

PALSGAARD A/S

# Annual Report 2022

1 January 2022 – 31 December 2022



The Annual Report has been presented and adopted at the company's Annual General Meeting on 24 May 2023.

Maiken Lorensen

**Palsgaard A/S**  
Palsgaardvej 10  
7130 Juelsminde  
CVR-NO: 26447038

**Palsgaard®**

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**COMPANY DETAILS**

<b>Company</b>	Palsgaard A/S Palsgaardvej 10 7130 Juelsminde
	CVR No.: 26 44 70 38
	Established: 4 February 2002
	Municipality: Hedensted
	Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Anders Brix, chairman Jakob Thøisen Mette Marciniak Mikkelsen Birger Brix Jane Hvolbæk Nielsen
<b>Executive Board</b>	Helle Müller Petersen Torben Eske Dahl-Hansen Ole Albertsen Kim Bøjstrup Michael Skriver
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Roms Hule 4, 1. sal 7100 Vejle

## MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Palsgaard A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of Group's and the Company's assets, liabilities and financial position at 31 December 2022 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Juelsminde, 24 May 2023

### Executive Board

\_\_\_\_\_  
Helle Müller Petersen

\_\_\_\_\_  
Torben Eske Dahl-Hansen

\_\_\_\_\_  
Ole Albertsen

\_\_\_\_\_  
Kim Bøjstrup

\_\_\_\_\_  
Michael Skriver

### Board of Directors

\_\_\_\_\_  
Anders Brix  
Chairman

\_\_\_\_\_  
Jakob Thøisen

\_\_\_\_\_  
Mette Marciniak Mikkelsen

\_\_\_\_\_  
Birger Brix

\_\_\_\_\_  
Jane Hvolbæk Nielsen

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of Palsgaard A/S

#### Opinion

We have audited the Consolidated Financial Statements and the Annual Financial Statements of the Company of Palsgaard A/S for the financial year 1 January - 31 December 2022, 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 Annual Financial Statements of the Company are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2022 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 2022 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 Annual Financial Statements of the Company" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### Management's Responsibilities for the Consolidated Financial Statements and the Annual Financial Statements of the Company

Management is responsible for the preparation of Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Annual Financial Statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Annual Financial Statements of the Company, 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 Annual Financial Statements of the Company 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 Annual Financial Statements of the Company 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 Annual Financial Statements of the Company.

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:

## INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Annual Financial Statements of the Company, 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 Annual Financial Statements of the Company 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 Annual Financial Statements of the Company 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 Annual Financial Statements of the Company, including the disclosures, and whether the Consolidated Financial Statements and the Annual Financial Statements of the Company 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.

## INDEPENDENT AUDITOR'S REPORT

### Statement on Management Commentary

Management is responsible for Management Commentary.

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

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

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

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

Vejle, 24 May 2023

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Frank Lau  
State Authorised Public Accountant  
MNE no. mne32054

## FINANCIAL HIGHLIGHTS OF THE GROUP

	2022	2021	2020	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Income statement</b>					
Net revenue.....	2.491.609	1.786.452	1.497.591	1.436.015	1.410.427
Gross profit.....	787.802	525.418	449.035	389.432	407.733
Operating profit.....	360.868	152.989	136.704	103.099	139.258
Financial income and expenses, net.....	-28.157	-2.540	-9.109	-3.430	-7.126
Profit for the year before tax.....	332.711	150.449	127.597	99.664	112.838
Profit for the year.....	263.148	116.809	97.383	72.038	75.123
Profit for the year excl. minority interests.....	257.202	112.316	91.009	67.863	72.134
<b>Balance sheet</b>					
Total assets.....	2.255.424	1.710.937	1.430.907	1.346.766	1.261.882
Equity.....	1.580.288	1.333.699	1.193.980	1.155.574	1.063.258
Equity excl. minority interests.....	1.557.541	1.296.732	1.162.814	1.125.414	1.039.957
<b>Cash flows</b>					
Investment in property, plant and equipment.....	-246.555	-143.309	-180.029	-159.291	-50.492
<b>Key ratios</b>					
Gross margin.....	31.6	29.4	30.0	27.1	28.9
Operating margin.....	14.5	8.6	9.1	7.2	9.9
Return on invested capital.....	24.6	13.5	14.5	12.4	19.5
Equity ratio.....	69.1	75.8	81.3	83.6	82.4
Return on equity (ex minority interests)..	18.0	9.1	8.0	6.3	7.0
Index for net revenue.....	177	127	106	102	100



