,073,476</b>
Number of employees at balance sheet date	111	113

#### Special incentive programmes

According to section 98b, subsection 3 of the Danish Financial Statements Act information on management's remuneration is not disclosed in the year figures.

#### 5 Depreciation, amortisation and impairment losses

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	1,357,568	1,010,886
Depreciation of property, plant and equipment	6,411,611	7,480,776
	<b>7,769,179</b>	<b>8,491,662</b>

#### 6 Other operating income

Other operating income contains income from rental of premises and sale of discontinued production equipment.

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

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Change in deferred tax	565,082	596,853
	<b>565,082</b>	<b>596,853</b>

#### 8 Proposed distribution of profit and loss

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	2,021,698	2,159,206
	<b>2,021,698</b>	<b>2,159,206</b>

## 9 Intangible assets

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	3,844,695
Additions	3,949,235
<b>Cost end of year</b>	<b>7,793,930</b>
Amortisation and impairment losses beginning of year	(1,093,076)
Amortisation for the year	(1,357,568)
<b>Amortisation and impairment losses end of year</b>	<b>(2,450,644)</b>
<b>Carrying amount end of year</b>	<b>5,343,286</b>

## 10 Property, plant and equipment

	<b>Land and buildings DKK</b>	<b>Plant and machinery DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Property, plant and equipment in progress DKK</b>
Cost beginning of year	117,002,444	201,892,441	13,960,828	5,676,692
Transfers	0	5,676,692	0	(5,676,692)
Additions	0	9,024,768	134,037	0
<b>Cost end of year</b>	<b>117,002,444</b>	<b>216,593,901</b>	<b>14,094,865</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(84,872,559)	(158,325,662)	(12,596,298)	0
Depreciation for the year	0	(5,715,103)	(696,508)	0
<b>Depreciation and impairment losses end of year</b>	<b>(84,872,559)</b>	<b>(164,040,765)</b>	<b>(13,292,806)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>32,129,885</b>	<b>52,553,136</b>	<b>802,059</b>	<b>0</b>
Recognised assets not owned by entity	0	11,973,765	581,885	0

## 11 Deferred tax

	<b>2022 DKK</b>	<b>2021 DKK</b>
<b>Changes during the year</b>		
Beginning of year	639,468	1,236,321
Recognised in the income statement	(565,082)	(596,853)
<b>End of year</b>	<b>74,386</b>	<b>639,468</b>

### Deferred tax assets

The company's deferred tax asset concerns both deferred tax liabilities relating to tangible fixed assets and unused tax losses allowed for carry-forward. The tax asset is recognised on the basis of the expectations for the coming years' positive tax profits whereby the tax losses are expected to be used. The assessments are based on the company's budgets and projections which are prepared in accordance with the company's usual budget

procedures. In the coming years, increasing activities and increasing results from these activities are expected.

## 12 Prepayments

Prepayments and accrued income comprise prepaid costs, primarily insurances and mebership fees, relating to the next financial year.

## 13 Share capital

	<b>Nominal value DKK</b>
A-shares, 50.000 unit in the denomination of 1.000 DKK	50,000,000
	<b>50,000,000</b>

## 14 Non-current liabilities other than provisions

	<b>Due within 12 months 2022 DKK</b>	<b>Due within 12 months 2021 DKK</b>	<b>Due after more than 12 months 2022 DKK</b>
Lease liabilities	436,568	2,900,156	69,032
Other payables	0	0	790,000
	<b>436,568</b>	<b>2,900,156</b>	<b>859,032</b>

Other payables relate to rent deposits for the tenancies, which have not been terminated by the tenant. There are no debt outstanding after 5 years.

## 15 Changes in working capital

	<b>2022 DKK</b>	<b>2021 DKK</b>
Increase/decrease in inventories	(10,213,895)	(10,533,346)
Increase/decrease in receivables	(149,466)	(11,923,787)
Increase/decrease in trade payables etc	16,588,662	8,657,136
	<b>6,225,301</b>	<b>(13,799,997)</b>

## 16 Contingent liabilities

The company has entered into operating lease agreements for production machinery and operating equipment. The total residual lease liability amounts to DKK ('000) 2,238. The residual term of the lease contracts is 80 months at the most.

## 17 Assets charged and collateral

Of the company's assets at 31 December 2022, an amount of DKK ('000) 140,449 is assessed to be subject to a floating charge of a nominal amount of DKK ('000) 40.000.

The company has issued a mortgage deed to bank of a total amount of DKK ('000) 25,000, which provides security on land and buildings of a carrying amount of DKK ('000) 32,130 at 31 December 2022.

The company has bank debt of DKK ('000) 12,972 at 31 December 2022.

The carrying amount of charged assets has been disclosed only on the basis of the distribution used in the annual report. The carrying amount of any operating equipment, which will be subject to the charge according to section 37 of the Danish Land Registration Act, should be added to this amount.

### **18 Related parties with controlling interest**

The company's related parties include:

#### *Controlling interest*

Segezha Packaging AB, Box 179, 432 24 Varberg, Sweden, which is the sole shareholder

#### *Other companies of Segezha Group PJSC group with controlling interest*

Arka Merchants Limited, Unit 1 Block, Ashbourne Business Park, Ashbourne, Co. Meath, Ireland

SPPM, Joint-Stock Company "Segezha Pulp and Paper Mill", 1, Zavodskaya ulitsa, 186420 Segezha, Republic of Karelia, Russian Federation

Segezha Group PJSC, 10 Presnenskaya Embankment, block C, floor 48, 115432 Moscow, Russia

#### *Other companies in PJSFC Sistema Group with controlling interest*

PJSFC Sistema, 13 Mokhovaya Street, Moscow 125 009, Russia, which is the ultimate indirect majority shareholder

It is to be mentioned that the company has been 100% sold 22th February 2023 to Advanced Industries Group S.á.r.l..

### **19 Transactions with related parties**

The company did not carry out any transactions with related parties that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

### **20 Group relations**

The ultimate parent company JSFC Sistema, State Registration Number 1027700003891 with its head office in Moscow, Russia prepares the consolidated financial statements, whose accounts are publicly available on their website ([www.sistema.com](http://www.sistema.com)).

# 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.

## Recognition and measurement

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.

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.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Income statement

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Production costs

Production costs comprise costs, including wages and salaries and depreciation, incurred to achieve the net revenue for the year. Cost of sales include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Research costs and the development costs that do not fulfil the criteria for capitalization are also recognized in production costs.

### Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

**Administrative expenses**

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, 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 changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Intellectual property rights etc**

Intellectual property rights etc comprise intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The depreciation base is cost less estimated residual value after end of useful life. Software are depreciated over 3 years.

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

**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:



	<b>Useful life</b>	<b>Residual value</b>
Buildings	25 years	27-30 %
Plant and machinery	8-20 years	0 %
Other fixtures and fittings, tools and equipment	3-10 years	0 %

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### **Deferred tax**

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

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

**Prepayments**

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

**Cash**

Cash comprises bank deposits.

**Lease liabilities**

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**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 financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt, payment of dividend to shareholders and bank overdraft.