ANNUAL REPORT 2020

Leading the industry's transition towards true circularity

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The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 March 2021

Nils Smedegaard Andersen
Chairman

faerch | *Packaging that cares*


Packaging that cares

Content

View from the chairman

Nils Smedegaard Andersen
Chairman

2020 was a challenging year with the COVID-19 pandemic significantly impacting the global economy and all markets.

We will continue to take every necessary measure to ensure the safety of our customers and employees and to meet the increased demand for protective food packaging.

With Faerch being a key player in the food supply chain, we are pleased than none of our production units have been forced to close down due to the pandemic. We are committed to fulfilling our responsibility to secure an uninterrupted supply of food trays to our customers and partners. This has been our highest priority in 2020 and will continue to be so in 2021, as we face the second and third wave of the pandemic.

In many respects, 2020 was a turbulent year, and we expect the challenges to impact Faerch's business performance into 2021. However, despite a challenging business environment, we continued to grow and strengthen our business across Europe. Organic volume growth is one of our key priorities, and in 2020, volume continued to increase, however less than expected due to government restrictions being implemented.

Consequently, and due to price regulations from declining resin prices being passed on to customers, our top-line performance was affected. However, we still succeeded in delivering good margin improvements and continued solid cash flows.

Aside from COVID-19, strengthening our recycling business remained an important strategic focus in 2020, as it represents an important pillar in our efforts to make food packing circular and to secure the long-term future of our company.

With the acquisition of 4PET Recycling in 2018, we successfully closed the loop on food trays, offering tray-to-tray recycling on an industrial scale. In June 2020, we took over the remaining 4PET shares and initiated a comprehensive investment programme to optimise our tray-to-tray recycling capacity. End of 2020 the run-rate of Faerch trays being recycled at the tray line amounts to 400 million trays. With the planned ramp-up during 2021 we will double that number having more than 800 million trays recycled end of 2021. Our aim is that the tray line will serve as a blueprint for scaling tray-to-tray recycling into additional countries and regions.

As the world's first integrated recycler, we are proud to lead the industry's journey toward a circular economy in food packaging. Evolve by Faerch, which was introduced in 2019, offers market-leading content of post-consumer recycled bottles and trays and is fully recyclable into new mono-material PET trays in food quality. In 2020, the concept was further strengthened to include even more product categories, ranging from meat trays to ready meals and dairy pots.

In November 2020, the Group reached another important milestone with the agreement to acquire the Sirap packaging business in Italy, Poland and Spain from Italmobiliare SpA. With three productions sites in Italy, one in Poland and one in Spain and close to 1,000 employees, the acquisition has further strengthened Faerch's geographic presence. We warmly welcome our new colleagues to the Group and look forward to working together to strengthen our joined businesses from January 2021.

In December 2020, A.P. Moller Holding acquired Faerch Group from Advent International. The transaction still awaits regulatory approvals which are expected in the first quarter of 2021. The acquisition marks the start of an exciting new period in the company's history. Advent International acquired Faerch in August 2017 and has supported and accelerated our company's growth. Together with our new owner, we will enter a new growth phase, initiating a new 2025 plan for organic growth, including new segments and geographies, expanding our recycling business into new European markets while also focusing on acquisitions in new geographies. This will support and further strengthen our long-term growth ambitions.

On behalf of the Board, I would like to extend my thanks to our loyal employees for their dedication and hard work through these challenging times.

Nils Smedegaard Andersen
Chairman

Solid results and good margin improvements despite COVID-19

Lars Gade Hansen
Group CEO

2020 has been a difficult year, and the impact of COVID-19 has been felt across the economy and industries. However, this past year has also demonstrated our ability to adapt and pull together. Despite the pandemic, we have delivered solid figures and have managed to further strengthen and develop our business both through organic growth and carefully selected acquisitions.

The COVID-19 pandemic has impacted all our markets. Our priority has been to protect our employees while continuing to support our customers. We have faced these challenges together, and I am proud of how our employees have supported our business during this difficult period. None of our factories have been forced to shut down, allowing us to secure the supply of food trays to our customers and partners.

Record-breaking volume

Despite COVID-19, Faerch managed to grow the sales volume by +1.6%. Also, we saw an increase in EBITDA and margins year-on-year.

Declining polymer prices in 2020 reduced our input costs, and we saw customers changing from buying recycled PET to the lower priced virgin PET, posing a challenge for our recycling business. This, however, does not change our strategic focus to make food packing circular and maintain our high percentage of recycled PET in our products.

During 2020, we continued to invest in our platforms to maintain cost-leadership by being at the forefront of innovation and automation.

Brexit agreement

After ongoing Brexit uncertainty since the 2016 referendum, the UK finally reached a Brexit agreement with the EU on 31 December 2020, bringing long-awaited clarity for our industry and business. The EU-UK trade agreement has reduced the potential impacts on our business, especially as no tariffs on import and export will be introduced.

Full ownership of 4PET

In June 2020, we reached another important milestone in our ambition to make food packing circular as we achieved full ownership of 4PET Recycling. Integrated recycling is central to Faerch and our business model, and as early as 2019, we decided to invest in the 4PET tray line to optimise our recycling capacity. In July 2020, the upgraded line was taken into production, and we are currently in the process of ramping-up the capacity even further. Our trayline in Duiven will serve as a blueprint for the expansion of the tray recycling business into other countries which we plan to initiate in 2021.

Strengthened geographic presence

With the agreement to acquire the Sirap food packaging business from Italmobiliare SpA in November 2020, we will strengthen our geographic presence. We will gain new markets in Italy and Poland and further strengthen our local presence in Spain while opening new opportunities for growth. In addition, with three productions sites in Italy, one in Poland and an additional one in Spain, our production footprint will be optimised. We are looking forward to starting the integration process from January 2021 and to welcoming our new colleagues to the Group.

A new owner

In December 2020, Faerch Group was acquired by A.P. Moller Holding from Advent International after 3.5 years of ownership. We are delighted and proud to become part of the A.P. Moller Group, and once again to be under family office ownership. The acquisition is subject to regulatory approvals and the transaction is expected to close in March 2021.

Outlook for 2021

Looking into 2021, we are facing yet another year challenged by the impacts of COVID-19. However, with a new strategy that will be finalised in cooperation with our new owner in 2021, I am confident that we are well-positioned to face the challenges that lie ahead.

We will continue to provide our customers and industry with our expertise and innovative solutions while having an unrivalled focus on cost optimisation, automation and circular packaging solutions. We will use our position as market leader of circular packaging solutions to expand beyond our core market segments.

Thank you

On behalf of the Executive Management, I would like to thank our employees for the dedication and hard work this past year. Thank you to Advent International and their team for a successful partnership since 2017 and for supporting us in building a unique recycling platform.

2021 marks a new beginning for Faerch. We are optimistic about the future and our new ownership, and we look forward to welcoming our new colleagues from Sirap to the Faerch Group.

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 bottles and trays. The bottles and trays are delivered to 4PET in

Presentation of Faerch

continued

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 with a redesign and rebuild in 2020. 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 80% of the Group's revenue in 2020. 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 11% 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.:

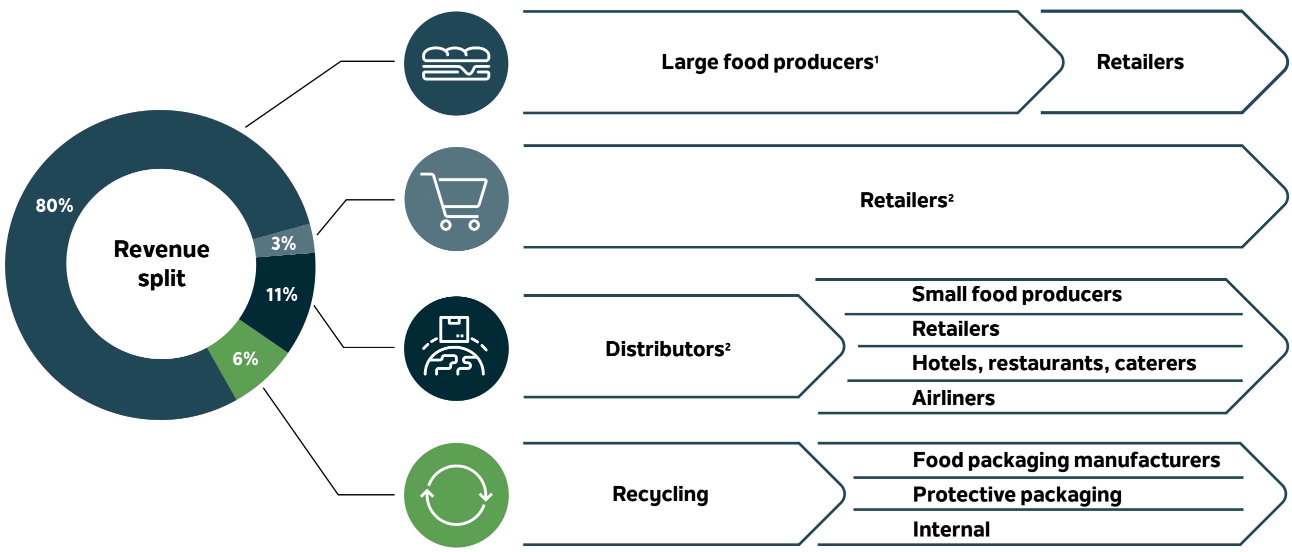
- Dedicated sales resources
- Quick response rates
- Proactive product development aimed for distributor assortment
- Standard assortment on stock

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 6% of revenues in 2020. 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.

Our focus areas

Food trays recycled

400m

Food trays being recycled into new food grade trays at the tray-line in Duiven amounts to approximately 400m end of 2020 (run-rate number). With the planned ramp-up during 2021, Faerch will double that number to more than 800 million trays recycled end of 2021.

Sales volume

1.6%

Despite challenging market conditions sales volume grew by 1.6%

EBITDA margin of

25%

The Group EBITDA margin improved in 2020 compared to 2019, reaching 25%, despite the lower margin from the recycling business. Absolute EBITDA grew by 2.5% to EUR 91.7m

Continental Europe

Sales volume grew by

6.5%

The Dairy Segment

Sales volume grew by

21%

MAPET® II

Sales volume grew by

56%

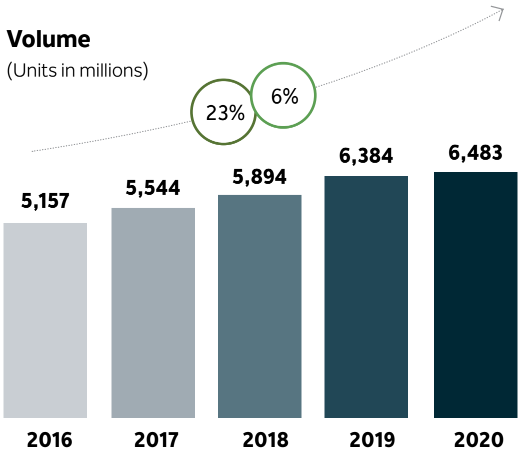
Worldwide sales presence

Faerch has production at 11 sites in Europe in 6 countries and sell and exports to **more than 50 countries.**

Financial highlights

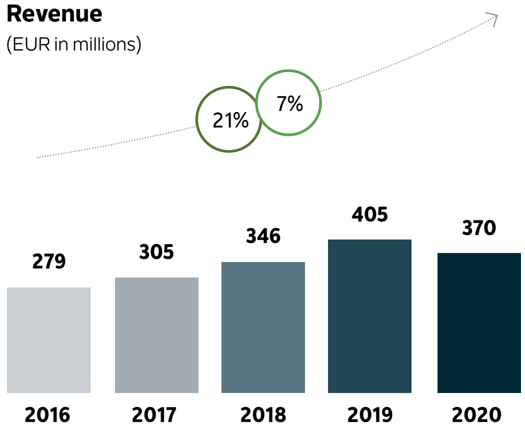
Faerch has grown the business with more than 25% since 2016

Volume
(Units in millions)



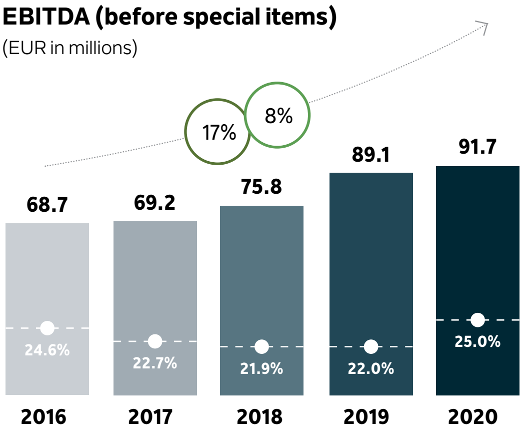
Faerch has grown from a local champion to a pan-European player with focus on the most attractive product groups of Ready Meals, Fresh Meat, Food-To-Go and Dairy. Growth in 2020 continued, despite the challenging market conditions.

Revenue
(EUR in millions)



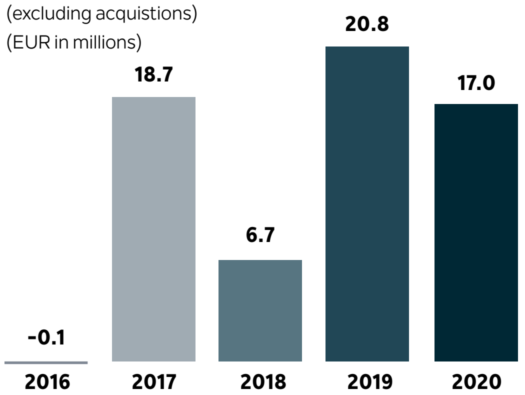
Although volumes grew by 1.6%, total revenue decreased in 2020 in all segments as sales prices were lowered as a result of contractual resin pass-through.

EBITDA (before special items)
(EUR in millions)



Despite contracting revenue, EBIDTA grew by 3% as a result of lower raw material cost and operations efficiency gains. EBITDA margin reached 25%.

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

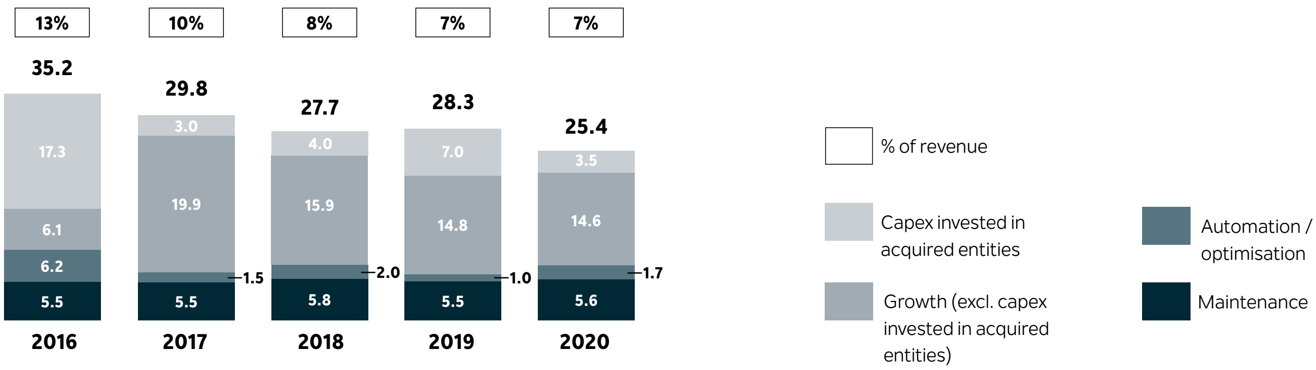


Free cash flow benefitted from the improved profitability and reduced investments, this was however offset by lower working capital improvements and higher tax payments compared to 2019.

Organic CAGR   Total CAGR   - - -○- - - % margin

CAPEX

(EUR in millions)



The investment level was 7% of revenue 2020 on par with prior year. CAPEX was mainly spent on new thermoforming capacity preparing for material conversion, equipment for decoration, print automation equipment and tooling.

Operating and financial review

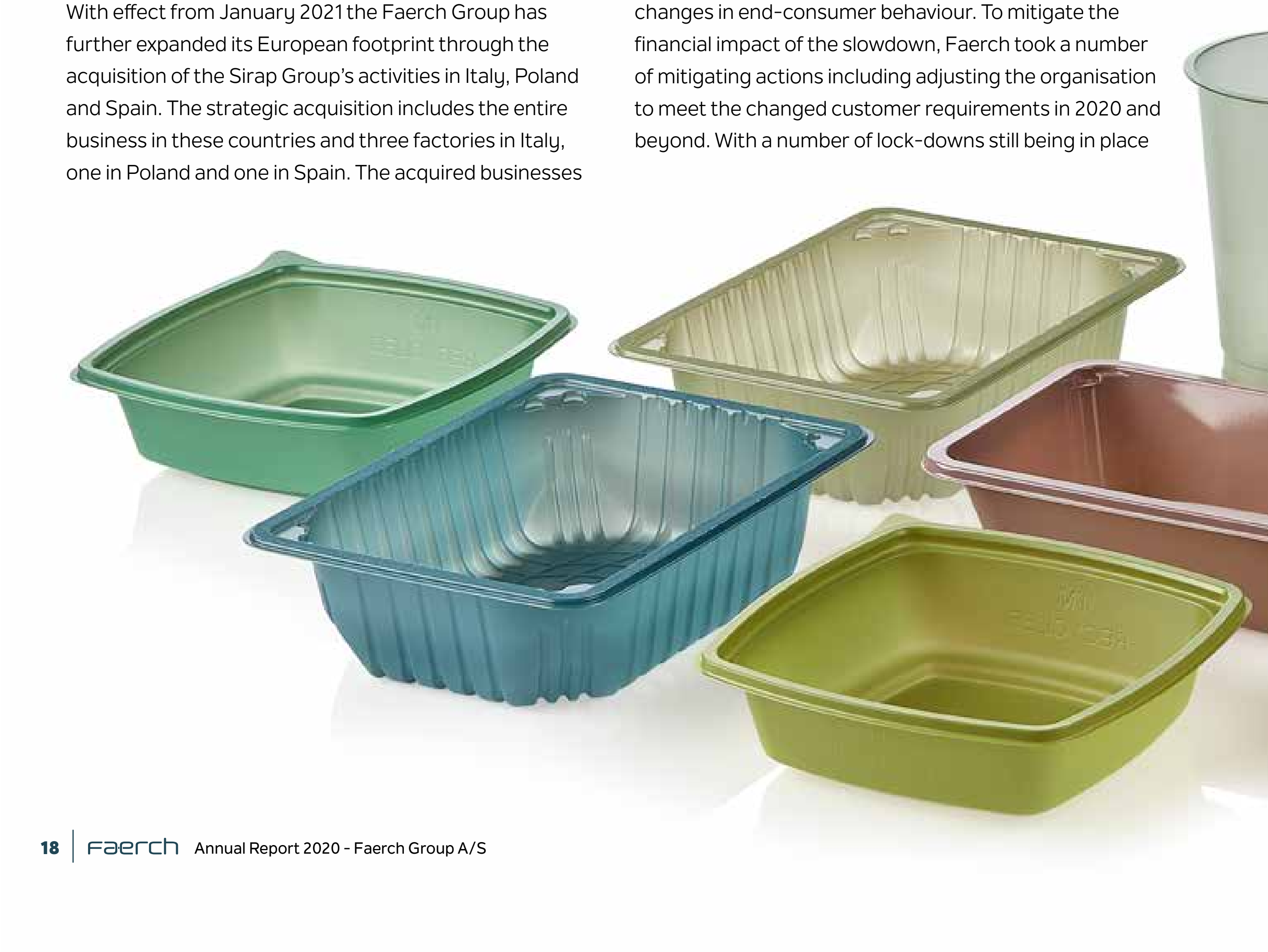
Tom Sand-Kristensen
Group CFO

Faerch is a leading supplier of rigid plastic packaging to the European food industry. Faerch operates across Europe from eleven manufacturing facilities and five separate sales offices including three design centres located in Denmark, UK and Spain. With the acquisition of the recycling business in 2018, Faerch became an integrated recycler operating the world's only manufacturing site processing post-consumer and post industrial waste.

