

Årsredovisning

för

DeLaval Holding AB

556258-6981

Räkenskapsåret

2019-01-01 - 2019-12-31

Fastställelseintyg

Undertecknad verkställande direktör i DeLaval Holding AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 14 april 2020. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Tumba den 16 april 2020


Jakob Rosengren

Årsredovisning

för

DeLaval Holding AB

556258-6981

Räkenskapsåret

2019-01-01 - 2019-12-31

Innehållsförteckning

Förvaltningsberättelse	1
Resultaträkning	2
Balansräkning	3
Rapport för förändringar i eget kapital	5
Noter	6

Styrelsen och verkställande direktören för DeLaval Holding AB avger följande årsredovisning för räkenskapsåret 2019-01-01 - 2019-12-31.

Årsredovisningen är upprättad i Euro.

Förvaltningsberättelse

Information om verksamheten

DeLaval Holding AB är moderbolag för industrikoncernen DeLaval inom Tetra Laval koncernen. DeLaval Holding AB äger till 99,99% DeLaval Holding B.V. (02060609) med säte i Assen, Nederländerna; ett holdingbolag som i sin tur, direkt eller indirekt, äger samtliga DeLaval-bolag i världen.

DeLaval koncernens verksamhet är att utveckla, tillverka och bedriva handel med utrustning och anläggningar för företrädesvis mjölkproduktion och husdjursskötsel.

Bolaget bedriver ingen operativ verksamhet.

Företaget har sitt säte i Stockholms län, Botkyrka.

Väsentliga händelser under räkenskapsåret

Under året har bolaget erhållit EUR 9.000.000 i utdelning från sitt helägda dotterbolag.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Verksamheten för 2020 förväntas bli oförändrad jämfört med 2019, dvs enbart bestå av innehav av aktier i dotterbolag.

Flerårsöversikt (kEUR)	2019	2018	2017	2016
Nettoomsättning	0	0	0	0
Resultat efter finansiella poster	9 005	24 995	10 001	30 027
Avkastning på eget kap. (%)	7	20	8	24
Erhållen utdelning	9 000	25 000	10 000	30 000
Balansomslutning	125 066	127 502	125 101	125 128
Soliditet (%)	100	95	100	100
Antal anställda	0	0	0	0

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	52 631 417
årets vinst	14 561 464
	67 192 881
disponeras så att	
till aktieägare utdelas (0,00 EUR per aktie)	0
i ny räkning överföres	67 192 881
	67 192 881

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter.

2020042300688

Resultaträkning

	Not	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Övriga rörelseintäkter		19 067 19 067	20 993 20 993
Rörelsens kostnader			
Övriga externa kostnader		-93 -93	0 0
Rörelseresultat		18 974	20 993
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	3	8 999 000	25 000 000
Resultat från övriga värdepapper och fordringar som är anläggningstillgångar		7	0
Räntekostnader och liknande resultatposter	4	-12 489 8 986 518	-26 068 24 973 932
Resultat efter finansiella poster		9 005 492	24 994 925
Bokslutsdispositioner	5	7 000 000	-7 000 000
Resultat före skatt		16 005 492	17 994 925
Skatt på årets resultat	6	-1 444 028	1 405 739
Årets resultat		14 561 464	19 400 664



Balansräkning

Not

2019-12-31

2018-12-31

TILLGÅNGAR

Anläggningstillgångar

Finansiella anläggningstillgångar

Andelar i koncernföretag

7, 8

124 500 865

124 501 865

Uppskjuten skattefordran

0

1 405 739

124 500 865

125 907 604

Summa anläggningstillgångar

124 500 865

125 907 604

Omsättningstillgångar

Kortfristiga fordringar

Fordringar hos koncernföretag

19 080

1 000 000

Aktuella skattefordringar

0

35 842

Övriga fordringar

7

0

19 087

1 035 842

Kassa och bank

545 851

558 484

Summa omsättningstillgångar

564 938

1 594 326

SUMMA TILLGÅNGAR

125 065 803

127 501 930



Balansräkning

Not

2019-12-31

2018-12-31

EGET KAPITAL OCH SKULDER

Eget kapital

9, 10

Bundet eget kapital

Aktiekapital (5 005 000 aktier)

53 810 257

53 810 257

Reservfond

4 060 256

4 060 256

57 870 513

57 870 513

Fritt eget kapital

Balanserad vinst eller förlust

52 631 417

43 230 753

Årets resultat

14 561 464

19 400 664

67 192 881

62 631 417

Summa eget kapital

125 063 394

120 501 930

Kortfristiga skulder

Skulder till koncernföretag

0

7 000 000

Aktuella skatteskulder

2 409

0

Summa kortfristiga skulder

2 409

7 000 000

SUMMA EGET KAPITAL OCH SKULDER

125 065 803

127 501 930

Rapport över förändringar i eget kapital

	Aktie- kapital	Bundna reserver	Fritt eget kapital	Summa eget kapital
Ingående eget kapital 2018-01-01	53 810 257	4 060 256	67 230 753	125 101 266
Utdelning			-24 000 000	-24 000 000
Årets resultat			19 400 664	19 400 664
Utgående eget kapital 2018-12-31	53 810 257	4 060 256	62 631 417	120 501 930
Utdelning			-10 000 000	-10 000 000
Årets resultat			14 561 464	14 561 464
Utgående eget kapital 2019-12-31	53 810 257	4 060 256	67 192 881	125 063 394

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med Årsredovisningslagen (1995:1554) och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Som framgår av sida 1 av årsredovisningen har denna upprättats i Euro till skillnad mot tidigare årsredovisning som har upprättats i tusentals Euro.

Omräkning av poster i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning

Ersättning i form av ränta, royalty eller utdelning redovisas som intäkt när det är sannolikt att företaget kommer att få de ekonomiska fördelar som är förknippade med transaktionen och när inkomsten kan beräknas på ett tillförlitligt sätt.

Ränta redovisas som intäkt enligt den så kallade effektivräntemetoden. Royalty periodiseras i enlighet med den aktuella överenskommelsens ekonomiska innebörd. Utdelning redovisas som intäkt när företagets rätt till betalning är säkerställd.

Låneutgifter

De låneutgifter som uppkommer då företaget lånar kapital kostnadsförs i resultaträkningen i den period de uppstår.

Skatt

Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt

Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt

Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstads. Uppskjutna skattefordringar reduceras till den del det inte är sannolikt att den underliggande skattefordran kommer att kunna realiseras inom en överskådlig framtid. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Fordringar, skulder och avsättningar

Om inget annat anges ovan värderas kortfristiga fordringar till det lägsta av dess anskaffningsvärde och det belopp varmed de beräknas bli reglerade. Långfristiga fordringar och långfristiga skulder värderas efter det första värderingstillfället till upplupet anskaffningsvärde. Övriga skulder och avsättningar värderas till de belopp varmed de beräknas bli reglerade. Övriga tillgångar redovisas till anskaffningsvärde om inget annat anges ovan.

Ersättningar till anställda

Bolaget har inte haft några anställda under räkenskapsåret eller föregående räkenskapsår.

Koncernbidrag

Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Koncernredovisning

Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning.

Koncertillhörighet

Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är Tetra Laval International S.A. UID CHE-198.253.298 med säte i Pully, Schweiz.

Nyckeltalsdefinitioner

Rörelsemarginal

Rörelseresultat i procent av nettoomsättningen

Justerat eget kapital

Eget kapital med tillägg för obeskattade reserver som reducerats med uppskjuten skatt

Resultat efter finansiella poster

Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter

Avkastning på eget kap. (%)

Resultat efter finansiella poster i procent av justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt).

Balansomslutning

Företagets samlade tillgångar.

Soliditet (%)

Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Arvode till revisorer

Bolaget revideras av Ernst & Young AB. Bolagets revisionskostnader betalas, kostnadsförs och redovisas av DeLaval International AB.

Not 3 Resultat från andelar i koncernföretag

	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Erhållna utdelningar	9 000 000	25 000 000
Resultat vid avyttringar	-1 000	
	8 999 000	25 000 000

Not 4 Räntekostnader och liknande resultatposter

	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Kursdifferenser	-12 489	-26 074
	-12 489	-26 074

Not 5 Bokslutsdispositioner

	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Erhållna koncernbidrag	7 000 000	0
Lämnade koncernbidrag	0	-7 000 000
	7 000 000	-7 000 000

Not 6 Aktuell och uppskjuten skatt

	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Skatt på årets resultat		
Aktuell skatt	-38 289	
Förändr. av skattefordr. avseende underskottsavdrag	-1 405 739	1 405 739
Totalt redovisad skatt	-1 444 028	1 405 739

Avstämning av effektiv skatt

		2019-01-01 -2019-12-31		2018-01-01 -2018-12-31
	%	Belopp	%	Belopp
Redovisat resultat före skatt		16 005 493		17 994 919
Skatt enligt gällande skattesats	21,40	-3 425 176	22,00	-3 958 882
Ej avdragsgilla kostnader	21,40	553	22,00	-39 843
Ej skattepliktiga intäkter	21,40	1		
Redovisn. av tillg. avs. tid. års underskottsavdr.	20,60	-1 405 739		
Under året utnyttjande av tid. års underskottsavdr.	21,40	1 460 333		
Ej skattepliktig utdelning	21,40	1 926 000	22,00	5 500 000
Förändr. av skattesats på uppskj. skattefordran				-95 536
Redovisad effektiv skatt		-1 444 028		1 405 739

Upplysningar om uppskjuten skattefordran och skatteskuld:
Föregående års underskottsavdrag har utnyttjats i år.

Not 7 Andelar i koncernföretag

	2019-12-31	2018-12-31
Ingående anskaffningsvärden	124 501 865	124 501 865
Försäljningar/utrangeringar andelar i koncernföretag	-1 000	0
Utgående ackumulerade anskaffningsvärden	124 500 865	124 501 865
Utgående redovisat värde	124 500 865	124 501 865

Not 8 Specifikation andelar i koncernföretag

Namn	Säte	Kapitalandel	Bokf. värde (kEUR)
DeLaval Holding B.V.	Assen, Nederländerna	99,99%	123 736
DeLaval S.A	Argentina	6,00%	765
DeLaval NV	Belgien	0,10%	0
DeLaval Ltda	Brasilien	0,10%	0
DeLaval SA	Chile	0,10%	0
DeLaval Ltda	Colombia	1,00%	0
DeLaval Ltd	Egypten	26,00%	0
DeLaval Private Ltd	Indien	0,10%	0
DeLaval S.A. DE C.V.	Mexico	0,10%	0
DeLaval SAC	Peru	50,00%	0
DeLaval Equipos SA	Spanien	0,20%	0
Totalt andelar i koncernföretag			124 501

Not 9 Antal aktier och kvotvärde

	Antal aktier	Kvotvärde
Aktier	5 005 000	10,75
	5 005 000	

Not 10 Disposition av vinst eller förlust

2019-12-31

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel:

balanserad vinst	52 631 417
årets vinst	14 561 464
	67 192 881

disponeras så att till aktieägare utdelas (0,00 EUR per aktie) i ny räkning överföres	0
	67 192 881
	67 192 881

Not 11 Ställda säkerheter

2019-12-31

2018-12-31

För skulder till kreditinstitut:

Ställda säkerheter	0	0
	0	0

2020042300697

Not 12 Eventualförpliktelser

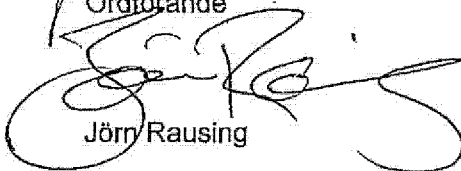
	2019-12-31	2018-12-31
Eventualförpliktelser	0	0
	0	0

Not 13 Väsentliga händelser efter räkenskapsårets slut

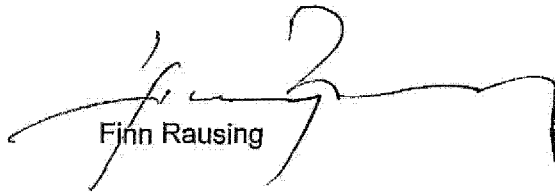
Inga väsentliga händelser har inträffat efter balansdagen, vilka skulle kunnat påverka resultat- eller balansräkningen för räkenskapsåret.

Tumba den 26 februari 2020


Lars Renström
Ordförande


Jörgen Rausing


Karin Björck
Arbetstagarrepresentant

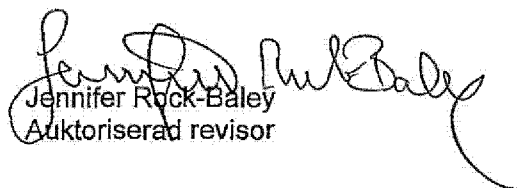

Finn Rausing


Joakim Rosengren
Verkställande direktör


Markku Sandelin
Arbetstagarrepresentant

Vår revisionsberättelse har lämnats den 26 februari 2020

Ernst & Young AB


Jennifer Rock-Baley
Auktoriserad revisor



Building a better
working world

2020042300698

Revisionsberättelse

Till bolagsstämman i DeLaval Holding AB, org.nr 556258-6981

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för DeLaval Holding AB för räkenskapsåret 2019.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av DeLaval Holding ABs finansiella ställning per den 31 december 2019 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till DeLaval Holding AB enligt god revisionssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risker för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.



Building a better
working world

2020042300699

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för DeLaval Holding AB för räkenskapsåret 2019 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till DeLaval Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaper. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 26/2 - 2020

Ernst & Young AB

Jennifer Rock-Baley
Auktoriserad revisor

⁴
Arendenr 9152957/2020

2020072915371

Tetra Laval International S.A.
Annual Financial Report 2019

The annual report 2019 was authorised for issue and approved by shareholders on June 30, 2020.

Contents

2020072915373

Directors' Report	1
Tetra Laval International S.A. Consolidated Financial Statements	
Consolidated statement of comprehensive income	3
Consolidated balance sheet	4
Consolidated statement of cash flows	5
Consolidated statement of changes in shareholders' equity	6
Notes to the Consolidated Financial Statements	7
 Independent Auditors' Report	

2020072915374

DIRECTORS' REPORT

TETRA LAVAL INTERNATIONAL S.A.

Directors' report

The Tetra Laval International Group delivered stable sales and operational profitability in 2019, in the context of uncertain macroeconomic conditions, competitive pressure and tough economic conditions in some markets.

Tetra Pak's revenue from sales of packaging material increased slightly, sales of capital equipment were stable, while services revenues continued to grow.

DeLaval grew strongly in its capital goods business and at a lower level in its after-market businesses.

Sidel overall revenues were stable in challenging business conditions.

CONSOLIDATED GROUP FINANCIAL PERFORMANCE

Revenue increased by 0.7% to €11,905 million, compared to €11,897 million in 2018. At comparable scope, revenue growth was 1.9%, benefiting from the strengthening relative to the Euro (EUR) of the US Dollar (USD) and the Mexican Peso (MXN).

Operating profit decreased by €4 million from €877 million in 2018 to €873 million. At comparable scope, operating profit increase by €18 million, mainly due to improved gross profit, offset by higher operating costs. Operating profit represented 7.3% of revenue in 2019, compared to the 2018 level of 7.3%.

The Group's investment in Alfa Laval contributed an overall gain of €547 million in 2019 (compared to a negative contribution of €94 million in 2018), with €57 million in dividends received (€49 million in 2018) and a gain of €490 million on the revaluation of the Group's investment (loss of €143 million in 2018).

Interest expense increased by €15 million from €144 million in 2018 to €165 million in 2019, principally due to the inclusion of interest on lease liabilities (IFRS 16 Leases applied from January 1, 2019). Corporate income taxes increased from €232 million in 2018 to €242 million in 2019.

Cash flow from operating activities increased by €244 million, from €887 million in 2018 to €1,131 million in 2019. The increase reflects a lower level of taxes paid, and less cash absorbed in leasing activities. Overall, the net cash flows from operating and investing activities amounted to €927 million compared to €695 million in 2018.

TETRA PAK

Revenue was €9,370 million (2018: €9,470 million). At comparable scope, revenue increased by 1.3%, with growth in packaging material business, services sales and stable equipment sales.

Operating profit was €840 million, above last year (2018: €784 million), reflecting higher gross profit and lower restructuring expenses, partly offset by higher SG&A costs.

Cash flow from operating and investing activities of €810 million was above the level of 2018 (€595 million), mainly due to the lower taxes paid and more cash sales of capital equipment compared to leases.

DELAVAL

Revenue increased by 7.0% from €1,011 million in 2018 to €1,082 million in 2019. At comparable rates, revenue increased by 6.6%, with higher equipment sales, benefiting from sales of its next generation automated milking solution, and stable service sales.

Operating profit was €65 million (2018: €38 million), mainly due to higher gross profit which offset higher operating expenses.

The cash flow from operating and investing activities of positive €83 million was above the level of 2018 (negative €1 million), mainly due to increased operating profit and a lower level of taxes paid.

SIDEL

Revenue increased by 2.1%, from €1,416 million in 2018 to €1,446 million in 2019 with stable equipment sales, and slight growth in service sales. At comparable rates and scope, revenue increased by 0.3%.

Operating profit was €15 million compared to €33 million in 2018, a decrease primarily due to a lower gross profit and higher SG&A costs.

Cash flow from operating and investing activities was negative €40 million compared to positive €31 million in 2018, principally due to lower profitability, a negative development in working capital and a further acquisition in the moulds business.

TETRA LAVAL INTERNATIONAL S.A.

Directors' report

2020072915376

FINANCIAL POSITION

Shareholders' equity decreased by €92 million, from €2,533 million in 2018 to €2,441 million in 2019. This principally reflects the profit for the year of €1,031 million (2018: €374 million) and the dividends paid of €1,118 million (2018: €833 million).

Total borrowings amounted to €4,743 million (2018: €3,756 million), including lease liabilities of €186 million. Borrowings under the Group's long-term "T7" credit facility amounted to €678 million (2018: €706 million), other bank borrowings amounted to €1,462 million (2018: €1,246 million) and borrowing with related amount to €2,603 million (2018: €1,804 million).

Cash & short-term deposits of €759 million (2018: €458 million) and deposits of €112 million (2018: €106 million) together increased by €307 million compared to 2018. Overall, net borrowings increased to €3,872 million at December 31, 2019 compared to €3,192 million in 2018.

OUTLOOK

Subsequent to 31 December 2019, the coronavirus (COVID 19) pandemic spread to most countries. While the Group cannot yet estimate the potential financial impact on its operations and transactions, to date management considers there is no material concern on the Group's ability to continue as a going concern.

