Danapak Flexibles A/S
Strudsbergsvej 3
DK-4200 Slagelse

Central Business Registration
No 61 72 53 18

Annual report 2020

The Annual General Meeting adopted the annual report on 22 June 2021.

Chairman of the General Meeting

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Michael Schernthaner

Please note that Danish decimal and digit grouping symbols have been used in the Annual report.

Contents:

Company details

Company
Danapak Flexibles A/S
Strudsbergsvej 3, DK-4200 Slagelse
Central Business Registration No: 61 72 53 18
Financial year: 1 January – 31 December
Registered in: Slagelse

Phone: +45 65 48 00 00
Internet: www.danapakflexibles.com
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Board of Directors
Michael Schernthaner
Friedrich Humer
Juan Luis Martinez Arteaga
Tina Kiil Jensen (ER)
Henrik Nordkvist (ER)

Executive Board
Lars W. Hyldgaard
Friedrich Humer

Company auditors
PriceWaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of Danapak Flexibles A/S for the financial year 1 January – 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Slagelse, 22 June 2021

Executive Board:

Lars W. Hyldgaard
Chief Executive Officer

Friedrich Humer

Board of Directors:

Michael Schernthaner
Chairman

Friedrich Humer

Juan Luis Martinez Arteaga

Tina Kiil Jensen

Henrik Nordkvist

Independent Auditor's Report

To the shareholders of Danapak Flexibles A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danapak Flexibles A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 Financial Statements Act.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance 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 Company's internal control.

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

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

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

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

Trekantsområdet, den 22 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Martin Langhoff Hansen
State Authorised Public Accountant	State Authorised Public Accountant
mne30224	mne36027

Management's Review

Financial highlights	2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.
Key figures					
Revenue	356,1	385,3	393,3	401,5	369,8
EBITDA	23,9	7,8	-1,4	23,1	26,9
Operating profit/loss (EBIT)	1,6	-8,8	-14,6	10,7	14,6
Net financials	-2,5	-2,1	-1,4	-1,9	-2,5
Result before tax (EBT)	-1,0	-10,8	-15,9	8,8	12,1
Net profit/loss for the year	0,1	-8,4	-12,5	6,7	9,6
Balance sheet					
Balance sheet total	268,0	275,7	250,8	236,7	217,9
Equity	93,1	92,9	101,3	113,8	106,9
Cash flows					
Investments in (items of) property, plant and equipment	14,8	40,7	33,2	8,2	8,6
Number of employees	193	192	198	187	179
Ratios					
EBIT-margin (%)	0,4	-2,3	-3,7	2,7	3,9
Return on Equity (%)	0,1	-8,7	-11,6	6,1	9,4
Equity share (%)	34,7	33,7	40,4	48,1	49,1

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analyst.

EBIT-margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Net turnover}}$
Return on Equity %	$\frac{\text{Net result for the year x 100}}{\text{Average equity}}$
Equity share	$\frac{\text{Equity x 100}}{\text{Balance sheet total}}$

Management's review

Primary activities
The activities of the Company are development, production and marketing of flexible packaging products primarily for the dairy, pharmaceutical, tobacco and food industries. The Company has its own Product Technology Centre, which is developing products for these sectors.

The Company's plant is located in Slagelse in Denmark**.** The plant meets the highest hygienic standards and is certified according to ISO9001, ISO22000**,** ISO50001 and Global Standard for Packaging and Packaging material (BRC/IOP).

Equity and Ownership
The company is owned by Schur Flexibles Holding GesmbH, Austria.

Development in activities and finances
Net result for the year was a gain of DKK 0,1 mill. (2019: DKK -8,4) EBIT a gain of DKK 1,6 mill. (2019: DKK -8,8)

EBITDA improved compared to 2019 by DKK 16,1 mill.

As we had expected and already mentioned in the financial report of 2019, revenue from pharmaceutical products declined considerably compared to 2019 as the customers, who had been building up inventory during 2017-2019, started to reduce the inventories. This is related to the special component "Barex", which is no longer available on the world market. During 2020 we have seen a breakthrough of our new "Barex-free" laminates as more and more customers have qualified our new patented laminates as a substitute for the "Barex" laminates and we have started supplying the new laminate. As our customers still need to utilize their inventory of "Barex" laminates built-up during 2017-2019, we do not expect sales on pharmaceutical products to increase in 2021.