With effect from January 2021 the Faerch Group has further expanded its European footprint through the acquisition of the Sirap Group's activities in Italy, Poland and Spain. The strategic acquisition includes the entire business in these countries and three factories in Italy, one in Poland and one in Spain. The acquired businesses has annual revenues of approximately EUR 135 million. Total purchase consideration amounts to EUR 141.2 million net of liabilities taken over as part of the acquisition. The purchase consideration is fully funded through external debt financing. The acquisition will only be included in the consolidated financial statements for the Faerch Group for 2021, however cost related to the acquisition have been fully expensed under special items in the income statement for 2020.

In December 2020 A.P. Moller Holding A/S entered into an agreement with Advent International to acquire the Faerch Group. The transaction is expected to complete in the first quarter of 2021.

The global COVID-19 pandemic impacted the Faerch business in 2020, as customer demand in some of the key segments slowed down or even declined due to changes in end-consumer behaviour. To mitigate the financial impact of the slowdown, Faerch took a number of mitigating actions including adjusting the organisation to meet the changed customer requirements in 2020 and beyond. With a number of lock-downs still being in place



in the beginning of 2021 in many of Faerch's key markets, the COVID-19 pandemic is also expected to impact the business in 2021.

Despite the challenging market conditions, in light of the COVID-19 pandemic, the tray business continued to develop positively in 2020, recording the highest sales volume ever but seeing revenue decline due to the resin pass-through mechanism in the customer contracts. The sales volume increased by +1.6% from 6.38bn to 6.48bn trays. In the same period the revenue declined from EUR 367.1m to EUR 346.8m. The revenue decline was due to normal price reductions as a result of the declining polymer prices.

The continuous focus on factory optimisation, standardisation and automation of the Groups production platforms are paramount for Faerch to further develop and maintain its cost leadership. In 2020, especially the recipe integration with 4PET had key priority for the tray pellets as well as platform automation at the Lorient site. Due to the COVID-19 situation the optimization of the Annecy site was postponed to 2021.

Synergy realisation from the CGL Pack acquisition continued into 2020 and is on-track at the Lorient site with some delays in Annecy due to the COVID-19 situation. The use of the "CGL Pack" brand name was discontinued and all products are now sold under the Faerch brand in France.

With the acquisition of 4PET recycling (3PET Holding B.V.) in 2018, Faerch became an integrated recycler. At the time of acquisition of the 50.00002% in 2018 it was agreed that Faerch would acquire the remaining shares (49.99998%) in 2020. The transaction was completed in June 2020 and Faerch is now the sole shareholder of 4PET recycling. In connection with the acquisition of the remaining shares a purchase price reduction of EUR 8.3m was agreed with the previous owners. The income of EUR 8.3m is included in Special Items, ref. note 1.4.

In December 2019 it was decided to close down the tray line as the recycling business faced operational challenges with ramping up the processing of recycled tray bales. During the first half of 2020 these technical issues were addressed and improved. The tray line was back in full operational mode as planned on 1 July 2020 manufacturing quality flakes and pellets from tray bales. Optimization and further redesign of the tray line is still ongoing with an aim to more than double the capacity in the second half of 2021. In the same period dialogues with suppliers of tray bales were conducted resulting in a new supply agreement. These initiatives will pay-off on the long term but has caused a temporary decline in the Groups revenue and earnings which is visible in the 2020 results.

In 2020, a complete legal restructuring of the recycling business was concluded. The entity structure was simplified with mergers of seven

Operating and financial review

continued

legal entities into two legal entities only; 4PET Recycling B.V. operating the recycling business in Duiven and DSF Extrusion B.V. operating the extrusion business in Arnhem and Raamsdonksveer.

Income Statement
Revenue in 2019 amounted to EUR 370.3m (2019: EUR 405.4m) of which the tray business accounted for EUR 346.8m (2019: EUR 367.1m) equal to a decline of 5.5%. Measured in volume the sales increased but revenue declined due to the resin pass-through mechanism in customer contracts. In pieces, 6.48bn trays were sold in 2020 with an organic growth of 1.6%, which is below the range indicated in the 2020 Outlook of more than 10% due to the impact of COVID-19.

The impact of COVID-19 and the lock-downs initiated by governments across all markets was immediately visible in Faerch's supplies to the airline industry basically reducing the volume to zero. Also the Food To-Go business was negatively impacted with lower sales from high street stores and people working from home. Finally, also the food service business with sales into fast-food, catering and restaurants saw a steep decline in April to May 2020 but has subsequently rebounded especially in the UK with increasing sales of take-away/pick-up and home deliveries. The fresh meat market experienced an increase as consumers went “back to basic” for home cooking. The dairy segment saw less impact from the COVID-19 as some large projects were initiated prior to the pandemic. In addition to above and general for all segments, a significant amount of new signed business has been postponed reducing the realised growth as compared to the expectations for the year.

Polymer prices continued to decline during most of 2020 and this was further accelerated with the pandemic outbreak in the first quarter of 2020. Only towards the end of 2020 polymer prices started to increase again, without fully recovering from the decreases in the first three quarters of the year, and as a result the average raw material prices in 2020 were lower than in 2019. 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.

Revenue in the recycling business recorded EUR 71.1m (2019: EUR 62.0m) of which EUR 47.6 were sales to Group entities in the tray segment (2019: EUR 23.8m). The increase in sales to Group entities and the gradual phase out of external sales is fully in line with the strategic rationale behind the acquisition of the recycling business in 2018, namely to become an integrated recycler. The decline in external sales was further accelerated in 2020 due to the low virgin PET prices, which tempted some customers to seek for cheaper non-sustainable alternatives.

Production costs for the year amounted to EUR 271.6m (2019: EUR 301.9m), of which EUR 246.6m related to the tray business (2019: EUR 265.4m). Tray production cost per kilo decreased by 9% in 2020, partly due to the declining raw material prices and partly due to efficiency gains at the production sites. Consequently the gross profit margin in the tray business improved from 27.7% in 2019 to 28.9% in 2020.

Production cost in the recycling segment amounted to EUR 72.6m vs. EUR 60.2m in 2019, with the increase being driven by the higher sales to Group entities. Gross profit margin decreased from 2.8% in 2019 to negative 2.0% in 2020 due to the six month shutdown of the tray lie and subsequent staged ramp-up of the upgraded tray line. The ramp-up is running according to schedule, with significantly improved profitability and quality.

The Group maintained a high activity level within research and development, which amongst other lead to a further strengthening of the Evolve by Faerch concept by including more product categories. In addition, our competencies within decoration and print progressed supporting the Groups strategy to grow within new segments, including the Dairy segment.

Sales and distribution costs amounted to EUR 45.8m (2019: EUR 48.0m), the decrease being attributable to cost saving initiatives triggered by the COVID-19 pandemic, restructurings in the French organisation and improvements in logistics costs.

Administrative costs amounted to EUR 19.1m (2019: EUR 19.8m), the decrease being driven by the restructurings in France and the COVID-19 cost saving initiatives.

Other operating income amounted to EUR 1.0m against EUR 0.6m in 2019, and mainly related to energy subsidies and realized gains on foreign exchange contracts.

Other operating expenses amounted to EUR 1.0m (2019: EUR 2.9m), the decrease being due to lower costs for external consultants, and lower realized losses on foreign exchange contracts.

Operating profit before special items was EUR 33.8m (2019: EUR 33.4m). The increase of EUR 0.4m was a result of the lower cost of raw materials and various cost saving initiatives across the business, which was partly offset by losses stemming from the planned shutdown of the tray line in the recycling business.

Net special items amounted to EUR -9.5m against EUR +13.2m in 2019. Special items includes an income from the acquisition of the remaining 49.99998% of the shares in 3PET Holding B.V. The expectation end of 2019 was that the price for the remaining shares would be EUR 0m and the final consideration ended at EUR -8.3m which has been included as an income in special items. No changes has been made to the original goodwill amount recognised on the acquisition as the outlook and potential of the tray recycling business remains unchanged. In 2019 a gain of EUR 53.9m related to the contingent payment obligation on the remaining 49.99998% of the shares in 3PET Holding B.V. was recognized in special items.

Other special items includes cost for the tray line project in 4PET as well as restructuring and redundancies costs related to the restructuring of the recycling business and the French organisation. These integration cost amounted to EUR 6.8m in total. Acquisition cost of EUR 6.7m were incurred in 2020 (2019: EUR 0.5m), of which EUR 5.0m related to external advisory on the acquisition of Sirap's activities in Italy, Poland and Spain from Italmobiliare SpA (Italy). The agreement was entered into in November 2020, with closing taking place on 4 January 2021 following regulatory approvals.


Dairy
500G COALESCE
BY FAERCH
Faerch
Dairy
500G COALESCE
BY FAERCH
Faerch

Operating and financial review

continued

Also cost incurred as a result of the COVID-19 pandemic, mainly cost for health and safety measures, and redundancies of EUR 1.5m has been included as special items in 2020. A more detailed breakdown of special items is included in note 1.4 of the consolidated financial statements.

Net financials amounted to EUR -15.8m against EUR -48.7m in 2019. Net interest cost were EUR -32.5m against EUR -32.4m in 2019. Net foreign exchange related adjustments were positive with EUR 17.4m against EUR -15.7m in 2019, with the improvement attributable to exchange rate gains on GBP nominated loans.

Tax for the period amounted to EUR -1.7m against as positive position of EUR 5.9m in 2019. The effective tax rate was 20%. The effective tax rate for the Group was impacted by the non-taxable income from the settlement agreement related to the acquisition of the 3PET Holding BV, interest restriction limitations and various non-deductible expenses.

Profit for the year recorded EUR 6.8m against EUR 3.9m in 2019. The positive result is a consequence of margin improvements from lower cost of raw materials, efficiency gains in all functions, and the currency gain on the Groups positions in British Sterling.

Investments

The Group's investments for 2020 were EUR 25.4m (2019: EUR 27.8m), equal to 6.9% of revenue which is the lowest level in the last five years for the Group. The low level should be seen in connection with the COVID-19 pandemic which has reduced the growth and thereby the requirement for new capacity. The main part of the investment amount continues to be capacity investments especially in equipment for MAPETII manufacturing and production equipment for the dairy segment. In addition, investments in further automation at all factories continued to focus and maintain cost leadership. The investment outlook for 2020 was EUR 30.0m.

Assets

As at 31 December 2020, total non-current assets amounted to EUR 1,113.2m a decrease of EUR 29.3m against 31 December 2019. The decrease is due to ordinary depreciations and amortisations, and currency translation of UK based assets. Tangible assets decreased by EUR 19.1m as the ordinary depreciations exceeded the total investments.

Inventories decreased by EUR 3.9m due to the lower resin prices and generally reduced inventory levels as part of the Group focus on improving working capital.

Trade receivables decreased by EUR 19.9m through improved receivables management and increased use of non-recourse factoring in key markets. The amount of trade receivables insured under credit insurance was maintained constant over the period.

Other receivables increased by EUR 7.5m due to amounts withheld as security for non-recourse factoring and receivables related to the 3PET Holding B.V. settlement agreement, while Prepayments decreased by EUR 0.9m against 31 December 2019.

Cash and cash equivalents amounted to EUR 6.9m a reduction of EUR 9.6m compared to 31 December 2019.

As at 31 December 2020, the Group had total assets of EUR 1,223.6m against EUR 1,283.8m at 31 December 2019.

Liabilities

Total equity as of 31 December 2020 was EUR 158.5m increasing EUR 4.6m in 2020 due to the profit for the period of EUR 6.8m and EUR -2.3m (net of tax effect) due to currency adjustments. Besides the above, there were no other equity movements in 2020.

Advent International operates a Management participation program and due to the ownership structure, the program resides in the ultimate parent

Operating and financial review

continued

company. As at 31 December 2020, the management held 13% of the share capital which is unchanged as compared to 31 December 2019.

Total liabilities were EUR 1,065.1m compared to EUR 1,129.9m at 31 December 2019 meaning a decrease of EUR 64.8m. The decrease is mainly caused by currency translation of GBP nominated debt, ordinary repayments of debt of and a reduction of trade payables.

Long-term debt decreased by EUR 23.6m from EUR 892.0m to EUR 868.4m. The decrease relates to ordinary repayments of the long-term credit facilities, and currency translation of GBP nominated debt.

Faerch has maintained its credit rating with both Standard & Poors and Moody's and the ratings have been maintained unchanged since 31 December 2019.

Trade payables were reduced by EUR 15.8m to EUR 37.0m (2019: 52.8m) due to the decreasing raw material prices and changed payment procedures in the recycling business after Faerch took full ownership in June 2020.

Other short-term debt increased by EUR 1.0m mainly due to an increase in employee related payables, and benefit from deferrals of VAT payments under the various Government COVID-19 support schemes.

Cash Flow

Cash flow from operating activities were positive by EUR 41.2m (2019: EUR 49.0) supported by the positive organic development and continued improvements in working capital. The change in the working capital was EUR 10.3m supported by improvements in trade receivables and inventories, which to some extent was offset by a reduction in trade payables as described above.

Net interest paid amounted to EUR 30.7m in line with prior year, while corporation tax paid in 2020 was EUR 14.5m against EUR 10.6m in 2019. The increase is explained by ordinary payment of taxes from 2019 and higher instalments for the income year 2020.

Cash flow from investing activities amounted to EUR 24.2m for 2020 against EUR 28.3m in 2019, with the main reasons being explained in the Investments section above.

Free cash flow amounted to EUR 17.0m versus EUR 20.8m in 2019, as the improved profitability and lower investments were offset by lower working capital improvements and higher tax payments compared to 2019.

Total financing activities amounted to EUR -13.5m caused by ordinary repayments of long-term debts.

The Groups net-cash position was end of 2020 EUR 2.1m (2019: EUR 0.0m).

Volume
6.5
billion trays

Gross revenue
370
EURm

EBITDA
92
EURm

Free cash flow
17
EURm

Outlook 2021

In light of the COVID-19 pandemic continues to impact business performance in most markets, the start of 2021 will be challenging. The uncertainty related to the extent and length of the pandemic, further government actions, consumer reactions as well as the timing and success of the vaccine program remains high, thus the visibility in the market remains low and the COVID may have continued implications on the business performance.

Safety of our employees and our customers was a top priority in 2020 and this will continue in 2021.

A new Business Plan for the coming 5 years was prepared as part of the sales process to A.P. Møller Holding. The business plan will during 2021 in collaboration with the owners, be confirmed into a strategy document to ensure a clear and prioritised focus. Including the integration of the acquired business from Sirap Packaging early January 2021, the key priorities and expectations are:

Growth and Closing the Loop
Based on the strong new business winning during 2020 the focus in 2021 will be on profitable sales growth in all markets in the tray business driven by both existing and new customers. 2021 will also see focus on integration and growth from the new market positions in Southern Europe and Poland with the new acquisitions. Bringing circular product offerings within our core segments but also expand beyond our core markets segments.

Focus for the recycling business will be on continued stabilization of the tray recycling line resulting in improved profitability and identifying new markets for scaling the tray-to-tray recycling concept.

Product differentiation
In 2021 we will launch our “Transparency programme” which will provide full transparency on the amount of recycled PET content used in our food packaging. It will allow customers to make the right material choice, comply with legislative requirements, communicate accurately and avoid to confuse end-consumers.

We will provide our customers with certification on the level of recycled post-consumer content (PCR) in our packaging audited by third party.

We believe that full transparency on recycled content in food packaging is key to accelerate the required transition towards circularity within all the segments incuding hotfill in the dairy segment.

Cost leadership
We will continue to invest in our platforms to maintain cost-leadership at all production sites through innovation, optimisation and automation.

Financial expectations
Based on the above focus areas for 2021, the Group expects for 2021 to deliver:

- Organic volume growth of 3-5% for the tray business.
- Organic revenue growth in the tray business slightly lower than the volume growth due to continued declining sales prices during Q1 2021 from resin pass-through mechanism.
- Significantly increased production output of recycled tray volume from ramping up the capacity at the Duiven site.
- Increasing EBIT margins for both tray business and recycling and a growth in operating profit in the range of 4-10%.
- Financial leverage reduction through improved free cash-flow and from refinancing due to the change in ownership.

The Group has applied a EUR/GBP rate of 1.15 for 2021 (2020 actual average rate: 1.125).

The Group expects investment of approximately EUR 43m in 2021 (acquisitions are not included) and to generate a positive free cash flow.

