

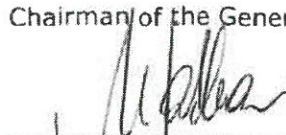
**Danapak Flexibles A/S  
Strudsbergsvej 3  
DK-4200 Slagelse**

***Central Business Registration  
No 61 72 53 18***

**Annual report 2019**

The Annual General Meeting adopted the annual report on 25 June 2020.

Chairman of the General Meeting

A handwritten signature in black ink, appearing to read 'Michael Schernthaner', written over a horizontal line.

MICHAEL SCHERNTHANER

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

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Danapak Flexibles A/S

## 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](http://www.danapakflexibles.com)  
E-mail: [info@danapakflex.com](mailto:info@danapakflex.com)

### **Board of Directors**

Michael Scherthaner  
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 2019.

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 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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.

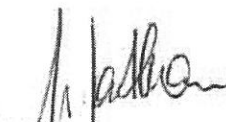
**Slagelse, 25 June 2020**

**Executive Board:**

  
Lars W. Hyldgaard  
*Chief Executive Officer*

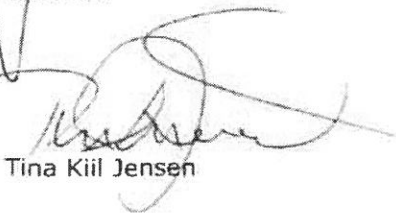
  
Friedrich Humer

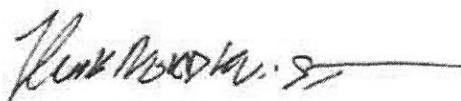
**Board of Directors:**

  
Michael Scherthaner  
*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 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 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 2019, 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,

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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 25 June 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Jan Bunk Harbo Larsen  
State Authorised Public Accountant  
mne30224



Martin Langhoff Hansen  
State Authorised Public Accountant  
mne36027

## Management's Review

<b>Financial highlights</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<u>DKK mill.</u>	<u>DKK mill.</u>	<u>DKK mill.</u>	<u>DKK mill.</u>	<u>DKK mill.</u>
<b>Key figures</b>					
Revenue	385,3	393,3	401,5	369,8	373,2
EBITDA	7,8	-1,4	23,1	26,9	15,5
Operating profit/loss (EBIT)	-8,8	-14,6	10,7	14,6	4,7
Net financials	-2,1	-1,4	-1,9	-2,5	-1,6
Result before tax (EBT)	-10,8	-15,9	8,8	12,1	3,1
Net profit/loss for the year	-8,4	-12,5	6,7	9,6	4,6
<b>Balance sheet</b>					
Balance sheet total	275,7	250,8	236,7	217,9	232,9
Equity	92,9	101,3	113,8	106,9	97,7
<b>Cash flows</b>					
Investments in (items of) property, plant and equipment	40,7	33,2	8,2	8,6	4,4
<b>Number of employees</b>					
	192	198	187	179	176
<b>Ratios</b>					
EBIT-margin (%)	-2,3	-3,7	2,7	3,9	1,3
Return on Equity (%)	-8,7	-11,6	6,1	9,4	4,8
Equity share (%)	33,7	40,4	48,1	49,1	41,9

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

EBIT-margin  $\frac{\text{Operating profit (EBIT)} \times 100}{\text{Net turnover}}$

Return on Equity %  $\frac{\text{Net result for the year} \times 100}{\text{Average equity}}$

Equity share  $\frac{\text{Equity} \times 100}{\text{Balance sheet total}}$

## 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 loss of DKK 8,4 mill. EBIT a loss of DKK 8,8 mill.

Compared to 2018 the revenue in 2019 decreased in total by DKK 8,0 mill. (2%).