Sustainability is a key focus for us and we constantly strive to invent new specifications, where the materials are optimized to fulfil new demands. As the cost of materials are lower, so is the sales price, even if the absolute margin is the same. Part of the decrease in revenue is related to these down-gauged products.

The impact from the COVID-19 pandemic is addressed in Note 23.

Overall revenue in 2020 decreased by DKK 29,2 mill. (7,6%).

The continuing high activity level in the "Product Technology Center" and the success in inventing new products have resulted in a capitalization of development costs of DKK 13,4 mill. in 2020 (DKK 1,7 mill. In 2019). The development activities have been focused on developing new and sustainable solutions especially within the dairy and food segment and optimize the Barex-free laminates for pharmaceutical products.

The implementation of the new printing setup started in 2018 continued through 2020. In late 2019 we saw an increase in performance from the machine and this improvement continued in 2020. However, some difficulties related to the drying of inks had to be solved and we carried out an almost complete shift in the chemistry of inks and lacquers to further increase performance. The commissioning of the machine was signed in December 2020. The costs related to the implementation of the machine was DKK 8,7 mill. (2019: DKK 13,2 mill.). The costs are specified in Note 15.

The Company has a receivable against the Group cash pool and receive interest income for this on arms lengths basis.

EBITDA for 2020 was a gain of DKK 23,9 mill. (2019: a gain of DKK 7,8 mill)

Depreciations increased by DKK 5,8 mill due to full year depreciation of the investment in the new printing setup and the capitalization of development costs.

Management takes notice of an overall improvement of the net result of DKK 8,5 mill. and find the result of the year to be satisfactory in light of the challenges during the year.

Particular risks

Business risks

A major part of the turnover is covered by long term customer contracts, which reduces the business risk. Management has attention on reducing risks, coming from raw materials, energy supply and other areas, by innovation, dual suppliers and other measures.

Financial exposure

A part of the Company’s loan portfolio is subject to variable interest rates. It is the Company’s policy to minimize the risk of being exposed to increasing interest rates. By use of the financial instrument “Interest SWAP” the Company has covered this risk. A movement in interest rates of 1% p.a. will affect finance costs insignificantly.

Currency risks

The major currencies are DKK and EUR. The Company has receivables and payables in both of these currencies. Occasional major exposures in other currencies are covered by forward contracts.

Credit risks

The credit risk related to all major customers is evaluated regularly. The Company has taken out a credit insurance covering all trade accounts receivable except for a small group of selected customers. For many year’s the losses on outstanding accounts receivable have been very limited.

Intellectual capital resources

The Company employs highly specialized personnel. The staff resources have in 2020 been sufficient.

Environmental performance

There are no cases in relation to the authorities on environmental issues.

Research and development activities

The Company carries out development projects for technical applications in the Product Technology center of the company, which also is responsible for all work with documentation and IP-rights.

The part of the costs for development projects are included under intangible assets to the extent the projects comply with the criteria for recognition of these activities.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would negatively influence the evaluation of this annual report or the financial position at 31. December 2020 of the company.

Please see Note 23 for the COVID-19 Pandemic effect on the Company.

Outlook

The COVID-19 pandemic creates some uncertainty to the outlooks for 2021. The company expects the roll out of vaccines will give the possibility to normalize the business relations and start business travels again during second half year of 2021. This way the opportunity to introduce and implement new products at our customers will increase.

The introduction of new products and the increased performance from new printing setup gives the expectations for an improvement in the result for 2021.

Please see note 24 for comments on the raw material situation which occured in 2021.

Diversity in Management

It is the company policy to always fill leader jobs on basis of competences and qualifications needed that will add value to the company on short term as well as on long term basis.

The company will direct its attention to talents of the underrepresented gender, who have the desire and abilities to pursue a wish of a specialist or leader job. The company wants to create an environment, where each employee – despite of gender – has equal possibilities for a leader job.