## FINANCIAL HIGHLIGHTS OF THE GROUP

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

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
Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Operating margin:	$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$
Return on invested capital:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Equity ratio:	$\frac{\text{Equity ex minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity (ex minorities):	$\frac{\text{Profit/loss after tax ex minorities} \times 100}{\text{Average equity ex minorities}}$

## MANAGEMENT COMMENTARY

### 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 and economic position

The company's profit before tax has increased by DKK 171 million compared with 2021 and the Group's profit before tax is increased by DKK 182 m compared with 2021.

Compared with 2021 the profit for the company as well as the Group has increased, this due to a huge effort from our employees to make the production efficient and to improve on market, product and customer mix. Increasing prices for raw materials, energy, and freight led to a significant increase in revenue and cost of sales.

In 2022 we stopped the activities in our subsidiary in Russia. Stopping the activities in Russia has not had a material effect on the profit.

The management is very pleased with the financial performance in a very challenging and unpredictable year.

The investment program in expansion of the production capacity has continued in 2022 where we have invested approx. DKK 200 million in our production facilities. The largest part of our capex program relates to our production facilities in Denmark but also our factory in The Netherlands will get a significant increase in their production capacity. The investment activities will continue in 2023 and 2024 and when the planned expansions are completed the production capacity will almost be doubled in the Group.

### Profit for the year compared to future expectations

The company's and the Group's profit for 2022 are significantly better than the expectations presented in the annual report for 2021. This is mainly due to the circumstances described above.

### 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.

### Financial risk

#### *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 strong operational cash flow, a very low financial gearing and financial debt, the interest risk is limited for the company and the Group.

### Environmental situation

The daily operations are carried out with respect for the environment. Please refer to the CSR report mentioned in the following.

## MANAGEMENT COMMENTARY

### 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

For 2023 we expect a profit before tax for the Group at a level of DKK 300 - 350 million and for the company a profit before tax at a level of DKK 290 - 330 million.

### Corporate social responsibility (CSR) report

As far back as 1908, and long before "Corporate Social Responsibility" (CSR) was conceptualized, 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 more than 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 optimization and risk minimization. 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 and a CSR Working Committee, commissioned by the CEO of Palsgaard A/S, is chaired by the Global QEHS Director with members selected by executive management. The working committee reports to the executive management. The CSR working committee consists of members from Procurement, Human Resources, QEHS, finance and Production Management. Our CSR report details our strategic work within CSR.

The Report on corporate social responsibility for 2022 according to section 99a of the Danish Financial Statements Act is published on the website:

