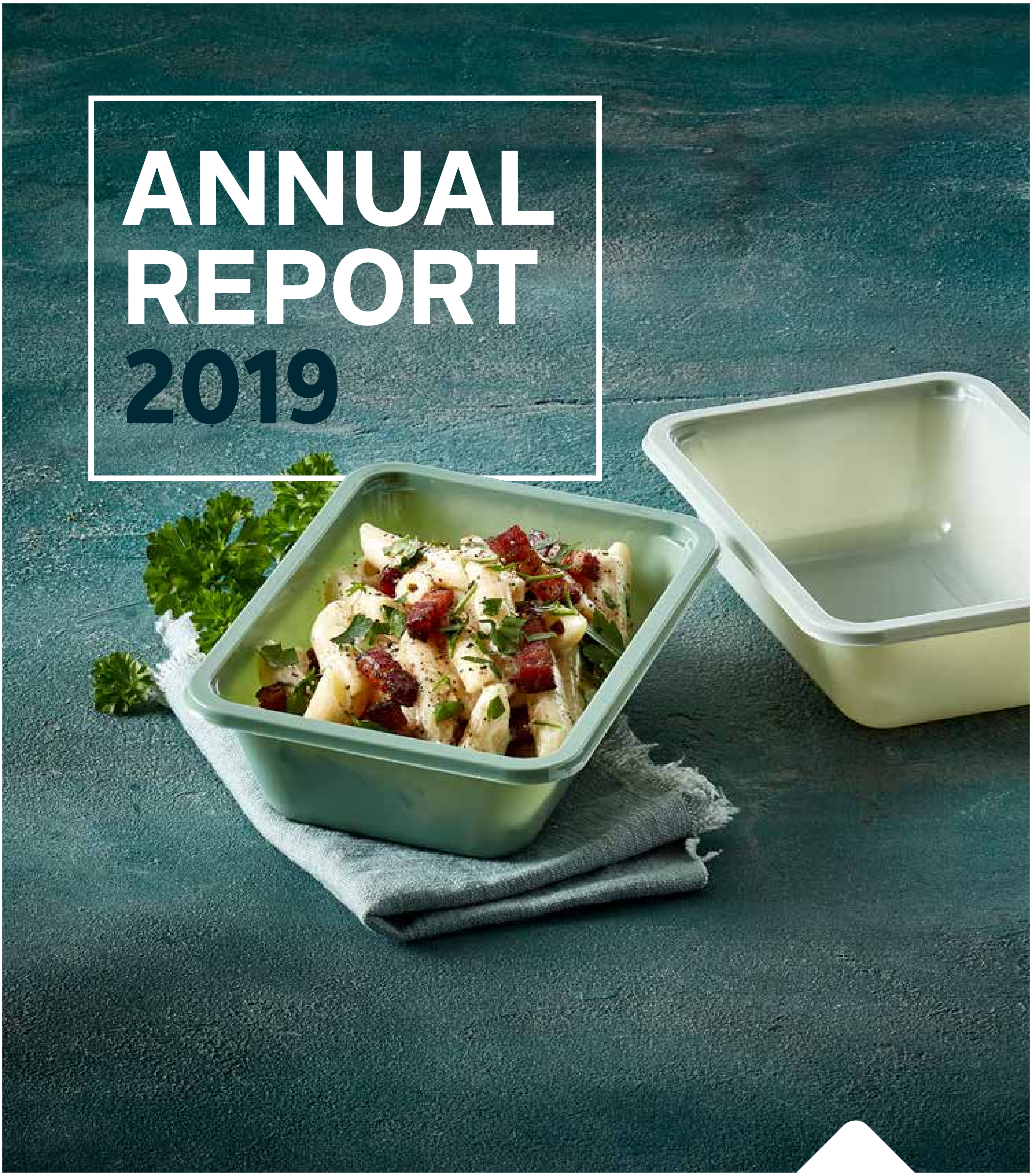
ANNUAL REPORT 2019



Creating circularity in food packaging

Faerch Group A/S
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The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26 March 2020

Nils Smedegaard Andersen
Chairman

faerch | *Packaging that cares*

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View from the chairman

Nils Smedegaard Andersen
Chairman

2019 was another successful year for Faerch. We have strengthened our business considerably with our strong business units across Europe ready to seize growth opportunities. We saw a healthy top-line growth, margin improvement and a strong cash flow.

We continued to execute on our 2021 strategy and maintained our focus to deliver on the key priorities: Organic volume growth, revenue growth and synergy realisation from prior years' acquisitions and track costs to secure industrial cost leadership.

In 2019, the Group focused on the integration of CGL Pack S.A.S and 4PET Recycling, both acquired in 2018. The integration of the French business has been on plan and a strong manufacturing footprint is now established in France with the Group's production platforms implemented at both sites in Annecy and Lorient. The integration of the recycling business in the Netherlands has proven more difficult than assumed and realisation of synergies are falling behind plan – they remain valid, though, and are only postponed into 2020.

The global agenda and in particular the focus on recycling and sustainability is becoming more distinct and an important and rapid change from multi-materials to mono-materials is ongoing. Faerch is supporting this development and actively communicating PET as the superior choice for rigid food packaging, e.g. by introducing a design guide to advance sustainability and recycling without compromising on food safety.

Faerch is already using a very high measure of recycled post-consumer PET content in our products and is committed to reach up to 100% by the end of 2025.

In 2019, Faerch introduced the "Evolve by Faerch" tray made from up to 100% recycled material, which can be fully recycled into new food trays at our own integrated recycling facilities in The Netherlands. Also, the unique "closed loop" buy-back programme developed further with new partners returning their used trays to us.

2019 has been a good year for Faerch, with continued strong top-line growth and improved earnings, while keeping focus on the defined priorities. On behalf of the Board, I would like to thank our loyal and hardworking employees, who have contributed to our successful year.

Faerch is strategically well positioned for the future with a unique position to deliver sustainable growth within the rigid food packaging business. In 2020, we will update our strategy with full integration of new segments like healthcare and recycling from the acquisitions made in 2018, while also reflecting an increased focus on new growth opportunities, like the dairy industry. This will support and further reinforce our long-term growth and value creation ambitions.

I look forward to the year ahead and the continued growth of the Faerch Group.

Nils Smedegaard Andersen
Chairman

In brief

A strong year under challenging conditions

Lars Gade Hansen
Group CEO

2019 was another important year for us and our industry. We saw a massive interest in recycled content from many players across the industry and a shift towards a stronger emphasis on sustainability. With the acquisition of 4PET Recycling in 2018, Faerch has become an integrated recycler and is leading the mission of creating true circularity in the food industry.

We enter a new decade with a strong position. We have delivered a very solid financial result and we have established a good platform for delivering value to society and growth to our business.

Record-breaking revenue
Faerch delivered healthy results in 2019, not least underlined by our record-breaking revenue, which surpassed DKK 3 billion (EUR 405 million) for the first time.

We have managed to drive strong organic growth through our targeted efforts in key markets and industries, including good performances in UK, France and Spain.

Declining polymer prices in 2019 have also had an impact on price levels, where the end of 2019 saw virgin PET at lower prices than recycled PET.

Compared with 2018, Faerch recorded continued strong organic top line growth of 3% both measured in pieces and in value, while EBITDA grew by 5%.

Integration and advancement of recycling
During 2019, we have focussed our efforts on integrating our two 2018-acquired companies, CGL Pack and 4PET Recycling, into the Group.

We have realised significant synergies at CGL in France and our French colleagues has done a tremendous job.

We are behind our plans at 4PET, mainly due to difficulties connected to the input quality of the tray bales and resulting challenges in running the tray line. We have initiated necessary corrective actions to overcome these challenges, which will be implemented during H1 2020, when Faerch acquires the remaining 50% of the shares of 4PET Recycling.

On the commercial side, we are very pleased with the performance at 4PET, where we among other things have managed to use our integrated recycling capabilities to close the loop on food packaging through innovative programmes as e.g. our “tray-to-tray” programme. Furthermore, we have successfully recycled hundreds of truckloads of PET bottles and trays in 2019. This has played a significant part in consolidating PET as the preferred material in rigid food packaging.

Furthermore, we have led the way in PET recycling, and we have successfully connected across sectors within the recycling industry, including waste processors, organisations and other businesses to further strengthen the positioning of PET as the best choice in rigid food packaging.

Trendsetting product introduction
During 2019 we have further supported the advancement of recycled PET in rigid food packaging by introducing new and trendsetting products in the markets. Most significantly the Evolve by Faerch concept, which is designed to overcome limitations in existing sorting infrastructure: Made from recycled content, fully recyclable, reliably detectable, and clearly indicating its circularity by naturally fluctuating colours.

Furthermore, we successfully introduced new products made from between 90% to 100% post-consumer recycled PET including pots for the dairy business and MAPET® II for the protein sector. The latter product innovation initiated a large conversion into MAPET® II

from several important and large partners across our main markets.

These innovations, our unique capacity as the world’s only integrated recycler, and our wide range of exclusive offerings allowed us to close some of the biggest deals in company history during 2019, which further positively impacted our results.

Outlook 2020
We are looking into another exciting and challenging year. We will continue to follow our strategy and put emphasis on integration and organic growth, while further consolidating our European focus.

We will continue our focus on our customers and will consolidate our position as the leading supplier of rigid food packaging to the ready meals, food to go and protein sector, while we will advance into the dairy business and provide this industry with our expertise and innovative solutions.

Thank you
On behalf of the Executive Management, I would like to thank our employees, the Board and Advent International for the support and trust they have shown and given the company throughout 2019. The performance remains strong and our ability to further excel in 2020 too is highly dependent on the engagement of our employees, their unique skills and dedication to go the extra mile for Faerch Group and our customers.

I would like to further thank all employees for their participation in the celebrations of our 50th anniversary. We had a fantastic weekend, where employees from across the group joined a massive celebration in Holstebro, where – for the first time – our entire production was shut down to allow everyone to participate. This event truly brought our entire team together and left us all energised for the future – the next 50 years.

Lars Gade Hansen
Group CEO

Presentation of Faerch

Growth at Faerch
Since being established in 1969, Faerch has grown to become one of the leading rigid food packaging manufacturers for the European food industry, with almost 1,500 employees across twelve manufacturing facilities, and regional sales offices covering all of Europe as well as selected non-European countries. Faerch is owned by the private equity firm, Advent International.

Diverse offering – four core product applications
Faerch focuses on selected food segments where the rigid 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 offers a strong product assortment within four distinct product applications, Ready meals, Fresh Meat, Food To-Go and Dairy and in 2018, integrated recycling was added to the business model.

Ready Meals
The market for prepared meals made for heating continues to grow. 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. The ability to drive shelf impact through unique design while maintaining extreme temperature tolerances enables Faerch 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 are 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 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 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.

Dairy
Dairy represents one of the most important segments in the food market, with very high volumes in the various sub-segments, each with its specific packaging requirements, continuous competitive and margin pressure and industrialised, highly efficient production flows and distribution chains.

The primary goal of food packaging in the dairy market is to protect sensitive food and keep it safe. Packaging needs to be versatile, provide convenience and good usability for consumers, support strong performance at the POS and particularly allow optimisation of production flows and robust handling in the supply chain. Good food packaging differentiates by minimising its total cost of ownership.

Recycling
During 2018, Faerch became an integrated recycler through the acquisition of the Dutch recycling company 3PET Holding B.V. The recycling activities are performed in the 100% owned subsidiary 4PET.

4PET is engaged in recycling of Polyethylene (PET) bottles and trays. The bottles and trays are delivered to

Presentation of Faerch

continued

4PET in form of bales from collection companies, where the initial sorting of the waste is completed. The recycling lines then process the bales and turn them into flakes or pellets. Sheet production for food packaging is the primary usage of the flakes and pellets.

4PET is the first company in the world that is able to recycle PET trays at an industrial scale. Installation of the line able to process PET trays was completed in the second half of 2018. The first trays have successfully been recycled and used in Faerch trays, truly closing the loop. Our capabilities as an integrated recycler is being utilised in special customer services, where we collaborate with partners to create true circularity through tray to tray recycling.

Direct involvement in a recycling company enables Faerch to provide advice on all activities in the recycling chain. We are engaged with a number of national recycling organisations and retailers to increase the percentage of PET trays being recycled. Further, Faerch has launched a number of activities to promote recycling of trays.

Adding value across the entire value chain

Great packaging is not only about protecting a product, Faerch 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 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 engages on a daily basis in order to maintain and develop our position as a leading supplier 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 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.

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 will continue to invest significant amounts every year to maintain and develop our leading position.

The right values

Value creation at Faerch 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 is fully supplied with renewable energy provided by sustainable energy sources, such as hydro and wind power plants.

Segment reporting

Faerch 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 operates with three different sales channels based on customers' characteristics; Industrial Food Producers, Distributors and Retailers. From 2018 with the acquisition of 3PET Holding, Faerch became an integrated recycler and added the recycling segment to its business:

Food Producers

Food producers comprise our largest segment, and constitute 75% of the Group's revenue in 2019. Food producers are large-scale industrial processors within all chilled food and frozen segments (Fresh Meat, Ready Meals, and Food to go). They deliver mainly to independent retailers or own outlets. Faerch 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 13% 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 airliners, smaller food producers and retailers mainly with a full packaging solution inclusive tray, top film, sealing equipment etc. Faerch 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.:

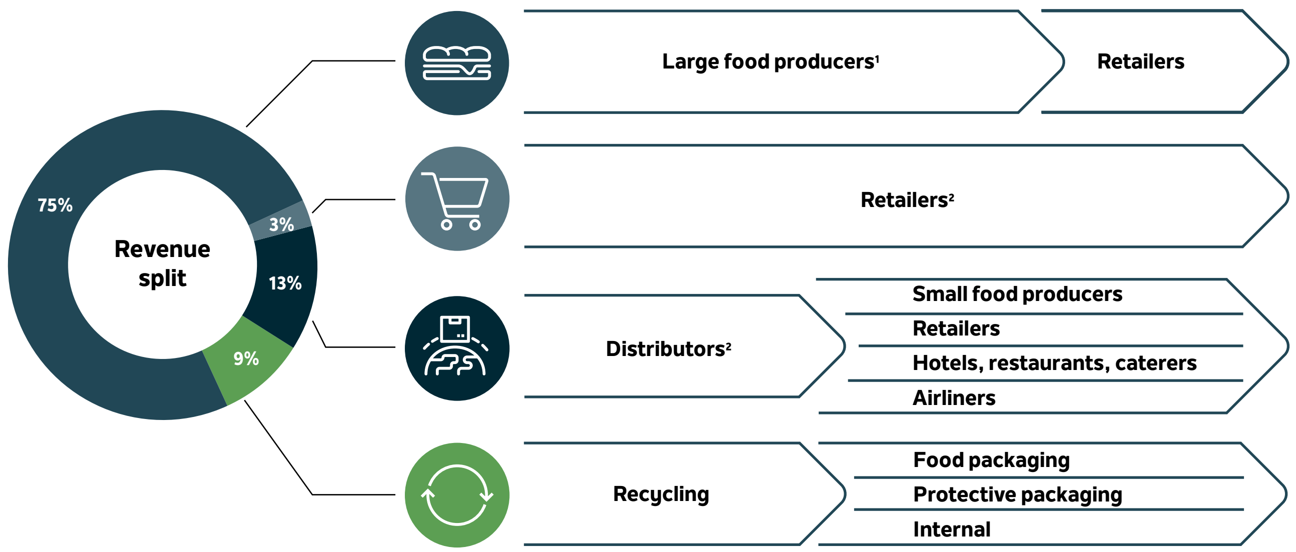
- Dedicated sales resources
- Quick response rates
- Proactive product development aimed for distributor assortment
- Standard assortment on stock

Retailers

Retailers are predominantly indirect customers through one of the above core sales channels. However, direct retail sales makes up 3% of our revenue, where we mainly supply packaging for food products, which are prepared and packed on site. Direct servicing of retailers allows Faerch to be on the forefront of innovation and customer demand, minimising dependency on any single food producer.

Recycling

Recycling is a new segment entered into with the acquisition of 4PET in 2018. Recycling represents 9% of revenues in 2019. Sales of sheets to food packers is the main revenue generator.



1: Core distribution channel, 2: Secondary distribution channel

Circularity is not a distant vision for us. It is reality. Our trays are made from fully recyclable materials and are produced with a market-leading share of recycled post-consumer content.

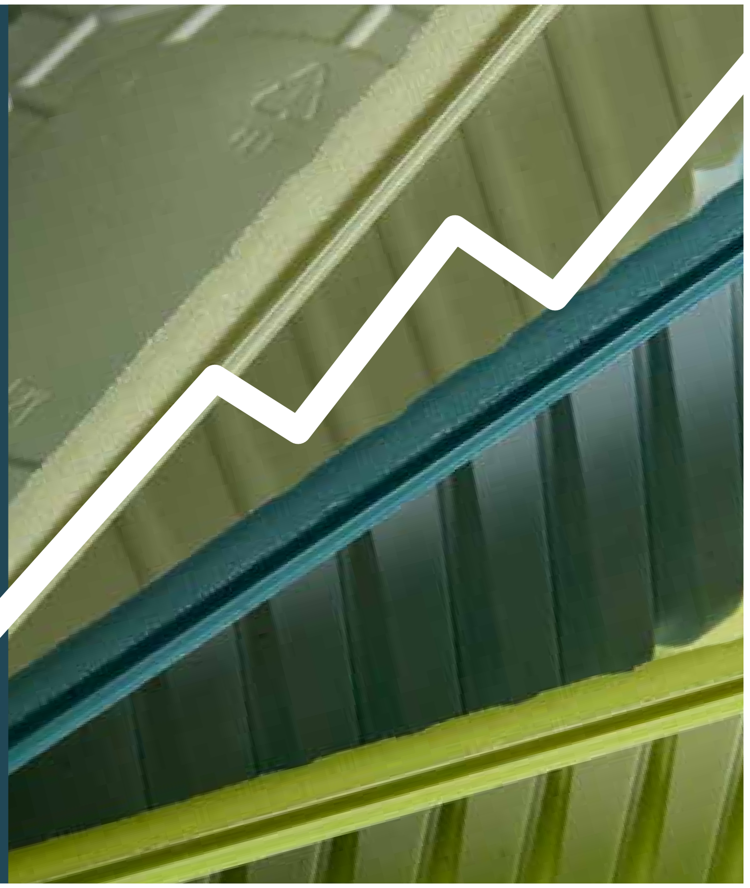
In brief

Our focus areas

Continued strong investments

€28m

Investments to strengthen and develop cost leadership are continued. In total, investments recorded EUR 28m in state-of-the-art production equipment to follow market demand, upgrade new sites and to enable further automation, which will support the Strategy 2021.



Free cash flow

€21m

Free cash flow excluding acquisitions is improved by a better working capital management.

EBITDA margin of

22%

The Group EBITDA margin improved in 2019 compared to 2018, reaching 22%, despite the lower margin from the recycling business.

The Group

Revenue grew by

17%

Continental Europe

The sales volume grew by

16.3%

The UK and Ireland

Revenue grew by

2.1%

Worldwide presence

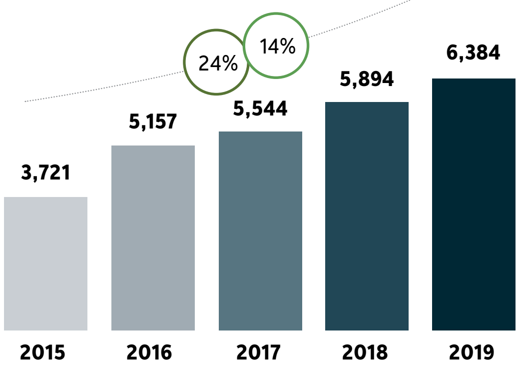
Faerch has production at 12 sites in Europe in 6 countries and sell and exports to **more than 50 countries.**

In brief

Financial highlights

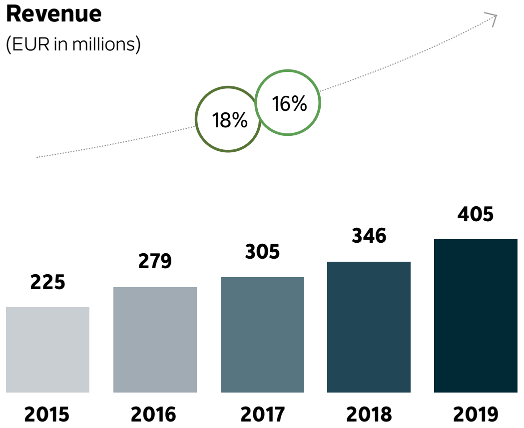
Faerch has grown the business with more than 70% since 2015

Volume
(Units in millions)



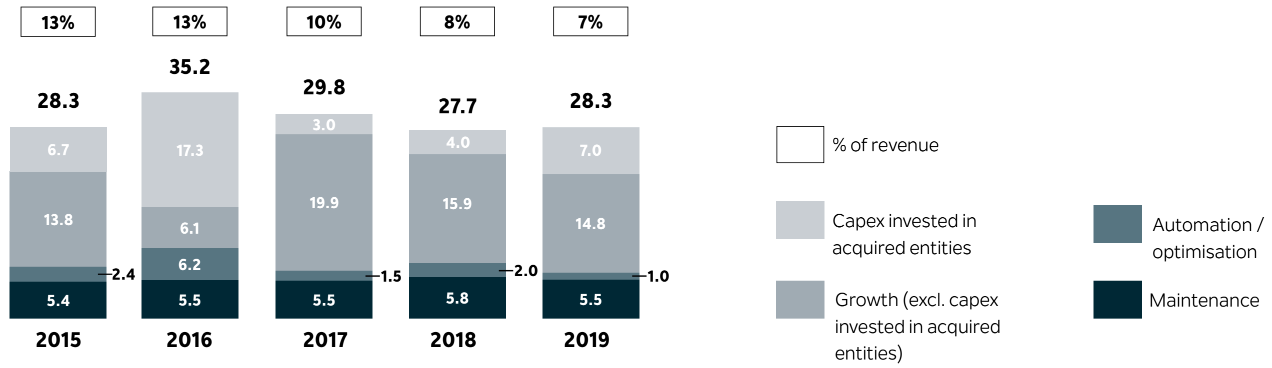
Faerch has grown from a local champion to a pan-European player with focus on the most attractive product groups of Ready Meals, Fresh Meat, Food-To-Go and Dairy. Growth in 2019 continued, supported by the 2018 acquisition of CGL Pack in France.