Expected organic growth in operating profit

4-10%

Investment of approximately EUR 43m in 2021

(acquisitions not included)

Expected organic volume growth

3-5%

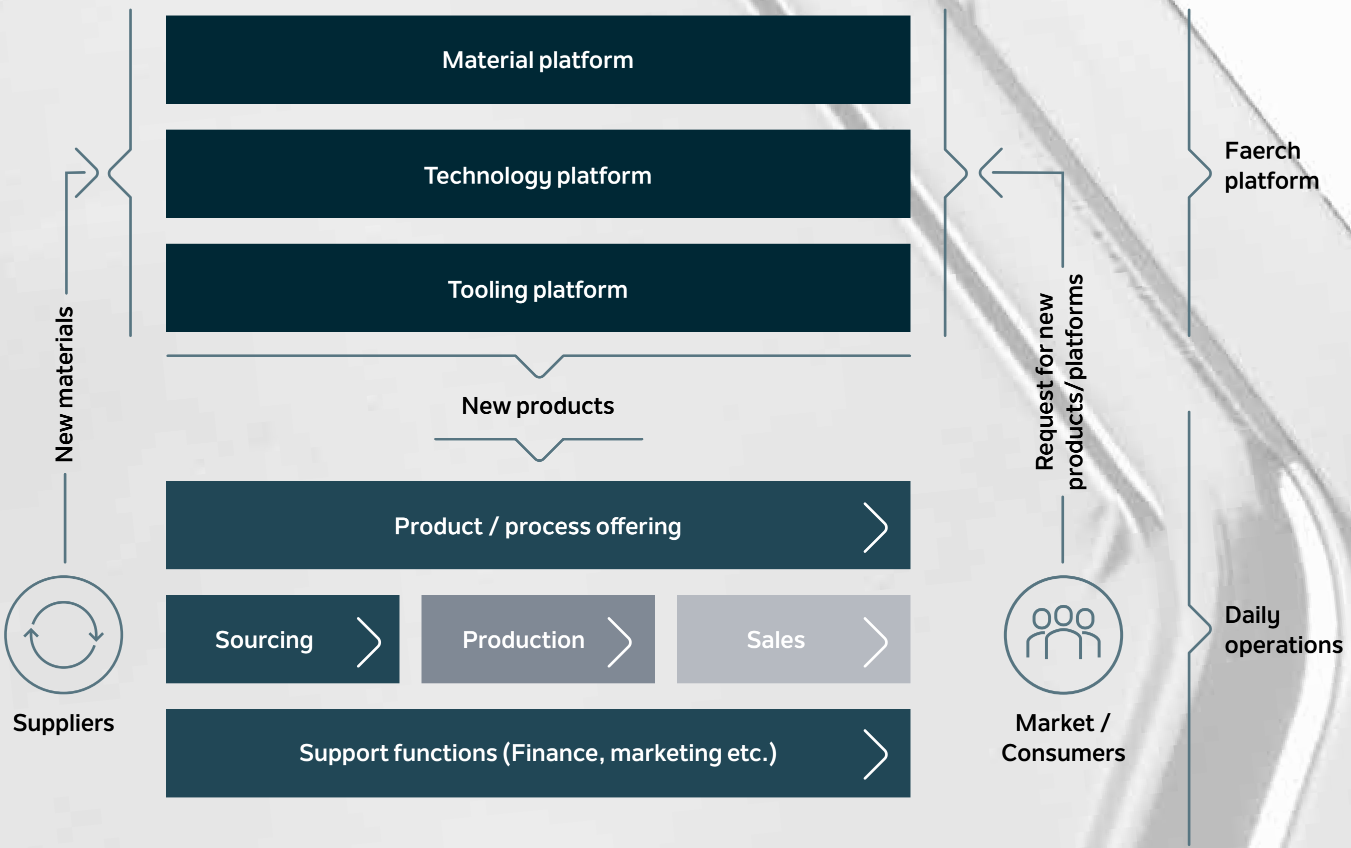
Business model

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



Business Plan 2025

During 2020, Faerch Group, in connection with the sale process to A.P. Møller Holding, prepared a new Business Plan for the coming five years. The Business Plan will, during 2021 and in collaboration with the owners, be confirmed into a strategy document to ensure that the continued growth journey of Faerch Group has clear prioritised focus.

The business plan continues to be founded on the Faerch heritage focusing on organic growth via a broad product portfolio tailored for attractive market segments and with an unrivalled focus on cost optimisation, material innovation, automation and sustainable and circular packaging solutions.

Strengthening our geographical position
Faerch holds a number of product leading positions in our key European markets. We will use the unique product offerings within our core segments and our ability to supply products in sustainable and circular materials to further drive the penetration in our core Western European markets. These strengths will also be utilised in the new markets position in Southern Europe and Poland, added to our business through the acquisition of the Sirap Group.

Product differentiation and investment in new product development will continue to be a core pillar in the strategy to support the organic growth. The portfolio pipeline is strong looking ahead and recycling is the key enabler to secure that our food trays are truly circular. The commercial interest for circularity world-wide is supporting our growth ambitions and also into other segments not traditionally being addressed by Faerch.

The strategic direction will continue to focus on acquisition of quality targets/partnerships with the right strategic rationale and value creation combined with our core focus on organic growth.

Recycling of PET and closing the loop
Integrated recycling is paramount to Faerch and operating the first industrial tray recycling facility in the world from the Faerch site in Duiven in the Netherlands is the foundation for further expansion into new countries and regions. The ongoing ramp-up and line-redesign will be concluded in 2021 for the Duiven site and the strategic focus will be to accelerate and enable Faerch to close the loop for PET trays in multiple countries around Europe.

Continued focus on cost optimisation and automation
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. Faerch will continue to invest significantly into our platforms to deliver cost optimisation and secure industrial cost leadership. Automation across the production and supply chain will be a key investment area, leveraging the latest robotic technology and artificial intelligence combined with Faerch best practise process principles. Going forward, this will continue to contribute with savings in line with our historical achievements.

During the last five years, Faerch has proven our expertise to successfully integrate acquired businesses. The Faerch expertise and integration play book, in combination with the deep knowledge of the local teams, have secured that we have delivered on identified synergies and optimisation targets. Faerch's focus on growth through acquisitions, bringing and maintaining our acquired production sites to the Faerch Group standard, will continue to be a vital priority.

Business risk

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

Executive Summary
This report on Risk Management is the third regular report provided by Group Legal and covers a period of 12 months in 2020. Since the establishment of the Risk Management programme and the identification of the selected top 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 13 Risk for 2021
Faerch Group's risk policy focuses on maintaining a medium-low and predictable profile for all its risks. The developments in Faerch Group's top risks are reported in the below table (see last column). In 2021, the Business Units and key managers will have continued focus on the top key risks and the continuation of key risk identification in co-operation with the Risk Committee.

The Covid-19 situation has been selected as a new key risk for 2021.

The board
Overall responsibility 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 programme.

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 programme 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 2020 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 is being added to market. The post-consumer PET recycling industry is still relatively young, and historically little pressure has been put on the bottle industry to use recycled materials. In 2017, this began to change and as a consequence, the momentum to use recycled materials in bottles is rapidly increasing, making the ability to source enough and the right rPET even more difficult.	Contracts have been entered into with the majority of key suppliers to secure Faerch the necessary volumes for 2020 and going forward. More dual and multiple-sourcing is in place for 2020, 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 is working with suppliers to develop new recipes to enable widening of the supply base.	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 incl. rPET. By integrating 4PET's process and recycling knowledge into the Faerch platform, Faerch has achieved an unique position. We are now in control of the entire value chain from securing the right feedstock to processing, recycling, extrusion and thermoforming. During 2020, Faerch has also continued the expansion of rPET volumes and entered into additional supplier contracts to secure enough rPET volumes. Overall, this now means that the expanded supplier base for rPET suppliers is more than 10 suppliers to safeguard the sufficient and right raw material supply during high seasons. Furthermore, Faerch has continued the close working relationship with recyclers such as Viridor, Reiling & Cleanaway (Veolia). During 2020, Faerch has also ensured that Faerch trays are being returned to 4PET from end-consumers to be recycled (closing the loop) into rPET resin again. In 2021, the key objective is to maintain and continue the positive development to ensure Faerch's ability to source sufficient quantities of 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 and again. Both post-industrial (waste generated from the original manufacturing process) and post-consumer (waste that end-users dispose of into the recycling bin) wastes are valuable and play an important role in Faerch's recycling strategy focusing on closing the loop and in promoting sustainable practices. 1 2 3 4 **Responsible** Procurement **Reviews** Half-yearly updates **Strategy** Reducing risk – rated as 2: in 2021.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
2. Major utility failure **Operations**	Faerch face the potential risk of operations being affected by disruption due to utility 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) programmes and investments in new or redundant equipment based on utility risk assessments on the individual sites.	During 2020, 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 2020, Faerch installed new utilities for compressed air and cooling at the Poole site. Also in 2020, Faerch upgraded and implemented the redundant power supply for servers (UPS) on all sites. Furthermore, a contract has been signed with AVR on supply of NOx emission free steam supply for heating the wash lines at 4PET Recycling, with installation taking place 2020 and 2021. In 2021, a key focus area is an upgrade of cooling and compressed air utilities in Bunol. 1 **2** 3 4 **Responsible** Operations **Reviews** Half-yearly updates **Strategy** Reducing risk – rated as 2 in 2021.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 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. 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 '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 specifications. Faerch also has the appropriate insurances in place to cover product liability.	In 2020, 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 has identified potential weaknesses that are being handled with appropriate actions. Furthermore, external audits have been conducted with new potential raw material suppliers. In 2020, requirements for logistics arrangements for delivering into Faerch have been standardised and communicated to all suppliers. In line with that, Faerch has implemented quality procedures for selected suppliers to ensure best quality and high safety. In 2021, 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 Conduct'. 1 **2** 3 4 **Responsible** Procurement **Reviews** Half-yearly updates **Strategy** Reducing risk - but still rated as 2 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 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 a circular approach that harms the environment (not recycled). Such reputation issues can change customers' preferences and perception of plastics and packaging trends, which could ultimately affect demands.	In 2018, Faerch laid the foundation for a new plastics strategy where all of Faerch designs and production of plastic trays can be reused. More recycling (cradle-to-cradle) and sustainable materials will be developed and promoted. In addition, Faerch will take a leading position on plastic packaging recyclability with the focus 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 colour 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 successfully launched 'Evolve by Faerch' in the UK, and many key retailers have moved to this new material platform. In Q3 of 2020, 58% of Faerch's total CPET volume was 'Evolve by Faerch'. In 2020, the carbon black levels are at approximately 5% of the volume. This is in line with what Faerch anticipated in 2019. Regarding the overall reputation of plastics in the UK, Faerch has decided that further education is still required. In 2020, CSR activities on social media show the approach taken by Faerch in areas such as recycling, closing the loop etc. In 2019, Faerch also launched the 'Tonne for Tonne' programme. The programme 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. In 2020, the programme received great interest from numerous retailers & brand owners. In 2021, a key objective is the ongoing development of Faerch's new plastic strategy and to initiate the process of replacing all carbon black-based colours of CPET Ready Meals in the UK. 1 **2** 3 4 **Responsible** Sales **Reviews** Half-yearly updates **Strategy** Reducing risk – rated as 2 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 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. Going forward, Faerch will further strengthen this area with planned preventative maintenance programmes on the capacity and to ensure that critical spare parts are in stock, at least within Group sites. In case of a major breakdown of extruders, Faerch has already in place purchase arrangements for sheets with several suppliers.	All sites have Planned Preventative Maintenance (PPM) programmes in place for thermoforming 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 2020, Faerch had an ongoing focus on safeguarding critical spare parts. The Bunol site has been upgraded to PET extrusion and the extrusion capacity from the acquisition of 4PET has been partly integrated into the Group capacity platform from January 2020. Both activities improve the contingency of the whole Group. In June 2021, a transfer of one PET extruder from the 4PET sites to Bunol will ensure a site "in balance" and further local contingency. The extruder will also supply the Sirap PET business locally in Spain. In 2021, further extrusion capacity from 4PET (DSF Extrusion) will be upgraded to support the Group platform. Furthermore, the acquisition of three new sites in Italy, one site in Spain and one site in Poland requires an operations risk review, and further roll out of the Faerch platforms to strengthen contingency in 2021. 1 **2** 3 4 **Responsible** Operations **Reviews** Half-yearly updates **Strategy** Reducing risk - but still rated as 2 in 2021.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
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 together with a Ransomware safeguard mechanism in 2020. These solutions will help identify infected machines (which are not detected by antivirus), and proactively identify IT-systems with high exposure levels to future infections.	In 2020, a special focus was on the implementing of a Ransomware safeguard mechanism called 'Bullwall RC'. This solution provides an effective Last Line of Defence, detecting attacks on any endpoint by known or unknown Ransomware, whether they entered via email, website drive-by-attack, Skype, USB key, false attachments, or deployed by someone inside the organisation. Ransomware continues to be a global threat in 2021 for Faerch. Mainly driven by increased risk of phishing emails sent to our company but also supply-chain attacks exposing Faerch to the risk of a Ransomware attack. Our main mitigation strategy is to educate users through use of awareness training, testing of our defences and further improvement of our technical security platforms against this threat. 1 2 **3** 4 **Responsible** IT **Reviews** Half-yearly updates **Strategy** As risk has increased from 2 to 3, focus in 2021 is to reduce the rating through implementation of the abovementioned measures.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
7. **Key Employees** Procurement Operations	Faerch has long established relationships with key employees. In the short term, the loss of any one of these employees could affect the business.	In 2020, Faerch will strengthen formal procedures to ensure that employee knowledge is well documented and filed. In 2020, Faerch will develop and strengthen 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.	All sites have procedures in place for identifying and training key personnel and some sites go further and have developed a 'learned 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, thermos-forming, extrusion, maintenance and QHSE. This will enable a more agile organisation that is able to work across different departments/sites and contribute to knowledge being shared. In 2020, Procurement has further strengthened its team with a supply chain analyst. Also, a Procurement Operating model has been established and the outlined plan has been followed. In 2021, all sites will ensure a minimum of 70-80% permanent staff in Faerch Group and maximum 20-30 % temporary workers during holiday periods and during any seasonal variation. Critical technical skilled staff must always be permanently employed. The acquisition of five new sites in Italy, Spain and Poland requires focus on retaining key employees from Sirap during the integration process in 2021 1 **2** 3 4 **Responsible** Operations & Procurement **Reviews** Annual update **Strategy** Reducing risk – but still rated as 2 in 2021.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and going forward
8. Logistic **Procurement**	The delivery to the customer is the final part of Faerch's supply-chain process.	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.	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 2021, Faerch's Procurement team will continue the evaluation and follow the day-to-day logistical 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). Also, in relation to Continental Europe one year is still remaining on the service contract with existing long-term supplier. However, renewal negotiations will start in early 2021. 1 2 3 4 **Responsible** Procurement **Reviews** Annual update **Strategy** Reducing risk - rated as 1 in 2021.

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 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, such as 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 also have sprinklers and smoke detectors. 'Health and Safety' audits are regularly performed, in conjunction with internal and external specialist, 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 measure with the aim of preventing fires, saving lives and preventing business loss. The focus for 2020 was to continue ongoing fire risk assessments and to carry out frequent inspection patrols. This was to ensure continued safe practices and that good housekeeping is employed, e.g. fire doors remain closed, safe storage and safe waste arrangement. In 2020, a new sprinkler system was installed in 4PET. All necessary insurances are in place and renewed for 2021. In 2021, the sprinkler system in the warehouse, Ivar Lundgaardsvej 15, in Holstebro will be updated or additional warehouse will be rented/build to reduce goods at risk in case of fire. 1 2 3 4 **Responsible** Operations **Reviews** Annual updates **Strategy** Reducing risk – rated as 1 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
10. **Resin Pass-On Mechanism** **Sales**	Faerch is exposed to economic risks in relation to the movement of raw material prices. Typically, sales prices are adjusted at fixed intervals, mainly every quarte, 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 was 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 sales 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 increases in the price of raw materials. 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 was implemented towards all customers on Group level. In consequence, this risk has been reduced to an absolute minimum and the risk will not appear in future risk reports. 1 2 3 4 **Responsible** Sales **Reviews** Annual updates **Strategy** Reducing risk – rated as 1 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 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 has built up maximum stocks to withstand the first impact of a possible hard Brexit.	In 2019, Faerch continued the evaluation of how Brexit could affect the business and mapping of the potential risks and opportunities. In 2020, Faerch followed the development of the Brexit negotiations with EU closely and prepared for the worst case scenario in the event of a 'no-deal' scenario, where no ratified agreement could be established between the United Kingdom and EU. Fortunately, and after months of negotiations, the United Kingdom and EU agreed to a deal that will define their future relationship, which came into effect at 23.00 GMT on 31 December 2020. In short, and most importantly, there will be no taxes on goods (tariffs) or limits on the amount that can be traded (quotas) between the UK and the EU from 1 January 2021. Some new checks will be introduced at borders, such as safety checks and customs declarations. In this respect, Faerch will need to prepare for new procedures at ports, and if new paperwork is incomplete, it could lead to disruption and delays at the borders. As a consequence of the UK-EU trade agreement, the risk has been reduced sufficiently not to appear in the risk reports to come. 1 2 3 4 **Responsible** Sales **Reviews** Half-yearly updates **Strategy** Reducing risk - rated as 1 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
12. **Single-Use Plastic (SUP) Directive** **Sales** **Legal**	The purpose of the SUP Directive is to reduce the amount of plastic waste on beaches and in the oceans. 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 agreed on the new SUP Directive which means that all Member States 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 at a very non-concrete stage and no impact conclusions towards Faerch can be made at present.	In many countries, the transposition process of implementing the SUP Directive has not started and/or little information is available on the expected transposition process, while other countries have started to transpose the wide bans sets in the Directive. The deadline for the enforcement of the Directive is 3 July 2021. In 2021, Faerch will follow the development of the SUP Directive closely and how the directive will be implemented at national level in EU. 1 2 3 4 **Responsible** Sales & Group Legal **Reviews** Half-yearly updates **Strategy** Rated as 2 in 2021

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

Area of risk	Description of the risk	Mitigation	Developments in 2020 and ongoing plans
13. Covid-19 Operations	Covid-19 (coronavirus) is an illness caused by a virus that can spread from person to person. The coronavirus has spread throughout the world and the symptoms can range from mild (or no symptoms) to severe illness.	To prevent the spread of the coronavirus and reduce the risk of exposure to our staff, Faerch has implemented a Business Continuity Plan and launched a number of measures and restrictions towards our employees and visitors.	In 2020, Faerch has implemented a Business Continuity Plan to minimise disruption in our operations and to ensure that our business remains viable during a potential major coronavirus outbreak. Among other things, the plan includes the following actions: •Plans, should employees be quarantined or infected •Increased stock •Travel restrictions •Health screening for all visitors •Office-based employees •Supplier management and dual source •Increased cleaning and education on good personal hygiene and physical distancing. In 2021, Faerch will closely follow the developments of Covid-19 and comply with the local recommendations and guidelines set by the authorities. 1 **2** 3 4 **Responsible** Operations **Reviews** Half-yearly updates **Strategy** Rated as 2 in 2021

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

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 2020, 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.

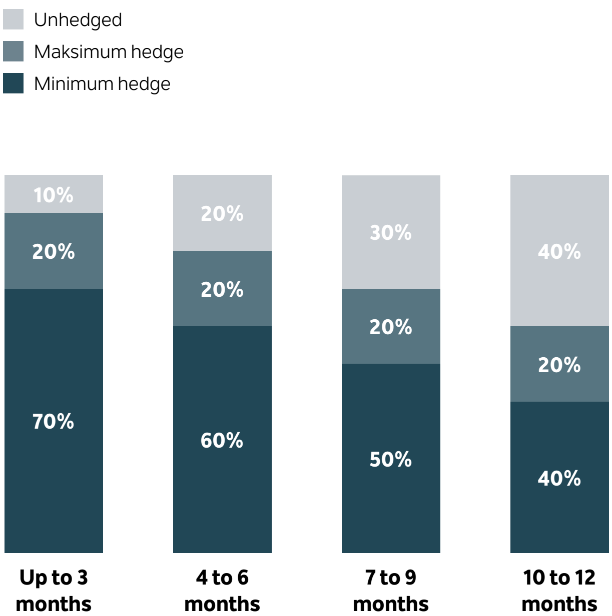
Currency Risk

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 37 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 17 million (45%). A 5% +/- change in the GBP/DKK exchange rate will affect the Groups result by EUR 0.9 million.