Tetra Pak's packaging material revenue is expected to be similar to 2019. Capital equipment revenue is expected to be below the levels achieved in 2019, while services are expected to show continued growth.

After a strong growth in 2019, DeLaval revenues are expected to contract in 2020.

Sidel revenues in 2020 are expected to be below 2019, despite an improved order book at the start of the year.

RISK ASSESSMENT

Tetra Laval International SA and its subsidiaries perform a group-wide internal risk assessment process. It is a bottom up identification process which is then reviewed by the Risk Management Team with a top down allocation of priorities and the follow up on significant risks through the yearly Control Self Assessment (CSA) process. The Groupwide internal risk assessment process is a yearly review of the potential risks associated to the respective operations. The procedures and actions to identify the risks and where appropriate remediate are performed by specific corporate functions (Treasury, Legal, Internal audit, Group Financial Control, Risk Officer, Corporate Governance Officer, etc) as well as the divisions of the group. These functions and divisions have the responsibility to support and monitor the Group-wide policies, procedures, guidelines and processes to ensure their effective operation. The risk assessment also covers the specific risk related to Tetra Laval International S.A.

Pully, June 09, 2020


BOARD OF DIRECTORS



Lars Renström (President)



Martyn Zedgitt



Robert Swan

TETRA LAVAL INTERNATIONAL S.A.

2020072915377

**CONSOLIDATED FINANCIAL STATEMENTS
TETRA LAVAL INTERNATIONAL S.A.**

TETRA LAVAL INTERNATIONAL S.A.

Consolidated statement of comprehensive income

For the year ended December 31, 2019

in millions of Euro

	Notes	2019	2018
Revenue	2, 3	11,905	11,897
Cost of sales	3	-9,053	-9,096
Gross profit		2,852	2,801
Marketing & distribution		-840	-856
Administrative expenses		-756	-696
Royalties expenses	20	-252	-238
Foreign exchange and hedge result on operating items		-58	-30
Restructuring, impairment and other non recurring items	21	-73	-104
Operating profit	20	873	877
Revaluation of investment in Alfa Laval	8	490	-143
Dividend income from Alfa Laval	8	57	49
Interest income		13	12
Interest expense		-165	-144
Other financial income (expense), net	22	26	-34
Profit before tax		1,294	617
Income tax expense	18	-242	-232
Profit for the year		1,052	385
<i>Item to be reclassified to profit or loss in subsequent periods</i>			
Translation adjustment arising in the period		8	-7
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains and losses on defined benefit plans	19	-14	-23
Income tax effects	18	1	-
Other comprehensive income for the year net of taxes		-5	-30
Total comprehensive income for the year		1,047	355
Profit attributable to			
Equity holders of the Group		1,031	374
Non-controlling interests		21	11
Total comprehensive income attributable to			
Equity holders of the Group		1,026	344
Non-controlling interests		21	11

See accompanying notes to the Consolidated Financial Statements

TETRA LAVAL INTERNATIONAL S.A.

Consolidated balance sheet

As at December 31, 2019	Notes	2019	2018	January 1, 2018
in millions of Euro				
ASSETS				
Property, plant & equipment	4	1,898	2,019	2,038
Right-of-use assets	5	183	-	-
Goodwill and other intangible assets	7	268	258	258
Other investments	8	2,764	2,273	2,418
Long-term receivables	9	548	574	564
Deferred tax assets	18	265	267	271
Total non-current assets		5,926	5,391	5,549
Inventories	10	1,341	1,375	1,314
Trade receivables	11	2,092	2,120	2,227
Contract assets	3	232	206	208
Income taxes receivable	18	223	239	189
Derivative financial instruments	24	81	107	138
Other receivables and prepayments	12	716	805	754
Cash and short term deposits	13	759	458	538
Total current assets		5,444	5,310	5,368
TOTAL ASSETS		11,370	10,701	10,917
EQUITY AND LIABILITIES				
Share Capital and Retained Earnings		2,700	2,800	3,282
Cumulative translation adjustment		-259	-267	-260
Equity attributable to equity holders of the Group		2,441	2,533	3,022
Non-controlling interests		107	108	109
TOTAL EQUITY		2,548	2,641	3,131
Long-term debt	14	816	905	919
Deferred tax liabilities	18	108	103	95
Provisions	15	37	47	28
Deferred income and other non-current liabilities	16	152	144	169
Total non-current liabilities		1,113	1,199	1,211
Current portion of long-term debt	14	285	147	390
Bank loans and overdrafts	14	1,039	900	960
Loans and overdrafts from related parties	14, 26	2,603	1,804	1,299
Trade payables		1,517	1,472	1,504
Contract liabilities	3	550	575	540
Provisions	15	154	191	186
Income taxes payable	18	194	183	215
Derivative financial instruments	24	128	190	137
Other payables and accrued liabilities	17	1,239	1,399	1,344
Total current liabilities		7,709	6,861	6,575
TOTAL LIABILITIES		8,822	8,060	7,786
TOTAL EQUITY AND LIABILITIES		11,370	10,701	10,917

See accompanying notes to the Consolidated Financial Statements

TETRA LAVAL INTERNATIONAL S.A.

Consolidated statement of cash flows

For the year ended December 31, 2019

in millions of Euro

Notes: 2019 2018

	Notes	2019	2018
Profit before tax		1,294	617
Adjustments of non-cash items:			
Depreciation and impairment of property, plant and equipment	4	353	362
Amortisation and impairment of intangibles	7	6	8
Depreciation and impairment of right-of-use assets	5	65	-
Adjustment to fair value of and dividends from other investments		-530	99
Other non-cash items and reclassification to financing activities	27	104	248
Net changes in working capital	27	62	-20
Change in equipment leased to customers		-38	-57
Change in finance lease receivables		16	-9
Change in long-term receivables and long-term liabilities		11	-49
Income taxes paid	18	-212	-312
Net cash flows provided by operating activities		1,131	887
Purchase of property, plant and equipment	4	-356	-327
Proceeds from sale of property, plant and equipment		94	36
Purchase of intangible assets	7	-3	-3
Proceeds from sales of intangible assets		-	1
Dividends from other investments		57	49
Acquisition of businesses	28	-13	-11
Proceeds from disposal of other investment	28	17	63
Net cash flows used in investing activities		-204	-192
Net cash flows provided by operating and investing activities	2	927	695
Interest received		12	11
Interest paid		-173	-165
Payment of lease liabilities		-61	-
Other financial income and expense received (paid)		-41	55
Increase (decrease) of borrowings	14	26	-254
Increase (decrease) of borrowings from related parties	14	730	427
Net (increase) decrease in deposits		-7	14
Change in finance lease payables		-	-1
Cash impact of transactions with non-controlling interests	29	-7	-11
Dividends paid to non-controlling interests		-9	-13
Dividends paid to equity holders		-1,118	-833
Net cash flows used in financing activities		-648	-770
Net increase (decrease) in cash and cash equivalents		279	-75
Effect of foreign exchange rate changes on cash and cash equivalents		-	-3
Cash and cash equivalents, beginning of the year		389	467
Cash and cash equivalents, end of the year	13	668	389

See accompanying notes to the Consolidated Financial Statements

TETRA LAVAL INTERNATIONAL S.A.

Consolidated statement of changes in shareholders' equity

in millions of Euro	Attributable to equity holders of the Group			Non controlling Interests	TOTAL EQUITY
	Share Capital ⁽¹⁾ and Retained Earnings	Cumulative translation adjustment	Total		
Balance at January 1, 2019	2,800	-267	2,533	108	2,641
Profit for the year	1,031	-	1,031	21	1,052
Other comprehensive income	-13	8	-5	-	-5
Total comprehensive income for the year	1,018	8	1,026	21	1,047
Dividends	-1,118	-	-1,118	-8	-1,126
Other movement (Note 28)	-	-	-	-14	-14
Balance at December 31, 2019	2,700	-259	2,441	107	2,548

(1) The Group's share capital of €89 thousands, consists of the Tetra Laval International S.A.'s number of shares authorised, issued and paid of 100, with a par value of CHF 1,000 each.

in millions of Euro	Attributable to equity holders of the Group			Non controlling Interests	TOTAL EQUITY
	Share Capital ⁽¹⁾ and Retained Earnings	Cumulative translation adjustment	Total		
Balance at January 1, 2018	3,282	-260	3,022	109	3,131
Profit for the year	374	-	374	11	385
Other comprehensive income	-23	-7	-30	-	-30
Total comprehensive income for the year	351	-7	344	11	355
Dividends	-833	-	-833	-12	-845
Balance at December 31, 2018	2,800	-267	2,533	108	2,641

(1) The Group's share capital of €89 thousands, consists of the Tetra Laval International S.A.'s number of shares authorised, issued and paid of 100, with a par value of CHF 1,000 each.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

1. SIGNIFICANT ACCOUNTING POLICIES

General

Tetra Laval International S.A. (hereafter referred to as the "Company") is a previously existing private company with limited liability, relocated to Switzerland and registered on July 19, 2019 under the laws of Switzerland. The statutory seat is in Pully and established at avenue General Guisan 70, 1009 Pully, Switzerland. The company is active as a holding company and is responsible for the management and control of its investment activities.

The Company presents its first IFRS consolidated financial statements in 2019. Its subsidiaries have been preparing IFRS compliant financial reports information for internal purposes in accordance with IFRS since earlier than 2018. Therefore, in preparation of these consolidated financial statements the Company measured the assets and liabilities of its subsidiaries at the same carrying amounts as in the financial statements of the subsidiaries (after adjusting for consolidation adjustments and for the effects of the business combination in which the Company acquired the subsidiary).

The financial statements of the Company cover the year ended December 31, 2019, the comparative figures for the years ended December 31, 2018 and January 1, 2018 and are based on the scope as defined below.

Nature of operations

The Group (as defined below) consists of the operating activities organised in three autonomous industry groups: Tetra Pak, DeLaval and Sidel. Tetra Pak develops, produces and markets complete processing, packaging and service solutions for food products. DeLaval is a full-service supplier to dairy farmers. The company develops, manufactures and markets equipment, systems and services for milk production and animal husbandry. Sidel provides solutions for liquid food packaging and covers three major categories of packaging: glass bottles, plastic and cans.

Scope of consolidation

The consolidated financial statements include those of Tetra Laval International S.A., Switzerland and its subsidiaries (the "Group"). A list of subsidiaries is included in Note 30.

During a restructuring in 2019, Tetra Laval BV and Tetra Laval Holdings BV were merged into Tetra Laval International S.A.

Basis of presentation

The consolidated financial statements are presented in Euro, due to the fact that more of the Group's business is transacted in Euro than in any other currency. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise specified. Items shown as current assets and liabilities are those receivable or due within the Group's operating cycle which is estimated to be one year from the balance sheet date.

Unless otherwise specified, the amounts in the notes to the consolidated financial statements are expressed in millions of Euro.

Statement of compliance

The Group's consolidated financial statements for the periods ended December 31, 2019, 2018 and January 1, 2018 are prepared and presented in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

Consolidation principles

Subsidiaries that are controlled by the Group are consolidated. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Generally, there is a presumption that a majority of voting rights results in control. The interests of third parties in the net profit for the year and in the net assets of subsidiaries are shown as non-controlling interests. Divested companies are consolidated up to the date of disposal, i.e. the date that control ceases.

Associates are those companies over which the Group has the ability to exercise significant influence over financial and operating policies, but which it does not control. Investments in associates are accounted for using the equity method.

All intercompany balances, transactions and unrealised profits are eliminated.

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of this report have been updated from January 1, 2019 onwards with all the new IFRSs, interpretations and revised IASs effective on this date.

The Group adopted IFRS 16 Leases retrospectively with the cumulative effect of initially applying the Standard recognised on January 1, 2019, therefore using the simplified approach option recognising right-of-use assets at an amount equal to the

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

lease liabilities; lease liabilities being measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The IFRS 16 Leases standard replaces IAS17 Leases as from January 1, 2019. For lessees, it sets out the principles for the recognition, measurement, presentation and disclosure of leases and provides a single on-balance sheet lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with two exemptions – leases of "low-value" assets and short-term leases (i.e. leases with a lease term of 12 months or less). The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. For lessors, there was no change and leases continue to be classified using the same classification principle as in IAS 17 into two types: operating and finance leases.

The effect of the first application of IFRS 16 Leases at January 1, 2019 resulted in the recognition of €174 million in right-of-use-assets (presented separately in the consolidated balance sheet) and €174 million in lease liabilities (included under Note 14). For the period ended December 31, 2019, included under "Operating profit", the rental and lease expenses reduced by €69 million, relating to previous operating leases, and depreciation on right-of-use assets increased by €65 million. "Interest expense" increased by €8 million relating to the interest expense on the lease liabilities recognised. The statement of cash flows was impacted by an increase of €69 million under "Net cash flows provided by operating activities" and increase of €69 million under "Net cash flows used in financing activities".

Set out below are the new accounting policies of the Group upon adoption of IFRS 16 (as lessee)

Right-of-use assets

The Group 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Business combination

The results of acquired subsidiaries are included in the consolidated financial statements from the date on which effective control is transferred to the Group, i.e. the acquisition date. Assets and liabilities of acquired subsidiaries are recorded at their fair values as of the acquisition date and non-controlling interests are stated at the non-controlling interests' portion of the fair value of the net identifiable assets.

Cost of acquisition is measured at the fair value of cash and consideration (including deferred consideration) at date of exchange. The transaction costs of the acquisition are not included in cost of acquisition but are expensed and reported as a non-recurring item.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill is measured in the entity's functional currency.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Property, plant & equipment

Property, plant & equipment, including investment property, are carried at cost less accumulated depreciation and accumulated impairment, determined using the straight-line method (except for filling equipment leased to customers, for which an accelerated depreciation method is used) over their estimated useful lives, as follows:

Buildings and ground installations	20 - 25 years
Plant and machinery	3 - 10 years
Fixtures and fittings	3 - 10 years
Equipment leased to customers	8 - 12 years

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is calculated in the statement of comprehensive income in the year it is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset.

Capitalisation of borrowing costs takes place during the development of the asset and ends when the asset is ready for its intended use or sale. All other borrowings costs are expensed in the period in which they occur.

Intangible assets

Goodwill arising on consolidation, which represents the excess of the purchase price over the fair value of the identifiable net assets acquired, is recognised as an asset in the consolidated financial statements and tested annually for impairment, as well as when there are indications of impairment.

Patents, trademarks and similar assets which are acquired are amortised by a charge against income computed on a straight-line basis over their estimated useful lives, generally 10 years.

Research expenditure is recognised as an expense when it is incurred. Expenditure incurred during the development phase of a project is capitalised and recognised as an intangible asset if, and only if, it is possible both to (1) identify whether, and the point of time when, there is an identifiable asset that will generate future economic benefits; and (2) determine the cost of the asset reliably. Where either one of these criteria is not fulfilled, development expenditure is recognised as an expense when it is incurred. Where the research phase of a project cannot be distinguished from the development phase, the expenditure is treated as if it were incurred in the research phase only. Development expenditure recognised as an intangible asset is amortised over its useful life, being normally 4 years.

Costs for developing computer software programmes that are clearly associated with an identifiable and unique asset, which will be controlled by the Group and have probable benefits exceeding the costs beyond one year, are recognised as an intangible asset. Associated costs that can be directly attributed or allocated on a reasonable and consistent basis, to developing the software include labour costs of the development team and an appropriate portion of relevant overheads. Expenditure on training staff to operate the software is not capitalised. Expenditure which enhances the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over 4 years, their estimated useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2020072915384

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, an estimate of the asset's recoverable amount is made. The recoverable amount is estimated as the higher of the asset's net selling price (fair value less costs of disposal) and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, limited to an amount not higher than the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years.

Goodwill is tested for impairment, annually at December 31, and when circumstances indicate that the carrying value may be impaired. Impairment losses relating to goodwill cannot be reversed in future periods.

Equipment leased to customers

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

Finance leases, whereby substantially all the risks and rewards incident to the ownership are transferred to the lessee, are treated as outright sales and receivables are recorded at amounts equal to the net investment in the leases. The related lease rentals are treated as repayments of principal and interest income reflecting a constant periodic rate of return on the net investment in the lease.

Equipment leased to customers under operating leases are recognised as property, plant & equipment and depreciated accordingly. Related rental income is included in revenue on a straight-line basis over the lease term.

Other investments

Other long-term equity investments are valued at fair value, determined on an individual investment basis. Adjustments to fair values are taken to the statement of comprehensive income under the heading "Other financial income / (expense), net", except for Alfa Laval which is separately disclosed under "Revaluation of investment in Alfa Laval".

Long-term receivables

Long-term receivables are discounted to their net present value, which equals fair value, at the date of inception with subsequent measurement at amortised cost using the effective interest method.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is generally calculated on a moving weighted average basis, except in certain cases where, based upon the nature of the inventories, FIFO is deemed a more appropriate measure. The cost of goods produced includes direct materials, labour and attributable overheads based upon a normal level of activity and taking into account the stage of production of the goods. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are valued at their nominal value, less any allowance for doubtful accounts or write-offs. Trade receivables are not discounted as they are short-term in nature and the time value of money is not significant.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Cash, cash equivalents and borrowings

Cash and cash equivalents include short term, highly liquid deposits due with original maturities of three months or less, recorded at market value. For the purpose of the consolidated cash flow statement, cash and cash equivalents are net of outstanding bank overdrafts.

When the Group has a legal right of set-off for all related transactions and settlement is intended to take place on a net basis, related financial assets are presented on the balance sheet net of the liability. Amounts borrow from related parties with maturities of less than 12 months are included in fixed short-term borrowing with related parties.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Provisions

Provisions are recognised when: (1) the Group has a present legal or constructive obligation as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and (3) a reliable estimate of the amount of the obligations can be made.

Employee benefits

Pension Obligations

The Group maintains a number of defined contribution and defined benefit pension plans in various countries.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a legally separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods. The Group's contributions to defined contribution pension plans are charged to the operating profit in the year to which they relate.

Defined benefit plans are post-employment benefit funds other than defined contribution plans.

For defined benefit plans, the recognised amount in the balance sheet is determined as the present value of the defined benefit obligation at the reporting date less the fair value of any plan assets. Where this calculation results in a net surplus, the excess of assets is recognised only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of refunds from the plan or reduction in future contributions to the plan. When such excess is not available or does not represent a future economic benefit, it is not recognised but is disclosed in the notes.

Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred.

Past service costs are recognised immediately in the operating profit. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognised as an expense in the operating profit.

