ANNUAL REPORT

2016

Færch Plast Group A/S

Rasmus Færchs Vej 1
7500 Holstebro
Denmark

CVR No. 32 30 84 49

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11 April 2017

Arne Vraalsen
Chairman

CONTENT

CEO'S STATEMENT

Lars Gade Hansen
President and CEO

A record year and an encouraging outlook
Our financial year 2016 was the best ever for Faerch Plast. Again, we delivered on our financial target for the year with a total EBITDA growth of 34% which came from both organic growth and growth from acquisitions, achieving the highest number of trays sold in a year of 5,2b. The revenue grew to record DKK 2.079,9m as a result of very satisfactory growth across all segments and from our focus countries. With an EBITDA of DKK 511,6m the EBITDA-margin increased to 24,6% from 22,8% in 2015.

2016 was a year with multiple factors having an impact directly and indirectly on Faerch Plast. The Brexit referendum created a period of uncertainty but through specific and precise counter measures underpinning the robustness and agility of the Group, these events had limited impact on performance both operationally and financially.

2016 had focus on integration of the acquired entities in 2015, Anson Packaging Limited and Sealed Air's European tray business. It has been very encouraging to see the speed of the integration and how the expected synergies successfully have been extracted with positive contribution to the Group. The successful integration has required hard work from all parties involved and only with dedicated employees it has been possible.

Strategy
Following the two acquisitions that strengthened both the depth and breadth of the product portfolio, the Group's strategy has been updated. The updated plan continues to build on several years' success of winning market shares in selected markets and applications. The strategy sets out clear priorities and focus areas for the Group - geographical focus and in which applications the growth opportunities are considered most attractive.

Maintaining the cost leadership is paramount for the Faerch Plast Group and continuous investments in material and process innovation will secure this. Product and platform innovation through research and development is a key priority and it is encouraging to look into 2017 knowing the Group is having the strongest new product pipeline ever seen. The strength in our research and development is always to aim for perfection and the highest quality with focus on the competitive advantage and the product innovation that Faerch Plast is admired for in the market.

Thank you
I would like to thank our employees and owners for the support and trust they have shown and given the company throughout 2016. The strong performance in 2016 and our ability to succeed in 2017 too are highly dependent on the engagement of our employees, their unique skills and dedication to go the extra mile for Faerch Plast and our customers. On behalf of the Executive Management I would like to thank our employees for the outstanding achievement and hard work delivered during the year.

On behalf of the executive management team.

Lars Gade Hansen
President and CEO

PRESENTATION OF FAERCH PLAST

Growth at Faerch Plast

Since being established in 1969, Faerch Plast has grown to become one of the leading plastic packaging manufacturers for the European food industry, with more than 1.000 employees across six manufacturing facilities, and regional sales offices covering all of Europe as well as selected non-European countries. Faerch Plast is owned by the private equity firm, EQT VI Limited.

Diverse product offering focused on three core product applications

Faerch Plast focuses on selected food segments where a plastic tray is a key product differentiator and value enhancer for the food producer, retailer and/or the end consumer. We strive to achieve a leading position in methods and products designed to protect food and ensure high standards of safety and quality. We are committed to comply with and stay ahead of legislative and regulatory requirements within food safety at all times. Moreover, our deep process knowledge and wide range of products have been developed and enhanced over decades in close cooperation with our customers. As a result, Faerch Plast can today present a strong product assortment within three distinct product applications, Ready meals, Fresh Meat and Food To-Go:

READY MEALS

The market for prepared meals made for heating is experiencing strong growth. Development is driven by consumers' increasing demand for convenience, along with food producers' strive for individualisation of brands while maintaining a cost-efficient setup. This places major requirements for end-to-end competencies on tray producers such as Faerch Plast. The ability to drive shelf impact through unique design while maintaining extreme temperature tolerances enables Faerch Plast to grow further into Ready Meal sub-segments that historically have been dominated by non-plastic packaging materials as aluminium and cardboard.

FRESH MEAT

Value added via the packaging format is changing the solution space within the market for chilled and marinated fresh meat, fish and poultry. Shelf life extension of premium meat through vacuum (skin) packaging and increased glass-clear transparency and robust sealing requirements for MAP packaging are providing an overall trade-up within this product application. The continued increasing interest in environmentally friendly materials and intelligent design supporting less food waste is shaping the agenda of both producers and consumers across all Fresh Meat categories. Local legislation and tariffs are expected to push forward solutions based on eco-friendly mono material, as MAPET ® II, at the expense of older and more traditional material formats.

FOOD TO GO

The market for convenience meals not requiring heating is a broad and diverse sum of sub segments, each requiring a different set of features to producer and consumer. Faerch Plast remains focused on the advanced convenience sub-segments; where producer, retailer and end-consumers value innovative design, built-in convenience features as well as high quality and environmentally friendly materials. Delivering on these parameters allows Faerch Plast to tap into the trend of busy lifestyle, where on-the-go consumption of quality food becomes an increasing part of most households regardless if the purchase takes place at an urban cafe or in a major supermarket.

Adding value across the entire value chain

Great packaging is not only about protecting a product, and Faerch Plast persistently strives to add value to all aspects of the supply chain, starting with our own suppliers, to when the tray arrives at our customers and until the end customer purchases and consumes the final product. To succeed with this end-to-end perspective, Faerch Plast is constantly collaborating with our stakeholders to optimise and develop processes and ultimately the final products. Working with NGO organisations like WRAP in the UK fighting food waste, to optimse tray stacking for automated food producers or R&D collaborations with top-film producers, are all examples of the wide span of activities in which Faerch Plast engages on a daily basis in order to maintain and develop our position as adding value for the food industry.

Continued investment to deliver best in class

The plastics packaging industry is constantly changing and the growing external demands require Faerch Plast to evolve by investing in technology as well as in process and material knowledge. Factors like precision, efficiency and automation play a crucial role in achieving success. →

PRESENTATION OF FAERCH PLAST
(CONTINUED)

To offer our customers the optimal solutions at the lowest possible cost, our factories, processes and people receive substantial investments to ensure the highest standards and use of latest technology. Faerch Plast will continue to invest significant amounts every year to maintain and develop our leading position.

The right values

Value creation at Faerch Plast encompasses more than just financial return, and is built on an ingrained sense of responsibility that permeates our organisation.

Responsibility – and in this case a shared responsibility with the customer – is central to our value model. Responsibility for the environment and the world around us is a natural and basic precondition for our work. Only on this basis are we able to meet our own requirements of being the leading and most recognised player in our industry in Europe. We want to be recognised for quality, credibility, responsibility and our ability to deliver. In this way, we can remain innovative and deliver optimal solutions, where we can combine our competencies.

Responsibility is also about maintaining effective manufacturing processes, environmental considerations, production efficiency and sustainable energy supply. Faerch Plast is fully supplied with renewable energy provided by sustainable energy sources, such as hydro and wind power plants.

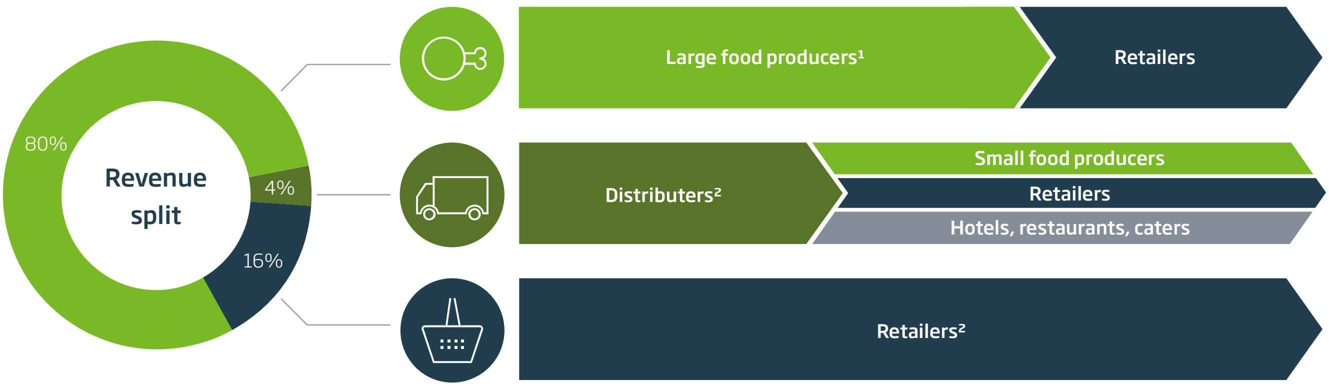
Segment reporting

Faerch Plast is producing and selling rigid plastic packaging primarily to the European food industry. Our approach to the market is based on a sales channel split, which is also the basis of our segment reporting.

Faerch Plast operates with three different sales channels based on customers' characteristics; Industrial Food Producers, Distributors and Retailers.

Food Producers

Food producers comprise our largest segment, and constitute 80% of the Group's revenue in 2016. Food producers are large-scale industrial processors within all chilled food and frozen segments (Fresh Meat, Ready



1: Core distribution channel, 2: Secondary distribution channel

Meals, and Food to go). They deliver mainly to independent retailers or own outlets. Faerch Plast provides a full sales setup tailored to cater for this channel:

- Sales representatives focused around product applications and with clear Key Account Management responsibility
- Large portfolio of tools, which provides off-the-shelf standard solutions or can be altered to deliver a tailored solution to the individual customer
- Operational setup that allows for short lead time and dedicated stock levels if required
- Agile logistic model servicing our customers with daily deliveries when needed
- Full design and innovation team helping our customers to develop the unique packaging solution that suits their needs

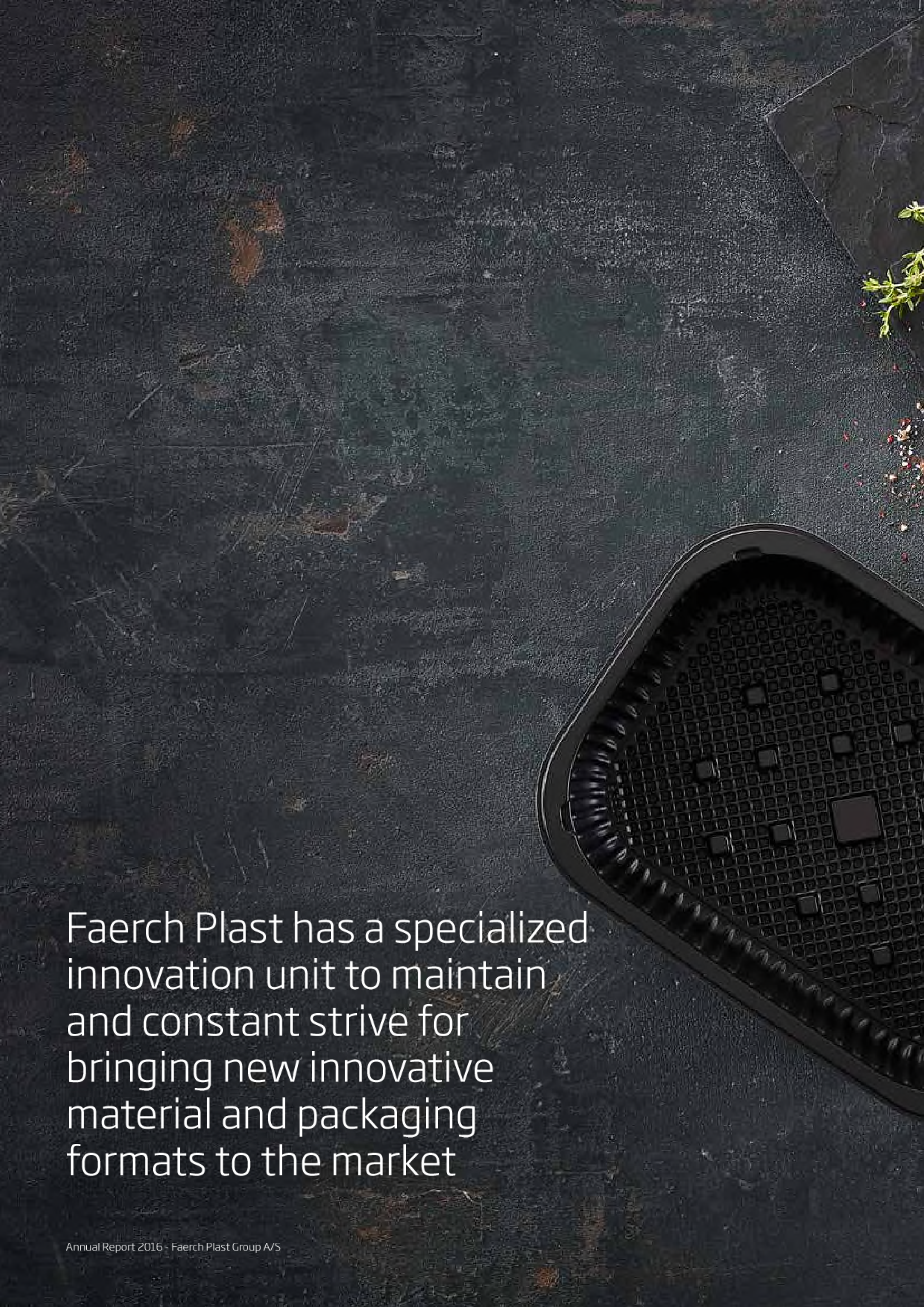
Distributors

Distributors is our second largest segment representing 16% of revenue. Distributors range from full-service providers for the restaurant and catering industry carrying a wide range of utilities, to more specialised distributors servicing smaller food producers and retailers mainly with a full packaging solution inclusive tray, top film, sealing equipment etc. Faerch Plast currently holds a strong position with select large distributors across Europe, but wishes to further expand our presence in this segment. Expansion will be driven by rolling out tailored service models building on best practices from our current sales areas incl.:

- Dedicated sales resources
- Quick response rates
- Proactive product development aimed for distributor assortment
- Standard assortment on stock

Retailers

Retailers are predominantly indirect customers through one of the above core sales channels. However, direct retail sales makes up 4% of our revenue, where we mainly supply packaging for food products, which are prepared and packed on site. Direct servicing of retailers allows Faerch Plast to be on the forefront of innovation and customer demand, minimising dependency on any single food producer.



Faerch Plast has a specialized innovation unit to maintain and constant strive for bringing new innovative material and packaging formats to the market

OUR FOCUS AREAS

CONTINUED STRONG INVESTMENTS

262m

Investments to strengthen and develop cost leadership continued. In total, investments recorded DKK 262m in state-of-the-art production equipment to upgrade new sites and to enable further automation, which will support the Strategy 2021.

LEVERAGE REDUCED TOWARDS TARGET

3,50x

Free cash flow was DKK -0,4m which combined with currency movement led to a net debt reduction of DKK 200m. Net debt/EBITDA was consequently 3,50x and our leverage is significantly reduced below target.