Other currencies

The FX risk related to other currencies is considered low, as no other currency contributes more than 1.0% 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 2020 the Group has in average hedged 50% of the loans for the following year. 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 2.9m in 2021.

The Group's mortgage loans (EUR 18.6m) are at the end of 2020 unhedged and therefore exposed to fluctuation's in the CIBOR rate.

At the end of 2020 the value of the interest rate hedges was EUR -1.1m, reflecting the fixed rate on the hedges is higher than the fixed market rate.

Debt with fixed interest

50%

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 2020, 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 intercompany 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.


Faerch

Leading the industry's transition towards true circularity

Thomas Bak Thellesen
Director Group Sustainability & External Affairs

Food packaging plays a crucial role in ensuring the safety of food products. But we need to be mindful of the impacts that our activities can have on the world around us. As a leading provider of food packaging and PET recycling, we are aware of our responsibility to address the challenges our industry is facing. Responsible business practice and sustainability have long been at the heart of our DNA, business strategy and daily operations, and we are committed to helping drive our industry towards true circularity.

Over the years, we have been at the forefront of leading technology, expert knowledge and best practice within the packaging industry. We have introduced products with market-leading shares of post-consumer recycled content, and with our recycling facilities at 4PET in the Netherlands, we have become the only food packaging company in the world to operate as an integrated tray recycler, allowing us to recycle used food trays back into new food grade products at industrial scale.

Over the course of 2020, we continued our focus on making food packaging circular. With food trays made from up towards 100% post-consumer recycled content, we are proud to claim that true circularity in food packaging is not a distant vision but a reality at Faerch today. The Evolve by Faerch concept is a perfect example of how to achieve a circular economy. The trays are made from European post-consumer recycled content and are fully recyclable into new food grade trays of the same quality – again and again.

50 million rPET trays in one month

Our recycling business is yet another important pillar on our industry's journey of making food packaging truly circular. With the acquisition of 4PET Recycling in 2018, we successfully closed the loop on food trays, offering tray-to-tray recycling on an industrial scale. At the beginning of 2020, we took over the remaining 4PET shares and initiated a comprehensive investment programme to optimise our tray-to-tray recycling capacity. Our aim is that the tray line will serve as a blueprint for scaling tray-to-tray recycling into additional regions.

With positive results from the investment programme the ramp-up in volume will gradually move towards an annual capacity of 25,000-30,000 tonnes during 2021. As an indication of this, the total recycling amount corresponded to 25 million post-consumer trays in August 2020, which progressively moved towards 50 million at the end of the year in December 2020. The target is to reach 800 milliontrays end of 2021.

A need for industry transparency

While we have continued to demonstrate significant progress in designing the right products for circularity, we strive to achieve more. For circular packaging, the share of recycled post-consumer content is the most important indicator for sustainability. At Faerch, we believe that more transparency is needed in the industry to help customers compare and access products properly. Consequently, we have started to offer third party validated certificates outlining the rPET percentages of our recipes based on post-consumer content. Our aim is to set a new industry standard allowing customers and consumers to identify and distinguish the real sustainability level of a food packaging product.

Learn more about our initiatives and progress on the following pages.

Thomas Bak Thellesen
Director Group Sustainability and External Affairs


CERTIFIED BY EXTERNAL AUDITOR
CERTIFIED BY EXTERNAL AUDITOR

Sustainability governance structure

Sustainability is core to Faerch's values both in terms of our business thinking and practices. Doing business with integrity has always been part of the way we operate. It defines how we behave, and it guides how we do business. We work with responsibility, 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 comply with recognised best practice.

Managing performance
Our sustainability governance structure provides the platform for keeping our goals and ambitions on track, and it sets a clear framework for our priorities, roles and responsibilities. The structure makes sure that our sustainability strategy and targets are continuously developed and anchored across the Group. It enables us to embed sustainability into our business-agenda - from our long-term, corporate strategy to our 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 across the 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

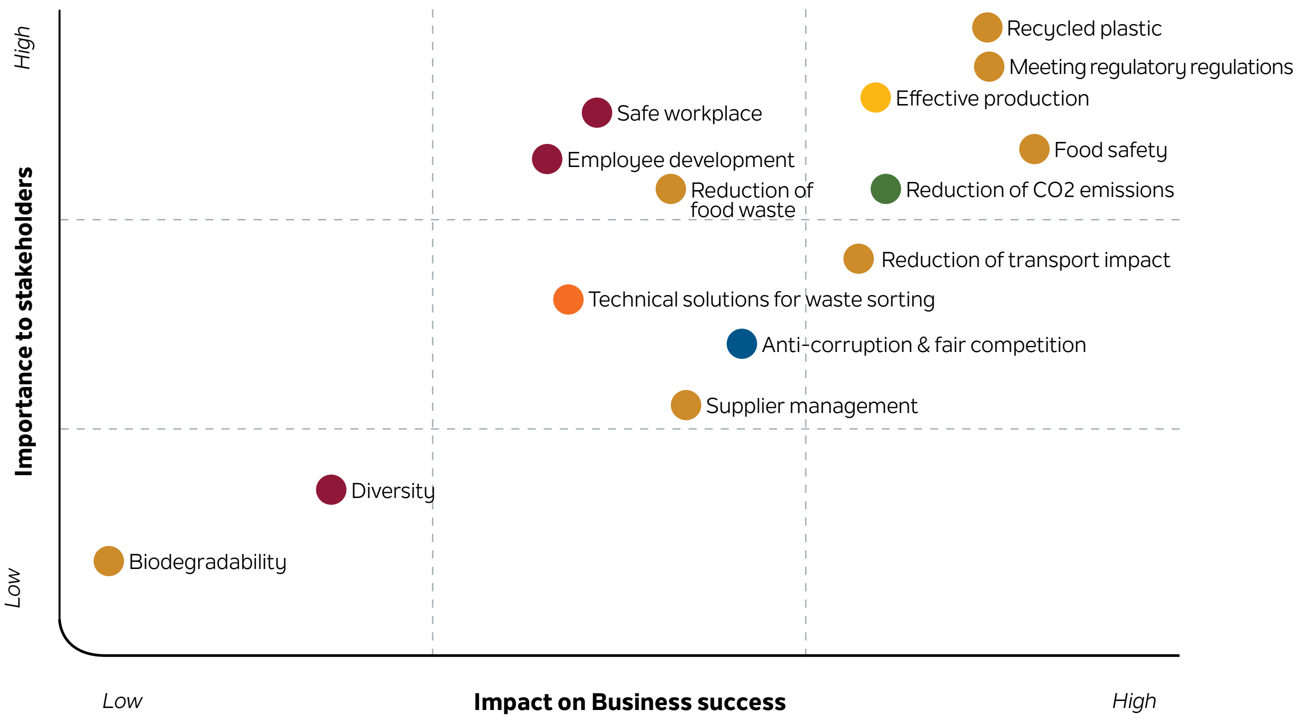
Faerch operates in a constantly changing world, and we need to be aware of and react to the external changes that can impact our business. Assessing materiality helps us identify and prioritise the sustainability issues that matter the most to our business and stakeholders. And it helps us channel our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

As part of our materiality assessment identifying our main economic, environmental, ethical and social impacts, a set of key areas were identified. The assessment engaged both external and internal stakeholder groups. The materiality matrix below shows the 14 most important areas 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 as an overall guidance, and they therefore continue to form the basis of our defined five 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



GOALS

Our focus areas & ambition levels

At Faerch, we recognise the severe economic, social and environmental challenges our planet is facing. As a leading company within rigid plastic packaging and recycling for the food industry, we are committed to acting as a responsible company and define priorities and actions for our business, now and in the future.

We have chosen to dedicate our focus to five specific areas that are directly linked to our core business. These focus areas are directly linked to five UN Sustainable Development Goals where we believe we can create the biggest impact.

Each focus area has 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

Food safety

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

Responsible operations

To minimise CO2 emissions from own activities

People and organisation

To secure workplace with focus on employee development

Business ethics[1]

To ensure orderly and responsible business practice

Level of ambition
LEAD
"To lead" means we will create competitive advantages and market differentiation through innovative and sustainable products.

Level of ambition
DEVELOP
"To develop" means we will strengthen and ensure our position and good practice by being a responsible producer and company.

Level of ambition
COMPLY
"To comply" means that we will adhere to legislation and applicable standards within responsible and ethical business practice.

[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 SDG's

THE EXTENDED PRODUCER RESPONSIBILITY

A game changer in the European circular economy

To truly achieve circularity, we need to rethink our use of resources collaboratively and collectively. Products need to be designed in a way that allows them to remain a valuable resource after use. Over the past decade, we have seen an important transition within the food packaging market towards mono-materials. Due to this transition, the PET market has grown causing a shift from the use of virgin materials to post-consumer recycled material (PCR) from plastic bottles. However, further action is needed to build a true circular packaging economy.

Faerch took the first steps toward true circularity in 2018, where 4PET Recycling became part of Faerch Group. Since then, the Extended Producer Responsibility (EPR) has started to play a more essential part in the packaging industry's navigation and targets. By December 31st, 2024, EPR must be introduced to all EU countries , and producers' responsibility for their products will be extended beyond its current scope – to also include the post-consumer phase of a product's lifecycle.

Faerch Group regards the Extended Producer Responsibility as a gamechanger in the European circular economy, as it pushes the industry to design products made for circularity. Within the packaging industry, using recycled flakes from bottles has been an important first step, but it does not solve the climate or environmental challenges that we are facing. Instead of implementing recycled content from other industries, we, as an industry, need to look at our own products and how they can be integrated into the circular economy. A true circular economy where applications are recycled into the same quality and product type - again and again. Instead of implementing recycled content from the bottle industry, an essential focus on closing the loop is vital, hence tray-to-tray recycling is the final frontier in a circular PET economy.

Leading by example

"One of the key enablers of circularity is to design with recycling in mind. As producers we must think in holistic systems and continue to work tirelessly towards taking complexity out of our products to allow true circularty. An important milestone in the systemic transition was the addition of our tray recycling facility in the Netherlands allowing us to offer tray to tray recycling on an industrial scale", says Thomas Bak Thellesen, Director Group Sustainability & External Affairs

Faerch invites all industry and public stakeholders to focus on the source of their post-consumer recycled content and to join the aim for a circular PET economy based on tray-to-tray circularity.

Mono-material PET allows for true circularity, as it can be recycled back into food grade products again and again – without compromising on functional properties, in particular food safety.

Tray content is a type of PCR. It is made exclusively from recycled pots, tubs and trays material, not recycled bottles. This is beneficial for the environment because bottle grade rPET should be preserved for bottle-to-bottle recycling in order for beverage producers to meet their own demanding recycled content targets, and valuable food contact material from trays should be reintroduced in the circular PET economy as new trays – again and again.

LEGISLATION AND TAX

How to speed up a circular economy

Faerch's mission is to create a circular economy, keeping materials in the loop and out of the environment. Our aim is to design food trays made from recycled materials that can be reproduced into new food trays of the same quality – again and again.

"This is not a distant vision. At Faerch, we are working on making rigid food packaging truly circular. Our products are recyclable, and our PET products contain market-leading shares of post-consumer recycled content – and with our recycling facility in the Netherlands, we have become an integrated recycler and do tray-to-tray recycling on an industrial scale", says Thomas Bak Thellesen, Director Group Sustainability & External Affairs.

"Across Europe, we see a growing commercial interest in recycling PET food packaging into food grade material. But we need to speed up and increase our ambitions. We cannot expect the transition towards a circular economy to be driven by consumer demand alone. We need action at many levels, and at Faerch, we see a need for progressive legislation. We believe that a common European tax on food packaging, that does not contain a minimum percentage of post-consumer recycled content, could positively stimulate the industry and infrastructure . The aim should be to create incentives for making better mono-material waste streams. We welcome progressive actions from decision makers around Europe and see great potential in collection and sorting on a European level", he adds.

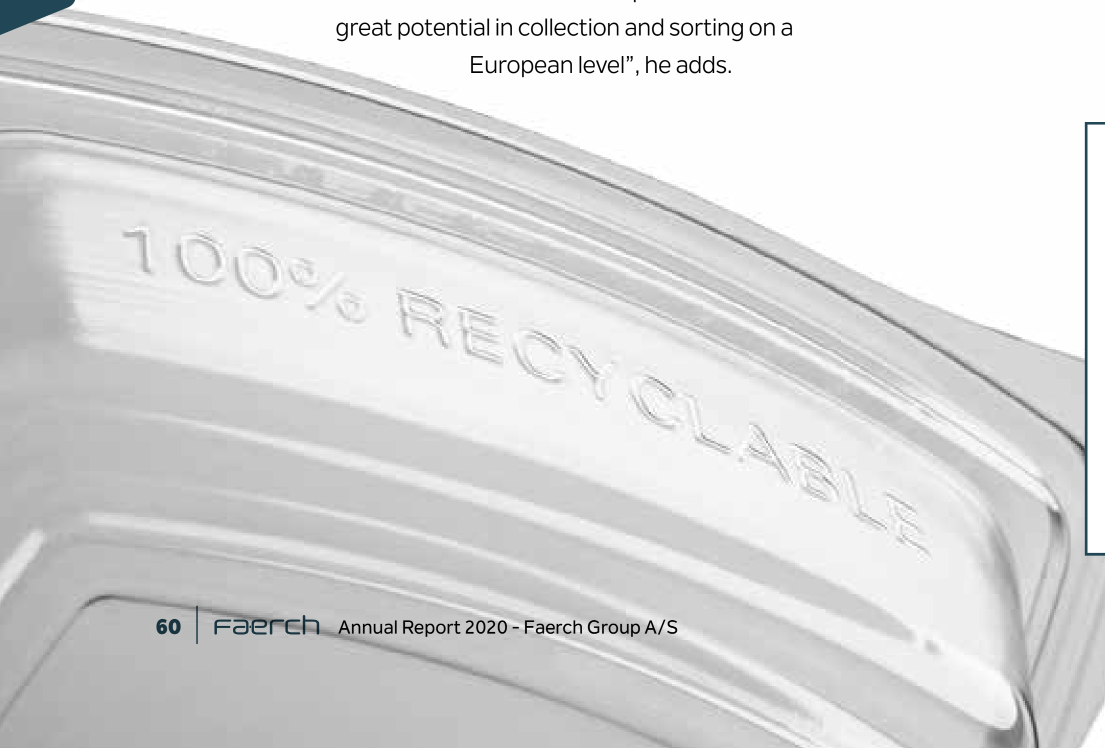
The benefits of a circular economy
The great potential for a European circular plastics economy is widely recognised. Substituting virgin raw material with post-consumer plastics will decrease CO2 emissions massively while preserving valuable materials in circulation.

"As a society, we need to commit to moving faster towards a circular economy for food packaging and as a company with more than 50 years of experience in the sector, we believe that PET is the fastest and most viable way for this to happen. The transition can be further accelerated if it is supported by legislation", says Thomas Bak Thellesen.

Key drivers to enable true circularity
- European countries to impose bonuses or fees on food packaging that does not contain a minimum percentage of post-consumer recycled tray material.
- More focus on using mono-materials, as this is a prerequisite towards a circular economy
- National regulators need to focus on building systems that incentivise the use of circular materials

In the beginning of 2021, France incorporated a bonus structure incentivising the use of recycled materials derived from households, such as tray PCR.

Faerch CASE



CO2 emissions

-60%

PET tray - 100% virgin material vs.
PET tray - 100% recycled material

FULL TRANSPARENCY

Helping customers assess sustainability in food packaging

Using recycled content is an important strategy to reduce the environmental impact of food packaging and to promote circularity. However, when talking about recycled content, it is important to be aware of its source. When something is labelled as being made with "recycled content", it can be derived from two sources: Pre-consumer recycled content and post-consumer recycled content. Both sources are accepted as rPET, but it is important to distinguish between the two, as their environmental benefits are not comparable.

For circular packaging, the share of recycled post-consumer content is the most important indicator for sustainability. However, to allow customers to compare products, an industry standard is needed.

What is the difference between pre- and post-consumer recycled content?

Pre-consumer recycled content includes materials diverted from the waste stream during the manufacturing process. Post-consumer recycled content refers to materials that have been placed in the recycling bin by the end-user after use, such as plastic bottles and food trays. These materials are then collected and transported to recycling facilities where they are sorted and made into new materials.

Post-consumer recycled material (PCR) is the preferred source of recycled content, as it allows the industry to continuously cycle the materials it puts on the market and avoid material value loss. This is fundamental to limiting environmental impact, including the use of virgin raw materials and its related CO2 emissions.

Faerch's position on recycled content in food packaging

When producers choose to include different material input streams, it is important to provide full transparency to allow an accurate comparison between the end products' material compositions. The aim is to avoid eroded unspecified rPET percentages, where internal regrind and/or post-industrial content and/or internal pre-consumer content are being communicated as recycled content by the packaging industry. These instances should not be compared with rPET percentages that are based on post-consumer content, which have a real environmental impact.

"At Faerch, sustainable packaging embraces a circular economy approach that values the reuse of materials. To help our customers assess and compare the sustainability performance of our products, we have launched an industry first initiative where we can offer certificates outlining the PCR percentage in each of our recipes. The percentages are determined using strict calculation methods, and they are validated by an external and independent auditor.

At Faerch, we will never include internal virgin scrap as part of the post-consumer or pre-consumer percentage. By setting this new industry standard, we will create a unique benchmark for customers in the food packaging industry.", says Thomas Bak Thellesen, Director Group Sustainability & External Affairs.

