

Tetra Pak Processing Systems A/S

Søren Nymarks Vej 13, DK-8270 Høbjerg

CVR no. 41 85 21 19

Annual report 2017

Approved at the Company's annual general meeting on

Chairman:

A handwritten signature in blue ink, appearing to be 'Søren Nymark', is written over a horizontal dotted line.



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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 2017.

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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 2018
Executive Board:



Steen Ruge Thomsen

Board of Directors:



Dan Ola 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 2017, 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 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 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.

Independent auditor's report

- ▶ 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 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 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Andersen
State Authorised Public Accountant
MNE no.: mne32084



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 Elmquist, 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	2017	2016	2015	2014	2013
Key figures					
Revenue	822,722	1,030,583	717,263	664,800	668,588
Operating profit/loss	23,843	51,007	11,783	8,523	27,633
Net financials	-4,989	-4,335	-6,675	-4,677	-6,029
Profit/loss for the year	-50,248	33,708	4,191	9,386	20,872
Balance sheet					
Total assets	477,769	651,849	432,684	452,442	389,629
Investment in property, plant and equipment	-4,667	-3,931	-12,695	-7,990	-5,213
Equity	27,348	81,640	52,123	60,244	76,876
Financial ratios					
Operating margin	2.9%	4.9%	1.6%	1.3 %	4.1 %
Gross margin	21.8%	17.8%	18.2%	18.4%	24.2%
Return on assets	4.2%	9.4%	2.7%	2.0%	6.7%
Return on equity	-92.2%	50.4%	7.5%	13.7%	28.7%
Personnel					
Average number of employees	299	290	286	285	286

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

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.

Unusual matters having affected the financial statements

In 2017, the National Tax Tribunal in Denmark made a judgement concerning the tax audit regarding the transfer-pricing dispute the company had with the Danish Authorities (SKAT). The judgement was in favour of SKAT, and the provision made in 2017, has a negative impact on the profit/loss for the year.

As per 1 January 2017 the company merged with the related entity Tetra Pak Cheese and Powder Systems A/S. Comparatives have not been restated.

Financial review

In 2017, the Company's revenue amounted to DKK 822,722 thousand against DKK 1,030,583 thousand last year. The income statement for 2017 shows a loss of DKK 50,248 thousand against a profit of DKK 33,708 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 27,348 thousand. In the annual report for 2016, Management expected a revenue in the year 2017 to be below the 2016 level and a profit in the range of DKK 1-5 million. Management considers the Company's financial performance in the year 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. Thus, 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.

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 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 2018.



Management's review

"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.

Outlook

The activities of the Company for 2018 are expected to in line with 2017. Sales volume is expected to be in line with 2017 and with a positive impact of the operations, in the range of DKK 1-5 million.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
2	Revenue	822,722	1,030,583
11,3	Production costs	-643,055	-847,069
	Gross margin	179,667	183,514
11	Distribution costs	-62,943	-54,970
11,3	Administrative expenses	-92,881	-77,537
	Operating profit	23,843	51,007
	Other operating income	42	0
	Other operating expenses	0	-9
	Profit before net financials	23,885	50,998
4	Financial income	2,429	1,410
5	Financial expenses	-7,418	-5,745
	Profit before tax	18,896	46,663
6	Tax for the year	-69,070	-12,955
	Other taxes	-74	0
	Profit/loss for the year	-50,248	33,708



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Completed development projects	0	0
	Goodwill	18,127	29,875
		<u>18,127</u>	<u>29,875</u>
8	Property, plant and equipment		
	Land and buildings	18,316	18,645
	Plant and machinery	10,915	11,838
	Other fixtures and fittings, tools and equipment	2,683	2,179
		<u>31,914</u>	<u>32,662</u>
	Financial assets		
	Deferred tax assets	761	18,252
		<u>761</u>	<u>18,252</u>
	Total non-current assets	<u>50,802</u>	<u>80,789</u>
	Current assets		
	Inventories		
	Raw materials and consumables	71,358	58,310
	Work in progress	57,571	67,932
	Finished goods and goods for resale	3,904	2,745
		<u>132,833</u>	<u>128,987</u>
	Receivables		
	Trade receivables	73,747	56,815
	Receivables from group entities	192,720	323,867
	Income taxes receivable	0	41,817
	Other receivables	23,601	19,574
		<u>290,068</u>	<u>442,073</u>
	Cash	<u>4,066</u>	<u>0</u>
	Total current assets	<u>426,967</u>	<u>571,060</u>
	TOTAL ASSETS	<u>477,769</u>	<u>651,849</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	11,000	11,000
	Retained earnings	16,348	70,640
	Total equity	27,348	81,640
	Current liabilities		
	Bank debt	5,269	1,161
	Other credit institutions	20	13
	Prepayments received from customers	2,056	1,155
	Trade payables	55,890	125,272
	Payables to group entities	271,815	341,034
	Income taxes payable	29,883	11,712
	Other payables	85,488	89,862
	Total current liabilities	450,421	570,209
	Total liabilities	450,421	570,209
	TOTAL EQUITY AND LIABILITIES	477,769	651,849

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



Financial statements 1 January - 31 December

Statement of changes in equity

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



Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit/loss for the year	-50,248	33,708
17	Adjustments	88,333	38,538
	Cash generated from operations (operating activities)	38,085	72,246
18	Changes in working capital	-37,315	-53,514
	Cash generated from operations (operating activities)	770	18,732
	Interest received, etc.	2,429	1,410
	Interest paid, etc.	-7,418	-5,745
	Income taxes paid	8,409	-8,390
	Cash flows from operating activities	4,190	6,007
	Additions of property, plant and equipment	-4,667	-3,931
	Disposals of property, plant and equipment	428	1,144
	Cash flows to investing activities	-4,239	-2,787
	Dividends distributed	0	-4,191
	Contracting of other long-term liabilities	7	-53
	Cash flows from financing activities	7	-4,244
	Net cash flow	-42	-1,024
	Cash and cash equivalents at 1 January	-1,161	-137
19	Cash and cash equivalents at 31 December	-1,203	-1,161

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 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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.