The present value of the defined benefit obligations and the related service costs are calculated annually by qualified actuaries using the projected unit credit method. The pension obligation is measured as the present value of the estimated future cash outflows using market yields of high-quality corporate bonds in the country concerned or interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Other post-retirement obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

Revenue recognition

The revenue is recognised when the goods and services are transferred to the customer, net of turnover taxes and value-added taxes and after deduction of discounts, bonuses and similar items.

Goods and equipment recognised at a point of time consist of packaging material, spare parts and consumables, for which the revenue is recognised at the date of shipment from the final production site to the customer (the Incoterm conditions are reviewed to determine the date of transfer, especially for cross border sales); and sale of equipment and installation combined as a single performance obligation, for which the revenue is recognised once the equipment has been delivered, inspected, installed and accepted by the customer. If the installation is a separate performance obligation, then the equipment is recognised once it has been delivered and accepted by the customer. The related installation is recognised as a service when the equipment has been installed and installation is accepted by the customer.

Equipment recognised over time consists of equipment, which are dependent on design, technology or complexity to customer specificities or requirements. For this equipment, the performance obligation is satisfied over time and then the revenue is recognised over time. The Group has an enforceable right to payment, from the customer, for performance completed to date. The revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of a performance obligation is calculated by using the percentage of completion method which is the proportion of contract costs incurred for work performed compared to estimated total contract costs.

Rental equipment leased to customers consists of equipment leased to customers under operating leases, recognised as property, plant & equipment and for which the rental income is included in revenue on a straight-line basis over the lease term contracts (between 3 and 8 years).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Services recognised when delivered consist principally of maintenance contracts, for which the revenue is recognised at delivery date.

Interest income and expense

Interest on cash, deposits and borrowings are included in "Interest income" and "Interest expense". Interest on other items, including the amortisation of discounted receivables and payables, is included in "Administrative expenses".

Income taxes

Tax expense is the aggregate amount taken to the statement of comprehensive income of the period in respect of current tax and deferred tax.

Current tax includes all income taxes based upon taxable profits or tax losses for the period. These taxes are calculated in accordance with the regulations in the countries in which they arise.

Deferred tax liabilities and assets are recognised for taxable and deductible temporary differences arising between the tax basis of assets and liabilities and their carrying value for financial reporting purposes. Deferred taxes are also recognised for the carry forward of unused tax losses and unused tax credits and for irrecoverable withholding taxes on undistributed earnings of subsidiaries to the extent that their future distribution is expected. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary difference or the unused tax losses/credits can be utilised. Deferred taxes are measured at the tax rates that are expected to apply to the period when the assets are realised, or the liabilities are settled, based upon the tax legislation that is enacted or substantially enacted at the balance sheet date. These rates are those of the countries in which the related temporary differences or tax losses/credits arise.

Recognition and derecognition of financial instruments

All financial instruments are recognised in the balance sheet at cost as soon as the Group is committed to a contract (trade date). Financial assets are derecognised as soon as the Group has realised the rights to benefits specified in the contract, the rights expire, or the Group surrenders those rights. Financial liabilities are derecognised as soon as the obligation specified in the contract is discharged, cancelled or expires.

Foreign currencies

The accounting records of consolidated subsidiaries are maintained in their respective functional currencies. Assets and liabilities of entities using functional currencies other than the Euro are translated at the exchange rates at the balance sheet date, while the statement of comprehensive income and cash flows are translated at rates approximating those in existence at dates of transaction. Differences resulting from the use of these different exchange rates are recognised directly in "Translation adjustment arising in the period" in the statement of comprehensive income. The same foreign currency translation principles are applied to the net asset value and share in result of associated companies.

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the statement of comprehensive income.

The effects of changes in exchange rates on cash, deposits and borrowings are included in "Other financial income (expense), net". The effects of changes in exchange rates on other items are included in "Administrative expenses".

Exchange rates used for major currencies

	Year-end rates			Average rates		
	2019	2018	Var	2019	2018	Var
Euro :						
USD	1.12	1.14	-1.9%	1.12	1.18	-5.2%
SEK	10.48	10.26	2.2%	10.59	10.26	3.2%
MXN	21.22	22.46	-5.5%	21.56	22.69	-4.9%
JPY	121.80	126.17	-3.5%	121.97	130.44	-6.5%
CNY	7.82	7.86	-0.6%	7.74	7.81	-0.9%
BRL	4.51	4.44	1.6%	4.41	4.29	2.8%
GBP	0.85	0.90	-5.2%	0.88	0.88	-0.8%
CHF	1.08	1.13	-3.6%	1.11	1.16	-3.7%

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Derivative financial instruments

Derivative financial instruments used by the Group include foreign exchange contracts, interest rate swaps, interest rate options, currency options, forward rate agreements, cross currency swaps, commodity swaps and options.

The Group enters into derivative transactions with banks and counterparties to manage foreign currency interest rate exposures and commodity price exposures arising from its operating, investing and financing activities. All derivatives are recognised in the balance sheet at cost as soon as the Group is committed to a contract and are subsequently measured at their fair values. The fair value of a derivative is the equivalent of the unrealised gain or loss from adjusting to market value the derivative using valuation techniques with market observable inputs (inputs hierarchy Level 2). Derivatives with positive market values (unrealised gains) and derivatives with negative market values (unrealised losses) are classified as "Derivative financial instruments" in the consolidated balance sheet.

Hedge accounting is allowed by IFRS only if a number of specific criteria are complied with. As a general rule, the Group does not apply hedge accounting and the changes in fair values of derivatives are recognised in the statement of comprehensive income. Realised gains or losses on derivatives related to operating items are included in "Foreign exchange and hedge result on operating items". Realised gains or losses on derivatives related to net borrowings, as well as all unrealised results on outstanding derivatives are included in "Other financial income (expenses), net".

Key accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate mainly to goodwill, income tax and employee benefits.

Impairment of non-financial assets, such as property, plant and equipment (see Notes 4 and 7)

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, the expected future net cash-inflows, the margin and the growth rate used for projections beyond the initial five-year period.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 7.

Income taxes (see Note 18)

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining income tax liabilities and deferred tax assets. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group establishes provisions, based on best estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Employee benefits (see Note 19)

The Group has defined benefit plans, which are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The risk is, however, decreased by the Group reducing the number of defined benefit schemes due to the fact that many of these defined benefit schemes are replaced by defined contribution schemes.

In determining the appropriate discount rate, the interest rates of corporate bonds in the respective currency with at least AA rating are considered, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

mortality rate is based on publicly available mortality tables for the specific country. Future salary increases, and pension increases are based on expected future inflation rates for the respective country.

Estimates and assumptions have also been applied in areas such as provisions, determination of percentage of completion in work in progress, inventory obsolescence, recoverability of accounts receivable and probabilities in connection with business risks.

2020072915389

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

2. SEGMENT AND GEOGRAPHICAL DATA

The Group manages its business primarily in three segments, Tetra Pak, DeLaval and Sidel. Corporate and other include Holding and Finance activities managed by Tetra Laval International.

The segment results for the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
Revenue	9,370	1,082	1,446	14	-7	11,905
Operating profit/Segment result	840	65	15	-44	-3	873
Revaluation of investment and dividend income from Alfa Laval						547
Interest income						13
Interest expense						-165
Other financial income (expense), net						26
Profit before tax						1,294
Income tax expense						-242
Profit for the year						1,052

	December 31, 2018					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
Revenue	9,470	1,011	1,416	12	-12	11,897
Operating profit/Segment result	784	38	33	25	-3	877
Revaluation of investment and dividend income from Alfa Laval						-94
Interest income						12
Interest expense						-144
Other financial income (expense), net						-34
Profit before tax						617
Income tax expense						-232
Profit for the year						385

2020072915390

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The segment assets and liabilities at December 31, 2019, 2018 and January 1, 2018 were as follows:

	December 31, 2019					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
Segment operating assets	5,114	580	944	628	-85	7,181
Taxes						488
Cash & deposits						871
Investment in Alfa Laval						2,747
Derivatives and other financial assets						83
Total assets						11,370
Segment operating liabilities	2,101	251	645	563	-7	3,553
Taxes						302
Borrowings						4,743
Derivatives and other financial liabilities						224
Total liabilities						8,822
Segment net assets	3,013	329	299	65	-78 ⁽¹⁾	3,628
Net tax asset						186
Net borrowings						-3,872
Investment in Alfa Laval						2,747
Net derivatives and other financial items						-141
Net assets						2,548

(1) Tetra Pak segmental operating assets included Goodwill of €78 million, which are adjusted on consolidation.

	December 31, 2018					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
Segment operating assets	5,310	546	862	643	-94	7,267
Taxes						506
Cash & deposits						564
Investment in Alfa Laval						2,257
Derivatives and other financial assets						107
Total assets						10,701
Segment operating liabilities	2,313	245	631	555	-8	3,736
Taxes						286
Borrowings						3,756
Derivatives and other financial liabilities						282
Total liabilities						8,060
Segment net assets	2,997	301	231	88	-86	3,531
Net tax asset						220
Net borrowings						-3,192
Investment in Alfa Laval						2,257
Net derivatives and other financial items						-175
Net assets						2,641

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

	January 1, 2018					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
Segment operating assets	5,277	520	903	678	-113	7,265
Taxes						460
Cash & deposits						664
Investment in Alfa Laval						2,400
Derivatives and other financial assets						128
Total assets						10,917
Segment operating liabilities	2,156	236	659	627	-9	3,669
Taxes						310
Borrowings						3,568
Derivatives and other financial liabilities						239
Total liabilities						7,786
Segment net assets	3,121	284	244	51	-104	3,596
Net tax asset						150
Net borrowings						-2,904
Investment in Alfa Laval						2,400
Derivatives and other financial items						-111
Net assets						3,131

Key cash flow items, non-recurring items and number of employees for the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
<u>Key Cash Flow items</u>						
Depreciation, amortisation and impairment	347	30	31	16	-	424
Non-cash expenses and reclassification to financing	147	20	15	-78	-	104
Capital expenditure	-319	-14	-25	-1	-	-359
Acquisition of business	2	-	-15	-	-	-13
Cash flow from operating and investing activities	810	83	-40	13	61 ⁽¹⁾	927
<u>Non recurring items</u>						
Impairment charges	-10	-	-	-	-	-10
Restructuring costs	-24	-1	-	-	-	-25
Litigation costs and other	-40	3	-1	-	-	-38
Number of employees	18,956	4,628	5,527	262	-	29,373

(1) Industry groups' segmental Capital expenditure and Cash flow from operating and investing activities, include the payment on lease liabilities of €61 million, which are reclassified in financing activities on consolidation.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

	December 31, 2018					<u>Total Group</u>
	Tetra Pak	DeLaval	Sidel	Corporate and Other	Consolidation adjustments	
<u>Key Cash Flow items</u>						
Depreciation, amortisation and impairment	314	17	25	14	-	370
Non-cash expenses and reclassification to financing	198	17	22	11	-	248
Capital expenditure	-287	-19	-22	-2	-	-330
Acquisition of business	4	-	-15	-	-	-11
Cash flow from operating and investing activities	595	-1	31	70	-	695
<u>Non recurring items</u>						
Impairment charges	-4	-	-1	-	-	-5
Restructuring costs	-45	-2	-	-	-	-47
Litigation costs and other	-59	-1	-	8	-	-52
Number of employees	19,193	4,637	5,487	266	-	29,583

Reporting data by geographical area for the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019			
	Revenue	Total Assets	Capital Expenditure	Number of Employees
Western Europe	4,428	7,411	210	14,298
Central and Eastern Europe	1,268	679	59	3,605
Africa	527	158	4	652
North America	1,618	764	19	3,093
Central and South America	1,728	1,199	26	3,160
East Asia and Pacific	1,419	533	12	2,189
Central Asia and Middle East	917	626	29	2,376
Total	11,905	11,370	359	29,373

	December 31, 2018			
	Revenue	Total Assets	Capital Expenditure	Number of Employees
Western Europe	4,342	6,661	185	14,180
Central and Eastern Europe	1,255	640	28	3,562
Africa	535	129	3	677
North America	1,622	789	53	3,123
Central and South America	1,705	1,277	24	3,179
East Asia and Pacific	1,251	480	6	2,171
Central Asia and Middle East	1,187	725	31	2,691
Total	11,897	10,701	330	29,583

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

3. REVENUE

The disaggregation of revenue by timing of revenue recognition and major businesses as at December 31, 2019 and 2018 were as follows:

	Tetra Pak	DeLaval	Sidel	Corporate and elimination	2019
Goods and equipment recognised at point of time	7,493	1,041	598	-2	9,130
Equipment recognised over time	900	-	703	-3	1,600
Rental, equipment leased to customers	150	-	-	-	150
Services recognised when delivered	827	41	145	12	1,025
Revenue	9,370	1,082	1,446	7	11,905

	Tetra Pak	DeLaval	Sidel	Corporate and elimination	2018
Goods and equipment recognised at point of time	7,559	969	492	-8	9,012
Equipment recognised over time	919	-	750	-3	1,666
Rental, equipment leased to customers	166	-	-	-	166
Services recognised when delivered	826	42	174	11	1,053
Revenue	9,470	1,011	1,416	-	11,897

Management expects that 67% of the transaction price allocated to the open contracts as at December 31, 2019 will be recognised as revenue by December 31, 2020. The remaining 33% will be recognised by December 31, 2021.

Contract assets consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Note	2019	2018	January 1, 2018
Accrued income on revenue recognised over time		217	191	200
Accrued income on revenue recognised over time with related parties	26	3	-	-
Accrued income on revenue recognised at point of time		12	15	8
		232	206	208

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Contract liabilities consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Note	2019	2018	January 1, 2018
Deferred income on revenue recognised over time		79	81	87
Advances from customers on revenue recognised at point of time		145	172	190
Advances from customers on revenue recognised at point of time with related parties	26	-	1	1
Advances from customers on revenue recognised over time		265	252	199
Deferred income on revenue recognised at point of time		61	69	63
		<u>550</u>	<u>575</u>	<u>540</u>

The contract liabilities relate to contracts billed or to the advance consideration received from customers, for which the performance obligation is not yet satisfied, and the revenue is not recognised.

Net sales and cost of sales include items related to sales of systems for the processing, packaging and distribution of liquid food products, management fee and research and development.

Allocation of net sales was as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Net Sales	11,299	11,295
Management fee income with related parties	250	227
Research and development income with related parties	356	375
	<u>11,905</u>	<u>11,897</u>

Allocation of cost of sales was as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Cost of sales	-8,593	-8,617
Management fee cost with related parties	-2	-1
Research and development cost	-458	-478
	<u>-9,053</u>	<u>-9,096</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

4. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment consisted of the following balances and movements for the years ended December 31, 2019 and 2018:

	Land, buildings and ground installations	Plant and machinery	Fixtures and fittings	Equipment leased to customers	Construction in progress and payment on account	2019 TOTAL
Historical cost						
Balance at beginning of year	1,133	2,286	614	1,180	206	5,419
Disposal of business (Note 28)	-20	-62	-16	-	-4	-102
Additions ⁽¹⁾	27	97	34	-	166	324
Disposals	-6	-108	-23	-	-72	-209
Transfer to / from inventory	-	-	-	-159	-	-159
Effects of changes in foreign currency exchange rates	-3	-5	-3	5	-3	-9
Reclassifications & Other	18	111	12	22	-152	11
Balance at end of year	<u>1,149</u>	<u>2,319</u>	<u>618</u>	<u>1,048</u>	<u>141</u>	<u>5,275</u>
Accumulated depreciation						
Balance at beginning of year	-576	-1,664	-450	-613	-	-3,303
Depreciation	-33	-149	-58	-90	-	-330
Disposal of business (Note 28)	14	48	11	-	-	73
Disposals	5	82	22	-	-	109
Transfer to inventory	-	-	-	149	-	149
Effects of changes in foreign currency exchange rates	1	5	2	-2	-	6
Reclassifications & Other	4	-9	9	-1	-	3
Balance at end of year	<u>-585</u>	<u>-1,687</u>	<u>-464</u>	<u>-557</u>	<u>-</u>	<u>-3,293</u>
Impairment losses						
Balance at beginning of year	-7	-25	-2	-56	-7	-97
Charges during year	-2	-6	-	-13	-2	-23
Disposals	-	3	-	-	3	6
Transfer to inventory	-	-	-	25	-	25
Effects of changes in foreign currency exchange rates	-	-	-	-1	-	-1
Reclassifications & Other	4	-	-	1	1	6
Balance at end of year	<u>-5</u>	<u>-28</u>	<u>-2</u>	<u>-44</u>	<u>-5</u>	<u>-84</u>
Net book value at beginning of year	<u>550</u>	<u>597</u>	<u>162</u>	<u>511</u>	<u>199</u>	<u>2,019</u>
Net book value at end of year	<u>559</u>	<u>604</u>	<u>152</u>	<u>447</u>	<u>136</u>	<u>1,898</u>

(1) Includes a decrease of €35 million in payables and a decrease of €3 million in advances in 2019 (respectively €50 million increase and €5 million increase in 2018).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

	Land, buildings and ground installations	Plant and machinery	Fixtures and fittings	Equipment leased to customers	Construction in progress and payment on account	2018 TOTAL
Historical cost						
Balance at beginning of year	1,120	2,241	609	1,288	127	5,385
Additions	30	102	36	-	204	372
Disposals	-14	-90	-29	-	-21	-154
Transfer to / from inventory	-	-	-	-85	-	-85
Effects of changes in foreign currency exchange rates	-17	-41	-12	-23	-4	-97
Reclassifications & Other	14	74	10	-	-100	-2
Balance at end of year	<u>1,133</u>	<u>2,286</u>	<u>614</u>	<u>1,180</u>	<u>206</u>	<u>5,419</u>
Accumulated depreciation						
Balance at beginning of year	-556	-1,605	-437	-647	-	-3,245
Depreciation	-32	-155	-57	-97	-	-341
Disposals	7	67	28	-	-	102
Transfer to inventory	-	-	-	123	-	123
Effects of changes in foreign currency exchange rates	4	27	8	8	-	47
Reclassifications & Other	1	2	8	-	-	11
Balance at end of year	<u>-576</u>	<u>-1,664</u>	<u>-450</u>	<u>-613</u>	<u>-</u>	<u>-3,303</u>
Impairment losses						
Balance at beginning of year	-11	-26	-2	-59	-4	-102
Charges during year	-1	-1	-	-17	-3	-22
Reversal during year	-	-	-	1	-	1
Disposals	6	1	-	-	-	7
Transfer to inventory	-	-	-	19	-	19
Effects of changes in foreign currency exchange rates	-	-	-	-1	-	-1
Reclassifications & Other	-1	1	-	1	-	1
Balance at end of year	<u>-7</u>	<u>-25</u>	<u>-2</u>	<u>-56</u>	<u>-7</u>	<u>-97</u>
Net book value at beginning of year	<u>553</u>	<u>610</u>	<u>170</u>	<u>582</u>	<u>123</u>	<u>2,038</u>
Net book value at end of year	<u>550</u>	<u>597</u>	<u>162</u>	<u>511</u>	<u>199</u>	<u>2,019</u>

2020072915397

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Prior to the first application of IFRS 16 Leases, included in property, plant and equipment at December 31, 2018 was approximately €7 million of assets leased under finance leases (€6 million of buildings and €1 million of fixtures and fittings) and at January 1, 2018 was approximately €6 million of assets leased under finance leases (€5 million of buildings and €1 million of fixtures and fittings). These assets were reclassified to right-of-use assets upon the first application of IFRS 16 Leases on January 1, 2019 (see Note 5).

