Tetra Pak Processing Systems A/S

Søren Nymarks Vej 13, DK-8270 Højbjerg

CVR no. 41 85 21 19

Annual report 2019

Approved at the Company's annual general meeting 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 2019.

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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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, 13 March 2020
Executive Board:

Steen Ruge Thomsen

Board of Directors:

Frederik Wellendorph Chairman	Rolf Brandhøj Overgaard	Steen Ruge Thomsen
Karsten Holk	Kresten Mogensen Hjortsballe	Elsebeth Christina Andersen
Simon Paarup	Niels Glahn Sabroe	Kenneth Tilsted Christensen

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 2019, 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 2019 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2019 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, 13 March 2020
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	Frederik Wellendorph, Chairman Rolf Brandhøj Overgaard Steen Ruge Thomsen Karsten Holk Kresten Mogensen Hjortsballe Elsebeth Christina Andersen Simon Paarup Niels Glahn Sabroe Kenneth Tilsted Christensen
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	2019	2018	2017	2016	2015
Key figures					
Revenue	1,212,646	842,152	822,722	1,030,583	717,263
Operating profit/loss	50,265	30,382	23,844	51,007	11,783
Net financials	-6,073	-6,428	-4,989	-4,335	-6,675
Profit for the year	34,296	21,490	-50,248	33,708	4,191
Total assets	596,628	407,847	477,769	651,849	432,684
Equity	105,733	48,838	27,348	81,640	52,123
Cash flows from operating activities	53,266	86,021	72,703	6,007	9,406
Total cash flows	551	505	4,066	-1,024	-11,245
Financial ratios					
Operating margin	4.1%	3.7%	2.9%	4.9 %	1.6 %
Gross margin	20.8%	24.3%	21.6%	17.8%	18.2%
Return on assets	10.0%	6.9%	4.2%	9.4%	2.7%
Return on equity	44.4%	56.4%	-92.2%	50.4%	7.5%
Average number of employees	421	319	299	290	286

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

In 2019, the company was merged with a sistercompany. The figures for 2015 - 2018 are not comparable since the company has applied the book value method in connection with the merger.

IFRS 15 and 16 has been implemented by using the modified retrosective method, with date of initial application og January 1, 2019. The figures for 2015 - 2018 in the financial highligts are therefore not adjusted for the effect of implementation of IFRS 15 and 16 and are not comparable to 2019.

Ordinary operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
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	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Management's review

Business review

The Company was merged with the sister company DSS Silkeborg as per January 1, 2019.

The Company's business activities after the merger includes the production, design and sale of production lines, machinery, equipment and spare parts for the ice cream industry and high shear mixes, high-tech filtrations systems and membranes for Food and Beverage industry.

Financial review

The income statement for 2019 shows a profit of DKK 34,296 thousand against a profit of DKK 21,490 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 105,733 thousand. The financial performance is in line with our expectations stated in the annual report for 2018 and is considered satisfactory.

The book value method has been applied in connection with the merger why no comparative firgures has been restated. The development in the figures from 2018 to 2019 can mainly be explained by the merger of DSS Silkeborg A/S.

The implementation of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases has no significant effect on the profit for the year.

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.

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/sustainability-updates.

Account of the gender composition of Management

The Board has set a target for the under represented gender on the Board at 20% or 1 out of 5 members elected by the general meeting. The ambition is now to reach this target before the end of 2025. At present, the Company has no female board members elected by the general meeting, but an employee representative, corresponding to 11% 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 2025.

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:

"Our desired future state: ..., we created a 'desired future state', which describes a respectful and inclusive work environment, company-wide engagement and dialogue around diversity and its value, and an organization whose diversity reflects our business and consumers.