EBITDA MARGIN OF

24,6%

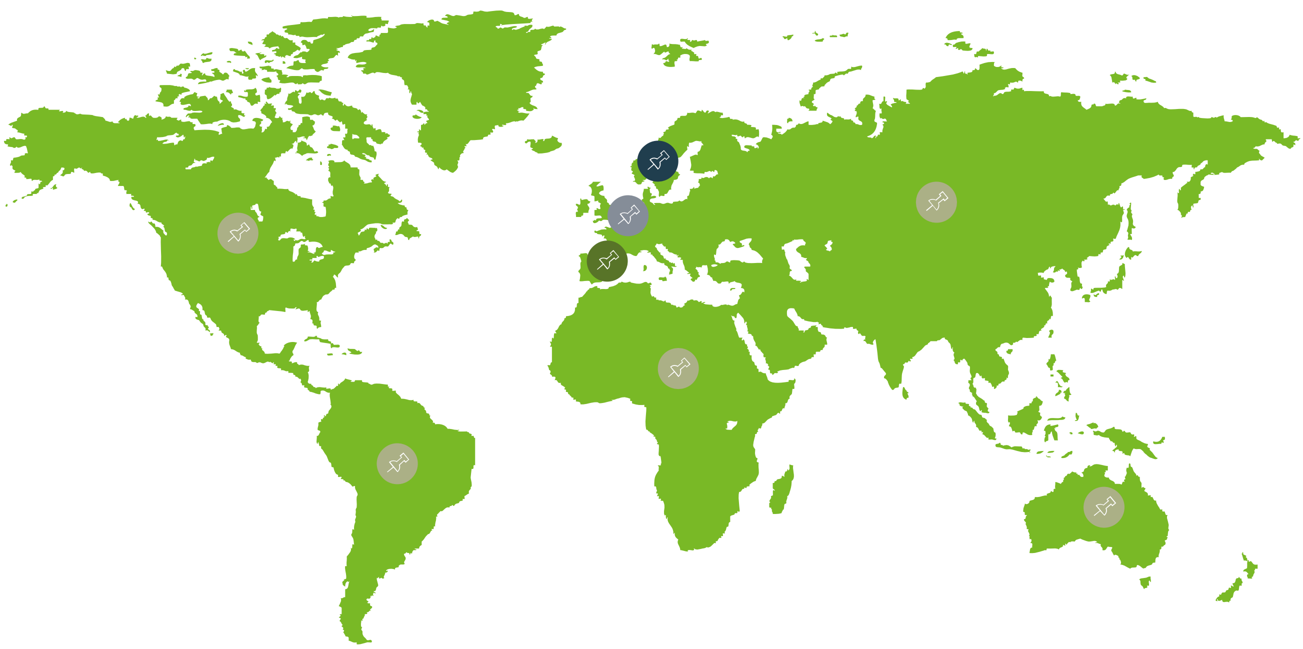
Operating profit was up 57,2% organically and through better than expected contribution from the acquired entities

NORTH EUROPE
The operating profit grew by
5,9%

CENTRAL EUROPE
Organic operating margin improved by
390bp

SOUTH EUROPE
The sales volume grew by
20,2%

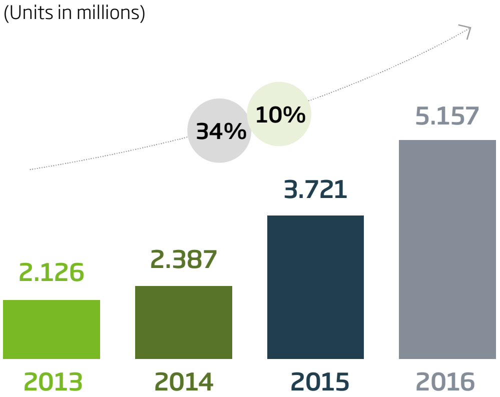
REST OF THE WORLD
Organic revenue grew by
28,7%



FINANCIAL HIGHLIGHTS

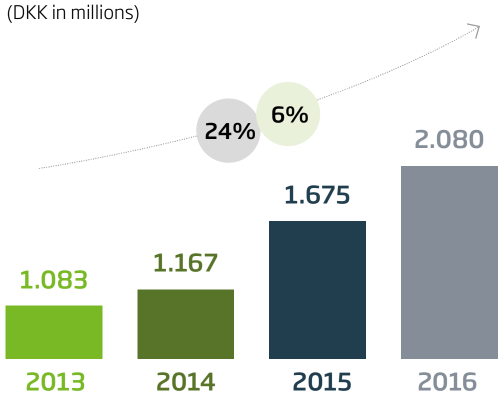
FAERCH PLAST HAS MORE THAN DOUBLED ITS BUSINESS SINCE 2014

Volume
(Units in millions)



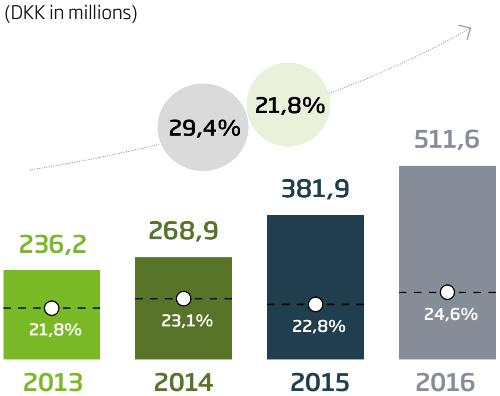
Faerch Plast has grown from a local champion to a pan-European player with focus on the most attractive product groups of Ready Meals, Fresh Meat and Food-To-Go.

Revenue
(DKK in millions)



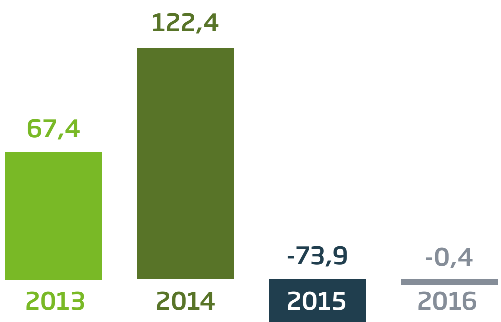
Revenue growth seen in all applications and in all markets. The 10pp difference to volume growth is primarily from price/mix impact from Sutton site as their selling price per tray is lower into the Food-to-Go segment than the average selling price.

EBITDA (before special items)
(DKK in millions)



EDITDA grew organically by 57,2% with the Southern European business performing particularly well and with the UK business negatively impacted by the currency depreciation as well as increased input costs.

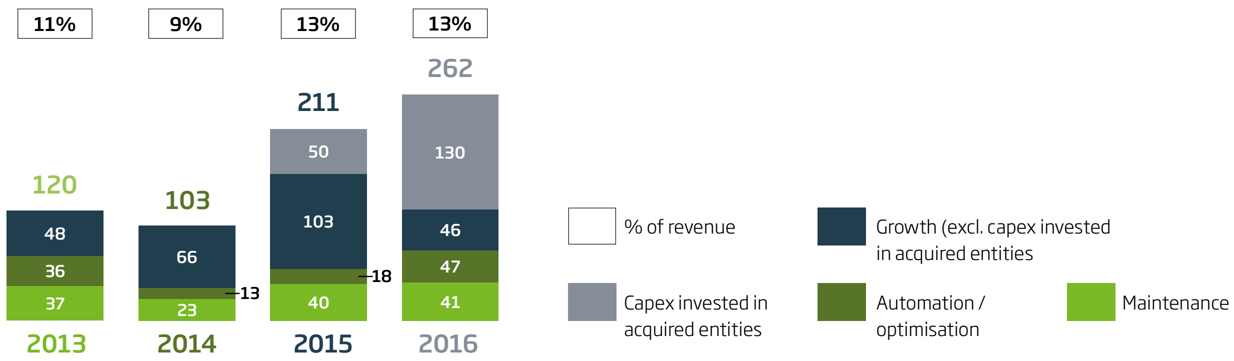
Free Cash flow
(excluding acquistions)
(DKK in millions)



Free cash flow was positively impacted by the strong cash flow generated from the operation, offset by investments. The average trade working capital to revenue improved from 25,5% in 2015 to 22,4% in 2016.

Organic CAGR   Total CAGR   - - -O- - - % margin

CAPEX
(DKK in millions)



High investment level mainly to support the organic growth and to bring up the acquired facilities to Group standards. 2016 capex were mainly spent on the Sutton site, which will result in costs savings in all manufacturing processes and has enabled the closure of the Haddenham manufacturing site.

Through continuous improvement Faerch Plast strives for continued leadership in current as well as future generations of sustainable packaging and food safety


PRAWN
TIKKA MASALA
£3.50
TESCO finest
CHICKEN
PANANG
New
finest
BEEF
MADRAS
New
finest
BEEF
MASSAMAN
New
TESCO finest
CHICKEN
& KING PRAWN
PAD THAI
Any 2
for £6.00
£3.50
finest
BEEF STROGANOFF
finest
CUMBERLAND SAUSAGES
finest
STICKY TERIYAKI
PORK

OPERATING AND FINANCIAL REVIEW

Faerch Plast is a leading supplier of rigid plastic packaging to the European food industry. It operates across Europe from six manufacturing facilities and five separate sales offices including two design centres located in Denmark and UK.

In 2016 the focus areas for the business were integration and development of the acquired businesses in 2015, Anson Packaging Limited and Sealed Air's European tray business and preparing the Group's new strategy to 2021, which set a distinct course for the business.

In 2016, the Group decided to prepare the Annual Accounts according to International Financial Reporting Standards (IFRS). Under section 4.7 in the consolidated financial statement the impact of the conversion from Danish GAAP to IFRS has been described. Consequently, the opening balance as of 1 January 2015 has been adjusted and comparison of figures for 2015 have been corrected with the required IFRS adjustments.

Income Statement

In 2016, the Group reported a net revenue of DKK 2.079,9m (2015: DKK 1.675,0m) confirming a strong growth in all markets and all segments. The adverse currency development on the back of the Brexit referendum in the UK and a declining raw material price development for resin have adversely impacted the selling price. In organic terms and due to the above, net revenue declined by 1,9% and increased to 26,1% due to the acquired businesses.

Production costs amounted to DKK 1.472,2m (2015: DKK 1.198,3m). Production cost per kg decreased by 4,4% compared to 2015. The reported gross profit margin improved by 70 bp to 29,2% as a result of a growth in attractive high-growth and high-priced products and efficiency improvements across all manufacturing sites. During 2016, especially the three new factories acquired in 2015 recorded significant efficiency improvements through investments and Faerch Plast's ability to transform the factories into cost leaders.

Sales and distribution costs amounted to DKK 203,6m (2015: DKK 159,1m). The increase was mainly driven by the acquired business in 2015 and the restructuring of the sales organisation moving into a diversified go-to-market strategy with a tailored channel approach.

Administrative costs amounted to DKK 78,9m (2015: DKK 69,6m). The increase was mainly driven by the acquired business in 2015 and due to hiring of senior specialists and senior managers with strong capabilities to develop the business and support the Strategy 2021.

Other operating income of DKK 55,0m (2015: DKK 20,0m) is income from realised and unrealised forward contracts applied to manage the net currency exposure in the UK market and income from customer contributions in relation to tools.

Other operating expenses of DKK 16,0m (2015: DKK 2,1m) increased by DKK 13,9m due to expenses related to strategy projects as well as additional costs related to the acquisition of the three new entities.

Operating profit before special items was DKK 364,3m (2015: DKK 265,9m). The increase of 37,0% was due to acquisition impact of 19,0% and organically improvement of 18,0%. The impact of negative translation from mainly the British Pound was 11,4% and was mitigated by positive gains on forward contracts reducing the net translation impact to +4,7%.

Net special items (pre-tax) amounted to DKK 25,5m, a decline of DKK 2,6m compared with 2015. Special items were impacted by the running in of a new extruder at the Sutton site which was expected to be operational beginning of June 2016. Different challenges caused delays on the commissioning of the extruder which the Group hadn't experienced earlier with similar equipment. The additional one-off costs have been estimated to DKK 26,6m and relate to the period July – November 2016. In December 2016 the extruder performed as expected and all costs were recognised under production costs. A specification of special items is included in the section 1.4 of the consolidated financial statements.

Net financials amounted to DKK -133,0m against DKK 130,3m in 2015. Net interest costs were DKK -93,7m against DKK -96,6m in 2015, driven by a lower net interest bearing debt and a lower interest payment on British Pound denominated loans due to the depreciating currency. Net other financial items were DKK -21,3m against DKK -7,1m in 2015. The increased net costs were →

OPERATING AND FINANCIAL REVIEW
(CONTINUED)

mainly due to negative fair value adjustments on interest rate swaps. Currency translation adjustment were net DKK -16,7m against a loss last year of DKK -17,1m due to the deprecation of the British Pound.

Tax for the period amounted to DKK -40,5m against DKK -39,5m in 2015. The effective tax rate was 19,7%. The lower rate compared with the 2015 level of 36,7% reflects non-deductable expences related to transaction costs from acquisitions and the reduction of the corporate income tax rate in Denmark from 23,5% in 2015 to 22,0% in 2016.

Profit for the year recorded DKK 165,2m (2015: DKK 68,0m). The improvement was due to strong organic growth and positive contribution from the acquired entities which in 2016 have full year impact compared with last year combined with lower production costs at all sites. Finally, the lower effective tax rate contributed to the improved profit for the year.

Investments

The Group's investments for 2016 amounted to DKK 261,6m (2015: DKK 210,6m) equivalent to 12,6% of revenue. The relatively high amount for 2016 should be seen in the light of the investments made at the Sutton factory in the UK which accounted for more than 50% of the full year investments. As at 31 December 2016, the Group had total assets of DKK 3.680,9m against DKK 3.475,3m at 31 December 2015.

Assets
As at 31 December 2016, total non-current assets amounted to DKK 2.728,4 an increase of DKK 3,1m against 2015. Intangible assets were lower by DKK 74,9m due to amortization of the Anson brand and the declining British Pound as both the Anson brand and part of the capitalised goodwill are denominated in GBP. The decline was off-set by higher tangible assets due to the invested capital of DKK 261,6m off-set by assets depreciated due to the declining British Pound as well from normal depreciations and disposals.

Inventories increased by DKK 51,6m due to higher levels of raw materials and spare parts at all sites within the Group. Trade receivables increased due to increased activity level and were negatively impacted by the development in the British currency. During the year, the amount of trade receivables being insured under credit insurance increased from 85.9% to 93.4% end of December 2016.

Other receivables declined by DKK 24,2m due to settlement of a purchase price adjustment for the Sealed Air European tray buisness in the UK and prepayments increased slightly against last year. Cash and cash equivalents amounted to DKK 224,3m an increase of DKK 152,1m due to year-end borrowing for January 2017 payments.

Liabilities
Total equity as at 31 December 2016 was DKK 1.276,6m which increased from DKK 1.137,5m in 2015 due to the profit for the period of DKK 165,2m off-set by negative currency impact. Further, the equity was positively impacted by net DKK 0,7m from a capital increase relating to the Management participation program. As at 31 December 2016 the management holds 1.4% of the share capital.

Total liabilities were DKK 2.404,3m compared to DKK 2.337,8m at 31 December 2015. Long term debt was significantly reduced by DKK 236,3m due to instalments and the impact of the declining British Pound in the GBP denominated debt. Short term borrowings increased by DKK 302,8m which should be seen in connection with the corresponding increase in cash and cash equivalents of DKK 152,1m as well as the classification impact after consolidating all banks accounts under a cash pool set-up beginning of 2016.

Other short term debt
The Group reduced the net interest bearing debt from DKK 1.823,9m at December 2015 to DKK 1.741,8m at December 2016 due to a strong operating cash flow and positive impact from the declining British currency on the GBP denominated debt.

Trade payables increased from DKK 181,9m as at 31 December 2015 to DKK 222,4m as at 31 December 2016. The increase in trade payables relates to raw materials and investment creditors for new capacity to be installed beginning of 2017.

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OPERATING AND FINANCIAL REVIEW
(CONTINUED)

Cash Flow
Free cash flow amounted to DKK -0,4m versus DKK -73,9m in 2015 adjusting for acquisition of subsidiaries. The cash flow was positively impacted by the strong business performance in 2016.
Cash flow from operating activities was positive by DKK 257,0m (2015: DKK 135,5m) supported by the acquired businesses and organic growth.

The change in the working capital was DKK -57,9m due increases in the Group's inventory levels (DKK -64.1m) as well as trade receivables (DKK -48,1m). The development is due to increased activity which was off-set by an increase in trade payables (DKK +41,0m) from increased raw materials and investment creditors end of 2016 amounting to DKK 28m. The average trade working capital to revenue improved from 25,5% in 2015 to 22,4% in 2016. The change in other net working capital items was DKK +13,6m.

Net interest paid amounted to DKK 102,0m versus DKK 92,6m in 2015. The higher interest payment in 2016 was due to the increased borrowings during 2015 from the three acquisitions offset by positive impact on interest nominated in GBP.

Corporate tax paid in 2016 was DKK 59,4m against DKK 11,6m in 2015. The increase of DKK 47,8m is due to higher income tax payments in Denmark relating to 2015 and instalments made for the income year 2016.

Cash flow from investing activities amounted to DKK 257,4m for 2016 against DKK 842,3m in 2015 which included the acquisition of Anson Packaging Ltd and Sealed Air's European tray business. The investments in 2016 were mainly related to the Sutton factory in UK and growth investments being able to meet the increasing customer demand.

Total financing activities amounted to DKK -31,7m (2015: DKK+681,9m) and was due to instalments on the Group's debt to financial institutions offset by a short-term borrowing end of December 2016.

The Group's cash position was end of 2016 DKK 2,9m (2015: DKK 41,5m).

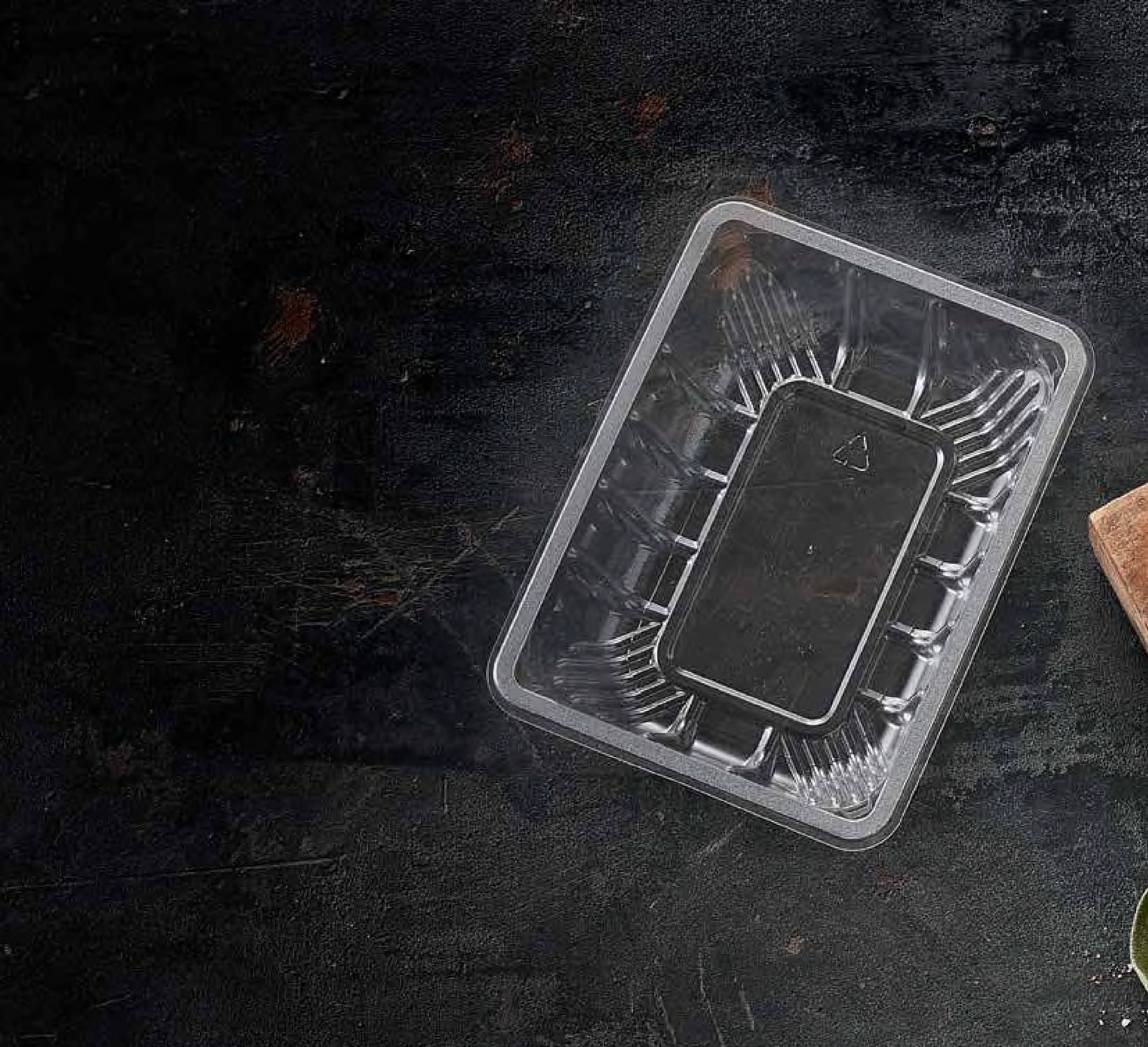
Subsequent events
No events materially affecting the assessment of the Company's financial position have occurred after the balance sheet date.