Revenue from pharmaceutical products increased by DKK 14,7 mill. compared to 2018 as customers are still building up their own stocks of the materials containing the special component "Barex", which is no longer produced. The production of new materials containing "Barex" will be limited in 2020, as the availability of "Barex" is now very limited. Further reduction of our stock of materials containing "Barex" will take place in 2020. The expectation is that during 2020 the sales of laminates containing the "Barex" component will decline and new "Barex-free" alternatives will step wise be commercialized. Danapak is in a good position to take our share of the future "Barex-free" market, as our new products are either qualified or under qualification at all important customers and furthermore our products are covered with IP rights. As our customers still need to utilize their stocks of "Barex" materials built-up during 2017-2019, we expect sales on pharmaceutical products to be declining in 2020 and 2021.

In 2018 sales for the tobacco marked was high, as a customer was building up stock before transitions between production sites. The high sales were not expected to be repeated in 2019. The 2019 was influenced by down-gauging of un-printed materials, introduction of new materials and start-up of supplies to new sites. It took some time before the new sites accepted us as their supplier, thus delaying sales in the meantime. Another major impact on 2019 were start-up supplying printed (decorated) materials with unusual high tolerance demands. As we are the Centre of Excellence for printing for this certain major customer, we had to live up to the demands printing on all the different materials. The only machine that could print on the different materials and live up to the requested tolerances and print quality was the new Flexo machine, which was installed Q1-2 2019. As we were forced start printing on the machine before it was fully implemented, the installation (SAT test) of the machine was purposely delayed. The output performance on the new Flexo machine was in the beginning lower than expected and it was difficult to find the time for the supplier to make the identified and expected changes, as we suddenly had to print around 50 new designs for our important tobacco customer.

The significant problem in 2018 with bottleneck in the department for heat sealable lids leading to long delivery times were solved during 2019 and the revenue increased. Additional punching capacity has been installed, and we expect the revenue to grow further in 2020.



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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 1,7 mill. in 2019.

2019 was negatively affected by a delay reaching the specified performance on the new Flexo setup. The performance has increased dramatically since late 2019 and further improvements are expected in 2020. The costs related to the delay and the technical issues on the machine was DKK 13,2 mill. (2018: DKK 5,8 mill.). The costs are specified in Note 15.

The investment in the new Flexo machine was financed through a leasing contract. This has increased the interest expenses for 2019. Financial expenses were DKK 0,7 mill. higher than last year. As a result of the investment, depreciations increased by DKK 3,5 mill. Depreciations will increase further in 2020, when the machine is depreciated for a full year.

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

EBITDA for 2019 was a gain of DKK 7,8 mill. (2018: a loss of DKK 1,4 mill)

Considering the challenges during 2019 for the whole organization and especially in relation to the new printing set-up with "special items" of DKK 13,2 mill, Management find an improvement of EBITDA of DKK 9,2 mill to be a fair result.

### **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. The risk for increase in interest rate has been covered by an interest SWAP. A movement in interest rates of 1% p.a. will affect finance costs insignificantly.

#### **Currency risks**

The major currencies are DKK and EUR. 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 2019 been sufficient.

#### **Environmental performance**

The results of the year have been fine and are specified in the CSR report of the Company. There are no cases in relation to the authorities.

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### **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 2019 of the company.

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

### **Outlook**

The Company is expecting to improve the result in 2020 especially through improved efficiency and reduction of waste in connection with the new printing set-up and introducing new products to our customers. The costs for trials learning how to print on different substrates will step wise decrease, as we move forward.

### **Corporate Social responsibility (CSR)/diversity in Management**

The Company's statement on the Corporate Social responsibility and diversity in Management is obtainable via the Company's homepage [www.danapakflex.com/en/about-us/csr](http://www.danapakflex.com/en/about-us/csr) or on direct link <https://danapakflex.com/fileadmin/PDF/CSR-report-2019.pdf>

## **Accounting policies of Danapak Flexibles A/S for 2019**

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 2019 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 2 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.

