Papyro-Tex A/S

Skinderskovvej 32 - 36, DK-2730 Herlev

Annual Report for the year 1 January - 31 December 2022

CVR No: 63 64 20 10

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

7 July 2023

Sonny Lyngsø
Chairman

Contents

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Papyro-Tex A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company's operations for 2022.

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 adopted at the Annual General Meeting.

Herlev, , 7 July 2023

Executive Board

Lene Becher Jensen

Supervisory Board

Sonny Lyngsø
Chairman

Christian Thyssen

Flemming Heise Pedersen
Staff Representative

Lene Becher Jensen

Independent Auditor's Report

To the Shareholder of Papyro-Tex A/S

Opinion

We have audited the Financial Statements of Papyro-Tex A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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.

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 deter- mines 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 in- tends 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.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 pre- paring 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.

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.

Copenhagen, 7 July 2023
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Henrik Wolff Mikkelsen
State Authorised Public Accountant
mne33747

Company Information

The Company	Papyro-Tex A/S Skinderskovvej 32 - 36 DK-2730 Herlev CVR No: 63 64 20 10 Financial year: 1 January–31 December Municipality of reg. office: Herlev
Supervisory Board	Sonny Lyngsø Christian Thyssen Flemming Heise Pedersen Lene Becher Jensen
Executive Board	Lene Becher Jensen
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 Copenhagen S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	65,571	60,736	53,568	47,590	54,586
Operating profit	-6,084	9,317	1,853	1,701	10,094
Net financials	-1,190	-187	-1,043	-1,104	-1,568
Net profit for the year	-5,594	7,260	606	883	6,790
Balance sheet					
Balance sheet total	150,414	140,653	137,848	161,655	146,579
Equity	54,077	59,495	52,011	51,295	50,285
Investment in property, plant and equipment	6,652	4.216	6,338	6,182	12,616
Average number of employees	64	61	63	62	64
Ratios					
Return on assets	-4.0%	6.60%	1.30%	1.10%	6.90%
Solvency ratio	36,0%	42.30%	37.70%	31.70%	34.30%
Return on equity	-10.3%	13,0%	1.20%	1.70%	14.50%

The ratios have been compiled in accordance with the recommendations and guidelines issued by the CFA Society Denmark. For definitions, see the description of accounting policies in note 14.

Management's Review

Main activity

Papyro-Tex A/S manufactures and sells plastic foil for medical and technical industries.

Development in the year

The income statement of the Company for 2022 shows a loss of TDKK 5,594, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 54,077.

In 2022, Papyro-Tex A/S experienced an increase in sales compared to last year. But 2022 was also the year with price increases on raw material and utilities.

Consistent with Convatec Group's strategy, the Company have been withdrawing from its hospital care activities and related industrial sales during 2022. This has resulted in costs for write-down of inventory, machines, severance and restructuring for a total of DKK 34 million. These costs are compensated by the Convatec Group. No additional costs are expected.

Total investment in production equipment, buildings, regulatory environmental improvements and energy savings amounted to TDKK 6,119 in 2022.

Targets and expectations for the year ahead

The Company will continue to focus on investing in the production equipment and LEAN improvement. Both initiatives will contribute to retaining operating profit in a very competitive market.

In 2023 the Company will no longer manufacture products for hospital care and related industrial sales. The market for Barrier Film remains competitive and the Company expects that the sale of these products will increase.

The level of investment is expected to be between 3 and 4 million DKK. Investments are expected in production improvement.

Constantly delivering high-quality products is in focus and the company works on continuous improvements. This place demands on the company, both with the collection and dissemination of new knowledge. In the year 2022, there has been an influx of competent employees, who have strengthened the company's starting point in terms of knowledge and competence.

In 2023, there will be an increased investment in the competency development of employees.

The gross profit in the coming financial year is expected to decline to 48 - 52 million and the result before tax is expected to be at a positive level at 8 - 12 million.

Research and development

The activities have included streamlining and optimizing of production processes. There is a strong focus on the development of more sustainable and environmentally friendly products.

