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The Annual Report has been presented and adopted at the Company´s Annual General Meeting on 29 May 2019

Maiken Lorensen

Palsgaard A/S

ANNUAL REPORT

1 January - 31 December 2018

Palsgaard A/S,
Palsgaardvej 10,
7130 Juelsminde.
CVR-NR. 26 44 70 38

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COMPANY DETAILS

Company	Palsgaard A/S Palsgaardvej 10 7130 Juelsminde	
	CVR No.:	26 44 70 38
	Established:	4 February 2002
	Registered Office:	Hedensted
	Financial Year:	1 January - 31 December
Board of Directors	Anders Brix, chairman Rasmus Christiansen Mette Marciniak Mikkelsen	
Board of Executives	Jakob Thøisen Torben Eske Dahl-Hansen Palle Hansen Allan Sandbeck Kim Bøjstrup	
Auditor	BDO Statsautoriseret revisionsaktieselskab Roms Hule 4, 1. sal 7100 Vejle	

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Palsgaard A/S for the financial year 1 January - 31 December 2018.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2018 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Juelsminde, 29 May 2019

Board of Executives

Jakob Thøisen	Torben Eske Dahl-Hansen	Palle Hansen
Allan Sandbeck	Kim Bøjstrup	

Board of Directors

Anders Brix Chairman	Rasmus Christiansen	Mette Marciniak Mikkelsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Palsgaard A/S

Opinion
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Palsgaard A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group and the Parent Company's operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements
Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and the Parent Company Financial Statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Parent Company Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we conclude that Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management’s Review.

Vejle, 29 May 2019

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Frank Lau
State Authorised Public Accountant
MNE no. mne32054

FINANCIAL HIGHLIGHTS OF THE GROUP

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000
Income statement					
Net revenue	1,410,427	1,250,203	1,175,947	1,080,737	984,984
Gross profit	407,733	368,276	359,964	331,619	286,131
Operating profit	139,258	119,843	139,530	110,906	91,804
Financial income and expenses, net	-7,126	-2,107	-3,307	-2,483	-364
Profit for the year before tax	112,838	170,803	142,921	114,537	97,669
Profit for the year	75,123	133,370	105,870	78,248	69,650
Profit for the year incl. minority interests	72,134	129,148	101,765	74,932	67,667
Balance sheet					
Balance sheet total	1,261,882	1,193,500	1,077,861	954,997	899,963
Equity	1,063,258	1,034,680	920,790	814,834	766,866
Equity incl. minority interests	1,039,957	1,014,324	901,996	803,522	759,925
Cash flows					
Investment in tangible fixed assets	-50,492	-15,200	-13,139	-12,070	-64,417
Ratios					
Gross margin	28.9	29.5	30.6	30.7	29.0
Profit margin	9.9	9.6	11.9	10.3	9.3
Rate of return	19.5	18.1	20.7	16.5	14.5
Solvency ratio	82.4	85.0	83.7	84.1	84.4
Return on equity (excl. minority interests)	7.0	13.5	11.9	9.6	9.3
Index for net revenue	143	127	119	110	100

FINANCIAL HIGHLIGHTS OF THE GROUP

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit x 100}}{\text{Net revenue}}$
Rate of return:	$\frac{\text{Profit/loss on ordinary activities x 100}}{\text{Average invested capital}}$
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets – trade payables – other provisions – other long and short term working liabilities
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$
Return on equity (ex minorities):	$\frac{\text{Profit/loss after tax ex minorities x 100}}{\text{Average equity ex minorities}}$

MANAGEMENT'S REVIEW

Principal activities
The principal activities of the company and the Group are production and sale of ingredients for the food sector and for technical applications.

Development in activities and financial position
The company's profit before tax is reduced by DKK 55 m compared with 2017 and the Group's profit before tax is reduced by DKK 58 m compared with 2017.

Compared with 2017 the profit for the company as well as the Group has been reduced. This is mainly caused by a combination of a profit on the sale of an associated company in 2017 and a reduction of the loss related to investments in Scanflavour A/S.