On a continuous basis, the company will measure the number of specialists/leaders distributed by gender as well as the gender distribution in the Board of Directors. It is the aim of the Company to have a distribution of 40-60% among specialists/leaders as well as in the Board of Directors within the end of 2021. As there has been no change amongst the Board of Directors in 2020 the goal was not reached for the Board of Directors even if the goal was reached amongst the Specialists/leaders.

The Board of Directors consists of 3 members elected by the General Assembly, these members are elected from their position at the Schur Flexibles Group. The Board of Directors consists at the time of signing of this report of 3 Male appointed by the General Assembly and 1 Male and 1 Female elected by the employees.

The distribution on gender among the salaried staff in 2020:

	Male	Female	Total	Male	Female
				In percentage	
Management group	6	1	7	86	14
Leaders	11	4	15	73	27
Specialists	9	2	11	82	18
Other staff	13	19	32	41	59
Staff in total 2020	39	26	65	60	40
Staff in total 2019	*39*	*26*	*65*	*60*	*40*
Staff in total 2018	*42*	*24*	*66*	*63*	*37*

Corporate Social responsibility (CSR)

Referring to §99a (7,1) of the Danish Financial Statements Act the Company has not prepared a statement on the Corporate Social responsibility as this is covered by the group statement and is obtainable via https://danapakflex.com/fileadmin/PDF/Schur_Flexibles_Group_Sustainability_Report_2020.pdf

Accounting policies of Danapak Flexibles A/S for 2020

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for this annual report are consistent with those applied last year. The Financial Statements for 2020 are presented in DKK.

Recognition and measurement

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

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

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

Other operating income
Other operating income comprises items secondary to the Company's activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Cost of raw materials and consumables
Cost of raw materials and consumables comprises direct and indirect costs of raw materials and consumables incurred to earn revenue.

Other external expenses
Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet.

Staff costs
Staff costs comprise expenses for wages and salaries, social costs, pensions etc. for the employees of the Company.

Other operating expenses
Other operating expenses comprise items secondary to the Company's activities, including losses on disposal of intangible assets and items of property, plant and equipment.

Financial income and expenses
These items comprise interest income and expenses, realised and unrealised capital gains and losses on payables and transactions in foreign currencies as well as amortisation premium/allowance on mortgage debt etc.

Income taxes
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly on equity by the portion attributable to entries directly on equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income adjusted for prepaid tax.

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

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

The Company is jointly taxed with the group company Schur Flexibles Denmark A/S. The current Danish income tax is allocated among the jointly taxed Danish companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intangible assets
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 4 years and is not to exceed 10 years.

Gains and losses on the disposal of development projects are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Intellectual property rights acquired are measured at costs less accumulated amortisation. Patents are amortised over their remaining duration.

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

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For company-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	20 - 30 years
Plant and machinery	7 - 12 years
Other fixtures and fittings, tools and Equipment	3 - 7 years
Computing equipment	3 - 4 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Leases
On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under "Contractual obligations and contingencies, etc.".

Impairment of non-current assets
The carrying amount of intangible and tangible assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of and depreciation on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Receivables
Receivables are measured at amortised cost less write-downs assessed for bad debt losses based on individual assessments.

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

Equity

Reserve for development costs
The reserve for development costs comprises recognised development costs less depreciation/write-downs and taxes. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or if they are no more part of the Company's operations by a transfer directly to distributable reserves under equity.

Dividend
Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Liabilities
At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. The mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities are recognised at amortised cost.

Fair value
The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities
Level 2: Value based on recognised valuation methods on the basis of observable market information
Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Cash flow statement
The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Company’s cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayments of finance leases, instalments on interest-bearing debt, and payment of dividends.

Cash and cash equivalents comprise of cash in hand and at banks.

Segment information

Information is disclosed by geographical market. Segment information is based on the Company's accounting policies, risks and internal financial management.