Equipment leased to customers as at December 31, 2019, 2018 and January 1, 2018, amounted to €447 million, €511 million and €582 million, respectively, mainly consisted of filling and distribution equipment which the Group has leased to customers under various operating lease arrangements. In general, these operating lease contracts have a life of between 3 and 8 years and are automatically extended for a period of 12 months if the parties do not terminate the agreement at the expiry of the rental term (90 days prior written notice). There is no purchase option for the customer at the end of the lease term. As at December 31, 2019 land, buildings and ground installations included approximately €1 million (2018: €1 million and January 1, 2018: €1 million) of buildings which the Group has leased to third parties under operating lease arrangements.

Impairment losses included €13 million (2018: €16 million) related to filling equipment leased to customers. The impairment related to equipment leased to customers is reported in cost of goods sold. The impairment charge was calculated as the difference between the recoverable amount and the net book value. The recoverable amount was based on the value in use of the filling equipment concerned, which corresponds to the net present value of the rental fees plus the residual value of the equipment at the end of the lease term, less any removal costs to be incurred by the Group that cannot be recharged to the customer. When packaging material and equipment revenue are part of the same cash generating unit, packaging material revenue, with a high level of realisation certainty has been included in the impairment test.

Included under land, buildings and ground installations are investment properties with a net book value of €1 million (2018: €1 million and January 1, 2018: €1 million) and a fair value of €44 million (2018: €44 million and January 1, 2018: €46 million), which was based on the discounted future net cash inflow for leased investment properties. A discount rate of 8.4% has been used for the calculation (2018: 8.5% and January 1, 2018: 7.8%).

Future minimum lease receivables – where the Group is lessor

Future minimum lease receivables under non-cancellable operating leases to customers were as follows:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
No later than one year	136	143	160
Between one and five years	366	375	443
Later than five years	91	91	114
	<u>593</u>	<u>609</u>	<u>717</u>

Contingent rent included as income was approximately €1 million for the year ended December 31, 2019 (2018: €1 million).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

5. RIGHT-OF-USE ASSETS

Following the first application of IFRS 16 Leases on January 1, 2019, right-of-use assets consisted of the following balances and movements for the period ended December 31, 2019:

	Land & Buildings	Transport equipment	Production machines & Other	<u>2019</u> TOTAL
Historical cost				
First application of IFRS 16	116	51	7	174
Additions	30	35	9	74
Disposals, reclassifications & other	7	-3	-	4
Balance at end of year	<u>153</u>	<u>83</u>	<u>16</u>	<u>252</u>
Accumulated depreciation & impairment losses				
Depreciation	-33	-28	-4	-65
Disposals, reclassifications & other	-5	1	-	-4
Balance at end of year	<u>-38</u>	<u>-27</u>	<u>-4</u>	<u>-69</u>
Net book value at end of year	<u>115</u>	<u>56</u>	<u>12</u>	<u>183</u>

Following the first application of IFRS 16 Leases on January 1, 2019, lessee amounts recognised in the profit or loss for the period ended December 31, 2019 included:

	Notes	<u>2019</u>
Depreciation on right-of-use assets	20	-47
Employee benefit expenses - Depreciation on right-of-use assets	19	-18
Interest expense on lease liabilities	23	-8
Rent expense - lease of low-value assets ⁽¹⁾	20	-16
Rent expense - variable lease payments ⁽¹⁾	20	-4
		<u>-93</u>

⁽¹⁾ Included in line "Rental and leases".

The impact of lease liabilities following the first application of IFRS 16 at January 1, 2019 can be found in Note 14.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

6. COMMITMENTS

Operating lease commitments – where the Group is lessee

Prior to the first application of IFRS 16 Leases on January 1, 2019, the Group leased certain assets under non-cancellable operating leasing contracts. On January 1 and December 31, 2018, the future minimum lease payments under non-cancellable operating leases were as follows:

	<u>2018</u>	<u>January 1, 2018</u>
No later than one year	48	45
Between one and five years	103	85
Later than five years	46	33
	<u>197</u>	<u>163</u>

At January 1, 2019, the Group recognised right-of-use assets and lease liabilities for €174 million for these operating leases. The difference of €23 million between the future minimum lease payments under non-cancellable operating leases of €197 million and lease liabilities of €174 million represents the discount using the lessee's incremental borrowing rate at the date of initial application (see Notes 5 and 14 for additional information).

Capital commitments

At December 31, 2019, the Group had capital commitments for inventories of €6 million (December 31, 2018: €38 million and January 1, 2018: €36 million) and for the purchase or construction of property, plant and equipment of € nil million (December 31, 2018: €8 million and January 1, 2018: €3 million).

At December 31, 2019, the Group reported €108 million for commercial guarantees (December 31, 2018: €161 million and January 1, 2018: €168 million) and €94 million for guarantees for taxes (December 31, 2018: €96 million and January 1, 2018: €64 million).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following balances and movements for the years ended December 31, 2019 and 2018:

	Goodwill	Patents and trademarks	Capitalised software development costs	Other intangibles	2019 TOTAL
Historical cost					
Balance at beginning of year	1,244	23	69	77	1,413
Acquisition of business (Note 28)	11	-	-	-	11
Additions	-	-	2	1	3
Disposals	-	-5	-1	-4	-10
Effects of changes in foreign currency exchange rates	2	-	-	-	2
Reclassifications & Other	-	-	1	1	2
Balance at end of year	<u>1,257</u>	<u>18</u>	<u>71</u>	<u>75</u>	<u>1,421</u>
Accumulated amortisation					
Balance at beginning of year	-	-20	-62	-53	-135
Amortisation	-	-1	-4	-1	-6
Disposals	-	5	1	4	10
Effects of changes in foreign currency exchange rates	-	-	-	-	-
Reclassifications & Other	-	-1	-	-	-1
Balance at end of year	<u>-</u>	<u>-17</u>	<u>-65</u>	<u>-50</u>	<u>-132</u>
Impairment losses					
Balance at beginning of year	-1,009	-	-1	-10	-1,020
Charges during year	-	-	-	-	-
Effects of changes in foreign currency exchange rates	-	-	-	-	-
Reclassifications & Other	-1	-	-	-	-1
Balance at end of year	<u>-1,010</u>	<u>-</u>	<u>-1</u>	<u>-10</u>	<u>-1,021</u>
Net book value at beginning of year	<u>235</u>	<u>3</u>	<u>6</u>	<u>14</u>	<u>258</u>
Net book value at end of year	<u>247</u>	<u>1</u>	<u>5</u>	<u>15</u>	<u>268</u>

Cash flow projections used for impairment tests are based on the relevant cash generating units' budget 2020, business plan up to 2022 and profit before interest and taxes of 8.0% of revenue and a revenue growth of 2.8% for 2023 and subsequent years. The discount rate applied to the resulting cash flow projections is 7.0% (2018: 8.1%). Budget 2020 and business plan up to 2022 have been approved by the management of the Group.

The calculation of value in use is sensitive to assumptions of discount rate, profit before interest and taxes, working capital, and investments.

A profit before interest and taxes and a revenue growth lower by 5 percentage points or a discount higher by 2 percentage points would have no significant impact on the impairment calculation.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

	Goodwill	Patents and trademarks	Capitalised software development costs	Other intangibles	2018 TOTAL
Historical cost					
Balance at beginning of year	1,237	23	67	81	1,408
Acquisition of business	8	-	-	-	8
Additions	-	-	2	1	3
Disposals	-	-1	-	-3	-4
Effects of changes in foreign currency exchange rates	-1	1	-	-1	-1
Reclassifications & Other	-	-	-	-1	-1
Balance at end of year	<u>1,244</u>	<u>23</u>	<u>69</u>	<u>77</u>	<u>1,413</u>
Accumulated amortisation					
Balance at beginning of year	-	-18	-58	-51	-127
Amortisation	-	-2	-5	-1	-8
Effects of changes in foreign currency exchange rates	-	-1	-	-	-1
Reclassifications & Other	-	1	1	-1	1
Balance at end of year	<u>-</u>	<u>-20</u>	<u>-62</u>	<u>-53</u>	<u>-135</u>
Impairment losses					
Balance at beginning of year	-1,009	-	-1	-13	-1,023
Charges during year	-	-	-	-	-
Disposals	-	-	-	3	3
Effects of changes in foreign currency exchange rates	-	-	-	-	-
Reclassifications & Other	-	-	-	-	-
Balance at end of year	<u>-1,009</u>	<u>-</u>	<u>-1</u>	<u>-10</u>	<u>-1,020</u>
Net book value at beginning of year	<u>228</u>	<u>5</u>	<u>8</u>	<u>17</u>	<u>258</u>
Net book value at end of year	<u>235</u>	<u>3</u>	<u>6</u>	<u>14</u>	<u>258</u>

2020072915402

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

8. OTHER INVESTMENTS

Other investments consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	<u>2019</u>	<u>Net change in Market Value, translation & other</u>	<u>2018</u>	<u>January 1, 2018</u>
Alfa Laval AB, Sweden	2,747	490	2,257	2,400
Other long-term equity investments	17	1	16	18
	<u>2,764</u>	<u>491</u>	<u>2,273</u>	<u>2,418</u>

Investment in Alfa Laval

At December 31, 2019, 2018 and January 1, 2018, the Group held 122'037'736 shares in Alfa Laval representing 29.1% of the issued share capital.

Based upon the December 31, 2019 and December 31, 2018 market price per share (input hierarchy Level 1) of SEK 235.90 and SEK 189.65 respectively, and EUR SEK exchange rates of 10.48 and 10.26 respectively, the value of the Group's investment in Alfa Laval amounted to €2,747 million and €2,257 million, respectively and has been accounted for at fair value through the profit and loss and included in the balance sheet under "Other investments" as it is considered to be a financial investment, separate from the industrial activities of the Group and managed on a fair value basis.

The revaluation of Alfa Laval shares of €490 million gain (2018: €143 million loss) and the dividend received of €57 million (2018: €49 million) are shown in the statement of comprehensive income under "Revaluation of Investment in Alfa Laval" and "Dividend income from Alfa Laval", respectively.

9. LONG-TERM RECEIVABLES

Long-term receivables consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	<u>Notes</u>	<u>Maturity</u>		<u>Interest Rates</u>	<u>Carrying amount</u>		<u>January 1, 2018</u>
		<u>5 years or less</u>	<u>more than 5 years</u>		<u>2019</u>	<u>2018</u>	
Long-term receivables under finance leases		211	8	4.52%	219	236	233
Receivables on account		145	12	6.58%	157	162	157
Long-term VAT receivables		61	3	18.93%	64	71	80
Employee benefit assets	19	7	-		7	6	8
Blocked deposits		12	1		13	16	14
Fixed term deposits with related parties	26	31	-	3.16%	31	29	22
Other long-term receivables		47	10		57	54	50
					<u>548</u>	<u>574</u>	<u>564</u>

Fair values of long-term receivables do not differ substantially from their book values as most of the rates are floating and updated on a regular basis to reflect market rates.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Future minimum finance lease receivables from customers were as follows:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Gross investment in finance leases	328	354	345
Less:			
Accumulated allowance for uncollectible receivables	-8	-17	-13
Unearned interest income	-32	-30	-25
	<u>288</u>	<u>307</u>	<u>307</u>

Net present value of minimum finance lease payments receivable:

	<u>Gross investment</u>	<u>Accum. Allowance</u>	<u>Unearned interest income</u>	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
No later than one year	81	-4	-8	69	71	74
Between one and five years	232	-	-22	210	220	219
Later than five years	15	-4	-2	9	16	14
				<u>288</u>	<u>307</u>	<u>307</u>

Equipment leased to customers under finance leases consisted of distribution equipment and filling equipment. These leases have an average life between 5 and 8 years with renewal terms included in the contracts. In general, these finance lease contracts are automatically extended for a period of 12 months if the parties do not terminate the agreement at the expiry of the contract term or exercise the purchase option (90 days prior written notice). In general, the contract includes a purchase option at the end of the lease term.

10. INVENTORIES

Inventories consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	<i>Note</i>	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Raw materials		218	256	228
Work-in-progress		331	315	350
Finished goods and goods held for resale		762	775	709
Payments on account		30	29	25
Payments on account with related parties	26	-	-	2
Net inventories at the lower of cost and net realisable value		<u>1,341</u>	<u>1,375</u>	<u>1,314</u>

At December 31, 2019, inventories were shown net of obsolescence provisions amounting to €225 million (2018: €211 million and January 1, 2018: €239 million).

During the year ended December 31, 2019 approximately €26 million (2018: €24 million) of obsolescence provisions were released through the statement of comprehensive income.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

11. TRADE RECEIVABLES

Trade receivables consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Note	2019	2018	January 1, 2018
Trade receivables, gross		1,673	1,713	1,810
Trade receivables, gross with related parties	26	680	677	711
Allowance for doubtful accounts		-261	-270	-294
		<u>2,092</u>	<u>2,120</u>	<u>2,227</u>

The contractual terms governing the relationships with the customers vary from country to country, although these receivables are collected in approximately one to three months.

Movements on the allowance for doubtful trade receivables consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	270	294
Charge during the year	64	50
Utilised	-42	-28
Unused amounts reversed	-24	-34
Effects of changes in foreign currency exchange rates	-	-9
Other	-7	-3
Balance at end of year	<u>261</u>	<u>270</u>

The creation and release of allowance for doubtful accounts have been included in administrative expenses in the statement of comprehensive income (Note 20).

The ageing of trade receivables consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	2019		
	Trade receivables, gross	Allowance for doubtful accounts	Net trade receivables
Not overdue	1,047	-3	1,044
Overdue	626	-258	368
Overdue < 1 month	150	-3	147
Overdue 1 - 3 months	132	-5	127
Overdue 4 - 6 months	74	-15	59
Overdue 7 - 12 months	74	-40	34
Overdue > 1 year	196	-195	1
	<u>1,673</u>	<u>-261</u>	<u>1,412</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

	2018		
	Trade receivables, gross	Allowance for doubtful accounts	Net trade receivables
Not overdue	1,075	-11	1,064
Overdue	638	-259	379
Overdue < 1 month	182	-2	180
Overdue 1 - 3 months	123	-2	121
Overdue 4 - 6 months	62	-16	46
Overdue 7 - 12 months	45	-25	20
Overdue > 1 year	226	-214	12
	<u>1,713</u>	<u>-270</u>	<u>1,443</u>

	January 1, 2018		
	Trade receivables, gross	Allowance for doubtful accounts	Net trade receivables
Not overdue	1,158	-10	1,148
Overdue	652	-284	368
Overdue < 1 month	196	-4	192
Overdue 1 - 3 months	105	-6	99
Overdue 4 - 6 months	46	-8	38
Overdue 7 - 12 months	46	-27	19
Overdue > 1 year	259	-239	20
	<u>1,810</u>	<u>-294</u>	<u>1,516</u>

12. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Note	2019	2018	January 1, 2018
Prepaid expenses		189	195	190
Prepaid expenses with related parties	26	121	198	133
VAT receivables		165	161	166
Current portion of receivables under finance leases		69	71	74
Cash-in-transit		7	9	10
Advances to suppliers		35	38	35
Advances to suppliers with related parties	26	1	2	-
Other accrued income and quick assets		28	35	39
Other accrued income and quick assets with related parties	26	20	19	3
Short-term deposits with original maturities greater than 3 months		11	10	24
Short-term deposits with original maturities greater than 3 months with related parties	26	70	67	80
		<u>716</u>	<u>805</u>	<u>754</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Notes	2019	2018	January 1, 2018
Cash and bank		229	279	232
Fixed short-term deposits < 3 months		14	40	28
Fixed short-term deposits < 3 months with related parties	26	449	18	8
Pooled cash with related parties	26	3	3	14
Current account with related parties	26	64	118	256
		<hr/>	<hr/>	<hr/>
Cash and short term deposits		759	458	538
Bank overdrafts	14	-70	-57	-68
Cash pool overdraft with related parties	14, 26	-18	-12	-4
Current account with related parties	26	-3	-	-
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents		668	389	466

Fixed short-term deposits less than 3 months mainly consisted of deposits collectable within 7 to 36 days, with an average effective interest rate of 1.5% (2018: 3.3% and January 1, 2018: 2.5%). Fixed short-term deposits less than 3 months with related parties earned an average effective interest rate of 0.7% (2018: 4.2% and January 1, 2018: 2.9%).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

14. BORROWINGS

Borrowings as at December 31, 2019, 2018 and January 1, 2018 consisted of the following balances:

	Note	2019	2018	January 1, 2018
<i>Long-term debt</i>				
T7 credit facility		678	700	886
Other bank loans		14	202	30
Lease liabilities		124	-	-
Liabilities under finance leases		-	3	3
		<u>816</u>	<u>905</u>	<u>919</u>
<i>Current portion of long-term debt</i>				
Current maturities of long-term loans		223	140	381
Current portion of leases liabilities		62	-	-
Current portion of liabilities under finance leases		-	1	1
T7 credit facility		-	6	8
		<u>285</u>	<u>147</u>	<u>390</u>
<i>Bank loans and overdrafts</i>				
Fixed short-term borrowings		969	843	892
Fixed short-term borrowings with related parties	26	2,582	1,792	1,295
Bank overdrafts		70	57	68
Cash pool overdraft with related parties	26	18	12	4
Current account with related parties	26	3	-	-
		<u>3,642</u>	<u>2,704</u>	<u>2,259</u>
Total borrowings		<u>4,743</u>	<u>3,756</u>	<u>3,568</u>
Total borrowings excluding lease liabilities		<u>4,557</u>	<u>3,756</u>	<u>3,568</u>
Total borrowings excluding lease liabilities, bank overdrafts, cash pool and current account		<u>4,466</u>	<u>3,687</u>	<u>3,496</u>
Total borrowings excluding, bank overdrafts, cash pool and current account		<u>4,652</u>	<u>3,687</u>	<u>3,496</u>

Fair values of long-term debt do not differ substantially from their book values.