All shares in Scanflavour A/S were sold in 2018.

The operating profit has at Group level increased by DKK 19 m compared with 2017.

The above taken into consideration, the management considers the result for the year as being satisfactory.

Profit for the year compared to future expectations
The company's and the Group's profit for 2018 is in line with the expectations presented in the annual report for 2017.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

Special risks

Operating risks
The company's and the Group's primary business risk is the dependence on the economic development in the markets where the products are sold and the ability to constantly be able to have a competitive cost price.

Price risks
A substantial part of the raw materials follows the price development on the international commodity market; this is a general risk for the industry.

Currency risks
Trading in foreign currencies entails that result, cash flow and equity is affected by the development of exchange rates and interests for a range of currencies. The company's policy is that sales in other currencies than EUR and DKK are hedged.

Currency risks related to investments in subsidiaries are not hedged.

Interest risk
Due to the positive cash position the interest risk is limited for the company and the Group.

MANAGEMENT'S REVIEW

Environmental situation
The daily operations are carried out with respect for the environment, we refer to the CSR report mentioned in the following.

Knowledge resources
The most important resource is the employees. The development of the business is dependent on an ongoing education of the employees and that the employees show dedication, flexibility and adaptability. The ambition is to have an ongoing development of employees through education, to support their dedication via information from the management, and to support the employees where adaptability is needed.

Research and development activities
To maintain and improve the market position large resources are continuously invested in research and development. IP-rights related to product innovations are secured via patents at the earliest possible stage.

Future expectations
The company and the Group expects that the growth will continue in 2019 and that the earnings will improve compared with 2018.

Corporate social responsibility
As far back as 1908, and long before "Corporate Social Responsibility" (CSR) was conceptualised, Palsgaard's founder Einar Viggo Schou established a strong tradition in responsibility. For him, this meant looking after employees and their families, the local communities in which Palsgaard operates, and society in general. More than a century on, CSR is still a strategic part of our business.

Palsgaard's activities extend to over 100 countries, but we always bring with us a commitment to sustainability. We conduct ourselves in a financially responsible manner to maintain a profitable business through innovation, process optimisation and risk minimisation. This ensures that we remain a reliable supplier for our customers and an attractive, safe and caring workplace for our employees

CSR is strategic for Palsgaard's activities and is overseen by a dedicated CSR Steering Committee. A CSR Working Committee is chaired by a senior CSR Specialist, with member representation from all departments in the company. Our CSR report details our strategic work within CSR.

The Report on corporate social responsibility for 2018 according to section 99a of the Danish Financial Statements Act is published on the website:

http://novicell.ipapercms.dk/PalsgaardAS/CSR/palsgaard-csr-report-2018/

For further CSR related information, we refer to our webpage:

https://www.palsgaard.com/en/responsibility/palsgaard-and-corporate-social-responsibility/100-years-of-responsible-behaviour

Target figures and policies for the underrepresented gender

Target figures
The gender distribution in the board of directors complies with the intentions of the legislation. It is always the company's intention to comply with the legislation, but the qualifications and requirements for the position will prevail.

