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Styropack A/S

Annual report 2014

The annual report was presented and adopted at the
Company's annual general meeting on

on Wednesday April 15 2015

chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Styropack A/S for the financial year 1 January – 31 December 2014.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Company's operations for the financial year 1 January – 31 December 2014.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

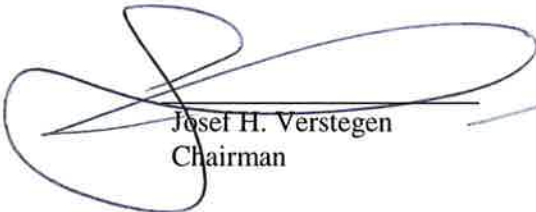
We recommend that the annual report be approved at the annual general meeting.

Glejbjerg, 15 April 2015
Executive Board:



Steffen Busk Jespersen

Board of Directors:



Josef H. Verstegen
Chairman



Rik Prosper Dobbelaere



Peter Ellehuus

Independent auditors' report

To the shareholders of Styropack A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Styropack A/S for the financial year 1 January – 31 December 2014. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating

position at 31 December 2014 and of the results of the Company's operations for the financial year 1 January – 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 15 April 2015

KPMG

Statsautoriseret Revisionspartnerselskab



Mads Klausen
State Authorised
Public Accountant

Management's review

Company details

Styropack A/S
Tvilhovej 8,
6752 Glejbjerg

Telephone: +45 79 79 81 11
Fax: +45 79 79 81 12
Website: www.styropack.dk
E-mail: styropack@styropack.dk

CVR no.: 69 99 85 18
Established: 1 November 1964
Registered office: Vejen
Financial year: 1 January – 31 December

Board of Directors

Jozef H. Verstegen (Chairman)
Rik Prosper Dobbelaere
Peter Ellehuus

Executive Board

Steffen Busk Jespersen

Auditors

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Bredskifte Allé 13
8210 Aarhus V

Group structure

Synbra Danmark A/S, Glejbjerg, holds the entire share capital at a nominal value of DKK 3,000.

The ultimate parent company preparing the consolidated financial statements, in which the Company is a subsidiary, is Synbra Holding B. V., the Netherlands.

The consolidated financial statements of the foreign parent company can be obtained by contacting:

Synbra Holding B.V., Zeedijk 25, 4871 NM Etten-leur, the Netherlands.

Management's review

Financial highlights

DKK	2014	2013	2012	2011	2010
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Key figures

Profit/loss from financial income and expenses	993	643	433	-235	-309
Profit/loss before financial income and expenses	4,649	1,666	-3,611	9,620	3,419
Profit/loss for the year	4,100	2,223	-2,501	6,946	2,316

Total assets	130,439	131,669	126,429	126,844	130,364
Investment in property, plant and equipment	6,308	2,246	9,832	3,246	3,127
Equity	87,551	83,451	81,228	83,729	76,783

Financial ratios

Current ratio	234.0%	210.3%	208.1%	208.9%	157.8%
Return on equity	4.8%	2.7%	-3.1%	8.3%	3.0%
Solvency ratio	67.1%	63.4%	64.2%	66.0%	58.9%
Rate of return	3.6%	1.3%	-2.9%	7.6%	2.6%

Management's review

Operating review

Principal activities of the Company

The Company is primarily engaged in the manufacturing and sale of packaging and technical products of EPS (Expandable Poly Styrene), as well as insulating material of EPS.

The production facilities are situated in Denmark.

The products of the Company are mainly sold in Denmark, Germany, United Kingdom and Sweden.

Development during the financial year

Profit before financial income and expenses amounted to DKK 4,649 thousand against a profit of DKK 1,666 thousand last year.

Profit for the year after tax amounted to DKK 4,100 thousand as against a profit of DKK 2,223 thousand last year.

Management considers the profit for the year satisfactory and in line with expectations.

Styropack A/S participates in a finance agreement within the Synbra Group.

Moreover, reference is made to note 6, in which the matter is described in further detail.

Environment

The Group prepares an environmental statement for the production site placed in Tvilho in Denmark. The overall objective is to avoid any accidents which may cause damage to persons, technical equipment and our surroundings. Crucial importance is attached to the fact that all Group activities in Denmark take place in consideration of the lowest possible environmental strain on the surroundings and with a high safety standard.