Revenue
(EUR in millions)



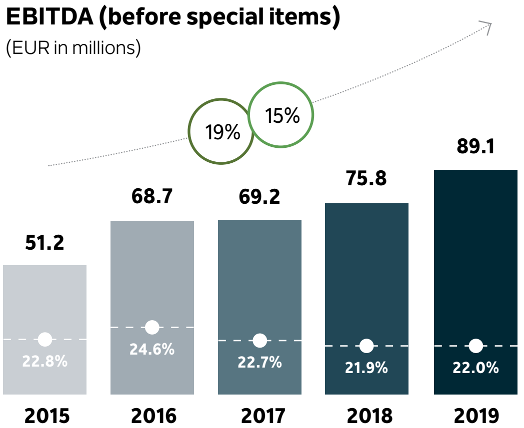
Revenue growth seen in all segments. As the recycling business output is not measured in units, the revenue growth is not correlated to volume growth.

CAPEX
(EUR in millions)



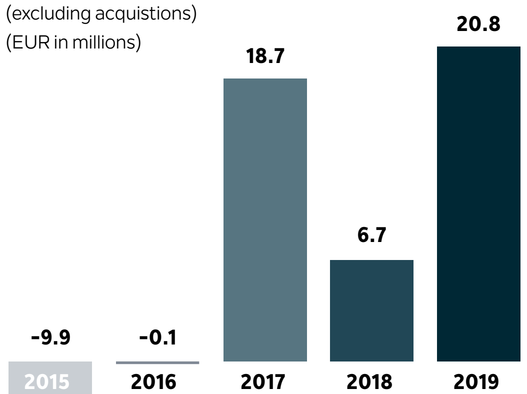
The investment level reduced to 7% of revenue 2019, capex was mainly spent on new thermoforming capacity preparing for material conversion, new robots and other automation equipment and tooling.

EBITDA (before special items)
(EUR in millions)



Strong top line growth driven by acquisitions in 2018 and a stable organic sales growth secure a growth in EBITDA of 18%. Adding the recycling business has had a negative input impact on the Group margin profile.

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



Free cash flow was positively impacted by the strong cash flow from operations, offset by investments. The average trade working capital to revenue improved from 20.5% in 2018 to 15.1% in 2019.

Organic CAGR   Total CAGR   % margin


We want to be the most
reliable and competent
supplier of sustainable
packaging for the food industry.

Operating and financial review

Tom Sand-Kristensen
Group CFO

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

Overall, the business continued to develop positive in 2019 recording the highest sales volume and revenue ever while declining polymer prices helped lift operating margins in the tray business. The recycling business faced operational challenges with ramping up the processing of recycled tray bales, caused by technology issues and poor quality of the input bales.

A number of commercial and operational initiatives that were introduced in 2018, took full effect in 2019, with the key projects being "pricing excellence", "Sales and Operational Planning" and "procurement optimisation".

Following the two acquisitions in 2018, the project management office is also monitoring the execution of the identified synergies. At the end of 2019, synergies from realisation is on track for CGL Pack, whereas the synergies from the 4PET recycling business have not materialised yet due to the above-mentioned operational challenges. Continued integration of the two acquired businesses and realisation of the identified synergies remain key priorities entering 2020.

The continuous focus on factory optimisation and standardisation of the Groups production platforms are paramount for Faerch to further develop and maintain its cost leadership. In 2019, especially the recipe integration with 4PET had key priority as well as platform automation at the sites in Annecy and Lorient that were acquired in 2018.

As of 2019, the Group has changed its presentation currency from DKK to EUR. The transition reflects that the main part of the Group's revenue is generated outside Denmark and that EUR is the prevailing functional currency within the Group. Consequently, the Annual Report is presented in EUR, rounded to the nearest hundred thousand unless otherwise indicated and comparative figures have been restated accordingly.

Income Statement
During 2018 Faerch successfully acquired two new businesses, i.e. CGL Pack in France and 4PET in the Netherlands. These entities were recognised in the income statement for their respective ownership periods of respectively 6 and 4 months in 2018.

With the acquisition of 4PET recycling (3PET Holding B.V.) in 2018, Faerch became an integrated recycler. As the nature of the recycling business and the tray business is different, the two businesses are reported as two separate business segments where relevant.

In 2019, the Group reported a net revenue of EUR 405.4m (2018: EUR 346.4m) of which the tray business accounted for EUR 367.1m (2018: EUR 333.4m) equal to a growth of 10.1% in absolute terms. The record revenue was due to the full year effect of the CGL Pack business acquired in 2018, combined with a stable sales volume development in most of the key markets in Europe.

The full year effect of CGL Pack contributed with approximately EUR 25m to the revenue development, and thereby the organic growth for the tray business was 2.5%. Revenues in the UK and Irish markets declined slightly measured in local currency due to normal price reduction from pass-through mecanisms. The Ready Meals / Fresh Meat segments accounted for a decline in revenue, whereas the Food to go segment continued to grow. In general, the UK & Irish markets were negatively impacted by consumers moving away from "Carbon Black" trays, a trend that Faerch has responded to by introducing innovative products such as Evolve by Faerch. Outside the UK & Ireland region, all other key markets saw a positive development in revenue, driven by the slight increases in both volume and average prices.

In 2019, polymer prices declined following the steep increases in the autumn of 2018. Part of the polymer price decreases were passed on to customers in cases where the pass-through mechanisms in the sales agreements were triggered and as a result through to revenues. In pieces, 6.4bn trays were sold in 2019 with an organic growth of 2.8%, which is below the range indicated in the 2019 Outlook of +4-5%.

Also in 2019, the continued uncertainty on "Brexit" impacted the business. The British Sterling continued to be volatile, with further depreciation in the first half of 2019 before strengthening again during Q3 and Q4. In constant currencies, the growth would have been 1% lower, i.e. 2019 revenue at 2018 actual exchange rates.

Sales in the recycling segment reached EUR 62.0m of which EUR 23.8m were sales to Group entities in the tray segment. Compared to 2018, where the recycling segment was only included for 4 months growth was EUR 42.7m, in

Operating and financial review

continued

organic terms sales growth was 15% year-on-year. Sales growth fell short of expectations caused by operational issues on the new production line for recycled PET trays.

Production costs amounted to EUR 301.9m (2018: EUR 249.8m of which EUR 241.7m related to the tray business). Tray production costs per kilo increased by 2% in 2019, partly because of sourcing semi-finished goods from 4PET, and due to changes in production footprint. Production cost per kilo is a key measurement for cost leadership measuring the cost for transforming one kilo of raw material into one kilo of finished goods.
The gross profit margin in the Tray business increased from 26.4% in 2018 to 27.3% in 2019 as the business benefited from time lag in the input cost pass-through mechanisms, and as the relative share of fixed overheads in the production costs declines as the business grows.

Production costs in the recycling segment amounted to EUR 60.2m vs. EUR 12.4m in the four-month period in 2018. Production costs were impacted by high waste cost and low efficiency on the new tray line due to poor quality of input bales and technical issues.

The gross profit margin in the Recycling business decreased from 35.8% in 2018 to 2.8% in 2019 due to the operational issues stated above. A number of initiatives have been taken to address the issues, and the Company expects gross profit margins to return to previous levels at the latest in the second half of 2020.

Sales and distribution costs amounted to EUR 48.0m (2018: EUR 51.4m), the decline being attributable to, amongst other things, savings on freight cost from the "Efficio" project in 2018.

Administrative costs amounted to EUR 19.8m (2018: EUR 16.4m). The increase of 21% was mainly driven by full-year effect of the administrative costs from the two entities that were acquired during 2018. Combined they contributed with EUR 2.7m of the increase. In addition, costs were incurred for a general strengthening of the organisation to support the strong growth and future expansion.

Other operating income amounted to EUR 0.5m against EUR 1.2m in 2018, mainly related to energy subsidies.

Other operating expenses amounted to EUR 2.9m (2018: EUR 6.1m) equal to a decrease by EUR 3.2m. M&A related costs were EUR 1.0m lower than 2018, but loss on financial instruments used to hedge the GBP exposure were EUR 1.0m higher (2018: an income of EUR 0.2m reported under Other Operating Income). In addition, various costs, mainly fees for external consultants and redundancies, were EUR 3.0m lower than 2018.

Operating profit before special items was EUR 33.4m (2018: EUR 23.9m). The increase of EUR 9.5m (+40%) was due to strong top line growth driven by the acquisitions from 2018 combined with a stable organic growth.

These gains were only partly offset by higher operating costs, including depreciations and amortisations. Total depreciations and amortisations amounted to EUR 56.1m versus EUR 51.9m in 2018, with the increase being attributed to the full year effect of depreciations from the 2018 acquisitions.

Net special items (pre-tax) amounted to EUR +13.2m against EUR -10.3m in 2018. Special items includes a gain from an adjustment of the contingent payment obligation related to the remaining 49.99998% of the shares in 3PET Holding B.V. Under the share purchase agreement from August 2018 the purchase price for the remaining 49.99998% is based on certain financial targets for 2018 and 2019 being met. These targets has not been met, hence it is the expectation that the purchase price for the remaining 49.9998% of the shares will be EUR 0. As a result the payment obligation of EUR 60.1m that was included in 2018 has been fully reversed in 2019, of which EUR 53.9m is included in special items, with the balance being offset against the original goodwill amount.

In 2019, the Group decided to market all tray products under the Faerch name from 2020 onwards, and therefore discontinue the use of the CGL and Anson brands. As a result, the intangible assets related to the CGL and Anson brands have been fully impaired, leading to an impairment charge of EUR 31.9m included under special items.

Other special items includes cost for the ongoing integration of 4PET to the Faerch Business model, where especially delays and technical issues with the ramp-up of the new wash-line for recycled PET trays drove additional costs for inspection of input bales, waste and costs for sourcing replacement raw materials. These costs amounted to EUR 3.2m. Also, costs for the celebration of Faerch 50th anniversary in October 2019 were classified as special items and amounted to EUR 2.2m. A more detailed breakdown of special items is included in note 1.4 of the consolidated financial statements.

Net financials amounted to EUR -48.7m against EUR -34.9m in 2018. Net interest costs were EUR -32.4m against EUR -34.2m in 2018. The decrease in interest costs is due to the refinancing in June 2018. Net other financials items were EUR 0.4m against EUR -5.4m in 2018, where the position in 2018 included funding costs to financial advisors related acquisitions. Currency translation adjustments were net EUR -16.1m against EUR +4.7m last year related to the Groups positions in British Sterling.

Operating and financial review

continued

Tax for the period amounted to EUR +5.9m against EUR -0.6m in 2018. The effective tax rate was -293%. The effective tax rate for the Group was impacted by the non-taxable gain from the adjustment of the contingent payment obligation for 3PET Holding BV, which was only partly offset by interest deduction limitations and various non-deductible expenses.

Profit for the year recorded EUR 3.9m. The positive result is a consequence of the strong top line growth, margin improvements, and the adjustment of the contingent payment obligation.

Investments

The Group's investments for 2019 decreased to EUR 28.3m (2018: EUR 154.0m). 2018 figures included EUR 126.6m related to acquisitions, whereas no acquisitions were carried out in 2019. The investment of EUR 28.3m is equivalent to 6.8% of revenue, which is the lowest level the last four years for the Group. The main part of the investment amount continues to be capacity investments to meet the market demand as well as automation investment at all factories to focus on cost leadership. The investment Outlook for 2019 was EUR 32m, and the lower actual spend was mainly related to a revised view on planned investment at the Lorient and Poole sites.

Assets

As at 31 December 2019, total non-current assets amounted to EUR 1,142.5m a decrease of EUR 56.9m against 2018. The decrease is due to ordinary amortisations and the impairment of the "CGL brand" in France and the "Anson" brand in the UK. Tangible assets decreased by EUR 7.5m as the ordinary deprecations exceeded the total investments.

Inventories increased by EUR 2.3m due to higher levels of raw materials and work in progress driven by the higher activity level, while finished goods decreased as part of the Group focus on optimising working capital.

Trade receivables decreased by EUR 9.3m through improved receivables management and increased use of non-recourse factoring in key markets. The amount of trade receivables insured under credit insurance increased from 92.4% to 94.7% end of December 2019.

Other receivables increased by EUR 0.7m, while Prepayments decreased by EUR 0.5m against last year.

Cash and cash equivalents amounted to EUR 16.5m an increase of EUR 11.7m.

As at 31 December 2019, the Group had total assets of EUR 1,283.8m against EUR 1,333.8m at 31 December 2018.

Liabilities

Total equity as at 31 December 2019 was EUR 153.9m increasing EUR 6.6m in 2019 due to the profit for the period of EUR 3.9m and EUR 2.8m (net of tax effect) due to currency impact. Besides the above, there were no other equity movements in 2019.

Advent International operates a Management participation program and due to the ownership structure, the program resides in the ultimate parent company. As at 31 December 2019, the management holds 13% of the share capital.

Total liabilities were EUR 1,129.8m compared to EUR 1,186.6m at 31 December 2018 meaning a decrease of EUR 56.7m. The decrease is mainly caused by de-recognition of the contingent payment obligation regarding 3PET Holding B.V.

Long-term debt decreased by EUR 52.6m from EUR 944.6m to EUR 892.0m. The decrease mainly relates to the reduction of the contingent payment obligation for the remaining 49.99998% of the shares in 3PET Holding BV and ordinary repayments of the long-term credit facilities.

Operating and financial review

continued

Faerch has maintained its credit rating with both Standard & Poors and Moody's. The initial rating from Moody's remain unchanged at B3, while Standard & Poors choose to downgrade their rating from "B" to "B- with a stable outlook" in September 2019. The downgrade was based on underperformance on EBITDA and debt position in the first half of 2019.

Trade payables remained stable at EUR 52.8m (2018: 52.9m) as the effect of decreasing polymer prices were offset by more effective payables management as part of the Groups project to improve working capital management.

Other short-term debt increased by EUR 5.4m mainly due to an increase in the debt position for VAT and indirect taxes of EUR 2.8m and increase in other payables of EUR 2.0m.

Cash Flow

Free cash flow amounted to EUR 20.8m versus EUR -119.9m in 2018. Cash flow in 2018 was negatively impacted by acquisition of subsidiaries of EUR 126.6 whereas no acquisitions were performed in 2019.

Cash flow from operating activities were positive by EUR 49.0m (2018: EUR 34.1) supported by the positive organic development and continued improvements in working capital. The change in the working capital was EUR 11.7m supported by an improvement in trade receivables of EUR 9.3m, which to some extent was offset by an increase in inventories of EUR 2.4m because of the higher activity. The change in other net working capital items was EUR 5.0m mainly due to a positive development in other payables.

Net interest paid amounted to EUR 30.7m versus EUR 33.6m in 2018. The refinancing in 2018 and the reduction in net-interest bearing debt caused the lower interest payments of EUR 2.7m.

Corporation tax paid in 2019 was EUR 10.6m against EUR 4.2m in 2018 explained by the improved earnings.

Cash flow from investing activities amounted to EUR 28.3m for 2019 against EUR 154.0m in 2018. 2018 investments included the acquisition of CGL Group and 3PET Holding to a value of EUR 126.6 combined. The investments in 2019 were mainly related to factory upgrades and automation. Investment in tangible assets decreased from EUR 26.6m in 2018 to EUR 26.5m in 2019.

Total financing activities amounted to EUR -10.8m caused by ordinary reduction of long-term debts of EUR 12.3m and additional CAPEX-related borrowings of EUR 1.5m.

The Groups net-cash position was end of 2019 EUR 0.0m (2018: EUR -10.0m).

Volume
6.4
billion trays

Gross revenue
405
EURm

EBITDA
90
EURm

Free cash flow
21
EURm

Outlook 2020

The Current expectations for 2020 are summarised below and reflect the Group's expectations end of 2019.

The Group Strategy that was agreed in 2016 was revisited during 2017 after Advent International acquired the majority ownership and was confirmed with some minor amendments and an increased focus on product recyclability. Following the acquisition of CGL Pack and 4PET recycling in 2018, the strategy was updated in 2018 to also include the recycling business. For 2020 the key priorities are:

Growth
Focus on profitable sales growth in the tray business in all markets driven by both existing and new customers. Continue to develop the business with existing customers in strongholds and accelerate growth in relevant markets, segments and geographies.

Focus for the recycling business will be on improving profitability through increased production volume and increased focus on quality, efficiency and integration with the tray business.

New product development
Launch new products according to the development plan to drive market share and profitability. Continue to be the market leader in driving the conversion into PET based products.

Cost leadership
Continue to invest, optimise and automate all production facilities and production platforms to ensure cost leadership.

Based on the above focus areas for 2020, the Group expects for 2020 to deliver:

- Organic volume growth of 5-6% for the tray business.
- Organic revenue growth in the tray business slightly lower than the volume growth, due to declining sales prices from pass-through mechanisms.
- Organic revenue growth in the recycling business of more than 10%.
- Increasing EBIT margins for both tray business and recycling.
- Reduction of working capital through operational focus
- Financial leverage reduction through improved free cash-flow.

The Group has applied a EUR/GBP rate of 1.17 for 2020 (2019 actual average rate: 1.14).

The Group expects investment to approximate EUR 30m in 2020 (acquisitions and acquisition related investments are not included) and generate a positive free cash flow.

Organic revenue growth in the recycling business of more than

10%

Financial leverage reduction through improved free cash-flow

Expected organic volume growth

5-6%

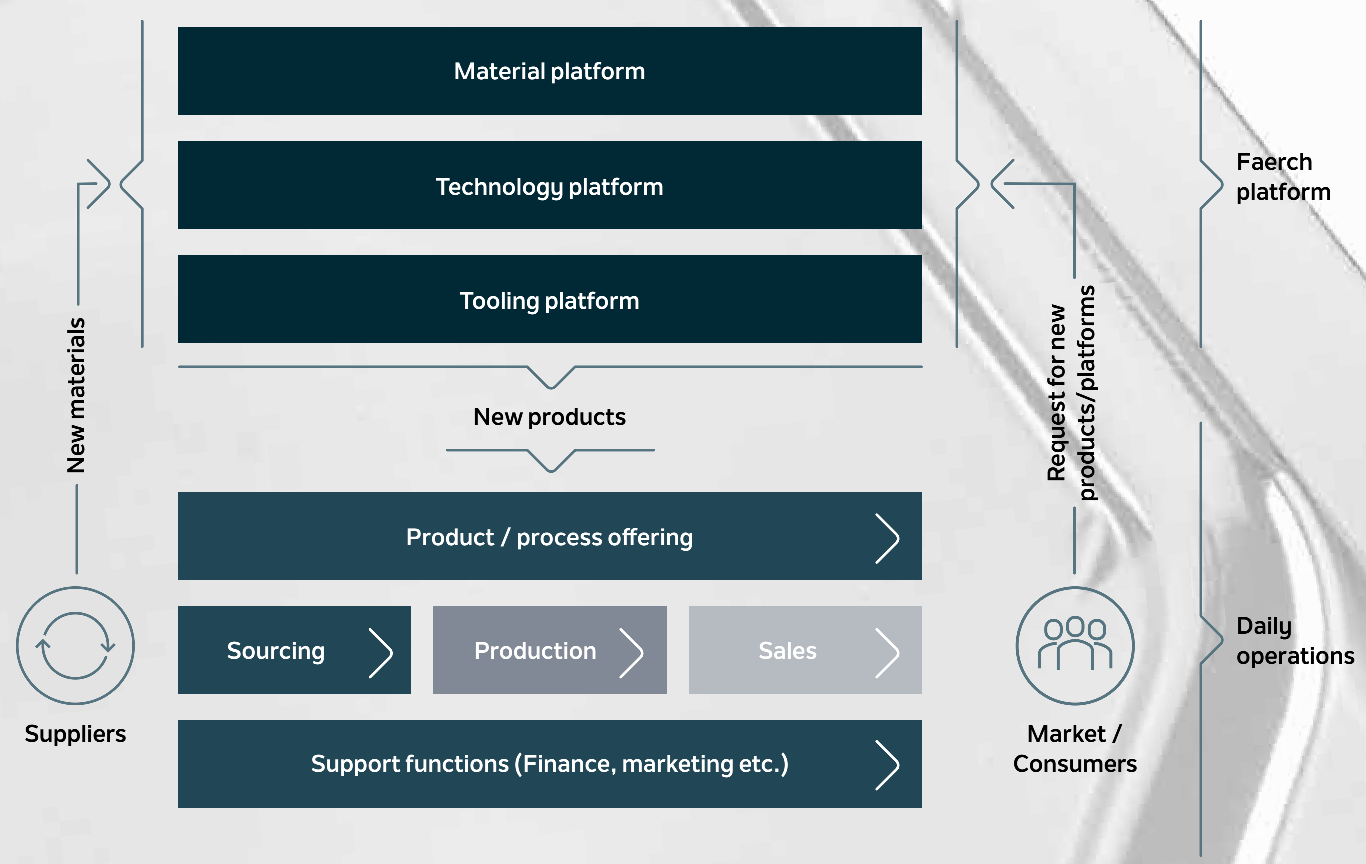
Business model

Faerch 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. A combination of standardised manufacturing processes with a high level of operational flexibility to achieve a diverse product range, enables Faerch 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's material knowledge allows us to continue to push boundaries of our tray attributes to the benefit of customers – for example, dual colour, high impact strength, 1 mm stacking height, sealing properties or glass clear transparency.