We have put in place a detailed baseline that will allow us to monitor our progress as we implement our action plan. Our work will focus on increasing flexible working arrangements, manager training, training around career development and increasing the focus on diversity and inclusion in our talent review and recruiting process. We will also improve how we communicate around these issues both internally and externally. "

Management's review

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The activities of Tetra Pak Processing Systems A/S for 2020 are expected to be in line with 2019. Sales volume is expected to be in line with 2019, with a positive impact of the operations, in the range of DKK 5-10 million.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
2	Revenue	1,212,646	842,152
13,3	Production costs	-960,507	-637,879
	Gross profit	252,139	204,273
13,3	Distribution costs	-113,929	-99,018
13,3	Administrative expenses	-87,945	-74,873
	Operating profit	50,265	30,382
	Other operating income	10	740
	Other operating expenses	-500	-5
	Profit before net financials	49,775	31,117
4	Financial income	2,975	3,465
5	Financial expenses	-9,048	-9,893
	Profit before tax	43,702	24,689
6	Tax for the year	-9,406	-3,199
	Profit for the year	34,296	21,490

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Goodwill	397	6,380
		397	6,380
8	Property, plant and equipment		
	Land and buildings	16,974	17,820
	Rights-of-use-assets buildings	25,902	0
	Rights-of-use-assets other fixtures	2,492	0
	Plant and machinery	17,606	10,038
	Other fixtures and fittings, tools and equipment	6,222	6,666
	Leasehold improvements	252	0
	Property, plant and equipment in progress	7	0
		69,455	34,524
	Total non-current assets	69,852	40,904
	Current assets		
	Inventories		
	Raw materials and consumables	105,324	77,446
	Work in progress	112,755	92,684
	Finished goods and goods for resale	27,198	781
		245,277	170,911
	Receivables		
	Trade receivables	46,705	52,996
9	Work in progress for third parties	24,477	0
	Receivables from group entities	172,597	113,952
	Other receivables	31,777	23,758
	Deferred income	821	755
		276,377	191,461
	Cash	5,122	4,571
	Total current assets	526,776	366,943
	TOTAL ASSETS	596,628	407,847

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	12,000	11,000
	Retained earnings	93,733	37,838
	Dividend proposed for the year	0	0
	Total equity	105,733	48,838
	Non-current liabilities		
11	Deferred tax	13,480	9,874
12	Other provisions	3,184	821
	Lease liabilities	21,675	0
	Other payables	12,654	0
	Total non-current liabilities	50,993	10,695
	Current liabilities		
	Lease liabilities	6,641	0
	Other credit institutions	1,501	445
	Prepayments received from customers	2,141	885
9	Prepayments on work in progress	8,707	0
	Trade payables	79,421	49,682
	Payables to group entities	212,924	202,768
	Income taxes payable	17,381	9,440
	Other payables	89,973	73,431
	Other provisions	21,213	11,663
	Total current liabilities	439,902	348,314
	Total liabilities	490,895	359,009
	TOTAL EQUITY AND LIABILITIES	596,628	407,847

1 Accounting policies
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15 Collateral
16 Currency and interest rate risks
17 Related parties
18 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	Dividend proposed for the year	Total
	Equity at 1 January 2018	11,000	16,348	0	27,348
19	Transfer, see "Appropriation of profit"	0	21,490	0	21,490
	Equity at 1 January 2019	11,000	37,838	0	48,838
	Additions on merger / corporate acquisition	1,000	21,599	0	22,599
19	Transfer, see "Appropriation of profit"	0	34,296	0	34,296
	Equity transferred to reserves	0	0	16,755	16,755
	Dividend distributed	0	0	-16,755	-16,755
	Equity at 31 December 2019	12,000	93,733	0	105,733

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2019	2018
	Profit for the year	34,296	21,490
20	Adjustments	46,643	23,459
	Cash generated from operations (operating activities)	80,939	44,949
21	Changes in working capital	-26,434	60,507
	Cash generated from operations (operating activities)	54,505	105,456
	Interest received, etc.	2,975	3,465
	Interest paid, etc.	-9,048	-9,893
	Income taxes paid	4,834	-13,007
	Cash flows from operating activities	53,266	86,021
	Additions of property, plant and equipment	-8,074	-8,641
	Disposals of property, plant and equipment	275	717
	Cash flows to investing activities	-7,799	-7,924
	Dividends distributed	-16,755	0
	Contracting of other long-term liabilities	1,043	425
	Lease	-5,773	0
	Change in cash pool, group entities	-5,259	-72,748
	Loan intercompany	-18,343	0
	Other cash flows from financing activities	171	-5,269
	Cash flows from financing activities	-44,916	-77,592
	Net cash flow	551	505
	Cash and cash equivalents at 1 January	4,571	4,066
22	Cash and cash equivalents at 31 December	5,122	4,571