5,2
billion trays
Volume

2.080
DKKm
Gross revenue

511,6
DKKm
EBITDA

-0,4
DKKm
Free cash flow



With six manufacturing sites across four countries Faerch Plast's factory footprint secures a flexible supply chain and enables the servicing of customers close to their home markets

OUTLOOK 2017

The current expectations for 2017 are summarised below and reflect the Group's expectations end of 2016.

The execution of the Strategy 2021 has three key priorities for 2017:

Growth
Focus on profitable sales growth in UK and in the Southern European region. Continue to develop the business with existing customers in strongholds.

New product development
Launch new products according to the development plan to drive market share and profitability.

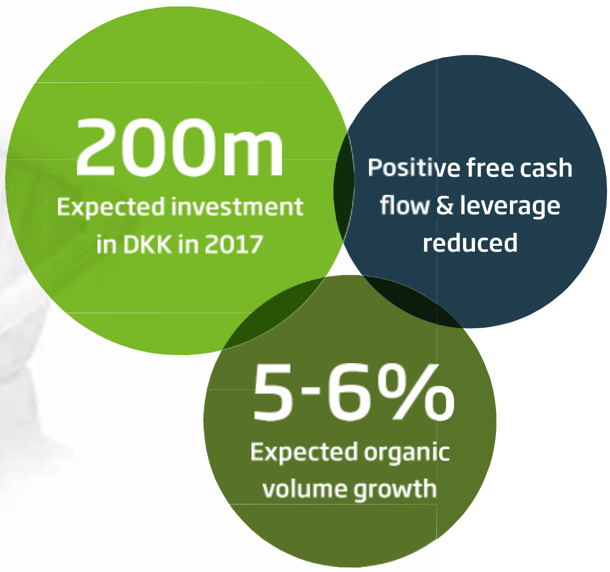
Channel and segments
Increase sales focus on distribution channels and strengthen product offering in the Food-to-go segment in continental Europe.

Cost leadership
Continue to invest in, optimise and automate all production facilities to secure cost leadership.

Based on the above focus areas for 2017 the Group expects to deliver:
- Organic volume growth of 5-6%.
- Stable EBITDA margin
- Financial leverage reduction

The Group has applied a DKK/GBP rate of 8,90 for 2017 (2016: 9,12).

The Group expects to invest approximately DKK 200m in 2017 (acquisitions are not included) and generate a positive free cash flow.



Looking into 2017 the Group is having the strongest product pipeline ever

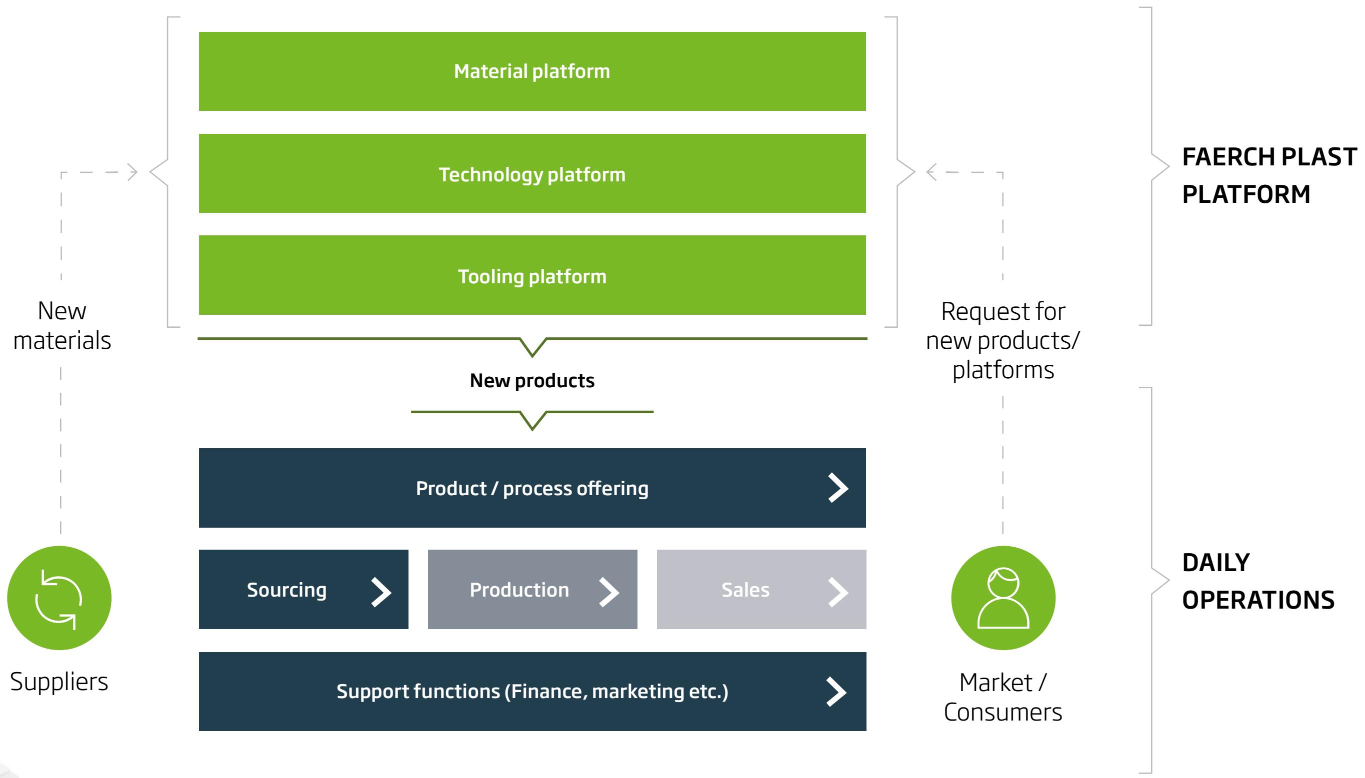
BUSINESS MODEL

Faerch Plast has a platform-oriented business model that drives a cost leadership position via standardisation, while providing the industry's broadest and most innovative product range to our customers. Combination of standardised manufacturing processes with a high level of operational flexibility to achieve a diverse product range, enables Faerch Plast to provide customers with innovative quality solutions, delivered on time, and at competitive prices.

In-depth material expertise and process know-how allow optimisation and reduce material loss in the production processes. It also generates an ability to use and re-use recyclable raw materials for development of sustainable offerings across product categories. In addition, Faerch Plast's material knowledge allows us to continue to push boundaries of our tray attributes to the benefit of customers – for example, dual color, high impact strength, sealing properties or glass clear transparency.

To maintain and grow our position in the market, while evolving with our stakeholders, Faerch Plast takes a long-term approach to our own development. By competing in carefully selected markets and applications where we know we can make a difference, and by maintaining significant investments in research, quality equipment and motivated employees, Faerch Plast is committed to staying true to our business model - our DNA.

PLATFORM STRATEGY AT THE HEART OF FAERCH PLAST'S BUSINESS MODEL



STRATEGY 2021

In 2016, following two strategic acquisitions and to reflect Faerch Plast's broader product offering, we completed and started the execution of a five-year strategy plan, highlighting mid-term priorities of the new Faerch Plast. The plan is an outcome of a six-month internal process leveraging inputs and support from all levels and functions across the Faerch Plast organisation. The strategy plan is in many ways a logical continuation of the Faerch Plast heritage, aiming to continue our healthy growth via a broad product portfolio tailored for attractive market segments and with an unrivaled focus on cost optimisation and process and material innovation.

Strengthen our geographical position

Our strengthened product offering in Food-To-Go and Fresh Meat, combined with our product leadership position for heated ready meal products and our ability to supply products in all leading base materials, will drive further penetration in our core western European markets as well as continue to build our position in central and Southern Europe

Our strategy will be two-folded, with the core focus on maintaining organic growth, combined with a continued screening for quality acquisition targets/partnerships for which strategic rationale is right and combined value can be realised.

Significant investment in New Product Development

With our new strategy comes an enhanced and even more explicit focus on our development work. Faerch Plast has grown, and so has our scale facilitating the opportunity to form specialised units. Since 2016, Faerch Plast has strengthened its full organisation to build the processes, materials and products of tomorrow. We enter 2017 with the strongest research pipeline in the history of the company and look forward to the expected added value delivered by both internal as well as partnering projects.

Continuous focus on cost optimisation

Driving cost improvements is a deeply embedded part of Faerch Plast's way of operating, and our technology and operational teams possess significant experience in developing and delivering on cost improvement targets. In the coming years, Faerch Plast will continue to invest significantly back into the business, for which a number of the identified projects will deliver cost optimisation and lowering of the overall loss of resources. Further automation across the production chain, leveraging the newest robotic technology and Faerch Plast best practice process principles, will contribute with savings in line with historical achievements.

A crucial part of "Strategy 2021" is the continued efforts of bringing and maintaining our newly acquired production sites to the Faerch Plast Group standard for production. This journey started in 2015, and since then a significant amount has been invested based on Faerch Plast expertise, in combination with the deep knowledge of the local teams. We are pleased to see that at end of 2016 we are on track for delivering optimisation to all our new sites, and we look forward to continuing these efforts and gain from the full potential in the coming years.

Continued success of Faerch Plast is highly dependent on the combined knowledge, expertise and drive of our 1.085 employees across the Group

RISK MANAGEMENT

Business risks

The Management of the Faerch Plast Group has made an assessment of the internal and external business risks. Some of the risks can have a significant impact on the performance of the business. The risks identified, monitored and evaluated as being particularly important at current time are:

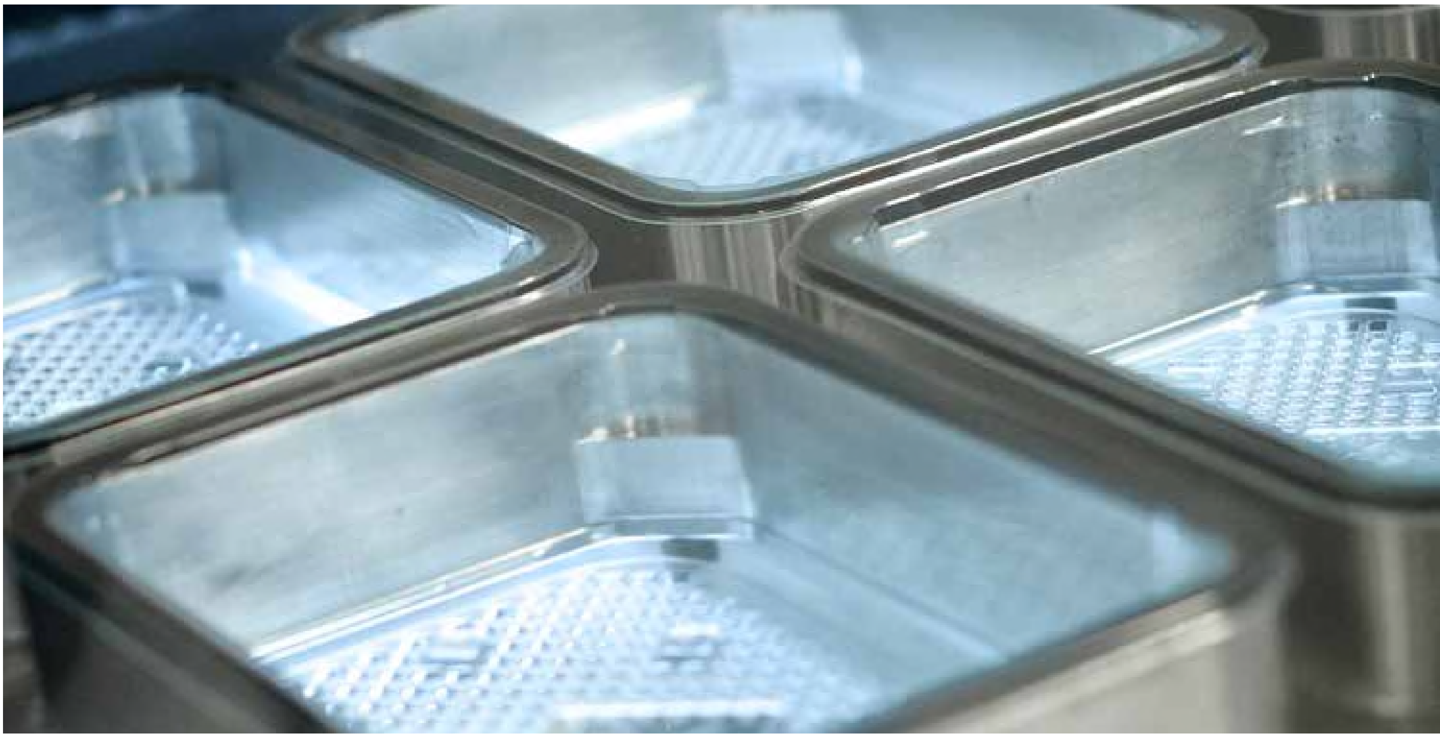
- Raw material prices – the main cost element represents around 35 % of the turnover. To minimise the risk the Group can pass on 75 % of the price variances to customers through pricing mechanism in the customer contacts.
- Dependence of customers – the variety of customers and the unique tools for customers reduce the risk of losing customers.
- Integration of new entities – a successful integration of the new entities is paramount to ensure continuous growth and increase in operating profit.

Financial risk

Faerch Plast's main financial risks relate to exchange rate, interest rate and tax.

Currency risks

The reporting currency is Danish Kroner, which is closely linked to the Euro within a narrow range of ±2,25%. However, a large part of the invoiced sales are in British pound. The Group has a surplus of approximately GBP 60 million yearly. Exchange risk in relation to the GBP



is therefore the company's biggest financial risk, and the risk has grown in importance after the acquisition of Anson Packaging Ltd. and Faerch Plast Poole Ltd. in 2015. To manage the exchange risk the company hedges expected future cash flow for GBP and the hedging follows procedures and policies approved by the Board of Directors.

Interest rate risk

Faerch Plast is exposed to interest rate risk, because the Group borrows funds at variable rates of interest. The risk is monitored by Faerch Plast and hedging is applied in accordance with policy approved by the Board of Directors.

Tax

By operating business globally, transfer pricing disputes with tax authorities may occur. Faerch Plast's policy is to pursue a competitive tax level in a responsible way, which means paying relevant tax in jurisdictions where its business activity generates profit. To manage uncertainties regarding tax, Faerch Plast has transfer pricing agreements on market terms.

Internal control and risk management

The Board of Directors and management are responsible for ensuring that the structure and control systems in the Group are suitable and function satisfactorily. The Board of Directors regularly assesses the overall and specific risks associated with the business and operation, and seeks to ensure that such risks are managed in a proactive and efficient manner.

A detailed annual planning and budget process has been established and variances are monitored on a weekly and monthly basis. This includes particular attention to development in sales and earnings. To ensure high quality in the financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting including follow-up on variance from budgets and use of Group accounting policies and reporting instructions to secure alignment and transparency within the Group.

The responsibility for maintaining sufficient and efficient internal control and risk management in connection with financial reporting lies with the Executive Board. The Board of Directors has assessed the Group's existing control environment and concluded that it is adequate at the current stage in the company's development.

GOVERNANCE

Ownership and capital structure
Færch Plast is a limited company incorporated and operating under Danish Law. The company's share capital is indirectly owned by funds advised by EQT. EQT VI Limited holds 92.5 % of the shares in Færch Plast through Ferguson S.a.r.l, and 7.5 % of the shares are held by members of the Board of Directors and the Executive Board (management). Investments by members of the Board of Directors, the management and employees are made on market terms. For information about the shareholder, reference is made to www.eqt.se.