Profit and Loss Statement 2020

	Notes	2020 DKK '000	2019 DKK '000
Revenue	1	356.133	385.348
Change in inventories of finished goods and work in progress		5.293	-10.840
Own work capitalized		3.710	0
Other operating income	2	968	2.201
		366.104	376.709
Costs of raw materials and consumables		-185.327	-207.986
Other external expenses	3	-50.247	-59.328
Gross profit		130.530	109.395
Staff costs	4	-106.626	-101.617
Depreciation	5	-22.342	-16.557
Other operating expenses		0	0
Operating profit (EBIT)		1.562	-8.779
Financial income/expenses net	6	-2.549	-2.051
Profit before tax (EBT)		-987	-10.830
Tax on profit for the year	7	1.115	2.415
Net profit for the year (EAT)		128	-8.415

Balance sheet

Assets

	Notes	2020 DKK '000	2019 DKK '000
Intangible fixed assets			
Patent costs	8	676	511
Development projects in progress	8	15.621	4.442
		16.297	4.953
Tangible fixed assets			
Land and buildings	9	15.929	17.405
Plant and machinery	9	79.404	87.205
Other fixtures, tools and equipment	9	905	1.312
Fixed assets under construction	9	4.756	375
Property, plant and equipment		100.994	106.297
Non-current assets		117.291	111.250
Current assets			
Raw materials and consumables		36.130	46.607
Work in progress		35.737	26.049
Finished goods / goods for resale		20.027	24.442
Inventories		91.894	97.098
Trade receivables		36.896	48.410
Receivables from affiliated companies		14.258	9.460
Receivables from joint taxation		1.056	412
Income tax receivable	10	0	436
Deferred tax asset	11	1.741	3.651
Other receivables		2.498	1.620
Prepayments	12	2.275	1.986
Receivables		58.724	65.975
Cash and cash equivalents		47	1.356
Current assets		150.665	164.429
Assets		267.956	275.679

Balance sheet

Equity and Liabilities

	Notes	2020 DKK '000	2019 DKK '000
Equity			
Share Capital	13	125.000	125.000
Retained earnings		-43.205	-34.396
Reserve for financial instruments		-847	-1.006
Reserve for development costs		12.155	3.218
Equity		93.103	92.816
Longterm liabilities other than provisions			
Mortgage	14	21.424	23.133
Financial lease obligation	14	35.492	41.038
Longterm liabilities other than provisions		56.916	64.171
Short-term liabilities other than provisions			
Current portion of long-term liabilities other than provisions	14	1.752	1.751
Current portion of financial lease obligation	14	5.546	5.953
Trade payables		49.214	53.787
Bank debt		8.947	6.143
Income tax payable	10	0	0
Amounts owed to affiliated companies		3.264	4.121
Payables related to joint taxation		0	0
Other payables		34.360	27.335
Prepayments received		14.854	19.602
Short-term liabilities other than provisions		117.937	118.692
Liabilities other than provisions		174.853	182.863
Equity and Liabilities		267.956	275.679

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Statement of changes in Equity for 2020

	Share Capital DKK '000	Retained earnings DKK '000	Reserve for financial instruments DKK '000	Reserve for develop-ment costs DKK '000	Total DKK '000
Equity at 01.01.2019	125.000	-25.724	-888	2.961	101.349
Value adjustments	-	-257		257	-
Financial instruments, after tax	-	-	-118	-	-118
Net profit/loss for the year	-	-8.415		-	-8.415
Equity at 01.01.2020	125.000	-34.396	-1.006	3.218	92.816
Value adjustments	-	-8.937		8.937	-
Financial instruments, after tax	-	-	159	-	159
Net profit/loss for the year	-	128		-	128
Equity at 31.12.2020	125.000	-43.205	-847	12.155	93.103