To maintain and grow our position in the market, while evolving with our stakeholders, Faerch 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 is committed to staying true to our business model - our DNA.

Platform strategy at the heart of Faerch's business model



Strategy 2021

As we conclude 2019 and look into 2020, we are moving into the final year of our successful 2021 strategy period. The commercial direction set in the strategy targeted to ensure Faerch's ability to grow the baseline organically through a broader product offering, as well as expanding our geographical presence through acquisitions.

During 2020 we will start formulating a new strategy to continue our growth journey. It will remain founded in the Faerch heritage, aiming to continue our healthy growth via a broad product portfolio tailored for attractive market segments and with an unrivalled focus on cost optimisation and process, material innovation and sustainable packaging solutions.

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 and sustainable 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 2021 strategy has been 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 2021 strategy came an enhanced and even more explicit focus on our development work. Faerch has grown, and so did the scale facilitating the opportunity to form differentiated units. Since 2016, Faerch has strengthened its full organisation to build the processes, materials and products of tomorrow. The product pipeline has been further fine-tuned and we enter 2020 with the strongest research pipeline in the history of the company and look forward to the 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'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 will continue to invest significantly into our 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 best practice process principles, will contribute with savings in line with historical achievements.

A crucial part of the strategic direction going forward will be the continued efforts of bringing and maintaining our acquired production sites to the Faerch Group standard for production. This journey started in 2015, and since then a significant amount has been invested based on Faerch expertise, in combination with the deep knowledge of the local teams. We are pleased to see that at end of 2019 we are on track for delivering optimisation to all our new sites including the two sites added in France, and we look forward to continuing these efforts and gaining from the full potential in the coming years.

Business risk

Introduction and Background
In 2017, Faerch Group established the Risk Management program. The program is designed to identify and assess the likelihood of risks arising across the Group's core activities within primarily Procurement, Operation and Sale.

For 2017, Faerch Group has selected 10 top risks that require management and monitoring in the coming years. In 2018, two new risks were identified and selected.

Executive Summary
This report on Risk Management is the second regular report that is provided by Group Legal and covers a period of 12 months in 2019. Since the establishment of the Risk Management program and the identification of the selected top 12 risks, no significant shifts in the overall risk exposure of Group Faerch have come to the attention of Group Legal.

Furthermore, the attention is drawn to the fact that no major 'risk event' has occurred during the period covered by this report and that the proposed mitigations are followed according to plan.

Reviewing the Portfolio of Top 12 Risk for 2019
Faerch Group's risk policy focuses on maintaining a medium-low and predictable profile for all its risks. The developments in Faerch's top 12 risks are reported in the below table (see last column). In 2020, the Business Units and key managers will have continued focus on the top 12 key risks and the continuation of key risk identification in co-work with the Risk Committee. In this respect, no new key risks have been selected for 2020.

The board
Overall responsible for corporate strategy, governance, performance, internal controls and risk management.

Audit committee
Review effectiveness of the risk management framework and internal controls on behalf of the Board.

Group executives
Management of the business and delivery of strategy.

Risk committee
Group Legal is responsible for the overall Risk Management program.

The Business Units & key managers
Responsible for implementation of risk mitigation actions and monitoring compliance with internal controls and procedures at the operational level of the business.

Review the Risk Management program to identify risk trends and to support corrective measures.

Delivery of project level risk management activities.

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plan
1. Ability to source enough and the right raw material (volume) Procurement	The demand for Faerch's key raw materials is tight, not only in Europe but also globally. PP & PET resins are stretched as the global economy grows approximately 2-3 % pa, with little additional capacity coming on stream in the short/medium term. rPET material has become short in supply as the demand for recycled materials increases at a faster rate than any additional capacity are being added to market. The post-consumer PET recycling industry is still relatively young, and historically little pressure on the bottle industry to use recycled materials. In 2017, this began to change and the momentum to use recycled materials in bottles is increasing rapidly now making the ability to source enough and the right rPET even more difficult. Post-consumer recycling of 'Pots, Trays & Tubs' (PTTs) is currently very small, with the majority of the PTTs volume going to export markets like China, or to energy from waste (incineration). The recycling of PTTs is developing slowly, and Faerch must engage in this process & technology to develop suitable recipes and products.	Contracts have been entered into with the majority of key suppliers to secure Faerch the necessary volumes for 2019 and going forward. More dual and multiple-sourcing is in place for 2019, and Faerch is becoming less dependent on PP supply. Searching for new suppliers will be ongoing, both with resin and rPET suppliers. Faerch's technical department are working with suppliers to develop new recipes to enable widening of the supply base.	During 2019, Faerch has entered into additional supplier contracts to secure additional rPET volumes. Overall, this means that the expanded supplier base for rPET suppliers now is more than 10 suppliers to ensure the sufficient and right raw material supply during high seasons. Furthermore, additional suppliers have been approved for specific raw materials and Faerch has entered into a closer working business relationship with recyclers such as Viridor, Reiling & Cleanaway/Veolia. The acquisition of the Dutch 4PET Group, a leading recycling and sheet manufacturer, has led to Faerch becoming one of the world's first integrated plastic packaging suppliers to achieve a circular economy for recycling food trays on an industrial scale, turning plastic packaging into a resource and helping secure Faerch's ability to source enough and the right raw material. By integrating 4PET's process and recycling knowledge into Faerch platform, Faerch is in a unique position. We are now in control of the entire value chain from securing the right feedstock, processing, recycling, extrusion and thermoforming. During 2019, Faerch has also ensured that Faerch trays are being returned to 4PET from end-consumers to be recycled in a closed loop. In addition, Faerch has introduced a buyback program for PET bottles and trays to retailers in the UK. In 2020, the key objective is to maintain and continue the positive development to ensure Faerch's ability to source enough and the right raw material. Furthermore, a key objective is also to ensure that trays from end-consumers are returned to 4PET to be recycled into rPET resin again. Both post-industrial (waste generated from the original manufacturing process) and post-consumer (waste that end-users toss into the recycling bin) waste are valuable and play an important role in Faerch's recycling strategic (closed the loop and promoting sustainable pratices). 1 2 3 4 **Responsible** Procurement **Reviews** Half-yearly updates **Strategy** Reducing risk - going from 2 in 2017 to 1 in 2018 and 2019

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
2. Major utility failure Operations	Faerch face the potential risk of operations being affected by disruption due to utilities failures. The loss of essential utility services could have a significant impact on Faerch's ability to service its customers.	Faerch ensures that alternative sources of supply are available (where possible). Faerch ensures that utility sources are in good working order through Planned Preventative Maintenance (PPM) programs and investments in new or redundant equipment based on utility risk assessments on the individual sites.	During 2019, most of the operational risks have been managed within the sites through the on-going maintenance. All sites have ensured that proper Planned Preventative Maintenance (PPM) systems are in place for air, cooling compressor and transformers. In 2019, Faerch has installed new power supply in the Annecy site. In 2020, a key focus area is to install new utilities for compressed air and cooling in the Poole site. Also in 2020, Faerch will upgrade and implement the redundant power supply for servers (UPS) on all sites. 1 2 3 4 **Responsible** Operations **Reviews** Half-yearly updates **Strategy** Reducing risk - going from 3 in 2017 to 2 in 2018 and 2019

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Risk management

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
3. Purchased Material – Failure Procurement	Faerch's reputation as a quality business partner relies heavily on its ability to supply quality products on time and in full. The supply of faulty or contaminated products, especially within the food industry, could have serious consequences. The probability is low, however as mentioned above the consequences and economic impact could be high.	Faerch employs strict control measures to ensure the safety and quality of products that are manufactured. In 2018 and 2019, Faerch's procurement team will carry out more internal reviews of critical suppliers. In addition, Faerch's procurement team will update internal and external procedures of supplier audits to ensure adherence and that control systems are working effectively. The so-called 'Supplier Approval Process' will also be updated to ensure that Faerch's supplier standards are not compromised as new suppliers deliver raw materials to Faerch. Furthermore, Faerch will review and update internal procedures to ensure that all raw materials delivered to Faerch comply with product specification. Faerch also has the appropriate insurances in place to cover product liability.	In 2019, Faerch has continuously updated its 'Supplier Audit Control System' to ensure that Faerch's suppliers have continuous focus on quality and safety regarding the products manufactured for Faerch. Faerch has also conducted internal reviews on a number of critical suppliers, and identified potential weaknesses are being handled with appropriate actions. In 2019, Faerch has implemented internal quality procedures on selected suppliers and all suppliers must submit technical specification before delivery of raw materials to Faerch. Furthermore, external audits of new potential raw material suppliers have been conducted. Requirements for logistics arrangements for delivering into Faerch has been standardized and communicated to suppliers. In 2020, a key objective is to continue systematic audits on key suppliers to ensure best quality and high safety and to ensure that all suppliers have signed and live up to Faerch's 'Supplier Code of Conducts'. 1 2 3 4 **Responsible** Procurement **Reviews** Half-yearly updates **Strategy** Reducing risk - but still rated as 2

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
4. Reputation of Plastic (in UK and in general) + CPET (carbon black tray) **Sales**	Plastic is an important material in our world and daily lives. However, the reputation of plastics is challenged because plastics are often produced and used in an approach that harms the environment (not recycled). Such reputation factors can change customers' preferences and perception of plastics and packaging trends, which can affect demands.	In 2018, Faerch laid the foundation for a new plastics strategy where all of Faerch's designs and productions of plastic trays can be reused. More recycling and sustainable materials will be developed and promoted. In addition, Faerch will take a leading position on plastic packaging recyclability by specifically focusing on closing the loop, and proactively influencing the industry and market through an offensive effort/strategy. Faerch actively monitors the economic environments in which it operates and the patterns of demands.	The acquisition of 4PET Group is Faerch's answer to 'closing the loop' for PET trays and leading the way towards a sustainable circular economy. Faerch is becoming one of the world's first integrated packaging suppliers to recycle PET trays on an industrial scale and transform used trays into raw material for new food contact products of the same quality. With 4PET's bespoke technology, 4PET has achieved a break-through in sorting and processing PET of any color including a defined process for handling black PET. This will allow us to offer 'tray-to-tray' solutions on an industrial scale and provide a safe and sustainable choice for the food industry. In 2019, Faerch launched 'Evolve by Faerch' successfully in the UK and various retailers have moved to this new material platform. Carbon black levels at approximately 25 % of the volume and Faerch anticipate this to be in single digits by the end of Q1, 2020. Regarding the overall reputation of plastics in the UK, Faerch has decided that further education is required. In 2019, CSR activities on social media show the approach taken by Faerch towards recyclable, recycling, closed loop etc. In 2019, Faerch also launched the 'Tonne for Tonne' program. The program is a model to close the loop and create true circularity through a commitment from Faerch to purchase one metric tonne of Post Consumer Waste PET for each metric tonne of Faerch trays sold to the specific company. The program received great interest from numerous retailers & brand owners. In 2020, a key objective is the on-going development of Faerch's new plastic strategy and to initiate the process of replacing all carbon black-based colors of CPET Ready Meals in the UK. 1 **2** 3 4 **Responsible** Sales **Reviews** Half-yearly updates **Strategy** Reducing risk - going from 3 in 2017 to 2 in 2018 and 2019

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
5. Major breakdown of machinery **Operations**	Faerch faces the potential risk of operations being affected by disruptions due to major breakdown of machinery. Major breakdown of machinery could have significant impact on Faerch's ability to service its customers.	In many cases, Faerch has ensured that it will be possible to manufacture products from another site within the Group. In addition, all sites have established procedures to ensure business continuity in the event of a major breakdown of machinery. In 2019, Faerch will further strengthen this area with planned preventative maintenance programs on the capacity and to ensure that critical spare parts are in stock (at least within Group sites). In case of major breakdown of extruders, Faerch has already purchase arrangements for sheets in place with several suppliers.	All sites have Planned Preventative Maintenance (PPM) programs in place for thermoform machines and extruders and all machinery has been serviced according to plan. Another focus area is the continuous monitoring of Faerch's spare part stock that contains recommended spare parts from all suppliers of machinery. In 2019, Faerch had an ongoing focus on safeguarding critical spare parts. Extrusion capacity from the acquisition of 4PET has been partly integrated into the group capacity platform from January 2020, and in October 2019 the Bunol site has been upgraded to PET extrusion, both activities improving the contingency of the whole group In 2020, a new Best Practise Network on maintenance will be initiated with participation of all sites. 1 **2** 3 4 **Responsible** Operations **Reviews** Half-yearly updates **Strategy** Reducing risk - but still rated as 2
6. RansomWare and other cyber attacks **IT**	Ransomware is a real threat to Faerch, and potential exposure to this kind of attack is current and can result in major business disruption and loss of data.	Mitigate the risk by implementing a web-filtering solution in 2018 and a threat-response progress in 2019. These solutions will help identify infected machines (which are not detected by antivirus), and proactively identify IT-systems with high exposure level to future infections.	In 2019, Faerch has established a threat-response process to refine our ability to detect, respond.predict and prevent Ransomware risks. Ransomware continues to be a global threat in 2020 for Faerch. Mainly driven by increased risk of phishing emails sent to our company exposes Faerch to the risk of a Ransomware attack. Our main mitigation strategy is to educate users through use of awareness training, test our defences and further improve our technical security platforms against this threat. 1 **2** 3 4 **Responsible** IT **Reviews** Half-yearly updates **Strategy** Reducing risk - going from 3 in 2017 to 2 in 2018 and 2019

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
7. Key Employees Procurement Operations	Faerch has long established relationship with key employees. In the short term, the loss of any one of these employees could affect the business.	In 2019, Faerch strengthened formal procedures to ensure that employee knowledge is well documented and filed. In 2019, Faerch developed and strengthened the procurement team. Furthermore, Faerch has an internal promoting approach with a target of at least 50 % of all new appointments will result from internal promotions.	In 2019, the procurement team was strengthened with a procurement analyst. Furthermore, the procurement operating model has been established and the outlined plan is being followed. All sites have procedures in place for identifying and training key personnel and some sites go further and have developed a 'leaned lesson' tool in order to get all critical knowledge written down. In 2020, Faerch will establish Best Practise Networks within Operations including all sites with focus on tooling, thermoforming, extrusion, maintenance and QHSE. This will enable a more agile organisation that is able to work across different departments/sites and contributes to knowledge being shared. In 2019, 35 % of all recruitments was internal promotions. 1 2 3 4 **Responsible** Operations & Procurement **Reviews** Annual update **Strategy** Reducing risk – but still rated as 2

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Risk management

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
8. Logistic Procurement	The delivery to the customers are the final part of Faerch's supply-chain process. Secure and timely delivery to the right place is essential for our customers.	Faerch has reviewed the service level requirements. The future supplier(s) will be more cost effective and need to introduce improved tracking systems to enable tracking by pallet to final destination. Furthermore, a process will be established to monitor and audit external warehouse service level.	During 2018 and 2019, Faerch has entered into new long-term logistic service contracts for Europe and UK with leading logistic suppliers. External warehousing suppliers have been evaluated to ensure the correct future set-up for Faerch and our customers. In 2020, Faerch's procurement team will evaluate and follow the day-to-day logistic business to provide a deeper understanding of potential market risks and how to manage and mitigate the specific challenges of today's road transportation (e.g. fleet safety, cargo damage, claim administration, compliance and regulations). Delivery into UK are managed as part of Faerch's BREXIT strategic. 1 2 3 4 **Responsible** Procurement **Reviews** Annual update **Strategy** Reducing risk - rated as 1

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and going forward
9. Fire - On sites + external warehouses Operations	The risk of fire represents a significant physical risk to Faerch and the impact of a major catastrophe of this nature could be considerable. The health and safety of our employees is the number one priority at all of Faerch sites and warehouses. The impact of a fire may result in major loss of stock and/or production area.	All sites have fire prevention (sprinklers and smoke detectors), which are regularly inspected by both internal and external specialists in order to drive Faerch's sites to best practice. Most of our external warehouses have also sprinklers and smoke detectors. 'Health and Safety' audits are regularly performed, in conjunction with internal and external specialists, to drive sites to best practice. All necessary insurances are in place and Faerch follows to a great extent the recommendations stated in the technical site reports conducted by Willis Towers Watson.	The overall aim of fire safety management is to identify and implement fire risk control measures with the aim of preventing fires, saving lives and preventing business loss. During 2019, a number of preventative measures had been taken to avoid fires. For example, Faerch has installed several new fireproof doors and gates in order to prevent a potential fire from escalating. The focus for 2019 was ongoing fire risk assessments and to carry out frequent inspection patrols to ensure continued safe practices and that good house-keeping is employed, e.g. fire doors remain closed, safe storage, safe waste arrangement etc. In 2019, a new sprinkler system was installed in 4PET. All necessary insurances are in place and renewed for 2020. In 2020, the sprinkler system will be updated and renewed at Faerch's Holstebro site. 1 2 3 4 **Responsible** Operations **Reviews** Annual updates **Strategy** Reducing risk – rated as 1 in 2019

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Risk management

Area of risk	Description of the risk	Mitigation	Developments in 2019 and going forward
10. Resin Pass-On Mechanism Sales	Faerch is exposed to economic risks in relation to the movement of the raw material prices. Typically, sales prices are adjusted at fixed intervals (mainly every quarter) based on the average raw material index development.	Today, over 83 % of Faerch's customers are regulated by a raw material price adjustment provision. In 2019, Faerch reviewed the contractual raw material price adjustments (pass-through mechanism) and relevant changes have been identified to establish a better symmetric between actual input material and the index applied for selling price adjustments. In addition to specific indexes, 'trigger points' and the time horizon will also be reconsidered.	In 2019, Faerch updated all its standard sale templates including the raw material price adjustment provision to reflect the price development of raw material to a greater extent and thus Faerch's exposure to raw material increases. With the 4PET acquisition, Faerch has also eliminated part of the input cost exposure on rPET through sourcing of input bales (bottles and trays) at fixed prices. In 2020, a revised resin pass-through model will be introduced. 1 2 3 4 **Responsible** Sales **Reviews** Annual updates **Strategy** Reducing risk – rated as 2

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Area of risk	Description of the risk	Mitigation	Developments in 2019 and ongoing plans
11. **BREXIT** Sales	Following the decision of the United Kingdom to leave the European Union, there is unfortunately still a significant amount of uncertainty about the overall impact of Brexit.	Since 2016, Faerch has prepared a worst-case scenario following Brexit. Faerch has established a special risk committee to manage and monitor the development of Brexit. All three UK sites have built up maximum stocks to withstand the first impact of a possible "no-deal" Brexit.	In 2019, Faerch has continued the evaluation on how Brexit could affect the business and mapping of the potential risks and opportunities. In 2020, Faerch will follow the development of the BREXIT negotiations with EU closely and prepare for the worst case scenario in the event of a 'no-deal' scenario where no ratified agreement can be established between the United Kingdom and EU – meaning that the United Kingdom will trade with EU on World Trade Organization terms as of 1 January 2021. 1 2 3 4 **Responsible** Sales **Reviews** Half-yearly updates **Strategy** Rated as 3 in 2019.
12. **Single-Use Plastic (SUP) Directive** Sales Operations	The purpose of the SUP Directive is to reduce the amount of plastic waste on beaches and in the ocean. According to the SUP Directive some plastic products will be completely banned such as plastic cotton buds, cutlery, plates, straws, drink stirrers, sticks for balloons, products made of oxo-degradable plastic and food and beverage containers made of expanded polystyrene. For other products (primarily take-away food containers made of plastics and plastic cups for beverage), the SUP Directive focuses on limiting the use of these products through i) a national reduction in consumption, ii) awareness campaigns, iii) design and labelling requirements and finally iv) waste management/clean-up obligations for producers. On 21 May 2019, the EU council agrees on the new SUP Directive which means that all Member State now have two years to bring the SUP Directive into force on a national level. This means that the SUP Directive will become effective throughout EU by Mid-2021.	The SUP Directive implementation on a national level is still in a very non-concrete stage and no impact conclusions towards Faerch can be made at present.	In 2020, Faerch will follow the development of the SUP Directive closely and how the directive will be implemented at national level in EU. This work will happen in co-work with associations and different authorities, e.g. the Danish Plastics Federation, PlasticsEurope and the Danish Ministry of Environment and Food. 1 2 3 4 **Responsible** Sale & Operations **Reviews** Half-yearly updates **Strategy** Rated as 2 in 2019.

Risk Rating 1: Most Unlike 2:Unlikely 3:Likely 4:Most Likely

Risk management

Financial risk

Faerch's financial risk relates to:

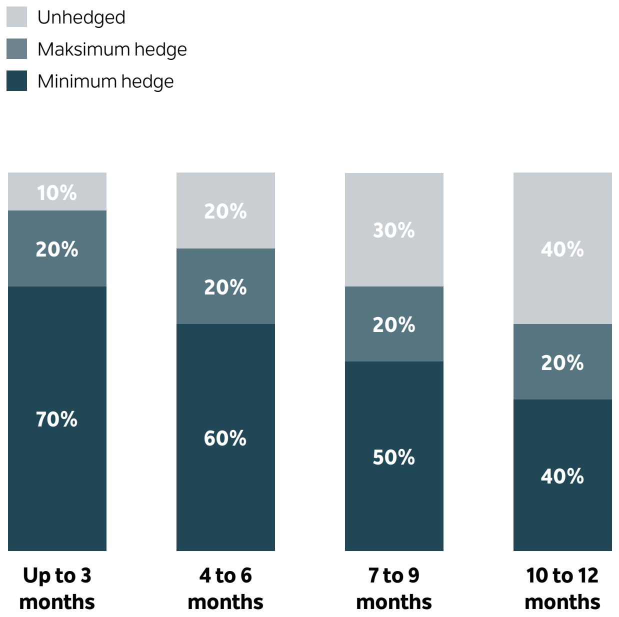
- Currency
- Liquidity risk
- Interest rate
- Tax
- Credit risk

The Board approved the Treasury Policy at the end of 2018, which covers the risk exposure related to currency, interest and credit. The policy is reviewed minimum once a year. The Group's CFO is responsible for the Treasury Policy and the Treasury Department is responsible for the daily management.