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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 2019

		2019	2018
	<u>Notes</u>	<u>DKK '000</u>	<u>DKK '000</u>
Revenue	1	385.348	393.311
Change in inventories of finished goods and work in progress		-10.840	14.724
Other operating income	2	<u>2.201</u>	<u>1.112</u>
		376.709	409.147
Costs of raw materials and consumables		-207.986	-237.569
Other external expenses	3	<u>-59.328</u>	<u>-66.116</u>
<b>Gross profit</b>		109.395	105.462
Staff costs	4	-101.617	-106.887
Depreciation	5	-16.557	-13.084
Other operating expenses		<u>0</u>	<u>-59</u>
<b>Operating profit (EBIT)</b>		-8.779	-14.568
Financial income/expenses net	6	<u>-2.051</u>	<u>-1.398</u>
<b>Profit before tax (EBT)</b>		-10.830	-15.966
Tax on profit for the year	7	<u>2.415</u>	<u>3.502</u>
<b>Net profit for the year (EAT)</b>		<u>-8.415</u>	<u>-12.464</u>

## Balance sheet

### Assets

	Notes	2019 DKK '000	2018 DKK '000
<b>Intangible fixed assets</b>			
Patent costs	8	511	144
Development projects in progress	8	4.442	4.113
		<u>4.953</u>	<u>4.257</u>
<b>Tangible fixed assets</b>			
Land and buildings	9	17.405	18.723
Plant and machinery	9	87.205	36.051
Other fixtures, tools and equipment	9	1.312	864
Fixed assets under construction	9	375	25.954
<b>Property, plant and equipment</b>		<u>106.297</u>	<u>81.592</u>
<b>Non-current assets</b>		<u>111.250</u>	<u>85.849</u>
<b>Current assets</b>			
Raw materials and consumables		46.607	36.231
Work in progress		26.049	25.885
Finished goods / goods for resale		24.442	35.446
Prepayment for goods		-	-
<b>Inventories</b>		<u>97.098</u>	<u>97.562</u>
Trade receivables		48.410	42.930
Receivables from affiliated companies		9.460	15.787
Receivables from joint taxation		412	1.938
Income tax receivable	10	436	418
Deferred tax asset	11	3.651	1.614
Other receivables		1.620	2.112
Prepayments	12	1.986	2.551
<b>Receivables</b>		<u>65.975</u>	<u>67.350</u>
Cash and cash equivalents		<u>1.356</u>	<u>583</u>
<b>Current assets</b>		<u>164.429</u>	<u>165.495</u>
<b>Assets</b>		<u>275.679</u>	<u>251.344</u>

**Balance sheet**

<b>Equity and Liabilities</b>	<b>Notes</b>	2019 <b>DKK '000</b>	2018 <b>DKK '000</b>
<b>Equity</b>			
Share Capital	13	125.000	125.000
Retained earnings		- 35.402	- 26.612
Reserve for development costs		<u>3.218</u>	<u>2.961</u>
<b>Equity</b>		<u>92.816</u>	<u>101.349</u>
<b>Longterm liabilities other than provisions</b>			
Longterm bank debt		0	24.007
Mortgage	14	23.133	24.679
Financial lease obligation	14	<u>41.038</u>	<u>-</u>
<b>Longterm liabilities other than provisions</b>		<u>64.171</u>	<u>48.686</u>
<b>Short-term liabilities other than provisions</b>			
Current portion of long-term liabilities other than provisions	14	1.751	1.736
Current portion of financial lease obligation	14	5.953	3.097
Trade payables		53.787	55.421
Bank debt		6.143	5.973
Income tax payable	10	0	-
Amounts owed to affiliated companies		4.121	957
Payables related to joint taxation		0	-
Other payables		27.335	24.072
Prepayments received		<u>19.602</u>	<u>10.053</u>
<b>Short-term liabilities other than provisions</b>		<u>118.692</u>	<u>101.309</u>
<b>Liabilities other than provisions</b>		<u>182.863</u>	<u>149.995</u>
<b>Equity and Liabilities</b>		<u>275.679</u>	<u>251.344</u>
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## Statement of changes in Equity for 2019