TRANSPARENCY
COMES IN ALL COLOURS
CERTIFIED BY EXTERNAL AUDITOR
PRICEWATERHOUSECOOPERS
Faerch are establishing a new industry standard by communicating PriceWaterhouseCooper audited percentage of Post-Consumer Content per product
In an industry-leading approach, we are now supplying our customers with certification of the percentage of post-consumer recycled content in our packaging.
With this fully transparency, it allows our customers to assess the true sustainability of their food packaging, the ultimate affirmation that they are buying the most sustainable packaging solutions in the market today.
Approved and certified by an independent external auditor, PriceWaterhouseCoopers, we have identified that the most important indicator of sustainability is the share of Post-Consumer Recycled Content (PCR) within the packaging.
What is PCR?
Post-Consumer Recycled Content (PCR) is defined as having been in the hands of its end user, has reached the end of its use and is perceived as waste.
Post-consumer PET is collected from deposit systems, kerbside collection and closed-loop systems. It is sorted and recycled back into food grade recycled PET for use in new food packaging.
SCAN
GET ALL
THE DETAILS
Faerch
Faerch | Packaging that cares

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

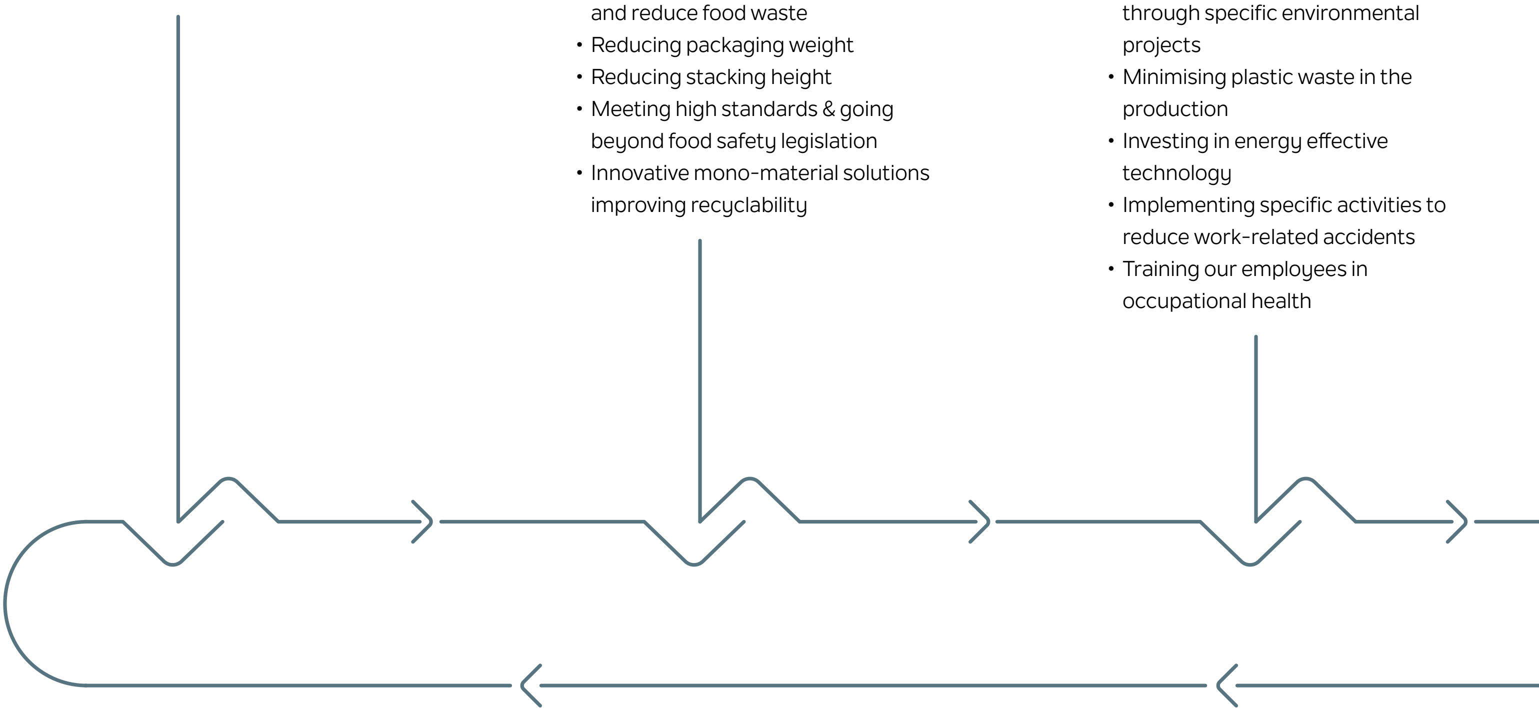
- Supplier Code of Conduct
- Supplier audits
- Responsible packaging activities

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

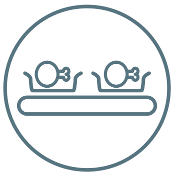
Production: Extrusion/Thermoforming

- 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



MAIN IMPACTS | Minimising plastic waste

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

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.

Materiality Area	Sustainable Development Goal
Reduction of CO2 emissions	Take urgent action to combat climate change and its impacts
Recycled plastic	Ensure sustainable consumption and production patterns
Technical solutions for waste sorting	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
Reduction of food waste	Ensure sustainable consumption and production patterns
Recycled plastic	Ensure sustainable consumption and production patterns
Effecient production	Ensure access to affordable, reliable, sustainable and modern energy for all
Safe workplace	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Sustainable Development Target	Faerch's Focus Area	Faerch's KPI	Value chain involvement
13.2. Integrate climate change measures into policies, strategies and planning	Sustainable Packaging	CO2 emissions with increased use of recycled plastic.	Suppliers & Sourcing Product Development Production
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
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
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
12.5. Substantially reduce waste generation through prevention, reduction, recycling and reuse	Responsible Operations	Plastic waste as percentage of raw materials	Product Development Production
7.2. Increase substantially the share of renewable energy	Responsible Operations	Energy consumption '100% powered by electricity from renewable energy sources'	Production Logistics
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.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Supporting standards
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THE GLOBAL COMPACT

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 PET derived from trays in our product recipes and production processes and aim to integrate a truly closed loop where used trays are collected and processed into new trays. This will help us reduce plastic waste and CO2 emissions. Our aim is to take a leading position in the use of recycled plastic.

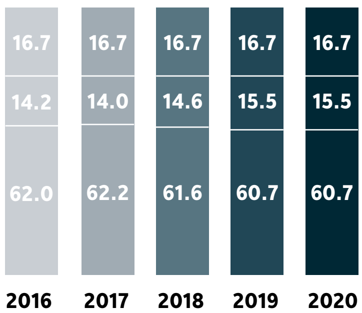
Scope	Guidelines	Impact	Risk & challenges
Manufacturing and recycling of plastic trays creating a closed loop within food packaging.	European Strategy for Plastics in a Circular Economy. Reuse and recyclability of own materials in own operational setup and the market, reaching a true “closed loop”.	**Impact 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

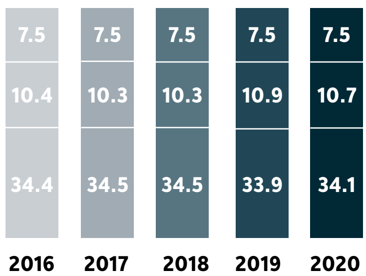
Bottom bars =Emissions with initiatives
Middle bars = Saved due to rPET
Top bars = Saved due to renewables



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

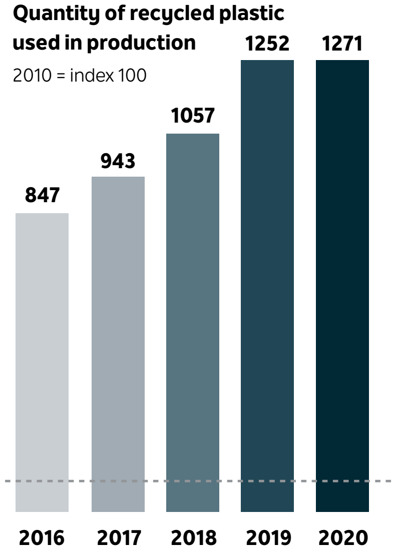
Kg/CO2 equivalents per 1,000 trays

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, and even more so than ever, consumers should always be confident that the food that they buy is packaged and designed for food contact.
Our aim is to maintain a leading position within rigid food packaging while complying with the strictest food safety requirements. Guaranteeing food safety is our key priority. Without that, our efforts to achieve circularity and reduced environmental impacts will have no value.
At Faerch, we therefore continuously develop methods and processes to ensure and validate food safety for our products.

Scope	Guidelines	Impact	Risk & challenges
Continuously monitor methods and approaches to improve or uphold food safety requirements.	FCM shall comply with Article 3 of 1935/2004; this applies to all food contact material. Regulation (EU) 10/2011, explains in great detail "what plastic converters have to do in order to comply" with 1935/2004.	Impact mitigation by developing food safe mono-PET packaging solutions with a high content of recycled material that additionally enables long shelf life, consequently reducing the carbon footprint from food waste and enabling circularity.	It may be difficult for end-users to distinguish between different types of plastic packaging and their purpose. Hence, we will continue to promote and produce food safe mono-material PET solutions and work with academia on topics such as food safety and circularity.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Performance progress

Number of reported cases of migration tests

0 out of 24

tests in 2020

2019: 1 case out of 26 tests
2018: 0 cases out of 32 tests
2017: 0 cases out of 21 tests
2016: 0 cases out of 21 tests

Responsible operations

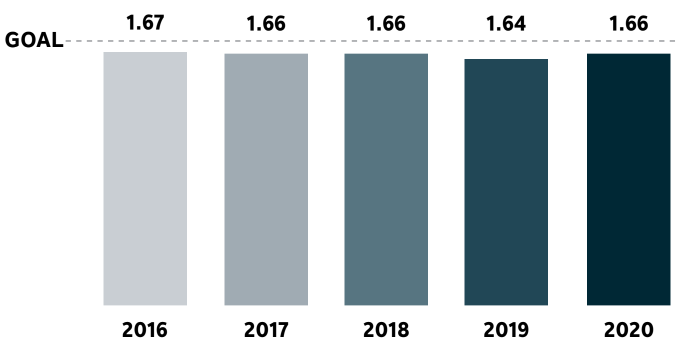
The focus area "Responsible operations" involves everything we do to ensure that our production is effecient. We are aware that the reach and scale of our activities can impact the environment, society and people. It is therefore important to keep our factory footprints as low as possible.

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.

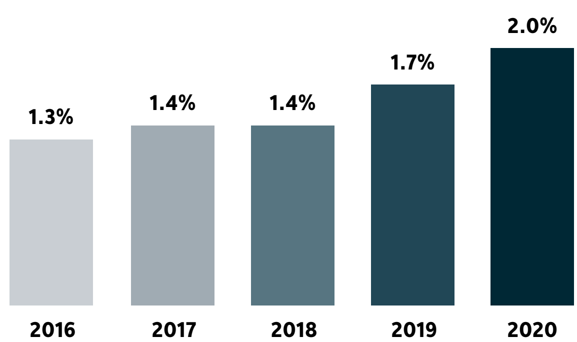
Scope	Guidelines	Impact	Risk & challenges
Ensure that our production is effecient in the way we utilise resources and by this, minimising our environmental footprint.	Group Quality Policy Group Environment, Health & Safety Policy ISO 14001 Management System	**Plastic waste** Impact mitigation by establishing 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.

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.

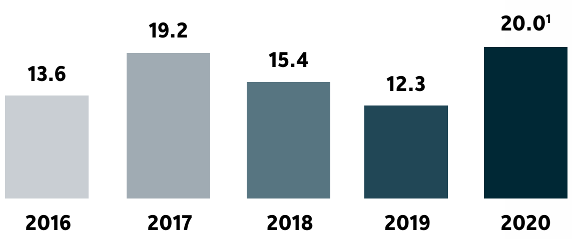
We are committed to maintaining high standards of health and safety across the Group's business units and we continue to implement new initiatives to help us ensure that our workplace is attractive. We believe this is key to achieving our long-term objectives.

Scope	Guidelines	Impact	Risk & challenges
Maintaining high standards of health & safety at our workplace. 8 DECENT WORK AND ECONOMIC GROWTH	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.

Performance progress

Accident frequency

Total work accidents per one million working hours



[1] Including former CGL Pack (Faerch Lorient and Faerch Annecy) and 4PET

People & organisation

People

Scope	Guidelines	Tools	Impact	Risk & challenges
Ensuring our position as an ambitious and responsible company by focusing on employee development and succession management. 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 scale up the organisation and thereby continue to support our strong growth, it is important that we develop our people and structures further. We will strengthen our core skills and competences in and across specific functions and expand our succession management. We will maximise new employee integration through enhanced on-boarding.

Performance progress

Our people are key to our success, and as a result of our rapid growth over the last few years, we need to make sure that we support and develop our people in an adequate way.

With the acquisition of the Sirap business across five sites in Italy, Poland and Spain, we achieved our largest acquisition to date. This called for further strengthening of our people development agenda, to reflect our accelerated growth and addressing the following areas:

Our Culture and Heritage
As a rapidly growing company, we want to ensure our strong culture is integrated into our acquired companies. Building on a deep technical, material and operational knowledge, we know that our efficient production set-up provides a competitive advantage. We are also very aware that our unique culture of simplicity, agility, execution and decency will be essential in order to scale up our business even further and to go global. It is the foundation of our future success as a leader in sustainable packaging for the food industry and our ability to drive a closed loop model on an industrial scale.

Employee and Career Development
To be able to provide support and development, we continue to assess the strengths, preferences and needs of our key people. We also identified potential risks, e.g. in critical positions where no successor would have been available when needed in case of retirement, promotion or job rotation etc.

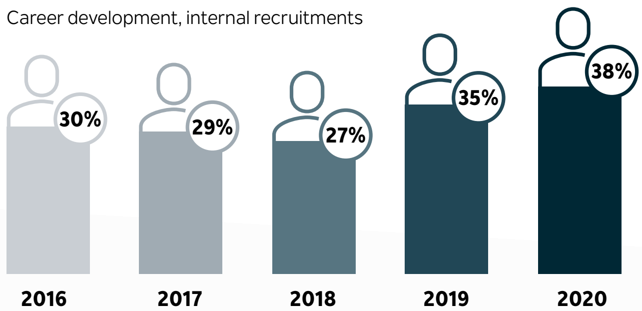
Therefore, our Employee Development Review process supports the individual development of our employees.

The purpose of the individual development plan is to ensure a structured approach in agreeing on, working with and following up on long-term career development objectives. It provides an overview of learnings and reflections from both employee, manager and possible other stakeholders, and it helps measure progress and success and ultimately reaching the long-term objective.

We practice career development through internal recruitment. We see it as our responsibility to encourage employees to improve their skills and remain aware of the opportunities available for their continued development.

Employee Development

Career development, internal recruitments



Training Examples

Individual Development Coaching

- Leadership training in the form of a 6 month individual development coaching
- Assessment of the manager's foundation based on a personality profile
- Through dialogue, selection of top 2-3 priority development areas using the IDP to drive and follow-up on development progress
- Coaching combined with relevant leadership and management tools and training to support and push for sustainable development
- Action learning with continuous follow-up based on the daily leadership challenges

Regional Senior Team - Management Training

- Situational Leadership
- 4D clarity profiles
- Setting SMART goals & making them clear
- Diagnosing development levels
- Flexible leadership styles & partnering for performance
- Getting things done more effectively – time management
- Effective 1-2-1 reviews
- Getting people to self-diagnose and reflect

Site based & Middle Management Training

- Understanding the role & expectations of the Faerch Manager
- Learning how to motivate, direct, coach and performance manage people to maximise results
- Team dynamics & taking control
- Performance management using the 4P's model
    - Passengers / Prisoners / Protestors / Players
- Interactive workshop & across the region

Graduate Programme and Trainees

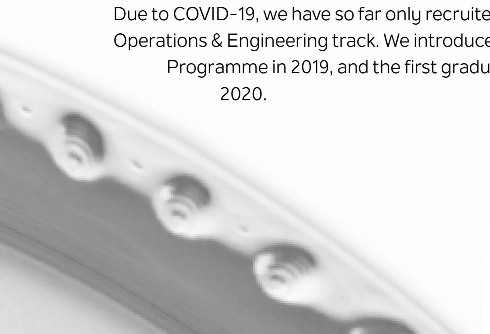
Faerch's Graduate Programme offers ambitious and aspiring people the opportunity to learn how to navigate in an international and fast-paced organisation.

Initially, four tracks were developed – Operations & Engineering; Technical & Innovation; Supply Chain & Procurement and Finance & Transformation. Due to COVID-19, we have so far only recruited one graduate for the Operations & Engineering track. We introduced the Faerch Graduate Programme in 2019, and the first graduate started in September 2020.

The programme supports young talent in their career development and adds new knowledge and perspectives to our business.

We offer an 18-month programme, in the course of which the graduate will have an opportunity to learn 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 graduate will gain international experience, broaden his or her own



People & organisation

People (continued)

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 his or her professional career path, personal growth and development.

With the great insight into our business and our culture obtained through the programme, further career opportunities will be possible for the right candidates.

Trainees and Apprentices

Faerch offers apprenticeships as a unique platform for future growth. At this year's National Danish Entrepreneurship Festival, we were awarded the winner of the Apprenticeship category.

Årets læreplads

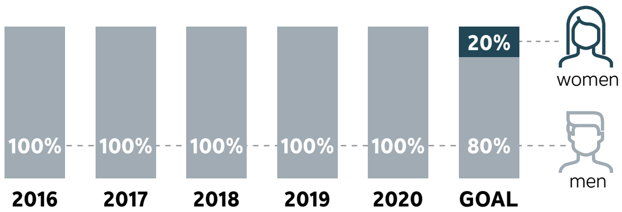
We employ trainees and apprentices to ensure development of competences. We especially focus on four areas:

Automation Technician Apprentice	Apprentice within plastics
To ensure the right level of technical skills and possible promotion into NPI or other technical roles	To ensure the right competences especially in Extrusion
Sales apprentice/trainee	**Finance apprentice/trainee**
To promote feeding system from Sales Coordinator to external sales candidate	To promote feeding system from accounting into controlling

Gender Proportion among the Members of the Board of Directors

There was no requirement to appoint any new members of the Group's Board in 2020. The current members of the Board have 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

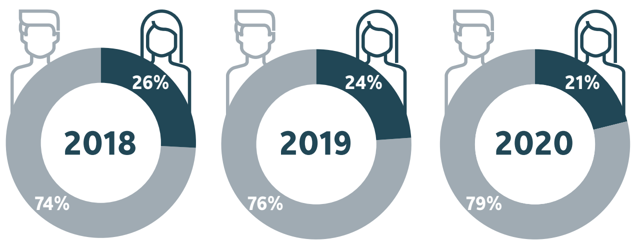


Gender Proportion on Manager Level

By the end of 2020, the gender distribution among managers was 79% men and 21% women, trending towards more men compared to women in manager roles. This calls for an evaluation of our ability to attract women to leadership positions and not least to retain women in leadership positions.

We report on the total gender proportion for all managers in the Faerch Group. In this connection, senior manager and manager represent one reporting category.

Manager level



Diversity

We are an international growth organisation, and we want to maintain our reputation as a workplace committed to ensuring fair and equal treatment and opportunities for all employees regardless of age, gender, nationality etc. We foster a workplace culture 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 13 9a.

With a clear objective to enhance diversity in our workforce, we promote and encourage equal opportunities, ensuring 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, where possible, to find both female and male candidates in both internal and external recruitment.

Governance

We take on responsibility
Faerch Group is an international organisation 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 we 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, Sales and Procurement departments etc., Faerch Group works actively to combat inappropriate business conduct.

In 2020, 15 employees were trained on-site in anti-corruption and fair competition. A total of 231 employees have received on-site training, including the majority of relevant Directors, Managers, Sales and Purchasing personnel, and other staff groups such as IT and operational employees. The on-site training of employees is often done in smaller groups of 2-5 employees in order to obtain a good face-to-face dialogue. In addition, a total of 158 employees have taken and passed the e-learning training course in anti-corruption law, and 190 employees have taken and passed the e-learning training programme in competition law. The training enables our employees to execute business negotiations, attend meetings and social events 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. To support our employees' understanding of personal data and how to manage it, Group Legal has launched a GDPR e-learning programme in co-operation with Plesner (a Danish Law firm). In 2020, a total of 307 employees completed the GDPR e-learning programme.