Currency Risk
The reporting currency is Euro, which is closely linked to the Danish Krone within a narrow range of +/- 2,25%. However, a large part of the Groups invoiced sales are in British pound.

British Pound
The Group has a surplus of approximately GBP 50 million yearly. Exchange rate movements in relation to the GBP is considered the company's biggest financial risk.

Descending hedge ladder methodology



Before entering a financial year, the Group forecast the expected net GBP exposure the coming financial year.

The expected net GBP exposure will be recalculated three times the following financial year, and immediate if any events should occur that would have a significant impact at the forecast, i.e. like a Brexit.

To manage the exchange risk of the net GBP exposure, the Group use the following descending hedge ladder methodology.

Entering into a new financial year the Group can according to the treasury policy have an unhedged GBP exposure of GBP 23 million (45%). A 5% +/- change in the GBP/DKK exchange rate will affect the Groups result by EUR 1.3 million.

Other currencies
The FX risk related to other currencies is considered low, as no other currency contributes more than 0.5% of the Group's total turnover besides DKK and EUR.

Interest rate risk
Faerch is exposed to interest rate risk, as the Group borrows funds at variable rates of interest. The risk is monitored by Faerch and hedging is applied in accordance with the Treasury Policy.

In accordance to the Treasury Policy, the Group's total debt (Senior and subordinated) must be hedged at a minimum of 50% for a future period of minimum three years.

In 2018 the Group entered into new loan agreements and at the end of 2019 the Group has in average hedged 59% of the loans for the following two years. All new loans and Interest Rate Swaps have been executed by Faerch Bidco ApS, as Faerch Bidco ApS also is the counterparty to the external debt.

For the remaining unhedged debt, an increase on 100 basispoints in the floating interest rate will affect the Groups interest cost with EUR 1.9m in 2020 and DKK 2.9 in 2021.

The Group's mortgage loans are hedged to a fix rate or with a cap. 86% of the outstanding principal has been hedged. All hedges expires during 2020.

At the end of 2019 the value of the interest rate hedges was EUR -1.2m, reflecting the fixed rate on the hedges is higher than the fixed market rate.

Debt with fixed interest

59%

Credit risk
Further information in note 3.3 (see page 109)

Liquidity risk
Further information in note 3.3 (see page 110)

Loan Covenants
The Group entered into new loan agreements in August 2017. The Group has complied with all covenants in the bank agreement, that was fully settled on 23 August 2017.

The new loan credit facilities are not subject to any financial covenants. However, the Groups revolving credit facility (RFC) is subject to a springing senior secured net leverage covenant of 8.66x. This covenant will be tested quarterly only if RCF is at least 40% drawn. During the reporting period the revolving Facility has been drawn more than 40%.

During 2019, the Groups senior secured net leverage ratio was below 8.66x.

Tax
By operating business globally, transfer pricing disputes with tax authorities may occur. Faerch'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 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.


We lead our industry
in materials, processes
and tooling technologies.

We are making food packaging circular

Thomas Bak Thellesen
Director Group Sustainability & External Affairs

Sustainability perceived and performed in the best possible way is becoming increasingly important in any business around the world. The global challenges we as a society are facing dictate that we all, not least responsible businesses, claim our part of the responsibility to solve them. In our industry, we are experiencing an ever-fiercer plastic debate and an increasing interest and expectation from customers, partners and consumers that we act sustainably. This e.g. means driving a development towards sustainable food packaging, without compromising on any of the functional properties of our food packaging.

We gladly take on this responsibility at Faerch. Acting responsibly and having our sustainability food print in mind in all of our actions is part of our company DNA. It is deeply embedded in the way we work in operation, the way we design our products, in our Group Strategy and always plays a part in our touchpoints with the surrounding world, from customers to competitors and from organisations to academia.

During 2019, we have made several landmarks within the field of sustainable food packaging, continuing our efforts to make food packaging truly circular.

Among our highlights can be mentioned the development and marketing of a new product series, Evolve by Faerch. Made from up to 100% recycled material, the series represent a high-point in sustainable food packaging. The trays are made from collected and recycled bottles and trays and are available in naturally fluctuating tones. No extra colour is added during recycling and production, therefore preserving its natural make-up. This ensures a unique look and guarantees that they are reliably detectable using today's sorting systems.

We have also successfully initiated our closed loop concept, where we in collaboration with customers effectively create a closed loop for trays. In short, we supply catering customers with our PET trays, which they use for their purpose. The used trays are collected by the customer and sent to our recycling facilities, where they are cleaned and made into new raw materials, which we process at our plants to produce new trays for the given customer. Again and again.

To further advance sustainability and circularity in rigid food packaging, we have introduced a design guide, offering our expertise to ensure the best possible design and material choice, where we are strong advocates for using mono-materials which is a prerequisite to achieve circularity.

On the following pages you can learn more about these initiatives and get familiar with some of our progress.

Thomas Bak Thellesen
Director Group Sustainability and External Affairs

Sustainability governance structure

Sustainability is one of Faerch's core values and we operate with responsibility, integrity and fundamental respect for labour rights, environmental and climate consideration, principles of anti-corruption and fair competition.

We support the principles of the UN Global Compact, OECD's Principles of Corporate Governance, the UN Sustainability Development Goals and recognised best practice.

Managing performance
To ensure continual progress towards our sustainability goals, Faerch has a formal sustainability governance structure that sets a clear framework for our priorities, roles and responsibilities. The structure provides a solid foundation for developing and anchoring our sustainability strategy and targets across the Group, and it ensures that sustainability is embedded in our long-term, corporate strategy, daily operations and priorities.

The governance structure is divided into four levels: The executive management level, business unit level, regional level and local level. Through policies, standards, management systems, procedures and risk management, we ensure that sustainability is truly embedded throughout the entire Faerch Group.

Executive management level
- Setting direction for the comprehensive long-term work related to Faerch's sustainability development.

Business unit level
- Resource allocation to enhance continuous sustainability development in the individual business units
- Reporting on non-financial data.

Regional level
- Specific focus areas supporting Faerch's ambition levels and priorities
- Stakeholder engagement and collaboration.

Local level
- Implementation of concrete initiatives and improvements in line with the Group's overall long-term plans and vision.

Assessing our areas of priority

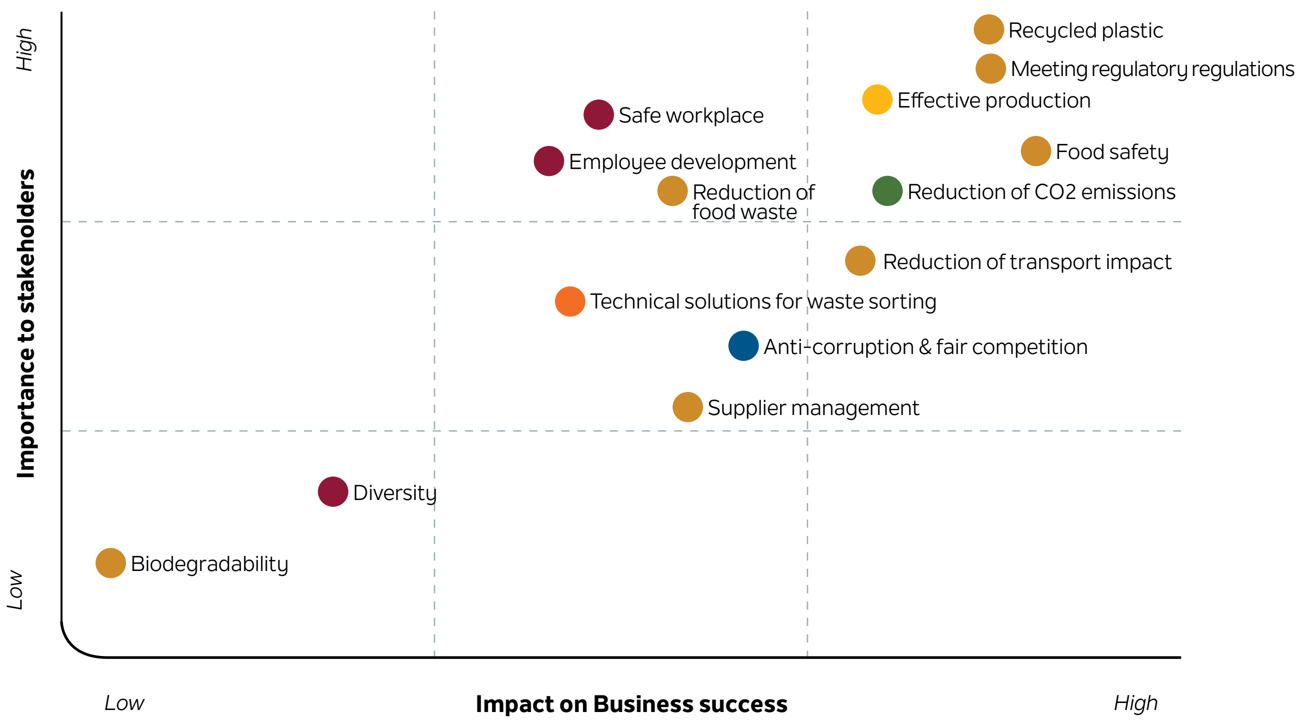
Faerch operates in a constantly changing world, and we need to be aware of and react to the external changes that can impact our business. Assessing materiality helps us identify and prioritise the sustainability issues that matter the most to our business and stakeholders. And it helps us channel our resources and activities to the areas where we can have the strongest impact.

In 2018, we conducted a re-evaluation of our materiality assessment from 2016 that identified our main economic, environmental, ethical and social impacts. The assessment engaged both external and internal stakeholder groups. The materiality matrix below shows the 14 most important issues that were identified, their relevance to our stakeholders, their influence on our business, as well as their link to the UN Sustainable Development Goals. We still believe that these 14 issues are relevant and important to Faerch today, and they therefore continue to form the basis for our defined 5 focus areas.

Sustainable packaging | **Food safety** | **Responsible operations** | **People & organisation** | **Business ethics**

Our key stakeholders

- Our customers (food producers, distributors and retailers)
- NGOs
- End-users
- Employees
- Local communities
- Academia



Our focus areas & ambition levels

Our planet is facing severe economic, social and environmental challenges. Holding a leading position within plastic packaging and recycling for the food industry, we need to take responsibility and define priorities and actions for our business, today and in the future.

Based on our materiality assessment, we have identified 5 main focus areas that are material to our business. These are directly linked to 5 UN Sustainable Development Goals where we believe we can create the biggest impact.

For each focus area, we have established a long-term level of ambition supported by actions. Our ambition is to be the leader in sustainable packaging and food safety. Each focus area has defined KPIs supporting our long-term ambition and sustainable development.

Sustainable packaging

Lead the way in creating true circularity in food packaging

SDGs: 13 Climate action; 12 Responsible consumption and production; 9 Industry, innovation and infrastructure

Food safety

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

SDG: 12 Responsible consumption and production

Responsible operations

To minimise CO_2 emissions from own activities

SDGs: 12 Responsible consumption and production; 7 Affordable and clean energy

People and organisation

To secure workplace with focus on employee development

SDG: 8 Decent work and economic growth

Business ethics[1]

To ensure orderly and responsible business practice

SDG: 16 Peace, justice and strong institutions

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.

[1] The focus area "Business Ethics" is covered in section "Governance".

The UN Sustainable Development Goals

In 2015, the United Nations drew up a roadmap for peace and prosperity for people and the planet, now and in the future. This resulted in 17 Sustainable Development Goals (SDGs) that represent an unprecedented opportunity to take sustainability to a new level.

While we support all the SDGs, we focus our efforts on the goals and targets that are the most important to our business and where we believe we can make the most meaningful contribution. As we move forwards, we will continue to add actions and initiatives to support the SDGs.

Our priority SDGs

7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action

Evolve by Faerch moves sustainable packaging to a higher level

The Evolve by Faerch trays are made from up to 100% recycled material and can be fully recycled into new food trays. Their unique look reflects the recycled content of the trays helping consumers to easily identify that they are making a sustainable choice in their food packaging.

Faerch took yet another step to create true circularity in food packaging, when we launched our new Evolve by Faerch product ranges. The trays are currently available in CPET and APET and is already in use with customers in the Ready Meals- and protein sectors.

The new trays possess the same attributes as Faerch's market-leading products and represent the ultimate level of circularity: They are made from up to 100% recycled content, and they can be fully recycled into new food grade trays without compromising on food safety or any other key measures.

Evolve by Faerch trays are made from collected and recycled bottles and trays and are available in naturally fluctuating tones. No extra colour is added during recycling and production, therefore preserving its natural make-up. The colour of each tray reflects the specific blend of recycled content that it is made from. This ensures a unique look, which clearly outlines to consumers that they have a sustainable choice, when selecting food packaged in Evolve by Faerch trays. It also guarantees that Evolve by Faerch trays are reliably detectable using today's sorting systems, as they have already been detected before.

"Circularity in food packaging is not a distant vision for us," says Lars Gade Hansen, CEO of Faerch Group. "We are doing this already – and on an industrial scale. We offer packaging solutions made from up to 100% recycled content, with no compromises on quality, which we recycle back into new food trays," he continues.

"On the journey towards circularity in food packaging, material choice is key," Lars Gade Hansen explains. "The right material is an important enabler to ensure circularity. Evolve by Faerch trays provide consumers with the long-awaited guidance to easily choose food packaging that is made from recycled content. The unique look also reminds us that we should treat the tray as a valuable resource that we collect after use for recycling – again and again."

Faerch CASE

Closing the loop in collaboration

Through a unique buy-back programme, we partner with customers to create a truly closed loop for food trays.

Imagine a setup ensuring that a food tray is kept in the loop for an infinite number of cycles. Produced from recycled material and recycled into new trays. Of exactly the same quality, for the same purpose and for the same customer. This is not a vision. It is happening today.

We are leveraging our capabilities as an integrated recycler to create a truly closed loop for food trays. Put simply, our customers, this could be retailers, caterers or food service providers, buy our trays and use them for their menus. After use, they collect the trays and sell them back to us. We process the trays into raw materials and recycle them into new trays, which we deliver to our customer, who can put them to use once again and continue the cycle.

The initiative introduces a truly closed loop, bringing significant sustainable benefits, for instance by ensuring a much lower carbon footprint in production, as the need for virgin material in production of the trays is reduced to an absolute minimum, for some trays it is fully eliminated.

It further distinguishes itself, as it brings profits for business as well, as the customers partnering in the initiative gain value from the trays, which would otherwise risk being considered waste. Thereby allowing commercial and sustainable interests to go hand in hand.

Because of the in-house capabilities and expertise we have got as a recycler as well as our extensive knowledge in developing and producing rigid food packaging, we can guarantee that the recycled trays are treated according to the highest standards when received, and that the finished products are meeting all necessary criteria determining good food packaging, not least in terms of food safety, but also in terms of any of the other functional properties known from quality food packaging.

The closed loop concept is currently live with a number of customers, and we expect to offer more potential partners to join this special customer programme.

Faerch CASE

Scan the QR-code to watch the video...

Our 4PET recycling facilities

When recycling PET trays, the quality of the incoming bales is decisive for the yield and value gained. With the closed loop concept, input quality is high and homogenous, which makes it perfectly suited for efficient recycling.

Material choice matters

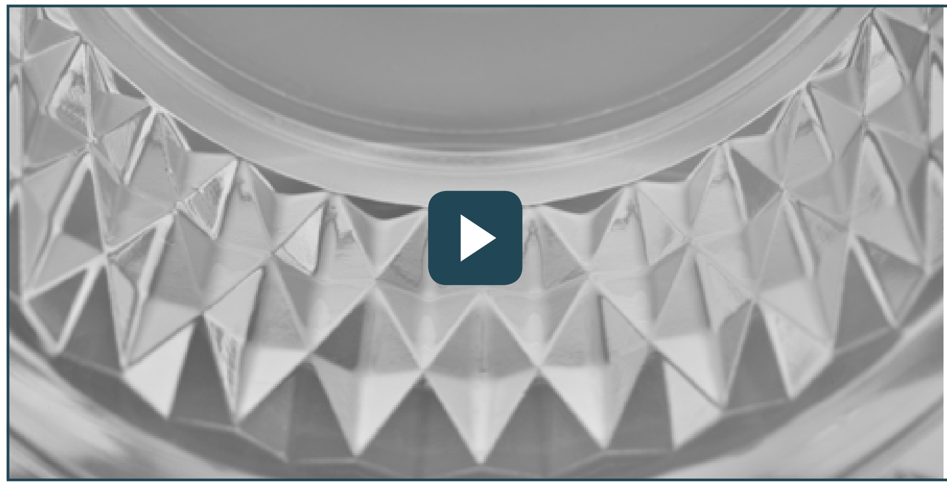
For rigid food packaging, PET is the superior choice. We have put our expertise to work to introduce a design guide to advance sustainability, recycling and ultimate food safety.

Good food packaging keeps food safe. It prolongs its lifetime and contributes to reducing food waste. In our opinion, it is also sustainable - when it is made from recycled material and designed with recycling in mind.

Producing good food packaging that lives up to these criteria is not an easy feat. To advance circularity in food packaging, we have developed a set of guidelines based on our extensive experience. The design guide defines a set of principles that, if followed, can help to make rigid food packaging circular and sustainable.

The market for rigid food packaging is undergoing an important and rapid change from multi-materials to mono-materials. Material choice is key in achieving the highest standards in terms of food safety, robustness and sustainability, in particular when focusing on recycling. Here, mono-material PET, which is well-known from bottles and becoming the standard material for trays, is the superior choice. It holds unrivalled attributes in terms of food safety, and it can be recycled in an infinite number of cycles.

Furthermore, the design guide recommends that part of choosing the right material is to choose the right material for the purpose. Here, it also recommends reserving PET for food contact applications. This would avoid contaminating the PET waste stream, and thereby create a better setup for recycling the valuable material.



Scan the QR-code to watch the video...

Sustainability

Sustainability in our value chain

Faerch is a leading manufacturer of plastic packaging and we are aware that the scale of our business and our activities have far-reaching environmental, social and economic impacts.

A circular economy

Creating circularity in food packaging has topped our agenda for many years and in 2018, we took a significant step in closing the loop on food trays with the acquisition of 4PET Group. The acquisition enables 100% recycling of the same material, for the same use, turning used food trays into a valuable resource rather than waste. When a tray is consumed, it is disposed, collected and processed into a new tray – and the circle repeats itself.

To reduce negative impacts and to make sure that we continue to add value and deliver competitive advantages to our customers, we have defined a set of actions to each stage in our value chain.

Suppliers & Sourcing
- Supplier Code of Conduct
- Supplier audits
- Responsible packaging activities

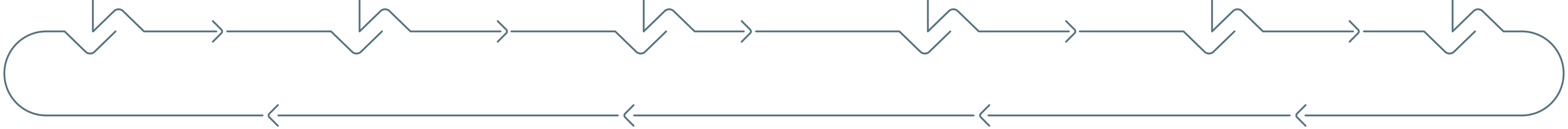
Product Development
- Delivering technical solutions for circularity
- Packaging to extend food shelf life and reduce food waste
- Reducing packaging weight
- Reducing stacking height
- Meeting high standards & going beyond food safety legislation
- Innovative mono-material solutions improving recyclability

Production: Extrusion/Thermoforming
- Raw material: Recycled plastic
- Reducing energy consumption through specific environmental projects
- Minimising plastic waste in the production
- Investing in energy effective technology
- Implementing specific activities to reduce work-related accidents
- Training our employees in occupational health

Logistics
- Reducing shipment by producing trays closer to customer locations
- Compiling transportation by delivering more trays in one truckload due to reduced stacking height
- Optimising vehicle motors
- Reducing outer packaging

At the customer
- Helping customers to extend food shelf life and optimise their packaging solutions
- Working with retailers on improving recycling rates of plastic trays
- Bringing new knowledge on sustainable packaging to our customers
- Testing packaging used in a closed loop system
- Helping customers reduce their CO2 footprint by offering alternatives to aluminium foil and cans
- Training our employees in anti-corruption and fair competition

At the end-user
- Convenient packaging for single household, helping reduce food waste
- Long shelf life reducing food waste
- Positive food experience



MAIN IMPACTS | **Minimising plastic waste** **Minimising CO2 emissions** **Reducing work-related accidents**

Sustainable development goals

The UN's 2030 Sustainable Development Goals have created a framework for addressing sustainability issues and creating a plan of actions in the areas of critical importance to the global society.

We are committed to making the SDGs operational and to identifying future business opportunities. By reviewing the areas of importance determined by the materiality assessment, we explore how we can support the SDGs linking them to our value chain and our business.

Currenctly, the Faerch business will focus on how we can make the biggest impact on the five UN SDG's highlighted in the table.

SUSTAINABLE DEVELOPMENT GOALS

Materiality Area	Sustainable Development Goal	Sustainable Development Target	Faerch's Focus Area	Faerch's KPI	Value chain involvement
Reduction of CO_2 emissions	13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	13.2. Integrate climate change measures into policies, strategies and planning	Sustainable Packaging	CO_2 emissions with increased use of recycled plastic.	Suppliers & Sourcing Product Development Production
Recycled plastic	12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	12.4. Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment	Sustainable Packaging	Quantity of recycled plastic used in production	Production Product Development
Technical solutions for waste sorting	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	9.4. Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	Sustainable Packaging	Development of Cradle-to-Cradle approach through a colour pigment - black ID – to identify and sort black trays in the mixed household waste	Customers End-users
Reduction of food waste	12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	12.3. Reduce food waste at the retail and consumer levels and reduce food losses along production and supply chains	Food Safety	Number of reported cases of migration tests Improvement sealing properties of trays to prolong food shelf life and reduce food waste	Suppliers & Sourcing Product Development Customers End-users
Recycled plastic	12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	12.5. Substantially reduce waste generation through prevention, reduction, recycling and reuse	Responsible Operations	Plastic waste as percentage of raw materials	Product Development Production
Effective production	7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	7.2. Increase substantially the share of renewable energy	Responsible Operations	Energy consumption '100% powered by electricity from renewable energy sources'	Production Logistics
Safe workplace	8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.8. Protect labour rights and promote safe and secure working environments for all workers	People & Organisation	Accident frequency	Production

Supporting international standards

Our progress and reporting are based on the principles of the UN Declaration of Human Rights, the ILO conventions and the UN Global Compact.

