

PALSGAARD A/S

Annual Report 2023

1 January 2023 – 31 December 2023

Palsgaard
Heart working people

The Annual Report has been presented and adopted at the company's Annual General Meeting on 27 May 2024.

Maiken Lorensen

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

Palsgaard®

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COMPANY DETAILS

Company	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
Board of Directors	Anders Brix, chairman Jakob Thøisen Mette Marciniak Mikkelsen Birger Brix Jane Hvolbæk Nielsen
Executive Board	Helle Müller Petersen Torben Eske Dahl-Hansen Ole Albertsen Kim Bøjstrup Michael Skriver
Auditor	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 2023.

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 2023 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

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, 27 May 2024

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 2023, 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 2023 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 2023 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, 27 May 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Frank Lau
State Authorised Public Accountant
MNE no. mne32054

FINANCIAL HIGHLIGHTS OF THE GROUP

	2023	2022	2021	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Net revenue.....	2.312.524	2.491.565	1.786.452	1.497.591	1.436.015
Gross profit.....	645.042	780.194	525.418	449.035	389.432
Operating profit.....	192.843	360.868	152.989	136.704	103.099
Financial income and expenses, net.....	-29.133	-28.157	-2.540	-9.109	-3.430
Profit for the year before tax.....	163.710	332.711	150.449	127.597	99.664
Profit for the year.....	126.808	263.148	116.809	97.383	72.038
Profit for the year excl. minority interests.....	126.124	257.202	112.316	91.009	67.863
Balance sheet					
Total assets.....	2.339.563	2.257.737	1.710.937	1.430.907	1.346.766
Equity.....	1.707.582	1.580.288	1.333.699	1.193.980	1.155.574
Equity excl. minority interests.....	1.682.510	1.557.541	1.296.732	1.162.814	1.125.414
Invested capital.....	1.859.355	1.694.311	1.292.500	1.058.479	900.935
Cash flows					
Investment in property, plant and equipment.....	-358.013	246.555	143.309	180.029	159.291
Key ratios					
Gross margin.....	27,9	31,3	29,4	30,0	27,1
Operating margin.....	8,3	14,5	8,6	9,1	7,2
Return on invested capital.....	11,3	24,6	13,5	14,5	12,4
Equity ratio.....	71,9	69,0	75,8	81,3	83,6
Return on equity (ex minority interests)..	7,8	18,0	9,1	8,0	6,3
Index for net revenue.....	161	174	124	104	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 Palsgaard A/S and the Palsgaard A/S Group are production and sale of ingredients for the food industry, and for technical applications.

Palsgaard A/S is the world's only full-service emulsifier and stabilizer company. It offers customer-tailored solutions for the global food industry, as well as non-food markets such as polymers and personal care.

Development in activities and financial and economic position

Our activity during 2023 was a rollercoaster. The 1st half of the year we realized all-time high activity and best profit in the Group's history. However, we faced a significant drop in customer demand in 2nd half which led to much lower activity and profits.

Since our Net Working Capital peaked in April 2023, we have managed to free up cash flow amounting 319 DKK million. This is driven by lower raw material prices but also due to 28% less inventory volume.

The investment program in expansion of the production capacity has continued in 2023 where we have invested approx. 340 DKK 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 2024 and 2025 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

As per our expectations in the annual report for 2022 and our Budget 2023, we expected a new all-time best profit before tax for the Group at a level of 300-350 DKK million and for the company at a level of 290-330 DKK million.

The company realized for 2023 a profit before tax of 147 DKK million and a Group profit before tax of 164 DKK million. The main reason for the lower financial performance is a significant drop in our sales during 2nd half of 2023. The lower sales were mainly triggered by our customers de-stocking and their working capital optimizing considered the global logistic issues have normalized.

The management acknowledge that it has been a very challenging and unpredictable year with difficult market conditions and therefore find the overall financial performance acceptable.

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.

MANAGEMENT COMMENTARY

Financial risk (continued)

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. We refer to our ESG Report (see link below) and to our policy both available on our website.