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 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes in accounting policies

TPPS has from January 1, 2019 implemented the following new accounting policies:
• IFRS 16 Leases
• IFRS 15 Revenue from Contracts with Customers

IFRS 16: Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Under the new accounting standard, the right of use of leased assets must be recognized as an asset in the balance sheet, while the corresponding lease liability must be recognized in interest-bearing debt. Lease payments are broken down in the income statement into a depreciation component and an interest component. As a result, operating profit before depreciation (EBITDA) will improve by the amount of the lease payment, while depreciation charges will increase by the amount of the estimated depreciation component and financial expenses will increase by the estimated interest component.

TPPS must now recognise leases in the balance sheet, including operating leases, with a few exceptions. Consequently, a lease commitment measured at the present value of the future lease payments, must now be realised together with a corresponding leased asset adjusted for payments made to the lessor prior to the commencement of the lease. The Group has decided not to recognise costs directly related to the leased asset.

TPPS adopted IFRS 16 using the modified retrospective method, with the date of initial application of January 1, 2019 whereas the value of leasing liabilities also is measured as value of the leasing assets. Therefore, comparative figures are not restated and there is no cumulative effect of initially applying the standard is recognized in the equity at 1 January, 2019

In accordance with the transitional provisions of IFRS 16, when implementing the standard, the Group has chosen:
• not reassess whether existing contracts are, or contain, leases, as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. This practical expedient is applied to all contracts ongoing at the date of initial application 1 January 2019.
• Instead, TPPS applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
• Not to recognise leases with a term of less than 12 months or of low value.
• To determine a discount rate on a portfolio of leases with similar characteristics.
• At transition date January 1, TPPS has not identified any lossmaking lease commitment.

For the year ended December 31, 2019 adoption of IFRS 16 had the following impact:
• TPPS has initially recognized right-of-use assets of DKK 34,089 thousand and lease liabilities of DKK 34,089 thousand as of January 1, 2019. The cumulative effect on retained earning are therefore DKK 0 as of January 1, 2019.
• Depreciation expense for 2019 increased due to recognized ROA which resulted in an increase of DKK 5,695 thousand.
• Rent expense related to previous operating leases for 2019 decreased by DKK 1,883 thousand.
• Finance costs increased by DKK 105 thousand relating to the interest expense on the lease liabilities.
• Cash outflow from operating activities decreased by DKK 1,883 thousand and cash outflows from financing activities increased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 Revenue from Contracts with Customers established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange from transferring goods or services to a customer. TPPS adopted the new standard using the modified retrospective method of adoption with the date of initial application of January 1, 2019 under which the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to opening balance of retaned earning and the comparative figures are not restated.

For the year begining January 1, 2019 and ended December 31, 2019 adoption of IFRS 15 have had no impacts.

Change in the Company's activities, including effect of intra-group business combinations

In 2019 Tetra Pak Processing Systems A/S (TPPS) merged with DSS Silkeborg A/S. Book value method is used for the merger.

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition with implementation as per January 1, 2019.

Revenue from contracts with customers comprises sales of products and income from construction contracts:

•Revenue from the sale of products is recognised at the point in time when the control of products is transferred to the customer, which is generally upon delivery.

•Income from construction contracts involving a high degree of customization is recognized as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of contract work performed during the year (percentage-of-completion method.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products. Amounts disclosed as net revenue exclude discounts, VAT and other duties.

The Group considers whether contracts include other promises that constitute separate performance obligations and to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration. No element of financing is deemed present, as payment is generally received as cash - on delivery or up to 60-90 days of credit.

Variable consideration:
The Group pays various discounts depending on the nature of the customer and business. Customer discounts comprise off-invoice discounts, volume- and activity-related discounts, including specific promotion prices offered.

Off-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales price. This also includes cash discounts and incentives for early payments. Volume- and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group over a longer time and may be related to a current campaign or a sales target measured in volumes or total value. Examples include discounts paid as a lump sum, discounts for meeting all or certain sales targets or for exceeding targets, or progressive discounts offered in step with increasing sales to a customer.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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	5-20 years years
Other fixtures and fittings, tools and equipment	3-5 years years
Leasehold improvements	5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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 year. The items comprise interest income and expenses, e.g. from group entities and associates, financial expenses relating to finance leases, exchange gains and losses and amortisation of financial assets and liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases from January 1, 2019.