	Share Capital DKK '000	Retained earnings DKK '000	Reserve for develop- ment costs DKK '000	Total DKK '000
<b>Equity at 01.01.2018</b>	125.000	-12.543	1.354	113.811
Value adjustments	-	-1.607	1.607	-
Financial instruments, after tax	-	2	-	2
Net profit/loss for the year 2018	-	-12.464	-	-12.464
<b>Equity at 01.01.2019</b>	<u>125.000</u>	<u>-26.612</u>	<u>2.961</u>	<u>101.349</u>
Value adjustments	-	-257	257	-
Financial instruments, after tax	-	-118	-	-118
Net profit/loss for the year 2019	-	-8.415	-	-8.415
<b>Equity at 31.12.2019</b>	<u>125.000</u>	<u>-35.402</u>	<u>3.218</u>	<u>92.816</u>

**Cash flow statement for 2019**

	2019	2018
	DKK '000	DKK '000
Operating profit/loss (EBIT)	-8.779	-14.568
Depreciation and gain/loss on sale of fixed assets	16.127	13.143
Tax paid/received from joint taxation	1.919	-934
	9.267	-2.359
<b>Change in working capital</b>		
Inventories	464	-10.097
Trade accounts receivables	-5.480	5.717
Ongoing balances with affiliated companies	3.476	370
Other receivables, prepayment and accruals	1.057	-485
Trade accounts payable	-1.634	15.973
Other short term debts	12.661	-14.470
<b>Cash flow from change in working capital</b>	<b>10.544</b>	<b>-2.992</b>
Financial expenses, paid	-2.051	-1.398
<b>Cash flow from operations</b>	<b>17.760</b>	<b>-6.749</b>
Development projects in progress	-2.067	-2.205
Acquisition of property, plant and equipment	-40.656	-33.155
Sale of property, plant and equipment	1.195	1
<b>Cash flow from investing activities</b>	<b>-41.528</b>	<b>-35.359</b>
Change, long-term liabilities other than provisions	18.356	19.863
Change, balances with affiliated companies	6.015	16.063
Change in short term bank debt	170	5.973
<b>Cash flows from financing activities</b>	<b>24.541</b>	<b>41.899</b>
<b>Change in cash and cash equivalents</b>	<b>773</b>	<b>-209</b>
<b>Cash and cash equivalents at 01.01.2019</b>	<b>583</b>	<b>792</b>
Change in cash and cash equivalents	773	-209
<b>Cash and cash equivalents at 31.12.2019</b>	<b>1.356</b>	<b>583</b>

## Notes

	2019	2018
	<u>DKK '000</u>	<u>DKK '000</u>
<b>1. Net Revenue</b>		
Net revenue, Denmark	94.883	107.739
Net revenue, outside Denmark	<u>290.465</u>	<u>285.572</u>
<b>Net revenue</b>	<b><u>385.348</u></b>	<b><u>393.311</u></b>
	2019	2018
	<u>DKK '000</u>	<u>DKK '000</u>
<b>2. Other operating income</b>		
Sales commission received from Group Companies	245	362
Refund from insurance claim	272	-
Gain from sale of fixed assets	429	-
Subsidie related to energy savings	815	428
Other items	<u>440</u>	<u>322</u>
<b>Other operating income</b>	<b><u>2.201</u></b>	<b><u>1.112</u></b>
	2019	2018
	<u>DKK '000</u>	<u>DKK '000</u>
<b>3. Fees to auditors appointed at the General Meeting</b>		
Fee for statutory audits	-221	-249
Fee for tax assistance	-10	-18
Audit-related fees	-65	-35
Other Fees	<u>-9</u>	<u>-20</u>
<b>Fees to auditors appointed at the General Meeting</b>	<b><u>-305</u></b>	<b><u>-322</u></b>

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	2019 DKK '000	2018 DKK '000
<b>4. Staff costs</b>		
Salaries and wages	-90.321	-95.611
Pension costs	-8.931	-8.998
Other social security costs	-2.364	-2.278
<b>Staff costs</b>	<u>-101.616</u>	<u>-106.887</u>
Average number of employees	<u>192</u>	<u>198</u>
<b>Salaries and fees paid to Executive Board and Board of directors</b>	<u>-3.192</u>	<u>-3.180</u>