Corporate Governance
The Board of Directors and Executive Board of Færch Plast Group A/S are responsible for ensuring that the Company's management structure and control systems are appropriate and function satisfactorily.
The basis for the management's work includes the Danish Companies Act, the International Financial Reporting Standards, the Danish Financial Statements Act, the Company's articles of association, and rules of procedure for the Board of Directors and Executive Board, as well as generally accepted practice for companies of the same size as Færch Plast. Being controlled by a member of the Danish Venture Capital and Private Equity Association (DVCA), Faerch Plast is also subject to the guidelines issued by the DVCA on 'Responsible Ownership and Good Corporate Governance'. The guideline can be found on the website: www.dvca.dk.

Corporate Social Responsibility (CSR)
As an international manufacturer of plastic packaging, Faerch Plast has far-reaching environmental, social and economic impacts. It is our commitment to act in a responsible manner in all aspects of the tray's life cycle - from materials sourcing, product design and development, manufacturing, distribution and disposal.

In order to mitigate these impacts, we define a set of actions and how we create value, delivering competitive advantages to our customers. Consequently, we embed Corporate Social Responsibility in our processes and focus areas. Faerch Plast defined the five focus areas:

- Sustainable Packaging – Faerch Plast is the leading producer of recycled plastic and is helping to raise awareness of the waste challenge faced by the industry. Faerch Plast has developed a Cradle-to-Cradle concept for a range of plastics
- Food Safety – the standard is high and the legislative and regulatory requirements in this area are always met or exceeded
- Responsible Operations – Faerch Plast wants to offer innovative and sustainable products that help to minimise $CO2$ emissions from own activities. Energy optimisation is a key area at all factories
- People & Organisation – Faerch Plast will secure a safe workplace with focus on the employee's well-being and development
- Business Ethics – the organisation acts as a proper and responsible company and supports international

anti-corruption efforts and is dedicated to upholding the highest standards

The Sustainability Report 2016 presents information according to section 99a and § 99b of the Danish Financial Statements Act can be found on the Company's website: www.faerchplast.com/dk/csr/csr-rapportering/Pages/default.

Embedding Corporate Social Responsibility
Our Corporate Social Responsibility effort is an integrated part of our daily operations and priorities. Therefore, these activities are strongly anchored into our organisational structure and reflected on different structural levels.

The overall organisational responsibility and direction of the Corporate Social Responsibility work is part of the Group Executive Management.

The Group functions are responsible for the individual focus areas and ensure that we work in order to achieve our ambitions and meet our obligations to society, our customers and employees.

On a local level, in the respective departments and working groups, we implement specific initiatives and improvement activities.

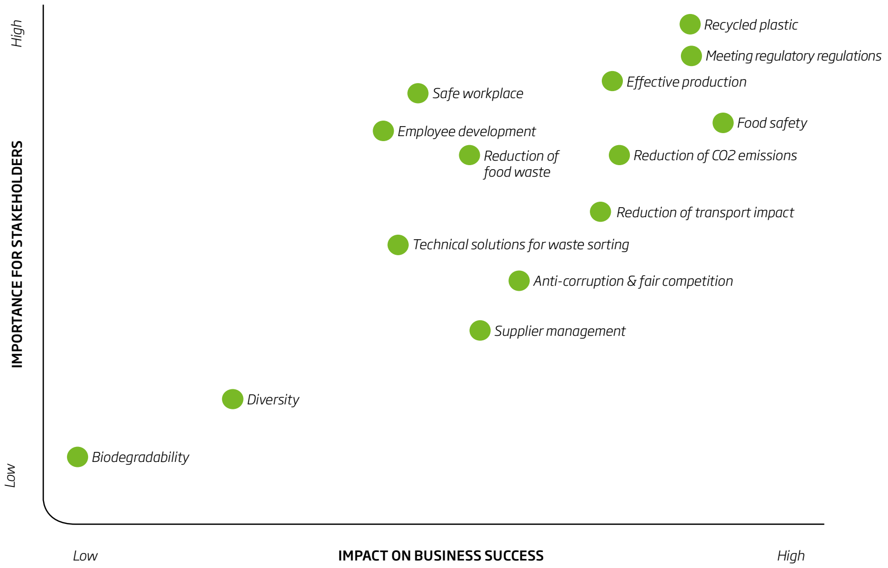
CORPORATE SOCIAL RESPONSIBILITY

Materiality Assessment
Faerch Plast materiality assessment reflects the areas creating impact on our business success and playing an important role for our stakeholders.

Revision of the existing materiality analysis had a significant relevance for us in 2016, due to the business growth and expanded activities. In August 2016, a materiality revision workshop was conducted involving participants representing different Group functions.

The Outcome
The performed assessment resulted in a revision of our focus areas. It was our intention to establish a stronger cohesion between the focus areas and the business, and at the same time to put forward a message of how we approach every focus area. We defined five focus areas supporting Faerch Plast sustainability effort: Sustainable Packaging, Food Safety, Responsible Operations, People & Organisation, and Business Ethics.

Sustainability Agenda
Materiality assessment is one of the strategic themes put forward on the sustainability agenda at Faerch Plast. As a dynamic company, it is important to us to ensure that we are aware of and react to the changes in the external environment that can influence our business. We monitor and follow up on our KPIs and progress towards sustainability, linking them to investment decisions that support our sustainable business growth.



Focus areas and ambition levels

Faerch Plast's sustainability initiatives are based on the focus areas that have been defined through the materiality assessment.

For each focus area, we have established a long-term level of ambition supported by our actions.

Our highest level of ambition is to be the leader in Sustainable Packaging and Food Safety.

For every focus area we have defined the KPIs supporting our long-term ambition and sustainable development.

SUSTAINABLE PACKAGING

Be the leader in the use of recycled plastic

FOOD SAFETY

Be the leader in methods and products, which protect food, extend shelf life and reduce food waste

RESPONSIBLE OPERATIONS

To minimise CO_2 emissions from own activities

PEOPLE & ORGANISATION

To secure safe workplace with focus on employee development

BUSINESS ETHICS

To ensure orderly and responsible business practice

LEVEL OF AMBITION
LEAD

'To lead' means we will create competitive advantages and market differentiation through innovative and sustainable products.

LEVEL OF AMBITION
DEVELOP

'To develop' means we will strengthen and ensure our position and good practice by being a responsible producer and company.

LEVEL OF AMBITION
COMPLY

'To comply' means that we will adhere to legislation and applicable standards within responsible and ethical business practice.

BOARD OF DIRECTORS

The Board of Directors held six meetings in 2016 and a number of ad hoc strategy sessions for "Strategy 2021".

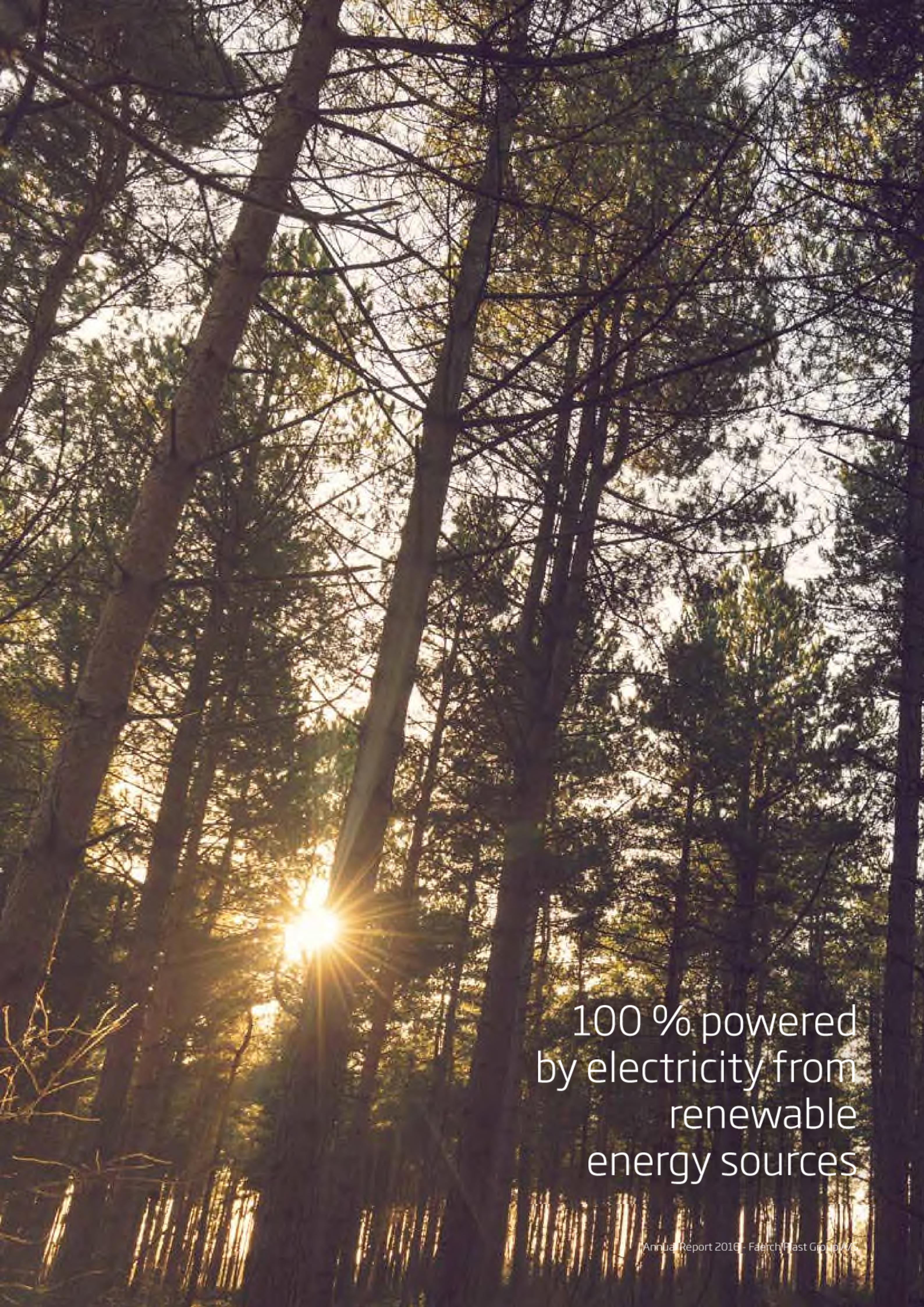
The meetings included ongoing review and support of Faerch Plast's new corporate strategy, its organisation and underlying action plans. The Executive Board briefs the Board of Directors on the Group's financial development on an ongoing basis.

The wide variety of relevant competences and experience represented on the Board of Directors can be summarised as follows: international business and industry experience; M&A experience; financial competency; consumer goods experience; customer relationship experience combined with innovation and out-of-the box thinking

The Board of Directors has an international profile with some diversification in relation to age. The Board of Directors aims to further strengthen diversification in relation to gender. Færch Plast A/S will endeavour that at least one of the six members elected by the shareholders should be of the underrepresented gender. This target should be reached prior to 2019.

Audit Committee
The Board of Directors has set up an Audit Committee in 2015.

The purpose of the Committee is to act in an advisory capacity to the Board of Faerch Plast in matters to review the adequacy of the Group's financial reporting, internal controls and compliance with prescribed law.



100 % powered by electricity from renewable energy sources

BOARD OF DIRECTORS

ARNE VRAALSEN | MADS MUNKHOLT DITLEVSEN | MORTEN HUMMELMOSE | RONALD JOHN EDWARD MARSH | FREDRIK VON OELREICH | MARK DUJARDIN

ARNE VRAALSEN (1962)

Chairman

Member since: 2014

Current position:
Investor and professional advisor

Other Board positions:
Chairman of YTAB Group AB,
Chairman of MMAB Group AB
Chariman of Frontmatec A/S

MADS MUNKHOLT DITLEVSEN (1976)

Member since: 2014

Current position:
Responsible Partner for the investment at EQT Partners A/S

Other Board positions:
HusCompagniet A/S, HTL - Strefa S.A.

MORTEN HUMMELMOSE (1971)

Member since: 2014

Current position:
Head of EQT Partners in Denmark

Other Board positions:
Zebra A/S, EQT Partners A/S,
Sitecore Corporation A/S

RONALD JOHN EDWARD MARSH (1950)

Member since: 2014

Current position:
Professional advisor

Other Board positions:
Currently no other board positions

FREDRIK VON OELREICH (1961)

Member since: 2014

Chairman of the Audit Committee

Current position:
Industrial advisor

MARK DUJARDIN (1964)

Member since: 2015

Current position:
Board member at Anson Packaging Ltd.

Other Board positions:
Horta Properties Limited, Horta Investments Limited, Roland Gardens and Loxegen

EXECUTIVE MANAGEMENT

LARS GADE HANSEN | TOM SAND-KRISTENSEN | JAKOB WULFF MOESKJÆR | HENNING SANDAL | JENS ENGELBRECHT MORTENSEN

LARS GADE HANSEN (1968)

President and CEO

Member since: 2009

Previous experience:

- Bodilsen (CEO)
- Vestfrost (COO)
- Kirk Acoustics (CEO)
- Terma (Vice President Man.)

TOM SAND-KRISTENSEN (1971)

CFO

Member since: 2016

Previous experience:

- Rockwool Asia (Regional Finance Director, South East Asia, India and Greater China)
- Rockwool Greater China (Managing Director)
- Privathospitalet Hamlet (CFO)
- Gourmet Bryggeriet A/S (Managing Director)
- Carlsberg Brewery Malaysia Berhad (CFO)

JAKOB WULFF MOESKJÆR (1976)

CSO

Member since: 2015

Previous experience:

- Kompan A/S (Int. Sales Director)
- Kompan A/S (Regional Sales Director)
- Kompan A/S (Business Development Manager)

HENNING SANDAL (1955)

CTO

Member since: 2004

Previous experience:

- Coloplast (Site and Prod. Manager)
- Bang & Olufsen (CTO Mechanic Division)

JENS ENGELBRECHT MORTENSEN (1966)

COO

Member since: 2016

Previous experience:

- Faerch Plast (Operations Director)
- Coloplast A/S (Site Director)
- Coloplast China Ltd (General Manager)
- Coloplast Hungary Kft. (General Manager)

In 2016 the factory restructuring in Sutton, UK was completed and now stands as a state-of-the-art production site ready to serve our customers with high quality products

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

1 January - 31 December

Note	(DKK million)	2016	2015
1.1	Revenue	2.079,9	1.675,0
1.2	Production costs	-1.472,2	-1.198,3
	Gross profit	**607,7**	**476,7**
1.2	Sales and distribution expenses	-203,6	-159,1
1.2	Administrative expenses	-78,9	-69,6
1.3	Other operating income	55,0	20,0
1.3	Other operating expenses	-16,0	-2,1
	Operating profit (EBIT) before special items	**364,3**	**265,9**
	Specification:		
	Earnings before interest, tax, depreciations and amortisation (EBITDA)	**511,6**	**381,9**
	Depreciation, amortisation and impairment losses	-147,4	-116,0
	Operating profit (EBIT) before special items	**364,3**	**265,9**
1.4	Special items	-25,5	-28,1
	Operating profit (EBIT)	**338,7**	**237,8**
3.1	Financial income	29,5	28,6
3.1	Financial expenses	-162,5	-158,9
	Profit before income tax	**205,7**	**107,5**
4.3	Tax on profit for the year	-40,5	-39,5
	Profit for the year	**165,2**	**68,0**
	Statement of comprehensive income		
	Profit for the year	165,2	68,0
	Items that will be reclassified subsequently to the income statement when specific conditions are met:		
	Foreign exchange adjustment on translation	-25,4	8,3
	Total comprehensive income for the year	**139,8**	**76,3**
	Total comprehensive income for the year is attributable to:		
	Shareholders in Færch Plast Group A/S	139,8	76,3

CONSOLIDATED BALANCE SHEET

31 December

Note	(DKK million)	2016	2015	1 Jan. 2015
	Assets			
	Goodwill	1.567,5	1.601,8	1.362,7
	Brand	139,0	181,3	-
	Development projects	16,9	15,3	13,5
2.1, 2.2	**Intangible assets**	**1.723,5**	**1.798,4**	**1.376,2**
	Land and buildings	336,3	336,2	274,8
	Plant and machinery	495,8	407,7	279,3
	Fixtures and fittings, tools and equipment	103,9	68,3	40,2
	Fixed assets under construction	50,9	112,0	24,3
2.3	**Tangible assets**	**986,8**	**924,2**	**618,6**
4.3	**Deferred tax assets**	**18,1**	**2,7**	**11,8**
	Total non-current assets	**2.728,4**	**2.725,3**	**2.006,6**
2.4	Inventories	281,9	230,3	141,0
2.5, 3.2	Trade receivables	407,3	378,3	207,7
3.2	Other receivables	22,0	46,2	6,3
3.2	Prepayments	9,0	7,9	4,6
	Current tax assets	8,0	15,1	14,8
3.2	Cash at banks	224,3	72,2	87,6
	Total current assets	**952,5**	**750,0**	**461,9**
	Total assets	**3.680,9**	**3.475,3**	**2.468,5**