Even though Faerch has not joined the UN Global Compact, we see it as an important framework for our sustainability efforts. To meet fundamental responsibilities in areas of human rights, labour, environment and anti-corruption, we therefore align our strategies, policies and procedures to its principles and guidelines.

The table below illustrates how we approach and implement the ten principles of the UN Global Compact.

Our Policies	How the Policy Supports the UN Global Compact	Example of Policy Implementation
• **Sustainability Policy** • **Human Rights Policy** • **Statement on the Prevention of Slavery and Human Trafficking** • **Trade Sanctions in the Product Supply Agreements for raw materials and packaging**	Ensuring continuous growth and development supporting and respecting the protection of internationally proclaimed human rights and good business ethics.	Anchoring sustainability by ensuring that roles and responsibilities related to sustainable development in Faerch are defined and communicated through Group Form on Sustainability Governance. Monitoring and measuring progress towards sustainability through Group Procedure on non-financial data on sustainable development. Ensuring that our economic and financial transactions are in line with the applicable economic sanction laws and international trade restrictions, including providing information to our distributors about product final destination.
Supplier Code of Conduct	Ensuring responsible supplier management, defining and communicating expectations to our suppliers in terms of developing responsible business practices.	Carrying out supplier audits of top suppliers of raw materials, additives, colours, packaging and supplementary range.
Environment, Health & Safety Policy	Reducing own footprint, meeting high health & safety standards and creating a workplace culture based on commitment and responsibility.	• ISO 14001 Management System • Risk assessment of production equipment • Prevention of work-related injuries through analysis tools.
People Policies • Health Promotion Policy • Employee Development Policy	Ensuring equal opportunities at the workplace, eliminating discrimination in respect of employment and occupation and recognising the right to collective bargaining.	Initiating health promoting initiatives; performing external training; defining individual development plans (as a part of Employee Performance and Development Review); supporting employee intercultural & professional development through international secondments.
Legal Compliance Policy • Gifts Policy • Anti-corruption Policy • Fair Competition Policy • Procurement Policy	Working against corruption in all its forms, increasing employees' understanding of the rules and minimising the risk of breaking the rules.	Training in fair competition and anti-corruption, including e-learning programme.

Sustainable packaging

The focus area "Sustainable packaging" involves everything we do to minimise the environmental impact of our products. In terms of manufacturing, it is important that we look at the composition of our products and continuously aim to increase the share of recycled plastic in our product recipes and production processes and aim to integrate a true closed loop where used trays are collected and processed into new trays. This will help us reduce plastic waste and CO_2 emissions. Our aim is to take a leading position in the use of recycled plastic.

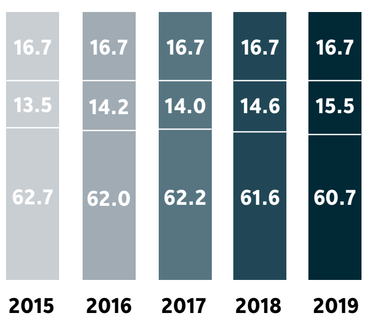
Scope	Guidelines	Impact	Risk & challenges
Manufacturing and recycling of plastic trays creating a closed loop within food packaging.	European Strategy for Plastics in a Circular Economy. Reuse and recyclability of own materials in own operational setup and the market, reaching a true "closed loop".	**Impact waste** Impact mitigation by optimising design proposals to minimise material consumption, by developing partitioned packaging, and by designing trays with smaller portion sizes to avoid dispose of surplus food. **CO2 emissions** Impact mitigation by increasing the share of recycled plastic in our product formulas and manufacturing processes; by rethinking product composition in existing and new products, material and processes.	Plastic waste management, mainly outside Europe, remains an immense challenge. We need to build a new mentality and customer behaviour moving away from the throwaway culture.

Performance progress

CO2 emissions with increased use of recycled plastic (21g CPET tray)[1]

Kg/CO2 equivalents per 1,000 trays

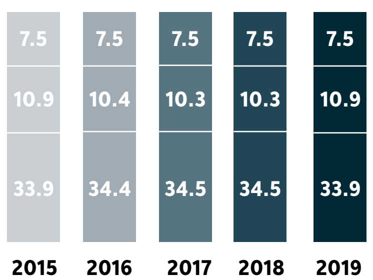
Bottom bars =Emissions with initiatives
Middle bars = Saved due to rPET
Top bars = Saved due to renewables



CO2 emissions with increased use of recycled plastic (12g APET tray)[1]

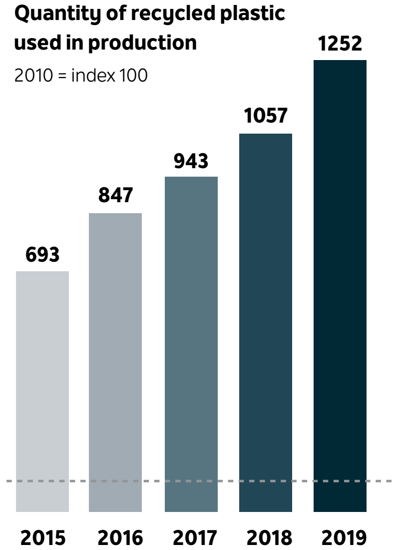
Kg/CO2 equivalents per 1,000 trays

Bottom bars =Emissions with initiatives
Middle bars = Saved due to rPET
Top bars = Saved due to renewables



Quantity of recycled plastic used in production

2010 = index 100



[1] Changed calculation principle. The historical figures were recalculated accordingly.

Food safety

Food safety is essential to our business. Our aim is to maintain a leading position in methods and products designed to protect food and to ensure high standards of safety and quality. We continuously develop methods and routines to approve and re-check the food contact status for products being manufactured. It is our ambition to meet the highest approval level supported by detailed migration tests.

Scope	Guidelines	Impact	Risk & challenges
Continuously developing methods and approaches to improve food contact safety; optimise the benefits from protecting food; and reduce the environmental impact of plastic packaging.	Commission Regulation (EU) No. 20/2011. Guidelines of best practice on the risk assessment of NIAS in food contact materials and articles (July 2015, ILSI-Europe report). Europe Strategy for Plastics in a Circular Economy (16 January 2018).	**CO2 emissions** Impact mitigation by developing skin-vacuum packaging solutions that enable increase in food product shelf life and by this obtaining waste reduction. Totally, this contributes positively to minimising our carbon footprint.	It may be difficult for end-users to distinguish between different types of plastic packaging and their purpose. We need to improve our external communication letting our stakeholders know what we are doing to protect food and to ensure high standards of food safety and quality.

Performance progress

Number of reported cases of migration tests

1* out of 26

tests in 2019

2018: 0 cases out of 32 tests
2017: 0 cases out of 21 tests
2016: 0 cases out of 21 tests
2015: 0 cases out of 10 tests

The product in question is a limited used product primarily for cold use that subsequently has been classified as restricted use only. Test conditions are currently being reviewed.

Responsible operations

The focus area "Responsible operations" involves everything we do to ensure that our production is effective. We are aware that the reach and scale of our activities can impact the environment, society and people. It is therefore important to keep our factory footprints as low as possible.

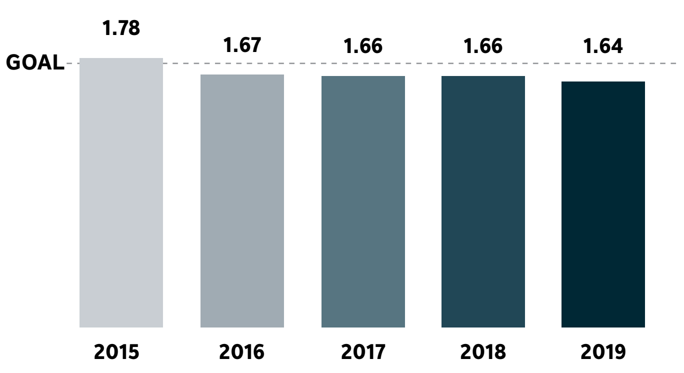
To ensure that we significantly reduce the environmental impact of producing, using and disposing our packaging solutions, we continuously pursue new ways and methods to reduce emissions and to improve resource consumption and waste management.

Scope	Guidelines	Impact	Risk & challenges
Ensure that our production is effective in the way we utilise resources and by this, minimising our environmental footprint.	Group Quality Policy Group Environment, Health & Safety Policy ISO 14001 Management System	**Plastic waste** Impact mitigation by establishing a common solution for transparent and comparable reporting on waste management. **CO2 emissions** Impact mitigation by defining and implementing specific projects; investing in sustainable technology, optimising transportation and minimising imperfections resulted in repeated work.	It is important that we strive to strike a balance between sustaining a high level of product quality while also ensuring high production efficiency and responsible manufacturing processes.

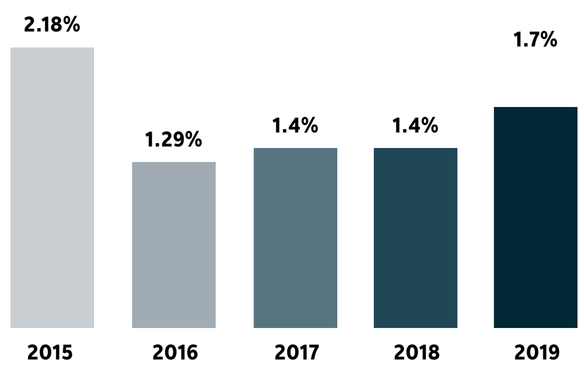
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
7 AFFORDABLE AND CLEAN ENERGY

Performance progress

Energy Consumption[1]
Mwh / tonne produced finished goods



Plastic Waste
Plastic waste as a percentage of raw materials



[1] Changed calculation principle. The historical figures were recalculated accordingly.

People & organisation

Health & safety

We strongly believe that it is our people and organisation that bring our values to life and generate our business results. Their commitment to our business and our customers is vital to the success and long-term growth of our business. People & Organisation is therefore an important focus area.

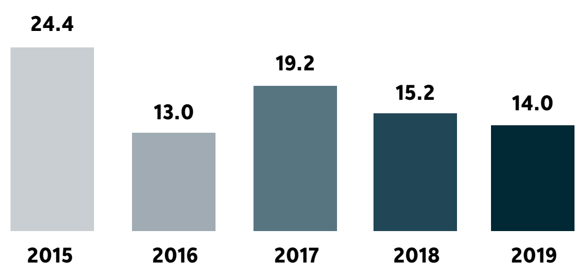
We are committed to maintaining high standards of health and safety across the Group's business units and we continue to implement new initiatives to help us ensure that our workplace is attractive. We believe this is key to achieving our long-term objectives.

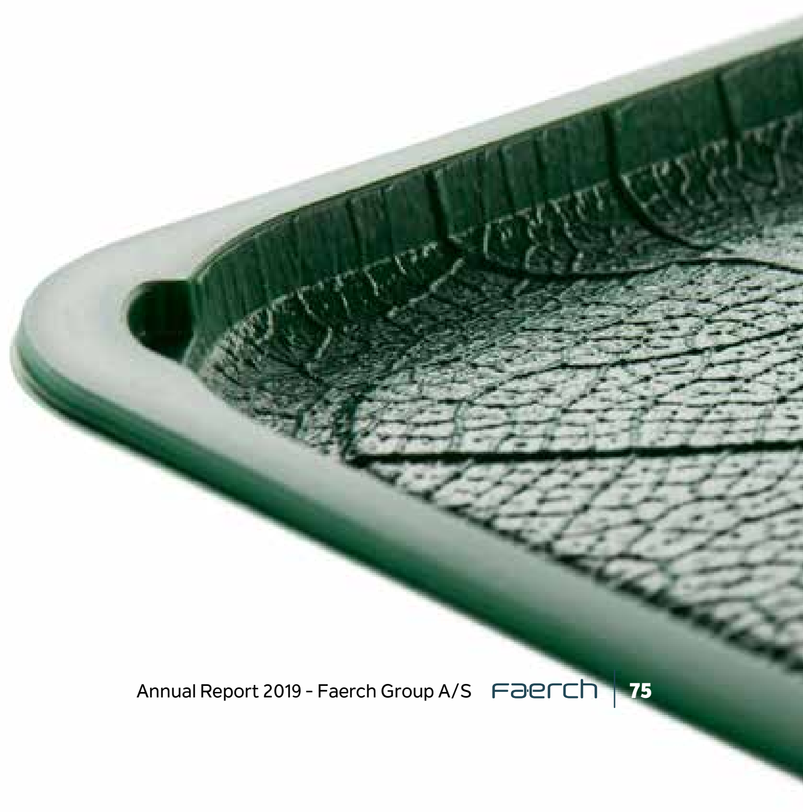
Scope	Guidelines	Impact	Risk & challenges
Maintaining high standards of health & safety at our workplace.	Environment, Health & Safety Policy Health Promotion Policy	**Work-related accidents/heavy lifting** Impact mitigation by automating work processes in the operation areas and investing in equipment to remedy risk of manual movements and muscular strain.	It is important to continue addressing safety performance as a key element of our operations and to prevent workplace hazards and occupational risk in a busy working environment.

8 DECENT WORK AND ECONOMIC GROWTH

Performance progress

Accident frequency[1]
Total work accidents per one million working hours





[1] Not including CGL Pack and 4PET

People & organisation

People

Scope	Guidelines	Tools	Impact	Risk & challenges
Ensuring our position as a responsible company by focusing on employee development and successor planning. 8 DECENT WORK AND ECONOMIC GROWTH	Human Rights Policy (incl. development, training and diversity). People Policies (incl. Employee Development Policy).	Employee Development Review Individual Development Plan Career Development Paths On-boarding Programme	We wish to develop our employees to support our strong growth and to be able to scale up the organisation.	To catch up with the recent years' strong growth, it is important that we develop our people and structures further. We need to develop our people and systematise career and successor planning in both the production and office areas. It is important to ensure a smooth on-boarding process for all new employees.

Performance progress

In 2019, our effort towards employee and organisation development was tailored to support our strong growth agenda and our business goals and, consequently, addressed the following areas:

Successor Planning

We believe that the expansion of our activities with the acquisition of two new companies - CGL Pack in France and the Dutch recycling company 4PET - has broadened the opportunities for career development. At the same time, it has established a basis for good and trustworthy collaboration between employees from different business units.

Our business is constantly changing and to scale up the organisation, we need to develop the skills of our employees. It is important that we are able to identify potential and encourage employees to take on more responsibility and new roles. In addition, we need to ensure that successors are available for key players through individual development plans.

In 2019, we followed up on the organisational review initiative aiming to systematise people development and successor planning among management members and key specialists.

Career Development

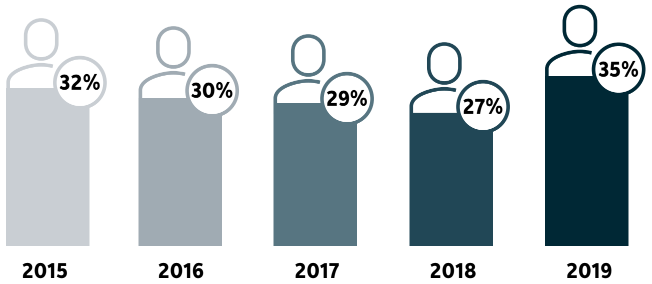
Career development is practiced through internal recruitment. We see it as our responsibility to encourage employees to improve their skills in their daily work and remain aware of the opportunities available for their continued development.

Graduate Programme

To support young talents in their career development and to add new knowledge and perspectives to our business, we introduced the Faerch Graduate Programme.

Employee Development

Career development, internal recruitments



We offer an 18-month Programme, in the course of which the Graduates will have an opportunity for learning about our company culture, getting insights into the different aspects of our business, and developing a strong toolbox. Additionally, with a placement at one of our locations in Europe, the Graduates will gain international experience, broaden their own perspectives, and learn about our international markets, challenges and opportunities.

Through the entire Programme, the Graduate will have a Career Mentor to help and guide on the professional career path, personal growth and development. With two tracks – Finance and Operations & Engineering – we look very much forward to welcoming young talents at Faerch from September 2020, when the Graduate Programme starts.

On-boarding

Despite the fact that we have a comprehensive On-boarding Programme, we have seen a need to enhance new employee integration at certain levels. Addressing this need, we aimed to ensure that new employees are succeeding in their new roles in our very fast-paced business.

Hence, we extended our existing On-boarding Programme launching a guideline on how to introduce our new employees to the tasks and responsibilities in departments. The guideline involves the necessary steps for department level integration and becoming part of the team.

Additionally, to expound our DNA and company culture, gaining a good understanding of the business and develop professional contacts across the organisation, a mentor agreement for selected employee groups will be introduced in 2020.

Diversity

Being an international organisation, we want to maintain our reputation as a workplace with equal opportunities and where differences are respected and valued.

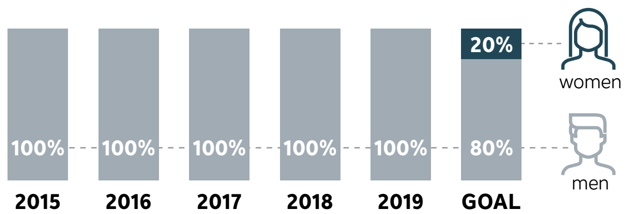
Our policy on gender proportion aims to increase the number of women at management level and to improve the representation of women in management at Faerch in general, in accordance with Danish Company Act No. 610 of 28 April 2015, Section 139a.

With a clear objective to enhance diversity in our workforce, regardless of age, gender, nationality etc., we promote and encourage equal opportunities for women and men. We ensure that all aspects of our personnel practices promote women's and men's equal career opportunities, including hiring procedures and conditions, recruitment and parental leave conditions. Additionally, we strive to ensure, as far as possible, that there are both female and male candidates in both internal and external recruitment.

Gender Proportion among the Members of the Board of Directors

It was not required to find any new members of the Group's Board in 2019. The current members of the Board have therefore not changed. The Group's Board continues to be engaged in increasing the total number of female members.

Members of the Board elected at the annual general meeting

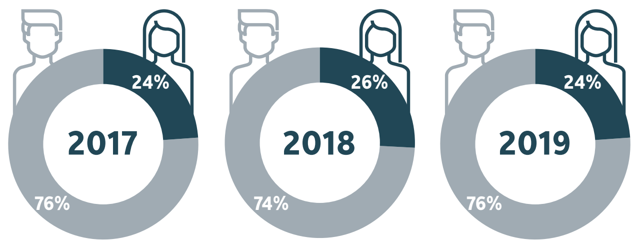


Gender Proportion on Manager Level

In 2017, due to a structural re-organisation of our company with a subsequent split of the organisation into regions, we reviewed the approach to report on gender proportion on manager level. Consequently, we reported on the total gender proportion for all managers in the Faerch Group. In this connection, 'Senior Manager' and 'Manager' represent one reporting category.

Additionally, we further strengthened the organisational structure by establishing more business units. However, we are following the same reporting line as reviewed in 2017.

Manager level



Governance

We take on responsibility
Faerch Group is an international organisation that is committed to acting as a proper and responsible company at all times, and we have imposed strict requirements on ourselves and our business partners through internal and external policies and guidelines.

Training in fair competition, anti-corruption and GDPR
At Faerch Group, we actively support international anti-corruption and fair competition efforts and are dedicated to upholding the highest standards of integrity and business ethics among our employees and business partners.

Faerch Group has a zero tolerance for corruption and anti-competitive activities.

By implementing guidelines, policies, e-learning and conducting on-site training for executives, managers, sale and procurement departments etc., Faerch Group works actively to combat inappropriate business conduct.

In 2019, 34 employees were trained on-site in anti-corruption and fair competition - against 29 employees in 2018, 18 employees in 2017 and 118 employees in 2016. The training of employees is often done in smaller groups of 5-10 employees in order to obtain a good face-to-face dialogue. The training enables our employees to execute business negotiations, attend meetings and social event with knowledge and understanding of basic competition law and anti-corruption law in order to protect themselves and the reputation of Faerch Group.

At Faerch Group, we are processing personal data in many areas and in order to support our employees' understanding of personal data and how to deal with it, Group Legal has launched a GDPR e-learning program in co-operation with Plesner (a Danish Law firm). In 2019, 309 employees have completed the GDPR e-learning course.

Furthermore, Group Legal has prepared procedures to ensure basic data subject rights (e.g. right to access personal data about themselves, right to rectify personal data about themselves, right to erase personal data about themselves etc.). All such requests from data subjects will be handled and answered by Group Legal.

Reported cases about corruption

0

2019: 0 cases
2018: 0 cases
2017: 0 cases
2016: 0 cases
2015: 0 cases

Reported cases about unfair competition

0

2019: 0 cases
2018: 0 cases
2017: 0 cases
2016: 0 cases
2015: 0 cases

Reported cases about gifts over EUR 200

1

2019: 1 case
2018: 0 cases
2017: 4 cases
2016: 3 cases
2015: 0 cases

Reported cases in our whistle-blower solution

0

2019: 0 cases
2018: 0 cases
The program was launched in 2018

Faerch Group has also established technical and organisational measures to ensure i) that our personal data is not accidentally or illegally destroyed, lost or changed, and ii) that personal data does not fall into the hands of unauthorised persons or in other manner processed in breach of the GDPR.

