

Tetra Pak Danmark A/S

Søren Nymarks Vej 13, 8270 Højbjerg

CVR no. 63 62 42 17

Annual report 2020

Approved at the Company's annual general meeting on 20 April 2021

Chair of the meeting:


.....
Steen Ruge Thomsen





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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 Danmark A/S for the financial year 1 January - 31 December 2020.


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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020.



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.

Aarhus, 9 March 2021
Executive Board:


.....
Alex Kamp Henriksen

Board of Directors:


.....
Steen Ruge Thomsen
Chair
.....
Alex Kamp Henriksen
.....
Lars Göran Söderström

Independent auditor's report

To the shareholders of Tetra Pak Danmark A/S

Opinion

We have audited the financial statements of Tetra Pak Danmark A/S for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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.

Copenhagen, 9 March 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Kim Thomsen
State Authorised Public Accountant
mne26736



Management's review

Company details

Name	Tetra Pak Danmark A/S
Address, Postal code, City	Søren Nymarks Vej 13, 8270 Højbjerg
CVR no.	63 62 42 17
Established	1 October 1952
Registered office	Aarhus
Financial year	1 January - 31 December
Website	www.tetrapak.com
Telephone	+45 45 25 82 00
Telefax	+45 45 87 94 60
Board of Directors	Steen Ruge Thomsen, Chairman Alex Kamp Henriksen Lars Göran Söderström
Executive Board	Alex Kamp Henriksen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	513,867	330,613	400,140	329,142	251,614
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	23,265	18,172	26,124	17,387	14,475
Profit before interest and tax (EBITA)	21,400	16,088	26,124	17,387	14,463
Operating profit/loss	18,265	16,088	26,124	17,387	14,466
Net financials	87	15	-894	-213	-486
Profit for the year	16,694	12,382	19,565	13,372	10,896
Current assets	166,511	122,893	108,870	79,393	73,689
Total assets	168,865	126,794	109,604	80,199	75,929
Equity	17,094	24,382	31,565	25,372	22,896
Cash flows from operating activities	46,230	33,421	20,752	-1,895	18,296
Net cash flows from investing activities	3,636	0	0	0	0
Cash flows from financing activities	-53,623	-29,240	-19,881	1,895	-18,296
Total cash flows	-3,757	4,181	871	0	0
Financial ratios					
Operating margin	4.2%	4.9%	6.5%	5.3%	5.7%
Gross margin	8.7%	13.8%	12.7%	12.1%	13.2%
Return on assets	12.4%	13.6%	27.5%	22.3%	18.4%
Equity ratio	10.1%	19.2%	28.8%	31.6%	30.2%
Return on equity	80.5%	44.3%	68.7%	55.4%	50.8%
Average number of employees	44	44	42	35	35

For terms and definitions, please see the accounting policies.

The company has implemented IFRS 15 and 16 as at 1 January 2019. Comparative figures has not been restated.

Management's review

Business review

The Company's main activity is sale of packaging to the food industry. In addition to this, the Company also sells filling and processing equipment.

The Company is a wholly-owned member of the Tetra Pak Group. The Company purchases its goods mainly from other entities within the Tetra Pak Group. For further information about the Tetra Pak Group, reference is made to Tetra Pak International SA or the Group's website, www.tetrapak.com.

Financial review

The income statement for 2020 shows a profit of DKK 16,694,166 against a profit of DKK 12,382,261 last year, and the balance sheet at 31 December 2020 shows equity of DKK 17,094,166. The increase in revenue can primarily be attributed to an increase in the sales of processing machines due to volume growth at the Company's customers.

The Company has in the year realised a gain on sale of land of DKK 3,135 thousand.

Performance in the year exceeded Management's expectations. Management considers the Company's financial performance in the year satisfactory.

The Company has not been negatively affected by the covid-19 pandemic.

Financial risks and use of financial instruments

There are no known unusual risks in 2020.

Impact on the external environment

Tetra Pak is driving the implementation of FSC certificated board to be used in the majority of the packaging material.

Research and development activities

The Company does not carry out its own research and development, but is indirectly involved in the Group's research and development activities.

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 outlook for 2021 is that the activity will be at the same level as for 2020.

Management does not expect to be negatively impacted by the covid-19 pandemic in 2021.