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

	2019 DKK '000	2018 DKK '000
<b>5. Depreciation</b>		
Non current assets	-1.371	-
Buildings	-1.490	-1.486
Plant and machinery	-13.258	-11.330
Other fixtures and fittings, tools and equipment	-438	-268
<b>Depreciation</b>	<u>-16.557</u>	<u>-13.084</u>

	2019 DKK '000	2018 DKK '000
<b>6. Financial expenses, net</b>		
Interest income, affiliated companies	291	490
Other financial income	900	765
<b>Financial income</b>	<u>1.191</u>	<u>1.255</u>
Interest expenses, affiliated companies	-	-
Other financial expenses	-3.242	-2.653
<b>Financial expenses</b>	<u>-3.242</u>	<u>-2.653</u>
<b>Financial expenses, net</b>	<u>-2.051</u>	<u>-1.398</u>

	2019 DKK '000	2018 DKK '000
<b>7. Tax on profit/loss for the year</b>		
Current tax from joint taxation/ current tax on profit for the year	378	1.938
Change in deferred tax	<u>2.037</u>	<u>1.564</u>
Tax on profit/loss for the year	<u>2.415</u>	<u>3.502</u>
<b>8. Intangible assets</b>		
	Patent costs DKK '000	Development Projects in progress DKK '000
<b>Development projects in progress and Patent costs</b>		
Costs at 01.01.2019	144	4.113
Additions	367	1.700
Disposals	<u>-</u>	<u>-</u>
<b>Costs at 31.12.2019</b>	<u>511</u>	<u>5.813</u>
Depreciation and impairment losses at 01.01.2019	-	-
Depreciation for the year	-	-1.371
Reversal relating to disposals	<u>-</u>	<u>-</u>
<b>Depreciation and impairment losses at 31.12.2019</b>	<u>-</u>	<u>-1.371</u>
<b>Carrying amount at 31.12.2019</b>	<u>511</u>	<u>4.442</u>

A special component has been taken off the world market and the development projects are related to develop an alternative component. The products will replace existing products for new as well as existing customers in the pharmaceutical market. The progress of the projects is satisfactory, and the first commercial deliveries have taken place in 2019. Further development of additional products will be carried out in 2020.



<b>9. Tangible fixed assets</b>	Land and buildings	Plant and machinery	Other fixtures etc	Assets in progress
<b>Property, plant and equipment</b>	DKK '000	DKK '000	DKK '000	DKK '000
Costs at 01.01.2018	61.186	306.647	9.289	25.954
Additions	172	5.250	328	34.906
Disposals		-16.983		
Transfers for the year		59.927	558	-60.485
<b>Costs at 31.12.2018</b>	<b>61.358</b>	<b>354.841</b>	<b>10.175</b>	<b>375</b>
Depreciation and impairment losses at 01.01.2019	-42.463	-270.596	-8.425	-
Depreciation for the year	-1.490	-13.257	-438	
Reversal relating to disposals		16.217		
<b>Depreciation and impairment losses at 31.12.2019</b>	<b>-43.953</b>	<b>-267.636</b>	<b>-8.863</b>	<b>-</b>
<b>Carrying amount at 31.12.2019</b>	<b>17.405</b>	<b>87.205</b>	<b>1.312</b>	<b>375</b>
Hereof Financial leasing assets	-	50.280	-	-
Carrying amount at 31.12.2018	18.723	36.051	864	25.954
Hereof Financial leasing assets	-	6.484	-	-

	2019 DKK '000	2018 DKK '000
<b>10. Income tax receivable (+)/payable (-)</b>		
Income taxes receivable/payable at 01.01	418	-516
Income taxes paid during the year	18	934
<b>Income tax receivable/payable 31.12</b>	<b>436</b>	<b>418</b>

	Deferred tax asset DKK '000 <u>2019</u>	Deferred tax asset DKK '000 <u>2018</u>
<b>11. Deferred tax</b>		
Deferred tax at 01.01.2019	1.614	51
Changes for the year	<u>2.037</u>	<u>1.563</u>
<b>Deferred tax at 31.12.2019</b>	<u><u>3.651</u></u>	<u><u>1.614</u></u>

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.