Overall, personal data is deleted when storage no longer has a factual purpose, which is in line with our Privacy policies that are published on our website.

In 2020, Group Legal will have continued focus on providing new joiners as well as CGL and 4PET on-site training in Faerch Group policies and internal guidelines within fair competition, anti-corruption and GDPR.

Whistle-blower hotline
Faerch Group's governance program is designed to identify and prevent serious offences and criminal acts. However, even the most effective compliance procedures cannot fully protect against every conceivable situation.

Consequently, Faerch Group has developed a whistle-blower hotline in co-operation with Plesner that can be used by our business partners and employees to report suspicions or knowledge of unethical conduct and criminal acts.

The whistle-blower hotline was launched in December 2018 and can be found on our website. In 2018 and 2019, no issues were reported through the whistle-blower hotline.

A good relationship with our suppliers
Faerch Group values long-term supplier relationships based on mutual trusting collaboration. As part of this collaboration and to ensure that our suppliers adhere to the same guidelines as we do, Faerch Group has developed a 'Supplier Code of Conduct'.

The 'Supplier Code of Conduct' reflects the ten principles of the UN Global Compact, which covers human rights, labour rights, the environment and anti-corruption. Today, the conduct has been accepted and signed by more than 500 suppliers (mostly suppliers who have a turnover at Faerch of a least EUR 5,000).

Each site directors are responsible to ensure that new suppliers signs Faerch's 'Supplier Code of Conduct' and to make sure that all signed Code of Conducts are stored in a local folder.

Faerch's 'Supplier Code of Conduct' was updated by Group Legal in December 2019.

Board of directors

Nils Smedegaard Andersen | Sönke Renk | Ronald John Edward Marsh | Laurent Bendavid | Markus Brettschneider | Sven Seidel

Nils Smedegaard Andersen (1958)
Chairman
Member since:
2018
Current position:
Professional advisor and investor
Other Board positions:
Chairman of Unilever, AkzoNobel, WFS and WWF Denmark
Non-Executive Director in Salling Fonden
Nationality:
Danish

Sönke Renk (1965)
Member since:
2018
Current position:
Managing Director at Finnern GmbH
Other Board positions:
Currently no other board positions
Nationality:
German

Ronald John Edward Marsh (1950)
Member since:
2014
Current position:
Professional advisor
Other Board positions:
Currently no other board positions
Nationality:
British

Laurent Bendavid (1970)
Member since:
2018
Current position:
Président/CEO at Alliance Healthcare France
Other Board positions:
Currently no other board positions
Nationality:
French

Markus Brettschneider (1974)
Member since:
2018
Current position:
Group Senior Vice President and Global Head of Sales & Marketing at ABB Group
Other Board positions:
Currently no other board positions
Nationality:
German

Sven Seidel (1973)
Member since:
2018
Current position:
CEO at Phoenix Pharma SE
Other Board positions:
Currently no other board positions
Nationality:
German

Governance

Executive management

Lars Gade Hansen | Tom Sand-Kristensen | Jesper Emil Jensen | Arne Holme | Spencer Johnston

Lars Gade Hansen (1968)
Group CEO
Member since:
2009
Previous experience:
Bodilsen - CEO
Vestfrost - COO
Kirk Acoustics - CEO
Terma - Vice President

Tom Sand-Kristensen (1971)
Group 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

Jesper Emil Jensen (1978)
Regional CEO - Continental Europe
Member since:
2018
Previous experience:
Faerch - Sales and Markerting Director North
Faerch - Vice President NPI and NPD
Faerch - Sales Director Central
Faerch - Product Manager

Arne Holme (1973)
Group CTO
Member since:
2018
Previous experience:
Faerch - Director Operational Development
Faerch - Site Director Holstebro
Faerch - Production Manager
Faerch - Project Manager

Spencer Johnston (1978)
Regional CEO - UK & Ireland
Member since:
2019
Previous experience:
Multi-Packaging Solutions - Vice President, European Label Division
Multi-Packaging Solutions - General Manager, UK & Ireland
Multi-Packaging Solutions - Site Director
Multi-Packaging Solutions - Commercial Manager, UK & Ireland

Only the best is good enough. We are leading our industry in quality, innovation, product design and customer service.

Consolidated financial statement

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Consolidated income statement and consolidated statement of other comprehensive income

1 January - 31 December

Note	EURm	2019	2018
1.1	Revenue	405.4	346.4
1.2	Production costs	-301.9	-249.8
	Gross profit	**103.5**	**96.6**
1.2	Sales and distribution expenses	-48.0	-51.4
1.2	Administrative expenses	-19.8	-16.4
1.3	Other operating income	0.5	1.2
1.3	Other operating expenses	-2.9	-6.1
	Operating profit (EBIT) before special items	**33.4**	**23.9**
	Specification:		
	Earnings before interest, tax, depreciations and amortisation (EBITDA)	89.5	75.8
	Depreciation and amortisation	-56.1	-51.9
	Operating profit (EBIT) before special items	**33.4**	**23.9**
1.4	Special items	13.2	-10.3
	Operating profit (EBIT)	**46.7**	**13.6**
3.1	Financial income	10.5	24.3
3.1	Financial expenses	-59.2	-59.2
	Profit before income tax	**-2.0**	**-21.3**
4.3	Tax on profit for the year	5.9	-0.6
	Profit for the year	**3.9**	**-21.9**
	Statement of comprehensive income		
	Profit for the year	3.9	-21.9
	Items that will be reclassified subsequently to the income statement when specific conditions are met:		
	Unrealized gain / loss on hedging reserves	-1.1	1.2
	Tax on unrealized gain / loss on hedging reserves	0.2	-0.3
	Foreign exchange adjustment on translation	5.2	-1.1
	Tax on foreign exchange adjustment	-1.6	-
	Total comprehensive income for the year	**6.7**	**-22.1**
	Total comprehensive income for the year is attributable to:		
	Shareholders in Faerch Group A/S	6.7	-22.1

Consolidated balance sheet

31 December

Note	(EURm)	2019	2018
	Assets		
	Goodwill	493.8	496.8
	Brand	155.0	186.1
	Customer relations and others	210.6	227.9
2.1, 2.2	**Intangible assets**	**859.3**	**910.8**
	Land and buildings	73.2	74.2
	Plant and machinery	165.1	166.1
	Fixtures and fittings, tools and equipment	30.9	35.1
	Fixed assets under construction	9.6	10.9
2.3	**Tangible assets**	**278.8**	**286.3**
4.3	**Deferred tax assets**	**4.3**	**2.2**
	Total non-current assets	**1,142.5**	**1,199.4**
2.4	Inventories	58.7	56.4
2.5, 3.2	Trade receivables	52.7	62.0
3.2	Other receivables	3.9	3.2
3.2	Prepayments	1.0	1.5
	Current tax assets	8.4	6.6
3.2	Cash at banks	16.5	4.8
	Total current assets	**141.2**	**134.4**
	Total assets	**1,283.8**	**1,333.8**

Consolidated financial statements

Consolidated balance sheet

31 December

Note	(EURm)	2019	2018
Equity and liabilities			
3.5	Share capital	1.9	1.9
	Reserve for currency translation	0.5	-3.1
	Retained earnings	151.5	148.5
	Total equity	**153.9**	**147.3**
3.2	Borrowings	655.7	708.3
	Debt to Parent Company	236.3	236.3
4.3	Deferred tax liabilities	101.9	115.3
	Total non-current liabilities	**994.0**	**1,059.9**
3.2	Borrowings	30.0	28.5
3.2	Trade payables	52.8	52.9
	Current tax liabilities	14.7	12.0
3.2, 3.4	Other short term debt	37.5	32.1
3.2	Deferred revenue	0.9	1.0
	Total current liabilities	**135.9**	**126.7**
	Total liabilities	**1,129.8**	**1,186.6**
	Total equity and liabilities	**1,283.8**	**1,333.8**

Consolidated statement of changes in equity

(EURm)	Share capital	Reserve for currency translation	Retained earnings	Total Equity
Equity at 1 January 2019	**1.9**	**-3.1**	**148.5**	**147.3**
Profit for the year	-	-	3.9	3.9
Hedging reserves	-	-	-1.1	-1.1
Tax on hedging reserves	-	-	0.2	0.2
Other comprehensive income	-	5.2	-	5.2
Tax on other comprehensive income	-	-1.6	-	-1.6
Total comprehensive income for the period	**-**	**3.6**	**3.1**	**6.7**
Equity at 31 December 2019	**1.9**	**0.5**	**151.5**	**153.9**
Equity at 1 December 2018	**1.9**	**-2.0**	**169.5**	**169.4**
Profit for the year	-	-	-21.9	-21.9
Hedging reserves	-	-	1.2	1.2
Tax on hedging reserves	-	-	-0.3	-0.3
Other comprehensive income	-	-1.1	-	-1.1
Tax on other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-1.1**	**-21.0**	**-22.1**
Equity at 31 December 2018	**1.9**	**-3.1**	**148.5**	**147.3**

Consolidated cash flow statement

1 January - 31 December

Note	(EURm)	2019	2018
	Profit before tax	-2.0	-21.3
4.2	Adjustments for non-cash transactions	80.6	87.3
2.6	Change in working capital	11.7	5.9
	Interest paid	-30.7	-33.5
	Interest received	0.1	-0.1
	Income taxes paid	-10.6	-4.2
	Cash flow from operating activities	**49.0**	**34.1**
2.1	Purchase of intangible assets	-1.8	-1.0
2.3	Purchase of tangible assets	-26.5	-26.6
	Proceeds from sale of tangible assets	0.0	0.3
	Acquisition of subsidiaries	0.0	-126.6
	Cash flow from investing activities	**-28.3**	**-154.0**
	Free cash flow	**20.8**	**-119.9**
	Proceeds from capital increase	0.0	0.0
	Proceeds from borrowings	1.5	97.7
	Payments for shares bought back	0.0	0.0
	Repayments of borrowings	-12.3	-4.5
	Cash flow from financing activities	**-10.8**	**93.2**
	Net increase in cash and cash equivalents	**10.0**	**-26.7**
	Cash and cash equivalents at 1 January	-10.0	16.2
	Foreign exchange rate adjustments on cash and cash equivalents	0.0	0.4
	Cash and cash equivalents at 31 December	**0.0**	**-10.0**
	Cash and cash equivalents are specified as follows:		
	Cash at bank and in hand	16.5	4.8
	Credit institutions	-16.5	-14.8
	Cash and cash equivalents at 31 December	**0.0**	**-10.0**

Consolidated financial statements

Note 1.1 Segment information

Accounting policies

Revenue recognition
Revenue from the sale of trays, sheets, flakes 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 four business segments based on distribution channels: Industrial, Distribution, Retail and Recycling. 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.

Recycling include sales of recycled PET trays or PET bottles in the form of sheets, flakes or pellets.

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 allocation keys. 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.

(EURm)	Industrial	Distribution	Retail	Recycling	Unallocated & eliminations	Total
2019						
Volume (m'pcs)	**5,313**	**884**	**187**	**-**	**-**	**6,384**
Revenue	305.5	50.8	10.8	62.0	-23.8	405.4
Operating profit before special items	30.0	5.0	1.1	-2.6	-	33.4
Financial items	-	-	-	-	-48.7	-48.7
Profit before tax	-	-	-	-	-2.0	-2.0
Total assets	**925.8**	**153.9**	**32.6**	**150.6**	**20.9**	**1,283.8**
2018						
Volume (m'pcs)	**4,459**	**1,111**	**324**	**-**	**-**	**5,894**
Revenue	262.7	62.6	8.0	19.3	-6.3	346.4
Operating profit before special items	19.1	4.5	0.6	-0.3	-	23.9
Financial items	-	-	-	-	-34.9	-34.9
Profit before tax	-	-	-	-	-21.3	-21.3
Total assets	**922.3**	**219.8**	**28.0**	**156.5**	**7.1**	**1,333.8**

Note 1.1 Segment information (continued)

1 January - 31 December

Geographical information - total revenue

(EURm)	Total non-current assets 2019	Total non-current assets 2018	Total revenue 2019	Total revenue 2018
North Europe	902.0	938.1	201.5	207.5
South Europe	94.4	109.1	55.6	55.6
Central Europe	145.9	152.3	140.1	77.8
Rest of the world	-	-	8.2	5.4
Total	**1,142.4**	**1,199.4**	**405.4**	**346.4**

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

Accounting policies

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.

Note 1.2.a Staff expenses (continued)

(EURm)	2019	2018
Wages, salaries and remuneration	65.7	50.6
Termination benefits	-	0.0
Pension contribution	2.0	2.0
Other social security costs	2.3	2.9
Total staff costs	**70.1**	**55.5**
Staff costs relate to:		
Production costs	48.2	35.3
Sales and distribution expenses	9.9	11.5
Administrative expenses	10.6	7.5
	68.7	**54.4**
Staff cost recognised as inventory or fixed assets	1.4	1.1
Total staff costs	**70.1**	**55.5**
Average number of full time employees	**1,497**	**1,285**
Remuneration for Key Management Personnel (Executive Management)		
Salaries and wages	1.6	1.5
Pension expenses	0.1	0.1
Termination benefits	-	-
Total	**1.7**	**1.6**
Fee to Board of Directors	**0.2**	**0.2**

Note 1.2.b Depreciation, amortisation and impairment losses

(EURm)	2019	2018
Intangible assets, amortisation	17.7	20.0
Intangible assets, impairment	31.9	-
Property, plant and equipment, depreciation	38.4	31.9
Total depreciation, amortisation and impairment losses	**88.0**	**51.9**
Depreciation/amortisation and impairment losses relate to:		
Production costs	37.7	34.1
Sales and distribution expenses	17.3	17.4
Administrative expenses	1.0	0.4
Special items	31.9	-
Total depreciation, amortisation and impairment losses	**88.0**	**51.9**

Note 1.2.c Research and developments costs

(EURm)	2019	2018
Research and development costs expensed during the year	0.8	0.7
	0.8	**0.7**

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

(EURm)	2019	2018
Gain on disposal of intangible assets and property, plant and equipment	0.0	0.2
Rent and other secondary income	0.0	0.0
Gain on financial instruments	-	0.2
Other items	0.5	0.8
Total other operating income	**0.5**	**1.2**
Loss on disposal of intangible assets and property, plant and equipment	-	-
Transaction costs	0.3	1.3
Loss on financial instruments	0.8	-
Other items	1.8	4.8
Total other operating expenses	**2.9**	**6.1**

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 and integration cost relating to acquired new business´s in 2018 and cost for Faerch Group 50th anniversary, costs to external consultants for strategic reviews or specific market reviews and costs considered as "force majeure" within the polymer market due to sudden supply shortage and abnormal price levels. As described in the operateing and finacial review the gain from the adjustment of the contingent payment obligation related to 3PET Holding B.V and the impairment of the Anson and the CGL brands are also categorised as special items.

These items are classified separately in the income statement, in order to provide a more transparent view of the Group's recurring operating profit.

(EURm)	2019	2018
Acquisition	-0.5	- 4.6
Integration	-4.4	- 0.5
Force Majeure	-	-3.1
50th anniversary	-2.2	-
Adjustment of contingent payment obligation	53.9	-
Impairment of brands	-31.9	-
Other	-1.6	-2.1
Total Special items	**13.2**	**-10.3**

Note 2.1 Intangible assets

Accounting policies

Goodwill
Goodwill decreased by 4,5m EUR during 2019 due to an adjustment of the contingent payment obligation, and a change to the intially prepared purchase price allocation, related to 3PET in the Netherlands.

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
During 2019 the Brand value decreased by 31,9m EUR mainly due to a full impairment of the CGL Pack brand in France and the Anson brand in the UK. The group plans to discontinue the use of both brands during the course of 2020, hence these two brands will no longer generate positive cash-flows. Going forward all products in the tray segment will be marketed under the Faerch brand name.

Brand is initially recognised at cost. It is estimated that the Faerch brand will generate net cash inflows for the group for an indefinite period. Therefore, the brand is carried at cost without amortisation, but is tested for impairment in accordance with note 2.2.

Customer relations and others
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. These projects are recognised in the income statement when incurred.

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

(EURm)	Goodwill	Brand	Customer relations and others	Total
2019				
Cost at 1 January	496.8	189.5	252.3	938.6
Exchange rate adjustments	1.4	1.2	-0.0	2.6
Additions	-	-	1.8	1.8
Increase / adjustment due to company acquisition	-4.5	-	-	-4.5
Transfer	-	-	-1.4	-1.4
Cost at 31 December	**493.8**	**190.7**	**252.6**	**937.1**
Amortization and impairment at 1 January	-	3.4	24.4	27.8
Exchange rate adjustments	-	0.4	0.0	0.4
Amortization and impairment for the year	-	31.9	17.7	49.6
Amortization and impairment at 31 December	**-**	**35.7**	**42.1**	**77.8**
Carrying amount at 31 December	**493.8**	**155.0**	**210.6**	**859.3**

Note 2.1 Intangible assets (continued)

(EURm)	Goodwill	Brand	Customer relations and others	Total
2018				
Cost at 1 January	365.8	172.2	240.9	778.9
Exchange rate adjustments	-1.5	-0.7	-0.7	-2.9
Increase due to company acquisition	132.5	18.0	10.8	161.3
Transfer	-	-	1.3	1.3
Cost at 31 December	**496.8**	**189.5**	**252.3**	**938.6**
Amortization and impairment at 1 January	-	0.8	5.6	6.4
Exchange rate adjustments	-	-0.0	-0.1	-0.1
Increase due to company acquisition	-	0.5	0.9	1.4
Amortizarion for the year	-	2.1	17.9	20.0
Depreciation and impairment at 31 December	**-**	**3.4**	**24.4**	**27.8**
Carrying amount at 31 December	**496.8**	**186.1**	**227.9**	**910.8**

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 estimates the recoverable amount of the asset.

Goodwill
Goodwill relates to acquisition of the R. Faerch A/S in 2014, Anson Packaging Ltd. in 2015, CGL Pack Service SAS and 3PET Holding B.V. in 2018.

Brand
The brand relates to the acquistion of Faerch Plast Group A/S in 2017.

Customer relations and others
The customer relation relates to the acquistion of Faerch Plast Group A/S in 2017 and CGL Pack Service SAS in 2018. Others consist of internal development projects.

Testing method
The carrying amount of intangibles 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 estimated future free net cash flows is based on budgets for 2020 and business plans and projections for 2021-2024. 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 is 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 on 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 result 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.

(EURm)	Carrying amount, goodwill	Carrying amount, Brand	Carrying amount, customer relations and others	Discount rate, before tax	Growth in terminal period in %
2019					
Faerch Group A/S	155.6	155.0	201.0	7.5%	2%
Faerch A/S	182.4	-	2.4	7.5%	2%
CGL Pack Group	42.7	-	7.2	7.5%	2%
Faerch UK Ltd. (former Anson Packaging Ltd)	27.7	-	0.0	7.5%	2%
Faerch Poole	-	-	0.1	7.5%	2%
3PET Holding B.V.	85.3	-	0.0	7.5%	2%
Total carrying amount at 31 December	**493.8**	**155.0**	**210.6**		
2018					
Faerch Group A/S	155.7	155.0	216.8	7.5%	2%
Faerch A/S	182.5	-	2.0	7.5%	2%
CGL Pack Group	42.7	17.6	9.1	7.5%	2%
Faerch UK Ltd. (former Anson Packaging Ltd)	26.1	13.5	0.1	7.5%	2%
Faerch Poole	-	-	0.0	7.5%	2%
3PET Holding B.V.	89.8	-	0.0	7.5%	2%
Total carrying amount at 31 December	**496.8**	**186.1**	**227.9**		

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We are known for our honesty, credibility and accountability in all that we do.

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 straight-line 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.

Assets held under operation leases are systematically expensed over the lease period.

Uncertainties and estimates
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.

Note 2.3 Tangible assets (continued)

(EURm)	Land and buildings	Plant and machinery	Fixtures and fitting, tools and equipment	Fixed assets in progress	Total
2019					
Cost at 1 January	87.3	231.1	53.5	10.9	382.7
Exchange rate adjustments	1.5	4.2	1.2	0.1	7.0
Additions	1.3	13.0	7.6	4.1	26.0
Transfer	1.1	3.3	1.5	-5.4	0.5
Disposals	-3.1	-0.8	-0.9	-	-4.9
Cost at 31 December	**88.0**	**250.8**	**62.9**	**9.6**	**411.3**
Depreciation and impairment at 1 January	13.1	65.0	18.3	-	96.4
Exchange rate adjustments	0.3	1.9	0.8	-	3.0
Depreciation for the year	4.7	21.4	12.4	-	38.4
Transfer	-0.2	-0.3	1.3	-	0.7
Depreciation on disposals	-3.0	-2.2	-0.8	-	-6.1
Depreciation and impairment at 31 December	**14.8**	**85.7**	**31.9**	**-**	**132.4**
Carrying amount at 31 December	**73.2**	**165.1**	**30.9**	**9.6**	**278.8**
Of which assets held under finance lease	12.0	13.8	1.0	-	26.8
Depreciation for the year related to leased assets	2.3	1.9	0.6	-	4.9
Addition of leased assets for the year were 2.0 mEUR					
Total cash outflow for leases for the period 2019 was 7.0 mEUR					
2018					
Cost at 1 January	58.7	132.3	43.1	6.8	240.9
Exchange rate adjustments	-0.6	-1.1	-0.4	-0.1	-2.2
Additions	2.9	16.7	4.6	10.4	34.5
Increase due to company acquisition	26.7	80.5	5.1	0.4	112.6
Transfer	0.0	3.1	2.1	-6.6	-1.3
Disposals	-0.4	-0.5	-1.0	-	-1.8
Cost at 31 December	**87.3**	**231.1**	**53.5**	**10.9**	**382.7**
Depreciation and impairment at 1 January	0.1	2.8	4.4	-	7.4
Exchange rate adjustments	-0.0	-0.5	-0.2	-	-0.7
Increase due to company acquistion	10.0	46.6	2.8	-	59.5
Depreciation for the year	2.9	16.8	12.1	-	31.9
Transfer	-	-	-	-	-
Depreciation on disposals	-	-0.8	-0.9	-	-1.7
Depreciation and impairment at 31 December	**13.1**	**65.0**	**18.3**	**-**	**96.4**
Carrying amount at 31 December	**74.2**	**166.1**	**35.1**	**10.9**	**286.3**
Of which assets held under finance lease	13.2	17.0	1.1	-	31.4
Depreciation for the year related to leased assets	1.5	1.3	0.7	-	3.5

Addition of leased assets for the year were 3.5 mEUR
Total cash outflow for leases for the period 2018 was 7.2 mEUR

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 as 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 characteristic 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.