External environment and quality control

In 2022, Papyro-Tex A/S has retained the environmental approval and safety document prepared in accordance with the public risk order guideline.

In 2022, no deviations have been observed in accordance with the environmental approval self-regulation conditions.

In 2022, Papyro-Tex A/S has been re-certified according to the ISO9001:2015 by Bureau VERITAS Denmark.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Gross profit		**65.571**	**60,736**
Staff expenses	1	-43.111	-39,988
Depreciation and amortisation of intangible assets and of property, plant and equipment	2	-28.544	-11,431
Profit before financial income and expenses		**-6,084**	**9,317**
Financial income	3	309	31
Financial expenses	4	-1,499	-219
Profit before tax		**-7,274**	**9,129**
Tax on profit for the year	5	1.680	-1,869
Net profit for the year		**-5,594**	**7,260**

Balance Sheet 31 December

Assets	Note	2022	2021
		TDKK	TDKK
Land and buildings		5,709	7,505
Plant and machinery		41,520	58,710
Other fixtures and fittings, tools and equipment		517	878
Property, plant and equipment in progress		533	3,078
Property, plant and equipment	6	**48,279**	**70,171**
Other receivables	7	**6,871**	**6,871**
Fixed assets		**55,150**	**77,042**
Inventories		**24,630**	**33,305**
Trade receivables		16,073	13,063
Receivables from group enterprises		48,175	12,829
Other receivables		3,748	2,530
Receivables		**67,996**	**28,422**
Cash at bank and in hand		**2,638**	**1,884**
Currents assets		**95,264**	**63,611**
Assets		**150,414**	**140,653**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		20,000	20,000
Retained earnings		34,077	39,495
Equity	8	**54,077**	**59,495**
Provision for deferred tax	10	2,223	8,441
Provisions		**2,223**	**8,441**
Trade payables		9,289	8,032
Payables to group enterprises		62,681	51,827
Joint taxation payables		4,537	2,606
Other payables	11	17,607	10,252
Short-term debt		**94,114**	**72,717**
Debt		**94,114**	**72,717**
Liabilities and equity		**150,414**	**140,653**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January 2022	20,000	39,495	59,495
Group Contributions	0	176	176
Net profit/loss for the year	0	-5,594	-5,594
Equity at 31 December 2022	**20,000**	**34,077**	**54,077**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Staff expenses

Wages and salaries	37,799	35,045
Pensions	4,798	4,322
Other social security expenses	514	621
	43,111	**39,988**
Average number of employees	**64**	**61**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B (3) of the Danish Financial Statements Act.

ConvaTec PLC has implemented different share-based compensation programs which include the Company's Executive Board, other key management persons and other eligible employees. Share-based compensation programs are granted on a yearly basis over a fixed period. Share-based compensation programs entitle the Executive Board, other key management persons and other eligible employees to buy shares in the ConvaTec PLC per agreement at a pre-agreed price.

The total share-based compensation is accounted for as equity settled programs and is valued using the Black-Scholes model and the expense is recognised in the income statement (staff expenses) throughout the vesting period with a corresponding adjustment in equity (retained earnings).

2. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment	11,372	11,431
Disposals of property, plant and equipment	17,172	0
	28,544	**11,431**

3. Financial income

Other financial income	4	0
Exchange gains	305	31
	309	**31**

4. Financial expenses

Interest paid to group enterprises	1,389	123
Other financial expenses	16	26
Exchange loss	94	70
	1,499	**219**

5. Tax on profit/loss for the year

Current tax for the year	4,538	2,606
Deferred tax for the year	-6,218	-665
Adjustment of deferred tax concerning previous years	0	-72
Tax (expense)/income for the year	**-1,680**	**1,869**