Policies
Palsgaard has a policy regarding the proportion of gender at the management levels of the company. When choosing between equally qualified candidates, the general diversity among the employees shall be taken into consideration. The board of directors will once a year review the gender proportion to assess if the proportion is in line with the policy.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group 2018 DKK '000	Group 2017 DKK '000	Parent company 2018 DKK '000	Parent company 2017 DKK '000
NET REVENUE	1	**1,410,427**	**1,250,203**	**1,098,156**	**974,360**
Cost of sales		-803,014	-690,521	-661,715	-568,130
Other operating income		529	774	0	0
Other external expenses		-200,209	-192,180	-142,381	-140,058
GROSS PROFIT		**407,733**	**368,276**	**294,060**	**266,172**
Staff costs	2	-224,046	-195,564	-157,349	-140,824
Depreciation and amortisation		-43,494	-51,649	-19,134	-22,452
Other operating expenses		-935	-1,220	-553	-10
OPERATING PROFIT		**139,258**	**119,843**	**117,024**	**102,886**
Result from investments in subsidiaries and associates	3	-19,294	53,067	-14,991	50,061
Other financial income	4	7,730	2,271	4,407	687
Other financial expenses	5	-14,856	-4,378	-10,083	-1,856
PROFIT BEFORE TAX		**112,838**	**170,803**	**96,357**	**151,778**
Tax on profit/loss for the year	6	-37,715	-37,433	-24,223	-22,630
PROFIT FOR THE YEAR	7	**75,123**	**133,370**	**72,134**	**129,148**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
ASSETS	**Note**	**2018**	**2017**	**2018**	**2017**
		DKK '000	DKK '000	DKK '000	DKK '000
Development projects completed		600	0	600	0
Intangible fixed assets acquired		2,666	2,248	2,090	1,692
Goodwill		71,520	77,020	0	0
Development projects in progress and prepayments		10,929	5,469	10,929	5,469
Intangible fixed assets	8	**85,715**	**84,737**	**13,619**	**7,161**
Land and buildings		131,708	113,567	47,875	46,136
Production plant and machinery		137,334	147,140	65,655	69,225
Other plant, machinery, tools and equipment		22,940	22,396	14,877	14,948
Tangible fixed assets in progress and prepayment		6,153	2,374	6,154	2,374
Tangible fixed assets	9	**298,135**	**285,477**	**134,561**	**132,683**
Investments in subsidiaries		0	0	449,107	421,562
Receivables from group enterprises		0	0	0	0
Fixed asset investments	10	**0**	**0**	**449,107**	**421,562**
FIXED ASSETS		**383,850**	**370,214**	**597,287**	**561,406**
Raw materials and consumables		98,465	90,312	58,616	52,442
Finished goods and goods for resale		206,381	160,681	107,641	84,283
Inventories		**304,846**	**250,993**	**166,257**	**136,725**
Trade receivables		291,097	246,817	153,035	124,020
Receivables from group enterprises		53	3,308	60,245	60,132
Other receivables		30,174	38,888	13,116	24,518
Prepayments and accrued income		8,295	12,801	5,197	2,787
Receivables		**329,619**	**301,814**	**231,593**	**211,457**
Investments in subsidiaries		290	0	290	0
Other securities and investments		118,628	0	118,628	0
Current investments		**118,918**	**0**	**118,918**	**0**
Cash and cash equivalents		**124,649**	**270,479**	**86,155**	**241,424**
CURRENT ASSETS		**878,032**	**823,286**	**602,923**	**589,606**
ASSETS		**1,261,882**	**1,193,500**	**1,200,210**	**1,151,012**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
EQUITY AND LIABILITIES	**Note**	**2018**	**2017**	**2018**	**2017**
		DKK '000	DKK '000	DKK '000	DKK '000
Share capital	11	50,000	50,000	50,000	50,000
Reserve for development costs		8,993	4,266	8,993	4,266
Retained earnings		980,964	910,058	980,964	910,058
Proposed dividend		0	50,000	0	50,000
Minority shareholders		23,301	20,356	0	0
EQUITY		**1,063,258**	**1,034,680**	**1,039,957**	**1,014,324**
Provision for deferred tax	12	10,500	11,002	14,508	14,032
PROVISION FOR LIABILITIES		**10,500**	**11,002**	**14,508**	**14,032**
Bank loan		0	15	0	0
Long-term liabilities	13	**0**	**15**	**0**	**0**
Bank debt		2,373	153	0	0
Prepayments received		1,794	3,118	1,794	3,118
Trade payables		97,989	78,097	72,234	59,469
Payables to group enterprises		22,127	7,124	35,297	19,003
Corporation tax		1,950	673	0	0
Other liabilities		61,891	58,638	36,420	41,066
Current liabilities		**188,124**	**147,803**	**145,745**	**122,656**
LIABILITIES		**188,124**	**147,818**	**145,745**	**122,656**
EQUITY AND LIABILITIES		**1,261,882**	**1,193,500**	**1,200,210**	**1,151,012**