(EURm)	2019	2018
Raw materials and consumables	18.2	17.9
Work in progress	15.5	12.7
Finished goods	21.3	22.3
Other inventory	3.8	3.4
Total inventory	**58.7**	**56.4**

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.

(EURm)	2019	2018
Trade receivables before provision for bad debts	53.3	62.0
Write-downs for bad debts	-0.6	-0.0
Total trade receivables, net	**52.7**	**62.0**
Write-down for bad debts at 1 January	-0.0	-0.0
Foreign currency translation adjustments	-	-
Additions through acquisition of subsidiaries	-	-
Change in write-downs	-0.5	0.0
Realized loss	-	-
Write-down for bad debts at 31 December	**-0.6**	**-0.0**

Note 2.5 Trade receivables (continued)

Age distribution of gross trade receivables

(EURm)	2019	2018
Not overdue	36.1	49.1
Past due and impaired	0.0	0.1
Overdue 0-30 days	10.0	4.5
Overdue 31-60 days	1.2	3.3
Overdue between 61-90 days	0.9	0.6
Overdue 91-180 days	2.3	1.6
Overdue more than 181 days	2.8	2.7
Total age distribution of gross trade receivables	**53.3**	**62.0**

Note 2.6 Working capital change

(EURm)	2019	2018
Change in inventories	-2.4	-2.3
Change in trade receivables	9.3	16.5
Change in other receivables	-0.7	-1.9
Change in prepayments	0.5	0.2
Change in trade payables	-0.2	-6.9
Change in other payables	5.2	0.4
Total working capital change	**11.7**	**5.9**

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.

Exchange differences arising on a monetary item that is a receivalbe from or payable to a foreign operation and forms part as a net investment in a foreign operation, is initially recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in accordance with IAS 21.

(EURm)	2019	2018
Interest of financial assets measured at amortised cost	0.8	0.0
Foreign exchange adjustments	9.8	23.9
Other financial income	0.0	0.4
Total financial income	**10.5**	**24.3**
Interest on financial liabilities measured at amortised cost	32.4	34.2
Foreign exchange adjustments	25.5	19.2
Other financial expenses	0.9	5.8
Total financial expenses	**59.2**	**59.2**

* Other financial expenses 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

Uncertainties and estimates
The maturity analysis is based on all undiscounted cash flows, including estimated interest payments, which are estimated based on the current market conditions.

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

Note 3.2 Financial assets and liabilities (continued)

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

				Maturity		
(EURm)	Carrying amount	Fair value	Total contractual cash flows	Due within 1 year	Due between 1 and 5 years	Due after 5 years
2019						
Measured at amortised cost (loans and receivables):						
Trade receivables	52.7	52.7	52.7	52.7	-	-
Other receivables	3.9	3.9	3.9	3.9	-	-
Prepayments	1.0	1.0	1.0	1.0	-	-
	57.6	**57.6**	**57.6**	**57.6**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	-2.3	-2.3	-2.6	-2.3	-0.3	-
	-2.3	**-2.3**	**-2.6**	**-2.3**	**-0.3**	**-**
Total financial assets	**55.3**	**55.3**	**55.0**	**55.3**	**-0.3**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	21.0	21.0	22.2	2.8	10.7	8.8
Bank borrowings	638.3	638.3	776.5	47.5	692.7	36.3
Finance lease liabilities	26.4	26.4	27.9	6.6	16.0	5.4
Borrowings from Group Enterprises	236.3	236.3	236.3	-	-	236.3
Contingent payment	-	-	-	-	-	-
Deferred revenue	0.9	0.9	0.9	0.9	-	-
Trade payables	52.8	52.8	52.8	52.8	-	-
Other short term debt	37.5	37.5	37.5	37.5	-	-
	1,013.2	**1,013.2**	**1,154.1**	**147.9**	**719.4**	**286.7**
Total financial liabilities	**1,013.2**	**1,013.2**	**1,154.1**	**147.9**	**719.4**	**286.7**

Note 3.2 Financial assets and liabilities (continued)

				Maturity		
(EURm)	Carrying amount	Fair value	Total contractual cash flows	Due within 1 year	Due between 1 and 5 years	Due after 5 years
2018						
Measured at amortised cost (loans and receivables):						
Trade receivables	62.0	62.0	62.0	62.0	-	-
Other receivables	3.2	3.2	3.2	3.2	-	-
Prepayments	1.5	1.5	1.5	1.5	-	-
	66.7	**66.7**	**66.7**	**66.7**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	-1.1	-1.1	-1.7	-0.8	-0.9	-
	-1.1	**-1.1**	**-1.7**	**-0.8**	**-0.9**	**-**
Total financial assets	**65.6**	**65.6**	**64.9**	**65.9**	**-0.9**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	23.6	23.6	25.3	2.8	10.9	11.6
Bank borrowings	622.2	622.2	773.7	44.6	141.4	587.7
Finance lease liabilities	30.2	30.2	30.2	7.6	16.7	5.9
Borrowings from Group Enterprises	236.3	236.3	236.3	-	-	236.3
Contingent payment	60.9	60.9	64.0	-	64.0	-
Deferred revenue	1.0	1.0	1.0	1.0	-	-
Trade payables	52.9	52.9	52.9	52.9	-	-
Other short term debt	32.1	32.1	32.1	32.1	-	-
	1,059.3	**1,059.3**	**1,215,7**	**141.1**	**233.0**	**841.5**
Total financial liabilities	**1,059.3**	**1,059.3**	**1,215,7**	**141.1**	**233.0**	**841.5**

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.

Net interest-bearing debt

(EURm)	2019	2018
Cash at banks	-16.5	-4.8
Long-term borrowings	655.7	708.3
Short-term borrowings		
Credit institutions	16.5	14.8
Finance lease liabilities	6.6	7.6
Payments due within 1 year from long term debt	6.9	61
Total net interest-bearing debt	**669.2**	**732.0**

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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. The treasury policy was approved in december 2018 with a descending hedger ladder methodology for GBP exposure and a reduction of minimum interest rate hedge.

Currency risk

Currency risk arises due to imbalances between income and costs in each individual currency and also due to imbalance between assets and liabilities. Hedging of currency risk is carried out in GBP, where Færch has the the largest exposure. The hedging is managed by entering into derivatives such as forward contracts, currency options and swaps. Loans and deposits in foreign currencies are also utilized as hedging. Hedge effectiveness is assessed on a regular basis.

Since 2018 the Group hedges GBP using the following descending hedger ladder methodology:

Exposure horizon	Hedge ratio range:
Up to 3 month:	70-90%
4 to 6 motnh:	60-80%
7 to 9 month:	50-70%
10 to 12 month:	40-60%

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 EUR. This exchange risk has not been hedged. Further to this, the currency exposure arising from debt in other currency than EUR is not hedged. The group has debt in DKK, EUR and GBP.

(EURm)	Contract value	Carrying amount	Fair value adjustments recognised in income statement
Forward exchange contracts - GBP			
2019	34.6	-1.1	-1.4
2018	39.0	0.3	0.1

The sensitivity analysis below shows the impact on net profit of a change of 10% in the EUR versus GBP, which is the main currency to which the Group was exposed on December 31, 2019 adjusted for hedge accounting.

The sensitivity analyses reflects the transaction and translation risk, and assumes that the exchange rates are changed on 31 December 2019, 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.

Note 3.3 Financial risks and instruments (continued)

		2019		2018	
(EURm)	Change in exchange rate	Profit before tax	Equity	Profit before tax	Equity
Exchange rate analysis on assets and liabilities					
GPB	10.0%	2.4	-11.0	6.5	-17.2

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, EUR and GBP.

In accordance to the treasury policy, a minimum of 50 % of loans must be at fixed interest rates for a future period of minimum three years. As at 31 December 2019, 59% of loans were heged to fixed rate until november 2021. 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 2019, the outstanding interest swaps had the following market value:

(EURm)	Contract value	Carrying amount	Fair value adjustments recognised in income statement
Interest rate swaps			
2019	707.6	-1.2	0.2
2018	405.8	- 1.4	1.1

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 EUR 2.0m (2018: 1.9m) and equity of EUR 1.6m (2018: 1.4m). A corresponding decrease in interest levels would mean a correspondingly positive impact on profit for the year and equity.

The Group has entered into non-recourse factoring for key markets.

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 2019 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 2019 94.7% (2018: 92.4%) 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 treasury 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 treasury 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
In terms of financial covenants the group has to comply with the following: If the original Revolving Facilities and any springing Covenant Revolving Facilities is over 40% drawn, the Consolidated Senior Secured Net Leverage Ratio must not exceed 8.66:1. During the reporting period, the Revolving Facility has been drawn more than 40%, the Consolidated Senior Secured Net Leverage has been below 8.66:1.

Note 3.4 Other short term debt

(EURm)	2019	2018
Wage-related payables and other charges	9.5	9.7
VAT and other indirect taxes	0.7	-2.1
Customer discounts and rebates	4.7	4.4
Other current liabilities	22.6	20.2
Total other short term debt	**37.5**	**32.1**

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 Faerch 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 (DKKm)
A-shares	1.117.445.276	11
B-shares	108.448.336	1
C-shares	95.906.997	1
D-shares	77.609.611	1
	1.399.410.220	**14**

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 two years:

(EURm)	2019	2018
Share capital at 1 January	1.9	1.9
Capital increase	-	-
Capital decrease	-	-
Share capital at 31 December	**1.9**	**1.9**

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.

Uncertainties and estimates
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 consideration transferred by the group in the acquisition.

Acquisitions in 2019
There were no acquisitions in the year ending 31 December 2019.

Significant estimate,
contingent consideration 3PET Holding B.V.
In the event that the enterprise value of the subisidary for the year ended 31 December 2019 would be above a predefined target, additional consideration of up to EUR 60.1 millon would be payable in cash on 31 March 2020. Bringing the total purchase consideration up to EUR 100 million.

The fair value of the contingent consideration was estimated by calculating the enterprise value of the subsidary as of 31 December 2019. The main reasons for reducing the contingent payment obligation are due to, a lower EBITDA than expected in 2019, a higher net debt position and adjustments related to 2018.

As at 31 December 2019, the contingent consideration has been fully derecognised, because of above reasons. EUR 53.9 million is allocated to the income statement as other income, EUR 6.1 million is withdrawn from the goodwill.

Revised purchase price allocation
Within the measurement period, the group has retrospectively adjusted the purchase price allocation "PPA" regarding property, inventory, other assets and goodwill due to new information.

Revised PPA, 3PET Holding B.V.

Company (EURm)	Orginal PPA	Adjustments to PPA	Derecognised contingent payment	Revised PPA
Intangible assets exclusive goodwill				
Property, plant and equipment	33.1	-0.5	0.0	32.6
Inventory	11.3	-1.2	0.0	10.1
Other assets	11.9	0.1	0.0	12.0
Liabilities	-46.1	0.0	0.0	-46.1
Net assets acquired	**10.2**	**-1.7**	**0.0**	**8.5**
Goodwill	89.8	1.7	-6.1	85.3
Purchase consideration	**100.0**	**0.0**	**-6.1**	**93.9**
Purchase consideration:				
Cash Paid	40.0			40.0
Derecognised contingent consideration	60.0			53.9
Total purchase consideration:	**100.0**			**93.9**

Acquisitions in 2018
On 28 June 2018, the Faerch Group acquired 100% of the shares in CGL Pack S.A.S in France from PSB Industries S.A.S. On 31 August 2018, the Faerch Group acquired 50,00002% of the shares in 3PET Holding B.V. with an obligation to purchase the remaining shares based on 2019 earnings effective from 31 March 2020.

Company (EURm)	Income statement consolidated from	Holding acquired	Contribution to the Group's revenue in 2018	Contribution to the Group's profit in 2018
CGL Pack Group	1 July	100%	119.1	2.4
3PET Holding B.V.	1 September	50.00002%	13.0	-0.3

Assets and liabilities at the time of acquisition

(EURm)	CGL Pack S.A.S.	3PET Holding B.V.	Acquisitions 2018
Intangible assets exclusive goodwill	27.2		27.2
Property, plant and equipment	17.3	33.1	50.4
Inventory	7.0	11.3	18.2
Other assets	14.3	11.9	26.2
Liabilities	-30.1	-46.1	-76.2
Net assets acquired	**35.6**	**10.2**	**45.8**
Goodwill	**42.7**	**89.8**	**132.5**
Purchase consideration	**78.3**	**100.0**	**178.4**
Cash movements:			
Purchase consideration	78.3	40.0	178.4
Cash in acquired company	**-1.4**	**9.6**	**8.2**
Consideration, net of cash	76.9	49.6	186.6
Change in short term payable/receivable	0.0	0.0	0.0
Net cash payment during the year	**76.9**	**49.6**	**126.6**

Note 4.2 Adjustment for non-cash transactions

(EURm)	2019	2018
Depreciation/amortization and impairment	88.0	51.9
Derecognised contingent consideration	-53.9	-
Gain(-)/loss on disposal of tangible assets	-0.0	-0.2
Financial income	-10.5	-24.3
Financial expenses	59.2	59.2
Other, including provisions	-2.2	0.7
Total	**80.6**	**87.3**

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.

Uncertainties and estimates

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.

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Note 4.3 Tax (continued)

Tax on profit for the year

(EURm)	2019	2018
Current tax	-9.6	-6.0
Adjustment to current tax concerning previous years	-0.5	-
Change in deferred tax	16.1	5.5
Impact from change in tax rate	-0.0	-
Adjustment to deferred tax concerning previous years	-0.1	-
Total	**5.9**	**-0.6**

Reconciliation of tax rates:

(EURm)	2019	2018
Calculated 22% on profit before tax	0.4	4.7
Adjustment of tax to local tax rate compared with group tax rate on 22%	-0.4	1.1
Tax-effect of:		
Non-taxable income and non-deductible expenses	7.6	-6.7
Impact of changes in the tax rate	0.3	-
Adjustment concerning previous years	-0.5	-0.4
Other	-1.5	0.8
Total	**5.9**	**-0.6**

Effective tax rate		
Tax on profit for the year (income statement)	5.9	-0.6
Tax on fair value adjustment of hedging instruments (other comprehensive income)	0.2	-0.3
Tax on foreign exchange adjustment (other comprehensive income)	-1.6	-
Total taxes	**4.6**	**-0.9**

Note 4.3 Tax (continued)

Deferred tax (EURm)	**2019**	**2018**
Deferred tax, net at 1 January	-113.1	-110.6
Exchange rate adjustments	-0.5	-0.1
Additions through acquisition of subsidiaries	-	-8.3
Adjustments concerning previous years	-0.1	0.4
Deferred tax recognised in the income statement	16.1	5.5
Deferred tax, net at 31 December	**-97.6**	**-113.1**

Classified as:

(EURm)	**2019**	**2018**
Deferred tax assets	4.3	2.2
Deferred tax liabilities	-101.9	-115.3
Total	**-97.6**	**-113.1**

Deferred tax (EURm)	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax net**
2019			
Intangible assets	0.0	-82.0	-82.0
Property, plant and equipment	0.5	-20.0	-19.4
Inventories	0.4	-0.2	0.1
Foreign exchange hedging	-	-	-
Tax losses to be carried forward	1.4	-	1.4
Other	2.3	-0.1	2.2
Temporary differences	**4.6**	**-102.3**	**-97.6**
Offset	-0.3	0.3	-
Total	**4.3**	**-101.9**	**-97.6**
2018			
Intangible assets	-	-92.3	-92.3
Property, plant and equipment	-	-23.0	-23.0
Inventories	0.1	-	0.1
Foreign exchange hedging	0.4	-	0.4
Tax losses to be carried forward	-	-	-
Other	1.6	-	1.6
Temporary differences	**2.2**	**-115.3**	**-113.1**

Note 4.4 Fees to auditors appointed by the board of directors

(EURm)	**2019**	**2018**
Statutory audit of financial statements	0.4	0.3
Other assurance engagements	-	-
Tax advisory services	0.1	0.1
Other services	0.1	-
Total fees to auditors appointed by the board of directors	**0.6**	**0.4**

Note 4.5 Related parties

Related parties exercising control

Faerch Group A/S is subject to controlling influence by AI Roy (Luxembourg) S.à.r.l., which holds 87 % of the share capital.

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

- AI Roy (Luxembourg) S.à.r.l., 23, Rue Beck 2-4, 1222 Luxembourg, Luxembourg

During 2019 there were no transactions with the controlling shareholder and companies owned or otherwise controlled by AI Roy (Luxembourg).

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 Faerch Group A/S with significant influence 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:

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.

Our people are our most valuable assets – we strive to advance collaboration and invest in individual growth.

Note 4.6 Contractual commitments and contingent liabilities

(EURm)	2019	2018
Carrying amount of land and buildings pledged as security for bank loans and mortgages	23.0	27.7
Carrying amount of plant and machinery pledged as security for bank loans and mortgages	32.8	35.8
Carrying amount of inventory pledeged as security for bank loans	5.3	6.6
Leased assets pledged as security for leasing commitments	26.8	31.4
Guarantee commitments:		
0-1 year	0.1	0.1
1-5 years	-	0.1
Over 5 years	-	0.0
Operating rent commitments	**0.1**	**0.2**
0-1 year	-	-
1-5 years	-	-
Over 5 years	-	-
Operating lease commitments	**-**	**-**
Commitments in relation to agreements on the purchase of intangible assets	-	-
Commitments in relation to agreements on the purchase of property, plant and equipment	1.9	1.0
Total commitment in relation to agreement	**1.9**	**1.0**

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 Faerch 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.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income. Furthermore, the Danish group companies are jointly and severally liable for Danish taxes as sources such as dividend tax, royalty tax and interest tax. Possible later corrections on the corporation taxes or taxes at sources may result in the Company being liable for a higher amount.

Note 4.7 General accounting policies

The Annual Report for the period 1 January - 31 December 2019 comprises the consolidated financial statement of the parent company Faerch Group A/S and subsidiaries controlled by the parent company (the Group) as well as separate financial statements for the parent company, Faerch 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 fourth Annual Report presented in accordance with IFRS.

The Annual Report for 2019 was discussed and approved by the Executive Management and the Boards of Directors (the Board) on 5 March 2020 and will be presented for approval at the subsequent Annual General Meeting on 26 March 2020.

Basis for measurement
As of 2019, the group has changed its presentation currency from DKK to EUR. The transition reflects that the main part of the Group's revenue is generated outside of Denmark and that EUR is the prevailing functional currency within the Group. Consequently, the Annual Report is presented in EUR, rounded to the nearest hundred thousand unless otherwise indicated. Comparative figures have been restated accordingly. The functional currency of the Parent Company is DKK.

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.

Adoption of new or amended IFRSs
Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the (IASB), and IFRSs endorsed by the European Union.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 Faerch 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, suing consistent accounting policies. All intercompany balances, income and expenses, unrealized gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Upon loss of control, the Group derecognizes 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 of the parent company is Danish kroner (DKK) and the presentation currency of the group is EURO (EUR).

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.

Consolidated financial statements

Note 4.7 General accounting policies (continued)

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.

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 Significant accounting estimates and judgement

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 2019. 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.

Accounting estimate/judgement	Note
Intangible assets	2.1
Tangible assets	2.3
Inventories	2.4

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.

Our pan-European network of sales and production sites ensures that we are close to our customers.