Furthermore, Group Legal has prepared procedures to ensure basic data subject rights, e.g., right to access

Reported cases about corruption
0

2020: 0 cases
2019: 0 cases
2018: 0 cases
2017: 0 cases
2016: 0 cases

Reported cases about unfair competition
0

2020: 0 cases
2019: 0 cases
2018: 0 cases
2017: 0 cases
2016: 0 cases

Reported cases about gifts over EUR 200
3

2020: 3 case
2019: 0 case
2018: 0 cases
2017: 4 cases
2016: 3 cases

Reported cases in our whistle-blower solution
3

2020: 3 cases
2019: 0 cases
2018: 0 cases
The program was launched in 2018

personal data about themselves, right to rectify personal data about themselves and right to erase personal data about themselves. Any such data subject request will be handled and answered by Group Legal.

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) to ensure that personal data does not fall into the hands of unauthorised persons or in any 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 2021, Group Legal will have continued focus on providing training in Faerch Group policies and internal guidelines within fair competition, anti-corruption and GDPR. Regarding GPDR, the following points will be prioritised i) update the Group's privacy policies according to latest practice, ii) review internal policies and procedures to ensure that they function in accordance with the intentions, and iii) continued focus on mapping all processes where personal data is processed.

Whistle-blower hotline
Faerch Group's governance programme 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 suspicious, 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. However, in 2020 three cases have been reported. All three incidents were investigated by Group Legal without finding any actual violations by the Faerch Group or its employees, and the cases have all been formally closed.

A good relationship with our suppliers
Faerch Group values long-term supplier relationships based on mutually 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 covering human rights, labour rights, the environment and anti-corruption. Today, the Code of 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 Director is responsible for ensuring that new suppliers sign Faerch's 'Supplier Code of Conduct', and for making 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:
Chairman of Polypipe Group Plc
Chairman of the UK Packaging Federation
Non-Executive Director of the Walstead Group
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:
President & CEO Viega LLC at Viega Holding GmbH & CO. KG
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

Executive management

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

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 Marketing 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

Michael Orye (1972)
Regional CEO - 4PET Recycling
Member since:
2020
Previous experience:
Huhtamaki Oyj, Executive Vice President Fiber
Amcor Ltd., Managing Director Sub-Saharan Africa
Amcor Ltd., Vice President Medical Europe
Amcor Ltd., Managing Director AF Winterbourne,
Amcor Ltd., General Manager Mt Holly, New Jersey,
Amcor Ltd., Business Development Executive USA & Canada


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

Consolidated financial statement

Consolidated income statement and consolidated statement of other comprehensive income

1 January - 31 December

Note	EURm	2020	2019
1.1	Revenue	370.3	405.4
1.2	Production costs	-271.6	-301.9
	Gross profit	**98.7**	**103.5**
1.2	Sales and distribution expenses	-45.8	-48.0
1.2	Administrative expenses	-19.1	-19.8
1.3	Other operating income	1.0	0.6
1.3	Other operating expenses	-1.0	-2.9
	Operating profit (EBIT) before special items	**33.8**	**33.4**
	Specification:		
	Earnings before interest, tax, depreciations and amortisation (EBITDA)	91.7	89.5
	Depreciation and amortisation	-57.9	-56.1
	Operating profit (EBIT) before special items	**33.8**	**33.4**
1.4	Special items	-9.5	13.2
	Operating profit (EBIT)	**24.3**	**46.7**
3.1	Financial income	26.0	10.5
3.1	Financial expenses	-41.8	-59.2
	Profit before income tax	**8.5**	**-2.0**
4.3	Tax on profit for the year	-1.7	5.9
	Profit for the year	**6.8**	**3.9**
	Statement of comprehensive income		
	Profit for the year	6.8	3.9
	Items that will be reclassified subsequently to the income statement when specific conditions are met:		
	Unrealized gain / loss on hedging reserves	1.2	-1.1
	Tax on unrealized gain / loss on hedging reserves	-0.3	0.2
	Foreign exchange adjustment on translation	-6.0	5.2
	Tax on foreign exchange adjustment	2.8	-1.6
	Total comprehensive income for the year	**4.6**	**6.7**
	Total comprehensive income for the year is attributable to:		
	Shareholders in Faerch Group A/S	4.6	6.7

Consolidated balance sheet

31 December

Note	(EURm)	2020	2019
	Assets		
	Goodwill	493.6	493.8
	Brand	155.6	155.0
	Customer relations and others	196.4	210.6
2.1, 2.2	**Intangible assets**	**845.7**	**859.3**
	Land and buildings	72.3	73.2
	Plant and machinery	158.2	165.1
	Fixtures and fittings, tools and equipment	22.8	30.9
	Fixed assets under construction	6.4	9.6
2.3	**Tangible assets**	**259.7**	**278.8**
4.3	**Deferred tax assets**	**7.8**	**4.3**
	Total non-current assets	**1,113.2**	**1,142.5**
2.4	Inventories	54.9	58.7
2.5, 3.2	Trade receivables	32.9	52.7
3.2	Other receivables	11.4	3.9
3.2	Prepayments	0.1	1.0
	Current tax assets	4.2	8.4
3.2	Cash at banks	6.9	16.5
	Total current assets	**110.4**	**141.2**
	Total assets	**1,223.6**	**1,283.8**

Consolidated balance sheet

31 December

Note	(EURm)	2020	2019
Equity and liabilities			
3.5	Share capital	1.9	1.9
	Reserve for currency translation	-2.7	0.5
	Retained earnings	159.3	151.5
	Total equity	**158.5**	**153.9**
3.2	Borrowings	631.1	655.7
	Debt to Parent Company	237.3	236.3
4.3	Deferred tax liabilities	97.5	101.9
	Total non-current liabilities	**965.8**	**994.0**
3.2	Borrowings	17.9	30.0
3.2	Trade payables	37.0	52.8
	Current tax liabilities	4.9	14.7
3.2, 3.4	Other short term debt	38.6	37.5
3.2	Deferred revenue	0.8	0.9
	Total current liabilities	**99.2**	**135.9**
	Total liabilities	**1,065.1**	**1,129.9**
	Total equity and liabilities	**1,223.6**	**1,283.8**

Consolidated statement of changes in equity

(EURm)	Share capital	Reserve for currency translation	Retained earnings	Total Equity
Equity at 1 January 2020	**1.9**	**0.5**	**151.5**	**153.9**
Profit for the year	-	-	6.8	6.8
Hedging reserves	-	-	1.2	1.2
Tax on hedging reserves	-	-	-0.3	-0.3
Other comprehensive income	-	-6.0	-	-6.0
Tax on other comprehensive income	-	2.8	-	2.8
Total comprehensive income for the period	**-**	**-3.2**	**7.8**	**4.6**
Equity at 31 December 2020	**1.9**	**-2.7**	**159.3**	**158.5**
Equity at 1 December 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**	**6.6**
Equity at 31 December 2019	**1.9**	**0.5**	**151.5**	**153.9**

Consolidated cash flow statement

1 January - 31 December

Note	(EURm)	2020	2019
	Profit before tax	8.5	-2.0
4.1	Adjustments for non-cash transactions	67.7	80.6
2.6	Change in working capital	10.3	11.7
	Interest paid	-30.7	-30.7
	Interest received	0.0	0.1
	Income taxes paid	-14.5	-10.6
	Cash flow from operating activities	**41.2**	**49.0**
2.1	Purchase of intangible assets	-2.9	-1.8
2.3	Purchase of tangible assets	-21.4	-26.5
	Proceeds from sale of tangible assets	0.3	0.0
	Acquisition of subsidiaries	-0.1	0.0
	Cash flow from investing activities	**-24.2**	**-28.3**
	Free cash flow	**17.0**	**20.8**
	Proceeds from borrowings	0.0	1.5
	Repayments of borrowings	-13.5	-12.3
	Cash flow from financing activities	**-13.5**	**-10.8**
	Net increase in cash and cash equivalents	**3.6**	**10.0**
	Cash and cash equivalents at 1 January	0.0	-10.0
	Foreign exchange rate adjustments on cash and cash equivalents	-1.5	0.0
	Cash and cash equivalents at 31 December	**2.1**	**0.0**
	Cash and cash equivalents are specified as follows:		
	Cash at bank and in hand	6.9	16.5
	Credit institutions	-4.8	-16.5
	Cash and cash equivalents at 31 December	**2.1**	**0.0**

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
2020						
Volume (m'pcs)	**5,507**	**790**	**186**	**-**	**-**	**6,483**
Revenue	294.6	42.3	9.9	71.1	-47.6	370.3
Operating profit before special items	31.5	4.5	1.1	-3.4	-	33.8
Depreciations	-44.0	-6.3	-1.5	-6.1	-	-57.9
Financial items	-	-	-	-	-15.8	-15.8
Profit before tax	-	-	-	-	8.5	8.5
Total assets	**805.0**	**115.5**	**27.1**	**261.3**	**14.7**	**1,223.6**
Total liabilities	**886.2**	**127.2**	**29.9**	**21.8**	**-**	**1,065.1**
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
Depreciations	-41.8	-7.0	-1.5	-5.8	-	-56.1
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**
Total liabilities	**903.8**	**150.3**	**31.9**	**43.9**	**-**	**1,129.9**

Note 1.1 Segment information (continued)

1 January - 31 December

Geographical information

	Total non-current assets		Total liabilities		Total revenue	
(EURm)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
North Europe	873.3	902.0	1,014.8	1,052.2	193.4	201.5
South Europe	92.9	94.4	23.9	29.3	48.2	55.6
Central Europe	147.0	146.1	26.4	48.4	123.2	140.1
Rest of the world	-	-	-	-	5.5	8.2
Total	**1,113.2**	**1,142.5**	**1,065.1**	**1,129.9**	**370.3**	**405.4**

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)	2020	2019
Wages, salaries and remuneration	67.7	76.7
Pension contribution	3.1	2.2
Other social security costs	4.7	3.1
Total staff costs	**75.4**	**82.1**
Staff costs relate to:		
Production costs	55.6	60.2
Sales and distribution expenses	9.2	9.9
Administrative expenses	9.1	10.6
	73.9	**80.7**
Staff cost recognised as inventory or fixed assets	1.5	1.4
Total staff costs	**75.4**	**82.1**
Average number of full time employees	**1,468**	**1,497**
Remuneration for Key Management Personnel (Executive Management)		
Salaries and wages	2.5	1.8
Pension expenses	0.2	0.1
Total	**2.7**	**1.9**
Fee to Board of Directors	**0.2**	**0.2**

Total remuneration for registered members of the Group Executive Team amounts to EUR 2.3m (2019: 1.7m).

Note 1.2.b Depreciation, amortisation and impairment losses

(EURm)	2020	2019
Intangible assets, amortisation	18.0	17.7
Intangible assets, impairment	–	31.9
Property, plant and equipment, depreciation	40.0	38.4
Total depreciation, amortisation and impairment losses	**57.9**	**88.0**
Depreciation/amortisation and impairment losses relate to:		
Production costs	40.5	37.7
Sales and distribution expenses	16.6	17.3
Administrative expenses	0.8	1.0
Special items	–	31.9
Total depreciation, amortisation and impairment losses	**57.9**	**88.0**

Note 1.2.c Research and developments costs

Accounting policies
Research and development expenses are expenses that do not meet the criteria for asset recognition. Theese are expensed as incurred and include costs like wages, salaries and consumables.

(EURm)	2020	2019
Research and development costs expensed during the year	0.1	0.2
	0.1	**0.2**

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
- Income incl. subsidies of a non-operating nature
- Cost related to the project management office.

(EURm)	2020	2019
Gain on disposal of intangible assets and property, plant and equipment	0.0	0.0
Rent and other secondary income	0.0	0.0
Gain on financial instruments	0.5	-
Other items	0.4	0.5
Total other operating income	**1.0**	**0.5**
Transaction costs	-	0.3
Loss on financial instruments	-	0.8
Other items	1.0	1.8
Total other operating expenses	**1.0**	**2.9**

Note 1.4 Special items

Accounting policies

Special items include 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 recently acquired businesses, additional cost incurred due to the COVID-19 pandemic in 2020 and in 2019 cost for the Faerch Group 50th anniversary. Also, income from the settlement agreements related to the acquisition of 3PET Holding B.V. and certain non-recurring energy taxes are categorised as special items. In 2019 the income related to the adjustment of the contingent payment obligation related to the shares in 3PET Holding B.V., and the impairment charges related to the CGL and Anson brands were recognised 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.

Note 1.4 Special items (continued)

(EURm)	2020	2019
Acquisition	-6.7	-0.5
Integration	-6.8	-4.4
COVID-19	-1.5	-
50th anniversary	-	-2.2
Settlement agreement related the acquisition of 3PET Holding B.V.	8.3	-
Adjustment of contingent payment obligation related to 3PET Holding B.V.	-	53.9
Impairment of brands	-	-31.9
Energy taxes	-1.1	-
Other	-1.7	-1.6
Total Special items	**-9.5**	**13.2**

Note 2.1 Intangible assets

Accounting policies

Goodwill
Goodwill decreased by 0.2m EUR during 2020 due to exchange rate adjustments.

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 2020 brand value increased by 0.6m EUR due to exchange rate adjustments. All products in the tray segment are 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.

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

Note 2.1 Intangible assets (continued)

(EURm)	Goodwill	Brand	Customer relations and others	Total
2020				
Cost at 1 January	493.8	190.7	252.6	937.1
Exchange rate adjustments	-0.2	0.7	0.9	1.5
Additions	-	-	2.9	2.9
Increase / adjustment due to company acquisition	-	-	-	-
Transfer	-	-	0.2	0.2
Cost at 31 December	**493.6**	**191.4**	**256.7**	**941.7**
Amortization and impairment at 1 January	-	35.7	42.1	77.8
Exchange rate adjustments	-	0.1	0.1	0.2
Amortization and impairment for the year	-	-	18.0	18.0
Transfer	-	-	0.1	0.1
Amortization and impairment at 31 December	**-**	**35.8**	**60.3**	**96.0**
Carrying amount at 31 December	**493.6**	**155.6**	**196.4**	**845.7**
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 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
Amortizarion for the year	-	31.9	17.7	49.6
Depreciation 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 2.2 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, Faerch Plast Group A/S in 2017, CGL Pack Service SAS and 3PET Holding B.V. in 2018.

Brand
The value relates to the acquisition of Færch Plast Group A/S in 2017.

Customer relations and others
The value customer relations relates to the acquisition 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 intangible asset is related.

The estimated future free net cash flows are based on budgets for 2021 and business plans and projections for 2022-2025. The business plans and projections are based on a market by market approach, assessing the organic business potential for each of key markets and segments, and estimating the volume growth, sales prices and contribution margins for each segment. Also the capital expenditure and working capital required to maintain and organically grow the business is considered.

Cash tax outflows are calculated using the current tax rates per jurisdiction, taking into account the cash effect any significant tax loss carry forwards.

The average revenue growth rates in the forecast period (2021-2025) are generally kept unchanged compared to prior year, and while uncertainty connected to the COVID-19 pandemic can impact the short term growth rates, management considers the average growth rates for realistic based on the business and market plans at hand.

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.

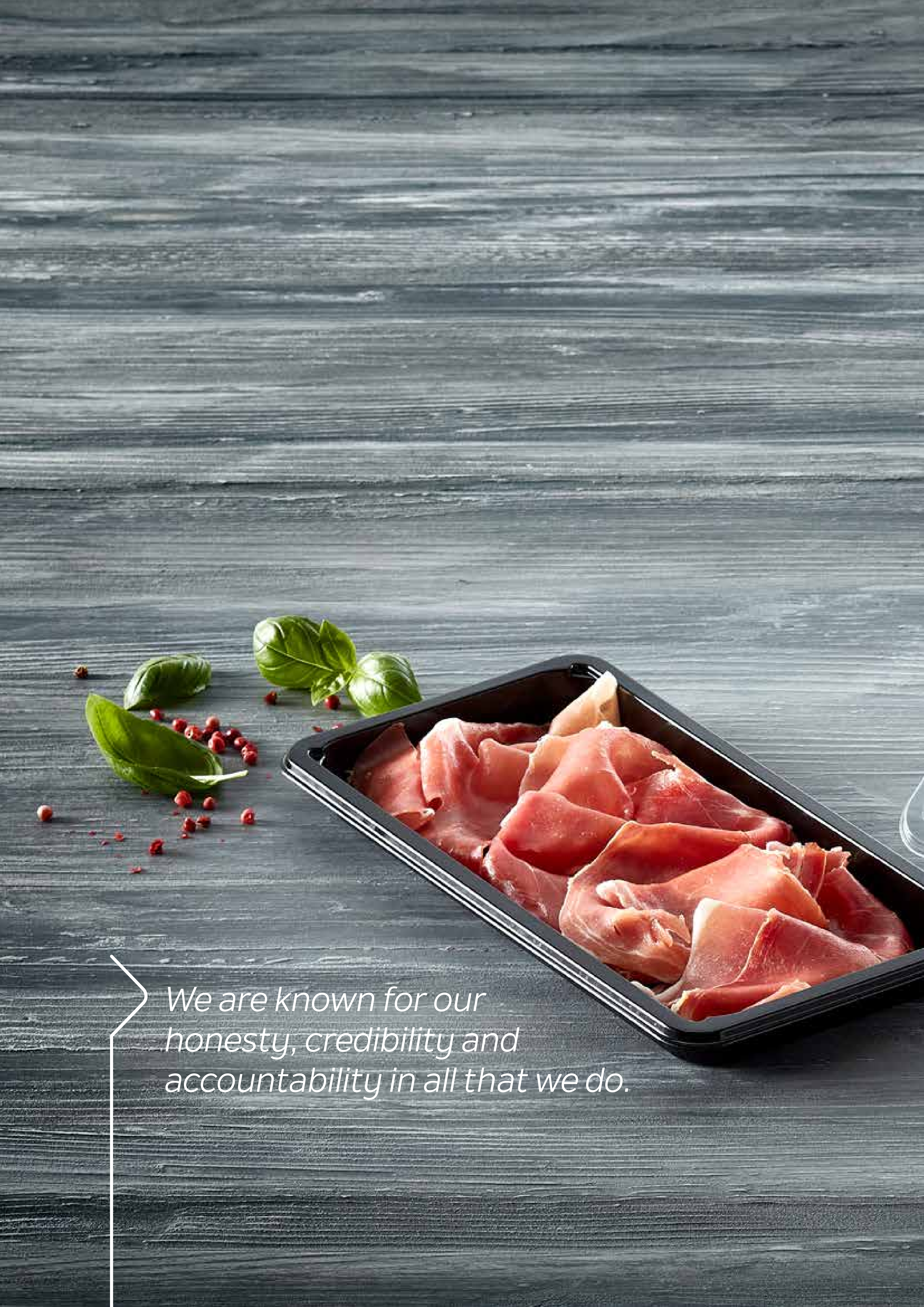
A discount rate (WACC) is applied for the specific business areas based on assumptions about interest rates, tax rates and risks premiums. The intangibles capitalised relates to the geographical areas "Northern Europe" and "Southern Europe" and the WACC is applied accordingly. The impairment tests did not show any need for impairment losses to be recognised. In the Management's opinion, reasonable changes in key assumptions mentioned above will not cause material impairment losses for the Group.