Financial statements 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.

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, etc. 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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 and associates

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

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 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
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	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
2 Segment information		
Sales of goods/machinery	522,982	709,697
Aftersales & services	100,719	101,306
Consumables	199,021	219,580
	<u>822,722</u>	<u>1,030,583</u>
3 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	11,748	11,748
Depreciation of property, plant and equipment	5,029	5,193
	<u>16,777</u>	<u>16,941</u>
Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:		
Production costs	2,175	2,576
Administrative expenses	14,602	14,366
	<u>16,777</u>	<u>16,942</u>
4 Financial income		
Interest receivable, group entities	165	339
Exchange gain	2,221	1,062
Other financial income	43	9
	<u>2,429</u>	<u>1,410</u>
5 Financial expenses		
Interest expenses, group entities	6,808	5,173
Exchange losses	258	97
Other financial expenses	352	475
	<u>7,418</u>	<u>5,745</u>
6 Tax for the year		
Estimated tax charge for the year	6,829	11,687
Deferred tax adjustments in the year	-2,107	1,268
Tax adjustments, prior years	64,348	0
	<u>69,070</u>	<u>12,955</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 2017	2,600	117,484	120,084
Cost at 31 December 2017	2,600	117,484	120,084
Impairment losses and amortisation at 1 January 2017	2,600	87,609	90,209
Amortisation in the year	0	11,748	11,748
Impairment losses and amortisation at 31 December 2017	2,600	99,357	101,957
Carrying amount at 31 December 2017	0	18,127	18,127
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 2017	68,737	32,715	13,745	115,197
Additions on merger / corporate acquisition	0	0	622	622
Additions in the year	1,313	2,261	1,093	4,667
Disposals in the year	0	-1,559	-214	-1,773
Cost at 31 December 2017	70,050	33,417	15,246	118,713
Impairment losses and depreciation at 1 January 2017	50,092	20,877	11,566	82,535
Accumulated impairment losses and depreciation of additions through mergers and business combinations	0	0	622	622
Depreciation in the year	1,642	2,798	589	5,029
Reversal of depreciation and impairment of disposals	0	-1,173	-214	-1,387
Impairment losses and depreciation at 31 December 2017	51,734	22,502	12,563	86,799
Carrying amount at 31 December 2017	18,316	10,915	2,683	31,914

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DKK'000	2017	2016
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	2017	2016	2015	2014	2013
Opening balance	11,000	11,000	11,000	11,000	10,000
	11,000	11,000	11,000	11,000	10,000

10 Other provisions

Other provisions comprise provision for warranty commitments applicable to sale of goods totalling DKK 13,363 thousand. The obligation is expected to be settled over the warranty period of 1-2 years, and DKK 13.363 thousand thereof is expected to fall due within 1 year.

The item relates to warranties.

DKK'000	2017	2016
11 Staff costs		
Wages/salaries	171,201	165,727
Pensions	14,841	14,054
	186,042	179,781
Average number of full-time employees	299	290

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

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Notes to the financial statements

12 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	2017	2016
Rent and lease liabilities	0	6,249

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.

13 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 2017.



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14 Related parties

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

Parties exercising control

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

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
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:

<u>DKK'000</u>	<u>2017</u>	<u>2016</u>
Sale of goods and services to affiliated companies	597,904	800,474
Acquisition of goods and services from affiliated companies	63,272	20,873
Sale of services (administrative fee and allocated costs) to affiliated companies	44,854	52,569
Acquisition of services (administrative fee and allocated costs) from affiliated companies	0	9,128
Royalty income from affiliated companies	3,651	2,051
Interest income from affiliated companies	41	399
Interest expenses from affiliated companies	5,336	5,173
Receivables from affiliated companies	205,000	323,867
Payables to affiliated companies	271,913	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:

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



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Notes to the financial statements

DKK'000	2017	2016
15 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	373	366
Tax assistance	69	116
Other assistance	83	79
	<u>525</u>	<u>561</u>
16 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-50,248	33,708
	<u>-50,248</u>	<u>33,708</u>
17 Adjustments		
Amortisation/depreciation and impairment losses	16,777	16,942
Gain/loss on the sale of non-current assets	-42	9
Provisions	-2,461	4,296
Financial income	-2,429	-1,410
Financial expenses	7,418	5,745
Tax for the year	69,070	12,954
Other adjustments	0	2
	<u>88,333</u>	<u>38,538</u>
18 Changes in working capital		
Change in inventories	-3,846	-26,355
Change in receivables	110,188	-199,826
Change in trade and other payables	-69,382	76,202
Other changes in working capital	-74,275	96,465
	<u>-37,315</u>	<u>-53,514</u>
19 Cash and cash equivalents at year-end		
Cash according to the balance sheet	4,066	0
Short-term debt to banks	-5,269	-1,161
	<u>-1,203</u>	<u>-1,161</u>