Tetra Pak Danmark A/S

Søren Nymarks Vej 13, 8270 Højbjerg

CVR no. 63 62 42 17

Annual report 2019

Approved at the Company's annual general meeting on 20. april 2020

Chairman:

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Steen Ruge Thomsen

Building a better working world

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 Danmark 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.

Aarhus, 11 March 2020
Executive Board:

Carl Johan Olof Rabe

Board of Directors:

Steen Ruge Thomsen Chairman	Carl Johan Olof Rabe	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 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.

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, 11 March 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Kim Thomsen
statsaut. revisor
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 Carl Johan Olof Rabe Lars Göran Söderström
Executive Board	Carl Johan Olof Rabe
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

t	2019	2018	2017	2016	2015
Key figures					
Revenue	330,613	400,140	329,142	251,614	324,306
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	18,172	26,124	17,387	14,475	11,943
Profit before interest, tax and amortisation of goodwill (EBITA)	16,088	26,124	17,387	14,463	11,920
Operating profit/loss	16,088	26,124	17,387	14,466	11,917
Net financials	15	-894	-213	-486	-1,086
Profit for the year	**12,382**	**19,565**	**13,372**	**10,896**	**7,988**
Current assets	122,893	108,870	79,393	73,689	77,205
Total assets	**126,794**	**109,604**	**80,199**	**75,929**	**81,738**
Equity	**24,382**	**31,565**	**25,372**	**22,896**	**19,988**
Cash flows from operating activities	33,421	20,752	-1,895	18,296	-3,324
Net cash flows from investing activities	0	0	0	0	0
Cash flows from financing activities	-29,240	-19,881	1,895	-18,296	3,324
Total cash flows	**4,181**	**871**	**0**	**0**	**0**
Financial ratios					
Gross margin	13.8%	12.7%	12.1%	13.2%	10.6%
Return on assets	13.6%	27.5%	22.3%	18.4%	15.0%
Equity ratio	19.2%	28.8%	31.6%	30.2%	24.5%
Return on equity	44.3%	68.7%	55.4%	50.8%	36.3%
Operating margin	4.9%	6.5%	5.3%	5.7%	3.7%
Average number of employees	44	42	35	35	38

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. 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.

Tetra Pak Danmark A/S (TPDK A/S) has from January 1, 2019 implemented the following new accounting policies:
- IFRS 16 Leases
- IFRS 15 Revenue from Contracts with Customers

TPDK A/S adopted IFRS 16 using the modified retrospective method, with the date of initial application of January 1, 2019. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. TPDK A/S selected to use the transition practical expedient to 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, TPDK A/S applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

TPDK A/S also selected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

For the year ended December 31, 2019 adoption of IFRS 16 had the following impact:
-TPDK A/S has initially recognized right-of-use assets of DKK 4,885 thousand and lease liabilities of DKK 4,885 thousand as of January 1, 2019. The cumulative effect on retained earning are therefore DKK 0 thousand as of January 1, 2019.
- Depreciation expense increased due to recognized ROA which resulted in an increase of DKK 1,595 thousand.
- Rent expense related to previous operating leases decreased by DKK 1,660 thousand.
- Finance cost increased by DKK 17 thousand relating to the interest expense on the lease liabilities.
- Cash outflow from operating activities decreased by DKK 1,597 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.

IFRS 15 Revenue from Contracts with Customers:

TPDK A/S 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 the opening balance of retained earnings and the comparative figures are not restated.

For the year ended December 31, 2019 adoption of IFRS 15 have had no impact.

Financial review

The income statement for 2019 shows a profit of DKK 12,382,261 against a profit of DKK 19,565,277 last year, and the balance sheet at 31 December 2019 shows equity of DKK 24,382,261.

In the annual report for 2018, Management expected revenue 2019 to be similar to 2018 ie. in the range of MDKK 390-410 and an EBIT profit in the range of MDKK 20-30.

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

The decrease in revenue is due to worse performance in Capital Equipment, whereas the decrease in the Company’s results of operations is due also to variations in product cost and expenses.

Management's review

Special risks

There are no known unusual risks in 2019.