Tetra Laval Finance & Treasury S.A., a subsidiary of Tetra Laval International S.A., is the principal borrower under a multi-currency revolving credit facility (T7) of €3,000 million with a consortium of six banks. On April 23, 2019, the fourth one-year extension option was approved by all the lenders bringing the maturity of the facility to July 21, 2024. On January 14, 2020, an amendment to the facility agreement was signed adding 2 one-year extension options.

The Company together with related parties (the "Guarantors") has a joint and several liability towards financial institutions for a maximum amount of €3,300 million, for facilities granted to related parties. The total outstanding amount of the Group and the related parties on the facility as at December 31, 2019 is €782 million (2018: €833 million). On October 28, 2019, the Guarantors have agreed among themselves on the apportionment of their joint and several liability so that each of the Guarantors is solely liable for the secured obligations relating to itself and, where applicable, its own subsidiaries.

No claims arose from the above-mentioned commitments.

The facility is available for general corporate purposes of the Group and bears interest at a margin of 0.25% over LIBOR / EURIBOR / STIBOR. Utilisation fees stand at 0.075% for utilisation of the facility lower than 33%, 0.15% for utilisation between 33% and 66% and 0.30% for utilisation above 66%.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The Group drawdown under this facility as at December 31, 2019 amounted to €678 million (December 31, 2018: €706 million and January 1, 2018: €894 million).

The average effective interest rate on fixed short-term borrowings from related parties of €2,582 million (December 31, 2018: €1,792 million and January 1, 2018: €1,295 million) was 0.4% (December 31, 2018: 0.2% and January 1, 2018: 0.3%).

The average effective interest rate on other fixed short-term borrowings during 2019 of €969 million (December 31, 2018: €843 million and January 1, 2018: €892 million) it was 8.1% (December 31, 2018: 8.7% and January 1, 2018: 7.1%).

The average effective interest rate on the other long-term loans outstanding during 2019, excluding lease liabilities, of €14 million (December 31, 2018: €205 million and January 1, 2018: €33 million) was 7.3% (December 31, 2018: 7.7% and January 1, 2018: 7.8%).

The average effective interest rate on lease liabilities of €186 million during 2019 was 4.3%.

Movement in borrowings excluding bank overdrafts at December 31, 2019 and 2018 consisted of the following, including the first application of IFRS 16 lease liabilities impact at January 1, 2019:

	<u>Lease liabilities</u>	<u>Borrowings excl. bank overdrafts, cash pool and current account</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	n/a	3,687	3,687	3,496
First application of IFRS 16	174	n/a	174	-
Additions	74	n/a	74	-
Ended contracts / Cancellations / Write-downs	-5	n/a	-5	-
Increase (repayment) of borrowings	n/a	26	26	-254
Increase (repayment) of borrowings with related parties	n/a	730	730	427
Payment of finance lease payables	n/a	n/a	n/a	-1
Disposal of business (Note 28)	-	47	47	70
Payment of lease liabilities	-61	n/a	-61	-
Effects of changes in foreign currency exchange rates	-	-21	-21	-53
Reclassifications & Other	4	-3	1	2
Balance at end of year	186	4,466	4,652	3,687

Borrowings as at December 31, 2019, 2018 and January 1, 2018 consisted of the following balances split by major currencies:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
USD	722	880	967
BRL	283	311	315
EUR	1,955	1,891	1,539
MXN	20	81	13
TRY	103	102	111
INR	68	80	73
CNY	140	141	144
CLP	34	48	24
COP	42	43	35
PKR	48	42	64
PHP	16	25	24
SEK	2	11	98
CHF	424	-	-
SGD	556	-	2
ARS	29	9	41
Other	115	92	118
Total borrowings excluding lease liabilities	4,557	3,756	3,568

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The maturities of long-term debt outstanding as at December 31, 2019, 2018 and January 1, 2018 were as follows:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Between one and five years	815	904	916
Later than five years	1	1	3
Total long-term debt	<u>816</u>	<u>905</u>	<u>919</u>

Loans amounting to €89 million at December 31, 2019 (December 31, 2018: €97 million and January 1, 2018: 116 million) were secured by assets pledged.

Following the first application of IFRS 16 Leases at January 1, 2019, the aggregate scheduled principal contractual repayments of leases liabilities at December 31, 2019 were as follows:

	<u>Lease payments</u>	<u>Unbooked finance charge</u>	<u>2019</u>
No later than one year	63	1	62
Between one and five years	116	11	105
Later than five years	26	7	19
	<u>205</u>	<u>19</u>	<u>186</u>

Prior to the first application of IFRS 16 Leases at January 1, 2019, the aggregate scheduled principal repayments of financing lease obligations at December 31 and January 1, 2018 were as follows:

	<u>2018</u>	<u>January 1, 2018</u>
No later than one year	1	1
Between one and five years	3	3
	<u>4</u>	<u>4</u>

Following the first application of IFRS 16 Leases at January 1, 2019, €4 million of financing lease obligations were reclassified to lease liabilities and are included in the amount of €174 million.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

15. PROVISIONS

The movements in provisions consisted of the following for the years ended December 31, 2019, 2018 and January 1, 2018:

	Claims & warranty	Restructuring	Litigation	Other	2019 Total	2018 Total	January 1, 2018 Total
Balance at beginning of year	124	43	56	15	238	214	235
New provisions charged to income statement	92	29	24	2	147	205	165
Excess provisions reversed to income statement	-15	-4	-2	-1	-22	-25	-21
Provisions utilised	-82	-59	-28	-1	-170	-150	-158
Effects of changes in foreign currency exchange rates	-	-	-	-	-	-1	-6
Other	-	1	-1	-2	-2	-5	-1
Balance at end of year	119	10	49	13	191	238	214

Expected timing of resulting cash outflows was as follows:

	Claims & warranty	Restructuring	Litigation	Other	2019 Total	2018 Total	January 1, 2018 Total
Provisions current	113	10	26	5	154	191	186
Provisions non-current	6	-	23	8	37	47	28
	119	10	49	13	191	238	214

The amount provided corresponds to the best estimate of the obligation of the Group.

As the effect of the time value of money is not material, the provisions have not been discounted.

Claims and warranty

Product sales with warranties give rise to a legal obligation. For these warranties taken as a whole, it is probable that the Group will incur expenditures. A provision is recognised for the best estimate of costs related to items sold before the balance sheet date. The amounts are estimated primarily using historical data and past experience of the level of cash outflows related to claims under warranty. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

These provisions also include costs remaining on equipment sold and expected losses when it is probable that the total costs of a construction contract will exceed the total revenue.

Restructuring

The Group makes a provision for restructuring providing that the events are linked to a business divestment or elimination, a site or an entity closure, or the dismissal of employees that are not going to be replaced as such. In all cases the decision was communicated prior to December 31.

Provisions attributable to restructuring mainly comprise of employee termination payments and are recognised in the period in which they are incurred. For those under collective agreements, employee termination benefits are recognised only after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected. For those under individual contracts, employee termination benefits are recognised when individual agreements are in place.

Litigation

Litigation provisions have been recognised to cover legal and administrative proceedings that arise in the ordinary course of business.

2020072915411

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

16. DEFERRED INCOME AND OTHER NON-CURRENT LIABILITIES

Deferred income and other non-current liabilities consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Notes	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Employee benefit liabilities	19	118	107	113
Deferred leasing income		3	2	4
Other long-term liabilities with related parties	26	1	2	4
Other		30	33	48
		<u>152</u>	<u>144</u>	<u>169</u>

Fair values of deferred income and other non-current liabilities do not differ substantially from their book values.

17. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities consisted of the following balances as at December 31, 2019, 2018 and January 1, 2018:

	Note	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Accrued expenses		328	412	417
Accrued expenses with related parties	26	161	177	141
Accrued customer discounts		111	126	154
Payables due to employees		291	274	267
Social benefits and payroll taxes		148	145	133
VAT payables		72	87	95
Other current liabilities with related parties	26	31	50	32
Other		97	128	105
		<u>1,239</u>	<u>1,399</u>	<u>1,344</u>

2020072915412

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

18. INCOME TAXES

a) Significant components of tax expense

	<u>2019</u>	<u>2018</u>
Current tax expense related to current year	211	209
Current tax expense (income) related to prior years	15	4
Non-recoverable withholding tax on dividends	12	13
	<hr/>	<hr/>
Total current tax expense	238	226
	<hr/>	<hr/>
Deferred tax expense (income) arising from the recognition / reversal of temporary differences and recognition / utilisation of tax loss carryforwards	6	19
Deferred tax expense (income) arising from changes in tax rates	9	-
Deferred tax income arising from the recognition of previously unrecognised tax loss carryforwards not utilised	-12	-11
Deferred tax expense arising from the write-down (or expiry) of previously recognised tax loss carryforwards	1	-3
Deferred tax expense (income) arising from non-recoverable withholding tax on distributable retained earnings of subsidiaries	-1	4
Other	1	-3
	<hr/>	<hr/>
Total deferred tax expense (income)	4	6
	<hr/>	<hr/>
Income tax expense reported in the statement of comprehensive income	242	232

b) Tax rate reconciliation

The average effective tax rate percentage of the Group's profit before tax differs from the applicable tax rate, as follows:

	<u>2019</u>	<u>2018</u>
Applicable tax rate	25.0%	24.6%
Tax effect of expenses that are not deductible for tax purposes and of income not subject to tax	-0.3%	3.8%
Impact of Alfa Laval investment	-9.7%	3.8%
Benefits of specific tax agreements with local tax authorities	-0.3%	-1.0%
Losses not giving rise to a tax loss carryforward or a tax benefit	2.5%	1.4%
Impact of current taxes related to prior years	1.2%	0.7%
Current and deferred non-recoverable withholding tax on dividends	0.9%	2.8%
Effect of changes in tax rates	0.2%	0.1%
Recognition of previously unrecognised tax loss carryforwards	-1.5%	-0.5%
Other	0.7%	1.9%
	<hr/>	<hr/>
Effective tax rate (tax expense divided by profit before tax)	18.7%	37.6%

The applicable tax rate is the average of the standard income tax rates applicable in the countries in which the Group operates, weighted by the profit (loss) before tax of the subsidiaries in the respective countries as included in the consolidated financial statements.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

c) Current income taxes

The movement of current income taxes was as follows:

	<u>Tax receivable</u>	<u>Tax payable</u>	<u>2019 Net tax payable</u>	<u>2018 Net tax payable</u>
At beginning of year	239	-183	56	-26
Effect of changes in foreign currency exchange rates	-1	-	-1	-4
Taxes paid / (received)	82	130	212	312
Current tax expense	-85	-153	-238	-226
Changes due to disposal of business (Note 28)	-	1	1	-
Other movements	-12	11	-1	-
At end of year	<u>223</u>	<u>-194</u>	<u>29</u>	<u>56</u>

d) Deferred income taxes

The following amounts are included in the consolidated balance sheet:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Deferred tax assets	265	267	271
Deferred tax liabilities	-108	-103	-95
	<u>157</u>	<u>164</u>	<u>176</u>

Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised.

Deferred income tax assets and liabilities are offset when the taxes relate to the same fiscal authority. The Group has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The movement of deferred income taxes was as follows:

	<u>2019</u>	<u>2018</u>
At beginning of year	164	176
Effect of changes in foreign currency exchange rates	-1	-7
Changes due to disposal of business (Note 28)	-4	-
Recognition and reversal of deferred taxes, (charged) credited to income	5	-6
Effect of changes in tax rates, (charged) credited to income	-9	-
Recognition and reversal of deferred taxes, (charged) credited to OCI	1	-
Other movements	1	1
At end of year	<u>157</u>	<u>164</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Deferred taxes were attributable to the following items:

	At beginning of year	Effects of changes in foreign exch. rates	Effects of changes in tax rates (charged) credited to income	Recognition and reversal of deferred taxes to income and OCI	Changes due to acq./disp. of business	Other Movements	At end of year
Property, plant & equipment	-	-1	-3	9	-3	-	2
Goodwill and other intangibles	9	-	-	-	-	-1	8
Right-of-use assets	-	-	-	-18	-	-	-18
Receivables	-	-	-2	9	-1	2	8
Inventories	87	-	-	-	-	1	88
Net employee benefit liabilities	13	-	-	-1	-	-	12
Provisions	19	-	-	-1	-	-	18
Tax loss carryforwards	37	-	-3	-5	-	1	30
Non-recoverable withholding tax on undistributed retained earnings of subsidiaries	-10	-	-	1	-	-	-9
Accrued bonus/ discounts	3	-	-	-	-	-1	2
Employee payables due to employees	5	-	-	-1	-	1	5
Net derivative financial instruments	2	-	-	-2	-	-	-
Lease liabilities	-	-	-	19	-	-	19
Other accrued expenses and deferred income	-1	-	-1	-4	-	-2	-8
Net deferred income tax asset	164	-1	-9	6	-4	1	157

The Group's tax losses available to carry forward against future taxable income and recognised in deferred tax assets, by year of expiry were as follows:

Years of expiry:	Loss carry-forwards			Deferred tax assets
	Total	Not recognised	Recognised	
2019	10	10	-	-
2020	13	13	-	-
2021	178	27	151	19
2022	25	22	3	1
2023	18	12	6	1
Beyond 2024	1,007	973	34	9
	1,251	1,057	194	30

The theoretical value of unrecognised deferred tax on loss carry-forwards was €326 million (2018: €326 million).

There was no income tax consequence related to the payment of dividends in either 2018 or 2019 by the Group to its shareholders.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

19. EMPLOYEE BENEFITS

The Group has defined benefit commitments to employees and former employees and their survivors. The benefits are referring to old age pension, survivor's pension, disability pension and end of career indemnities.

Apart from legally required social security arrangements, the majority of Group employees are eligible for benefits through pension plans in case of retirement, death in service, disability and in case of resignation. These plans are either defined contribution plans or defined benefit plans. All pension plans comply with local tax and legal restrictions in their respective country, including funding obligations.

Defined benefit plans are in place mainly in France and Switzerland.

In Switzerland, most of the pension plans are cash balance plans where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan.

In France, the defined benefit plans represent "end of career" indemnities where a lump sum is accrued over the career of the employee and then paid when the employee leaves services or retires. There is no pension payable from these plans.

In Germany, the old age pension, survivors' pension and disability pension benefits have all been secured with an insurance. However, legally required increases on these pensions are not secured and are paid for on a year to year basis from the bonuses earned under the insurance. The net pension expense is zero, although the defined benefit obligation and plan assets in the notes include the full liability under the insurance contracts.

Employee benefit expenses incurred during the years ended December 31, 2019 and 2018 were as follows:

	Note	2019	2018
Wages and salaries		1,977	1,925
Termination benefits		7	7
Social security costs		352	340
Pension costs - defined contribution plans		155	146
Depreciation on right-of-use assets		18	-
Wages and salaries, social security costs and defined contribution pension costs		<u>2,509</u>	<u>2,418</u>
Costs for defined benefit retirement plans		10	11
Costs for other post-employment defined benefit plans		1	1
Other long-term employee benefits		1	1
Employee benefits expenses	20	<u>2,521</u>	<u>2,431</u>
Average number of persons employed by the Group during the year		<u>29,478</u>	<u>29,276</u>

In Sweden, employees are covered by a multi-employer plan which, in substance, is a defined benefit plan. The pension provider is unable to allocate the value of plan assets per legal entity. For this reason, the employer's contributions to the plan are reported as prescribed by IAS19, as if the plan is a defined contribution plan.

The Group expects to make regular contributions to multi-employer plans reported as defined contribution plans of €36 million in 2020.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The following amounts are included in the consolidated balance sheet:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Employee benefit liabilities	118	107	113
Employee benefit assets	-7	-6	-8
Net employee benefit liabilities	<u>111</u>	<u>101</u>	<u>105</u>

As at December 31, 2019, the Group had net employee benefit liabilities in France (€44 million), Switzerland (€28 million) and other countries (€39 million).

Net employee benefit liabilities as at December 31, 2019, 2018 and January 1, 2018 related to:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Retirement benefits	96	87	91
Other post-employment benefits	6	5	5
Other long-term employee benefits	9	9	9
	<u>111</u>	<u>101</u>	<u>105</u>

Net employee benefit liabilities as at December 31, 2019, 2018 and January 1, 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
Present value of funded obligations	325	296	361
Fair value of plan assets	-281	-258	-322
Present value of unfunded obligations	67	63	66
Net employee benefit liabilities	<u>111</u>	<u>101</u>	<u>105</u>

The amounts recognised in the operating profit were as follows:

	<u>2019</u>	<u>2018</u>
Current service cost	10	11
Net interest cost	3	2
Past service cost	-1	2
Effect on curtailment / settlement	-	-
Total expenses	<u>12</u>	<u>15</u>

The above amounts are included in the personnel costs of the functions in operating profit. In 2018, past service cost for €2 million and curtailment income for €2 million linked to de-risking in Italy and settlement costs for €2 million linked to de-risking in the United States of America were included in restructuring.

2020072915417

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The movements in the defined benefit obligation over the year were as follows:

	<u>2019</u>	<u>2018</u>
At beginning of the year	-359	-427
Interest cost	-7	-6
Current service cost	-10	-11
Past service cost	1	-2
Contributions by employees	-2	-2
Actuarial gain / (loss) on demographic assumptions (recorded in OCI)	-	-20
Actuarial gain / (loss) on financial assumptions (recorded in OCI)	-41	-5
Actuarial gain / (loss) due to liability experience (recorded in OCI)	-3	4
Exchange differences & other	-4	-3
Benefits paid on unfunded defined benefits plan ⁽¹⁾	9	32
Benefits paid on funded defined benefits plan	9	16
Effect of curtailment / settlement	-	65
Disposal of business	15	-
	<u>-392</u>	<u>-359</u>
At end of the year		

The movements in the fair value of plan assets for the year were as follows:

	<u>2019</u>	<u>2018</u>
At beginning of the year	258	322
Interest income	4	4
Actuarial gain (loss) on return on plan assets (recorded in OCI)	8	-5
Actuarial gain (loss) on insured plan (recorded in OCI)	22	3
Exchange differences & other	6	1
Employer contributions	5	12
Contributions by employees	2	2
Benefits paid on funded defined benefit plans	-9	-16
Effect of settlement	-	-65
Disposal of business	-15	-
	<u>281</u>	<u>258</u>
At end of the year		

The Group expects to make regular contributions of €12 million to its defined benefit pension plans in 2020.