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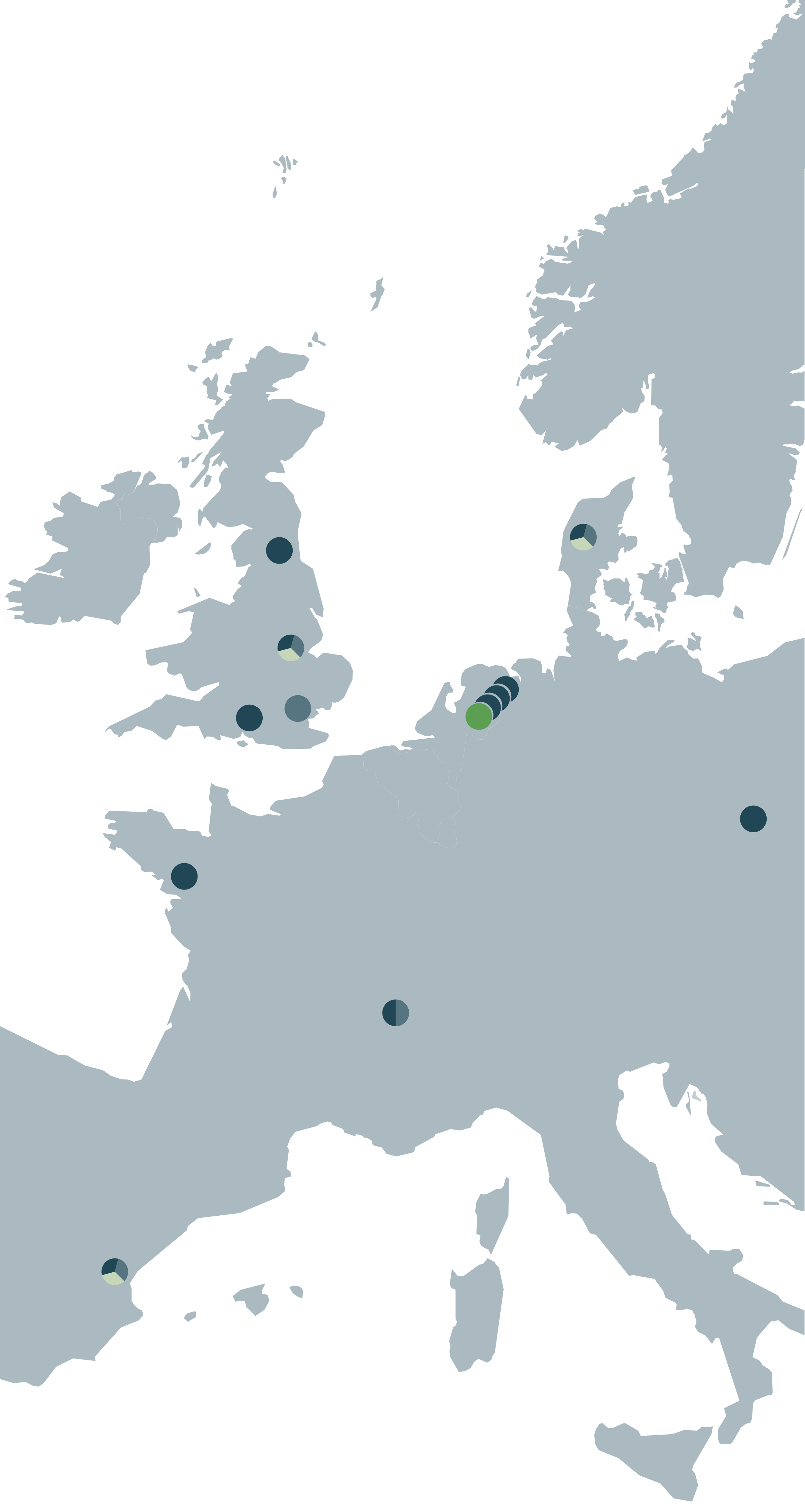
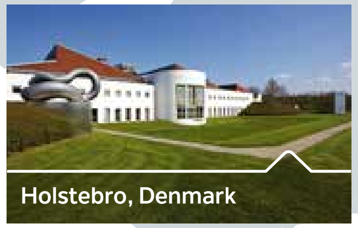
Note 4.9 Group structure

Investment in group companies comprise the following at 31 December 2019.
All companies are owned 100% by Faerch Group A/S except for 3 Pet Holding B.V. where the ownership share is 50.00002%.

Name of entity	Country
Faerch Group A/S	Denmark
Faerch Debtco ApS	Denmark
Faerch Midco ApS	Denmark
Faerch Bidco ApS	Denmark
Færch Plast Group A/S	Denmark
Faerch A/S	Denmark
Faerch Liberec s.r.o.	Czech Republic
Faerch France SAS	France
CGL Pack Service SAS	France
CGL Pack Annecy SAS	France
CGL Pack Lorient SAS	France
Faerch London Ltd.	United Kingdom
FP1988UK Ltd.	United Kingdom
Faerch Durham Ltd	United Kingdom
Avro Holdings Ltd. (dormant)	United Kingdom
Faerch UK Ltd.	United Kingdom
BDE Plastics Ltd. (dormant)	United Kingdom
Avro Industries Ltd. (dormant)	United Kingdom
Anson Food Services Ltd. (dormant)	United Kingdom
Faerch Poole Ltd.	United Kingdom
FPH 2017 Ltd.	United Kingdom
Faerch Bunol S.L.U.	Spain
Faerch Netherlands B.V.	Netherlands
3 Pet Holding B.V.	Netherlands
4 Pet Holding B.V.	Netherlands
Kattenburg Druten B.V.	Netherlands
Drupet B.V.	Netherlands
Snelcore B.V.	Netherlands
Sneltray B.V.	Netherlands
4PET Recycling B.V.	Netherlands
Folietechniek International B.V.	Netherlands



Manufacturing
Sales
Recycling
Design & Innovation


Holstebro, Denmark


Sutton, United Kingdom


Durham, United Kingdom


Buñol, Spain


Poole, United Kingdom


Liberec, Czech Republic


Annecy, France


Lorient, France


Duiven, Netherlands


Druten, Netherlands


Arnhem, Netherlands


Raamsdonksveer, Netherlands

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Note 4.10 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 = $\frac{\text{Net working capital}}{\text{Revenue}}$

Leverage = $\frac{\text{Net interest-bearing debt}}{\text{EBITDA before special items}}$

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

Key figures

(EURm)	2019	2018	2017[a]	2017[b]	2016	2015
Income statement						
Revenue	405.4	346.4	107.2	304.7	279.4	224.6
Gross profit	103.5	96.6	20.2	86.6	81.6	63.9
EBITDA before special items	89.5	75.8	16.0	69.2	68.7	51.2
EBIT before special items	33.4	23.9	-0.1	45.7	48.9	35.7
EBIT	46.7	13.6	-2.6	42.0	45.5	31.9
Financial items, net	-48.7	-34.9	-13.9	-14.7	-17.9	-17.5
Profit for the year	3.9	-21.9	-17.0	18.8	22.2	9.1
Financial position at 31 December						
Total assets	1,283.8	1,333.8	1,165.1	538.9	495.1	465.7
Net working capital	26.1	38.0	49.8	49.8	45.4	38.0
Equity	153.9	147.3	170.0	190.7	171.7	152.4
Net interest-bearing debt	669.2	732.0	526.7	526.7	234.2	244.8
Cash flow and investment						
Cash flow from operating activities	49.0	34.1	40.5	50.9	34.5	18.2
Cash flow from investing activities	-28.3	-154.0	-714.6	-32.2	-34.6	-112.9
Investment in property, plant and equipment	-26.5	-26.6	-11.3	-29.9	-35.1	-28.2
Free cash flow, excluding acquisitions	20.8	6.8	-0.1	20.9	-0.1	9.9
Key ratio						
Revenue growth	17.0%	n/a	n/a	9.0%	24.4%	43.6%
Gross margin	25.5%	27.9%	28.4%	28.4%	29.2%	28.5%
EBITDA margin before special items	22.1%	21.9%	22.7%	22.7%	24.6%	22.8%
EBIT margin before special items	8.2%	6.9%	15.0%	15.0%	17.5%	15.9%
Profit margin	11.5%	3.9%	13.8%	13.8%	12.8%	14.2%
Net working capital ratio	6.4%	11.0%	21.8%	16.3%	16.2%	16.9%
Total number of employees	1,497	1,285	1,175	1,175	1,085	821
Return on equity (ROE)	2.5%	-14.9%	-10.0%	9.8%	12.9%	6.0%

2017[a] reflects ownership period of Sept. to Dec. 2017

2017[b] reflects full year with CGL Pack and 4PET included for the same period in 2017 as the actual ownership period in 2018 (i.e. July-Dec 2017 for CGL Pack and Sept-Dec 2017 for 4PET).

Profit before special items, after tax are defined in key figures and ratios.

IFRS 16 is applied in the 2017 figures but not adjusted in previous years.

Financial statement - Parent company

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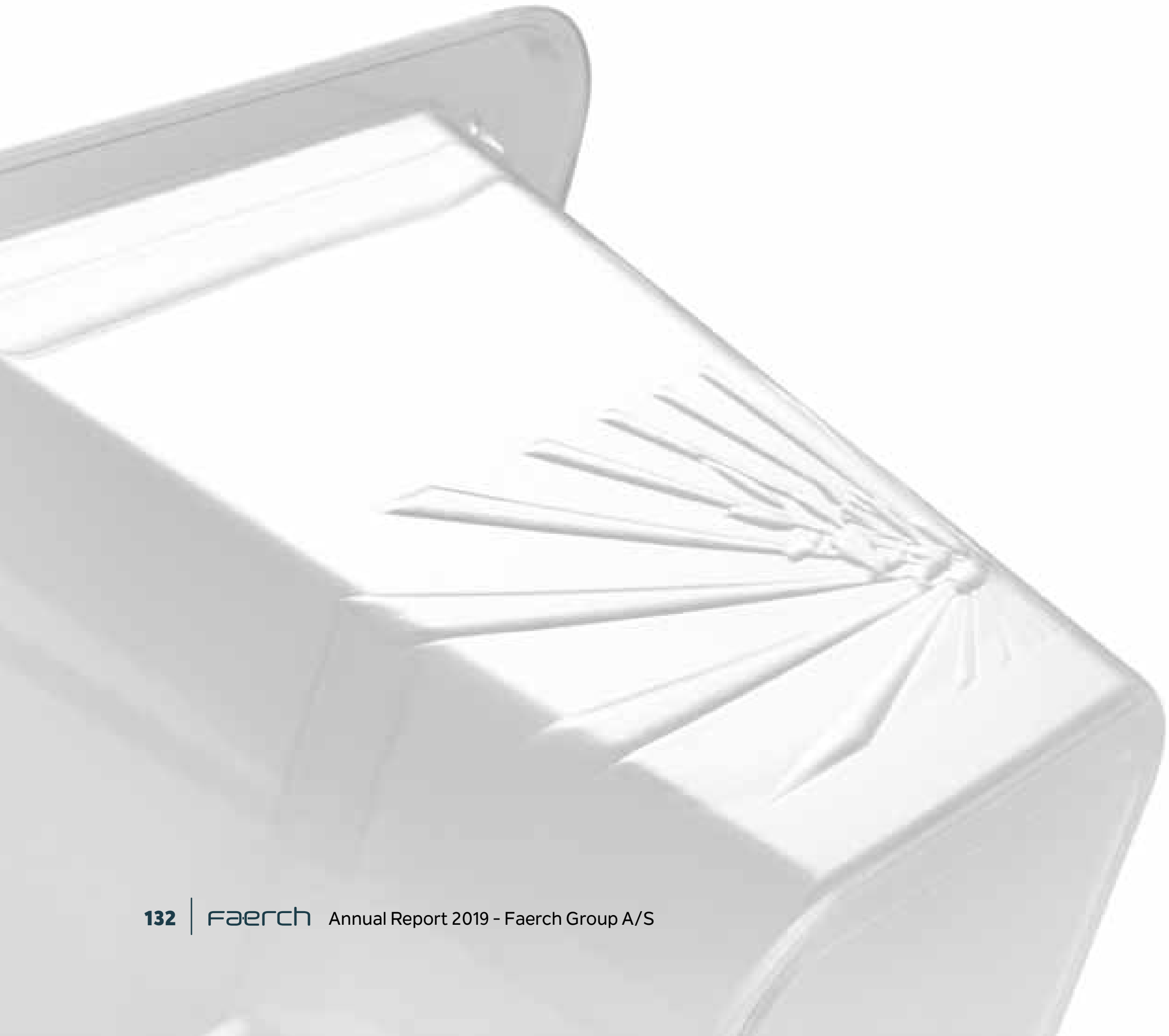
Income statement - Parent company

1 January - 31 December

Note	(EURm)	2019	2018
	Revenue	-	-
	Production costs	-	-
	Gross profit	**-**	**-**
	Distribution expenses	-	-
	Administrative expenses	-0.0	-0.2
	Other operating income	-	-
	Other operating cost	-	-
	Earning before interest and tax	**-0.0**	**-0.2**
1.1	Financial income	-	-
1.2	Financial expenses	-0.2	-0.1
	Profit before income tax	**-0.2**	**-0.2**
1.3	Tax on profit for the year	-0.1	0.2
	Net profit for the year	**-0.3**	**-0.0**
	Proposed distribution of profit		
	Retained earnings	-0.3	-0.0
		-0.3	**-0.0**



Balance Sheets - Parent company

31 December

Note	(EURm)	2019	2018
2.1	Investments in subsidiaries	188.0	188.0
	Financial assets	**188.0**	**188.0**
	Total non-current assets	**188.0**	**188.0**
	Receivables from group enterprises	236.2	238.5
	Corporation tax	0.8	0.2
	Receivables	**237.1**	**238.7**
	Cash at banks	**-**	**-**
	Total current assets	**237.1**	**238.7**
	Assets	**425.0**	**426.8**
2.2	Share capital	1.9	1.9
	Reserve for currency translation	-0.6	-0.6
	Retained earnings	185.7	186.0
	Equity	**186.9**	**187.3**
2.3	Payable to Group Companies	236.3	236.4
	Long-term debt	**236.3**	**236.4**
	Credit institutions	1.8	3.0
	Current tax liabilities	-	-
	Other payables	-	-
	Short-term debt	**1.8**	**3.0**
	Debt	**238.1**	**239.4**
	Liabilities	**425.0**	**426.8**

Statement of changes in equity - Parent company

(EURm)	Share capital	Reserve for currency translation	Retained earnings	Total
Equity at 1 January 2019	**1.9**	**-0.6**	**186.0**	**187.3**
Capital decrease, net	-	-	-	-
Other equity movements	-	-	-	-
Net profit for the year	-	-	-0.3	-0.3
Other comprehensive income	-	-0.1	-	-0.1
Equity at 31 December 2019	**1.9**	**-0.6**	**185.7**	**186.9**
Equity at 1 January 2018	**1.9**	**-**	**186.0**	**187.9**
Capital increase, net, net	-	-	-	-
Other equity movements	-	-	-	-
Net profit for the year	-	-	-0.0	-0.0
Other comprehensive income	-	-0.6	-	-0.6
Equity at 31 December 2018	**1.9**	**-0.6**	**186.0**	**187.3**

1.1 Financial income

(EURm)	2019	2018
Interest received from group enterprises	-	-
Other financial income	-	-
Total	**-**	**-**

1.2 Financial expenses

(EURm)	2019	2018
Interest paid to group enterprises	-0.1	0.0
Other financial expenses	-0.1	-0.1
Total	**-0.2**	**-0.1**

1.3 Tax on profit/loss for the year

(EURm)	2019	2018
Current tax for the year	-0.1	0.2
Deferred tax for the year	-	-
	-0.1	**0.2**
which breaks down as follows:		
Tax on profit/loss for the year	-0.1	0.2
Tax on changes in equity	**-0.1**	**0.2**

2.1 Investment in subsidiaries

(EURm)	2019	2018
Cost at 1 January	188.0	188.0
Additions for the year	-	-
Cost at 31 December	**188.0**	**188.0**
Value adjustments at 1 January	-	-
Change of accounting policies	-	-
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**188.0**	**188.0**

2.2 Share capital

The share capital is broken down as follow:	Number	Nominal value
		DKK '000
A-shares	1,117,445,276	11,174
B-shares	108,448,336	1,084
C-shares	95,906,997	959
D-shares	77,609,611	776

The share capital has developed as follows:	2018	2017
	EURm	EURm
Share capital at 1 January	1.9	1.9
Capital increase/decrease	-	-
Share capital at 31 December	1.9	1.9

Shareholders that own more that 5% of the share capital:
Al Roy (Luxembourg) S.à.r.l., Rue Beck 2-4, 1222 Luxembourg, Luxembourg

2.3 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:

(EURm)	2019	2018
After 5 years	-	-
Between 1 and 5 years	-	-
Long-term parts	**-**	**-**
Within 1 year	-	-
Short-term part	**-**	**-**

2.4 Contractual commitments and contingent liabilities

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

2.5 Related parties and ownership

Færch Group A/S is subject to controlling influence by Al Roy (Luxembourg) S.à.r.l., which holds 87% 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.

2.6 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
Investments in subsidiaries are recognised and measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Equity

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

Management statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Faerch Group A/S for the financial year 1 January – 31 December 2019.

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 2019 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 2019.

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, 5 March 2020

Executive Management

Lars Gade Hansen
CEO

Arne Holme
CTO

Jesper Emil Jensen
Regional CEO Continental Europe

Tom Sand-Kristensen
CFO

Board of Directors

Nils Smedegaard Andersen
Chairman

Sönke Renk

Ronald John Edward Marsh

Laurent Bendavid

Markus Brettschneider

Sven Seidel

Independent auditor's report

To the Shareholders of Faerch Group A/S

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 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 Parent Company's financial position at 31 December 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Faerch Group for the financial year 1 January - 31 December 2019, 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 evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 5 March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen	**Lars Østergaard**
State Authorised Public Accountant	*State Authorised Public Accountant*
mne23328	mne26806

Data basis for sustainability

Data basis for sustainability

Applied reporting practices
The reporting practices are based on the significance criteria, which were prepared in connection with certification in accordance with ISO 14001:2004, ISO 9001, BRC/IoP Global Standard and national health and safety regulations for selected production sites. This report also serves as compliance by Faerch with Sections 99a and 99b of the Danish Financial Statements Act. There are specific thresholds for when different conditions are deemed to be significant. The key figures and values in the report are calculated in accordance with the reporting practices described below.

Changes and updating of data
The same measurement and reporting method is used at all Faerch locations. The accounting policies are changed compared to 2016 related to the figures for Gender distribution on manager level (page 75). It is not possible to recalculate the historical figures.

Management report
This report contains, according to the Executive Management opinion, the information that is necessary for the evaluation of the most significant social issues in the company's activities. This information is prepared in accordance with Act on Accounting for Social Responsibility and the under-represented gender, cf. Section 99a and 99b of the Danish Financial Statements Act.

Management process
In the winter of 2013, the Faerch board and management adopted a policy whereby Faerch would work more explicitly with its CSR communication, and thereby report annually on its social responsibility activities. The management also conducted an analysis to identify five focus areas assessed as being of particular relevance to the company and its stakeholders. The materiality assessment of focus areas was revised in 2016. The focus areas cover topics that are relevant now and that Faerch believes will grow in importance in the years to come. The activities are all categorised under one of the five focus areas and will be reassessed annually by the management to ensure that the categories reflect new influences in society and the previous year's CSR activities. Stakeholders' interest in certain issues is central to Faerch 's choice of content. The collection of information and preparation of the report is carried out in collaboration with the following group functions: HR, Finance, Marketing, Legal, QHSE and Technology Development.

Data basis for key figures
Key figures are calculated by the company. The current report comprises the following companies:

- Faerch A/S
- Faerch UK Ltd. (three locations)
- Faerch Liberec s.r.o.
- CGL Pack Annecy
- CGL Pack Lorient
- Faerch Buñol S.L.U.
- 4 Pet Holding B.V. (only incl. in People & organisation - People)

This report is divided into topics relating to the five focus areas. The data and reporting practices for each of the five focus areas are listed below. Demarcations are stated for the individual focus areas.

Sustainable Packaging
CO_2 emissions for Faerch trays are based on calculations made by an independent consultant using the elementary calculation requirements of ISO 16067:2018. The figures include – Raw Material Production, Manufacturing, Distribution to Customer and End-of-fife.

CPET
CO_2 emissions per 1,000 trays are calculated on the basis of average weight of produced trays in 2019 – 21 g.

APET
CO_2 emissions per 1,000 trays are calculated on the basis of average weight of produced trays in 2019 – 12 g.

The share of recycled content has been calculated using purchase data for our production sites. For CPET, 15% additives have been assumed.

The savings from using renewable energy is applicable to all Faerch production sites.

The CO_2 from distribution to customer is calculated using transportation distance of 1000km by truck and using Steel Cages as secondary packaging.

End-of-life emissions are calculated using EU average End-of-life scenario.

Food Safety
Information in this section is based on approved certifications and legislation.

Regulation 10/2011 is complied with and all new plastic types are tested internally and by an external analysis institute. All of the plastic types are tested and the data is stored internally.
The certifications, ISO 9001 for quality and BRC/IoP Global Standard for hygiene and product safety are followed and ensured through audits by external auditors.

Number of reported cases of migration tests
From 2016, in order to measure progress related to food contact safety, a quantitative target was introduced.

The target is zero breaches of the established limits. Faerch reports the total number of tests completed during the year, as well as the amount of breaches.

The tests are performed in accordance to Faerch's migration test program, which continuously monitor products released for production and encompass analysis of a product recipe involving examination of different substances in each recipe.

Responsible Operations
Energy Sector
The consumption of electricity and natural gas is measured in absolute amounts and reported by suppliers via invoices and by reading energy consumption data on the company's electricity meters.

The consumption of raw materials is calculated based on purchasing statistics and invoices from suppliers. Changes in stock from the beginning to the end of the year are included in the calculation.

Energy from renewable energy sources were purchased for the year in relation to the actual energy consumption and for the future in relation to budgeted amounts.

Plastic Waste
Key figures for plastic waste in Denmark are calculated on the basis of statistics from the waste recipient Wastenet. The result is calculated as a percentage in relation to the share of raw materials and data is collected internally by the purchasing department. Key figures for plastic waste in the Czech Republic, Spain and the UK are provided and documented by the recipient of the plastic waste and reporting from internal sources.

Plastic waste is defined as surplus plastic material in the production of plastic packaging that is not reused in production. Plastic waste is disposed and removed by a different actor than Faerch A/S.

Data for plastic waste is calculated for all sites covered by this report.

Demarcation
This report covering electricity consumption only applies to Faerch's eight factories. Energy consumption from Faerch's two foreign sales offices are deemed insignificant in this context, as it comprises a relatively small percentage of the Group's total energy consumption.

People & Organisation
Accident Frequency
The number of work accidents is calculated as the number of injuries in the given year that resulted in one or more days of absence from work. The accident rate is calculated as the number of work accidents per one million working hours.

The accident frequency for the period 2014-2018 covers both production and office employees.

Demarcation
Temporary workers are not included in the report, but any work-related accidents are reported to the Danish Working Environment Authority.

Career Development
The results in relation to internal recruitment and career development are calculated on the basis of internal reports from the HR department in the form of a HR report. The total number of internal recruitments and career development as a percentage of the total number of recruitments and career development in total.

Governance
The developed compliance program increases the employees' knowledge about fair competition and anti-corruption and consists of employee training, e-learning, reviewing group policies and manuals.

Information about the actual staff training is recorded in internal registration system.

The 'Supplier Code of Conduct' reflects Faerch's expectations to our suppliers and is based on the ten principles of the UN Global Compact. Most of our major suppliers have already signed our Supplier Code of Conduct. Major suppliers are defined as suppliers of items, materials etc. to Faerch.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