Tetra Pak Processing Systems A/S

Søren Nymarks Vej 13, DK-8270 Højbjerg

CVR no. 41 85 21 19

Annual report 2016

Approved at the annual general meeting of shareholders on

Chairman:

....

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Tetra Pak Processing Systems A/S for the financial year 1 January - 31 December 2016.

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 of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Højbjerg, 10 March 2017
Executive Board:

Steen Ruge Thomsen

Board of Directors:

Dan Ola Elmqvist Chairman	Sten Andersen	Steen Ruge Thomsen
Karsten Holk	Niels Glahn Sabroe	Lars Køhler
Elsebeth Christina Andersen		

Independent auditor's report

To the shareholders of Tetra Pak Processing Systems A/S

Opinion

We have audited the financial statements of Tetra Pak Processing Systems A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement 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 2016 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2016 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 responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Independent auditor's report

- 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 conclusion is 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 note 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 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.

Based on our procedures, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 10 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Andersen
State Authorised Public Accountant

Management's review

Company details

Name	Tetra Pak Processing Systems A/S
Address, Postal code, City	Søren Nymarks Vej 13, DK-8270 Højbjerg
CVR no.	41 85 21 19
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Dan Ola Elmqvist, Chairman Sten Andersen Steen Ruge Thomsen Karsten Holk Niels Glahn Sabroe Lars Køhler Elsebeth Christina Andersen
Executive Board	Steen Ruge Thomsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	SEB Bank

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	1,030,583	717,263	664,800	668,588	635,026
Profit before net financials	50,998	11,783	8,523	27,633	6,776
Net financials	-4,335	-6,675	-4,677	-6,029	-5,211
Profit/loss for the year	33,708	4,191	9,386	20,872	926
Total assets	651,849	432,684	452,442	389,629	440,797
Equity	81,640	52,123	60,244	76,876	68,765
Investment in property, plant and equipment	-3,931	-12,695	-7,990	-5,213	-9,632
Financial ratios					
Operating margin	4.9%	1.6%	1.3%	4.1 %	1.1 %
Gross margin	17.8%	18.2%	18.4%	24.2%	24.2%
Return on assets	9.4%	2.7%	2.0%	6.7%	1.6%
Return on equity	50.4%	7.5%	13.7%	28.7%	1.3%
Average number of employees	290	286	285	286	292

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

The Company's business activities include the production, design and sale of production lines, machinery, equipment and spare parts for the ice cream industry.

Recognition and measurement uncertainties

There are no significant recognition nor measurement uncertainties.

Financial review

Net profit for the year is compared with previously expressed expectations. The result of operations for the year is satisfactory.

Impact on the external environment

As mentioned above, the Company's business activities are production, design and sales. Thus, the impact on the external environment is fairly limited. The Company is environmentally certified to ISO 14001.

Research and development activities

During the financial year the Company continued its product development activities. Product development costs are recognised as expenses on a current basis.

Statutory CSR report

Tetra Pak Processing Systems A/S is included in the Group's consolidated statement regarding responsibility towards society and regarding human rights. Therefore, no local policies for CSR, including human rights, environment and climate have been prepared. For the consolidated statement please refer to the web site http://www.tetrapak.com/sustainability.

Account of the gender composition of Management

The Board has set a target for the under represented gender on the Board at 25% or 1 out of 4 members elected by the general meeting. The ambition is now to reach this target before the end of 2018. At present, the Company has no female board members elected by the general meeting, but an employee reprsentative, corresponding to 14% of the entire Board.

In the light of the gender composition within the industry, the above target for the Board has been difficult to reach, therefore the target has been extended to 2018.