The movements in the net defined employee benefit liabilities for the year were as follows:

	<u>2019</u>	<u>2018</u>
At beginning of the year	101	106
Actuarial (gain) / loss	14	23
Total expenses	12	15
Contributions paid	-5	-12
Pensions paid directly by companies related to unfunded plans ⁽¹⁾	-9	-32
Exchange differences & other	-2	1
	<u>111</u>	<u>101</u>
At end of the year		

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

(1) At December 31, 2018, €22 million relating to restructuring in Italy was included in "Benefits paid on unfunded defined benefit plans" (2017: nil), of which €8 million was reported under "Other payables and accrued liabilities".

Plan assets were comprised of:

	2019		2018	
Equities	20	7%	15	6%
Bonds	16	6%	14	5%
Shares in investment funds & other quoted	34	12%	23	9%
Investments through insurance companies	208	74%	203	79%
Cash deposits	3	1%	3	1%
	<u>281</u>	<u>100%</u>	<u>258</u>	<u>100%</u>

The principal actuarial information used for accounting purposes was:

	2019	2018
Discount rate	0,3% - 8,8%	1,0% - 9,8%
Effective return on plan assets	0,2% - 14,2%	-6,4% - 3,2%
Future salary increases	1,5% - 10,0%	1,5% - 10,0%
Future pension increases	0,0% - 10,0%	0,0% - 7,5%
Current average life expectancy for a 65 year old male / female	20 / 23 years	20 / 23 years
Weighted average duration of defined benefit obligations	13 years	13 years

The main discount rates were as follows:

	2019	2018
Euro Zone	1,2%	1,6%
Switzerland	0,3%	0,8%

Average effective return on significant plan assets of defined benefit schemes were 14.2% for Switzerland (2018: -6.4%).

The expected return on plan assets was determined based on the discount rates applicable to the period over which the obligations are to be settled.

A quantitative sensitivity analysis for significant assumptions as at December 31, 2019 would have had the following impact on the net defined benefit obligation:

	Increase	Decrease
Discount rate 0.5%	-28	32
Future salary rate 0.5%	6	-8
Future pension cost rate 0.5%	15	-11
Life expectancy of 1 year	11	n/a

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

20. OPERATING PROFIT

The operating profit presented by nature of expenses for the years ended December 31, 2019 and 2018 were as follows:

	Notes	2019	2018
Revenue	3	11,905	11,897
Cost of inventory recognised as expenses		-6,255	-6,326
Employee benefit expenses	19	-2,521	-2,431
Maintenance and utilities		-515	-498
Royalties expenses with related parties	26	-252	-238
Advertising, promotion and donations		-231	-260
Depreciation of tangible fixed assets	4	-330	-341
Amortisation of intangible fixed assets	7	-6	-9
Depreciation of right-of-use assets	5	-47	-
Outsourcing		-311	-298
Consulting and fees		-96	-109
Travel and entertainment		-241	-235
Rentals and leases		-20	-89
Taxes other than on income		-63	-63
Bad debt expense		-37	-16
Interest cost on operating capital items		-8	-6
Interest income on operating capital items		32	33
Realised gain / (loss) on hedging of operating items		-221	-124
Realised gain / (loss) on hedging of operating items with related parties	26	48	48
Exchange result on monetary operating assets and liabilities		-40	-71
Exchange result on monetary operating assets and liabilities with related parties	26	155	117
Restructuring, impairment and other non recurring items	21	-73	-104
Operating profit		<u>873</u>	<u>877</u>

21. RESTRUCTURING, IMPAIRMENT AND OTHER NON-RECURRING ITEMS

Restructuring, impairment and other non-recurring items for the years ended December 31, 2019 and 2018 included:

	2019	2018
Restructuring costs and provisions	-25	-47
Impairment of property, plant and equipment	-10	-5
Litigation costs and other	-38	-52
	<u>-73</u>	<u>-104</u>

2020072915420

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated.

22. OTHER FINANCIAL INCOME (EXPENSE), NET

Other financial income (expense), net for the years ended December 31, 2019 and 2018 included:

	Note	2019	2018
Realised foreign exchange gain / (loss) on financial items		-5	-52
Unrealised foreign exchange gain / (loss) on financial items		12	4
Realised gain / (loss) on hedging of financial items		-37	57
Realised gain / (loss) on hedging of financial items with related parties	26	12	3
Unrealised gain / (loss) on hedging		44	-147
Unrealised gain / (loss) on hedging with related parties	26	-21	63
Other		-27	-19
Other with related parties	26	48	57
		<u>26</u>	<u>-34</u>

23. INTEREST INCOME AND INTEREST EXPENSE

Interest income and interest expense for the years ended December 31, 2019 and 2018 included:

	Notes	2019	2018
Interest income		4	4
Interest income with related parties	26	9	8
		<u>13</u>	<u>12</u>
Interest expense		-137	-135
Interest expense on lease liabilities	5	-8	-
Interest expense with related parties	26	-20	-9
		<u>-165</u>	<u>-144</u>

2020072915421

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

24. FINANCIAL RISKS

In the course of its business, the Group is exposed to a range of financial risks: market (including foreign exchange and interest rate risk, commodity price risk and equity price risk), credit and liquidity related financial risks and counterparty risks inherent in its global activities. The Group's financing activities are aimed at securing an adequate level of financing capacity both centrally and at local subsidiary level in a way that mitigates risks and minimises after tax costs. Significant decisions in the areas of banking, financing, foreign exchange and interest rate risk management are centrally managed by Tetra Laval International (TLI). Significant decisions on hedging of commodity prices are taken jointly between TLI and the Industry Groups.

Management approves key decisions on the implementation of strategies for financial risk management approved by the Board and is supported by a regular Finance Forum to review, implement and follow up on financial risks, objectives, policies and controls.

It is the Group's policy that derivatives are entered into to cover actual or future exposures that materialise either at the Group level or with related parties. Derivatives are therefore not traded for speculative purposes.

The derivative assets and liabilities were as follows:

	Note	2019	2018	January 1, 2018
Derivative financial assets				
with financial institutions		65	71	137
with related parties	26	16	36	1
		<u>81</u>	<u>107</u>	<u>138</u>
Derivative financial liabilities				
with financial institutions		-126	-188	-107
with related parties	26	-2	-2	-30
		<u>-128</u>	<u>-190</u>	<u>-137</u>
Net derivative financial assets / (liabilities)		<u>-47</u>	<u>-83</u>	<u>1</u>

	2019	2018	January 1, 2018
Fixed Rate Mechanism	-4	-58	-5
Other FX Transaction Hedging	-5	-	-1
Dividends	-4	-12	5
Transaction Exposure	<u>-13</u>	<u>-70</u>	<u>-1</u>
Balance Sheet Exposure	4	-5	11
Foreign Exchange	<u>-9</u>	<u>-75</u>	<u>10</u>
Commodity Price Risk	1	-10	3
Interest Rate Risk	<u>-39</u>	<u>2</u>	<u>-12</u>
Net derivative financial assets / (liabilities)	<u>-47</u>	<u>-83</u>	<u>1</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated.

The movement of derivative financial instruments during the year and the related income and costs may be summarised as follows:

	Foreign Exchange				Commodity Price Risk	Interest Rate Risk	TOTAL
	Transaction Exposure			Balance Sheet Exposure			
	Fixed Rate Mechanism	Other FX Transaction Hedging	Dividends				
Fair value at beginning of year	-58	-	-12	-5	-10	2	-83
Net premium paid / (received)	22	1	-	-	-	-	23
Matured ⁽¹⁾	157	4	20	5	2	3	191
Unrealised gain / (loss)	41	-5	8	9	11	-41	23
Realised gain / (loss)	-166	-5	-20	-5	-2	-3	-201
Fair value at end of year	-4	-5	-4	4	1	-39	-47

⁽¹⁾ Included under Interest Rate Risk is an amount of €3 million of interest expense included under "Interest paid" in the cash flow statement and under "Interest expense" in the statement of comprehensive income.

	Foreign Exchange				Commodity Price Risk	Interest Rate Risk	TOTAL
	Transaction Exposure			Balance Sheet Exposure			
	Fixed Rate Mechanism	Other FX Transaction Hedging	Dividends				
Fair value at beginning of year	-5	-1	5	11	3	-12	1
Net premium paid / (received)	10	-	-	-	-	-	10
Matured ⁽¹⁾	64	9	-9	-51	-7	5	11
Unrealised gain / (loss)	-53	1	-17	-16	-13	14	-84
Realised gain / (loss)	-74	-9	9	51	7	-5	-21
Fair value at end of year	-58	-	-12	-5	-10	2	-83

⁽¹⁾ Included under Interest Rate Risk is an amount of €5 million of interest expense included under "Interest paid" in the cash flow statement and under "Interest expense" in the statement of comprehensive income.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Overall the notional amounts of outstanding derivative financial instruments and their related fair values, with financial institutions and related parties, as at December 31, 2019 and 2018 were as follows:

	Notional amount			Positive fair value			Negative fair value		
	2019	2018	January 1, 2018	2019	2018	January 1, 2018	2019	2018	January 1, 2018
Fixed Rate Mechanism									
with financial institutions	4,123	6,284	5,613	48	42	71	-52	-101	-76
with related parties	-	13	-	-	1	-	-	-	-
Other FX Transaction Hedging									
with financial institutions	680	552	558	6	7	9	-12	-6	-8
with related parties	119	71	93	3	-	1	-2	-1	-3
Dividends									
with financial institutions	316	322	451	1	-	8	-5	-12	-3
Transaction Exposure	5,238	7,242	6,715	58	50	89	-71	-120	-90
Balance Sheet Exposure									
with financial institutions	1,608	885	767	8	6	18	-8	-12	-2
with related parties	136	155	114	4	2	-	-	-1	-5
Balance Sheet Exposure	1,744	1,040	881	12	8	18	-8	-13	-7
Foreign Exchange	6,982	8,282	7,596	70	58	107	-79	-133	-97
Aluminium									
with financial institutions	126	212	151	-	-	22	-9	-20	-
with related parties	126	212	151	9	20	-	-	-	-22
Polymers									
with financial institutions	102	218	69	2	-	3	-1	-23	-
with related parties	57	150	12	-	13	-	-	-	-
Commodity Price Risk	411	792	383	11	33	25	-10	-43	-22
Interest Rate Risk	869	1,097	1,018	-	16	6	-39	-14	-18
Net derivative financial assets / (liabilities)	8,262	10,171	8,997	81	107	138	-128	-190	-137

The notional amounts are those of the underlying financial instruments or exposure. These are the basis upon which changes in the values of derivatives are measured. The notional amounts indicate the volume of transactions outstanding and are neither indicative of the market risk nor of the credit risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk from transactions (transaction and balance sheet exposure) and translation.

Transaction exposure

Transaction exposure arises from transactions in foreign currency. TLI focuses on hedging the Group's and related parties' cash flow exposures, i.e. the risk of the Group's and related parties' non-Euro cash flows being adversely affected by changes in exchange rates. The main non-Euro cash flow exposures relate to internal, external and related parties' account payables and account receivables and forecasted dividend exposure.

Derivatives are entered into to mitigate projected cash flow exposures to changes in foreign exchange rates. The Group does not apply hedge accounting, consequently, all derivative contracts are recognised at their fair values in the balance sheet and the gains and losses incurred as a result of changes in these fair values are recognised in the profit and loss at each balance sheet date.

Exposures resulting from internal operational currency flows and those of related parties' are largely centralised in TLI by means of an internal netting system and a fixed exchange rate mechanism. Major exposures related to future external

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

currency flows of Group companies and those of related parties are also managed by TLI. The industry groups (Tetra Pak, DeLaval, Sidel companies including those that are related parties) are required to forecast their yearly exposures and are provided with a fixed annual exchange rate. The Group enters into currency derivative contracts (forwards between 33% and 115% and options between 0% and 50%) and stop loss instruments (between 0% and 25%) to cover the resulting net exposures for the following budget year. In 2019, pre-hedging was approved for SEK exposure up to a maximum of 20% of the previous year's forecast for the 2020 and 2021 SEK exposures. In 2018, pre-hedging of the SEK exposure was approved up to a maximum of 50% of the following year's forecast forecast (pre-hedging of SEK exposure up to a maximum of 50% of 2019 forecast, and up to a maximum of 20 % of 2020 and 2021 forecast). For the 2019 and 2020 hedging programme, the approved ratios for centrally managed foreign exchange exposure on forecasted business transactions are between 50% and 115%.

The hedging ratios (including forwards and options), for the main actual 2019 and forecasted 2020 cash flows, are as follows:

	Forwards	Stop Loss	Options	2019	Forwards	Stop Loss	Options	2020
USD	94%	0%	7%	101%	33%	0%	33%	66%
SEK	94%	0%	6%	100%	33%	0%	33%	66%
CHF	95%	0%	2%	97%	48%	0%	2%	50%
MXN	101%	0%	0%	101%	49%	0%	2%	51%
JPY	94%	0%	0%	94%	49%	0%	1%	50%
CNH	93%	0%	5%	98%	33%	0%	33%	66%

Selective hedging is also arranged for dividend flows. In 2018, projected 2019 dividends in BRL, USD, JPY, CNH, TRY, SAR, MXN and SEK were all hedged at 50%. In 2019, the hedged amount increased to 100% within two weeks of the confirmation of the exact dividend paid. During 2019, projected 2020 dividends in BRL, USD, JPY, CNH, TRY, SAR, MXN and SEK have all been hedged at 50%. Exposures related to future external currency flows of related parties are also managed by TLI. Selective hedging is also arranged for forecasted financial flows.

At December 31, 2019, 2018 and January 1, 2018, the notional values of the derivatives contracted in relation to internal, external and related parties' currency flows were as follows:

	0 - 6 months	6 - 12 months	> 12 months	2019 Total	2018 Total	January 1, 2018 Total
SEK	718	539	522	1,779	2,582	1,994
USD	754	513	80	1,347	2,085	2,006
CNH	356	273	29	658	628	578
MXN	215	97	14	326	389	499
SGD	149	48	8	205	155	204
JPY	107	78	7	192	318	339
CAD	87	22	2	111	123	121
CHF	64	30	6	100	196	217
EUR	26	21	-	47	33	26
GBP	25	19	1	45	69	101
BRL	24	28	-	52	53	63
SAR	20	8	1	29	65	37
ZAR	35	24	9	68	86	98
DKK	40	28	5	73	116	117
AUD	22	15	2	39	61	70
NZD	20	13	2	35	75	56
PLN	43	20	2	65	82	81
NOK	7	5	1	13	33	20
Other	33	18	3	54	93	88
	<u>2,745</u>	<u>1,799</u>	<u>694</u>	<u>5,238</u>	<u>7,242</u>	<u>6,715</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Balance sheet exposure

Balance sheet exposure arises from borrowing transactions in foreign currency. Central borrowing is only conducted in EUR or USD. Derivatives are used to hedge the balance sheet exposure resulting from the financing provided in the subsidiaries' and related parties' local currency.

As at December 31, 2019, the notional amounts of these derivative instruments may be summarised as follows:

	<u>0 - 6</u>	<u>6 - 12</u>	<u>> 12</u>	<u>2019</u>	<u>2018</u>	<u>January 1,</u>
	<u>months</u>	<u>months</u>	<u>months</u>	<u>Total</u>	<u>Total</u>	<u>2018</u>
						<u>Total</u>
SEK	143	-	-	143	177	184
USD	76	173	13	262	334	233
SGD	616	-	-	616	70	68
CHF	358	-	-	358	6	29
MXN	216	-	-	216	311	227
JPY	26	-	-	26	12	12
SAR	33	-	-	33	47	25
ZAR	16	-	-	16	19	17
DKK	26	-	-	26	28	47
CAD	12	-	-	12	7	2
AUD	7	1	7	15	4	-
NZD	12	-	-	12	8	13
GBP	-	-	-	-	14	14
Other	9	-	-	9	3	10
	<u>1,550</u>	<u>174</u>	<u>20</u>	<u>1,744</u>	<u>1,040</u>	<u>881</u>

The notional amounts are those of the underlying financial instrument or exposure. These are the basis upon which changes in the values of derivatives are measured. The notional amounts indicate the volume of transactions outstanding and are neither indicative of the market risk nor of the credit risk.

Foreign exchange hedging fair values (Inputs hierarchy Level 2)

Foreign currency forwards are estimated by using the uploaded spot, forward and non-deliverable forward rates. The pricing model interpolates the rates using a linear variation approach across the forward curves. Foreign currency options are estimated by using the uploaded spot, forward, interest rates and foreign exchange volatility.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Sensitivity impact

The following table demonstrates the sensitivity to a 10% change in exchange rates, with all other variables held constant, of the Group's profit before income taxes due to changes in the fair value of financial instruments related to hedging, together with other monetary assets and liabilities. The impacts of foreign exchange on operating cash flows were not considered:

	<u>Effect of devaluation on</u>		<u>Effect of revaluation on</u>	
	<u>profit before tax</u>		<u>profit before tax</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
SEK	-52	-120	117	205
USD	71	124	-58	-143
CNH	34	48	-32	-57
SGD	-55	-6	67	7
MXN	27	31	-33	-39
JPY	12	24	-14	-29
THB	12	13	-15	-17
BRL	5	5	-6	-6
CHF	-8	-16	11	21
ZAR	7	7	-8	-9

Translation exposure

Translation exposure arises from the consolidation of the financial statements of foreign operations into Euro. The Group mitigates the impact of translation exposure by operating a policy of reducing local equity to the operational and statutory minimum and by directing local operations to fund in their functional currency.

The movements in equity attributable to equity holders of the Group by currency for the year ended December 31, 2019 were as follows:

	<u>Opening</u>	<u>Result</u>	<u>Dividends</u>	<u>Translation</u>	<u>Other</u>	<u>Closing</u>
	<u>Balance</u>				<u>Movements</u>	<u>Balance</u>
EUR	1,869	733	-808	-	-7	1,787
SEK	276	49	-32	-6	-	287
USD	170	88	-55	4	-	207
MXN	-12	1	-	-1	-	-12
JPY	57	31	-31	1	-	58
CNY	-57	-5	-3	-1	-	-66
CHF	3	2	-7	3	-2	-1
BRL	-77	95	-96	-	-1	-79
GBP	29	4	-12	-	-	21
SAR	31	-25	-12	6	-	-
PKR	9	17	-13	-1	-	12
INR	54	7	-14	-	-1	46
Other	181	34	-35	3	-2	181
	<u>2,533</u>	<u>1,031</u>	<u>-1,118</u>	<u>8</u>	<u>-13</u>	<u>2,441</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Commodity price risk

Commodity price risk arises from the impact of fluctuating base material market prices.