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 allocations of intangible assets as well as the most significant assumptions for the performed impairment tests are summarized below.

(EURm)	Carrying amount, goodwill	Carrying amount, Brand	Carrying amount, customer relations and others	Discount rate, before tax	Average revenue growth in forecast period in %	Revenue growth in terminal period in %
2020						
Faerch A/S	339.5	155.6	189.3	7.5%	6%	2%
Faerch France (former CGL Pack Group)	42.7	-	6.6	7.5%	6%	2%
Faerch UK Ltd.	26.1	-	0.4	7.5%	5%	2%
Faerch Poole	-	-	0.0	7.5%	1%	2%
3PET Holding B.V.	85.3	-	0.0	7.5%	7%	2%
Total carrying amount at 31 December	**493.6**	**155.6**	**196.4**			
2019						
Færch Plast Group A/S	155.6	155.0	201.0	7.5%	6%	2%
Faerch A/S	182.4	-	2.4	7.5%	6%	2%
Faerch France (former CGL Pack Group)	42.7	-	7.2	7.5%	6%	2%
Faerch UK Ltd. (former Anson Packaging Ltd)	27.7	-	0.0	7.5%	5%	2%
Faerch Poole	-	-	0.1	7.5%	1%	2%
3PET Holding B.V.	85.3	-	0.0	7.5%	9%	2%
Total carrying amount at 31 December	**493.8**	**155.0**	**210.6**			



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 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 related 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 future 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 years
- Plant and machinery 10-20 years
- Other fixtures, tools and equipment 3-5 years

Right-of-use assets
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Uncertainties and estimates
Estimates are made in assessing the useful lives 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
2020					
Cost at 1 January	88.0	250.8	62.9	9.6	411.3
Exchange rate adjustments	-1.7	-5.0	-0.7	-0.1	-7.5
Additions	1.2	15.6	8.5	-2.8	22.5
Increase due to company acquisition	5.0	-	-	-	5.0
Transfer	-	7.8	-9.7	-0.3	-2.2
Disposals	-1.5	-3.4	-3.5	-	-8.4
Cost at 31 December	**91.1**	**265.8**	**57.4**	**6.4**	**420.7**
Depreciation and impairment at 1 January	14.8	85.7	31.9	-	132.4
Exchange rate adjustments	-0.4	-2.7	-0.6	-	-3.7
Increase due to company acquisition	0.3	-	-	-	0.3
Depreciation for the year	4.7	23.2	12.1	-	40.0
Transfer	-	4.1	-5.4	-	-1.3
Depreciation on disposals	-0.6	-2.7	-3.4		-6.7
Depreciation and impairment at 31 December	**18.7**	**107.7**	**34.7**	**-**	**161.1**
Carrying amount at 31 December	**72.3**	**158.2**	**22.8**	**6.4**	**259.7**
Of which related to right-of-use assets	8.6	12.5	1.4	-	22.5
Depreciation for the year related to right-of-use assets	1.9	2.2	0.8	-	5.0
Addition of right-of-use assets for the year were 2.4 mEUR					
Total cash outflow for right-of-use assets for the period 2020 was 6.6 mEUR					
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 related to right-of-use assets	12.0	13.8	1.0	-	26.8
Depreciation for the year related to right-of-use assets	2.3	1.9	0.6		4.9
Addition of right-of-use assets for the year were 2.0 mEUR					
Total cash outflow for right-of-use assets for the period 2019 was 7.0 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)	2020	2019
Raw materials and consumables	17.5	18.2
Work in progress	12.5	15.5
Finished goods	18.5	21.3
Other inventory	6.4	3.8
Total inventory	**54.9**	**58.7**
Amounts recognised in profit or loss		
Cost of goods sold included in cost of sales	204.1	240.8

Semi-finished and finished goods are regularly reprocessed together with scrap from the production process as a normal part of the process of re-using materials in the production of sheets and trays. The amount has not been quantified.

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)	2020	2019
Trade receivables before provision for bad debts	33.2	53.3
Loss allowance	-0.3	-0.6
Total trade receivables, net	**32.9**	**52.7**

The carrying amount of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the group has transferred the relevant receivables to the factor in exchange of cash and is prevented from selling or pleding the receivables. The group has retained late payment and credit risk and therefore continues to recognise the transfered assets in their entirety in its balance sheet.

Transferred receivables	1.1	5.5
Associated secured borrowing (bank loan)	1.1	5.5

Note 2.5 Trade receivables (continued)

(EURm)	2020	2019
Loss allowance for bad debts at 1 January	-0.6	-0.1
Additions through acquisition of subsidiaries	-	-
Change in write-downs	0.3	-0.5
Loss allowance for bad debts at 31 December	**-0.3**	**-0.6**

Credit risk

The expected loss rates are based on individual assements of each outstanding account, on that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables

	Not overdue	Past due and impaired	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-180 days	Overdue more than 181 days	Total
31. December 2020								
Expected loss rate	0%	0%	2%	0%	0%	0%	6%	1%
Gross carrying amount - trade receivables	22.5	0.0	6.3	0.3	0.2	0.1	3.9	33.2
Loss allowance	**-**	**-**	**-0.1**	**-**	**-**	**-**	**-0.2**	**-0.3**
31. December 2019								
Expected loss rate	0%	0%	1%	0%	0%	0%	18%	1%
Gross carrying amount - trade receivables	36.1	0.0	10.0	1.2	0.9	2.3	2.8	53.3
Loss allowance	**-**	**-**	**-0.1**	**-**	**-**	**-**	**-0.5**	**-0.6**

Note 2.6 Working capital change

(EURm)	2020	2019
Change in inventories	3.4	-2.4
Change in trade receivables	15.6	9.3
Change in other receivables	-2.5	-0.7
Change in prepayments	0.9	0.5
Change in trade payables	-15.5	-0.2
Change in other payables	8.3	5.2
Total	**10.3**	**11.7**

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 receivable 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 the income statement on disposal of the net investment in accordance with IAS 21.

(EURm)	**2020**	**2019**
Interest of financial assets measured at amortised cost	0.0	0.8
Foreign exchange adjustments	26.0	9.8
Other financial income	0.0	0.0
Total financial income	**26.0**	**10.5**
Interest on financial liabilities measured at amortised cost	32.5	32.4
Foreign exchange adjustments	8.6	25.5
Other financial expenses*	0.7	1.4
Total financial expenses	**41.8**	**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

Lease liabilities
The Group leases various offices, production facilities, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 20 years but may have extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group has decided not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

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)

(EURm)	Carrying amount	Fair value	Total contractual cash flows	Maturity: Due within 1 year	Due between 1 and 5 years	Due after 5 years
2020						
Measured at amortised cost (loans and receivables):						
Trade receivables	32.9	32.9	32.9	32.9	–	–
Other receivables	11.4	11.4	11.4	11.4	–	–
Prepayments	0.1	0.1	0.1	0.1	–	–
	44.3	**44.3**	**44.3**	**44.3**	**-**	**-**
Derivative financial instruments:						
Measured at fair value through the income statement	-1.1	-1.1	-1.1	-1.1	–	–
	-1.1	**-1.1**	**-1.1**	**-1.1**	**-**	**-**
Total financial assets	**43.2**	**43.2**	**43.2**	**43.2**	**-**	**-**
Measured at amortised cost (liabilities):						
Mortgage credit institutions	18.6	18.6	19.6	2.7	10.6	6.3
Bank borrowings	611.7	611.7	720.3	35.0	685.3	–
Lease liabilities	18.6	18.6	25.0	5.8	11.9	7.3
Borrowings from Group Enterprises	237.3	237.3	237.3	–	–	237.3
Deferred revenue	0.8	0.8	0.8	0.8	–	–
Trade payables	37.0	37.0	37.0	37.0	–	–
Other short term debt	38.6	38.6	38.6	38.6	–	–
	962.7	**962.7**	**1,078.6**	**120.0**	**707.7**	**250.9**
Total financial liabilities	**962.7**	**962.7**	**1,078.6**	**120.0**	**707.7**	**250.9**

Note 3.2 Financial assets and liabilities (continued)

(EURm)	Carrying amount	Fair value	Total contractual cash flows	Maturity: Due within 1 year	Maturity: Due between 1 and 5 years	Maturity: Due after 5 years
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
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
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**

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.

The Group's exposure to various risks associated with the financial instruments is disclosed in note 3.3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Net interest-bearing debt

(EURm)	2020	2019
Cash at banks	-6.9	-16.5
Long-term borrowings	631.1	655.7
Short-term borrowings		
Credit institutions	4.8	16.5
Finance lease liabilities	5.8	6.6
Payments due within 1 year from long term debt	7.3	6.9
Total net interest-bearing debt	**642.0**	**669.2**

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 2020 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 Faerch 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			
2020	16.6	0.1	1.2
2019	34.6	-1.1	-1.4

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, 2020 adjusted for hedge accounting.

The sensitivity analyses reflects the transaction and translation risk, and assumes that the exchange rates are changed on 31 December 2020, 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)

(EURm)	Change in exchange rate	2020 Profit before tax	2020 Equity	2019 Profit before tax	2019 Equity
Exchange rate analysis on assets and liabilities					
GPB	10.0%	3.3	-7.6	2.4	-11.0

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, 50 % 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 2020, the outstanding interest swaps had the following market value:

(EURm)	Contract value	Carrying amount	Fair value adjustments recognised in income statement
Interest rate swaps			
2020	288.4	-1.1	0.1
2019	707.6	-1.2	0.2

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 2,9m (2019: 2,0m) and equity of EUR 1,4m (2019: 1,6m). 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 2020 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 2020 89,0% (2019: 94.7%) 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 tresuary 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 tresuary 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)	2020	2019
Wage-related payables and other charges	11.0	9.5
VAT and other indirect taxes	3.5	0.7
Customer discounts and rebates	5.4	4.7
Other current liabilities	18.7	22.6
	38.6	**37.5**

Note 3.5 Share capital

Accounting policies

Dividends
No dividend payments were made during 2020 and the board of directors have not distributed any dividends in 2021 and is not expecting to distribute any dividends up until the date of the financial statements.

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 income statement, when the hedged positions are realised.

The share capital consists of shares of 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**

All shares are fully paid up.

Each Class A Preference Share, Class B Preference Share and Class C Preference Share provides one vote at the general meeting whereas the Class D Shares do not provide the Shareholders with any right to vote at the general meeting.

As per the Articles of Association Class A Preference Shares, Class B Preference Shares and Class C Preference Shares have preferential rights for dividends or proceeds as per the Articles of Association of the Company.

(EURm)	**2020**	**2019**
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 special items 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 2020
On 27 May 2020, the Faerch Group acquired 100% of the shares in T PETJE B.V. in the Netherlands. The purchase consideration amounted to EUR 0m, with a fair value of the shares of EUR 2.1m. The transaction was part of the settlement agreement related to the shares in 3PET Holding B.V. T PETJE B.V. sole activity was to own and lease out the Duiven property to 4PET Recycling B.V, and the company was subsequently merged with 4PET Recycling B.V. in November 2020.

Company (EURm)	Income statement consolidated from	Holding acquired	Contribution to the Group's revenue in 2020	Contribution to the Group's profit in 2020
T PETJE B.V.	1 June	100%	0.0	0.1

Assets and liabilities at the time of acquisition

(EURm)	T PETJE B.V.
Intangible assets exclusive goodwill	
Property, plant and equipment	4.7
Inventory	0.0
Other assets	0.7
Liabilities	-3.3
Net assets acquired	**2.1**
Goodwill	0.0
Purchase consideration	**2.1**
Cash movements:	
Purchase consideration	0.0
Cash in acquired company	**0.0**
Consideration, net of cash	0.0
Change in short term payable/receivable	0.0
Net cash payment during the year	**0.0**

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 were 1) a lower EBITDA than expected in 2019, 2) a higher net debt position and 3) adjustments related to 2018.

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

Revised PPA
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**

Note 4.2 Adjustment for non-cash transactions

(EURm)	2020	2019
Depreciation/amortization and impairment	57.9	88.0
Derecognised contingent consideration	-	-53.9
Gain(-)/loss on disposal of tangible assets	0.1	-0.0
Financial income	-26.0	-10.5
Financial expenses	41.8	59.2
Other, including provisions	-6.2	-2.2
Total	**67.7**	**80.6**

Note 4.3 Tax

Accounting policies

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 4.3 Tax (continued)

Tax on profit for the year

(EURm)	2020	2019
Current tax	-8.9	-9.6
Adjustment to current tax concerning previous years	0.4	-0.5
Change in deferred tax	6.7	16.1
Impact from change in tax rate	-	-0.0
Adjustment to deferred tax concerning previous years	0.2	-0.1
Total	**-1.7**	**5.9**

Reconcilation of effective tax rate in the income statement:

(EURm)	ETR in %	2020	ETR in %	2019
Profit/(loss) before tax	-	8.5	-	-2.0
Calculated 22% on profit before tax	22.0%	-1.9	-22.0%	0.4
Adjustment of tax to local tax rate compared with group tax rate on 22%	-2.2%	0.2	18.5%	-0.4
Non-taxable income and non-deductible expenses	47.8%	-4.1	-374.8%	7.6
Impact of changes in the tax rate	0.0%	-0.0	-15.2%	0.3
Adjustment concerning previous years	-6.3%	0.5	25.8%	-0.5
Utilized not previously capitalized deferred tax assets	-56.3%	4.8	-	-
Other	14.7%	-1.2	74.1%	-1.5
Total	**19.7%**	**-1.7**	**-293.6%**	**5.9**

	2020	2019
Tax on profit for the year (income statement)	-1.7	5.9
Tax on fair value adjustment of hedging instruments (other comprehensive income)	-0.3	0.2
Tax on foreign exchange adjustment (other comprehensive income)	2.8	-1.6
Total taxes	**0.9**	**4.6**

Note 4.3 Tax (continued)

Deferred tax (EURm)	**2020**	**2019**
Deferred tax, net at 1 January	-97.6	-113.1
Exchange rate adjustments	-0.2	-0.5
Additions through acquisition of subsidiaries	-	-
Adjustments concerning previous years	1.4	-0.1
Deferred tax recognised in the income statement	6.7	16.1
Deferred tax recognised in other comprehensive income	-	-
Deferred tax, net at 31 December	**-89.7**	**-97.6**

Classified as:

(EURm)	**2020**	**2019**
Deferred tax assets	7.8	4.3
Deferred tax liabilities	-97.5	-101.9
Total	**-89.7**	**-97.6**

Deferred tax (EURm)	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax net**
2020			
Intangible assets	-	-78.8	-78.8
Property, plant and equipment	0.5	-18.5	-18.0
Inventories	0.1	-0.2	-0.1
Tax losses to be carried forward	5.0	-	5.0
Other	2.4	-0.1	2.3
Temporary differences	**7.9**	**-97.6**	**-89.7**
Offset	-0.1	0.1	-
Total	**7.8**	**-97.5**	**-89.7**
2019			
Intangible assets	-	-82.0	-82.0
Property, plant and equipment	0.5	-20.0	-19.4
Inventories	0.4	-0.2	0.1
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**

Note 4.4 Fees to auditors appointed by the board of directors

(EURm)	2020	2019
Statutory audit of financial statements	0.5	0.4
Other assurance engagements	0.1	-
Tax advisory services	0.1	0.1
Other services	-	0.1
Total fees to auditors appointed by the board of directors	**0.7**	**0.6**

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 2020 there were no transactions with the controlling shareholder and companies owned or otherwise controlled by AI Roy (Luxembourg).

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.

Transactions with Key Management Personnel
There have been no transactions with the board of Directors or Executive Management besides remuneration. For information about the saleries of the Board of Directors and Executive Management, please refer to Remuneration of Group Management in note 1.2a.

Terms and conditions
All transactions were made on normal commercial terms and at market rates.

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)	2020	2019
Carrying amount of land and buildings pledged as security for bank loans and mortgages	22.5	23.0
Carrying amount of plant and machinery pledged as security for bank loans and mortgages	28.0	32.8
Carrying amount of inventory plededged as security for bank loans	4.3	5.3
Leased assets pledged as security for leasing commitments.	22.5	26.8
Bank guarentee commitments	**1.1**	**-**
0-1 year	-	0.1
1-5 years	-	-
Over 5 years	-	-
Operating rent commitments	**-**	**0.1**
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	2.3	1.9
Total commitment in relation to agreement	**2.3**	**1.9**

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

100% of the shares in the subsidiary 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 Groups´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 Events after the balance sheet date

On 5th November 2020 the Faerch Group entered into an agreement to acquire the Sirap food packaging business in Italy, Poland and Spain from Italmobiliare (Italy), with closing taking place on 4 January 2021 following regulatory approvals. As such the acquired entities will form part of the Faerch Group from January 2021.

The strategic acquisition includes the entire business in these countries and three factories in Italy, one in Poland and one in Spain. The acquired businesses has annual revenues of approximately EUR 135 million. Total purchase consideration amounts to EUR 141.2 million net of liabilities taken over as part of the acquisition. The purchase consideration is fully funded through external debt financing. Cost related to the transaction incurred in 2020 of EUR 5.0 million has been recognized in the income statement as special items.

Note 4.8 General accounting policies

The Annual Report for the period 1 January - 31 December 2020 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 fifth Annual Report presented in accordance with IFRS.

The Annual Report for 2020 was discussed and approved by the Executive Management and the Boards of Directors (the Board) on 1 March 2021 and will be presented for approval at the subsequent Annual General Meeting on 1 March 2021.

Basis for measurement
The consolidated financial statement are presented in EURO (EUR), which 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.

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 2020 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.

A number of issued, but not yet effective, standards and interpretations have been published, which have not been adopted early by Faerch Group A/S in the preparation of the 2020 Annual Report. The Group has assessed these standards and interpretations and conclude they are not expected to have a material impact on the Group.

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Onerous contracts - Cost of Fulfilling a Contract
- Amendments to IFRS 3 Reference to Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2

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

Basis for consolidation
The consolidated financial statement comprise the financial statement of the parent company 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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.

Note 4.8 General accounting policies (continued)

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. 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 4.9 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 2020. The Executive Management makes various accounting estimates and judgments which affect the consolidated financial statements.