Financial statements 1 January - 31 December

Income statement

Note	DKK	2020	2019
	Revenue	513,866,979	330,612,547
	Production costs	-469,021,790	-285,063,116
	Gross profit	44,845,189	45,549,431
13	Administrative expenses	-26,580,098	-29,461,363
	Operating profit	18,265,091	16,088,068
	Other operating income	3,134,800	0
	Profit before net financials	21,399,891	16,088,068
3	Financial income	1,855,774	1,843,852
4	Financial expenses	-1,769,103	-1,828,613
	Profit before tax	21,486,562	16,103,307
5	Tax for the year	-4,792,396	-3,721,046
	Profit for the year	16,694,166	12,382,261



Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2020</u>	<u>2019</u>
	ASSETS		
	Non-current assets		
6	Property, plant and equipment		
	Land and buildings	0	500,749
	Plant and machinery	0	0
	Other fixtures and fittings, tools and equipment	0	0
	Rights-of-use-assets	<u>2,333,340</u>	<u>2,801,392</u>
		<u>2,333,340</u>	<u>3,302,141</u>
	Financial assets		
7.11	Deferred tax assets	<u>20,312</u>	<u>598,787</u>
		<u>20,312</u>	<u>598,787</u>
	Total non-current assets	<u>2,353,652</u>	<u>3,900,928</u>
	Current assets		
	Inventories		
	Prepayments for goods	<u>30,240,962</u>	<u>7,739,474</u>
		<u>30,240,962</u>	<u>7,739,474</u>
	Trade receivables	53,277,720	48,453,149
	Receivables from group entities	76,113,011	58,614,442
	Income taxes receivable	1,098,006	0
	Other receivables	0	39,581
8	Prepayments	<u>4,485,459</u>	<u>2,993,307</u>
		<u>134,974,196</u>	<u>110,100,479</u>
	Cash	<u>1,295,835</u>	<u>5,053,199</u>
	Total current assets	<u>166,510,993</u>	<u>122,893,152</u>
	TOTAL ASSETS	<u><u>168,864,645</u></u>	<u><u>126,794,080</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	400,000	12,000,000
	Dividend proposed for the year	16,694,166	12,382,261
	Total equity	17,094,166	24,382,261
	Liabilities		
10	Non-current liabilities		
12	Other provisions	3,000,294	2,087,991
	Lease liabilities	1,093,456	1,196,618
	Other payables	4,195,062	1,560,011
	Total non-current liabilities	8,288,812	4,844,620
	Current liabilities		
	Lease liabilities	1,154,109	1,476,254
	Prepayments received from customers	22,505,129	26,261,519
	Trade payables	2,971,638	3,496,315
	Payables to group entities	94,007,864	35,308,799
	Income taxes payable	0	3,932,243
	Other payables	22,842,927	27,092,069
	Total current liabilities	143,481,667	97,567,199
		151,770,479	102,411,819
	TOTAL EQUITY AND LIABILITIES	168,864,645	126,794,080

- 1 Accounting policies
- 2 Special items
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral
- 16 Related parties
- 17 Appropriation of profit



Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK	Share capital	Dividend proposed for the year	Total
	Equity at 1 January 2019	12,000,000	19,565,277	31,565,277
17	Transfer, see "Appropriation of profit"	0	12,382,261	12,382,261
	Dividend distributed	0	-19,565,277	-19,565,277
	Equity at 1 January 2020	12,000,000	12,382,261	24,382,261
	Changes in accounting policies	0	0	0
	Capital reduction	-11,600,000	0	-11,600,000
17	Transfer, see "Appropriation of profit"	0	16,694,166	16,694,166
	Dividend distributed	0	-12,382,261	-12,382,261
	Equity at 31 December 2020	400,000	16,694,166	17,094,166

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK	2020	2019
	Profit for the year	16,694,166	12,382,261
18	Adjustments	4,558,602	10,144,553
	Cash generated from operations (operating activities)	21,252,768	22,526,814
19	Changes in working capital	34,125,145	16,535,332
	Cash generated from operations (operating activities)	55,377,913	39,062,146
	Interest received, etc.	1,855,774	1,843,852
	Interest paid, etc.	-1,759,720	-1,811,420
	Income taxes paid	-9,244,171	-5,673,163
	Cash flows from operating activities	46,229,796	33,421,415
	Disposals of property, plant and equipment	3,635,550	0
	Cash flows to investing activities	3,635,550	0
	Dividends distributed	-12,382,261	-19,565,277
	Share capital reduction paid out to shareholder	-11,600,000	0
	Repayments, finance leases	-1,973,756	-1,596,724
	Changes in cash pool deposit	-27,666,693	-8,078,026
	Cash flows from financing activities	-53,622,710	-29,240,027
	Net cash flow	-3,757,364	4,181,388
	Cash and cash equivalents at 1 January	5,053,199	871,811
20	Cash and cash equivalents at 31 December	1,295,835	5,053,199

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Tetra Pak Danmark A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

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.