<https://novicell.ipapercms.dk/PalsgaardAS/CSR/palsgaard-csr-report-2022/>

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>

## MANAGEMENT COMMENTARY

### Target figures and policy 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.

#### **Data ethics**

The foundation and the group have until now had focus on, at all times, being compliant with the GDPR legislation and has decided to have minor focus on data ethics policy (The Danish Financial Statements act § 99d). In the coming year focus will still be on being compliant with the GDPR legislation, but the management expects to appoint a task force that can begin to define the future data ethics policy.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group		Parent Company	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
<b>NET REVENUE</b> .....	1	<b>2.491.609</b>	<b>1.786.452</b>	<b>1.878.807</b>	<b>1.341.058</b>
Cost of sales.....		-1.487.322	-1.089.607	-1.172.150	-844.887
Other operating income.....		9.214	4.467	4.005	3.362
Other external expenses.....		-225.699	-175.894	-181.437	-144.829
<b>GROSS PROFIT/LOSS</b> .....		<b>787.802</b>	<b>525.418</b>	<b>529.225</b>	<b>354.704</b>
Staff costs.....	2	-348.088	-307.016	-246.401	-202.207
Depreciation, amortisation and impairment losses.....		-76.229	-63.058	-38.511	-30.237
Other operating expenses.....		-2.617	-2.355	-1.803	0
<b>OPERATING PROFIT</b> .....		<b>360.868</b>	<b>152.989</b>	<b>242.510</b>	<b>122.260</b>
Result from investments in sub-sidiaries.....	3	0	0	89.284	21.382
Other financial income.....	4	12.319	8.654	662	243
Other financial expenses.....	5	-40.476	-11.194	-26.692	-9.459
<b>PROFIT BEFORE TAX</b> .....		<b>332.711</b>	<b>150.449</b>	<b>305.764</b>	<b>134.426</b>
Tax on profit/loss for the year.....	6	-69.563	-33.640	-48.562	-22.110
<b>PROFIT FOR THE YEAR</b> .....	7	<b>263.148</b>	<b>116.809</b>	<b>257.202</b>	<b>112.316</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent Company	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Development projects completed .		14.972	10.429	14.972	10.428
Intangible fixed assets acquired...		2.629	2.911	2.321	2.586
Goodwill.....		79.324	67.009	0	0
Development projects in progress and prepayments.....		16.870	18.000	16.870	18.000
<b>Intangible assets.....</b>	<b>8</b>	<b>113.795</b>	<b>98.349</b>	<b>34.163</b>	<b>31.014</b>
Land and buildings.....		294.434	283.699	131.467	130.601
Production plant and machinery...		236.145	239.405	148.390	163.660
Other plants, machinery, tools and equipment.....		24.176	29.669	16.713	18.484
Tangible fixed assets in progress and prepayment.....		275.249	91.051	275.249	91.051
<b>Property, plant and equipment..</b>	<b>9</b>	<b>830.004</b>	<b>643.824</b>	<b>571.819</b>	<b>403.796</b>
Investments in subsidiaries.....		0	0	698.896	579.687
<b>Financial non-current assets.....</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>698.896</b>	<b>579.687</b>
<b>NON-CURRENT ASSETS.....</b>		<b>943.799</b>	<b>742.173</b>	<b>1.304.878</b>	<b>1.014.497</b>
Raw materials and consumables ...		222.116	143.838	130.453	83.119
Finished goods and goods for resale.....		437.670	292.139	218.999	125.121
<b>Inventories.....</b>		<b>659.786</b>	<b>435.977</b>	<b>349.452</b>	<b>208.240</b>
Trade receivables.....		460.563	382.311	244.448	198.327
Receivables from group enterprises.....		17.289	0	179.967	135.389
Other receivables.....	11	49.886	48.470	19.114	30.652
Prepayments and accrued income.	12	8.819	7.863	8.819	7.859
<b>Receivables.....</b>		<b>536.557</b>	<b>438.644</b>	<b>452.348</b>	<b>372.227</b>
<b>Cash and cash equivalents.....</b>		<b>115.282</b>	<b>94.143</b>	<b>37.755</b>	<b>20.260</b>
<b>CURRENT ASSETS.....</b>		<b>1.311.625</b>	<b>968.764</b>	<b>839.555</b>	<b>600.727</b>
<b>ASSETS.....</b>		<b>2.255.424</b>	<b>1.710.937</b>	<b>2.144.433</b>	<b>1.615.224</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent Company	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Share capital.....	13	50.000	50.000	50.000	50.000
Reserve for development costs.....		24.837	22.174	24.837	22.174
Other reserves.....		-28.400	-32.007	0	0
Retained earnings.....		1.511.104	1.256.565	1.482.704	1.224.558
Minority shareholders.....		22.747	36.967	0	0
<b>EQUITY.....</b>		<b>1.580.288</b>	<b>1.333.699</b>	<b>1.557.541</b>	<b>1.296.732</b>
Provision for deferred tax.....	14	29.628	20.311	28.175	23.967
<b>PROVISIONS.....</b>		<b>29.628</b>	<b>20.311</b>	<b>28.175</b>	<b>23.967</b>
Bank loan.....		200.000	80.000	200.000	80.000
Accruals and deferred income.....		0	3.730	0	3.730
<b>Non-current liabilities.....</b>	15	<b>200.000</b>	<b>83.730</b>	<b>200.000</b>	<b>83.730</b>
Bank debt.....		122.034	32.140	116.208	35.847
Trade payables.....		220.820	121.456	165.066	87.762
Payables to group enterprises.....		2.376	19.928	9.065	33.652
Corporation tax.....		15.169	6.922	15.161	6.622
Other liabilities.....		85.109	92.751	53.217	46.912
<b>Current liabilities.....</b>		<b>445.508</b>	<b>273.197</b>	<b>358.717</b>	<b>210.795</b>
<b>LIABILITIES.....</b>		<b>645.508</b>	<b>356.927</b>	<b>558.717</b>	<b>294.525</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>2.255.424</b>	<b>1.710.937</b>	<b>2.144.433</b>	<b>1.615.224</b>
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## EQUITY