Lease assets are "right-of-use-assets" arising from lease agreements. Lease assets are initially measured at cost comprising the following:
•the amount of the initial measurement of lease liability
•any lease payments made at or before the commencement date less any lease incentives received
•any initial direct costs
•restoration costs.

The lease assets are depreciated on a straight-line basis over the shorter period of the assets useful life and the lease term in the contract. The lease assets can be adjusted due to modifications to the lease agreement or reassessment of the lease term.

The depreciation periods are as follows:

•Property	1-6 years
•Cars and trucks	1-3 years

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of 12 month or less, while low value assets comprise assets with a value below EUR 5 thousand.

On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in an index or an interest rate if the Group's estimate of a residual value guarantee changes or if the Group changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 cost price.

Receivables

Receivables are measured at amortised cost less write-down of expected losses, based on an individual assesment.

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.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 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".

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 group companies' income taxes vis à vis the tax authorities as the group companies pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as receivables or payables to group entities.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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, received/paid interests and 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 including lease liabilities 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.

DKK'000	2019	2018
2 Segment information		
Breakdown of revenue by business segment:		
Sales of goods/machinery	612,760	552,608
Sales of customized machines	198,383	0
Aftersales, services & consumables	401,503	289,544
	1,212,646	842,152

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
3 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	5,983	11,748
Depreciation of property, plant and equipment	13,704	5,308
	19,687	17,056

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

Production costs	5,341	2,813
Distribution costs	6,556	11,748
Administrative expenses	7,790	2,495
	19,687	17,056

DKK'000	2019	2018
4 Financial income		
Interest receivable, group entities	0	83
Exchange gain	2,153	3,382
Other financial income	822	0
	2,975	3,465
5 Financial expenses		
Interest expenses, group entities	5,873	5,619
Exchange losses	2,573	3,147
Other financial expenses	602	1,127
	9,048	9,893
6 Tax for the year		
Income tax for the year	14,326	5,089
Deferred tax adjustments in the year	-4,763	592
Tax adjustments, prior years	-157	-2,482
	9,406	3,199

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Goodwill
Cost at 1 January 2019	117,484
Cost at 31 December 2019	117,484
Impairment losses and amortisation at 1 January 2019	111,104
Amortisation in the year	5,983
Impairment losses and amortisation at 31 December 2019	117,087
Carrying amount at 31 December 2019	397
Amortised over	10 years

8 Property, plant and equipment

DKK'000	Land and buildings	Rights-of-use-assets buildings	Rights-of-use-assets other fixtures	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2019	71,202	0	0	33,633	20,190	0	0	125,025
Additions on merger / corporate acquisition	0	0	0	10,309	10,906	837	0	22,052
Additions in the year	824	30,052	4,037	5,490	1,521	232	869	43,025
Disposals in the year	0	0	0	-1,934	-6,064	-234	-862	-9,094
Cost at 31 December 2019	72,026	30,052	4,037	47,498	26,553	835	7	181,008
Impairment losses and depreciation at 1 January 2019	53,382	0	0	23,595	13,524	0	0	90,501
Accumulated impairment losses and depreciation of additions through mergers and business combinations	0	0	0	3,898	10,117	800	0	14,815
Depreciation in the year	1,670	4,150	1,545	3,793	2,529	17	0	13,704
Amortisation/depreciation and impairment of disposals in the year	0	0	0	-1,394	-5,839	-234	0	-7,467
Impairment losses and depreciation at 31 December 2019	55,052	4,150	1,545	29,892	20,331	583	0	111,553
Carrying amount at 31 December 2019	16,974	25,902	2,492	17,606	6,222	252	7	69,455
Depreciated over	25 years	1-6 years	1-3 years	5-20 years	3-5 years	5 years		

DKK'000	2019	2018
9 Work in progress for third parties		
Selling price of work performed	199,339	0
Net value of work in progress for third parties	-183,569	0
	15,770	0
recognised as follows:		
Work in progress for third parties(assets)	24,477	0
Work in progress for third parties(liabilities)	-8,707	0
	15,770	0