Income statement

Revenue

The Company is in the business of selling packaging to the food industry as well as filling and processing equipment and maintenance/installation services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Sale of packaging, filling and processing equipment

Revenue from sale of packaging, filling and processing equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.

The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of packaging, filling and processing equipment, the company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

(i) Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right to return the goods within a specified period. The company also provides retrospective volume rebates to certain customers once the quantity of electronics equipment purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

• Rights of return

The company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

(ii) Significant financing component

The company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Warranty obligations

The company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions.

Installation services

The company provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services do not significantly customise or modify the fire prevention equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the equipment and installation services are both sold on a stand-alone basis and are distinct within the context of the contract. Accordingly, the company allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The company recognises revenue from installation services over time because the customer simultaneously receives and consumes the benefits provided to them. The company uses an input method in measuring progress of the installation services because there is a direct relationship between the company's effort (i.e., based on the labour hours incurred) and the transfer of service to the customer. The company recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Maintenance services

The company recognises revenue from maintenance services over time because the customer simultaneously receives and consumes the benefits provided to them. The company uses an input method in measuring progress of the maintenance services because there is a direct relationship between the company's effort (i.e., based on the labour hours incurred) and the transfer of service to the customer. The company recognises revenue on the basis of the labour hours/costs expended relative to the total expected labour hours/costs to complete the service.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Construction contracts

Contracting contracts include the sale of filling and processing equipment, where equipment are supplied with a high degree of individual adaptation. The construction contracts typically comprise one delivery obligation, which is recognized continuously in revenue as production is carried out, whereby the turnover corresponds to the sales value of the year's work performed.

The ongoing transfer of control of the work performed is either because the construction takes place on the customer's property, whereby the ownership and thus the control passes to the customer as the work is carried out, or because the equipment are of such special nature that they cannot be used without excessive costs for other purposes, while the customer is obliged to continuously pay for the work done incl. reasonable profit for the work done.

Recognition is made using input-based calculation methods based on costs actually incurred in relation to total expected costs, as this method is considered to best reflect the ongoing transfer of control.

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.

Furthermore, a provision for construction contracts is made.

Administrative expenses

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

Other operating income

Other operating income 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.

Depreciation and impairment

The item comprises depreciation and impairment of property, plant and equipment.

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

Buildings	50 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Rights-of-use assets	3-5 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Land is not depreciated.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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 entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-current assets.

ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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.

iii) Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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.

Receivables

Receivables are measured at amortised cost.

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

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.

Cash

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Provisions that are expected to mature more than one year after the balance sheet date are discounted at average bond yields.

Income taxes

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

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Prepayments received from customers

Prepayments recognized under "Liabilities" comprise prepayments from customers regarding work in progress for third parties.

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 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 ratios

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

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

2 Special items

The Company has realised a gain on sale of land of DKK 3,135 thousand.

This is recognised in other operating income in the profit/loss statement.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2020	2019
3 Financial income		
Interest receivable, group entities	0	3,254
Other interest income	10,332	31,068
Exchange adjustments	1,616,514	1,319,045
Other financial income	228,928	490,485
	<u>1,855,774</u>	<u>1,843,852</u>
4 Financial expenses		
Interest expenses, group entities	111,150	49,455
Other financial expenses	1,657,953	1,779,158
	<u>1,769,103</u>	<u>1,828,613</u>
5 Tax for the year		
Estimated tax charge for the year	4,663,794	3,932,243
Deferred tax adjustments in the year	578,475	-365,776
Tax adjustments, prior years	-449,873	154,579
	<u>4,792,396</u>	<u>3,721,046</u>