Outlook

Management expects that the level of activities can be maintained in the next financial year. For 2015, the Company expects earnings capacity to be positive.

Risk

The Company's most significant operating risk relates to its ability to be strongly positioned on the domestic market.

Events after the balance sheet date

No significant events have occurred after the balance sheet date, which are considered to have a material effect on the assessment of the annual report.

Financial statements 1 January – 31 December

Accounting policies

The annual report of Styropack A/S for 2014 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Referring to section 32 of the Danish Financial Statements Act, the Company's revenue and production costs are aggregated into one item called Gross profit.

Recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement

Income statement

Revenue

Revenue from the sale of goods and finished goods is included in the income statement when the delivery and transfer of risk to the purchaser have taken place before the end of the year, and if the income can be made up reliably and is expected received.

Sales and distribution cost

Costs incurred to sell and distribute goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as sales and distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, expenses pertaining to finance leases, payables and transactions denominated in foreign currencies, amortisation of

Financial statements 1 January – 31 December

Accounting policies

financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation of the Synbra Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation, of the consolidated financial statement and up to the date on which they exit the consolidation.

Synbra Danmark A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the joint taxed companies in proportion to their taxable income. In this relation companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year. The tax expenses in relation to the profit/loss for the year is recognised in the income statement and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages, salaries and amortisation directly and 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 as well development costs. Other development costs are recognised in the income statement as incurred.

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

Financial statements 1 January – 31 December

Accounting policies

Property, plant and equipment

Property, plant and equipment is recognised at cost. Land is not depreciated.

Buildings, incl. installations, plant and machinery, fixtures and fitting, tools and equipment are recognised at cost plus revaluation and less depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, energy consumption, staff and depreciation of machinery used.

Revaluation of non-current assets was made with reference to a reassessment of the value of the assets at the date of acquisition.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The estimated useful lives are as follows:

Buildings	10-50 years
Plant and machinery	8-12 years
Fixtures and fittings, tools and equipment	2-8 years

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses, respectively.

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease obligation 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 treated as 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 obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Financial statements 1 January – 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment 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. Value in use is determined as the present value of the forecasted net cash flows from the use of the asset or the group of assets, including forecasted net cash flows from the disposal of the asset or group of assets after the end of the useful life.

Inventories

Raw materials and consumables are measured at the lower of cost in accordance with the FIFO-method and the net realisable value.

Finished goods are measured at the lower of the cost plus indirect production overheads and net realisable value.

Finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise costs for factory administration and management.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise incurred concerning subsequent financial years.

Corporation tax and deferred tax

In its capacity as the administrative company, Synbra Danmark A/S is liable for its subsidiaries' corporation taxes to the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Financial statements 1 January – 31 December

Accounting policies

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

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Finance lease also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash flow statement

Referring to section 86 of the Danish Financial Statements Act, no cash flow statement has been prepared as Styropack A/S' cash flow is consolidated in the consolidated financial statements of Synbra Danmark A/S.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

Financial statements 1 January – 31 December

Accounting policies

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity} \times 100}{\text{Assets}}$
Rate of return	$\frac{\text{Profit before financial income and expenses and tax} \times 100}{\text{Assets}}$

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2014	2013
Gross profit		49,424	44,030
Sales and distribution costs		-33,046	-29,953
Administration expenses		-11,729	-12,411
Profit before financial income and expenses		4,649	1,666
Financial income	1	1,408	1,011
Financial expenses	2	-415	-368
Profit before tax		5,642	2,309
Tax on profit for the year	3	-1,542	-86
Profit for the year		4,100	2,223
Proposed profit appropriation			
Transferred to retained earnings		4,100	2,223

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	4		
Land and buildings		23,990	23,607
Plant and machinery		12,508	14,926
Fixtures and fittings, tools and equipment		971	1,071
Work in progress		614	736
Total non-current assets		38,083	40,340
Current assets			
Inventories			
Raw materials and consumables		4,580	4,031
Finished goods		9,308	10,635
		13,888	14,666
Receivables			
Trade receivables		49,984	48,684
Receivables from group enterprises		24,194	24,517
Other receivables		736	750
Corporate tax		374	0
Prepayments		554	206
		75,842	74,157
Cash at bank and in hand		2,626	2,506
Total current assets		92,356	91,329
TOTAL ASSETS		130,439	131,669