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EQUITY

	Group					
	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Minority shareholders	Total
Equity at 1 January 2018	50,000	4,266	910,058	50,000	20,356	1,034,680
Capital increase					267	267
Dividend paid				-50,000		-50,000
Foreign exchange adjustments			146		-311	-165
Other adjustments			3,342			3,342
Net adjustment of hedging instruments			11			11
Proposed distribution of profit			72,134		2,989	75,123
Transferred to reserve for development costs		4,727	-4,727			
Equity at 31 December 2018	**50,000**	**8,993**	**980,964**	**0**	**23,301**	**1,063,258**

	Parent company				
	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	50,000	4,266	910,058	50,000	1,014,324
Dividend paid				-50,000	-50,000
Foreign exchange adjustments			146		146
Other adjustments			3,342		3,342
Net adjustment of hedging instruments			11		11
Proposed distribution of profit			72,134		72,134
Transferred to reserve for development costs		4,727	-4,727		
Equity at 31 December 2018	**50,000**	**8,993**	**980,964**	**0**	**1,039,957**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2018	**2017**
	DKK '000	DKK '000
Profit for the year	75,123	133,370
Reversed depreciation of the year	43,494	51,649
Reversed realization gains	553	10
Profit from associates	0	-127,441
Loss from subsidiaries	19,294	74,374
Reversed tax on profit/loss for the year	37,715	37,433
Other adjustments	-297	-2,759
Corporation tax paid	-35,119	-40,382
Change in inventory	-53,853	-31,076
Change in receivables	-27,806	-35,646
Change in current liabilities (ex bank and tax)	34,999	10,585
Other cash flows from operating activities	3,488	-17,066
CASH FLOWS FROM OPERATING ACTIVITY	**97,591**	**53,051**
Purchase of intangible fixed assets	-7,190	-3,935
Purchase of tangible fixed assets	-50,492	-15,200
Purchase of financial assets, other securities and equity investments	-118,627	0
Sale of financial assets	0	97,517
Other cash flows from investing activities	-19,584	0
CASH FLOWS FROM INVESTING ACTIVITY	**-195,893**	**78,382**
Repayments of loans	-15	-4,573
Minority interests' share of capital increase	267	0
Dividend paid in the financial year	-50,000	-323
CASH FLOWS FROM FINANCING ACTIVITY	**-49,748**	**-4,896**
CHANGE IN CASH AND CASH EQUIVALENTS	**-148,050**	**126,537**
Cash and cash equivalents at 1 January	270,326	143,789
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**122,276**	**270,326**
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents	124,649	270,479
Bank debt	-2,373	-153
CASH AND CASH EQUIVALENTS, NET DEBT	**122,276**	**270,326**

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NOTES

	Group		Parent company		
	2018 DKK '000	**2017** DKK '000	**2018** DKK '000	**2017** DKK '000	**Note**
Net revenue					**1**
Segment details (geography)					
Domestic	560,848	506,824	15,495	17,140	
Foreign	849,579	743,379	1,082,661	957,220	
	1,410,427	**1,250,203**	**1,098,156**	**974,360**	
Staff costs					**2**
Average number of employees Group: 460 (2017: 417) Parent company: 252 (2017: 234)					
Wages and salaries	189,162	164,217	134,263	119,360	
Pensions	23,487	21,681	18,080	16,011	
Social security costs	9,111	6,578	2,720	2,365	
Other staff costs	2,286	3,088	2,286	3,088	
	224,046	**195,564**	**157,349**	**140,824**	
Remuneration of management	10,498	12,148	10,498	12,148	
Remuneration of board of directors	2,610	2,432	2,610	2,432	
	13,108	**14,580**	**13,108**	**14,580**	
Result from investments in subsidiaries and associates					**3**
Income from investments in subsidiaries	-19,294	-74,374	-14,991	-77,380	
Income from investments in associates	0	127,441	0	127,441	
	-19,294	**53,067**	**-14,991**	**50,061**	
Other financial income					**4**
Group enterprises	17	19	577	178	
Other interest income	7,713	2,252	3,830	509	
	7,730	**2,271**	**4,407**	**687**	
Other financial expenses					**5**
Group enterprises	251	141	342	184	
Other interest expenses	14,605	4,237	9,741	1,672	
	14,856	**4,378**	**10,083**	**1,856**	