Link to ESG Report:

https://backoffice.palsgaard.com/media/ytmfrgpz/palsgaard-esg-report-2023_final.pdf

Link to environment policy on website:

<https://assets.palsgaard.com/api/storage?filename=/media/media/2mgpptrj/the-environmental-policy-of-palsgaard.pdf>

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

Palsgaard A/S and the Palsgaard Group deliver food ingredients and special ingredients of food quality to a large number of customers for use in a variety of product categories. We experience a tough competition and our customers expect that we are able to deliver new innovative products and solutions. Therefore, Palsgaard A/S has a significant research and development within food ingredients as well as non-food products such as polymers and personal care ingredients. Our research and development efforts focus on several things:

- 1) To understand the functionality of Palsgaard ingredients in the many applications
- 2) To find better and more sustainable solutions to produce our ingredients
- 3) To develop new and improved ingredients, typically with higher functionality
- 4) Tailoring existing or new ingredients for customers' new product launches
- 5) To compare our products with our competitors' products
- 6) To invent completely new ingredients for completely new applications

Research and development are carried out in Palsgaard's application laboratories or by Nexus A/S and the work is either performed by Palsgaard A/S og Nexus A/S or in conjunction with customers or universities.

IP-rights related to product innovations are secured via patents at the earliest possible stage.

Future expectations

For 2024 we expect a profit before tax for the Group at a level of 150 - 200 DKK million and for the company a profit before tax at a level of DKK 125 - 175 million.

We expect to start production in one of our new production facilities here in Denmark and the new production facilities in Holland and we continue our investment in another production facility here in Denmark.

Corporate social responsibility (CSR) report

As far back as 1908, and long before "corporate social responsibility" was conceptualised, Palsgaard's founder Einar Viggo established a strong tradition for 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, we remain fully committed to responsible business practices.

Starting this year, our sustainability reporting will have ESG on the front cover instead of CSR. ESG stands for Environmental, Social and Governance, and we have made this change because, beginning in

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

2025, Palsgaard will start reporting according to the EU's Corporate Sustainability Reporting Directive (CSRD).

Palsgaard's activities extend to more than 100 countries, and we always conduct ourselves in a financially responsible manner to maintain a profitable business through innovation, process optimization, and risk mitigation. In doing so, we remain a reliable supplier for our customers and an attractive, safe, and caring workplace for our employees.

ESG is a strategic priority for Palsgaard. The ownership and accountability for ESG activities reside with the Executive Management who defines strategy and ambitions, monitors sustainability performance and decides on investments. The ESG Working Group, which consists of a group of ESG and QEHS specialists, is responsible for defining and implementing tactical initiatives. Once a year, we publish an ESG report which explains and follow up on ESG initiatives and targets.

Our ESG report is in compliance with the Danish Financial Statements Act, Sections 99a.

The report is available on our website:

https://backoffice.palsgaard.com/media/ytmfrgpz/palsgaard-esg-report-2023_final.pdf

For further ESG-related information, please visit our website:

<https://www.palsgaard.com/en/responsibility/>

Link to our policies on our website:

Code of Conduct:

<https://assets.palsgaard.com/api/storage?filename=/media/media/olpgiw24/code-of-conduct-palsgaard.pdf>

Employee Policy:

https://assets.palsgaard.com/api/storage?filename=/media/media/blnn0gll/employee-policy_20230202.pdf

Anti-Corruption Guidelines:

<https://novicell.ipapercms.dk/PalsgaardAS/CSR/anti-corruption-guidelines/?page=1>

Report of target figures and policies for the under-represented gender

Gender distribution within Management

	2023
Number of members of the supreme management body.....	5
Under-represented gender, share in % of the supreme management body.....	40%
Number of people at other management levels	21
Under-represented gender, share in % at other management levels.....	29%

Target figures for the supreme management body

	2023
Target figures in % for the supreme management body.....	40%

Status of meeting the target figures set for the supreme management body

Annually, the Board of Directors conducts a thorough review to assess the gender composition within our leadership ranks, ensuring alignment with our diversity objectives. As of the latest review, the gender diversity within the board of Palsgaard A/S stands at 40% female representation. This complies with the target of 40% minority representation.

