

Paper Bottle Company A/S

Fabriksvangen 5A
DK-3550 Slangørup

CVR no. 28 99 38 54

Annual report 2020

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

20 May 2021

Christian Zmölnig
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 Paper Bottle Company A/S for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with the 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 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Slangerup, 20 May 2021
Executive Board:

Birgitta Maria Schiöld
Director

Board of Directors:

Christian Zmólnig
Chairman

Christoph Patrick Hoffmann

Ivar Andreas Vatne

Carl Anders Persson



Independent auditor's report

To the shareholders of Paper Bottle Company A/S

Opinion

We have audited the financial statements of Paper Bottle Company A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.



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Independent auditor's report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 20 May 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

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Management's review

Company details

Paper Bottle Company A/S
Fabriksvangen 5A
3550 Slangerup
Denmark

Website: <https://www.paboco.com/>

CVR no.: 28 99 38 54
Established: 16 September 2005
Registered office: Slangerup
Financial year: 1 January – 31 December

Board of Directors

Christian Zmólnig, Chairman
Christoph Patrick Hoffmann
Ivar Andreas Vatne
Carl Anders Persson

Executive Board

Birgitta Maria Schiöld, Director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
Denmark
CVR no. 25 57 81 98

Management's review

Operating review

Principal activities

The company's principal activities are to sell, develop and manufacture paper bottles, and activities related hereto in the board of directors' opinion.

Uncertainty regarding recognition and measurement

The company has capitalised a tax asset as Management expects that the loss relating to the development project will be paid by the tax authorities as a tax credit.

Development in activities and financial position

The Company's income statement for 2020 shows a profit of DKK -1,049,897 as against DKK -4,322,504 in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at DKK 67,343,672 as against DKK 68,393,569 at 31 December 2019.

Outlook

The focus in 2021 is to continue the development of a robust production process and begin the scaling towards higher volumes and commercialization, and adapt the organization for production.

Events after the balance sheet date

No events have occurred since the end of the financial year that could have significantly affected the company's financial position

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Financial statements 1 January – 31 December

Income statement

DKK	Note	2020	2019
Gross loss		-608,746	-2,459,712
Staff costs	2	-1,729,196	-707,588
Depreciation, amortisation and impairment losses		-173,062	-81,915
Loss before financial income and expenses		-2,511,004	-3,249,215
Income from equity investments in group entities		-645,084	-1,802,743
Other financial income	3	9,270	0
Other financial expenses		-227,352	-56,575
Loss before tax		-3,374,170	-5,108,533
Tax on loss for the year	4	2,324,273	786,029
Loss for the year		-1,049,897	-4,322,504
Proposed distribution of loss			
Other reserves		17,745,265	11,692,191
Retained earnings		-18,795,162	-16,014,695
		-1,049,897	-4,322,504

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2020	2019
ASSETS			
Fixed assets			
Intangible assets	5		
Acquired patents		909,991	786,433
Development projects in progress		<u>64,008,299</u>	<u>41,257,959</u>
		<u>64,918,290</u>	<u>42,044,392</u>
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		4,504,461	288,060
Leasehold improvements		<u>250,275</u>	<u>267,772</u>
		<u>4,754,736</u>	<u>555,832</u>
Investments	7		
Equity investments in group entities		499,582	614,523
Other receivables		<u>28,000</u>	<u>800</u>
		<u>527,582</u>	<u>615,323</u>
Total fixed assets		<u>70,200,608</u>	<u>43,215,547</u>
Current assets			
Receivables			
Trade receivables		516,286	138,853
Receivables from group entities		4,647,936	2,229,093
Other receivables		741,627	26,784
Corporation tax		4,850,555	2,719,504
Prepayments		<u>188,370</u>	<u>144,808</u>
		<u>10,944,774</u>	<u>5,259,042</u>
Cash at bank and in hand		<u>5,437,311</u>	<u>44,400,211</u>
Total current assets		<u>16,382,085</u>	<u>49,659,253</u>
TOTAL ASSETS		<u><u>86,582,693</u></u>	<u><u>92,874,800</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,389,532	1,389,532
Reserve for development costs		49,926,473	32,181,208
Retained earnings		<u>16,027,667</u>	<u>34,822,829</u>
Total equity		<u>67,343,672</u>	<u>68,393,569</u>
Provisions			
Provisions for deferred tax		4,384,049	1,231,162
Provisions for equity investments in group entities		<u>1,825,412</u>	<u>1,295,269</u>
Total provisions		<u>6,209,461</u>	<u>2,526,431</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Deferred income	8	<u>8,598,277</u>	<u>13,055,024</u>
Current liabilities other than provisions			
Banks, current liabilities		8,332	20,288
Prepayments received from customers		0	596,800
Trade payables		2,135,256	5,380,095
Payables to group entities		402,362	879,899
Other payables		<u>1,885,333</u>	<u>2,022,694</u>
		<u>4,431,283</u>	<u>8,899,776</u>
Total liabilities other than provisions		<u>13,029,560</u>	<u>21,954,800</u>
TOTAL EQUITY AND LIABILITIES		<u>86,582,693</u>	<u>92,874,800</u>
Contractual obligations, contingencies, etc.			
Collateral	9 10		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2020	1,389,532	32,181,208	34,822,829	68,393,569
Transferred over the distribution of loss	<u>0</u>	<u>17,745,265</u>	<u>-18,795,162</u>	<u>-1,049,897</u>
Equity at 31 December 2020	<u><u>1,389,532</u></u>	<u><u>49,926,473</u></u>	<u><u>16,027,667</u></u>	<u><u>67,343,672</u></u>

