

Tetra Pak Processing Systems A/S

Søren Nymarks Vej 13, DK-8270 Høbjerg

CVR no. 41 85 21 19

Annual report 2018

Approved at the Company's annual general meeting on 29 May 2019

Chairman:



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Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14

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 2018.

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

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, 15 March 2019
Executive Board:


Steen Ruge Thomsen

Board of Directors:


Dan Ole Elmquist
Chairman
Sten Andersen
Steen Ruge Thomsen
Karsten Holk
Niels Glahn Sabroe
Lars Köhler
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 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 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 scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ 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 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 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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 15 March 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Kim R. Mortensen

State Authorised Public Accountant

mne18513



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	2018	2017	2016	2015	2014
Key figures					
Revenue	848,909	822,722	1,030,583	717,263	664,800
Operating profit/loss	30,382	23,844	51,007	11,783	8,523
Net financials	-6,428	-4,989	-4,335	-6,675	-4,677
Profit/loss for the year	21,490	-50,248	33,708	4,191	9,386
Total assets					
Equity	407,847	477,769	651,849	432,684	452,442
Equity	48,838	27,348	81,640	52,123	60,244
Total cash flows					
	505	4,066	-1,024	-11,245	-3,292
Financial ratios					
Operating margin	3.7%	2.9%	4.9%	1.6%	1.3%
Gross margin	23.1%	21.6%	17.8%	18.2%	18.4%
Return on assets	6.9%	4.2%	9.4%	2.7%	2.0%
Return on equity	56.4%	-92.2%	50.4%	7.5%	13.7%
Average number of employees					
	319	299	290	286	285

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

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

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculations of financial ratios.

Management's review

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.

Financial review

In 2018, the Company's revenue amounted to DKK 848,909 thousand against DKK 822,722 thousand last year. The income statement for 2018 shows a profit of DKK 21,490 thousand against a loss of DKK 50,248 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 48,838 thousand. The financial performance is in line with our expectations stated in the annual report for 2017 and is considered satisfactory.

Knowledge resources

The company's business area places particularly high demands on the knowledge resources relating to employees and business processes, in order to be able to retain the competitive power, it is decisive that the company can recruit and retain employees, both with a high educational level and employees with technical experience. This has been succeeded to a wide extent by means of an active and attractive staff policy.

Impact on the external environment

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

Research and development activities

During the year the company has continued the development activities in connection with existing products which has increased the products' utilization and sales opportunities. In addition to this, new products have been developed to position the business in new market segments. Development costs are recognized as expenses on a current basis, as the criteria for capitalisation has not been fulfilled.

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 2019. At present, the Company has no female board members elected by the general meeting, but an employee representative, 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 2019.

For management executives other than the Board, females represent 12% and males 88%. 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".



Management's review

Events after the balance sheet date

As per 1 January 2019 a merger between Tetra Pak Processing Systems A/S and DSS Silkeborg A/S will be effective. Tetra Pak Processing Systems A/S will be the continuing company.

No further significant events have occurred after the balance sheet date.

Outlook

The activities of Tetra Pak Processing Systems A/S for 2019 are expected to be higher than 2018. As a consequence of the merger with DSS Silkeborg A/S, the sales volume is expected to be DKK 3-400 million above 2018 and with a positive impact of the operations, in the range of DKK 20-25 million.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
2	Revenue	848,909	822,722
12.3	Production costs	-652,739	-644,626
	Gross margin	196,170	178,096
12.3	Distribution costs	-75,461	-74,975
12.3	Administrative expenses	-90,327	-79,277
	Operating profit	30,382	23,844
	Other operating income	740	42
	Other operating expenses	-5	0
	Profit before net financials	31,117	23,886
4	Financial income	3,465	2,432
5	Financial expenses	-9,893	-7,421
	Profit before tax	24,689	18,897
6	Tax for the year	-3,199	-69,145
	Profit/loss for the year	21,490	-50,248