For management executives other than the Board, females represent 12% and males 78%. The gender ratio is considered equivalent to the total gender composition in the Company. Tetra Pak Processing Systems A/S follow the Group's consolidated statement regarding diversity:

"We undertake to include and respect every individual, regardless of age, gender, ethnicity, nationality or sexual orientation. A diverse workforce enhances our ability to understand the different cultures and languages of our customers and consumers"... furthermore... "Tetra Pak, like many manufacturing companies, faces the challenge of improving the gender balance within our organization" ...."We are increasing our focus on hiring women and providing developmental opportunities aimed at increasing gender diversity. Key management processes, such as succession planning, our Leadership Acceleration Programme and mentoring programmes provide these opportunities for women and employees from outside Europe. We believe our core values along with our Code of Business Conduct training, promote an inclusive and positive company culture, and contribute to the lack of reported incidents of discrimination".

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Management's review

Management commentary

Outlook

The activities of the Company for 2017 are expected to be slightly below 2016. Sales volume is expected to be below 2016 level which will have a negative impact of the operations, in the range of DKK 1-5 million.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
2	**Revenue**	1,030,583	717,263
3	Production costs	-847,069	-586,373
	Gross margin	183,514	130,890
	Distribution costs	-54,970	-52,411
3	Administrative expenses	-77,537	-66,849
	Operating profit	51,007	11,630
	Other operating income	0	153
	Other operating expenses	-9	0
	Profit before net financials	50,998	11,783
4	Financial income	1,410	4,562
5	Financial expenses	-5,745	-11,237
	Profit before tax	46,663	5,108
6	Tax for the year	-12,955	-917
	Profit for the year	33,708	4,191

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
7	**Intangible assets**		
	Completed development projects	0	0
	Goodwill	29,875	41,624
		29,875	41,624
8	**Property, plant and equipment**		
	Land and buildings	18,645	15,384
	Plant and machinery	11,838	10,099
	Other fixtures and fittings, tools and equipment	2,179	2,505
	Property, plant and equipment in progress	0	7,089
		32,662	35,077
9	**Financial assets**		
	Investments in group entities, net asset value	0	0
10	Deferred tax assets	18,252	19,520
		18,252	19,520
	Total non-current assets	80,789	96,221
	Current assets		
	Inventories		
	Raw materials and consumables	58,310	52,797
	Work in progress	67,932	48,642
	Finished goods and goods for resale	2,745	1,193
		128,987	102,632
	Receivables		
	Trade receivables	56,815	49,683
	Receivables from group entities	323,867	129,917
	Income taxes receivable	41,817	33,401
	Other receivables	19,574	20,830
		442,073	233,831
	Total Current assets	571,060	336,463
	TOTAL ASSETS	651,849	432,684

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	11,000	11,000
	Retained earnings	70,640	36,932
	Dividend proposed for the year	0	4,191
	Total equity	81,640	52,123
12	**Non-current liabilities**		
13	Other provisions	15,824	11,528
	Total non-current liabilities	15,824	11,528
	Current liabilities		
	Bank debt	1,161	137
	Other credit institutions	13	66
	Prepayments received from customers	1,155	3,416
	Trade payables	125,272	49,070
	Payables to group entities	341,034	258,690
	Income taxes payable	11,712	0
	Other payables	74,038	57,654
	Total current liabilities	554,385	369,033
	Total liabilities	570,209	380,561
	TOTAL EQUITY AND LIABILITIES	651,849	432,684

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15 Contractual obligations and contingencies, etc.
16 Collateral
17 Related parties
18 Fee to the auditors appointed by the Company in general meeting

Financial statements for the period 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2016	11,000	36,932	4,191	52,123
19	Profit for the year	0	33,708	0	33,708
	Dividend distributed	0	0	-4,191	-4,191
	Equity at 31 December 2016	11,000	70,640	0	81,640

Financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	2016	2015
	Profit for the year	33,708	4,191
20	Adjustments	38,538	24,264
	Cash generated from operations (operating activities)	72,246	28,455
21	Changes in working capital	-53,514	-13,283
	Cash generated from operations (operating activities)	18,732	15,172
	Interest received, etc.	1,410	4,562
	Interest paid, etc.	-5,745	-11,237
	Income taxes paid	-8,390	909
	Cash flows from operating activities	6,007	9,406
	Additions of property, plant and equipment	-3,931	-12,695
	Disposals of property, plant and equipment	1,144	4,362
	Cash flows to investing activities	-2,787	-8,333
	Dividends distributed	-4,191	-12,312
	Contracting of other long-term liabilities	-53	-6
	Cash flows from financing activities	-4,244	-12,318
	Net cash flow	-1,024	-11,245
	Cash and cash equivalents at 1 January	-137	11,108
22	**Cash and cash equivalents at 31 December**	-1,161	-137

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Tetra Pak Processing Systems A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 July 2015. This implies changes in the recognition and measurement in the following areas: Yearly reassessment of residual values of property, plant and equipment. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has already recognised residual values on property, plant and equipment and no significant deviations to these values have been found in connection with adoption of the new act.

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also include research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	10 years years
Land and buildings	25 years years
Plant and machinery	8-20 years years
Other fixtures and fittings, tools and equipment	3-5 years years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income.

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected 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 recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, 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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

Segment information is given for revenue broken down by type of products. The segmentation is in accordance with the entity's internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000		2016	2015
2	**Segment information**		
	Sales of goods/machinery	709,697	395,724
	Aftersales & services	101,306	91,517
	Consumables	219,580	230,022
		1,030,583	717,263
3	**Amortisation/depreciation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	596	596
	Impairment of intangible assets	11,153	11,153
	Depreciation of property, plant and equipment	5,193	5,060
		16,942	16,809

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment is recognised in the income statement under the following items:

		2016	2015
	Production costs	2,576	2,244
	Administrative expenses	14,366	14,565
		16,942	16,809
4	**Financial income**		
	Interest receivable, group entities	339	111
	Exchange gain	1,062	4,227
	Other financial income	9	224
		1,410	4,562
5	**Financial expenses**		
	Interest expenses, group entities	5,173	3,881
	Exchange losses	97	6,147
	Other financial expenses	475	1,209
		5,745	11,237
6	**Tax for the year**		
	Estimated tax charge for the year	11,687	-994
	Deferred tax adjustments in the year	1,268	1,941
	Tax adjustments, prior years	0	-30
		12,955	917

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Completed development projects	Goodwill	Total
Cost at 1 January 2016	2,600	117,484	120,084
Cost at 31 December 2016	2,600	117,484	120,084
Impairment losses and amortisation at 1 January 2016	2,600	75,860	78,460
Amortisation in the year	0	11,749	11,749
Impairment losses and amortisation at 31 December 2016	2,600	87,609	90,209
Carrying amount at 31 December 2016	0	29,875	29,875
Amortised over		10 years	

8 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2016	63,857	28,802	13,928	7,089	113,676
Additions in the year	2,425	1,055	451	0	3,931
Disposals in the year	0	-1,776	-634	0	-2,410
Transfer from other accounts	2,455	4,634	0	-7,089	0
Cost at 31 December 2016	68,737	32,715	13,745	0	115,197
Impairment losses and depreciation at 1 January 2016	48,473	18,703	11,423	0	78,599
Depreciation in the year	1,619	2,795	779	0	5,193
Reversal of depreciation and impairment of disposals	0	-621	-636	0	-1,257
Impairment losses and depreciation at 31 December 2016	50,092	20,877	11,566	0	82,535
Carrying amount at 31 December 2016	18,645	11,838	2,179	0	32,662

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Investments

DKK'000	Investments in group entities, net asset value
Cost at 1 January 2016	129,328
Disposals in the year	-129,328
Value adjustments at 1 January 2016	-129,328
Reversal of prior year impairment losses	129,328
Carrying amount at 31 December 2016	0

The company, Tetra Pak Hoyer Indústria é Comércio Ltda., discontinued its operations during the year.

