BEIERHOLM
VI SKABER BALANCE

# Baltic Packaging A/S

Kirstinehøj 4, 2770 Kastrup

CVR no. 70 71 03 15

# Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 27.04.17

Preben Edvard Kønig
Dirigent

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# Company information etc.

## The company

Baltic Packaging A/S
Secondary firm names: Consafe A/S, MB Baltic Blikemballage A/S, MB Baltic Emballage A/S, MB Baltic Packaging A/S, Metalvarefabriken Baltic A/S
Kirstinehøj 4
2770 Kastrup
Tel.: 32 59 22 11
Registered office: Tårnby
CVR no.: 70 71 03 15
Financial year: 01.01 - 31.12

## Executive Board

Stig Wall-Gremstrup

## Board Of Director

Preben Edvard Kønig, chairman
Lars Erik Sebbelov
Claus Resen Steenstrup
Arne Gillin

## Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

# Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 for Baltic Packaging A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.16 and of the results of the the company's activities for the financial year 01.01.16 - 31.12.16.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Tårnby, April 27, 2017

**Executive Board**

Stig Wall-Gremstrup

**Board Of Director**

| | |
|---|---|
| Preben Edvard Kønig<br>Chairman | Lars Erik Sebbelov |
| Claus Resen Steenstrup | Arne Gillin |

# Independent auditor's report

**To the shareholder of Baltic Packaging A/S**

## Opinion

We have audited the financial statements of Baltic Packaging A/S for the financial year 01.01.16 - 31.12.16, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.16 and of the results of the company's operations for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the 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, we conclude that management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

### Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing 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.

Soeborg, Copenhagen, April 27, 2017

**Beierholm**
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jan Nygaard
State Authorized Public Accountant

## Primary activities

As previous years, the main activities comprise production and sale of a vide variety of quality product within the chemical/technical tin packaging, which is delivered to paint and varnish industies domestically and abroad.

## Development in activities and financial affairs

The income statement for the period 01.01.16 - 31.12.16 shows a profit/loss of DKK 2,226,571 against DKK -7,969,787 for the period 01.01.15 - 31.12.15. The balance sheet shows equity of DKK 15,923,466.

The management considers the net profit for the year to be satisfactory.

## Subsequent events

No important events have occurred after the end of the financial year.

# Income statement

| Note | | 2016 DKK | 2015 DKK |
|---|---|---|---|
| | **Gross profit** | **19.626.933** | **15.410.382** |
| 1 | Staff costs | -14.003.707 | -17.070.443 |
| | **Profit/loss before depreciation, amortisation, write-downs and impairment losses** | **5.623.226** | **-1.660.061** |
| | Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment | -2.229.642 | -2.451.893 |
| | Other operating expenses | -61.900 | -5.237.612 |
| | **Profit/loss before net financials** | **3.331.684** | **-9.349.566** |
| | Financial income | 38.253 | 14.293 |
| | Financial expenses | -441.407 | -867.618 |
| | **Profit/loss before tax** | **2.928.530** | **-10.202.891** |
| 2 | Tax on profit or loss for the year | -701.959 | 2.233.104 |
| | **Profit/loss for the year** | **2.226.571** | **-7.969.787** |

**Proposed appropriation account**

| | 2016 DKK | 2015 DKK |
|---|---|---|
| Extraordinary dividend for the financial year | 0 | 14.726.906 |
| Retained earnings | 2.226.571 | -22.696.693 |
| **Total** | **2.226.571** | **-7.969.787** |

# Balance sheet

## ASSETS

| Note | | 31.12.16 DKK | 31.12.15 DKK |
|---|---|---|---|
| | Plant and machinery | 7.431.728 | 8.400.404 |
| 3 | **Total property, plant and equipment** | **7.431.728** | **8.400.404** |
| | Deposits | 6.500 | 6.500 |
| | **Total investments** | **6.500** | **6.500** |
| | **Total non-current assets** | **7.438.228** | **8.406.904** |
| | Raw materials and consumables | 4.412.732 | 4.047.592 |
| | Work in progress | 4.181.932 | 4.578.992 |
| | Manufactured goods and goods for resale | 1.888.277 | 1.461.449 |
| | **Total inventories** | **10.482.941** | **10.088.033** |
| | Trade receivables | 3.438.067 | 4.403.800 |
| | Deferred tax asset | 2.776.531 | 3.799.317 |
| | Income tax receivable | 244.464 | 0 |
| | Other receivables | 703.019 | 234.064 |
| | Prepayments | 505.439 | 156.147 |
| | **Total receivables** | **7.667.520** | **8.593.328** |
| | **Cash** | **495.045** | **1.581.439** |
| | **Total current assets** | **18.645.506** | **20.262.800** |
| | **Total assets** | **26.083.734** | **28.669.704** |

# Balance sheet

## EQUITY AND LIABILITIES

| Note | | 31.12.16 DKK | 31.12.15 DKK |
|---|---|---|---|
| | Contributed capital | 1.000.000 | 1.000.000 |
| | Retained earnings | 14.923.466 | 12.696.895 |
| | **Total equity** | **15.923.466** | **13.696.895** |
| | Other payables | 0 | 575.205 |
| | **Total long-term payables** | **0** | **575.205** |
| | Payables to other credit institutions | 615.023 | 1.828.351 |
| | Trade payables | 3.270.933 | 3.878.127 |
| | Payables to group enterprises | 4.230.791 | 4.108.528 |
| | Other payables | 2.043.521 | 4.038.619 |
| | Deferred income | 0 | 543.979 |
| | **Total short-term payables** | **10.160.268** | **14.397.604** |
| | **Total payables** | **10.160.268** | **14.972.809** |
| | **Total equity and liabilities** | **26.083.734** | **28.669.704** |