MANAGEMENT COMMENTARY

Report of target figures and policies for the under-represented gender (continued)

Target figures for other management levels

	2023
Target figures in % for the other management levels.....	33%
Year, in which the target figures are expected to be met.....	2027

Policy for other management levels

In 2023, our Executive Management at Palsgaard A/S comprised one woman and four men, while other management levels the representation of 5 women and 11 men.

We recognize the pivotal role that a diverse workforce plays in driving our success. Our colleagues across the globe encompasses a rich tapestry of individuals representing various nationalities, genders, ethnicities, ages, and backgrounds. This diversity fosters a dynamic environment where a multitude of perspectives converge to deliver exceptional customer experiences around the world and is a cornerstone of our innovation and development-driven ethos. Our overall ambition is that the colleagues in Palsgaard A/S reflects the general population in the societies in which we operate.

To underscore our commitment to diversity and inclusion, Palsgaard A/S has implemented policies aimed at ensuring equitable representation across all levels of our organization. Specifically, we prioritize gender diversity within our Executive Management Group and throughout our managerial ranks. Our recruitment practices are designed to proactively identify and cultivate leadership talent from diverse backgrounds, with a particular emphasis on gender parity. We recognize that the recruitment base for some functions is imbalanced gender wise, but we are committed to contribute to create a better balance in the future.

Central to our approach is the principle of equal opportunity, wherein all applicants and employees, regardless of their gender or background, are afforded fair and unbiased consideration in matters relating to recruitment, career advancement and leadership roles. Our policies mandate that gender diversity is a key consideration in decision-making processes, when selecting from equally qualified candidates. Qualifications for the specific job in question will however always prevail any diversity considerations.

Annually, the Board of Directors conducts a thorough review to assess the gender composition within our leadership ranks, ensuring alignment with our diversity objectives.

Moving forward, Palsgaard A/S remains steadfast in its commitment to fostering an inclusive environment where diversity is celebrated, and all voices are valued. We recognize that our collective strength lies in embracing the unique perspectives and talents of every individual within our organization.

Data ethics

Technologies such as artificial intelligence (AI), machine learning and algorithms are only used to a very limited extent. Also, our business does not include the sale of data to any third party. Therefore, the management has assessed that there is currently no need for an actual policy for data ethics.

However, we process data in a responsible manner and in accordance with applicable legislation such as the General Data Protection Regulation (GDPR). Going forward, we will continue to assess the need for a formalized data ethics policy and in the coming years, the management expects to appoint a task force to define the data ethics policy.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group		Parent Company	
		2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000
NET REVENUE	1	2.312.524	2.491.565	1.677.676	1.878.763
Changes in inventories of finished goods and goods in process		-195.367	145.531	-85.406	93.878
Other operating income.....		24.702	12.985	11.055	7.776
Costs of raw materials and consumables.....		-1.233.023	-1.632.853	-977.250	-1.266.028
Other external expenses.....		-263.794	-237.034	-220.893	-192.772
GROSS PROFIT/LOSS		645.042	780.194	405.182	521.617
Staff costs.....	2	-362.953	-340.480	-246.604	-238.793
Depreciation, amortisation and impairment losses.....		-79.665	-76.229	-44.159	-38.511
Other operating expenses.....		-9.581	-2.617	-9.338	-1.803
OPERATING PROFIT		192.843	360.868	105.081	242.510
Result from investments in sub-sidiaries.....	3	0	0	59.004	89.284
Other financial income.....	4	18.222	12.319	5.100	662
Other financial expenses.....	5	-47.355	-40.476	-22.263	-26.692
PROFIT BEFORE TAX		163.710	332.711	146.922	305.764
Tax on profit/loss for the year.....	6	-36.902	-69.563	-20.798	-48.562
PROFIT FOR THE YEAR	7	126.808	263.148	126.124	257.202