NOTES

	Group		Parent company		
	2018 DKK '000	**2017** DKK '000	**2018** DKK '000	**2017** DKK '000	**Note**
Tax on profit/loss for the year					**6**
Calculated tax on taxable income of the year	38,494	37,368	24,024	22,439	
Adjustment of tax in previous years	-277	0	-277	0	
Adjustment of deferred tax	-502	65	476	191	
	37,715	**37,433**	**24,223**	**22,630**	
Proposed distribution of profit					**7**
Proposed dividend for the year	0	50,000	0	50,000	
Allocation to net revaluation under the equity method	0	-7,059	0	0	
Retained earnings	72,134	86,207	72,134	79,148	
Minority interests' share of subsidiaries' result	2,989	4,222	0	0	
	75,123	**133,370**	**72,134**	**129,148**	

Intangible fixed assets **8**

	Group	
	Development projects completed	**Intangible fixed assets acquired**
Cost at 1 January 2018	0	2,656
Exchange adjustment at closing rate	0	-31
Transfer	750	0
Additions	0	540
Cost at 31 December 2018	**750**	**3,165**
Amortisation at 1 January 2018	0	407
Exchange adjustment at closing rate	0	21
Amortisation of the year	150	71
Amortisation at 31 December 2018	**150**	**499**
Carrying amount at 31 December 2018	**600**	**2,666**

NOTES

Note

Intangible fixed assets **8**

	Group	
	Goodwill	Development projects in progress and prepayments
Cost at 1 January 2018	110,032	5,469
Transfers to/from other items	0	-750
Additions	0	6,700
Disposals	0	-490
Cost at 31 December 2018	**110,032**	**10,929**
Amortisation at 1 January 2018	33,011	0
Amortisation of the year	5,501	0
Amortisation at 31 December 2018	**38,512**	**0**
Carrying amount at 31 December 2018	**71,520**	**10,929**

The Group's development costs relate to the development of new products for technical use and the food industry. The development is proceeding as planned and is expected to be completed within 1-3 years.

	Parent company		
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2018	0	1,717	5,469
Transfers to/from other items	750	0	-750
Additions	0	426	6,700
Disposals	0	0	-490
Cost at 31 December 2018	**750**	**2,143**	**10,929**
Amortisation at 1 January 2018	0	25	0
Amortisation of the year	150	28	0
Amortisation at 31 December 2018	**150**	**53**	**0**
Carrying amount at 31 December 2018	**600**	**2,090**	**10,929**

The company's development costs relate to the development of new products for technical use and the food industry. The development is proceeding as planned and is expected to be completed within 1-3 years.

NOTES

Note

Tangible fixed assets 9

	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2018	165,425	528,192
Exchange adjustment	1,926	3,488
Additions	21,202	16,772
Disposals	0	-15,365
Cost at 31 December 2018	**188,553**	**533,087**
Depreciation and impairment losses at 1 January 2018	51,858	381,052
Exchange adjustment	425	2,151
Reversal of depreciation of assets disposed of	0	-14,935
Depreciation for the year	4,562	27,485
Depreciation and impairment losses at 31 December 2018	**56,845**	**395,753**
Carrying amount at 31 December 2018	**131,708**	**137,334**

Tangible fixed assets (continued) 9

	Group	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2018	52,221	2,374
Exchange adjustment	122	0
Additions	8,015	6,153
Disposals	-4,294	-2,374
Cost at 31 December 2018	**56,064**	**6,153**
Depreciation and impairment losses at 1 January 2018	29,825	
Exchange adjustment	125	
Reversal of depreciation of assets disposed of	-2,060	
Depreciation for the year	5,234	
Depreciation and impairment losses at 31 December 2018	**33,124**	
Carrying amount at 31 December 2018	**22,940**	**6,153**