	Group					
	Share capital	Reserve for development costs	Other reserves	Retained earnings	Minority shareholders	Total
Equity at 1 January 2022....	50.000	22.174	-32.007	1.256.565	36.967	1.333.699
Proposed profit allocation 7.				257.202	5.946	263.148
<b>Transactions with owners</b>						
Dividend paid.....					-2.919	-2.919
Purchase of minority interests.....					-20.930	-20.930
<b>Other legal bindings</b>						
Transferred to reserve for development costs.....		7.290		-7.290		0
Foreign exchange adjustments.....					3.683	3.683
<b>Transfers</b>						
Depreciations.....		-3.876		3.876		0
<b>Transfers</b>						
Foreign exchange adjustments.....			3.607			3.607
Tax on changes in equity...		-751		751		0
<b>Equity at 31 December 2022.....</b>	<b>50.000</b>	<b>24.837</b>	<b>-28.400</b>	<b>1.511.104</b>	<b>22.747</b>	<b>1.580.288</b>

	Parent Company				
	Share capital	Net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022.....	50.000	0	22.174	1.224.558	1.296.732
Proposed profit allocation 7.....			89.284	167.918	257.202
<b>Other legal bindings</b>					
Transferred to reserve for development costs.....			7.290	-7.290	0
Foreign exchange adjustments.....		3.607			3.607
<b>Transfers</b>					
Depreciations.....			-3.876	3.876	0
Transferred from retained earnings.....			-92.891	92.891	0
Tax on changes in equity.....			-751	751	0
<b>Equity at 31 December 2022.....</b>	<b>50.000</b>	<b>0</b>	<b>24.837</b>	<b>1.482.704</b>	<b>1.557.541</b>



## CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	<u>Group</u>	
	2022	2021
	DKK '000	DKK '000
Profit/loss for the year.....	263.148	116.809
Depreciation and amortisation, reversed.....	76.229	63.058
Reversed realization gains and losses.....	2.592	1.164
Tax on profit/loss, reversed.....	69.563	33.640
Other adjustments.....	3.684	1.146
Corporation tax paid.....	-51.998	-18.918
Change in inventories.....	-223.809	-102.017
Change in receivables (ex tax).....	-97.913	-85.261
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	70.440	32.555
Other cash flows from operating activities.....	3.604	8.515
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>115.540</b>	<b>50.691</b>
Purchase of intangible assets.....	-26.004	-15.882
Purchase of property, plant and equipment.....	-254.442	-143.309
Purchase of financial assets.....	-20.930	0
Sale of financial assets.....	0	205
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>-301.376</b>	<b>-158.986</b>
Minority interests' share of capital increase.....	0	822
Change in operating capital.....	89.894	28.995
Dividends paid in the financial year.....	-2.919	-660
Other cash flows from financing activities.....	120.000	80.000
<b>CASH FLOWS FROM FINANCING ACTIVITY.....</b>	<b>206.975</b>	<b>109.157</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>21.139</b>	<b>862</b>
Cash and cash equivalents at 1. januar.....	94.143	93.281
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>115.282</b>	<b>94.143</b>
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	115.282	94.143
<b>CASH AND CASH EQUIVALENTS.....</b>	<b>115.282</b>	<b>94.143</b>