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent Company	
		2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000
Development projects completed .		17.879	14.972	17.879	14.972
Intangible fixed assets acquired...		2.310	2.629	2.029	2.321
Goodwill.....		72.250	79.324	0	0
Intangible assets in progress and prepayments.....		14.513	16.870	14.513	16.870
Intangible assets.....	8	106.952	113.795	34.421	34.163
Land and buildings.....		357.254	294.434	160.594	131.467
Production plant and machinery...		336.622	236.145	191.036	148.390
Other plants, machinery, tools and equipment.....		27.069	24.176	14.477	16.713
Tangible fixed assets in progress and prepayment.....		402.166	275.249	387.653	275.249
Property, plant and equipment..	9	1.123.111	830.004	753.760	571.819
Investments in subsidiaries.....		0	0	741.079	698.896
Receivables from subsidiaries.....		0	0	72.688	0
Financial non-current assets.....	10	0	0	813.767	698.896
NON-CURRENT ASSETS.....		1.230.063	943.799	1.601.948	1.304.878
Raw materials and consumables ...		264.780	222.116	121.113	130.453
Finished goods and goods for resale.....		242.303	437.670	133.593	218.999
Inventories.....		507.083	659.786	254.706	349.452
Trade receivables.....		387.117	460.563	182.574	244.448
Receivables from group enterprises.....		12	17.289	80.455	179.967
Other receivables.....	11	61.282	52.199	76.680	21.427
Prepayments and accrued income.	12	11.661	8.819	10.358	8.819
Receivables.....		460.072	538.870	350.067	454.661
Cash and cash equivalents.....		142.345	115.282	71.723	37.755
CURRENT ASSETS.....		1.109.500	1.313.938	676.496	841.868
ASSETS.....		2.339.563	2.257.737	2.278.444	2.146.746

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent Company	
		2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000
Share Capital.....	13	50.000	50.000	50.000	50.000
Net revaluation under the equity method.....		0	0	6.008	0
Reserve for development costs.....		13.946	24.837	13.946	24.837
Other reserves.....		-29.555	-28.400	0	0
Retained earnings.....		1.568.119	1.511.104	1.532.556	1.482.704
Proposed dividend.....		80.000	0	80.000	0
Minority shareholders.....		25.072	22.747	0	0
EQUITY.....		1.707.582	1.580.288	1.682.510	1.557.541
Provision for deferred tax.....	14	28.487	29.628	27.087	28.175
PROVISIONS.....		28.487	29.628	27.087	28.175
Bank loan.....		200.000	200.000	200.000	200.000
Non-current liabilities.....	15	200.000	200.000	200.000	200.000
Bank debt.....		131.950	122.034	151.458	116.208
Trade payables.....		148.805	220.820	129.751	165.066
Payables to group enterprises.....		5.495	2.376	25.438	9.065
Corporation tax.....		12.109	15.169	12.098	15.161
Other liabilities.....		105.135	87.422	50.102	55.530
Current liabilities.....		403.494	447.821	368.847	361.030
LIABILITIES.....		603.494	647.821	568.847	561.030
EQUITY AND LIABILITIES.....		2.339.563	2.257.737	2.278.444	2.146.746
Contingencies etc.	16				
Charges and securities	17				
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EQUITY

	Group					
	Share Capital	Other reserves	Retained earnings	Proposed dividend	Minority shareholders	Total
Equity at 1 January 2023....	50.000	-3.563	1.511.104	0	22.747	1.580.288
Proposed profit allocation ⁷ .			46.124	80.000	684	126.808
Transactions with owners						
Dividend paid.....					-688	-688
Purchase of minority interests.....					175	175
Other legal bindings						
Other adjustments.....					2.154	2.154
Transfers						
Depreciations.....		-4.903	4.903			0
Disposals/termination.....		-9.060	9.060			0
Foreign exchange adjustments						
Value adjustments in the year.....		-1.155				-1.155
Tax on changes in equity...		3.072	-3.072			0
Equity at 31 December 2023.....	50.000	-15.609	1.568.119	80.000	25.072	1.707.582