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 2020 is that the activity will be at the same level as for 2019.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Revenue	330,612,547	400,140,313
	Production costs	-285,063,116	-349,405,414
	Gross profit	45,549,431	50,734,899
11	Administrative expenses	-29,461,363	-24,611,274
	Operating profit	16,088,068	26,123,625
2	Financial income	1,843,852	2,215,250
3	Financial expenses	-1,828,613	-3,108,844
	Profit before tax	16,103,307	25,230,031
4	Tax for the year	-3,721,046	-5,664,754
	Profit for the year	12,382,261	19,565,277

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-current assets		
5	**Property, plant and equipment**		
	Land and buildings	500,749	500,749
	Plant and machinery	0	0
	Other fixtures and fittings, tools and equipment	0	0
	Rights-of-use-assets	2,801,392	0
		3,302,141	500,749
	Financial assets		
6,9	Deferred tax assets	598,787	233,012
		598,787	233,012
	Total non-current assets	3,900,928	733,761
	Current assets		
	Receivables		
	Trade receivables	56,192,623	65,530,884
	Receivables from group entities	58,614,442	41,154,400
	Other receivables	39,581	11,935
7	Prepayments	2,993,307	1,301,271
		117,839,953	107,998,490
	Cash	5,053,199	871,811
	Total current assets	122,893,152	108,870,301
	TOTAL ASSETS	126,794,080	109,604,062

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	12,000,000	12,000,000
	Dividend proposed for the year	12,382,261	19,565,277
	Total equity	24,382,261	31,565,277
10	**Non-current liabilities**		
	Other provisions	2,087,991	2,499,632
	Lease liabilities	1,196,618	0
	Other payables	1,560,011	0
	Total non-current liabilities	4,844,620	2,499,632
	Current liabilities		
	Lease liabilities	1,476,254	0
	Prepayments received from customers	26,261,519	6,549,741
	Trade payables	3,496,315	10,853,866
	Payables to group entities	35,308,799	18,058,971
	Income taxes payable	3,932,243	5,518,584
	Other payables	27,092,069	18,635,990
	Deferred income	0	15,922,001
	Total current liabilities	97,567,199	75,539,153
	Total liabilities	102,411,819	78,038,785
	TOTAL EQUITY AND LIABILITIES	126,794,080	109,604,062

1 Accounting policies
12 Contractual obligations and contingencies, etc.
13 Collateral
14 Related parties

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 2018	12,000,000	13,371,698	25,371,698
15	Transfer, see "Appropriation of profit"	0	19,565,277	19,565,277
	Dividend distributed	0	-13,371,698	-13,371,698
	Equity at 1 January 2019	12,000,000	19,565,277	31,565,277
	Changes in accounting policies	0	0	0
15	Transfer, see "Appropriation of profit"	0	12,382,261	12,382,261
	Dividend distributed	0	-19,565,277	-19,565,277
	Equity at 31 December 2019	12,000,000	12,382,261	24,382,261

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK	2019	2018
	Profit for the year	12,382,261	19,565,277
16	Adjustments	10,144,553	6,244,068
	Cash generated from operations (operating activities)	22,526,814	25,809,345
17	Changes in working capital	16,535,332	-1,819,651
	Cash generated from operations (operating activities)	39,062,146	23,989,694
	Interest received, etc.	1,843,852	2,203,315
	Interest paid, etc.	-1,811,420	-3,096,909
	Income taxes paid	-5,673,163	-2,343,758
	Cash flows from operating activities	33,421,415	20,752,342
	Dividends distributed	-19,565,277	-13,371,698
	Repayments, finance leases	-1,596,724	0
	Changes in cash pool deposit	-8,078,026	-6,508,833
	Cash flows from financing activities	-29,240,027	-19,880,531
	Net cash flow	4,181,388	871,811
	Cash and cash equivalents at 1 January	871,811	0
18	**Cash and cash equivalents at 31 December**	5,053,199	871,811

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Tetra Pak Danmark A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

Tetra Pak Danmark A/S (TPDK A/S) 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 in 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.

TPDK A/S adopted IFRS 16 using the modified retrospective method, with the date of initial application of January 1, 2019. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application. TPDK A/S selected to use the transition practical expedient to 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, TPDK A/S applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

TPDK A/S also selected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

For the year ended December 31, 2019 adoption of IFRS 16 had the following impact:
-TPDK A/S has initially recognized right-of-use assets of DKK 4,885 thousand and lease liabilities of DKK 4,885 thousand as of January 1, 2019. The cumulative effect on retained earning are therefore DKK 0 thousand as of January 1, 2019.
- Depreciation expense increased due to recognized ROA which resulted in an increase of DKK 1,595 thousand.
- Rent expense related to previous operating leases decreased by DKK 1,660 thousand.
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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 considerations to which an entity expects to be entitled in exchange from transferring goods or services to a customer. TPDK A/S 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 the opening balance of retained earnings and the comparative figures are not restated.

For the year ended December 31, 2019 adoption of IFRS 15 have had no impact.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Income statement

Revenue

The Copmany 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 mantenance 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.