NOTES

Note

	Parent company	
	Land and buildings	Production plant and machinery
Cost at 1 January 2018	71,764	339,565
Additions	3,891	10,096
Disposals	0	-1,036
Cost at 31 December 2018	**75,655**	**348,625**
Depreciation and impairment losses at 1 January 2018	25,628	270,340
Reversal of depreciation of assets disposed of	0	-736
Depreciation for the year	2,152	13,366
Depreciation and impairment losses at 31 December 2018	**27,780**	**282,970**
Carrying amount at 31 December 2018	**47,875**	**65,655**

	Parent company	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2018	35,843	2,374
Additions	3,855	6,154
Disposals	-1,447	-2,374
Cost at 31 December 2018	**38,251**	**6,154**
Depreciation and impairment losses at 1 January 2018	20,895	
Reversal of depreciation of assets disposed of	-469	
Depreciation for the year	2,948	
Depreciation and impairment losses at 31 December 2018	**23,374**	
Carrying amount at 31 December 2018	**14,877**	**6,154**

Fixed asset investments 10

	Group
	Receivables from subsidiaries
Cost at 1 January 2018	6,643
Additions	19,584
Disposals	-26,227
Cost at 31 December 2018	**0**
Impairment losses and amortisation at 1 January 2018	6,643
Impairment losses for the year	19,584
Reversed impairment losses on disposal	-26,227
Impairment losses and amortisation at 31 December 2018	**0**
Carrying amount at 31 December 2018	**0**

NOTES

Note

Fixed asset investments (continued) 10

	Parent company	
	Investments in subsidiaries	Receivables from subsidiaries
Cost at 1 January 2018	521,426	6,643
Additions	25,638	19,584
Disposals	0	-26,227
Cost at 31 December 2018	**547,064**	**0**
Revaluation at 1 January 2018	-99,864	0
Exchange adjustment	146	0
Dividend	-5,884	0
Profit/loss for the year	4,303	0
Changes in equity	3,342	0
Revaluation at 31 December 2018	**-97,957**	**0**
Impairment losses and amortisation at 1 January 2018	0	6,643
Impairment losses for the year	0	19,584
Reversed impairment losses on disposal	0	-26,227
Impairment losses and amortisation at 31 December 2018	**0**	**0**
Carrying amount at 31 December 2018	**449,107**	**0**

Investments in subsidiaries

Name and registered office	Ownership
Palsgaard Great Britain Ltd., England	100 %
Palsgaard Netherlands B.V., Holland	100 %
Palsgaard Malaysia SDN. BHD, Malaysia	100 %
Palsgaard Inc., USA	100 %
Palsgaard Additive China Ltd., China	100 %
Palsgaard Verwaltungsgesellschaft m.b.H., Hannover, Germany	100 %
Palsgaard Verkaufsgesellschaft m.b.H. ft Co. KG, Germany	100 %
Palsgaard France Sas, France	100 %
Palsgaard Manufacturing, S. de R.L. de C.V., Mexico	95 %
Palsgaard Polska, Poland	100 %
Palsgaard R, Russia	100 %
Palsgaard Asia-Pasific Pte. Ldt., Singapore	100 %
Palsgaard Industri de Mexico S.R.L., Mexico	90 %
Palsgaard do Brasil ltda, Brazil	100 %
Palsgaard South Africa Ltd, South Africa	100 %
Einar A/S, Juelsminde	100 %
Palsgaard Candon S/A, Brazil	56 %
PHIHAU ApS, Hedensted, Denmark	100 %
Palsgaard Kenya Limited, Kenya	100 %
Palsgaard Ghana Limited, Ghana	100 %

NOTES

	2018	2017	Note
	DKK '000	DKK '000	
Share capital			11
Specification of the share capital:			
Shares, 50,000 in the denomination of 1,000 DKK.................	50,000	50,000	
	50,000	**50,000**	

Provision for deferred tax 12

Provisions for deferred tax relate to differences between accounting and tax values of intangible assets and property, plant and equipment as well as inventories.