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Completed development projects	0	0
	Goodwill	6,380	18,127
		<u>6,380</u>	<u>18,127</u>
8	Property, plant and equipment		
	Land and buildings	17,820	18,316
	Plant and machinery	10,038	10,915
	Other fixtures and fittings, tools and equipment	6,666	2,683
		<u>34,524</u>	<u>31,914</u>
	Financial assets		
10	Deferred tax assets	0	761
		<u>0</u>	<u>761</u>
	Total non-current assets	<u>40,904</u>	<u>50,802</u>
	Current assets		
	Inventories		
	Raw materials and consumables	77,446	71,358
	Work in progress	92,684	57,571
	Finished goods and goods for resale	781	3,904
		<u>170,911</u>	<u>132,833</u>
	Receivables		
	Trade receivables	52,996	73,747
	Receivables from group entities	113,952	201,645
	Other receivables	24,513	14,676
		<u>191,461</u>	<u>290,068</u>
	Cash	<u>4,571</u>	<u>4,066</u>
	Total current assets	<u>366,943</u>	<u>426,967</u>
	TOTAL ASSETS	<u>407,847</u>	<u>477,769</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	11,000	11,000
	Retained earnings	37,838	16,348
	Total equity	48,838	27,348
	Non-current liabilities		
10	Deferred tax	9,874	0
11	Other provisions	821	333
	Total non-current liabilities	10,695	333
	Current liabilities		
	Bank debt	0	5,269
	Other credit institutions	445	20
	Prepayments received from customers	885	2,056
	Trade payables	49,682	55,890
	Payables to group entities	202,768	271,815
	Income taxes payable	9,440	29,883
	Other payables	73,431	69,775
	Other provisions	11,663	15,380
	Total current liabilities	348,314	450,088
	Total liabilities	359,009	450,421
	TOTAL EQUITY AND LIABILITIES	407,847	477,769

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting



Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2017	11,000	70,640	81,640
	Merger	0	-4,044	-4,044
17	Transfer, see "Appropriation of profit/loss"	0	-50,248	-50,248
	Equity at 1 January 2018	11,000	16,348	27,348
17	Transfer, see "Appropriation of profit/loss"	0	21,490	21,490
	Equity at 31 December 2018	11,000	37,838	48,838



Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2018	2017
	Profit/loss for the year	21,490	-50,248
18	Adjustments	23,459	88,408
	Cash generated from operations (operating activities)	44,949	38,160
19	Changes in working capital	60,507	31,198
	Cash generated from operations (operating activities)	105,456	69,358
	Interest received, etc.	3,465	2,429
	Interest paid, etc.	-9,893	-7,418
	Income taxes paid	-13,007	8,334
	Cash flows from operating activities	86,021	72,703
	Additions of property, plant and equipment	-8,641	-4,667
	Disposals of property, plant and equipment	717	428
	Cash flows to investing activities	-7,924	-4,239
	Contracting of other long-term liabilities	425	7
	Change in cash pool, group entities	-72,748	-68,513
	Other cash flows from financing activities	-5,269	4,108
	Cash flows from financing activities	-77,592	-64,398
	Net cash flow	505	4,066
	Cash and cash equivalents at 1 January	4,066	0
20	Cash and cash equivalents at 31 December	4,571	4,066

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Tetra Pak Processing Systems A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. Some financial items has been reclassified. The comparable figures have been adjusted.

Reporting currency

The financial statements are presented in Danish thousand kroner (DKK'000).

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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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. The item is net of refunds from public authorities.

Amortisation/depreciation

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

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated 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

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Impairment of non-current assets

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 less write-down of expected losses, based on an individual assessment.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

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. 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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 and bank deposits.

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.

2 Segment information

Sales of goods/machinery	551,937	522,982
Aftersales & services	118,171	100,719
Consumables	178,801	199,021
	<u>848,909</u>	<u>822,722</u>



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
3 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	11,747	11,748
Depreciation of property, plant and equipment	5,309	5,028
	<u>17,056</u>	<u>16,776</u>
Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:		
Production costs	2,813	2,175
Distribution costs	11,748	11,748
Administrative expenses	2,495	2,853
	<u>17,056</u>	<u>16,776</u>
4 Financial income		
Interest receivable, group entities	83	168
Exchange gain	3,382	2,221
Other financial income	0	43
	<u>3,465</u>	<u>2,432</u>
5 Financial expenses		
Interest expenses, group entities	5,619	6,907
Exchange losses	3,147	258
Other financial expenses	1,127	256
	<u>9,893</u>	<u>7,421</u>
6 Tax for the year		
Estimated tax charge for the year	5,089	6,829
Deferred tax adjustments in the year	592	-2,107
Tax adjustments, prior years	-2,482	64,423
	<u>3,199</u>	<u>69,145</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Completed development projects	Goodwill	Total
Cost at 1 January 2018	2,600	117,484	120,084
Disposals in the year	-2,600	0	-2,600
Cost at 31 December 2018	0	117,484	117,484
Impairment losses and amortisation at 1 January 2018	2,600	99,357	101,957
Amortisation in the year	0	11,747	11,747
Amortisation/depreciation and impairment of disposals in the year	-2,600	0	-2,600
Impairment losses and amortisation at 31 December 2018	0	111,104	111,104
Carrying amount at 31 December 2018	0	6,380	6,380
Amortised over		10 years	