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

The item comprises depreciation 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

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

Land is not depreciated.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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".

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Deferred income

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

Cash flow statement

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK		2019	2018
2	**Financial income**		
	Interest receivable, group entities	3,254	0
	Other interest income	31,068	274,051
	Exchange adjustments	1,319,045	1,928,627
	Other financial income	490,485	12,572
		1,843,852	2,215,250
3	**Financial expenses**		
	Interest expenses, group entities	49,455	80,928
	Other financial expenses	1,779,158	3,027,916
		1,828,613	3,108,844
4	**Tax for the year**		
	Estimated tax charge for the year	3,932,243	5,518,584
	Deferred tax adjustments in the year	-365,776	72,684
	Tax adjustments, prior years	154,579	73,486
		3,721,046	5,664,754

5 **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 2019	500,749	7,477,160	528,119	0	8,506,028
Changes in accounting policies	0	0	0	4,884,904	4,884,904
Disposals in the year	0	0	0	-550,969	-550,969
Cost at 31 December 2019	500,749	7,477,160	528,119	4,333,935	12,839,963
Impairment losses and depreciation at 1 January 2019	0	7,477,160	528,119	0	8,005,279
Depreciation in the year	0	0	0	1,532,543	1,532,543
Impairment losses and depreciation at 31 December 2019	0	7,477,160	528,119	1,532,543	9,537,822
Carrying amount at 31 December 2019	500,749	0	0	2,801,392	3,302,141

6 **Deferred tax assets**

At 31 December 2019, the Group recognised an asset totalling DKK 599 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.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Prepayments

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

DKK	2019	2018
8 Share capital		
Analysis of the share capital:		
12 shares of DKK 1,000,000.00 nominal value each	12,000,000	12,000,000
	12,000,000	12,000,000

The share capital is not divided into specific share classes.

The Company's share capital has remained DKK 12,000,000 over the past 5 years.

DKK	2019	2018
9 Deferred tax		
Deferred tax at 1 January	-233,012	-305,696
Deferred tax adjustments in the year	-365,775	72,684
Deferred tax at 31 December	-598,787	-233,012

10 Non-current liabilities

DKK	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other provisions	2,087,991	0	2,087,991	0
Lease liabilities	2,672,872	1,476,254	1,196,618	0
Other payables	1,560,011	0	1,560,011	0
	6,320,874	1,476,254	4,844,620	0

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	2019	2018
11 Staff costs		
Wages/salaries	25,060,902	23,349,606
Pensions	2,789,462	2,789,378
Other social security costs	322,061	249,199
Other staff costs	11,132,311	12,784,773
	39,304,736	39,172,956
Average number of full-time employees	44	42

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

Financial statements 1 January - 31 December

Notes to the financial statements

12 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.

Other financial obligations

In connection with sale of filling machines through Tetra Laval Credit, the associate financing company, the Company has a purchase commitment related to machines on lease contracts that are terminated for other reasons than the customers' payment default. At 31 December 2019, the obligation amounted to DKK 30,472 thousand.

Management has no expectation of realization of the purchase commitment and has therefore not recorded any provisions.

13 Collateral

As security for the customers, the Company has provided security by issuing performance guarantees at a total amount of DKK. 6,230 thousand.

14 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

Related party transactions

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

DKK	2019	2018
Sale of goods	2,916,408	978,253
Sales of services	35,591,124	25,904,754
Purchases of goods	230,963,157	224,960,002
Purchases of services	17,110,998	35,629,944
Income from lease arrangements	0	52,823
Financial income	208,542	614,268
Financial expenses	1,425,065	1,475,256
Other transactions	21,855	0
Receivables from group entities	48,218,377	38,447,669
Payables to group entities	35,224,988	35,780,329

15	**Appropriation of profit**		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	12,382,261	19,565,277
		12,382,261	19,565,277
16	**Adjustments**		
	Amortisation/depreciation and impairment losses	1,532,543	0
	Gain/loss on the sale of non-current assets	62,775	0
	Provisions	4,987,734	-214,043
	Financial income	-1,843,852	-2,203,315
	Financial expenses	1,828,613	3,096,909
	Tax for the year	3,721,046	5,664,754
	Other adjustments	-144,306	-100,237
		10,144,553	6,244,068
17	**Changes in working capital**		
	Change in inventories	67,605	590,659
	Change in receivables	7,609,959	-22,695,546
	Change in trade and other payables	8,857,768	20,285,236
		16,535,332	-1,819,651
18	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	5,053,199	871,811
		5,053,199	871,811