CONSOLIDATED BALANCE SHEET

31 December

Note	(DKK million)	2016	2015	1 Jan. 2015
	Equity and liabilities			
3.5	Share capital	10,9	10,9	10,2
	Reserve for currency translation	-15,6	9,8	1,5
	Retained earnings	1.281,3	1.116,8	978,2
	Total equity	**1.276,6**	**1.137,5**	**989,9**
3.2	Borrowings	1.483,0	1.733,4	1.170,6
4.3	Deferred tax liabilities	65,1	51,0	21,6
	Total non-current liabilities	**1.548,1**	**1.784,4**	**1.192,2**
3.2	Borrowings	444,8	113,4	41,4
3.2	Trade payables	222,4	181,9	94,1
	Current tax liabilities	21,6	53,4	26,4
3.2, 3.4	Other short term debt	160,5	197,4	117,1
3.2	Deferred revenue	6,9	7,3	7,4
	Total current liabilities	**856,2**	**553,4**	**286,4**
	Total liabilities	**2.404,3**	**2.337,8**	**1.478,6**
	Total equity and liabilities	**3.680,9**	**3.475,3**	**2.468,5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Reserve for currency translation	Retained earnings	Total Equity
Equity at 1 January 2016	**10,9**	**9,8**	**1.116,8**	**1.137,5**
Profit for the year	-	-	165,2	165,2
Other comprehensive income	-	-25,4	-	-25,4
Total comprehensive income	**-**	**- 25,4**	**165,2**	**139,8**
Capital issued to new owners	-	-	1,8	1,8
Purchase of own shares	-	-	-2,4	-2,4
Total transactions with owners	**-**	**-**	**-0,7**	**-0,7**
Equity at 31 December 2016	**10,9**	**-15,6**	**1.281,3**	**1.276,6**
Equity at 1 January 2015	**10,2**	**1,5**	**978,2**	**989,9**
Profit for the year	-	-	68,0	68,0
Other comprehensive income	-	8,3	-	8,3
Total comprehensive income	**-**	**8,3**	**68,0**	**76,3**
Capital issued to new owners	0,6	-	70,6	71,3
Total transactions with owners	**0,6**	**-**	**70,6**	**71,3**
Equity at 31 December 2015	**10,9**	**9,8**	**1.116,8**	**1.137,5**

CONSOLIDATED CASH FLOW STATEMENT

1 January - 31 December

Note	(DKK million)	2016	2015
	Profit before tax	205,7	107,5
4.2	Adjustments for non-cash transactions	270,6	227,8
2.6	Change in working capital	-57.9	-95,6
	Interest paid	-102,9	-97,8
	Interest received	0,9	5,2
	Income taxes paid	-59,4	-11,6
	Cash flow from operating activities	**257,0**	**135,5**
2.1	Purchase of intangible assets	-	-
2.3	Purchase of tangible assets	-261,6	-210,6
	Proceeds from sale of tangible assets	4,2	1,2
4.1	Acquisition of subsidiaries	-	-632,9
	Cash flow from investing activities	**257,4**	**-842,3**
	Free cash flow	**-0,4**	**-706,8**
	Proceeds from capital increase	3,7	71,3
	Proceeds from borrowings	50,0	610,6
	Payments for shares bought back	-2,5	-
	Repayments of borrowings	-82,9	-
	Cash flow from financing activities	**-31,7**	**681,9**
	Net increase in cash and cash equivalents	**-32,1**	**-24,9**
	Cash and cash equivalents at 1 January	41,5	81,1
	Foreign exchange rate adjustments on cash and cash equivalents	-6,5	-14,7
	Cash and cash equivalents at 31 December	**2,9**	**41,5**
	Cash and cash equivalents are specified as follows:		
	Cash at bank and in hand	224,3	72,2
	Credit institutions	-221,4	-30,7
	Cash and cash equivalents at 31 December	**2,9**	**41,5**

NOTE 1.1 SEGMENT INFORMATION

Accounting policies

Revenue recognition

Revenue from the sale of trays and other similar products is recognised in the income statement, when delivery and risk of the products have passed to the buyer, the amount of revenue can be measured reliably, and collection is probable. Revenue comprises invoiced sales for the year less sales rebates, cash discounts, VAT and duties.

Segment information

The Group operates in three business segments based on distribution channels: Industrial, Distribution and Retail. The information is based on the management structure and internal management reporting to Group Management and constitutes the reportable segments.

Industrial include sales to food producers, where products are directly fed into production lines and packed.

Distribution include products sold through distributor channels, which mainly address smaller customers.

Retail include products sold directly to large retailers.

Headquarters costs are allocated to the business segments based on allocation keys used in the internal management reporting. These allocation keys are reassessed annually based on planned activity in the segments. Allocation keys for amortisation and depreciations are based on revenue to the distribution channels and are reassessed yearly. Financial income and expenses and income taxes are managed at Group level and are not allocated to business segments.

Total assets are allocated to the business segments based on revenue. Central functions' assets, cash and cash equivalents and deferred tax assets are unallocated.

Trade between the Group's reportable segments is carried out at arm's length.

(DKK million)	Industrial	Distribution	Retail	Unallocated	Total
2016					
Volume (m'pcs)	4.150,3	860,1	145,8		5.156,3
Revenue	1.668,1	337,5	74,3		2.079,9
Operating profit	272,0	55,7	11,0		338,7
Financial items				-133,0	-133,0
Profit before tax				205,7	205,7
Total assets	**2.772,3**	**560,8**	**123,4**	**224,3**	**3.680,9**
2015					
Volume (m'pcs)	3.069,3	551,8	99,3		3.720,5
Revenue	1.335,6	282,7	56,7		1.675,0
Operating profit	186,1	42,6	9,1		237,8
Financial items				-130,3	-130,3
Profit before tax				107,5	107,5
Total assets	**2.705,0**	**572,5**	**114,8**	**83,0**	**3.475,3**

NOTE 1.1 SEGMENT INFORMATION (CONTINUED)

Geographical information - total revenue

	Total non-current assets		Total revenue	
DKKm	**2016**	**2015**	**2016**	**2015**
North Europe	2.459,4	2.491,1	1.429,0	1.356,1
South Europe	115,5	119,8	385,7	96,8
Central Europe	135,4	111,8	240,3	203,3
Rest of the world	-	-	24,9	18,8
Total	**2.710,3**	**2.722,7**	**2.079,9**	**1.675,0**

Non-current assets do not include deferred tax assets.

The geographical distribution of "Total revenue" is based on the external customers country of residence.

The distribution of "Total non-current assets" is based on the actual geographical location of the assets.
No customer exceeds 10% of the Group's net sales neither this year nor last year.

NOTE 1.2.a STAFF EXPENSES

(DKK million)	2016	2015
Wages, salaries and remuneration	377,0	317,7
Termination benefits	2,5	4,3
Pension contribution (defined contribution plan)	16,6	14,8
Other social security costs	24,7	15,5
Total staff costs	**420,8**	**352,2**
Staff costs relate to:		
Production costs	310,3	258,8
Sales and distribution expenses	51,9	45,1
Administrative expenses	49,4	42,9
	411,7	346,8
Staff cost recognised as inventory or fixed assets	9,1	5,4
Total staff costs	**420,8**	**352,2**
Average number of full time employees	**1.085**	**821**
Remuneration for Key Management Personnel (Executive Management)		
Salaries and wages	10,8	6,3
Pension expenses	0,9	1,0
Termination benefits	-	4,2
Short-term incentive plans	2,9	1,7
Total	**14,6**	**13,2**
Fee to Board of Directors	**1,0**	**0,8**

Short-term incentive plan is based on yearly performance. Management has acquired shares in the company equivalent to 1,4% of the share capital in 2016 (2015: 1,4%). The shares are subject to common leaver provisions used by equity funds. The purchase price of the shares equals estimated fair value at the time of purchase.

NOTE 1.2.b DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

(DKK million)	2016	2015
Intangible assets, amortisation	26,6	22,1
Property, plant and equipment, depreciation	120,8	93,9
Total depreciation, amortisation and impairment losses	**147,4**	**116,0**
Depreciation/amortisation and impairment losses relate to:		
Production costs	144,0	113,2
Sales and distribution expenses	1,4	1,8
Administrative expenses	2,0	1,0
Total depreciation, amortisation and impairment losses	**147,4**	**116,0**

NOTE 1.2.c RESEARCH AND DEVELOPMENTS COSTS

(DKK million)	2016	2015
Research and development costs expensed during the year	3,3	3,0
	3,3	**3,0**

NOTE 1.3 OTHER OPERATING INCOME AND EXPENSES

Accounting policies

Other operating income and expenses comprise items secondary to the Group's primary activities.
These items comprise gains and losses relating to:

- Divestment of intangible assets and property, plant and equipment
- Gains and losses relating to financial instruments
- Contributions in relation to tools investments

(DKK million)	2016	2015
Gain on disposal of intangible assets and property, plant and equipment	2,4	0,6
Rent and other secondary income	0,1	0,1
Gain on financial instruments	42,8	19,3
Other items	9,8	-
Total other operating income	**55,0**	**20,0**
Loss on disposal of intangible assets and property, plant and equipment	0,9	0,3
Other items	15,1	1,8
Total other operating expenses	**16,0**	**2,1**

NOTE 1.4 SPECIAL ITEMS

Accounting policies

Special items include significant income and expenses of a special non-recurring nature which cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses include acquisition cost, cost to external consultants for strategic review, management´s best estimate on cost related to unusual challenging and long lasting commissioning of new extruder in UK. These items are classified separately in the income statement, in order to provide a more transparent view of the Group's recurring operating profit.

(DKK million)	2016	2015
Commissioning extruder	26,6	-
Acquisitions cost	-	28,1
Other	-1,1	-
	25,5	**28,1**

NOTE 2.1 INTANGIBLE ASSETS

Accounting policies

Goodwill

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets, liabilities and contingent liabilities. Subsequently to initial recognition goodwill is measured at cost less impairment losses. The carrying amount of goodwill is allocated to the Group's cash-generating units that follow the management structure and internal financial reporting. Goodwill is not amortised and impairment loss charges in previous years are not reversed.

Brand

The brand value relates to the purchase of the Anson Brand in connection with the Anson Packaging Ltd. acquisition. The Anson brand is a strong brand with more than 40 years of presence in the rigid thermoforming packaging food market in the UK. Anson provides packaging solutions for all major UK retailer outlets.

Brand is initially recognised at cost. The cost is subsequently amortised on a straight-line basis over 10 years. The amortisation expenses are recognised under production cost in the income statement.

Development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future commercial or utilization opportunity within the Group is demonstrated, and where the Group intends to produce, market or use the project, are recognized as intangible assets provided that future benefits are probable. Other development costs are recognised in the income statement when incurred.

Completed development projects are amortised on a straight-line basis over 3 years. Development projects in progress are not amortised, but are annually tested for impairment.

2016 (DKK million)	**Goodwill**	**Brand**	**Development projects**	**Total**
Cost at 1 January	1.601,8	194,6	29,6	1.826,0
Exchange rate adjustments	-34,3	-27,8	-	-62,0
Transfer	-	-	10,7	10,7
Cost at 31 December	**1.567,5**	**166,8**	**40,3**	**1.774,6**
Amortization and impairment at 1 January	-	13,3	14,3	27,6
Exchange rate adjustments	-	-3,0	-	-3,0
Amortization for the year	-	17,5	9,1	26,6
Amortization and impairment at 31 December	**-**	**27,8**	**23,4**	**51,2**
Carrying amount at 31 December	**1.567,5**	**139,0**	**16,9**	**1.723,5**

NOTE 2.1 INTANGIBLE ASSETS (CONTINUED)

2015 (DKK million)	Goodwill	Brand	Development projects	Total
Cost at 1 January	1.362,7	-	19,1	1.381,7
Acquisitions through business combinations	239,1	194,6	-	433,7
Transfer	-	-	10,6	10,6
Cost at 31 December	**1.601,8**	**194,6**	**29,6**	**1.826,0**
Amortisation and impairment at 1 January	-		5,5	5,5
Exchange rate adjustments	-	-	-	-
Amortisation for the year	0,0	13,3	8,8	22,1
Amortisation and impairment at 31 December	**0,0**	**13,3**	**14,3**	**27,6**
Carrying amount at 31 December	**1.601,8**	**181,3**	**15,3**	**1.798,4**

Additions through business combinations are further described in Note 4.1 Business combinations

NOTE 2.2 IMPAIRMENT TESTS

Accounting policies

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimate the recoverable amount of the asset.

Goodwill

Goodwill relates to acquisition of the R. Færch Plast A/S in 2014 and Anson Packaging Ltd. in 2015.

The carrying amount of goodwill is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The recoverable amount is calculated as the present value of future net cash flows from the cash-generating unit to which the goodwill is related. The recoverable amount is the higher value of the asset's value in use and the market value (fair value), less expected disposal costs.

The estimated future free net cash flows is based on budgets for 2017 and business plans and projections for 2018-2021. The long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 2% for the euro region.

Key parameters are revenue development, profit margins, proposed capital expenditure and growth expectations for the following years.

A discount rate (WACC) is applied for the specific business areas based on assumptions about interest rates, tax rates and risks premiums. The goodwill capitalised relates to the geographical area "Northern Europe" and the WACC applied accordingly.

The impairment tests did not show any need for impairment losses to be recognised. In the Management's opinion, changes in key assumptions mentioned above will not cause significant impairment losses.

Significant accounting estimates and adjustments

Due to the nature of the business estimates are made of anticipated cash flows together with an assessment of the long-term growth rate and profitability. Additionally, an assessment of a reasonable discount rate is made, reflecting the risks inherent in the asset or cash-generating unit. This naturally results in a degree of uncertainty. Changes in the future cash flow or discount rate estimates used may result in materially different values.

Development projects in progress

For development projects in progress, the Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. In the Management's opinion, the development projects qualify for recognition.

The most significant goodwill allocations as well as the most significant assumptions for the performed impairment tests have been described below.

The reduction in the carrying amount of goodwill for Anson Packaging Ltd is due to adverse currency movement for the British currency.

(DKK million)	Carrying amount, goodwill	Discount rate, before tax	Growth in terminal period in %
2016			
R. Færch Plast A/S	1.362,7	8%	2%
Anson Packaging Ltd.	204,8	8%	2%
Total carrying amount at 31 December	**1.567,5**		
2015			
R. Færch Plast A/S	1.362,7	8%	2%
Anson Packaging Ltd.	239,1	8%	2%
Total carrying amount at 31 December	**1.601,8**		

NOTE 2.3 TANGIBLE ASSETS

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment. Assets in progress and land are not depreciated.

Cost

Cost comprises the the acquisition price as well as cost directly associated with the asset until such time as the asset is ready for its intended use. In case of self-constructed assets, cost comprises direct and indirect costs relation to materials, components and payroll that directly concerns the construction of assets. Subsequent expenditure items of property, plant and equipment are only recognised as an addition to the carrying amount of the item, when it is likely that incurring the cost will result in financial benefits for the Group. Other costs such as general repair and maintenance are recognised in the income statement when incurred.

Depreciation

The basis of deprecation is cost less estimated residual value. Property, plant and equipment are depreciated on a straightline basis from the time of acquisition, or when the assets are available for use based on an assessment of the anticipated useful life.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The estimated useful lives are as follows:
- Buildings 30-50 years
- Plant and machinery 10-20 years
- Other fixtures, tools and equipment 3-5 years

Leases

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied at the discount rate. Assets held under finance leases are depreciated and amortized like other property, plant and equipment.

Significant accounting estimates and adjustments

Estimates are made in assessing the useful lives of items of property, plant at equipment that determine the period over which the depreciable amount of the asset is expensed to the income statement. The depreciable amount of an item of property, plant and equipment is a function of the asset's cost or carrying amount and its residual value. Estimates are made in assessing the amount that the Group can recover at the end of the useful life of an asset. An annual review of the appropriateness of the depreciation method, useful life and residual values of items property, plant and equipment is undertaken.

(DKK million)	Land and buildings	Plant and machinery	Fixtures and fitting, tools and equipment	Fixed assets in progress	Total
2016					
Cost at 1 January	354,5	520,5	105,3	112,0	1.092,3
Exchange rate adjustments	-8,0	-42,6	-5,4	-8,0	-64,0
Additions	14,9	99,5	51,9	95,3	261,6
Transfer	0 ,6	103,4	33,8	-148,5	-10,7
Disposals	-	-38,6	-2,1	-	-40,7
Cost at 31 December	**362,0**	**642,1**	**183,5**	**50,9**	**1.238,5**
Depreciation and impairment at 1 January	18,3	112,8	37,0	-	168,1
Exchange rate adjustments	-1,2	-8,2	-1,3	-	-10,7
Depreciation for the year	8 ,6	72,4	39,8	-	120,8
Depreciation on disposals	-	-30,7	4,1	-	-26,6
Depreciation and impairment at 31 December	**25,7**	**146,3**	**79,6**	**-**	**251,6**
Carrying amount at 31 December	**336,3**	**495,8**	**103,9**	**50,9**	**986,9**
Of which assets held under finance lease	-	18,8	-	-	18,8
2015					
Cost at 1 January	284,5	324,2	53,3	24,3	686,3
Exchange rate adjustments	5,2	8,1	-0,5	0,8	13,6
Additions	9 ,3	-	-	201,3	210,6
Acquisitions through business combinations	52,3	113,2	28,4	-	193,9
Transfer	3,8	76,0	24,1	-114,4	-10,5
Disposals	-0,6	-1,0	-	-	-1,6
Cost at 31 December	**354,5**	**520,5**	**105,3**	**112,0**	**1.092,3**
Depreciation and impairment at 1 January	9 ,7	44,9	13,1	-	67,7
Exchange rate adjustments	0,8	6,5	-	-	7,3
Depreciation for the year	8,0	62,0	23,9	-	93,9
Depreciation on disposals	-0,2	-0,6	-	-	-0,8
Depreciation and impairment at 31 December	**18,3**	**112,8**	**37,0**	**-**	**168,1**
Carrying amount at 31 December	**336,2**	**407,7**	**68,3**	**112,0**	**924,2**
Of which assets held under finance lease	-	24.0	-	-	24.0

Additions through acquisitions are further described in Note 4.1 Business combinations

The platform oriented business model is paramount for delivering superior and customized products and securing an industry leading cost position

NOTE 2.4 INVENTORIES

Accounting policies

Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value. The cost price of raw materials, consumable and purchased goods comprises the acquisition price including delivery costs. The cost price of finished goods and work in progress comprises costs of materials and direct labour plus production costs.