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2014	2013
EQUITY AND LIABILITIES			
Shareholders' equity	5		
Share capital		3,000	3,000
Revaluation reserve		1,896	1,896
Retained earnings		82,655	78,555
Total equity		87,551	83,451
Provisions			
Provisions for deferred tax		2,774	3,196
Liabilities			
Non-current liabilities			
Lease liabilities		642	832
Bonds		0	763
		642	1,595
Current liabilities			
Current portion of non-current liabilities		1,030	1,190
Bank loans		1,349	184
Trade payables		6,024	7,051
Payables to group enterprises		9,948	15,073
Corporate tax		0	1,499
Other liabilities		21,121	18,430
		39,472	43,427
Total liabilities other than provisions		40,114	45,022
TOTAL EQUITY AND LIABILITIES		130,439	131,669
Collateral, mortgages and contingent liabilities	6		
Staff costs	7		
Related parties	8		

Financial statements 1 January – 31 December

Notes

DKK'000		2014	2013		
1	Financial income				
	Financial income from affiliated undertakings	1,408	976		
	Other financial income	0	35		
		<u>1,408</u>	<u>1,011</u>		
2	Financial expenses				
	Financial expenses from affiliated undertakings	223	0		
	Other financial expenses	192	368		
		<u>415</u>	<u>368</u>		
3	Tax on profit/loss for the year				
	Total tax for the year	1,964	1,499		
	Adjustments of deferred tax	-422	-977		
	Adjustments of deferred tax, lowering of tax rate	0	-436		
		<u>1,542</u>	<u>86</u>		
4	Property, plant and equipment				
		Fixtures, fittings and equipment	Work in progress	Total	
DKK'000	Land and buildings	Plant and machinery			
Cost at 1 January 2014	46,160	112,552	12,085	736	171,533
Additions during the year	1,947	4,229	254	614	7,044
Disposals during the year	-763	-1,796	-220	-736	-3,515
Cost at 31 December 2014	<u>47,344</u>	<u>114,985</u>	<u>12,119</u>	<u>614</u>	<u>175,062</u>
Revaluation 1 January 2014	2,527	0	0	0	2,527
Depreciation 1 January 2014	25,080	97,627	11,014	0	133,721
Depreciation during the year	1,564	6,624	319	0	8,507
Reversed depreciation on disposals for the year	-763	-1,774	-185	0	-2,722
Depreciation 31 December 2014	<u>25,881</u>	<u>102,477</u>	<u>11,148</u>	<u>0</u>	<u>139,506</u>
Carrying amount at 31 December 2014	<u>23,990</u>	<u>12,508</u>	<u>971</u>	<u>614</u>	<u>38,083</u>

Carrying amount includes leased assets of DKK 782 thousand.

If land and buildings had not been recognised at fair value, the value of land and buildings would have amounted to DKK 23,829 thousand.

Financial statements 1 January – 31 December

Notes

5 Shareholders' equity

DKK'000	Share capital	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2014	3,000	1,896	78,555	83,451
Profit for the year	0	0	4,100	4,100
Equity at 31 December 2014	3,000	1,896	82,655	87,551

The share capital consists of 1 share of nominal value of DKK 3,000 thousand.

The share capital has remained unchanged for the past five years.

6 Collateral, mortgages and contingent liabilities

The Company has assumed lease commitments which, at the balance sheet date in the period of non-terminability, totalled DKK 8,312 thousand.

In June 2012, Synbra Holding B.V. entered into a three-year senior Facility Agreement. In relation to this, the shares in Styropack A/S have been provided as collateral to the lenders.

DKK'000	2014	2013
7 Staff costs		
Wages and salaries	50,796	49,860
Pension contribution	3,752	3,770
Other social security costs	349	348
	54,897	53,978
Average number of full-time employees	122	120

Referring to section 98 b (3) of the Danish Financial Statements Act, remuneration of the Executive Board is not disclosed.

8 Related parties

Control

Synbra Danmark A/S holds the entire share capital in the Company.

Other related parties

Other related companies in the Synbra International bv Group.