## NOTES

	Group		Parent Company		Note
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
<b>Net revenue</b>					<b>1</b>
<b>Segment details (geography)</b>					
Domestic.....	62.346	30.984	62.346	23.097	
Foreign.....	2.429.263	1.755.468	1.816.461	1.317.961	
	<b>2.491.609</b>	<b>1.786.452</b>	<b>1.878.807</b>	<b>1.341.058</b>	
<b>Staff costs</b>					<b>2</b>
Average number of employees	604	583	319	291	
Wages and salaries.....	297.987	267.350	202.877	170.695	
Pensions.....	35.080	26.511	32.917	24.754	
Social security costs.....	7.413	9.224	2.999	2.827	
Other staff costs.....	7.608	3.931	7.608	3.931	
	<b>348.088</b>	<b>307.016</b>	<b>246.401</b>	<b>202.207</b>	
Remuneration of Board of Directors.	15.103	11.206	15.103	11.206	
Remuneration of Supervisory Board.	3.384	2.997	3.384	2.997	
	<b>18.487</b>	<b>14.203</b>	<b>18.487</b>	<b>14.203</b>	
<b>Result from investments in sub-sidiaries</b>					<b>3</b>
Income from investments in subsidiaries.....	0	0	89.284	21.382	
	<b>0</b>	<b>0</b>	<b>89.284</b>	<b>21.382</b>	
<b>Other financial income</b>					<b>4</b>
Group enterprises.....	0	0	49	2	
Other interest income.....	12.319	8.654	613	241	
	<b>12.319</b>	<b>8.654</b>	<b>662</b>	<b>243</b>	
<b>Other financial expenses</b>					<b>5</b>
Group enterprises.....	0	0	74	111	
Other interest expenses.....	40.476	11.194	26.618	9.348	
	<b>40.476</b>	<b>11.194</b>	<b>26.692</b>	<b>9.459</b>	

In the year, both in The Group and Parent DKK ('000) 18,338 was recognized in relation to hedging under other interest expenses.

## NOTES

	Group		Parent Company		Note
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
<b>Tax on profit/loss for the year</b>					<b>6</b>
Calculated tax on taxable income of the year.....	67.863	26.581	44.354	15.647	
Adjustment of deferred tax.....	1.700	7.059	4.208	6.463	
	<b>69.563</b>	<b>33.640</b>	<b>48.562</b>	<b>22.110</b>	
<b>Proposed distribution of profit</b>					<b>7</b>
Allocation to net revaluation under the equity method.....	0	0	89.284	21.382	
Retained earnings.....	257.202	112.316	167.918	90.934	
Minority interests' share of subsidiaries' result.....	5.946	4.493	0	0	
	<b>263.148</b>	<b>116.809</b>	<b>257.202</b>	<b>112.316</b>	
<b>Intangible assets</b>					<b>8</b>
			<b>Group</b>		
			Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2022.....			15.105	3.637	
Exchange adjustment at closing rate.....			0	59	
Transfer.....			8.520	0	
Disposals.....			-100	-10	
<b>Cost at 31 December 2022.....</b>			<b>23.525</b>	<b>3.686</b>	
Amortisation at 1 January 2022.....			4.676	726	
Exchange adjustment at closing rate.....			1	24	
Reversal of amortisation of assets disposed of.....			0	-2	
Amortisation of the year.....			3.876	309	
<b>Amortisation at 31 December 2022.....</b>			<b>8.553</b>	<b>1.057</b>	
<b>Carrying amount at 31 December 2022.....</b>			<b>14.972</b>	<b>2.629</b>	

## NOTES

Note

## Intangible fixed assets (continued)

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	<u>Group</u>	
	Goodwill	Development projects in progress and prepayments
Cost at 1 January 2022.....	122.817	18.000
Transfers to/from other items.....	0	-8.520
Additions.....	18.688	7.390
<b>Cost at 31 December 2022.....</b>	<b>141.505</b>	<b>16.870</b>
Amortisation at 1 January 2022.....	55.808	0
Amortisation of the year.....	6.373	0
<b>Amortisation at 31 December 2022.....</b>	<b>62.181</b>	<b>0</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>79.324</b>	<b>16.870</b>

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.

	<u>Parent Company</u>		
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2022.....	15.099	2.924	18.000
Transfers to/from other items.....	8.420	0	-8.420
Additions.....	0	0	7.390
Disposals.....	0	0	-100
<b>Cost at 31 December 2022.....</b>	<b>23.519</b>	<b>2.924</b>	<b>16.870</b>
Amortisation at 1 January 2022.....	4.671	337	0
Amortisation of the year.....	3.876	266	0
<b>Amortisation at 31 December 2022.....</b>	<b>8.547</b>	<b>603</b>	<b>0</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>14.972</b>	<b>2.321</b>	<b>16.870</b>