Production costs include indirect materials and wages, maintenance, rent of factory buildings and depreciation on plant and machinery, factory buildings and other equipment used in the production process as well as cost of factory administration and management.

The net realisable value of inventories is calculated at the expected selling price less cost of completion and costs necessary to make the sale.

Significant accounting estimates and judgements
Indirect production costs are calculated based on relevant assumptions with respect to capacity utilisation and other factors characterising to the product type. The assessment of the net realisable value requires judgement in relation to the estimate of the selling price of certain raw materials.

(DKK million)	2016	2015
Raw materials and consumables	113,8	93,4
Work in progress	57,3	35,4
Finished goods	110,8	101,5
Total inventory	**281,9**	**230,3**
Write-downs of inventories	7,4	11,6
Expensed adjustment of inventories to net realizable value included in production costs	1,7	24,7
Cost of materials included in production costs	1.131,5	1.019,6

NOTE 2.5 TRADE RECEIVABLES

Accounting policies

On initial recognition, the receivables are measured at fair value and subsequently at amortised cost, which normally correspond to fair value less provisions for expected losses. Provisions for expected losses are based on an individual assessment of each outstanding account.

(DKK million)	2016	2015
Trade receivables before provision for bad debts	407,9	378,9
Write-downs for bad debts	-0,6	-0,6
Total trade receivables, net	**407,3**	**378,3**
Write-down for bad debts at 1 January	-0,6	-3,5
Change in write-downs	-	2,6
Realized loss	-	0,3
Write-down for bad debts at 31 December	**-0,6**	**-0,6**

Age distribution of gross trade receivables

(DKK million)	2016	2015
Not overdue	332,4	327,8
Past due and impaired	-0,6	-0,6
Overdue 0-30 days	66,2	48,7
Overdue 31-60 days	3,7	2,2
Overdue between 61-90 days	3,0	0,5
Overdue 91-180 days	1,9	0,3
Overdue more than 181 days	1,3	-
	407,9	**378,9**

NOTE 2.6 WORKING CAPITAL CHANGE

(DKK million)	2016	2015
Change in inventories	-64,1	3,7
Change in trade receivables	-48,1	-72,8
Change in other receivables	22,1	-39,9
Change in prepayments	-0,3	-3,3
Change in trade payables	41,0	-63,6
Change in other payables	-8,5	80,3
Total	**-57,9**	**-95,6**

NOTE 3.1 FINANCIAL ITEMS

Accounting policies

Financial income and financial expenses
Interest income and expenses as well as capital gains and losses are recognised in the income statement at the amounts that can be attributed to the period. Additionally, financial items comprise realised and unrealised fair value adjustments of securities and currency adjustments on financial assets and financial liabilities as well as the interest portion of financial lease payments.

Additionally, realised and unrealised gains and losses on derivative financial instruments not classified as hedging contracts are included. Borrowing costs from general borrowing, or loans that directly relate to the acquisition, construction or development of qualified assets are attributed to the cost of such assets, and are therefore not included in financial expenses.

(DKK million)	**2016**	**2015**
Interest of financial assets measured at amortised cost	-	0,5
Foreign exchange adjustments	25,0	21,6
Other financial income	4,5	6,5
Total financial income	**29,5**	**28,6**
Bank charges*	1,3	9,5
Interest on financial liabilities measured at amortised cost	93,7	97,1
Foreign exchange adjustments	41,7	38,7
Other financial expenses	25,8	13,6
Total financial expenses	**162,5**	**158,9**

* Bank charges mainly include letter of credit fees as well as bank commitment fees.

NOTE 3.2 FINANCIAL ASSETS AND LIABILITIES

Accounting policies

Loans and receivables
Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period.

Bank debt and other financial liabilities
Bank debt and other financial liabilities are initially recognized at fair value less transaction cost and subsequently measured at amortised cost using the effective interest method. The difference between proceeds and the nominal value is recognised as a financial expense over the term of the loan. Other debt is recognised as a financial expense over the term of the loan. Other debt is recognised at amortised costs.

Derivative financial instruments
Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off (only relevant to currency hedging with banks) only where the enterprise has the right and the intention to settle several financial instruments on a net basis.

Fair values of derivative financial instruments are calculated on the basis of observable data applying generally accepted valuation methods.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future cash flows and effectively hedge changes in the value of the hedged item are recognised in other comprehensive income. Profits or losses on such hedging transactions are transferred from the hedging reserve on realisation of the hedged item and are recognised in the same item as the hedged item.

Derivative financial instruments are recognised as other receivables/payables and measured at fair value.

Changes in the fair values of currency derivative financial instruments entered into for the purpose of hedging commercial cash flow which do not qualify for hedge accounting are recognised as they arise in other income and expenses in the income statement. Gains and losses on other derivative financial instruments are recognised as they arise in financial income and expense

The derivative financial instruments applied for hedging has for 2015 and 2016 been considered not to qualify for hedge accounting.

NOTE 3.2 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The undiscounted cash flows from derivative financial instruments are presented in gross amounts.

				Maturity		
2016 (DKK million)	**Carrying amount**	**Fair value**	**Total contractual cash flows**	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**
Measured at amortised cost (loans and receivables):						
Trade receivables	407,3	407,3	407,3	407,3		
Other receivables	22,0	22,0	22,0	21,9	0,1	-
Prepayments	9,0	9,0	9,0	9,0	-	-
	438,3	**438,3**	**438,3**	**438,3**	**0,1**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	9,6	9,6	-5,0	3,4	-8,4	-
	9,6	**9,6**	**-5,0**	**3,4**	**-8,4**	**-**
Total financial assets	**447,9**	**447,9**	**433,3**	**441,7**	**-8,3**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	194,4	195,5	214,4	3,1	83,4	127,9
Bank borrowings	1.726,1	1.726,1	2.010,1	437,3	1.571,7	1,1
Finance lease liabilities	7,4	7,4	8,6	4,4	3,0	1,2
Deferred revenue	6,9	6,9	6,9	6,9	-	-
Trade payables	222,4	222,4	222,4	222,4	-	-
Other short term debt	79,2	79,2	79,2	76,7	-	2,5
	2.236,3	**2.236,3**	**2.541,6**	**750,8**	**1.658,1**	**132,7**
Total financial liabilities	**2.236,3**	**2.236,3**	**2.541,6**	**750,8**	**1.658,1**	**132,7**

2015 (DKK million)	Carrying amount	Fair value	Total contractual cash flows	Maturity: Due within 1 year	Maturity: Due between 1 and 5 years	Maturity: Due after 5 years
Measured at amortised cost (loans and receivables):						
Trade receivables	378,3	378,3	378,3	378,3	-	-
Other receivables	46,2	46,2	46,2	34,3	11,9	-
Prepayments	7,9	7,9	7,9	7,9	-	-
	432,4	**432,4**	**432,4**	**420,5**	**11,9**	**-**
Total financial assets	**432,4**	**432,4**	**432,4**	**420,5**	**11,9**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	194,4	194,8	217,7	3,3	66,0	148,4
Bank borrowings	1.652,5	1.652,5	2.273,7	201,0	740,2	1.332,6
Finance lease liabilities	1,1	1,1	1,1	0,4	0,7	-
Deferred revenue	7,3	7,3	7,3	7,3	-	-
Trade payables	181,9	181,9	181,9	181,9	-	-
Other short-term debt	200,3	200,3	157,5	124,4	23,4	9,6
	2.237,4	**2.237,9**	**2.839,2**	**518,3**	**830,3**	**1.490,6**
Derivative financial instruments:						
Measured at fair value through the income statement	16,6	16,6	41,5	21,3	20,2	-
	16,6	**16,6**	**41,5**	**21,3**	**20,2**	**-**
Total financial liabilities	**2.254,0**	**2.254,5**	**2.880,7**	**539,6**	**850,5**	**1.490,6**

Net interest-bearing debt

(DKK million)	2016	2015
Cash at banks	-224,3	-72,2
Long-term borrowings	1.591,9	1.782,7
Short-term borrowings	374,1	113,4
Total net interest-bearing debt	**1.741,8**	**1.823,9**

Financial assets and liabilities measured at fair value relate to derivatives. Calculation of fair value of these derivatives is based on observable inputs such as interest rates, currency rates etc., meaning level 2 in the fair value hierarchy.

NOTE 3.3 FINANCIAL RISKS AND INSTRUMENTS

Financial risk management

Financial risks are an inherent part of the Group's operating activities and hence, the Group's profit is impacted by the developments in currencies, interest rates and certain types of commodities. The global financial markets are volatile and thus, it is critical for the Group to have a well-implemented financial risk management approach in order to mitigate short-term market volatilities.

The Group's comprehensive financial risk management strategy builds on a thorough understanding of the interaction between the Group's operating activities and the financial risks.

The treasury policy is approved by the Board of Directors, and sets the limits for the various financial risks and the derivatives used to hedge the risks. The treasury policy is adjusted on an ongoing basis and discussed in the Audit Committee to adapt to the market situation and states risk limits for each type of financial risk, permitted financial instruments and counterparties.

Currency risk

Currency risk arises due to imbalances between income and cost in each individual currency. The Group has significant net inflows in GBP and the most significant exposure is related to this.

It is the Group's policy to hedge at least 60 per cent of the expected net cash flows in GBP for the following 6 months and at least 40 per cent of the expected net cash flow for a horizon between 7 and 12 months. Forward contracts are continually used for this hedging and are used for commercial and financial transactions.

Besides the foreign exchange rate risk relating to current transactions, the Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK. This exchange risk has not been hedged.

(DKK million)	Contract value	Carrying amount	Fair value adjustment recognised in income statement
Forward exchange contracts - GBP			
2016	259,9	15,0	26,5
2015	249,3	-11,5	17,2

The sensitivity analysis below shows the impact on net profit of a change of 10% in the DKK versus GBP and 1% change in the DKK versus EUR, which are the main currencies to which the Group was exposed on December 31, 2016 adjusted for hedge accounting.

The sensitivity analyses reflects the transaction and translation risk, and assumes that the exchange rates are changed on December 31 2016, and that all other variables remain constant. A similar negative change in exchange rates would have a similar opposite effect on profit before tax and equity.

		2016		2015	
(DKK million)	Change in exchange rate	Profit before tax	Equity	Profit before tax	Equity
GPB	10,0%	54,3	172,0	40,5	147,6
EUR	1,0%	0,6	2,5	1,0	2,7
Total		**54,9**	**174,5**	**41,5**	**150,3**

Interest rate risk

Interest rate risk concern the interest-bearing assets and liabilities of the Group. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of bank and mortgage debt, as set out in note 3.2. The main funding currencies of the Group are DKK and GBP.

In accordance with the treasury policy, a minimum of 75% of loans must be at fixed interest rates. Hedging of the interest risk is managed by entering into fixed-rate loans and interest rate swaps.

Interest rate swaps are used to hedge the risk related to changes in interest rates. At 31 December 2016, the outstanding interest swaps had the following market value:

(DKK million)	Contract value	Carrying amount	Fair value adjustment recognised in income statement
Interest rate swaps			
2016	2.399,4	-19,3	-5,5
2015	2.467,4	-13,8	15,6

The sensitivity analysis below has been determined based on the exposure to interest rate for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming that the amount of the outstanding liability at the end of the reporting period was outstanding for the whole year.

An increase of 1 percentage in the average interest rate on the Group's net bearing-debt would have a negative effect on profit before tax of DKK 4,7m (2015: 5,7m) and equity of DKK 15,5m (2015: 27,7m). A corresponding decrease in interest levels would mean a correspondingly positive impact on profit for the year and equity.

Credit risk

The Group's balance sheet items that are subject to credit risk are primarily trade receivable and bank deposits.

The Group is also exposed to commercial credit risks, which arise from customers not paying their receivables. However no customers exceed 10% of the Group's net sales neither in 2016 nor last year.

Moreover, the credit risk related to trade receivables is managed by continuous risk assessment and credit evaluation of major customers. Credit risk on counterparties other than banks are minimized to the extent possible through the use of credit insurance and guarantees. Historically, the Group has only had limited losses on bad debts. At 31 December 2016 93.4% (2015: 85.9%) of the trade receivables have been credit insured.

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

NOTE 3.3 FINANCIAL RISKS AND INSTRUMENTS (CONTINUED)

Liquidity risk
Liquidity risk results from the Groups inability to cover its financial liabilities with cash (please refer to note 3.2).

The financial reserve is continually assessed and managed by the finance department. It is ensured, that the Group at all times has sufficient and flexible financial resources at its disposal to assure continuous operations and honour obligations when due. The finance department manages its short-term liability risks through cash pool arrangements in various currencies and by having short-term overdraft facilities in place with various financial institutions. Long-term liquidity risk is managed through committed financial facilities.

Loan covenants
Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- EBITDA to the ratio of net finance cost must be more than 3.43 at 31 December 2016
- Ratio of net debt to EBTIDA must not exceed 5.34 at 31 December 2016 and
- The aggregate capital expenditure must not exceed DKKm 287.

The Group has complied with these covenants throughout the reporting period

NOTE 3.4 OTHER SHORT TERM DEBT

(DKK million)	2016	2015
Wage-related payables and other charges	38,7	39,4
VAT and other indirect taxes	12,5	17,4
Amortised debt	-	-
Discounts	21,2	17,9
Other current liabilities	88,1	122,8
	160,5	**197,4**

NOTE 3.5 SHARE CAPITAL

Accounting policies

Own shares

Acquisition and sales prices for own shares and dividend received on these shares are recognised directly in equity under retained earnings.

Reserve for currency translation

The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Færch Plast Group's presentation currency.

Reserve for hedge accounting

Reserve for cash flow hedges comprises accumulated changes in fair value of derivative financial instruments, which meets the conditions for hedging of future cash flows, where the hedged position has not yet been realised.

The changes in fair value are transferred to the profit and loss account, when the hedged positions are realised.
The share capital consists of shares at DKK 1 or multiples thereof. The shares have been divided into classes:

	Number	Nominal value (DKK million)
A-shares	9.418.878	9,4
B-shares	1.419.485	1,4
C-shares	25.412	-
D-shares	9.557	-
	10.873.332	**10,9**

The shares are fully paid up.
Each ordinary A-share of DKK 1 gives 1 vote, while each ordinary B-share, C-share and D-share do not provide any right to vote.

There is preferential right to dividends based on the class of the shares. Changes in share capital in the past three years:

DKK million)	2016	2015	2014
Share capital at 1 January	10,9	10,2	10,2
Capital increase	-	0,6	-
Capital decrease	-	-	-
Share capital at 31 December	**10,9**	**10,9**	**10,2**

Færch Plast Group A/S has acquired 2.512 numbers of own shares (301 A-shares and 2.211 B-shares) of 1 DKK in 2016 and owns 2.512 numbers of own shares of DKK 1 at 31 December 2016 (2015: 0).

The Board of Directors recommends that no dividends are paid for 2016 financial year. No dividend was paid for the 2015 and 2014 financial years.

NOTE 4.1 BUSINESS COMBINATIONS

Accounting policies

Recognition date and considerations

Newly acquired companies are recognised in the consolidated financial statement at the date, when the Group obtains control. The purchase consideration is generally at fair value. If an agreement relation to a business combination requires that the purchase consideration be adjusted in connection with future events of the performance of certain obligation (contingent obligations), this portion of the purchase consideration is recognised at fair value at the date of acquisition. Changes in estimates relating to a contingent consideration is recognised in the income statement. Cost directly attributable to the acquisition are recognised in the income statement as incurred. Transaction cost have been recognised as other external expenses in the income statement.

The acquired assets, liabilities and contingent liabilities are generally measured at their fair value at the date of acquisition.

Goodwill arises when the aggregate of the fair value of consideration transferred exceeds the fair value of the identifiable net assets of the acquired company. Any goodwill that arises, which is not amortised, is tested annually for impairment.

Significant accounting estimates and adjustments

For acquisitions where the Group acquires control of the company in question, the purchase method is applied. There can be uncertainty associated with the identification of assets, liabilities and contingent liabilities, and with measuring the fair value at the time of acquisition. Significant estimates are made in the measurement of the fair value of the brand at the time of acquisition.