	<u>2015</u> DKK '000	<u>2016</u> DKK '000	<u>2017</u> DKK '000	<u>2018</u> DKK '000	<u>2019</u> DKK '000
Share capital 01.01.	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>
Share capital 31.12	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>	<u>125.000</u>

	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
<b>14. Long term debt</b>				
Mortgage debt	1.751	7.001	16.132	24.884
Financial leasing obligation	5.953	22.845	18.193	46.991
<b>Long term debt 31.12.2019</b>	<b>7.704</b>	<b>29.846</b>	<b>34.325</b>	<b>71.875</b>
Long term debt 31.12.2018	4.833	6.946	17.733	29.512

### 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 2019 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 2019) had to be dismantled and removed and temporary workers had to be employed and trained. The implementation of the new machine was delayed as we were forced start using the machine before it was fully implemented. As production was step wised transferred it turned out that the supplier had difficulties in meeting the specifications. This delay 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. This lead, both in 2018 and in 2019, to a delay in efficiency improvements compared with improvement expectations and incurred approx. 13,2M DKK in extra costs in 2019 compared with the very high targets (2018:5,8M DKK), which in the opinion of the Board of Directors do not form part of the operating activities.

	2019 DKK '000	2018 DKK '000
<b>Effected lines in P&amp;L</b>		
Costs of raw materials and consumables	-8.374	-804
Other operating expenses	-2.560	-2.912
Staff costs	-2.233	-2.044
	<b>-13.167</b>	<b>-5.760</b>

## 16. Contractual obligations and contingencies

	2019 DKK '000	2018 DKK '000
Rent and leasing commitments	<u>7.576</u>	<u>2.270</u>

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 17,4 million (2018: DKK 18,7 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 184,4 million.

## 18. Related parties

### Related parties with a controlling interest

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

<u>Name</u>	<u>Registered Office</u>	<u>Basis of influence</u>
Schur Flexibles Holding GesmbH	Austria	Immediate Parent
Schur Flexibles GmbH	Germany	Group Parent
Atlas Flexibles GmbH	Germany	Ultimate Parent
Lars W. Hylgaard		Managing Director
Michael Schernthaner		Board of Directors
Friedrich Humer		Board of Directors &

Juan Luiz Martinez Arteaga  
 Tina Kiil Jensen  
 Henrik Nordkvist

Management board  
 Board of Directors  
 Board of Directors  
 Board of Directors

**Transactions with related parties:**

	2019	2018
	<u>DKK '000</u>	<u>DKK '000</u>
Sales of goods and services to group companies	1.165	1.756
Sale of services to immediate parent	149	246
Sale of services to ultimate parent	1.046	1.160
Purchase of goods and services from companies	10.229	10.707
Purchase of services from immediate parent	8.738	6.405
Interest income from group parent	291	490
Receivable from group parent (cash pool)	9.213	15.228
Receivables from other group companies	247	618
Payables to group companies	4.121	1.023

**19. Ownership**

The Company has registered Schur Flexibles Holding GesmbH, IZ NÖ Süd, Strasse 1, Objekt 50, Haus C, 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**

	2019	2018
	<u>DKK '000</u>	<u>DKK '000</u>
Retained earnings	<u>-8.415</u>	<u>-12.464</u>
	<u>-8.415</u>	<u>-12.464</u>

**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 1.290 thousand (2018: DKK 1.139 thousand). The Company swaps from variable interest rate to fixed interest rate related to the

Danapak Flexibles A/S

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. Events after the balance sheet date**

In March 2020 the COVID-19 pandemic started to influence Denmark. The short-term effect on the business has been limited. Being a Company producing packaging material for the Food and Pharmaceutical industries, Danapak has been part of the essential industries, which have been producing throughout the period of lockdown. The supply chain has been secured and transportation across borders has been open for our products.

The long-term effect of the pandemic is at the date of signing this report uncertain, but it is not expected to be of significance.