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
10 Share capital		
Analysis of the share capital:		
11,000 A shares of DKK 1,000.00 nominal value each	11,000	10,000
1,000 A shares of DKK 1,000.00 nominal value each	1,000	1,000
	12,000	11,000

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

DKK'000	2019	2018	2017	2016	2015
Opening balance	11,000	11,000	11,000	11,000	11,000
Capital increase	1,000	0	0	0	0
	12,000	11,000	11,000	11,000	11,000

DKK'000	2019	2018
11 Deferred tax		
Deferred tax at 1 January	9,874	-761
Additions merger	8,372	0
Adjustment, transfer to payable corporate tax	0	10,043
Deferred tax adjustment for the year	-4,766	592
Deferred tax at 31 December	13,480	9,874

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

12 Other provisions

Other provisions comprise provision for warranty commitments applicable to sale of goods totalling DKK 24,397 thousand. The obligation is expected to be settled over the warranty period of 1-2 years. 21,213 thousand in the next year and 3,184 thousand in years 1-4.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
13 Staff costs		
Wages/salaries	243,752	172,480
Pensions	21,917	15,954
Other social security costs	8,181	7,030
	273,850	195,464

Staff costs are recognised as follows in the financial statements:

Production	175,941	139,417
Distribution	63,316	32,702
Administration	34,593	23,345
	273,850	195,464
Average number of full-time employees	421	319

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

14 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	2019	2018
Rent and lease liabilities	0	4,756

Lease liabilities in 2018 relate to operating leases concerning cars. The remaining terms were 1-3 years.

In 2019 the company applied IFRS 16 and therefore lease assets have been recognised in the balance sheet as per 31 December 2019.

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 and withholding taxes.

15 Collateral

The company's bank has provided a gurantee of a total of t.DKK 360, which can be attributed primarely to work in progress.

Financial statements 1 January - 31 December

Notes to the financial statements

16 Currency and interest rate risks

Currency risks

The companys net position relates primary to the following:

Trade receivables in EUR: 78 million EUR as per 31. December 2019 (2018: 63 million EUR) and USD: 25 million USD as per 31 December 2019 (2018: 35 million USD).

Account Payables in EUR: 23 million EUR as per 31 December 2019 (2018:) and USD: 6 million USD as per 31 December 2019 (2018: 4 million USD)

All net positions is due within 1 year.

The company does not hedge future currency risk.

Interest rate risks

The Company does not hedges interest rate risks.

Financial statements 1 January - 31 December

Notes to the financial statements

17 Related parties

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

Parties exercising control

Related party	Domicile	Basis for control
Tetra Laval International SA	Pully, Switzerland	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Tetra Laval International SA	Pully, Switzerland	Avenue Général-Guisan 70, 1009 Pully, Switzerland

Related party transactions

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

DKK'000	2019	2018
Sale of goods and services to affiliated companies	949,131	625,082
Acquisition of goods and services from affiliated companies	107,168	66,818
Sale of services (administrative fee and allocated costs) to affiliated companies	58,215	50,177
Acquisition of services (administrative fee and allocated costs) from affiliated companies	48	0
Royalty income from affiliated companies	3,472	3,065
Interest income from affiliated companies	0	83
Interest expenses from affiliated companies	5,873	6,475
Receivables from affiliated companies	172,597	113,952
Payables to affiliated companies	212,924	202,768

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 International SA	Avenue Général-Guisan 70, 1009 Pully, Switzerland

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
18 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	363	357
Tax assistance	154	49
Other assistance	389	34
	906	440
19 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	34,296	21,490
	34,296	21,490
20 Adjustments		
Amortisation/depreciation and impairment losses	19,687	17,056
Gain/loss on the sale of non-current assets	490	5
Provisions	10,987	-3,229
Financial income	-2,975	-3,465
Financial expenses	9,048	9,893
Tax for the year	9,406	3,199
	46,643	23,459
21 Changes in working capital		
Change in inventories	-38,916	-38,078
Change in receivables	-25,799	98,607
Change in trade and other payables	-19,115	-22
Change in work in progress	57,396	0
	-26,434	60,507
22 Cash and cash equivalents at year-end		
Cash according to the balance sheet	5,122	4,571
	5,122	4,571