Cash flow statement for 2020

	2020	2019
	DKK '000	DKK '000
Operating profit/loss (EBIT)	1.562	-8.779
Depreciation and gain/loss on sale of fixed assets	22.342	16.127
Tax paid/received from joint taxation & tax credit scheme	2.772	1.919
	26.676	9.267
Change in working capital		
Inventories	5.204	464
Trade accounts receivables	11.514	-5.480
Ongoing balances with affiliated companies	-906	3.476
Other receivables, prepayment and accruals	-1.167	1.057
Trade accounts payable	-4.573	-1.634
Other short term debts	2.481	12.661
Cash flow from change in working capital	**12.553**	**10.544**
Financial expenses, paid	-2.549	-2.051
Cash flow from operations	**36.680**	**17.760**
Development projects in progress	-13.561	-2.067
Acquisition of property, plant and equipment	-14.822	-40.656
Sale of property, plant and equipment	0	1.195
Cash flow from investing activities	**-28.383**	**-41.528**
Change, long-term liabilities other than provisions	-7.661	18.356
Change, balances with affiliated companies	-4.749	6.015
Change in short term bank debt	2.804	170
Cash flows from financing activities	**-9.606**	**24.541**
Change in cash and cash equivalents	**-1.309**	**773**
Cash and cash equivalents at 01.01.2020	1.356	583
Change in cash and cash equivalents	-1.309	773
Cash and cash equivalents at 31.12.2020	**47**	**1.356**

Notes

1. Net Revenue

	2020 DKK '000	2019 DKK '000
Net revenue, Denmark	90.673	94.883
Net revenue, outside Denmark	265.460	290.465
Net revenue	**356.133**	**385.348**

2. Other operating income

	2020 DKK '000	2019 DKK '000
Sales commission received from Group Companies	172	245
Refund from insurance claim	-	272
Gain from sale of fixed assets	-	429
Subsidie related to energy savings	333	815
Other items	463	440
Other operating income	**968**	**2.201**

3. Fees to auditors appointed at the General Meeting

	2020 DKK '000	2019 DKK '000
Fee for statutory audits	-257	-221
Fee for tax assistance	-10	-10
Audit-related fees	-	-65
Other Fees	-9	-9
Fees to auditors appointed at the General Meeting	-276	-305

	2020	2019
	DKK '000	DKK '000
4. Staff costs		
Salaries and wages	-95.430	-90.321
Pension costs	-9.195	-8.931
Other social security costs	-2.001	-2.364
Staff costs	-106.626	-101.616
Average number of employees	193	192
Salaries and fees paid to Excecutive Board and Board of directors	**-3.265**	**-3.192**

Management and a number of key staff have performance related (cash) bonus agreements with the company

	2020	2019
	DKK '000	DKK '000
5. Depreciation		
Non current assets	-2.217	-1.371
Buildings	-1.476	-1.490
Plant and machinery	-18.111	-13.258
Other fixtures and fittings, tools and equipment	-538	-438
Depreciation	-22.342	-16.557

	2020	2019
6. Financial expenses, net	DKK '000	DKK '000
Interest income, affiliated companies	213	291
Other financial income	818	900
Financial income	1.031	1.191
Other financial expenses	-3.580	-3.242
Financial expenses	-3.580	-3.242
Financial expenses, net	-2.549	-2.051

	2020 DKK '000	2019 DKK '000

7. Tax on profit/loss for the year

	2020 DKK '000	2019 DKK '000
Current tax from joint taxation/ current tax on profit for the year	45	378
Change in deferred tax	1.070	2.037
Tax on profit/loss for the year	1.115	2.415

8. Intangible assets

	Patent costs DKK '000	Development Projects in progress DKK '000
Development projects in progress and Patent costs		
Costs at 01.01.2020	511	5.813
Additions	165	13.396
Disposals	-	-
Costs at 31.12.2020	676	19.209
Depreciation and impairment losses at 01.01.2020	-	-1.371
Depreciation for the year	-	-2.217
Reversal relating to disposals	-	-
Depreciation and impairment losses at 31.12.2020	-	-3.588
Carrying amount at 31.12.2020	676	15.621