As a manufacturing group, the Group and its related parties' buy a range of different base materials. The Group's commodity price hedging programme aims to reduce the impact of volatility on commodity prices and to contribute to managing the cost. In 2019, 65% of the total base material annual cost was managed via medium to long term contracts with suppliers (2018: 66%).

Aluminium

The Group has entered into non-deliverable swap contracts with financial institutions and counterparties in order to cover the aluminium price exposures of its related parties' up to two calendar years. The price exposure on aluminium will be hedged within a 50% to 80% range of the volume. By the means of mirror contracts with a related party, the mark to market value of the contracts fully offset, hence there is no aluminium commodity price risk for the Group. For 2019, 71% of the forecasted annual aluminium volume exposure was hedged in this way (2018: 67%). The Group has similarly hedged 52% of the 2020 forecasted volume exposure and 0% of the 2021 forecasted volume exposure (2018: 70% for 2019 and 13% for 2020 of the forecasted volume exposure).

Polymers

The Group also entered into non-deliverable swap contracts for polymers with financial institutions and counterparties using both direct hedging and indirect naphtha proxy hedging to cover the aluminium price exposures of the Group and its related party. For 2019, the Group hedged approximately 72% of the hedgeable polymer exposure (2018: 41%) and has hedged 34% of the hedgeable polymer exposure for 2020. The hedgeable raw material price exposure on polymers will be hedged within a 50% to 80% range of the volume (direct 30% to 50%, indirect 20% to 30%) up to the end of the next calendar year market conditions permitting. Approximately 20% of the hedged polymer exposures were mirror contracts with a related party, and the other 80% was a commodity price risk for the Group (2018: 27% and 73% respectively).

Sensitivity impact

A +/-10% change in price, with all other variables held constant, would have had an impact of negative €7 million / positive €9 million (2018: negative €17 million / positive €21 million) on the Group's profit before income tax.

As at December 31, 2019, the notional amounts and maturities of these commodity derivative Instruments may be summarised as follows:

	<u>0 - 6</u>	<u>6 - 12</u>	<u>> 12</u>	<u>2019</u>	<u>2018</u>	<u>January 1,</u>
	<u>months</u>	<u>months</u>	<u>months</u>	<u>Total</u>	<u>Total</u>	<u>2018</u>
						<u>Total</u>
Aluminium	135	117	-	252	424	302
Polymers	78	81	-	159	368	81
Commodity Price Risk	213	198	-	411	792	383

Commodity hedging fair values (Inputs hierarchy Level 2)

Commodity hedging fair values are estimated by using the uploaded spot and forward rates. The pricing model interpolates the rates using a linear variation approach across the forward curves.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Interest rate risk

Interest rate risk arises from the impact of movements in interest rates.

The Group is exposed primarily to fluctuations in USD, EUR and BRL interest rates. The objective of the Group's interest rate hedging programme is to ensure the correct balance between optimising funding costs and reducing volatility of interest expense. The Group mitigates the impact of increases in interest rates, in the short and long term, by hedging its and its related parties' net interest rate exposure of the net debt of €2,100 million within the 25% to 75% range with maturities no greater than 10 years and within the following time parameters:

0 – 3 years	75 % - 25 %
3 – 5 years	50 % - 10 %
5 – 10 years	30 % - 0 %

The above-mentioned derivatives enable interest rates to be fixed as follows:

	Notional Amount			Fixed Interest rates	Average remaining duration (months)	Fair value		
	2019	2018	January 1, 2018			2019	2018	January 1, 2018
EUR	200	250	257	1.33%	55	-14	-8	-13
USD	647	809	744	2.31%	69	-22	12	2
BRL	22	23	-	9.92%	48	-3	-1	-
Interest Rate Risk	869	1,082	1,001			-39	3	-11

In 2018, in order to decrease financing costs in Brazil, interest rate derivatives were used to swap fixed interest rates for floating interest rates. These open BRL contracts had a fair value of negative €1 million (January 1, 2018: negative €1 million) and a notional value of €15 million (January 1, 2018: €17 million).

The notional amounts are those of the underlying financial instrument or exposure. These are the basis upon which changes in the values of derivatives are measured. The notional amounts indicate the volume of transactions outstanding and are neither indicative of the market risk nor of the credit risk.

The net realised interest related to the IRS amounted to negative €3 million and is included in interest expense (2018: negative €5 million; January 1, 2018: negative €1 million).

Sensitivity impact

At December 31, 2019, if the interest rate was 1% higher/lower with all other variables held constant, the profit before income taxes would have been €4 million higher / €4 million lower (2018: €2 million higher / €2 million lower).

Interest rate hedging fair values (Inputs hierarchy Level 2)

Interest rates hedging fair values are estimated by using the projected forward value of the cash flow approach, based on the uploaded interest rate curves. Interest rate options are estimated using the uploaded interest rates and interest rates volatility curves.

Customer credit risk

Credit risk is the risk of loss from the default by an obligor or counterpart. This risk is managed primarily based upon reviews of the financial status of each specific counterpart. The Group faces customer credit risk primarily from trade and long-term receivables as well as those and cash and short-term deposits with related parties.

The Group's assets are largely composed of related party balances. The Group is confident that any deficit would be made whole by the related party's shareholders.

The Group does not envisage any risk of non-settlement of related party receivables or payables.

No trade customer accounts for 3% or more of the Group's total net sales. The nominal values less impairment provisions of trade receivables are assumed to be their fair value (Note 11).

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Equipment financing to customers is primarily granted in relation to the sales of equipment. The Group maintains close customer relationships and generally requires security for its financing which enables the Group to minimise credit risks. Historically, defaults have been minimal. Regular credit reviews are performed for major customers and new prospects.

Counterparty risk

The Group faces counterparty credit risk primarily from placement of liquid funds and derivative financial instruments. Liquid funds are mainly maintained at banking institutions with minimum S&P credit ratings of A- / Moody's A3 (Notes 13 and 14).

Transactions involving derivative financial instruments are with counterparts that maintain a minimum Standard & Poor credit rating of A- / Moody's A3 and a maximum Credit Default Swap (CDS) rate of 300 basis points. Derivative transactions executed by Group Treasury are subject to International Swaps and Derivatives Association (ISDA) Master Agreements to ensure offset of credit exposures in the event of a bank default. Mark to market and total outstanding notional limits are also set for each counterpart thereby reducing the risk that a counterpart will fail to meet its obligations. The Group also has a Continuous Linked Settlement (CLS) foreign exchange settlement procedure which settles foreign exchange transactions in the CLS platform with all our counterparty banks. This enables the Group to settle the net buy & sell position of each CLS eligible currency, instead of settling gross.

The T7 agreement includes a set-off clause by which any T7 borrower shall have the right to set-off any amount it owes to any T7 lender under the T7 agreement or under any other agreement between the T7 borrower and the T7 lender against any amount such T7 lender owes to the T7 borrower.

Capital management and liquidity risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern with adequate levels of liquidity. The Group has no specific policy for gearing ratios.

The Board has endorsed a policy to maintain at all times an undrawn amount of €700 million of the central committed facilities for contingency purposes (Note 14).

Equity market risk

The Group is exposed to equity price risk and FX risks due to the investments in shares held by the Group and stated in the consolidated balance sheet (Note 8) at fair value with adjustment for gains or losses taken through the profit and loss for the year.

25. CONTINGENT LIABILITIES

In June 2015, an insolvent customer in Brazil filed a legal claim for damages alleging that Tetra Pak contributed to its insolvency. In separate proceedings, Tetra Pak claims recovery of amounts due from the customer. Notwithstanding a settlement between the parties in 2019, all various judicial procedures have not yet been confirmed closed and with this the exposure remains open. The potential impacts cannot be assessed.

The Group is also subject to tax and legal exposures arising in the normal course of business. The Group provides for such exposures when additional costs are probable and can be reliably measured.

The contingencies referred to above could result in outcomes that may have material effects on the Group's financial position, the results of its operations and its cash flows.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

26. RELATED PARTY TRANSACTIONS

The transactions with the related parties are performed on an "arm's length" basis. The balances transactions with these related parties were summarised below:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>January 1, 2018</u>
<u>Assets</u>				
Long-term receivables	9	31	29	22
Trade receivables	11	680	677	711
Contract assets	3	3	-	-
Payments on account with related parties	10	-	-	2
Other receivables and prepayments	12	212	286	216
Cash and short term deposits	13	516	139	278
Derivatives assets	24	16	36	1
Total assets with related parties		<u>1,458</u>	<u>1,167</u>	<u>1,230</u>
<u>Liabilities</u>				
Fixed ST borrowings	14	2,582	1,792	1,295
Loans and overdrafts	14	21	12	4
Deferred income and other non-current liabilities	16	1	2	4
Contract liabilities	3	-	1	1
Other payables and accrued liabilities	17	192	227	173
Trade payables		841	812	888
Derivatives liabilities	24	2	2	30
Total liabilities with related parties		<u>3,639</u>	<u>2,848</u>	<u>2,395</u>
<u>Income statement</u>				
Net sales		1,656	1,738	
Cost of sales		-3,008	-3,142	
Selling, Marketing and administrative expenses		24	21	
Other operating income / (expense), net	20	203	165	
Other financial income / (expense), net	22	39	123	
Interest expense, net	23	-11	-1	
Total income with related parties		<u>-1,097</u>	<u>-1,096</u>	

2020072915431

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Key management personnel of the Group, including board members, top management and presidents of Tetra Pak, Sidel and DeLaval, in total 42 persons (2018: 40 persons), received the following compensation in the course of 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Salaries, fees and incentives (including social security)	35	35
Post-employment benefits	7	7
Total key management compensations	<u>42</u>	<u>42</u>

27. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in "Other non-cash items and reclassification to financing activities" included in the Consolidated Statement of Cash Flows consisted of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Movements in provisions	-45	30
Unrealised (gain) / loss on hedging	-23	84
Realised (gain) / loss on hedging relating to financial items	25	-60
Net interest expense	152	132
Foreign exchange (gain) / loss on financial items	-7	48
Other	2	14
	<u>104</u>	<u>248</u>

Changes in working capital included in the Consolidated Statement of Cash Flows consisted of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inventories	7	-90
Trade receivables	40	84
Trade payables	45	-4
Contract assets	25	-2
Contract liabilities	-30	35
Other receivables and prepayments	30	-84
Other payables and accrued liabilities	-55	41
	<u>62</u>	<u>-20</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

28. ACQUISITION AND PROCEED OF DISPOSAL OF BUSINESSES

The acquisition of businesses, net of cash at December 31, 2019, 2018 and January 1, 2018, included:

	<u>2019</u>	<u>2018</u>
Cognac Moules Emballages Plastiques	-13	-
PET Engineering Srl acquisition	-	-10
Other	-	-1
	<u>-13</u>	<u>-11</u>

On July 18, 2019 the Group completed the acquisition of Cognac Moules Emballages Plastiques (COMEP) a French producer and designer of moulds for PET, through its holding Holcom S.A.S, which owns Holbat S.C.I. This acquisition will add further strength to Sidel in the manufacturing of moulds and tooling activities.

The provisional goodwill of €11 million (purchase price of €13 million, less net assets acquired of €2 million) will be attributed in due course to the acquired assets and synergies expected to arise after the Group's acquisition.

On October 11, 2018 the Group completed the acquisition of an Italian-based company PET Engineering S.r.l., further expanding the company's portfolio of packaging solutions. This acquisition will strengthen Sidel in packaging design, qualification and blowing process. The provisional goodwill of €8 million (purchase price of €12 million, less net assets acquired of €4 million, including €2 million of cash) is attributed to the synergies expected to arise after the Group's acquisition.

On July 9, 2019, the Group disposed Tetra Pak Manufacturing Ltd. to a related party, for a selling price of €25 million, representing 75% of the ordinary share capital of the entity concerned. The cash disposed was 8 million, which resulted in a positive cash on disposal of €17 million. The difference between the selling price and the net assets disposed attributed to equity holders of the Group resulted in a loss of €12 million reported in "Other financial income / (expense), net" (Note 22). 25% of the net assets disposed were allocated to the non-controlling interests for an amount of €14 million.

The balance sheet disposed of Tetra Pak Manufacturing Ltd. is as follows:

Property, plant & equipment (Note 4)	29
Inventories	22
Trade accounts receivable	9
Deferred tax assets (Note 18)	4
Prepaid and accrued income	3
Short-term deposits with related parties	47
Cash & cash equivalents	8
Trade accounts payable	3
Net income taxes payable (Note 18)	1
Accrued expenses and deferred income	73
Net assets disposed	<u>45</u>
Cumulative translation adjustment disposed	-6
Non controlling interests	14
Net assets attributable to equity holders of the Group disposed	<u>37</u>

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

The Tetra Pak Manufacturing Ltd. contribution to net sales and operating profit on a full year basis was as follows:

	<u>2019</u>
Net sales	220
Cost of goods sold	-135
Gross profit	<u>85</u>
Marketing, distribution and administrative expenses	<u>-63</u>
Operating profit	22

On December 12, 2018, the Group disposed Nexus Ltd. to a related party for a selling price of €63 million. The difference between the selling price and the equity resulted in a loss of €4 million reported in "Other financial income / (expense), net" (Note 22).

29. CHANGES IN SHAREHOLDERS' EQUITY

In January 2009, the Group concluded an agreement for the purchase of a further interest in its Tetra Pak subsidiary in Pakistan, representing 44% of the ordinary share capital of the entity concerned. The deferred consideration is dependent on the profit after tax for each of the 10 years following the purchase. The remaining amount of €7 million was paid in 2019 (2018: €8 million). The change in deferred consideration fair value is included in "Other financial income (expense), net".

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

30. LIST OF CONSOLIDATED COMPANIES

The consolidated companies as at December 31, 2019, 2018 and January 1, 2018 were as follow:

Country	Company	Ownership			
		2019	2018	January 1, 2018	
	HOLDING				
Switzerland	Tetra Laval International S.A.				
	SUBSIDIARIES				
Sweden	AB Tetra Pak	100.00%	100.00%	100.00%	
Sweden	Tetra Recart AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Dairy & Beverage Systems AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Packaging Material Sunne AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Inventing AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Sverige AB	100.00%	100.00%	100.00%	
Sweden	Simontorp Saterl AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Packaging Solutions AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Technical Service AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Processing Systems AB	100.00%	100.00%	100.00%	
Sweden	Tetra Pak Processing Equipment AB	100.00%	100.00%	100.00%	
Norway	Tetra Pak Norge A/S	100.00%	100.00%	100.00%	
Denmark	Tetra Pak Danmark A/S	100.00%	100.00%	100.00%	
Denmark	Tetra Pak Inventing A/S	100.00%	100.00%	100.00%	
Denmark	DSS Silkeborg A/S	0.00%	100.00%	100.00%	Merger into Tetra Pak Processing Systems A/S
Denmark	Tetra Pak Processing Systems A/S	100.00%	100.00%	100.00%	
Finland	Tetra Pak Oy	100.00%	100.00%	100.00%	
Finland	Tetra Pak Production Oy	100.00%	100.00%	100.00%	
Germany	Tetra Pak GmbH & Co, KG	5.05%	5.05%	5.05%	*
Germany	Tetra Holdings GmbH	100.00%	100.00%	100.00%	
Germany	Tetra Pak Produktions GmbH & Co, KG	5.05%	5.05%	5.05%	*
Germany	Tetra Pak Management GmbH	100.00%	100.00%	100.00%	
Germany	Tetra Pak Processing Equipment GmbH	100.00%	100.00%	100.00%	
Germany	Tetra Pak Processing GmbH	100.00%	100.00%	100.00%	
Poland	Tetra Pak Sp. z o.o.	100.00%	100.00%	100.00%	
Poland	Obram Sp.z o.o.	100.00%	100.00%	100.00%	
Netherlands	Tetra Pak B.V.	100.00%	100.00%	100.00%	
Netherlands	Tetra Pak Moerdijk B.V.	100.00%	100.00%	100.00%	
Netherlands	Tetra Pak Cheese and Powder Systems B.V.	100.00%	100.00%	100.00%	
Netherlands	Laude B.V.	100.00%	100.00%	100.00%	
Netherlands	Tetra Pak Processing Systems B.V.	100.00%	100.00%	100.00%	
Belgium	Tetra Pak Belgium N.V.	100.00%	100.00%	100.00%	
United Kingdom	Tetra Pak Ltd.	100.00%	100.00%	100.00%	
United Kingdom	Tetra Pak Processing UK Limited	100.00%	100.00%	100.00%	
United Kingdom	Tetra Pak CPS Limited	100.00%	100.00%	100.00%	
Ireland	Tetra Pak (Ireland) Ltd.	100.00%	100.00%	100.00%	
France	Tetra Pak & Cie S.C.S.	100.00%	100.00%	100.00%	
France	Papeteries de Dijon S.N.C.	100.00%	100.00%	100.00%	
France	Bexley S.N.C.	100.00%	100.00%	100.00%	
France	Sifar et Cie S.C.S.	100.00%	100.00%	100.00%	
France	Tetra Pak Service S.N.C.	100.00%	100.00%	100.00%	
France	Tetra Pak Services S.A.S.	100.00%	100.00%	100.00%	
France	Tetra Pak Closures France SAS	100.00%	100.00%	100.00%	
France	Tetra Pak Processing Equipment S.A.S.	100.00%	100.00%	100.00%	
France	Tetra Pak Processing S.N.C.	100.00%	100.00%	100.00%	
Spain	Tetra Pak Hispania S.A.	100.00%	100.00%	100.00%	