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Paper Bottle Company A/S for 2020 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

Omission of consolidated financial statements

Pursuant to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

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1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of 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 Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating 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

Patents

Patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 10 years.

Development projects

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

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1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated 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. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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.

Investments

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

Deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as investments 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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash.

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK	2020	2019
Wages and salaries	6,387,164	3,867,618
Pensions	498,559	264,584
Other social security costs	170,273	75,410
Other staff costs	512,644	129,070
	<u>1,729,196</u>	<u>707,588</u>
Average number of full-time employees	<u>14</u>	<u>9</u>

Herof 5,8 mDKK have been capitalized as development costs (2019: 3,6 mDKK).

3 Financial income

Exchange adjustments	<u>9,270</u>	<u>0</u>
	<u>9,270</u>	<u>0</u>

4 Tax on profit/loss for the year

DKK	2020	2019
Current tax for the year	-5,477,160	-2,719,504
Deferred tax for the year	3,378,720	3,253,162
Adjustment of tax concerning previous years	0	252,371
Adjustment of deferred tax concerning previous year	-225,833	0
	<u>-2,324,273</u>	<u>-786,029</u>

5 Intangible assets

DKK	Acquired patents	Development projects in progress	Total
Cost at 1 January 2020	786,433	41,257,959	42,044,392
Additions for the year	<u>123,558</u>	<u>22,750,340</u>	<u>22,873,898</u>
Cost at 31 December 2020	<u>909,991</u>	<u>64,008,299</u>	<u>64,918,290</u>
Carrying amount at 31 December 2020	<u>909,991</u>	<u>64,008,299</u>	<u>64,918,290</u>

Development projects in progress

The company's development costs relate to development of different products. The development and enhancement progress as planned. The projects are expected to generate revenues based on the next financial years. Based on budgets and demands, it is managements view that the projects are expected to generate significant positive cash-flows, which is why the commercial value of the intangible fixed assets exceeds the book value.

Financial statements 1 January – 31 December

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6 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2020	778,270	340,070	1,118,340
Additions for the year	4,312,277	64,689	4,376,966
Disposals for the year	<u>-60,000</u>	<u>0</u>	<u>-60,000</u>
Cost at 31 December 2020	<u>5,030,547</u>	<u>404,759</u>	<u>5,435,306</u>
Depreciation and impairment losses at 1 January 2020	-490,210	-72,298	-562,508
Depreciation for the year	-69,211	-82,186	-151,397
Depreciation and impairment losses for the year on assets sold	<u>33,335</u>	<u>0</u>	<u>33,335</u>
Depreciation and impairment losses at 31 December 2020	<u>-526,086</u>	<u>-154,484</u>	<u>-680,570</u>
Carrying amount at 31 December 2020	<u><u>4,504,461</u></u>	<u><u>250,275</u></u>	<u><u>4,754,736</u></u>

7 Investments

DKK	Equity investments in group entities
Cost at 1 January 2020	<u>1,351,724</u>
Cost at 31 December 2020	<u>1,351,724</u>
Revaluations at 1 January 2020	-737,201
Revaluations for the year	<u>-114,941</u>
Revaluations 31 December 2020	<u>-852,142</u>
Carrying amount at 31 December 2020	<u><u>499,582</u></u>

Financial statements 1 January – 31 December

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8 Non-current liabilities other than provisions

DKK	31/12 2020	31/12 2019	Outstanding debt after five years
Accruals and deferred income	8,598,277	13,055,024	0
	<u>8,598,277</u>	<u>13,055,024</u>	<u>0</u>
DKK		<u>2020</u>	<u>2019</u>

9 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish companies are jointly and severally liable for tax on the Group's joint taxable income and for certain possible withholding taxes such as dividend tax, etc.

Operating lease obligations

The company's tenancy and lease liabilities are stated at DKK ('000) 628 at 31 December 2020.

10 Collateral

The company has issued a limited guarantee of payment of DKK ('000) 1,000 as security for debt in the subsidiary Borgen Ingeniør og Smedefirma A/S.