Notes to the Financial Statements

6. Property, plant and equipment

	Land and buildings	Production equipment, tools and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	37,209	189,451	2,476	3.078
Additions for the year	0	6.119	0	533
Disposals for the year	-522	-27,676	0	0
Transfers for the year	0	3.078	0	-3.078
Cost at 31 December	36,687	170,972	2,476	533
Depreciation at 1 January	29,703	130,741	1,598	0
Depreciation for the year	1,797	26,387	361	0
Reversal of impairment and depreciation of sold assets	-522	-27,676	0	0
Depreciation at 31 December	30,978	129,452	1,959	0
Carrying amount at 31 December	**5,709**	**41,520**	**517**	**533**

7. Other receivables

	Other receivables
	TDKK
Cost at 1 January	6.871
Additions for the year	0
Disposals for the year	0
Cost at 31 December	6.871

The Company is subject to an ongoing tax audit regarding transfer pricing for the years 2014 and 2015. A ruling was received in July 2020, which has been appealed to the Danish Tax Appeal Agency. The Company has paid-in the adjusted corporate tax including interests, which has been included in the financial statements as other receivables, as Management expects a full refund of the amounts paid.

8. Equity

The share capital consists of 20,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

9. Distribution of profit/loss

	2022	2021
	TDKK	TDKK
Retained earnings	-5,594	7,260
	-5,594	**7,260**

10. Provision for deferred tax

Provision for deferred tax at 1 January	8,441	9,067
Amounts recognized in the income statement for the year	-6,218	-626
Provision for deferred tax at 31 December	**2,223**	**8,441**

Notes to the Financial Statements

10. Provision for deferred tax (continued)

	2022	2021
	TDKK	TDKK
Property, plant and equipment	4,032	8,373
Inventories	49	99
Share based payment	-24	-31
Accounting provisions	-1,834	0
	2,223	**8,441**

Deferred tax has been provided at 22% corresponding to the current tax rate.

11. Other payables

Dismantling costs	8.339	0
Guarantee provisions	850	0
Other payables	8.418	10.252
Total other payables	**17.607**	**10.252**

12. Contingent assets, liabilities and other financial obligations

Charges and security		
Land and buildings with a carrying amount of	5,709	7,505
Plant and machinery with a carrying amount of	42,570	62,665
Lease obligations		
Rental and lease obligations until maturity	129	63

Other contingent liabilities

The Company is party to a national Danish joint taxation scheme with ConvaTec Denmark A/S as the administration company. Consequently, the Company is jointly liable for corporation taxes for the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

13. Related parties

Controlling interest	Basis
ConvaTec Denmark Holdings ApS	Immediate parent
ConvaTec Holdings U.K. Limited	Intermediate parent
ConvaTec Group Holdings Limited	Intermediate parent
ConvaTec Group PLC	Ultimate parent

Transactions

Trade with related parties, including trade with the parent company, is based on market terms.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the smallest and ultimate parent:

Name	Place of registered office
ConvaTec Group PLC	UK

The Group Annual Report of ConvaTec Group PLC may be obtained at the following address:

3 Forbury Place, 23 Forbury Road, UK.

Notes to the Financial Statements

14. Accounting Policies

The Annual Report of Papyro-Tex A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

Change of presentation of payables to group enterprises

The Company has payables to group enterprises related to a rolling working capital agreement without any agreed maturity date. In previous years the debt was presented as long-term debt, but from 2022 the Company presents the debt as short-term debt. The comparative figures have been adjusted accordingly.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of ConvaTec Group PLC, the Company has not prepared a cash flow statement.

Recognition and measurement

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

Assets are recognised 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 recognised 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Share-based payments

Equity-settled share-based payments to employees etc. are measured at the fair value of the award on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed in the income statement (staff expenses) over the vesting period, with appropriate adjustments being made during the period to reflect expected and actual forfeitures. A corresponding entry is recorded directly through equity (retained earnings).

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the customer, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as corporate expenses, etc.

Notes to the Financial Statements

14. Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Depreciation

Depreciation comprises depreciation of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the loss for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

14. Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, 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 for use. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. Interest expenses are not included in the cost.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	4 years

Depreciation period and residual value are reassessed annually.

Land is not depreciated.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

14. Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit/loss before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$