	Group		Parent company	
	2018	**2017**	**2018**	**2017**
	DKK '000	DKK '000	DKK '000	DKK '000
Deferred tax, beginning of year......	11,002	11,160	14,032	13,841
Deferred tax of the year, income statement and equity..................	-502	-158	476	191
Provision for deferred tax at 31 December 2018........................	**10,500**	**11,002**	**14,508**	**14,032**

Long-term liabilities 13

	Group				
	31/12 2018 total liabilities	**Repayment next year**	**Debt outstanding after 5 years**	**31/12 2017 total liabilities**	**Current portion at the beginning of the year**
Bank loan...........................	0	0	0	15	0
	0	**0**	**0**	**15**	**0**

NOTES

	Note

Contingencies etc. 14

Contingent liabilities
The Group has entered into operating lease agreements with an average annual lease payment of DKK ('000) 1,069.

The lease agreements have a total residual lease payment of DKK ('000) 1,545. The remaining period of the lease agreements is 0-3 years.

Joint liabilities
The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable Group for tax on the Group's joint taxable income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable on the Group's joint taxable income is stated in the annual report of Palsgaard Gods A/S, which serves as management company for the joint taxation.

Charges and securities 15
As security for engagements with banks, letters of indemnity amounting to DKK ('000) 10,000 have been registered. At 31 December 2018 the bank debt amounts to DKK ('000) 0.

Owner's mortgages are registered of an amount of DKK ('000) 40,731 and letters of indemnity of DKK ('000) 10,000 on the Group's land and buildings. The owner's mortgage letters and indemnity letters are their own depository.

Related parties 16

Other related parties having performed transactions with the company
The company's related parties having a significant influence comprise subsidiaries as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties
The company did not carry out any substantial transactions that were not concluded on market conditions.

Derivative financial instruments 17
The Group uses forward exchange contracts to hedge the Group's recognised and non-recognised transactions.

The Group has entered into forward exchange contracts at 31 December 2018 to hedge future purchases of USD, ZAR, MYR and CNY totaling to 44,418 DKK ('000).

The fair value of forward exchange contracts relating to hedging of future purchases and sales in foreign currencies is included in the item "Other liabilities". At 31 December 2018, DKK ('000) 1,248 and at 31 December 2017, DKK ('000) 672.

NOTES

	Note
Consolidated financial statements	**18**
The Company is included in the consolidated financial statements of the ultimate parent, Schou-Fondet, Palsgaardvej 10, 7130 Juelsminde	

ACCOUNTING POLICIES

The Annual Report of Palsgaard A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

Consolidated financial statements
The consolidated financial statements include the parent company Palsgaard A/S and its subsidiaries in which Palsgaard A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to DKK ('000) 71,520.

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

Minority interests
The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests' proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit/loss and in individual main items under equity.

ACCOUNTING POLICIES

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses
Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Investments in subsidiaries and associates
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The income statement of the owner company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 20 years.

Patents are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term, normally 5-10 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the group's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

The amortisation period is estimated based on the activities of which the intangible assets are related to and are estimated based on the expected useful life.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and write-down. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings	25-33 Years	0 %
Production plant and machinery	5-10 years	0 %
Other plant, fixtures and equipment	3-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments
Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

ACCOUNTING POLICIES

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. At calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's and associates' deficit.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the average cost method. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Securities and investments

Securities and investments, recognised as current assets, comprise public quoted bonds, shares and other current investments that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price.
Securities and investments include investments in subsidiaries which are measured in the company's balance sheet under the equity method.

Subsidiaries are not consolidated in the group financial statements according to section 114(2) of the Danish Financial Statements Act. In accordance with section 127(4) of this Act, no further justification is required.

Cash and cash equivalents

Cash and cash equivalents include cash bank deposits.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

ACCOUNTING POLICIES

Derivative financial instruments

The initial recognition measures derivative financial instruments in the balance sheet at cost price and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the income statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under initial cost for the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the income statement for the period in which the income statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

ACCOUNTING POLICIES

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.