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

## Property, plant and equipment

9

	<b>Group</b>	
	Land and buildings	Production plant and machinery
Cost at 1 January 2022.....	365.293	606.737
Exchange adjustment at closing rate.....	5.550	2.161
Additions.....	24.864	41.636
Disposals.....	-7.141	-3.782
<b>Cost at 31 December 2022.....</b>	<b>388.566</b>	<b>646.752</b>
Depreciation and impairment losses at 1 January 2022.....	81.594	367.332
Exchange adjustment.....	522	1.572
Reversal of depreciation of assets disposed of.....	-1.986	-1.541
Depreciation for the year.....	14.002	43.244
<b>Depreciation and impairment losses at 31 December 2022...</b>	<b>94.132</b>	<b>410.607</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>294.434</b>	<b>236.145</b>

	<b>Group</b>	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2022.....	58.487	91.051
Exchange adjustment at closing rate.....	-914	2
Additions.....	9.398	191.268
Disposals.....	-10.323	-7.072
<b>Cost at 31 December 2022.....</b>	<b>56.648</b>	<b>275.249</b>
Depreciation and impairment losses at 1 January 2022.....	28.818	
Exchange adjustment.....	-83	
Reversal of depreciation of assets disposed of.....	-4.689	
Depreciation for the year.....	8.426	
<b>Depreciation and impairment losses at 31 December 2022...</b>	<b>32.472</b>	
<b>Carrying amount at 31 December 2022.....</b>	<b>24.176</b>	<b>275.249</b>

## NOTES

Note

## Tangible fixed assets (continued)

9

	Parent Company	
	Land and buildings	Production plant and machinery
Cost at 1 January 2022.....	166.839	375.045
Transferred.....	179	6.102
Additions.....	5.775	4.928
Disposals.....	0	-1.872
<b>Cost at 31 December 2022.....</b>	<b>172.793</b>	<b>384.203</b>
Depreciation and impairment losses at 1 January 2022.....	36.239	211.385
Depreciation for the year.....	5.087	24.428
<b>Depreciation and impairment losses at 31 December 2022...</b>	<b>41.326</b>	<b>235.813</b>
<b>Carrying amount at 31 December 2022.....</b>	<b>131.467</b>	<b>148.390</b>

  

	Parent Company	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2022.....	33.371	91.052
Transferred.....	790	-7.071
Additions.....	2.295	191.268
<b>Cost at 31 December 2022.....</b>	<b>36.456</b>	<b>275.249</b>
Depreciation and impairment losses at 1 January 2022.....	14.889	
Depreciation for the year.....	4.854	
<b>Depreciation and impairment losses at 31 December 2022...</b>	<b>19.743</b>	
<b>Carrying amount at 31 December 2022.....</b>	<b>16.713</b>	<b>275.249</b>

## NOTES

	Parent Company	Note
	<u>Investments in subsidiaries</u>	
<b>Financial non-current assets</b>		<b>10</b>
Cost at 1 January 2022.....	644.791	
Additions.....	72.803	
<b>Cost at 31 December 2022.....</b>	<b>717.594</b>	
Revaluation at 1 January 2022.....	-9.296	
Exchange adjustment.....	3.607	
Dividend.....	-46.485	
Profit/loss for the year.....	95.657	
<b>Revaluation at 31 December 2022.....</b>	<b>43.483</b>	
Impairment losses and amortisation of goodwill at 1 January 2022.....	55.808	
Amortisation of goodwill.....	6.373	
<b>Impairment losses and amortisation of goodwill at 31 December 2022.....</b>	<b>62.181</b>	
<b>Carrying amount at 31 December 2022.....</b>	<b>698.896</b>	

**Goodwill**

Acquired goodwill for the year 18.7 mio. DKK.