Acquisitions in 2015

Company (DKK million)	**Income statement consolidated from**	**Holding acquired**	**Contribution to the Group's revenue in 2015**	**Contribution to the Group's profit in 2015**
Anson Packaging Ltd.	22 April	100%	327,8	-3,2
Sealed Air Limited (Faerch Plast Poole Ltd)	1 November	Asset deal	30,3	3,8
Sealed Air Packaging S.L.U. (Faerch Plast Bunol S.L.U.)	1 November	100%	27,3	1,4

Assets and liabilities at the time of acquisition

Company (DKK million)	Anson Packaging Ltd.	Faerch Plast Poole Ltd.	Faerch Plast Bunol S.L.U.	Acquisitions 2015
Intangible assets exclusive goodwill	194,6	-	-	194,6
Property, plant and equipment	73,0	23,7	82,5	179,2
Inventory	51,9	21,1	20,0	93,0
Other assets	92,4	0,5	5,3	98,2
Liabilities	-121,9	-8,2	-21,3	-151,3
Net assets acquired	**290,0**	**37,1**	**86,5**	**363,1**
Goodwill	239,1	-	-	239,1
Purchase consideration	**529,1**	**37,1**	**86,5**	**652,8**
Cash movements:				
Purchase consideration	529,1	37,1	86,5	652,8
Cash in acquired company	**-17,9**	**-**	**-0,3**	**-18,1**
Consideration, net of cash	511,3	37,1	86,3	634,6
Change in short term payable/receivable		-10,0	8,3	-1,8
Net cash payment during the year	**511,3**	**27,0**	**94,6**	**632,9**

Financial comments

There were no acquisitions in 2016

Acquisition in 2015

On 22 April, 2015, the Faerch Group acquired 100% of the shares in Anson Packaging Ltd. in the UK.

On 1 November 2015, the Faerch Group acquired 100% of the shares in Sealed Air Packaging S.L.U. and the assets in Sealed Air Limited's factory in the UK.

The rationale for the acquisitions is to get a stronger presence in the UK and Southern Europe for Sealed Air Limited's factory in the UK. Part of the acquisition price had been paid, while remaining part will be paid in 2017 mainly depended upon net working capital adjustments and revenue in 2016. The future payments for the remaining acquisition price was recognised as a liability in other debt. EUR 2.2m of the purchase price was paid in January 2017 and was recognised as a liabilitiy in other debt at 31 December 2016.

The goodwill of DKK 239,1m arising from the acquisitions is attributable to the value of staff, know-how and synergies expected from combining the operations of the Faerch Group and the acquired businesses. None of the goodwill recognised is deductible for income tax purposes.

Transaction cost, DKK 28.1m have been recognised as special items in the income statement.

If the acquisition had occurred on 1 January 2015, consolidated pro-forma revenue and profit for the year ended 31 December 2015 would have been DKK 2.177,3m and DKK 93,8m respectively.

The proforma information is provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

NOTE 4.2 ADJUSTMENT FOR NON-CASH TRANSACTIONS

(DKK million)	2016	2015
Depreciation/amortization and impairment	147,4	116,0
Gain(-)/loss on disposal of tangible assets	-1,5	-0,7
Financial income	-29,5	-134,3
Financial expenses	162,5	228,2
Other, including provisions	-8,3	18,6
Total	**270,6**	**227,8**

NOTE 4.3 TAX

Accounting policies

Income tax for the year, comprising the year's current tax and the change in deferred tax, is recognised in the income statement with the amount that can be attributed to the net profit or loss for the year and under other comprehensive income with the amount that can be attributed to items in other comprehensive income.

Current income tax payable and current income tax receivable is recognised in the balance sheet as the tax calculated on the year's taxable income adjusted for prepaid tax.

When calculating current tax for the year, the tax rates and regulations prevailing at the balance sheet date in the different countries are used.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statement and the corresponding tax based used in the computation of taxable profit. No deferred tax is recognised for goodwill, unless amortization of goodwill for tax purposes is allowed.

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the tax base and the carrying amount of assets and liabilities, except for deferred tax on temporary differences that arise either on initial recognition of goodwill or on initial recognition of transaction that is not a business combination, and where the temporary difference on initial recognition affects neither accounting profit or loss nor the taxable income. The effect of changes in the tax rates are stated in the income statement unless they are items previously entered in the statement of other comprehensive income.

Deferred tax is measured on the basis of the tax rules and the tax rate in force in the respective countries on the balance sheet date.

Changes in deferred tax due to tax rate changes are recognised in the income statement, except to the extent that they relate to items recognised in other comprehensive income.

In the course of conducting business internationally, transfer pricing disputes etc. with tax authorities may occur, and Management judgement is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method, and Management believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

Significant acounting estimates and judgements

Deferred tax assets are recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. For this purpose, Management estimates the coming years' earnings based on budgets.

Tax on profit for the year

(DKK million)	2016	2015
Current tax	37,5	40,7
Change in deferred tax	10,4	-0,3
Impact from change in tax rate	-0,7	-
Adjustment to current tax concerning previous years	-2,7	10,1
Adjustment to deferred tax concerning previous years	-4,0	-11,0
Total	**40,5**	**39,5**

Reconciliation of tax rates:

(DKK million)	2016	2015
Calculated 22% (2015: 23.5%) on profit before tax	45,3	25,2
Adjustment of tax to local tax rate compared with Group tax rate on 22% (2015: 23.5%)	-2,0	-4,7
Tax-effect of:		
Non-taxable income and non-deductible expenses	3,2	19,4
Impact of changes in the tax rate	-0,7	-
Impact of not recognised tax losses to be carried forward	-	0,5
Adjustment concerning previous years	-6,8	-0,9
Other	1,5	-
Total	**40,5**	**39,5**
Tax on profit for the year (income statement)	40,5	39,5
Total taxes	**40,5**	**39,5**

NOTE 4.3 TAX (CONTINUED)

Deferred tax

(DKK million)	2016	2015
Deferred tax, net at 1 January	-48,3	-9,8
Exchange rate adjustments	6,1	0,1
Additions through acquisition of subsidiaries	1,6	-49,8
Adjustments concerning previous years	4,0	11,0
Deferred tax recognised in the income statement	-10,4	0,3
Deferred tax, net at 31 December	**-47,0**	**-48,3**

Classified as:

(DKK million)	2016	2015
Deferred tax assets	18,1	2,7
Deferred tax liabilities	-65,1	-51,0
Total	**-47,0**	**-48,3**

(DKK million)	Deferred tax assets	Deferred tax liabilities	Deferred tax net
2016			
Intangible assets	-	-31,4	-31,4
Property, plant and equipment	11,1	-26,1	-15,0
Inventories	0,1	-1,6	-1,5
Tax losses to be carried forward	-	-	-
Other	11,1	-10,2	0,9
Set-off within the same legal entities and jurisdiction	-4,2	4,2	-
Temporary differences	**18,1**	**-65,1**	**-47,0**
2015			
Intangible assets	-	-39,6	-39,6
Property, plant and equipment	-4,1	-11,2	-15,3
Inventories	-	-1,6	-1,6
Tax losses to be carried forward	-	-	-
Other	6,8	1,4	8,2
Set-off within the same legal entities and jurisdiction	-	-	-
Temporary differences	**2,7**	**-51,0**	**-48,3**

Unrecognised tax losses carry-forwards amount to DKK 0,0m (2015: 0,0m).

NOTE 4.4 FEES TO AUDITORS APPOINTED BY THE BOARD OF DIRECTORS

(DKK million)	2016	2015
Statutory audit of financial statements	1,6	1,7
Other assurance engagements	0,3	0,1
Tax advisory services	1,0	0,8
Other services	1,0	1,5
	3,9	**4,1**

NOTE 4.5 RELATED PARTIES

Related parties exercising control

Færch Plast Group A/S is subject to controlling influence by EQT VI Limited which through Ferguson S.à.r.l., 23, Rue Aldringen, L-1118 Luxembourg, Luxembourg holds 92.5% of the Share capital.

Færch Plast Group A/S has registered the following shareholders who hold 5% or more of the share capital:

- Ferguson S.à.r.l., 23, Rue Aldringen, L-1118 Luxembourg, Luxembourg
- Mark Dujardin, Campden House, 27 Trumpington Road, Cambridge, CB2 8AJ, Great Britain

During 2016 and 2015 there were no transactions with the controlling shareholder and companies owned or otherwise controlled by EQT.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Related parties exercising significant influence

Related parties in Færch Plast Group A/S include the Group's Executive Management and Board of Directors and their close relatives. Related parties also comprise companies in which these individuals have material interests.

In the financial year, no transactions took place with the Board of Directors and the Executive Management other than the transactions as a result of conditions of employment, except for the following:

The Group has a rental agreement for two properties in UK with Horta Properties Ltd. in which Board member Mark Dujardin has siginificant ownership interest. The two rental agreements run respectively until 2017 and 2025. The rent payment amounted to DKK 5,5m in 2016 (2015: 5,8m). There is no outstanding balance at 31 December to Horta Properties Ltd for 2015 and 2016.

The contractual commitment on rental agreement amounted to DKK 47,8m in 2016 (2015: 51,4m)

All transactions were performed on an arm's length basis.

Other than these transactions and remuneration as set out in note 1.2, there has been no trading with key management personnel or their close relatives.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FISH SUSHI
SELECTION
NO RAW FISH
USE BY
19/01/2017
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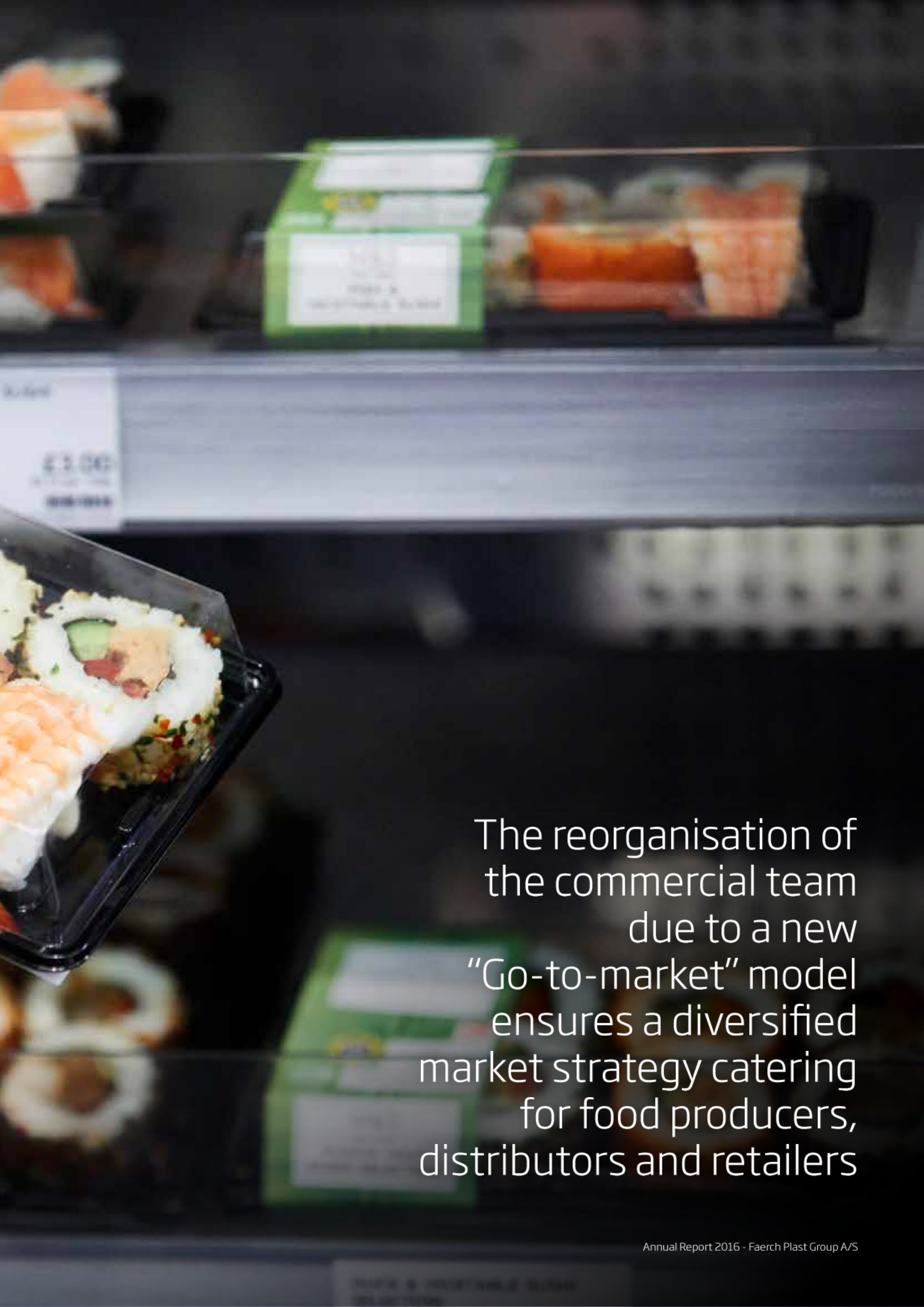

The reorganisation of the commercial team due to a new "Go-to-market" model ensures a diversified market strategy catering for food producers, distributors and retailers

NOTE 4.6 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

(DKK million)	2016	2015
Carrying amount of land and buildings pledged as security for bank loans and mortgages	155,7	160,4
Carrying amount of plant and machinery pledged as security for bank loans and mortgages	18,1	22,9
Leasing assets pledged as security for leasing commitments.	18,8	24,0
Guarantee commitments		
0-1 year	9,3	9,7
1-5 years	27,9	27,3
Over 5 years	16,2	-
Operating rent commitments	**53,4**	**37,0**
0-1 year	8,0	9,3
1-5 years	9,3	13,0
Over 5 years	-	1,3
Operating lease commitments	**17,3**	**23,6**
Commitments in relation to agreements on the purchase of property, plant and equipment	20,8	57,9
Total commitment in relation to agreement	**20,8**	**57,9**

The Group has concluded contracts with a number of suppliers. The contracts do not entail any obligations other than those normally involved in trading relationships.

100% of the shares in the subsidiary R. Færch Plast A/S is placed as security with the Company's credit institutions.

The Group has placed all assets in its subsidiaries as security with the Company's credit institutions.

The Parent Company and its subsidiaries have issued irrevocably and unconditionally jointly and severally guarantees towards the Group's credit institutions.

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

NOTE 4.7 EFFECT OF TRANSITION TO IFRS

The consolidated financial statements for 2016 is the first financial year reported in accordance with IFRS.

When transitioning to IFRS, IFRS 1 First-time Adoption of International Financial Reporting Standards is used. In this context, the opening balance as at 1 January 2015 and figures for 2015 were prepared in accordance with the standards that applied per 31 December 2016.

Opening balances as at 1 January 2015 were prepared as if these standards and interpretations had always been used. This is special provisions in transition and entry into effect in IFRS 1 apply.

Transition to preparation of the consolidated financial statements per IFRS has necessitated changes of the accounting practice applied for the Group in a number of significant areas; these changes and their monetary effects are summarised and described below. The transition had no effect on the Group's cash flow other than some classifications.

(DKK million)	Equity 1 January 2015	Equity 31 December 2015	Income Statement 2015
Amount in accordance with annual report 2015	989,9	1.103,0	19,4
Reversal of depreciation on goodwill		83,6	83,6
Transaction costs expensed		-27,3	-27,3
Financial instruments that do not fulfil the requirements in IAS 39			20,8
Other adjustments		-27,8	-29,3
Total effect on deferred tax		6,0	0,7
Amount according to IFRS	**989,9**	**1.137,5**	**68,0**
Other comprehensive income			**8,3**
Comprehensive income			**76,3**

Goodwill is no longer amortised in the income statement. Instead, the Group performs annual impairments tests and tests when there are indications of a need for impairments. Goodwill is also tested at the transition to IFRS. Until this point in time, goodwill has been amortised on a straight-line basis over its economic life, but no longer than 20 years. At the transition to IFRS, the Group has exercised the exemption provision of IFRS 1, which provide the opportunity to use the carrying value of goodwill as the new cost price in the opening balance sheet at 1 January 2015.

Transaction costs, previously recognised as part of the purchase price allocation in connection with business combinations, are recognised in the income statement under IFRS as they are incurred, which reduced the previously recognised goodwill.

Adjustments in fair value of hedging instruments that do not fulfil the hedging requirements in IAS 39 are recognised in the income statement.

Other adjustments concern, primarily, purchase price allocations made in connection with business combinations.

Deferred tax relating to changes made to the accounting policies is recognised and can largely be attributed to regulation to purchase price allocations and hedging instruments.

NOTE 4.8 GENERAL ACCOUNTING POLICIES

The Annual Report for the period 1 January - 31 December 2016 comprises the consolidated financial statement of the parent company Færch Plast Group A/S and subsidiaries controlled by the parent company (the Group) as well as separate financial statements for the parent company, Færch Plast Group A/S.

Statement of compliance

The consolidated financial statement have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

The Annual Report is the first Annual Report that is presented in accordance with IFRS. The figures for 2015 and 2016 in the consolidated financial statement and balance sheet items as at 1 January 2015 were prepared according the IFRS.

The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the transition from Danish GAAP to IFRS are provided in note 4.7.

The Annual Report for 2016 was discussed and approved by the Executive Management and the Boards of Directors (the Board) on 14 March 2017 and will be presented for approval at the subsequent Annual General Meeting on 11 April 2017.

Materiality in the financial reporting

For the presentation of the consolidated financial statements, the Group discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.
A judgement is made of whether more detailed specifications are necessary in the presentation of the Group's assets, liabilities, financial position and results. All judgements are made with due consideration of legislation and the consolidated financial statements as a whole presenting a true and fair view.

Basis for measurement

The consolidated financial statement are presented in Danish kroner (DKK), which is the parent company's functional currency and rounded to the nearest million.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and provisions for the acquisition of non-controlling interests, which are measured at fair value.