6 Property, plant and equipment

DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Rights-of-use-assets	Total
Cost at 1 January 2020	500,749	7,477,160	528,119	4,333,935	12,839,963
Changes in accounting policies	0	0	0	1,261,774	1,261,774
Disposals in the year	-500,749	0	0	0	-500,749
Cost at 31 December 2020	<u>0</u>	<u>7,477,160</u>	<u>528,119</u>	<u>5,595,709</u>	<u>13,600,988</u>
Impairment losses and depreciation at 1 January 2020	0	7,477,160	528,119	1,532,543	9,537,822
Depreciation in the year	0	0	0	1,729,826	1,729,826
Impairment losses and depreciation at 31 December 2020	<u>0</u>	<u>7,477,160</u>	<u>528,119</u>	<u>3,262,369</u>	<u>11,267,648</u>
Carrying amount at 31 December 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,333,340</u>	<u>2,333,340</u>

7 Deferred tax assets

At 31 December 2020, the Group recognised an asset totalling DKK 20 thousand. The tax asset consists of non-utilised tax deductions in the form of timing differences.

Based on the budget for next year, Management considers it likely that there will be future taxable income against which non-utilised tax deductions can be offset.

8 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, prepaid expenses for suppliers.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2020	2019
9 Share capital		
Analysis of the share capital:		
400,000 shares of DKK 1.00 nominal value each	400,000	0
12 shares of DKK 1,000,000 nominal value each	0	12,000,000
	<u>400,000</u>	<u>12,000,000</u>

The share capital is not divided into specific share classes.

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

DKK	2020	2019	2018	2017	2016
Opening balance	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Capital reduction	-11,600,000	0	0	0	0
	<u>400,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>

10 Non-current liabilities

DKK	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other provisions	3,000,294	0	3,000,294	0
Lease liabilities	2,247,565	1,154,109	1,093,456	0
Other payables	4,195,062	0	4,195,062	0
	<u>9,442,921</u>	<u>1,154,109</u>	<u>8,288,812</u>	<u>0</u>

Other provisions comprise provisions for warranty commitments. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods.

DKK	2020	2019
11 Deferred tax		
Deferred tax at 1 January	-598,787	-233,012
Deferred tax adjustments in the year	578,475	-365,775
Deferred tax at 31 December	<u>-20,312</u>	<u>-598,787</u>

12 Other provisions

Other provisions comprise provisions for warranty commitments. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2020	2019
13 Staff costs		
Wages/salaries	24,471,854	25,060,902
Pensions	2,551,799	2,789,462
Other social security costs	367,883	322,061
Other staff costs	11,447,488	11,132,311
	<u>38,839,024</u>	<u>39,304,736</u>
Average number of full-time employees	<u>44</u>	<u>44</u>

Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not disclosed.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with other Danish entities in the Tetra Pak Group and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

15 Collateral

The Company has not pledged any assets as security for loans nor provided security by issuing performance guarantees at 31 December 2020.

16 Related parties

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

Parties exercising control

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

Financial statements 1 January - 31 December

Notes to the financial statements

16 Related parties (continued)

Related party transactions

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

DKK	2020	2019
Sale of goods	339,237	2,916,408
Sales of services	13,565,033	35,591,124
Purchases of goods	267,627,376	230,963,157
Purchases of services	38,755,251	17,110,998
Financial income	90,275	208,542
Financial expenses	920,258	1,425,065
Other transactions	0	21,855
Receivables from group entities	76,113,011	48,218,377
Payables to group entities	94,371,026	35,224,988
17 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	16,694,166	12,382,261
	<u>16,694,166</u>	<u>12,382,261</u>
18 Adjustments		
Amortisation/depreciation and impairment losses	1,865,101	1,532,543
Gain/loss on the sale of non-current assets	-3,134,800	62,775
Provisions	0	4,987,734
Financial income	-1,855,774	-1,843,852
Financial expenses	1,769,104	1,828,613
Tax for the year	4,792,397	3,721,046
Other adjustments	1,122,574	-144,306
	<u>4,558,602</u>	<u>10,144,553</u>
19 Changes in working capital		
Change in inventories	0	67,605
Change in receivables	-18,610,505	7,609,959
Change in trade and other payables	52,735,650	8,857,768
	<u>34,125,145</u>	<u>16,535,332</u>
20 Cash and cash equivalents at year-end		
Cash according to the balance sheet	1,295,835	5,053,199
	<u>1,295,835</u>	<u>5,053,199</u>