	Group		
	Reserve for development costs	Other reserves	Total
Equity at 1 January 2023.....	24.837	-28.400	-3.563
Transfers			
Depreciations.....	-4.903		-4.903
Disposals/termination.....	-9.060		-9.060
Change fair value reserves			
Value adjustments in the year.....		-1.155	-1.155
Tax on changes in equity.....	3.072		3.072
Equity at 31 December 2023.....	13.946	-29.555	-15.609

EQUITY

	Parent Company					
	Share	Net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2023.....	50.000	0	24.837	1.482.704	0	1.557.541
Proposed profit allocation7.		59.004		-12.880	80.000	126.124
Other legal bindings						
Net adjustment of hedging instruments.....		-1.155				-1.155
Transfers						
Depreciations.....			-4.903	4.903		0
Disposals/termination.....			-9.060	9.060		0
Receiv./decl. dividend.....		-19.715		19.715		0
Allowed equalization.....		-32.126		32.126		0
Tax on changes in equity...			3.072	-3.072		0
Equity at 31 December 2023.....	50.000	6.008	13.946	1.532.556	80.000	1.682.510

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2023 DKK '000	2022 DKK '000
Profit/loss for the year.....	126.808	263.148
Depreciation and amortisation, reversed.....	79.665	76.229
Reversed realization gains and losses.....	-5.756	2.592
Tax on profit/loss, reversed.....	36.902	69.563
Other adjustments.....	2.154	3.684
Corporation tax paid.....	-41.103	-51.998
Change in inventories.....	152.703	-223.809
Change in receivables (ex tax).....	78.798	-97.913
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	-47.453	70.440
Other cash flows from operating activities.....	-4.886	3.604
CASH FLOWS FROM OPERATING ACTIVITY.....	377.832	115.540
Purchase of intangible assets.....	-7.831	-26.004
Sale of intangible fixed assets.....	16.870	0
Purchase of property, plant and equipment.....	-369.211	-254.442
Purchase of financial assets.....	175	-20.930
CASH FLOWS FROM INVESTING ACTIVITY.....	-359.997	-301.376
Change in operating capital.....	9.916	89.894
Dividends paid in the financial year.....	-688	-2.919
Other cash flows from financing activities.....	0	120.000
CASH FLOWS FROM FINANCING ACTIVITY.....	9.228	206.975
CHANGE IN CASH AND CASH EQUIVALENTS.....	27.063	21.139
Cash and cash equivalents at 1. januar.....	115.282	94.143
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	142.345	115.282
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	142.345	115.282
CASH AND CASH EQUIVALENTS.....	142.345	115.282

NOTES

	Group		Parent Company		Note
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000	
Net revenue					1
Segment details (geography)					
Americas.....	757.694	754.082	309.612	351.786	
Asia.....	333.163	415.287	230.894	313.610	
EMEA.....	1.221.667	1.322.196	1.137.170	1.213.367	
	2.312.524	2.491.565	1.677.676	1.878.763	
Staff costs					2
Average number of full time employees	648	604	341	319	
Wages and salaries.....	312.877	297.987	208.887	202.877	
Pensions.....	35.998	35.080	34.364	32.917	
Social security costs.....	14.078	7.413	3.353	2.999	
	362.953	340.480	246.604	238.793	
Remuneration of Board of Directors.	14.499	15.103	14.499	15.103	
Remuneration of Supervisory Board.	4.430	3.384	4.430	3.384	
	18.929	18.487	18.929	18.487	
Result from investments in subsidiaries					3
Income from investments in subsidiaries.....	0	0	59.004	89.284	
	0	0	59.004	89.284	
Other financial income					4
Group enterprises.....	159	0	3.048	49	
Other interest income.....	18.063	12.319	2.052	613	
	18.222	12.319	5.100	662	
Other financial expenses					5
Group enterprises.....	483	0	596	74	
Other interest expenses.....	46.872	40.476	21.667	26.618	
	47.355	40.476	22.263	26.692	

In the year, both in The Group and Parent DKK ('000) 681 was recognized in relation to hedging under other interest expenses.