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

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

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

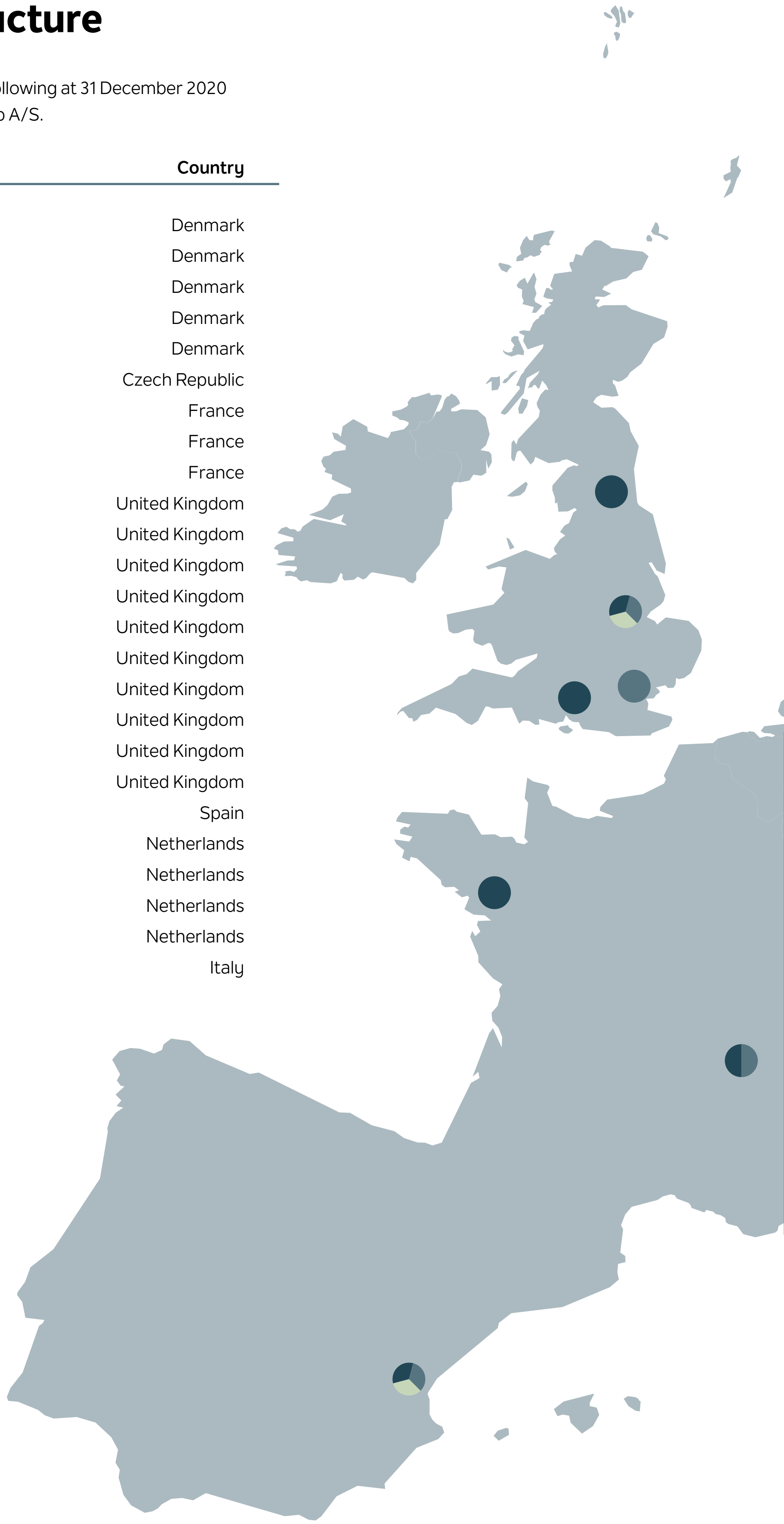
Accounting estimate/judgement	Note
Intangible assets	2.1
Tangible assets	2.3
Inventories	2.4
Trade receivables	2.5

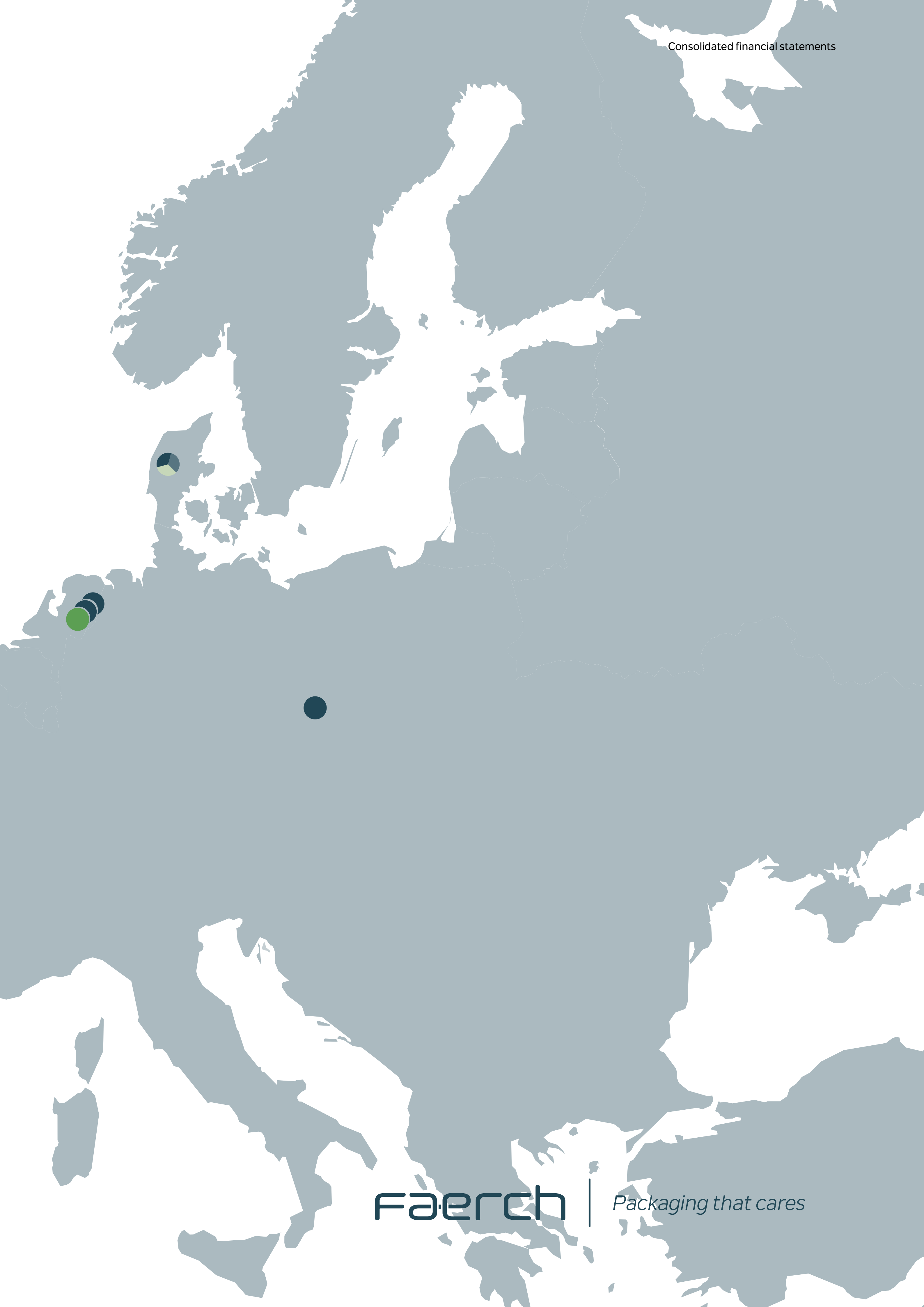
Our pan-European network of sales and production sites ensures that we are close to our customers.

Note 4.10 Group structure

Investment in group companies comprise the following at 31 December 2020
All companies are owned 100% by Faerch Group A/S.

Name of entity	Country
Faerch Group A/S	Denmark
Faerch Debtco ApS	Denmark
Faerch Midco ApS	Denmark
Faerch Bidco ApS	Denmark
Faerch A/S	Denmark
Faerch Liberec s.r.o.	Czech Republic
Faerch France SAS	France
Faerch Annecy SAS	France
Faerch 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
4PET Recycling B.V.	Netherlands
DSF Extrusion B.V.	Netherlands
Drupet B.V.	Netherlands
Faerch Italy Holding S.r.l.	Italy





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Note 4.11 Definition of key figures and ratio

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

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

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

EBIT Margin before special items = $$\frac{\text{EBIT before special items}}{\text{Revenue}}$$

EBIT Margin = $$\frac{\text{EBIT}}{\text{Revenue}}$$

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

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

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

Return on equity (ROE) = $$\frac{\text{Profit for the year}}{\text{Equity}}$$

Net working capital consist of inventories, trade receivables and prepayments deducted with trade payables and other short term debt.

Key figures

(EURm)	2020	2019	2018	2017[a]	2017[b]	2016
Income statement						
Revenue	370.3	405.4	346.4	107.2	304.7	279.4
Gross profit	98.7	103.5	96.6	20.2	86.6	81.6
EBITDA before special items	91.7	89.5	75.8	16.0	69.2	68.7
EBIT before special items	33.8	33.4	23.9	-0.1	45.7	48.9
EBIT	24.3	46.7	13.6	-2.6	42.0	45.5
Financial items, net	-15.8	-48.7	-34.9	-13.9	-14.7	-17.9
Profit for the year	6.8	3.9	-21.9	-17.0	18.8	22.2
Financial position at 31 December						
Total assets	1,223.6	1,283.8	1,333.8	1,165.1	538.9	495.1
Net working capital	23.6	26.1	38.0	49.8	49.8	45.4
Equity	158.5	153.9	147.3	170.0	190.7	171.7
Net interest-bearing debt	642.0	669.2	732.0	526.7	526.7	234.2
Cash flow and investment						
Cash flow from operating activities	41.2	49.0	34.1	40.5	50.9	34.5
Cash flow from investing activities	-24.2	-28.3	-154.0	-714.6	-32.2	-34.6
Investment in property, plant and equipment	-21.4	-26.5	-26.6	-11.3	-29.9	-35.1
Free cash flow, excluding acquisitions	17.1	20.8	6.8	-0.1	20.9	-0.1
Key ratio						
Revenue growth	-8.6%	17.0%	n/a	n/a	9.0%	24.4%
Gross margin	26.6%	25.5%	27.9%	28.4%	28.4%	29.2%
EBITDA margin before special items	24.8%	22.1%	21.9%	22.7%	22.7%	24.6%
EBIT margin before special items	9.1%	8.2%	6.9%	15.0%	15.0%	17.5%
EBIT margin	6.6%	11.5%	3.9%	13.8%	13.8%	12.8%
Net working capital ratio	6.4%	6.4%	11.0%	21.8%	16.3%	16.2%
Total number of employees	1,468	1,497	1,285	1,175	1,175	1,085
Return on equity (ROE)	4.3%	2.5%	-14.9%	-10.0%	9.8%	12.9%

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.

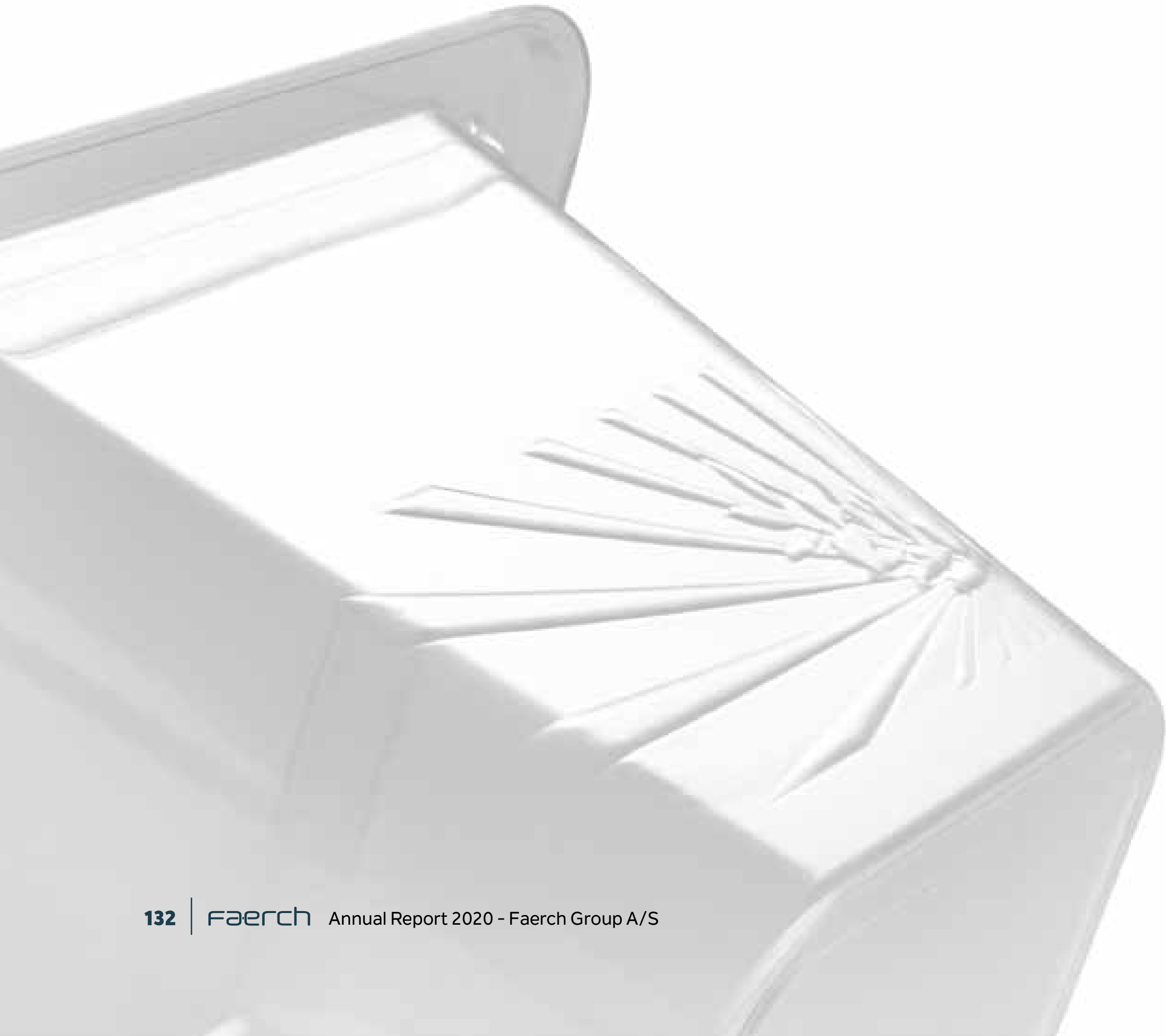
IFRS 16 is applied in the 2017 figures and onwards, but not adjusted in previous years.

Financial statement - Parent company

Income statement - Parent company

1 January - 31 December

Note	(EURm)	2020	2019
	Gross profit	**-**	**-**
	Administrative expenses	-0.1	-0.0
	Earnings before interest and tax	**-0.1**	**-0.0**
1.2	Financial expenses	-0.4	-0.2
	Profit before income tax	**-0.4**	**-0.2**
1.3	Tax on profit for the year	4.2	-0.1
	Net profit for the year	**3.8**	**-0.3**
	Proposed distribution of profit		
	Retained earnings	3.8	-0.3
		3.8	**-0.3**



Balance Sheets - Parent company

31 December

Note	(EURm)	2020	2019
2.1	Investments in subsidiaries	188.8	188.0
	Financial assets	**188.8**	**188.0**
	Total non-current assets	**188.8**	**188.0**
	Receivables from group enterprises	237.2	236.2
	Corporation tax	5.5	0.8
	Receivables	**242.7**	**237.1**
	Total current assets	**242.7**	**237.1**
	Assets	**431.5**	**425.0**
2.2	Share capital	1.9	1.9
	Reserve for currency translation	0.1	-0.6
	Retained earnings	189.4	185.7
	Equity	**191.5**	**186.9**
2.3	Payable to Group Companies	237.3	236.3
	Long-term debt	**237.3**	**236.3**
	Credit institutions	2.7	1.8
	Short-term debt	**2.7**	**1.8**
	Debt	**240.0**	**238.1**
	Liabilities	**431.5**	**425.0**

Statement of changes in equity - Parent company

(EURm)	Share capital	Reserve for currency translation	Retained earnings	Total
Equity at 1 January 2020	**1.9**	**-0.6**	**185.7**	**186.9**
Net profit for the year	–	–	3.8	3.8
Foreign exchange adjustment on translation	–	0.8	–	0.8
Equity at 31 December 2020	**1.9**	**0.1**	**189.4**	**191.5**
Equity at 1 January 2019	**1.9**	**-0.6**	**186.0**	**187.4**
Net profit for the year	–	–	-0.3	-0.3
Foreign exchange adjustment on translation	–	-0.1	–	-0.1
Equity at 31 December 2019	**1.9**	**-0.6**	**185.7**	**186.9**

1.1 Personnel expenses

Total remuneration for registered members of the Group Executive Team amounts to EUR 2.3m (2019: 1.7m).

The remuneration covers that members of the Executive Board have employment in the company as well as in Faerch A/S.

1.2 Financial expenses

(EURm)	2020	2019
Interest paid to group enterprises	-0.1	-0.1
Other financial expenses	-0.3	-0.1
Total	**-0.4**	**-0.2**

1.3 Tax on profit/loss for the year

(EURm)	2020	2019
Current tax for the year	4.2	-0.1
	4.2	**-0.1**
which breaks down as follows:		
Tax on profit/loss for the year	4.2	-0.1
	4.2	**-0.1**

2.1 Investment in subsidiaries

(EURm)	2020	2019
Cost at 1 January	188.0	188.0
Exchange rate adjustments	0.8	-
Cost at 31 December	**188.8**	**188.0**
Value adjustments at 1 January	-	-
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**188.8**	**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:	2020	2019
	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:
AI 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)	**2020**	**2019**
After 5 years	237.3	236.3
Between 1 and 5 years	-	-
Long-term parts	**237.3**	**236.3**
Within 1 year	-	-
Short-term part	**-**	**-**

Long-term debts relate to a loan provided by the parent company AI Roy (Luxembourg) S.a.r.l. of DKK 1,764m.

2.4 Related parties and ownership

Faerch Group A/S is subject to controlling influence by AI Roy (Luxembourg) S.à.r.l., which holds 87.7% 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(7) of the Danish Financial Statements Act, the Company does not disclose any information on transactions with related parties. All transactions were made on normal commercial terms and at market rates.

Faerch Group A/S has provided a loan to Faerch Debtco ApS of DKK 1,764m. The loan is disclosed as “Receivables from group enterprises” in the balance sheet.

2.5 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
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.

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 2020.

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 2020 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 2020.

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, 1. March 2021

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


KB 04
Bord

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 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 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 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 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 2020, 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, 1. March 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Jens Weiersøe Jakobsen
State Authorised Public Accountant
mne30152

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.
- Faerch Annecy
- Faerch 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
CO2 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
CO2 emissions per 1,000 trays are calculated on the basis of average weight of produced trays in 2019 – 21 g.

APET
CO2 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 CO2 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.

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 2016-2020 covers both production and office employees.

Demarcation
Temporary workers are not included in the report, but any work-related accidents are reported to the Authorities.

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.

Packaging that cares

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