**Investments in subsidiaries**

Name and domicil	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., Germany.....	100 %
Palsgaard Verkaufsgesellschaft m.b.H. & Co. KG, Germany.....	100 %
Palsgaard France Sas, France.....	100 %
Palsgaard Manufacturing, S. de R.L. de C.V., Mexico.....	95 %
Palsgaard Polska Sp. Z o. o., Poland.....	100 %
Palsgaard "R" LLC, Russia.....	100 %
Palsgaard Asia-Pasific Pte. Ltd., Singapore.....	100 %
Palsgaard Industri de Mexico S. de R.L. de C.V., Mexico.....	90 %
Palsgaard do Brasil Ltda., Brazil.....	100 %
Palsgaard South Africa Pt. Ltd., South Africa.....	100 %
Palsgaard Candon S/A, Brazil.....	100 %
Palsgaard Kenya Limited, Kenya.....	100 %
Palsgaard Gida Sanayi ve Dis Ticaret A.S., Turkey.....	92 %
Palsgaard Nigeria, Nigeria.....	100 %

## NOTES

Note

**Other receivables**

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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 2022 to hedge future purchases of USD, ZAR and CNY totaling to 2,635 DKK ('000).

CNH	358 DKK('000)
USD	2,432 DKK('000)
ZAR	- 155 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" 31 December 2022, DKK ('000) 2,635 and "Other receivables" 31 December 2021, DKK ('000) 3,690.

Counterparties to alle derivative contracts are banks with high credit rating which means counterparty risk is deemed low.

	<u>Group</u>		<u>Parent Company</u>		
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
<b>Prepayments and accrued income</b>					<b>12</b>
Costs.....	8.819	7.863	8.819	7.859	
	<b>8.819</b>	<b>7.863</b>	<b>8.819</b>	<b>7.859</b>	

	<u>Group</u>		<u>Parent Company</u>		
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
<b>Share capital</b>					<b>13</b>
Allocation of share capital:					
Shares, 50.000 unit in the denomination of 1.000 DKK.....			50.000	50.000	
			<b>50.000</b>	<b>50.000</b>	

	<u>Group</u>		<u>Parent Company</u>		
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000	
<b>Provision for deferred tax</b>					<b>14</b>
Provision for deferred tax comprises deferred tax on inventory and intangible and tangible fixed assets.					

	<u>Group</u>		<u>Parent Company</u>	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Deferred tax, beginning of year.....	20.311	13.252	23.967	17.505
Deferred tax of the year, income statement and equity.....	9.317	7.059	4.208	6.462
<b>Provision for deferred tax 31 December 2022.....</b>	<b>29.628</b>	<b>20.311</b>	<b>28.175</b>	<b>23.967</b>



## NOTES

Note

## Long-term liabilities

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	<b>Group</b>			
	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Bank loan.....	200.000	0	0	80.000
Accruals and deferred income.....	3.730	3.730	0	3.730
	<b>203.730</b>	<b>3.730</b>	<b>0</b>	<b>83.730</b>
	<b>Parent Company</b>			
	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Bank loan.....	200.000	0	0	80.000
Accruals and deferred income.....	3.730	3.730	0	3.730
	<b>203.730</b>	<b>3.730</b>	<b>0</b>	<b>83.730</b>

## Contingencies etc.

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**Contingent liabilities**

The Group has entered into operating lease agreements with an average annual lease payment of DKK ('000) 1,588.

The lease agreements have a total residual lease payment of DKK ('000) 4,254. The remaining period of the lease agreements is 0-4 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, etc.

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**

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As security for engagements with banks, letters of indemnity amounting to DKK ('000) 10,000 have been registered. At 31 December 2022 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.

**NOTES****Note****Related parties****18****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 material transactions that were not concluded on market conditions. According to ÅRL § 98c, sec. 7 only transactions that were not concluded on market conditions will be disclosed.

**Consolidated Financial Statements****19**

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 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-size enterprises.

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.

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, intercompany accounts and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Sold or wound up enterprises are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not adjusted for newly 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.

Transaction costs, incurred in connection with acquisition of enterprises, are recognised in the Income Statement in the year in which the costs are incurred.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' fair 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.

### **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 Group's and the Company's 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, operational 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.

#### Income from investments in subsidiaries

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.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

#### 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 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 and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 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.

#### Property, plant and equipment

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 plants, 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.

#### Financial non-current assets

Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries 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 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 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 receivables, 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 subsidiaries deficit.

### Impairment of non-current assets

The carrying amount of intangible assets and Property, plant and equipment 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.

### Cash and cash equivalents

Cash and cash equivalents include cash bank deposits.

## ACCOUNTING POLICIES

### 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.

### 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.

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.

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.

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.

## ACCOUNTING POLICIES

### CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.

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.

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 cash in hand.