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Country	Company	Ownership		
		2019	2018	January 1, 2018
Spain	Tetra Pak Envasos S.A.	100.00%	100.00%	100.00%
Spain	Tetra Pak Closures Spain, S.L.U.	100.00%	100.00%	100.00%
Portugal	TP Portugal-Sistemas de Embalagem e Trat Lda	100.00%	100.00%	100.00%
Portugal	Tetra Pak Tubex Portugal Lda	100.00%	100.00%	100.00%
Italy	Tetra Pak Italiana S.p.A.	100.00%	100.00%	100.00%
Italy	Tetra Pak Carta S.p.A.	100.00%	100.00%	100.00%
Italy	Tetra Pak Latina S.p.A.	100.00%	100.00%	100.00%
Italy	Tetra Pak Packaging Solutions S.p.A.	100.00%	100.00%	100.00%
Italy	Tetra Pak Closures Italy S.r.l.	100.00%	100.00%	100.00%
Italy	Tetra Pak Food Engineering S.p.A.	100.00%	100.00%	100.00%
Switzerland	Tetra Pak (Suisse) S.A.	100.00%	100.00%	100.00%
Switzerland	Tetra Pak Global Resources S.A.	100.00%	100.00%	100.00%
Switzerland	Tetra Pak Processing Equipment AG	100.00%	100.00%	100.00%
Switzerland	Camee Services and Support S.A.	100.00%	100.00%	100.00%
Switzerland	Tetra Pak Global Distribution S.A.	100.00%	100.00%	100.00%
Austria	Tetra Pak GmbH	100.00%	100.00%	100.00%
Hungary	Tetra Pak Hungaria Kereskedelmi Zrt.	100.00%	100.00%	100.00%
Hungary	Tetra Pak Csomagolóanyag Gyarto Zrt.	100.00%	100.00%	100.00%
Romania	Tetra Pak Romania S.r.l.	100.00%	100.00%	100.00%
Turkey	Tetra Pak Paketleme Sanayi ve Ticaret Ltd Sirketi	99.99%	99.99%	99.99%
Greece	Tetra Pak Hellas S.A.	100.00%	100.00%	100.00%
Latvia	SIA Tetra Pak	100.00%	100.00%	100.00%
Slovenia	Tetra Pak d.o.o.	100.00%	100.00%	100.00%
Croatia	Tetra Pak d.o.o.	100.00%	100.00%	100.00%
Serbia	Tetra Pak Production d.o.o.	100.00%	100.00%	100.00%
Czech Republic	Tetra Pak Ceska republica s.r.o.	100.00%	100.00%	100.00%
Slovakia	Tetra Pak AS	100.00%	100.00%	100.00%
Ukraine	Tetra Pak Ltd.	100.00%	100.00%	100.00%
Ukraine	Tetra Pak Ukraine	100.00%	100.00%	100.00%
Russia	JSC Tetra Pak	100.00%	100.00%	100.00%
Kazakhstan	Tetra Pak Kazakhstan Ltd.	100.00%	100.00%	100.00%
Saudi Arabia	Tetra Pak Manufacturing Ltd.	0.00%	75.00%	75.00%
Pakistan	Tetra Pak Pakistan Ltd.	95.00%	95.00%	95.00%
India	Tetra Pak (India) Private Ltd.	100.00%	100.00%	100.00%
Malaysia	Tetra Pak (Malaysia) SDN. BHD.	100.00%	100.00%	100.00%
Philippines	Tetra Pak (Philippines) Inc.	100.00%	100.00%	100.00%
Hong Kong	Tetra Pak China Ltd.	100.00%	100.00%	100.00%
Japan	Nihon Tetra Pak K.K.	100.00%	100.00%	100.00%
South Korea	Tetra Pak Ltd.	100.00%	100.00%	100.00%
Singapore	Guerin Systems Asia Pte. Ltd.	100.00%	100.00%	100.00%
Canada	Tetra Pak Canada Inc.	100.00%	100.00%	100.00%
United States	Tetra Pak Inc.	100.00%	100.00%	100.00%
United States	Tetra Pak Tubex Inc.	100.00%	100.00%	100.00%
United States	Tetra Pak Processing Equipment Inc.	100.00%	100.00%	100.00%
United States	Tetra Pak Materials LLC	100.00%	100.00%	100.00%
United States	Tetra Pak Global Information Mgmt Americas Inc.	100.00%	100.00%	100.00%
United States	Tetra Pak U.S. Holdings Inc.	100.00%	100.00%	100.00%
Mexico	Tetra Pak Plastics Mexico S.A. de C.V.	100.00%	100.00%	100.00%
Panama	Sidal Inc.	100.00%	100.00%	100.00%
Panama	Tetra Pak S.A.	100.00%	100.00%	100.00%

Disposal - Note 28

2020072915436

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Country	Company	Ownership		
		2019	2018	January 1, 2018
Panama	Tetra Pak de Panama S.A.	100.00%	100.00%	100.00%
Dominican Republic	Tetra Pak Dominicana S.R.L.	100.00%	100.00%	100.00%
Trinidad and Tobago	Tetra Pak (T&T) Limited	100.00%	100.00%	100.00%
Venezuela	Tetra Pak C.A.	100.00%	100.00%	100.00%
Brazil	Tetra Pak Ltda.	100.00%	100.00%	100.00%
Brazil	Tetra Pak Comercializadora De Embalagens Ltda.	100.00%	100.00%	100.00%
Argentina	Tetra Pak S.R.L.	60.00%	60.00%	60.00%
Chile	Tetra Pak de Chile Comercial Ltda.	100.00%	100.00%	100.00%
Bolivia	Tetra Pak S.R.L.	100.00%	100.00%	100.00%
Peru	Tetra Pak S.A.	100.00%	100.00%	100.00%
Ecuador	Tetra Pak Cia Ltda.	100.00%	100.00%	100.00%
Colombia	Tetra Pak Ltda.	100.00%	100.00%	100.00%
Tunisia	TP Tunisie S.A.R.L.	100.00%	100.00%	100.00%
Tunisia	Marketing Services S.A.R.L.	100.00%	100.00%	100.00%
Algeria	Tetra Pak Services Algerie S.A.R.L.	100.00%	100.00%	100.00%
Morocco	Tetra Pak Maghreb S.A.R.L.	100.00%	100.00%	100.00%
Senegal	Tetra Pak Senegal SARL	100.00%	100.00%	100.00%
Nigeria	Tetra Pak (West Africa) Ltd.	100.00%	100.00%	100.00%
South Africa	Tetra Pak South Africa (Pty) Ltd.	100.00%	100.00%	100.00%
South Africa	Tetra Laval Southern Africa (Pty) Ltd.	100.00%	100.00%	100.00%
Zimbabwe	Tetra Pak Zimbabwe (Pvt) Ltd.	100.00%	100.00%	100.00%
Kenya	Tetra Pak Ltd.	100.00%	100.00%	100.00%
Sweden	DeLaval Hamra Gard AB	100.00%	100.00%	100.00%
Sweden	DeLaval Sales AB	100.00%	100.00%	100.00%
Sweden	DeLaval International AB	100.00%	100.00%	100.00%
Sweden	DeLaval Export Service AB	100.00%	100.00%	100.00%
Sweden	DeLaval Hamra Gard AB	100.00%	100.00%	100.00%
Sweden	DeLaval Sales AB	100.00%	100.00%	100.00%
Sweden	DeLaval Export AB	100.00%	100.00%	100.00%
Sweden	DeLaval Holding AB	100.00%	100.00%	100.00%
Norway	DeLaval A/S	100.00%	100.00%	100.00%
Denmark	Laticec I/S	100.00%	100.00%	100.00%
Denmark	DeLaval A/S	100.00%	100.00%	100.00%
Finland	OyPelma AB	100.00%	100.00%	100.00%
Finland	OyDeLaval AB	100.00%	100.00%	100.00%
Germany	DeLaval Services GmbH	100.00%	100.00%	100.00%
Germany	DeLaval GmbH	100.00%	100.00%	100.00%
Poland	DeLaval Operations Sp Z.o.o.	100.00%	100.00%	100.00%
Poland	DeLaval Sp Z.o.o.	100.00%	100.00%	100.00%
Netherlands	DairyDataWarehouse B.V.	100.00%	100.00%	100.00%
Netherlands	Uniform-Agri B.V.	100.00%	100.00%	100.00%
Netherlands	DeLaval B.V.	100.00%	100.00%	100.00%
Netherlands	Gaps B.V.	100.00%	100.00%	100.00%
Netherlands	DeLaval Holding B.V.	100.00%	100.00%	100.00%
Belgium	Unifarm BVBA	100.00%	100.00%	100.00%
Belgium	DeLaval N.V.	100.00%	100.00%	100.00%
United Kingdom	DeLaval Ltd.	100.00%	100.00%	100.00%
Ireland	DeLaval DAC	100.00%	100.00%	100.00%
France	Midi Pyrenees Elevage Service S.N.C.	100.00%	100.00%	100.00%
France	DeLaval S.A.S.	100.00%	100.00%	100.00%

2020072915437

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Country	Company	Ownership			
		2019	2018	January 1, 2018	
Spain	DeLaval Equipos S.A.	100.00%	100.00%	100.00%	
Italy	DeLaval S.p.A.	100.00%	100.00%	100.00%	
Switzerland	DeLaval AG	100.00%	100.00%	100.00%	
Austria	DeLaval GesmbH	100.00%	100.00%	100.00%	
Hungary	DeLaval K.ft.	100.00%	100.00%	100.00%	
Turkey	DeLaval Hayvancilik Ekipmanlari ve Urunleri Sanayi ve Ticaret A.S.	100.00%	100.00%	100.00%	
Estonia	DeLaval OU	100.00%	100.00%	100.00%	
Latvia	DeLaval SIA	100.00%	100.00%	100.00%	
Lithuania	Uab DeLaval	100.00%	100.00%	100.00%	
Czech Republic	DeLaval s.r.o.	100.00%	100.00%	100.00%	
Ukraine	DeLaval Sc	100.00%	100.00%	100.00%	
Russia	AO DeLaval	100.00%	100.00%	100.00%	
Kazakhstan	DeLaval LLP	100.00%	100.00%	100.00%	
Jordan	DeLaval Jordan Ltd.	100.00%	100.00%	100.00%	
Saudi Arabia	Yousef Al-Gosalbi Agricultural Equipment Company Limited	0.00%	100.00%	100.00%	Liquidation
India	DeLaval Pvt Ltd.	100.00%	100.00%	100.00%	
China	DeLaval (Tianjin) Co., Ltd.	100.00%	100.00%	100.00%	
Japan	DeLaval K.K.	100.00%	100.00%	100.00%	
South Korea	DeLaval Ltd.	100.00%	100.00%	100.00%	
Canada	DeLaval Inc.	100.00%	100.00%	100.00%	
United States	West Agro Inc.	100.00%	100.00%	100.00%	
United States	DeLaval Inc.	100.00%	100.00%	100.00%	
Mexico	DeLaval S.A. de C.V.	100.00%	100.00%	100.00%	
Brazil	DeLaval Ltda.	100.00%	100.00%	100.00%	
Uruguay	DeLaval S.A.	100.00%	100.00%	100.00%	
Argentina	DeLaval S.A.	100.00%	100.00%	100.00%	
Chile	DeLaval S.A.	100.00%	100.00%	100.00%	
Peru	DeLaval SAC	100.00%	100.00%	100.00%	
Colombia	DeLaval Ltda.	100.00%	100.00%	100.00%	
Australia	DeLaval Pty Ltd.	100.00%	100.00%	100.00%	
New Zealand	DL South Island Ltd	100.00%	100.00%	100.00%	
New Zealand	DeLaval Ltd.	100.00%	100.00%	100.00%	
Egypt	DeLaval Ltd.	100.00%	100.00%	100.00%	
Tunisia	DeLaval International Tunisia	100.00%	100.00%	100.00%	
Tunisia	DeLaval Tunisia	100.00%	100.00%	100.00%	
South Africa	DeLaval (Pty) Ltd.	100.00%	100.00%	100.00%	
Germany	Sidel GmbH	100.00%	100.00%	100.00%	
Poland	Sidel Poland Sp. z o.o.	100.00%	100.00%	100.00%	
Netherlands	Novemba Participations B.V.	100.00%	100.00%	100.00%	
United Kingdom	Sidel (UK) Ltd.	100.00%	100.00%	100.00%	
France	Holcom S.A.S.	100.00%	0.00%	0.00%	Acquisition - Note 28
France	Holbat S.C.I.	100.00%	0.00%	0.00%	Acquisition - Note 28
France	Sidel End of Line Solutions France S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Participations S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Engineering & Conveying Solutions France S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Blowing & Services S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Packing Solutions S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Services S.A.S.	100.00%	100.00%	100.00%	
France	Sidel Holding S.A.S.	100.00%	100.00%	100.00%	
Spain	Sidel Iberica SL	100.00%	100.00%	100.00%	
Portugal	Sidel Conveying Portugal S.A.	100.00%	100.00%	100.00%	
Italy	Sidel International S.R.L.	0.00%	100.00%	100.00%	Liquidation

2020072915438

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

Country	Company	Ownership			
		2019	2018	January 1, 2018	
Italy	P.E.T. Engineering S.R.L.	100.00%	100.00%	0.00%	Acquisition - Note 28
Italy	Sidel S.P.A.	100.00%	100.00%	100.00%	
Italy	Sidel End of Line & Tunnels Solutions S.r.l.	100.00%	100.00%	100.00%	
Switzerland	Sidel International AG	100.00%	100.00%	100.00%	
Russia	PET Engineering OOO	100.00%	0.00%	0.00%	New entity
Russia	Sidel Vostok LLC	100.00%	100.00%	100.00%	
United Arab Emirates	Sidel Greater Middle East & Africa FZ-LLC	100.00%	100.00%	100.00%	
India	Sidel End of Line Solutions India Private Ltd.	100.00%	100.00%	100.00%	
India	Sidel India Private Limited	100.00%	100.00%	100.00%	
Thailand	Sidel End of Line Solutions (Thailand) Ltd.	100.00%	100.00%	100.00%	
Thailand	Sidel South Asia-Pacific Ltd.	100.00%	100.00%	100.00%	
Malaysia	Sidel Distribution (Malaysia) SDN. BHD.	100.00%	100.00%	100.00%	
Indonesia	PT Sidel Indonesia	100.00%	100.00%	100.00%	
Philippines	Sidel South Asia-Pacific Ltd. Philippine branch	100.00%	100.00%	100.00%	
Philippines	Sidel End of Line Solutions (Philippines) Inc.	100.00%	100.00%	100.00%	
China	Gebo Cermex Engineering & Packaging Equipments (Beijing) Co., Ltd	100.00%	100.00%	100.00%	
China	Sidel Machinery (Shanghai) Co., Ltd.	100.00%	100.00%	100.00%	
China	Sidel Machinery (Beijing) Co., Ltd.	100.00%	100.00%	100.00%	
Hong Kong	Sidel (Far East) Ltd.	0.00%	100.00%	100.00%	Liquidation
Japan	Sidel Japan K.K.	100.00%	100.00%	100.00%	
Canada	Novemba Canada Inc.	100.00%	100.00%	100.00%	
Canada	Sidel Canada Inc.	100.00%	100.00%	100.00%	
United States	Novemba U.S.A. Inc.	100.00%	100.00%	100.00%	
United States	Sidel, Inc.	100.00%	100.00%	100.00%	
United States	Gebo Cermex USA Inc.	0.00%	100.00%	100.00%	Liquidation
Mexico	Sidel End of Line Solutions Mexico S. de R.L. de C.V.	100.00%	100.00%	100.00%	
Mexico	Sidel de México S.A. de C.V.	100.00%	100.00%	100.00%	
Panama	Sidel Panama, Corp.	100.00%	100.00%	100.00%	
Brazil	Sidel do Brasil Ltda.	100.00%	100.00%	100.00%	
Brazil	Gebo Cermex Do Brasil Engenharia E Assistencia Tecnica Ltda.	0.00%	100.00%	100.00%	Merger into Sidel do Brasil Ltda.
Argentina	Sidel do Brasil (succursal Argentina)	100.00%	100.00%	100.00%	
Chile	Sidel Chile S.p.A.	100.00%	100.00%	100.00%	
Australia	Sidel Oceania Pty Ltd	100.00%	100.00%	0.00%	New entity
South Africa	Sidel South Africa (Pty) Ltd.	100.00%	100.00%	100.00%	
South Africa	Sidel Packaging Systems South Africa (Pty) Ltd.	100.00%	100.00%	100.00%	
Sweden	Tetra Laval Real Estate AB	100.00%	100.00%	100.00%	
Sweden	Tetra Laval Credit AB	100.00%	100.00%	100.00%	
Sweden	Tetra Laval AB	100.00%	100.00%	100.00%	
Netherlands	Sefico Holding B.V.	100.00%	100.00%	100.00%	
Netherlands	Tetra Pak Nederland Holding B.V.	100.00%	100.00%	100.00%	
Switzerland	Tetra Laval Holdings & Finance S.A.	100.00%	100.00%	100.00%	
Switzerland	Tetra Laval Finance & Treasury S.A.	100.00%	100.00%	100.00%	
Austria	Tetra Laval Trade GmbH	100.00%	100.00%	100.00%	
Russia	Tetra Pak Kuban CJSC	100.00%	100.00%	100.00%	
Singapore	Nexus Insurance International Pte. Ltd.	100.00%	0.00%	0.00%	New entity
Cayman Islands	Nexus Ltd. (Captive insurance)	0.00%	0.00%	100.00%	Disposal - Note 28

* Tetra Pak GmbH & Co KG and Tetra Pak Produktions GmbH & Co KG are fully controlled by the General Partner Tetra Pak Management GmbH (Tetra Pak GmbH, Darmstadt) a subsidiary of the Company. For this reason, those companies are 100% consolidated.

TETRA LAVAL INTERNATIONAL S.A.

Notes to the consolidated financial statements – December 31, 2019

All amounts shown are in millions of Euro unless otherwise stated

31. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2019, the coronavirus (COVID 19) pandemic spread to most of the countries around the world. While the Group cannot yet estimate the potential financial impact on its operations and transactions, to date management considers there is no material concern on the Group's ability to continue as a going concern.

2020072915440

Pully, June 09, 2020


BOARD OF DIRECTORS



Lars Renström (President)



Martyn Zedgitt



Robert Swan



Building a better
working world

Ernst & Young Ltd
Avenue de la Gare 39a
P.O. Box
CH-1002 Lausanne

Phone: +41 58 286 51 11
Fax: +41 58 286 51 01
www.ey.com/ch

2020072915441

To the General Meeting of
Tetra Laval International SA
Avenue du Général-Guisan 70
1009 Pully

Lausanne, 9 June 2020

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Tetra Laval International SA and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income as at 31 December 2019 and the consolidated balance sheet, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 3 to 65 of the Annual Financial Report 2019) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Building a better
working world

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

2020072915442



Building a better
working world

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Mark Hawkins
Licensed audit expert
(Auditor in charge)

Sébastien Leandri
Licensed audit expert

2020072915449