9. Tangible fixed assets

	Land and buildings DKK '000	Plant and machinery DKK '000	Other fixtures etc DKK '000	Assets in progress DKK '000
Costs at 01.01.2020	61.358	354.841	10.175	375
Additions		10.310	131	4.382
Disposals		-5.162	-2.322	
Costs at 31.12.2020	61.358	359.989	7.984	4.757
Depreciation and Impairment losses at 01.01.2020	-43.953	-267.636	-8.863	-
Depreciation for the year	-1.476	-18.111	-538	-
Reversal relating to disposals		5.162	2.322	-
Depreciation and impairment losses at 31.12.2020	-45.429	-280.585	-7.079	-
Carrying amount at 31.12.2020	15.929	79.404	905	4.757
Hereof Financial leasing assets		44.082		
Carrying amount at 31.12.2019	17.405	87.205	1.312	375
Hereof Financial leasing assets		50.280		

10. Income tax receivable (+)/payable (-)

	2020 DKK '000	2019 DKK '000
Income taxes receivable/payable at 01.01. 2020	436	418
Income taxes receivables from joint taxation	-436	18
Income tax receivable/payable 31.12.2020	-	436

11. Deferred tax

	Deferred tax asset DKK '000 2020	Deferred tax asset DKK '000 2019
Deferred tax at 01.01.2020	3.651	1.614
Usage of tax credit scheme, development costs 2019	-1.924	-
Changes for the year	14	2.037
Deferred tax at 31.12.2020	1.741	3.651

The deferred tax asset consists tax losses. The deferred tax asset is expected to be used in positive taxable income for the joint taxation during the next 1-2 years.

12. Prepayments

Prepayments comprises of payments for expenses related to next year, leasehold, insurance premiums and subscriptions.

13. Share capital

The share capital comprises 125.000 shares at DKK 1.000. No shares carry special voting rights.

	2016 DKK '000	2017 DKK '000	2018 DKK '000	2019 DKK '000	2020 DKK '000
Share capital 01.01.	125.000	125.000	125.000	125.000	125.000
Share capital 31.12	125.000	125.000	125.000	125.000	125.000

14. Long term debt	Due less than 1 year DKK '000	Due between 1 and 5 years DKK '000	Due more than 5 years DKK '000	Total DKK '000
Mortgage debt	1.752	7.006	14.418	23.176
Financial leasing obligation	5.546	23.294	12.198	41.038
Long term debt 31.12.2020	7.298	30.300	26.616	64.214
Long term debt 31.12.2019	7.704	29.846	34.325	71.875

15. Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items also comprise significant one-off items, which in the opinion of Management do not form part of the Group's operating activities.

Also in 2020 the profit for the year was affected by preparation and implementation of the new printing set-up. As an investment of approx. 59m DKK in a new printing machine was approved in 2017, the existing set-up of the printing area had to be changed, two older printing machines (one in 2018 and one in 2020) had to be dismantled and removed and temporary workers had to be employed and trained. The transfer of some product groups was costful as we were forced start using the machine before it was fully implemented. This caused production difficulties, causing extra time spent and extra material costs, especially in relation to a new type of products for new customers for new specialties.

In the beginning of Q4 in 2020 the the efficiency of the machine improved considerably.

The implementation incurred approx. 8,7M DKK in extra costs in 2020 (2019:13,2M DKK), which in the opinion of the Board of Directors do not form part of the operating activities.

	2020 DKK '000	2019 DKK '000
Effected lines in P&L		
Costs of raw materials and consumables	-7.663	-8.374
Other operating expenses	-36	-2.560
Staff costs	-1.047	-2.233
	-8.746	-13.167

16. Contractual obligations and contingencies

	2020 DKK '000	2019 DKK '000
Rent and leasing commitments	5.676	7.576

The company is jointly taxed with the affiliated company Schur Flexibles Denmark A/S. As the administrative company, together with the affiliated company, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

17. Mortgages and collateral

The mortgage comprises the plant in Slagelse. Carrying amount of mortgaged plant DKK 15,9 million (2019: DKK 17,4 million).

In 2015 Danapak Flexibles entered into a financing agreement that applies for the entire Schur Flexibles Group. Danapak Flexibles has acceded to the entire financing agreement of EUR 56 million as a guarantor. Danapak Flexibles guarantee obligations are limited to an amount equal to the company's equity where payments under the guarantee should be requested.

A Company charge (floating charge) of DKK 50 million secured upon operating equipment, inventories and trade receivables has been registered, the Company charge is given as security for bank overdraft. Carrying amount of the assets is DKK 170,1 million.