8 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	70,050	33,417	15,246	118,713
Additions in the year	1,152	2,545	4,944	8,641
Disposals in the year	0	-2,329	0	-2,329
Cost at 31 December 2018	71,202	33,633	20,190	125,025
Impairment losses and depreciation at 1 January 2018	51,734	22,502	12,563	86,799
Depreciation in the year	1,648	2,700	961	5,309
Reversal of depreciation and impairment of disposals	0	-1,607	0	-1,607
Impairment losses and depreciation at 31 December 2018	53,382	23,595	13,524	90,501
Carrying amount at 31 December 2018	17,820	10,038	6,666	34,524
Depreciated over	25 years	8-20 years	3-5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
9 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	2018	2017	2016	2015	2014
Opening balance	11,000	11,000	11,000	11,000	11,000
	11,000	11,000	11,000	11,000	11,000

10 Deferred tax

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

11 Other provisions

Other provisions comprise provision for warranty commitments applicable to sale of goods totalling DKK 12,484 thousand. The obligation is expected to be settled over the warranty period of 1-2 years. 11,663 thousand in the next year and 821 thousand in years 1-4.

12 Staff costs

Wages/salaries	172,480	167,433
Pensions	15,954	14,841
Other social security costs	7,030	5,856
	195,464	188,130

Staff costs are recognised as follows in the financial statements:

Production	139,417	131,521
Distribution	32,702	33,361
Administration	23,345	23,248
	195,464	188,130
Average number of full-time employees	319	299

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

Financial statements 1 January - 31 December

Notes to the financial statements

13 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. End of 2017 the Danish Tax Tribunal ruled in favor of the Tax Authorities. Tetra Pak Processing Systems A/S does not agree in the ruling and has appealed to the Court system. Though there is an uncertainty related to the final outcome a provision has been made in accordance with the ruling made.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	4,756	6,621

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.

14 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 2018.

15 Related parties

Tetra Pak Processing Systems A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Tetra Laval Holdings BV	Amsterdam, The Netherlands	Participating interest

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

Financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

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

DKK'000	2018	2017
Sale of goods and services to affiliated companies	625,082	597,904
Acquisition of goods and services from affiliated companies	66,818	63,272
Sale of services (administrative fee and allocated costs) to affiliated companies	50,177	44,854
Royalty income from affiliated companies	3,065	3,651
Interest income from affiliated companies	82	41
Interest expenses from affiliated companies	6,475	5,336
Receivables from affiliated companies	113,952	201,645
Payables to affiliated companies	202,768	271,815

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

	2018	2017
16 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	357	373
Tax assistance	49	69
Other assistance	34	83
	<u>440</u>	<u>525</u>
17 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	21,490	-50,248
	<u>21,490</u>	<u>-50,248</u>



Financial statements 1 January - 31 December

Notes to the financial statements

18 Adjustments

Amortisation/depreciation and impairment losses	17,056	16,777
Gain/loss on the sale of non-current assets	5	-42
Provisions	-3,229	-2,461
Financial income	-3,465	-2,432
Financial expenses	9,893	7,421
Tax for the year	3,199	69,145
	<u>23,459</u>	<u>88,408</u>

DKK'000

2018

2017

19 Changes in working capital

Change in inventories	-38,078	-3,846
Change in receivables	98,607	110,188
Change in trade and other payables	-22	-75,144
	<u>60,507</u>	<u>31,198</u>

20 Cash and cash equivalents at year-end

Cash according to the balance sheet	4,571	4,066
	<u>4,571</u>	<u>4,066</u>