4 Contingent liabilities

# Statement of changes in equity

| Figures in DKK | Share capital | Retained earnings | Proposed dividend for the financial year | Total equity |
|---|---|---|---|---|
| Statement of changes in equity for 01.01.15 - 31.12.15 | | | | |
| Balance pr. 01.01.15 | 5.000.000 | 21.393.588 | 400.000 | 26.793.588 |
| Capital reduction | -4.000.000 | 4.000.000 | 0 | 0 |
| Extraordinary dividend paid | 0 | -14.726.906 | 0 | -14.726.906 |
| Dividend paid | 0 | 0 | -400.000 | -400.000 |
| Other changes in equity | 0 | 10.000.000 | 0 | 10.000.000 |
| Net profit/loss for the year | 0 | -7.969.787 | 0 | -7.969.787 |
| Balance as at 31.12.15 | 1.000.000 | 12.696.895 | 0 | 13.696.895 |
| Statement of changes in equity for 01.01.16 - 31.12.16 | | | | |
| Balance pr. 01.01.16 | 1.000.000 | 12.696.895 | 0 | 13.696.895 |
| Net profit/loss for the year | 0 | 2.226.571 | 0 | 2.226.571 |
| Balance as at 31.12.16 | 1.000.000 | 14.923.466 | 0 | 15.923.466 |

# Notes

| | 2016<br>DKK | 2015<br>DKK |
|---|---:|---:|

## 1. Staff costs

| | 2016 DKK | 2015 DKK |
|---|---:|---:|
| Wages and salaries | 12.558.116 | 15.144.547 |
| Pensions | 710.240 | 966.780 |
| Other social security costs | 296.785 | 344.472 |
| Other staff costs | 438.566 | 614.644 |
| Total | 14.003.707 | 17.070.443 |
| Average number of employees during the year | 31 | 39 |

## 2. Tax on profit or loss for the year

| | 2016 DKK | 2015 DKK |
|---|---:|---:|
| Tax on profit or loss for the year | -244.464 | 0 |
| Adjustment of deferred tax for the year | 1.022.786 | -2.233.104 |
| Adjustment of tax in respect of previous years | -76.363 | 0 |
| Total | 701.959 | -2.233.104 |

## 3. Property, plant and equipment

| Figures in DKK | Plant and machinery |
|---|---:|
| Cost pr. 01.01.16 | 76.942.835 |
| Additions during the year | 1.279.492 |
| Disposals during the year | -30.041 |
| Cost as at 31.12.16 | 78.192.286 |
| Depreciation and impairment losses pr. 01.01.16 | -68.542.433 |
| Depreciation during the year | -2.229.641 |
| Reversal of depreciation of and impairment losses on disposed assets | 11.516 |
| Depreciation and impairment losses as at 31.12.16 | -70.760.558 |
| Carrying amount as at 31.12.16 | 7.431.728 |

## 4. Contingent liabilities

*Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent.

On 17.06.2013 the Company was merged with its previous parent company Balticemballage Holding A/S effectively as of 01.01.2013. Prior to the merger, the previous parent company forced 4 minority shareholders to sell their shares at a deemed marked price. 2 of these minority shareholderes have instituted legal proceeding against the company regarding the calculated share prise. The trial is still at an early stage and a verdict is not expected before 2018. The outcome is unknown, but it is not expected to result in a material commitment for the Company.

## 5. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for reporting class C medium-sized.

The accounting policies have been applied consistently with previous years.

### Material error

The company has identified a material error in the financial statements for 2015. In connection with inventory taking at 31.12.15, the company made an incorrect adjustment regarding a number of inventory items held at foreign sub-contractors. As a consequense, the inventories at 31.12.2015 were overstated with 1.207 t.DKK. Reduced with deferred tax asset of 265 t. DKK the equity was overstated with a 941 t. DKK.

This correction has a positive impact on the net profit af 941 t. DKK for 2016. This error does not impact the balance sheet total as at 31.12.16.

Comparative figures for 2015 have been restated in the balance sheet, income statement and notes. The accumulated effect at the beginning of the financial year has been recognised directly in equity.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

## 5. Accounting policies - continued -

### CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

### INCOME STATEMENT

#### Gross profit

Gross profit comprises revenue and raw materials and consumables and other external expenses.

#### Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

#### Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

#### Other external expenses

## 5. Accounting policies - continued -

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

### Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

### Depreciation, amortisation and impairment losses

The amortisation and depreciation of property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated/amortised according to the straight-line method based on the following expected useful lives and residual values:

| | Useful lives, years | Residual value, per cent |
|---|---|---|
| Buildings | 30 | 0 |
| Plant and machinery | 5-10 | 0 |

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

### Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise’s activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

### Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

## 5. Accounting policies - continued -

### Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

### BALANCE SHEET

### Property, plant and equipment

Property, plant and equipment comprise land and buildings og plant and machinery

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

## 5. Accounting policies - continued -

### Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

### Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

## 5. Accounting policies - continued -

### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

### Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

### Cash

Cash includes deposits in bank accounts as well as operating cash.

### Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according

## 5. Accounting policies - continued -

to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

### Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

### Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.