18. Related parties

Related parties with a controlling interest

The following related parties have a controlling interest in Danapak Flexibles A/S:

Name	Registered Office	Basis of influence
Schur Flexibles Holding GesmbH	Austria	Immediate Parent
Schur Flexibles GmbH	Germany	Group Parent
Atlas Flexibles GmbH	Germany	Ultimate Parent
Lars W. Hyldgaard		Managing Director
Michael Schernthaner		Board of Directors
Friedrich Humer		Board of Directors & Management board
Juan Luiz Martinez Arteaga		Board of Directors
Tina Kiil Jensen		Board of Directors
Henrik Nordkvist		Board of Directors

Transactions with related parties:	2020 DKK '000	2019 DKK '000
Sales of goods and services to group companies	1.109	1.165
Sale of services to immediate parent	239	149
Sale of services to ultimate parent	-	1.046
Purchase of goods and services from companies	-8.943	10.229
Purchase of services from immediate parent	-5.398	8.738
Purchase of services from ultimate parent	-384	-
Interest income from group parent	213	291
Receivable from group parent (cash pool)	13.963	9.213
Receivables from other group companies	295	247
Payables to group companies	3.264	4.121

19. Ownership

The Company has registered Schur Flexibles Holding GesmbH, IZ NÖ-Süd Strasse 1, Obj. 50C, A-2351 Wiener Neudorf as shareholder to hold more than 5% of the voting share capital or of the nominal value of the share capital.

20. Group

Danapak Flexibles A/S is included in the consolidated financial statements of Schur Flexibles GmbH, Romerstrasse 12, D-87437 Kempten.

21. Proposed distribution of profit/loss

	2020 DKK '000	2019 DKK '000
Retained earnings	128	-8.415
	128	-8.415

22. Financial instruments

The Company has entered into an interest rate swap presented as other payables. The interest rate swap is recognized with a negative fair value of DKK 1.087 thousand (2019: DKK 1.290 thousand). The Company swaps from variable interest rate to fixed interest rate related to the mortgage. The principal amounts to DKK 25.957 thousand and the interest rate swap runs until 31.12.2024. The interest rate is fixed at 1,53%.

23. Impact from the COVID-19 pandemic

In March 2020 the COVID-19 pandemic started to influence Denmark.

As a Company producing packaging material for the Food and Pharmaceutical industries, Danapak was appointed "essential company", that was allowed producing throughout periods of lockdown. The supply chain has been secured and transportation across borders has been open for our products.

However, it has been difficult to perform sales activities and having new products introduced and tested at the customers as access to the customers production has been very limited due to travel restrictions and partly lockdown at the customers. This affected the running projects and the turnover in the year negatively.

From the beginning of the pandemic, we introduced strict rules for limited access to our premises, extra cleaning, instructions on hygiene. By an impressive effort of the employees, we managed to limit the number of employee's sick from the virus to under 10 people.

Costs for hygiene measures due to COVID-19 amounts to DKK 0,1 million.

As travel activities have been reduced to a minimum, travel costs for 2020 were DKK 1,3 million Less than for 2019.

The long-term effect of the pandemic is at the date of signing this report uncertain. We expect that our customers ability to handle projects will increase during next year, when restrictions are lifted as a result of vaccines etc. and that the implementation of many new products will continue again.

24. Events after the balance sheet date

From beginning of 2021 the general prices on raw materials have risen significantly follow along with an increase in lead-times. Almost all sourcing categories are affected but worst is plastics and aluminum. For plastics, prices have been under pressure for some time and with a combination of heavy winter in Texas, taking out several plants and increased the demand, the prices have been increased towards 30% and are expected to remain on this high level during 2021.

For aluminum, the situation is driven by the anti-dumping case that the EU-commission have started against China. With an expended toll on all aluminum originating from China, demand towards European converted aluminum have increased leading lead-times towards 24 weeks.

For the company, the supply situation is manageable through good forecasting and long term contracts with both customers and suppliers. The increased prices for raw materials will consequently increase sales prices though this will happen with a delay, so a short term effect is to be expected.