NOTES

	Group		Parent Company		Note
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000	
Tax on profit/loss for the year					6
Calculated tax on taxable income of the year.....	35.239	67.863	21.886	44.354	
Adjustment of deferred tax.....	1.663	1.700	-1.088	4.208	
	36.902	69.563	20.798	48.562	
Proposed distribution of profit					7
Proposed dividend for the year.....	80.000	0	80.000	0	
Allocation to net revaluation under the equity method.....	0	0	59.004	89.284	
Retained earnings.....	46.124	257.202	-12.880	167.918	
Minority interests' share of subsidiaries' result.....	684	5.946	0	0	
	126.808	263.148	126.124	257.202	
Intangible assets					8
			Group		
			Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2023.....			23.525	3.686	
Exchange adjustment.....			0	95	
Transfer.....			7.810	0	
Additions.....			0	5	
Cost at 31 December 2023.....			31.335	3.786	
Amortisation at 1 January 2023.....			8.553	1.057	
Exchange adjustment.....			0	79	
Amortisation of the year.....			4.903	340	
Amortisation at 31 December 2023.....			13.456	1.476	
Carrying amount at 31 December 2023.....			17.879	2.310	

NOTES

Note

Intangible fixed assets (continued)

8

	Group	
	Goodwill	Intangible assets in progress and prepayments
Cost at 1 January 2023.....	141.505	16.870
Transfers to/from other items.....	0	-7.810
Additions.....	0	14.513
Disposals.....	0	-9.060
Cost at 31 December 2023.....	141.505	14.513
Amortisation at 1 January 2023.....	62.181	0
Amortisation of the year.....	7.074	0
Amortisation at 31 December 2023.....	69.255	0
Carrying amount at 31 December 2023.....	72.250	14.513

The Group's development costs relate to the development of new products for technical use and the food industry.

	Parent Company		
	Development projects completed	Intangible fixed assets acquired	Intangible assets in progress and prepayments
Cost at 1 January 2023.....	23.519	2.924	16.870
Transfers to/from other items.....	7.810	0	-7.810
Additions.....	0	0	14.513
Disposals.....	0	0	-9.060
Cost at 31 December 2023.....	31.329	2.924	14.513
Amortisation at 1 January 2023.....	8.547	603	0
Amortisation of the year.....	4.903	292	0
Amortisation at 31 December 2023.....	13.450	895	0
Carrying amount at 31 December 2023.....	17.879	2.029	14.513

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

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	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2023.....	388.566	646.752
Exchange adjustment.....	5.151	-6.333
Transferred.....	29.466	62.996
Additions.....	47.509	80.897
Disposals.....	-16.075	-5.501
Cost at 31 December 2023.....	454.617	778.811
Depreciation and impairment losses at 1 January 2023.....	94.132	410.607
Exchange adjustment.....	176	-2.302
Reversal of depreciation of assets disposed of.....	-12.863	-9.969
Depreciation for the year.....	15.918	43.853
Depreciation and impairment losses at 31 December 2023...	97.363	442.189
Carrying amount at 31 December 2023.....	357.254	336.622

	Group	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2023.....	56.648	275.249
Exchange adjustment.....	1.287	0
Transferred.....	0	-92.462
Additions.....	10.228	219.379
Disposals.....	-2.736	0
Cost at 31 December 2023.....	65.427	402.166
Depreciation and impairment losses at 1 January 2023.....	32.472	
Exchange adjustment.....	11	
Reversal of depreciation of assets disposed of.....	-1.701	
Depreciation for the year.....	7.576	
Depreciation and impairment losses at 31 December 2023...	38.358	
Carrying amount at 31 December 2023.....	27.069	402.166

NOTES

Note

Tangible fixed assets (continued)

9

	Parent Company	
	Land and buildings	Production plant and machinery
Cost at 1 January 2023.....	172.793	384.203
Transferred.....	29.466	62.996
Additions.....	5.627	8.388
Disposals.....	0	-360
Cost at 31 December 2023.....	207.886	455.227
Depreciation and impairment losses at 1 January 2023.....	41.326	235.813
Depreciation for the year.....	5.966	28.378
Depreciation and impairment losses at 31 December 2023...	47.292	264.191
Carrying amount at 31 December 2023.....	160.594	191.036
	Parent Company	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2023.....	36.456	275.249
Transferred.....	0	-92.462
Additions.....	3.273	204.866
Disposals.....	-1.519	0
Cost at 31 December 2023.....	38.210	387.653
Depreciation and impairment losses at 1 January 2023.....	19.743	
Reversal of depreciation of assets disposed of.....	-630	
Depreciation for the year.....	4.620	
Depreciation and impairment losses at 31 December 2023...	23.733	
Carrying amount at 31 December 2023.....	14.477	387.653