10 Deferred tax assets

The deferred tax asset primarily relates to timing differences in respect of inventory, intangible assets and property, plant and equipment.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
11 Share capital		
Analysis of the share capital:		
10,000 A shares of DKK 1,000.00 nominal value each	10,000	10,000
1,000 A shares of DKK 1,000.00 nominal value each	1,000	1,000
	11,000	11,000

Analysis of changes in the share capital over the past 5 years:

DKK'000	2016	2015	2014	2013	2012
Opening balance	11,000	11,000	11,000	11,000	11,000
	11,000	11,000	11,000	11,000	11,000

12 Non-current liabilities

DKK'000	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other provisions	15,824	0	15,824	0
	15,824	0	15,824	0

The provision for deferred tax primarily relates to timing differences in respect of inventory, intangible assets and property, plant and equipment.

The item relates to warranties.

13 Other provisions

Other provisions comprise provision for warranty commitments applicable to sale of goods totalling DKK 15,824 thousand. The obligation is expected to be settled over the warranty period of 1-2 years, and DKK 15,199 thousand thereof is expected to fall due within 1 year.

The item relates to warranties.

DKK'000	2016	2015
14 Staff costs		
Wages/salaries	210,730	184,933
Pensions	14,054	13,281
	224,784	198,214
Average number of full-time employees	290	286

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Danish tax authorities increased the taxable income for the years 2005-2009 by DKK 325 million related to transactions with other Tetra Pak entities. Tetra Pak Processing Systems A/S does not agree in the proposed adjustment. Since the outcome can not be assessed on a reliable basis, no provision has been made.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	6,249	11,837

Lease liabilities relate to operating leases concerning cars. The remaining terms are 1-3 years.

As management company, the Company is taxed on a joint basis with other Danish group entities.The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income years 2006-2016 and withholding taxes, which fall due for payment on 1 July 2013 or later in the joint taxation arrangement.

16 Collateral

A mortgage deed registered to the mortgagor regarding the property on Søren Nymarks Vej 11, DK-8270 Højbjerg totalling DKK 6,300 thousand and a mortgage financing deed regarding the property on Søren Nymarks Vej 9 A, DK-8270 Højbjerg, totalling DKK 1,044 thousand, have been recorded.

No additional security for loans had been placed at 31 December 2016.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

17 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Tetra Laval Holdings BV	Amsterdam, The Netherlands	Herikerbergweg 108-A, 1101 CM Amsterdam Zuidoost, The Netherlands

Related party transactions

Tetra Pak Processing Systems A/S was engaged in the below related party transactions:

DKK'000	2016
Sale of goods and services to affiliated companies	800,474
Acquisition of goods and services from affiliated companies	20,873
Sale of sevices (administrative fee and allocated costs) to affiliated companies	52,569
Acquisition of services (administrative fee and allocated costs) from affiliated companies	9,128
Royalty income from affiliated companies	2,051
Interest income from affiliated companies	399
Interest expencses from affiliated companies	5,173
Receivables from affiliated companies	323,867
Payables to affiliated companies	341,034

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Tetra Laval Holdings BV	Herikerbergweg 108-A, 1101 CM Amsterdam Zuidoost, The Netherlands

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
18	**Fee to the auditors appointed by the Company in general meeting**		
	Statutory audit	366	366
	Tax assistance	116	92
	Other assistance	79	82
		561	540
19	**Appropriation of profit/loss**		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	0	4,191
	Retained earnings	33,708	0
		33,708	4,191
20	**Adjustments**		
	Amortisation/depreciation and impairment losses	16,942	16,809
	Gain/loss on the sale of non-current assets	9	-153
	Provisions	4,296	16
	Financial income	-1,410	-4,562
	Financial expenses	5,745	11,237
	Tax for the year	12,954	917
	Other adjustments	2	0
		38,538	24,264
21	**Changes in working capital**		
	Change in inventories	-26,355	336
	Change in receivables	-199,826	-1,835
	Change in trade and other payables	76,202	3,406
	Other changes in working capital	96,465	-15,190
		-53,514	-13,283
22	**Cash and cash equivalents at year-end**		
	Short-term debt to banks	-1,161	-137
		-1,161	-137