Accounting policies

Accounting policies related to specific line items are described in connection with the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies. Accounting policies not directly related to a specific line item covered by a note are presented below.

Basis for consolidation

"The consolidated financial statement comprise the financial statement of the parent company Færch Plast Group A/S and subsidiaries controlled by the parent company. Subsidiaries controlled by the parent company are fully consolidated from the date on which the parent company obtains control, and continue to be consolidated until the date that such control ceases. Control is obtained when the parent company directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or has control in some other way. The financial statements of the controlled subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.
All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value at the date that control is lost."

Translation policies

Functional currency and presentation currency
Assets, liabilities and transactions of each of the reporting entities of the Group are measured in the currency of the primary economic environment in which the entity operates (the functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency and the presentation currency of the parent company are Danish kroner (DKK).

Translation of transactions and amounts
Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the dates of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the date of payment are recognised as financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

Translation of Group entities
On recognition in the consolidated financial statements of the foreign entities with a functional currency that differs from the presentation currency of the Group, income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rates at the balance sheet date. The transaction date rates are based on average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction. Exchange adjustments arising on the translation of the opening equity of foreign entities at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised in other comprehensive income.

Income statement

Production costs
Production costs comprise cost incurred to achieve revenue for the year. Costs comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance depreciation and amortisations, etc.

Sales and distribution expenses
Sales and distribution expenses comprise costs related to distribution of products sold during the year and sales staff, research and development, advertising and exhibition expenses etc., including depreciations. Furthermore, provisions for bad debt are included.

Administration expenses
Administration expenses incurred in the course of the year relate to management and administration, including administrative staff, office premises and office costs, as well as depreciations.

Cash flow statement

"The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of companies is shown separately under cash flows from investing activities.

Cash flow relating to acquired companies are recognized in the cash flow statement at the acquisition date, and cash flows relating to divested companies are included until the disposal date.

Cash flow from operating activities
Cash flow from operating activities are calculated according to the indirect method on the basis of profit before tax and adjusted for non-cash operating items, changes in working capital, paid financial items, received dividend and paid corporation taxes.

Cash flows from investing activities
Cash flows from investing activities comprise payment in connection with the acquisition and disposal of companies and activities, intangible assets and property, plant and equipment.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital, the raising and repayment of long-term bank debt and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise bank account deposits and cash balances and the portion of the liability ""borrowings"" which constitutes overdraft facilities.

NOTE 4.8 GENERAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new or amended IFRS standards

The Group has implemented all new standards and interpretations effective in the EU from 2016. None of these newly adopted standards and interpretations have had or are expected to have an impact on the consolidated financial statements of the Group.

The IASB has issued a number of new IFRS standards, amended standards, revised standards and interpretations that have not yet come into effect. Faerch expect to incorporate the new standards when they become mandatory.

In January 2016, the IASB issued the final version of IFRS 16 "Leases". The standard, which is effective for annual periods beginning on or after 1 January 2019, brings significant changes to the treatment of leasing contracts currently treated as operating leases. At the moment, no in-dept analyses of the impact of the new standards has been performed. The standard is expected to have some impact on the consolidated financial statement, as some part of the Group's operating leases will be required to be recognized on the balance sheet.

Other new or revised accounting standards and implementations are not expected to have a material impact on the consolidated financial statements of the Group.

NOTE 4.9 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The consolidated financial statements have been prepared to give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2016. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

The judgements, estimates and assumptions made are based on historical experience and other factors that the Executive Management considers to be reasonable under the give circumstances. The actual outcome can differ from the estimates.

The estimates made and the underlying assumptions are reviewed on a continuous basis. Changes made to the accounting estimates are recognised in the financial period, where the change takes place and future financial periods, if the change affects both the period, where the change takes place, and the following financial periods.

The critical accounting estimates and judgements are described under the sections to which they relate.

Accounting estimate/judgement	Note
Goodwill	2.1
Targible assets	2.3
Inventories	2.4
Business combinations	4.1

NOTE 4.10 GROUP STRUCTURE

Investment in Group companies comprise the following at 31 December 2016
The companies are owned 100% by Færch Plast Group A/S

Name of entity	Country
Færch Plast Group A/S Denmark	
R. Færch Plast A/S	Denmark
Faerch Plast s.r.o.	Czech Republic
Faerch Plast SAS	France
Faerch Plast Ltd.	United Kingdom
FP1988UK Ltd. (dormant)	United Kingdom
Faerch Plast Manufacturing Ltd	United Kingdom
Avro Holdings Ltd.	United Kingdom
Anson Packaging Ltd.	United Kingdom
BDE Plastics Ltd. (dormant)	United Kingdom
Avro Industries Ltd. (dormant)	United Kingdom
Anson Food Services Ltd. (dormant)	United Kingdom
Faerch Plast Poole Ltd.	United Kingdom
Faerch Plast S.L.U.	Spain
Faerch Plast Bunol S.L.U.	Spain

Manufacturing Sales

MANUFACTURING LOCATIONS

Holstebro
Denmark

Liberec
Czech Republic

Durham
United Kingdom

Sutton
United Kingdom

Bunol
Spain

Poole
United Kingdom

NOTE 4.11 DEFINITION OF KEY FIGURES AND RATIO

The figures and ratios have been compiled based on the following definitions and formulas:

Gross margin = $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

EBITDA margin before special items = $\frac{\text{EBITDA margin before special items}}{\text{Revenue}}$

Net interest-bearing debt = Bank debt - cash and cash equivalents

Net working capital ratio = $\frac{\text{Net working capital}}{\text{Revenue}}$

Profit before special items, after tax = Profit for the year adjusted for special items and tax on special items

Profit margin before special items, after tax = $\frac{\text{Profit before special items, after tax}}{\text{Revenue}}$

Return on equity = $\frac{\text{Profit for the year x 100}}{\text{Average equity}}$

KEY FIGURES

(DKK million)	2016	2015	2014 [1]	2013 [1]	2012 [1]
Income statement					
Revenue	2.079,9	1.675,0	1.166,5	1.082,6	1.064,0
Gross profit	607,7	476,7	491,7	443,8	430,1
EBITDA before special items	511,6	381,9	268,9	236,2	220,9
EBIT before special items	364,3	265,9	150,1	138,7	136,6
EBIT	338,7	237,8	150,1	138,7	136,6
Financial items, net	-133,0	-130,3	-50,7	-1,8	-4,0
Profit for the year	165,2	68,0	65,0	117,1	105,5
Financial position at 31 December					
Total assets	3.680,9	3.475,4	2.468,5	970,6	986,9
Net working capital	493,3	442,7	254,6	208,0	208,0
Equity	1.276,6	1.137,5	989,9	481,2	439,1
Net interest-bearing debt	1.741,0	1.827,0	1.159,0	308,0	313,8
Cash flow and investment					
Cash flow from operating activities	257,0	135,5	227,2	187,7	168,2
Cash flow from investing activities	-257,4	-842,3	-1.520,8	-120,4	-119,4
Investment in property, plant and equipment	-261,6	-210,6	-96,7	-114,3	-111,5
Free cash flow	-0,4	-73,9	122,4	67,4	48,8
Key ratio					
Revenue growth	24,2%	43,6%	7,7%	1,7%	5,4%
Gross margin	29,2%	28,5%	42,2%	41,0%	40,4%
EBITDA margin before special items	24,6%	22,8%	23,1%	21,8%	20,8%
EBIT margin	17,5%	15,9%	12,9%	12,8%	12,8%
Profit margin	16,3%	14,2%	12,9%	12,8%	12,8%
Net working capital ratio	23,7%	26,4%	21,8%	19,2%	19,5%
Total number of employees	1.085	821	510	494	512
Return on equity (ROE)	13,7%	6,4%	8,8%	25,5%	25,1%

[1] As of 1 January 2015, accounting policies were changed to IFRS. Comparative figures for 2014-2012 are presented in accordance with the Danish Financial Statement Act. Differences between the previous accounting policies and IFRS mainly relate to the accounting for amortisation of goodwill.


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FINANCIAL STATEMENT - PARENT COMPANY

INCOME STATEMENT - PARENT COMPANY

1 January - 31 December

Note	(DKK million)	2016	2015
	Revenue	-	-
	Production costs	-	-
	Gross profit	**-**	**-**
	Distribution expenses	-	-
	Administrative expenses	-1,6	-0,7
	Other operating income	-	-
	Other operating cost	-	-
	Earning before interest and tax	**-1,6**	**-0,7**
	Income from investment in subsidiaries	135,2	93,3
1.1	Financial income	129,3	85,4
1.2	Financial expenses	191,0	169,5
	Profit before income tax	**71,8**	**8,5**
1.3	Tax on profit for the year	-11,4	-10,8
	Net profit for the year	**83,2**	**19,4**
	Proposed distribution of profit		
	Reserve from the use of the equity method	93,2	115,1
	Retained earnings	-10,0	-95,7
		83,2	**19,4**

BALANCE SHEETS- PARENT COMPANY

31 December

Note	(DKK million)	2016	2015
2.1	Investments in subsidiaries	2.230,6	2.126,3
	Financial assets	**2.230,6**	**2.126,3**
	Total non-current assets	**2.230,6**	**2.126,3**
	Receivables from Group enterprises	506,0	622,5
	Other receivables	-	1,9
2.2	Deferred tax asset	3,2	2,2
	Corporation tax	19,4	12,7
	Receivables	**528,6**	**639,3**
	Cash at banks	**13,5**	**6,4**
	Total current assets	**542,0**	**645,7**
	Assets	**2.772,7**	**2.772,0**
2.3	Share capital	10,9	10,9
	Reserve for net revaluation under the equity method	229,1	134,4
	Retained earnings	910,5	957,8
	Equity	**1.150,4**	**1.103,0**
2.4	Credit institutions	1.366,0	1.546,8
	Long-term debt	**1.366,0**	**1.546,8**
	Credit institutions	239,8	77,6
	Payables to Group enterprises	-	26,2
	Other payables	16,4	18,3
	Short-term debt	**256,2**	**122,1**
	Debt	**1.622,2**	**1.669,0**
	Liabilities	**2.772,7**	**2.772,0**

STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

(DKK million)	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2016	10,9	134,4	957,8	1.103,0
Cash capital increase, net	0,0		-0,7	-0,7
Fair value adjustment of hedging instruments, end of year			-5,1	-5,1
Tax on adjustment of hedging instruments for the year			0,9	0,9
Other equity movements			-30,8	-30,9
Net profit for the year		93,2	-10,0	83,2
Equity at 31 December 2016	**10,9**	**227,6**	**912,0**	**1.150,4**
Equity at 1 January 2015	10,2	19,3	960,4	989,9
Cash capital increase	0,6		70,6	71,3
Fair value adjustment of hedging instruments, end of year			0,9	0,9
Tax on adjustment of hedging instruments for the year			-0,2	-0,2
Other equity movements			21,8	21,8
Net profit for the year		115,1	-95,7	19,4
Equity at 31 December 2015	**10,9**	**134,4**	**957,8**	**1.103,0**

1.1 FINANCIAL INCOME

(DKK million)	2016	2015
Interest received from Group enterprises	127,1	21,9
Other financial income	2,2	63,6
Total	**129,3**	**85,4**

1.2 FINANCIAL EXPENSES

(DKK million)	2016	2015
Interest paid to Group enterprises	95,4	32,7
Other financial expenses	95,6	136,8
Total	**191,0**	**169,5**

1.3 TAX ON PROFIT/LOSS FOR THE YEAR

(DKK million)	2016	2015
Current tax for the year	-11,3	-4,7
Deferred tax for the year	-1,0	-3,8
Adjustment of tax concerning previous years	-	-2,1
	-12,3	**-10,6**
which breaks down as follows:		
Tax on profit/loss for the year	-11,4	-10,8
Tax on changes in equity	-0,9	0,2
	-12,3	**-10,6**

2.1 INVESTMENT IN SUBSIDIARIES

(DKK million)	2016	2015
Cost at 1 January	1.991,9	1.922,4
Additions for the year	-	69,4
Cost at 31 December	**1.991,9**	**1.991,9**
Value adjustments at 1 January	134,4	19,3
Exchange adjustment	-30,8	6,9
Net profit for the year	205,9	164,1
Other equity movements, net	-	14,9
Amortisation of goodwill	-70,8	-70,8
Value adjustments at 31 December	**239,1**	**134,4**
Carrying amount at 31 December	**2.230,6**	**2.126,3**
Goodwill included in the above carrying amount at 31 December	**1.221,1**	**1.291,9**

2.2 DEFERRED TAX ASSETS

(DKK million)	2016	2015
Deferred tax, net at 1 January	2,2	1,0
Deferred tax recognised in the income statement	1,0	1,2
Deferred tax, net at 31 December	**3,2**	**2,2**

2.3 SHARE CAPITAL

The share capital is broken down as follow:	Number	Nominal value
		DKK '000
A-shares	9.418.878	9.420
B-shares	1.419.485	1.420
C-shares	25.412	25
D-shares	9.557	10

The share capital has developed as follows:

	2016	2015	2014
	DKK '000	DKK '000	DKK '000
Share capital at 1 January	10.863	10.241	-
Capital increase/decrease	11	622	10.241
Share capital at 31 December	10.873	10.863	10.241

Shareholders that own more than 5% of the share capital:

- Ferguson S.à.r.l., 23, Rue Aldringen, L-1118 Luxembourg, Luxembourg
- Mark Dujardin, Campden House, 27 Trumpington Road, Cambridge, CB2 8AJ, Great Britain

2.4 LONG-TERM DEBT

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.
The debt falls due for payment as specified below:

(DKK million)	2016	2015
After 5 years	-	1.129,9
Between 1 and 5 years	1.366,0	417,0
long-term parts	1.366,0	1.546,8
Within 1 year	239,8	77,6
Short-term part	239,8	77,6

2.5 DERIVATIVES FINANCIAL INSTRUMENTS

Agreements on interest rate swaps are used to hedge the risk related to changes in future interest payments on bororowings at variable rate. The interest rate swaps have a duration of 3 years. Under these swaps, the Group agrees with other parties to exchange, at specified invervals (mainly quaterly) the difference between fixed contract rates and floating rate interest amount calculated by reference to the agreed notaional principal amounts.

The fair value of interest rate swaps are DKKm -13.9 at 31 December 2016, which are recognised in other payables.

2.6 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

Contractual obligations

To hedge interest rate risk, the Parents has concluded contracts of DKKm 1.354,6 (2015: DKKm 1.492,1).

Contingent liabilities

The Parent Company has placed 100% of the shares in the subsidiary R. Færch Plast A/S as security with the Company's credit institutions.

The parent Company and its subsidiaries have issued irrevocably and unconditionally jointly and severally guarantees towards the Group's credit institutions.

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

2.7 RELATED PARTIES AND OWNERSHIP

Færch Plast Group A/S is subject to controlling influence by Ferguson S.à.r.l., Luxemburg, which holds 92.5% of the share capital.

Related parties with significant influence comprise Group enterprises as well as the Board of Directors and the Executive Board of the Company and the Group enterprises.

Pursuant to section 98c(1) of the Danish Financial Statements Act, the Company does not disclose any information on transactions with related parties.

2.8 GENERAL ACCOUNTING POLICIES

The Financial Statement of the Parent Company have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

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

Supplementary accounting policies for the Parent Company

Taxes

Current income tax, based on taxable income for the year, is expensed together with changes in deferred tax for the year.

Deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts is provided in full using the liability method.

The provision of deferred tax reflects the effect of any tax losses carried forward etc. to the extent it is considered likely that such items can be utilised against future taxable income. To the extent calculated deferred tax is positive, this is recognised in the balance sheet as a deferred tax asset at the expected realisable value.

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

Investment in subsidiaries

Subsidiaries of the Parent Company are recognised under the equity method, which is at the respective share of the net asset values in subsidiaries.

Any costs in excess of net assets in the acquired company are capitalised in the Parent Company under Investments in subsidiaries as part of the investments ("Goodwill"). Amortisation of the goodwill is provided under the straight-line method over a period not exceeding 10 years based on estimated useful life.

To the extent it exceeds declared dividend from subsidiaries, net revaluation of investments in subsidiaries is transferred to net revaluation reserve according to the equity method under equity.

Profits in subsidiaries are disclosed as profit after tax in the income statement of the Parent Company.

Equity

Dividend distribution

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

In 2016 the focus were integration and first wave value capturing following the acquisitions of Anson Packaging and Sealed Air's European tray business in 2015

MANAGEMENT STATEMENT

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Færch Plast Group A/S for the financial year 1 January – 31 December 2016.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and the Parent Company Financial Statements are prepared in ac-cordance with the Danish Financial Statements Act. Management's Review is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January - 31 December 2016.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Holstebro, 14 March 2017

Executive Management

Lars Gade Hansen
CEO

Henning Sandal
CTO

Jakob Wulff Moeskjær
CSO

Tom Sand-Kristensen
CFO

Jens Engelbrecht Mortensen
COO

Board of Directors

Arne Vraalsen
Chairman

Fredrik Von Oelreich

Ronald John Edward Marsch

Mads Munkholt Ditlevsen

Morten Hummelmose

Mark Dujardin

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Færch Plast Group

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Par-ent Company's financial position at 31 December 2016 and of the results of the Parent Company's opera-tions for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Færch Plast Group for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 evi-dence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 11 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant

Lars Østergaard
State Authorised Public Accountant

Færch Plast Group A/S

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