NOTES

Financial non-current assets	Parent Company		Note	
	Investments in subsidiaries	Receivables from subsidiaries		
Cost at 1 January 2023.....	717.595	0	10	
Additions.....	17.476	72.688		
Cost at 31 December 2023.....	735.071	72.688		
Revaluation at 1 January 2023.....	43.483	0		
Exchange adjustment.....	-1.155	0		
Dividend.....	-19.715	0		
Profit/loss for the year.....	52.500	0		
Revaluation at 31 December 2023.....	75.113	0		
Impairment losses and amortisation of goodwill at 1 January 2023.....	62.181	0		
Amortisation of goodwill.....	6.924	0		
Impairment losses and amortisation of goodwill at 31 December 2023.....	69.105	0		
Carrying amount at 31 December 2023.....	741.079	72.688		
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 %			
Palsgaard India, India.....	99 %			

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 2023 to hedge future purchases of USD, ZAR and CNY totaling to 681 DKK ('000).

CNH 25 DKK ('000)

USD 766 DKK ('000)

ZAR -103 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 receivables" 31 December 2023 DKK ('000) 681 and "Other liabilities" 31 December 2022 DKK ('000) 2.635.

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

	<u>Group</u>		<u>Parent Company</u>		
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000	
Prepayments and accrued income					12
Costs.....	11.661	8.819	10.358	8.819	
	11.661	8.819	10.358	8.819	

			2023 DKK '000	2022 DKK '000	
	Share Capital				
Allocation of share capital:					
Shares, 50.000 unit in the denomination of 1.000 DKK.....			50.000	50.000	
			50.000	50.000	

Provision for deferred tax

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Provision for deferred tax comprises deferred tax on inventory and intangible and tangible fixed assets.

	<u>Group</u>		<u>Parent Company</u>		
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000	
Deferred tax, beginning of year.....	29.628	20.311	28.175	23.967	
Deferred tax of the year, income statement and equity.....	-1.141	9.317	-1.088	4.208	
Provision for deferred tax 31 December 2023.....	28.487	29.628	27.087	28.175	

NOTES

Note

Long-term liabilities

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	Group			
	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Bank loan.....	200.000	0	0	200.000
Accruals and deferred income.....	0	0	0	3.730
	200.000	0	0	203.730

	Parent Company			
	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Bank loan.....	200.000	0	0	200.000
Accruals and deferred income.....	0	0	0	3.730
	200.000	0	0	203.730

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) 1.968.

The lease agreements have a total residual lease payment of DKK ('000) 4.401. 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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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**

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The company's related parties include the following:

Determining influence

Palsgaard Gods A/S as sole owner.

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

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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 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year, except for the following changes.

Change in accounting policies and classification

The accounting policies have been changed in the following areas:

- The presentation of the item “Cost of sales” has been changed so that the item is divided into the items “Changes in inventories of finished goods and goods in process” and “Expenses for raw materials and consumables”, which is in accordance with the gross presentation of the Danish Financial Statements Act. The comparative figures have been adjusted. The changed presentation has no effect on the net profit or loss for the year or last year, the balance sheet total or equity.

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.

Changes in inventories of finished goods and goods in process

Changes in inventories of finished goods and goods in process comprise decrease or increase of inventories for the year as a result of costs of raw materials and consumables as well as staff costs. Additionally, normal impairment of inventories of finished goods is included.

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.

Costs of raw materials and consumables

Raw materials and consumables comprises the costs of raw materials and consumables used to reach the revenue for the year. Additionally, decrease or increase of inventories of raw materials and consumables for the year is included, as well as normal impairment of inventories 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.

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.

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.