

PALSGAARD A/S

Annual Report 2020

1 January 2020 – 31 December 2020

The Annual Report has been presented and adopted
at the company's Annual General Meeting on
25 May 2021.

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 Registered Office: Hedensted Financial Year: 1 January - 31 December
Board of Directors	Anders Brix, chairman Rasmus Christiansen Mette Marciniak Mikkelsen
Executive Board	Jakob Thøisen Torben Eske Dahl-Hansen Palle Hansen Kim Bøjstrup Michael Skriver
Auditor	BDO Statsautoriseret revisionsaktieselskab Roms Hule 4, 1. sal 7100 Vejle

BOARD OF DIRECTORS STATEMENT AND 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 2020.

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 2020 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2020.

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, 25 May 2021

Executive Board

Jakob Thøisen

Torben Eske Dahl-Hansen

Palle Hansen

Kim Bøjstrup

Michael Skriver

Board of Directors

Anders Brix
Chairman

Rasmus Christiansen

Mette Marciniak Mikkelsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Palsgaard A/S

Opinion

We have audited the Consolidated Financial Statements and the Annual Financial Statements of the Company of Palsgaard A/S for the financial year 1 January - 31 December 2020, 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 2020 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 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Consolidated Financial Statements and the Annual Financial Statements of the Company, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the 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's Review provides the information required under the Danish Financial Statements Act.

INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the 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's Review.

Vejle, 25 May 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Frank Lau
State Authorised Public Accountant
MNE no. mne32054

FINANCIAL HIGHLIGHTS OF THE GROUP

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Net revenue.....	1.497.591	1.436.015	1.410.427	1.250.203	1.175.947
Gross profit.....	449.035	389.432	407.733	368.276	359.964
Operating profit.....	136.704	103.099	139.258	119.843	139.530
Financial income and expenses, net.....	-9.109	-3.430	-7.126	-2.107	-3.307
Profit for the year before tax.....	127.597	99.664	112.838	170.803	142.921
Profit for the year.....	97.383	72.038	75.123	133.370	105.870
Profit for the year excl. minority interests.....	91.009	67.863	72.134	129.148	101.765
Balance sheet					
Total assets.....	1.430.907	1.346.766	1.261.882	1.193.500	1.077.861
Equity.....	1.193.980	1.155.574	1.063.258	1.034.680	920.790
Equity excl. minority interests.....	1.162.814	1.125.414	1.039.957	1.014.324	901.996
Cash flows					
Investment in property, plant and equipment.....	-180.029	-159.291	-50.492	-15.200	-13.139
Key ratios					
Gross margin.....	30.0	27.1	28.9	29.5	30.6
Operating margin.....	9.1	7.2	9.9	9.6	11.9
Return on invested capital.....	14.5	12.4	19.5	18.1	20.7
Equity ratio.....	81.3	83.6	82.4	85.0	83.7
Return on equity (ex minority interests)..	8.0	6.3	7.0	13.5	11.9
Index for net revenue.....	127	122	120	106	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 REVIEW

Principal activities

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

Development in activities and financial and economic position

The company's profit before tax is increased by DKK 16 m compared with 2019 and the Group's profit before tax is increased by DKK 28 m compared with 2019.

Compared with 2019 the profit for the company as well as the Group has increased despite the COVID 19 situation.

The profit is satisfactory the COVID19 situation taken into consideration.

Profit for the year compared to future expectations

The company's and the Group's profit for 2020 are in line with the expectations presented in the annual report for 2019.

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

MANAGEMENT REVIEW

Environmental situation

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

Knowledge resources

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

Research and development activities

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

Future expectations

The company and the Group expects a growth in 2021 and that the earnings will improve compared with 2020. For the company a profit before tax at a level of 100 - 120 million is expected and for the group a profit before tax at a level of 130 - 150 million is expected.

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 over 100 countries, but we always bring with us a commitment to sustainability. We conduct ourselves in a financially responsible manner to maintain a profitable business through innovation, process 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's activities and is overseen by a dedicated CSR Steering Committee. A CSR Working Committee is chaired by a senior CSR Specialist, with member representation from all departments in the company. Our CSR report details our strategic work within CSR.

The Report on corporate social responsibility for 2020 according to section 99a of the Danish Financial Statements Act is published on the website:

<http://novicell.ipapercms.dk/PalsgaardAS/CSR/palsgaard-csr-report-2020/>

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

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

Target figures and 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.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
NET REVENUE	1	1.497.591	1.436.015	1.113.179	1.090.065
Cost of sales.....		-851.492	-829.877	-687.809	-668.220
Other operating income.....		4.178	2.550	0	0
Other external expenses.....		-201.242	-219.256	-151.066	-154.358
GROSS PROFIT		449.035	389.432	274.304	267.487
Staff costs.....	2	-262.963	-239.547	-183.106	-166.138
Depreciation and amortisation.....		-49.047	-46.434	-20.369	-18.718
Other operating expenses.....		-321	-352	-8	-109
OPERATING PROFIT		136.704	103.099	70.821	82.522
Result from investments in subsidiaries.....	3	2	-5	38.129	2.403
Other financial income.....	4	1.524	7.462	918	6.762
Other financial expenses.....	5	-10.633	-10.892	-7.435	-5.350
PROFIT BEFORE TAX		127.597	99.664	102.433	86.337
Tax on profit/loss for the year.....	6	-30.214	-27.626	-11.424	-18.474
PROFIT FOR THE YEAR	7	97.383	72.038	91.009	67.863

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Development projects completed .		8.685	1.900	8.685	1.900
Intangible fixed assets acquired....		2.987	2.967	2.627	2.414
Goodwill.....		65.288	66.019	0	0
Development projects in progress and prepayments.....		14.880	15.954	14.880	15.954
Intangible assets.....	8	91.840	86.840	26.192	20.268
Land and buildings.....		194.267	137.985	47.110	48.371
Other plant, machinery, tools and equipment.....		133.544	131.018	63.872	58.920
Other plants, machinery, tools and equipment.....		31.219	28.649	20.897	17.904
Tangible fixed assets in progress and prepayment.....		196.336	118.946	196.065	74.993
Property, plant and equipment..	9	555.366	416.598	327.944	200.188
Investments in subsidiaries.....		0	0	518.267	499.157
Financial non-current assets.....	10	0	0	518.267	499.157
NON-CURRENT ASSETS.....		647.206	503.438	872.403	719.613
Raw materials and consumables ...		131.523	113.104	83.548	68.842
Finished goods and goods for resale.....		202.437	205.484	86.381	101.641
Inventories.....		333.960	318.588	169.929	170.483
Trade receivables.....		297.241	285.214	152.974	149.566
Receivables from group enterprises.....		0	0	92.717	58.008
Other receivables.....	11	43.384	41.326	19.754	19.569
Corporation tax receivable.....		2.872	0	2.872	0
Prepayments and accrued income.	12	12.758	10.278	6.887	6.153
Receivables.....		356.255	336.818	275.204	233.296
Equity investments, group enterprises.....		0	285	0	285
Other securities and equity investments.....	13	205	79.025	205	79.025
Current investments.....		205	79.310	205	79.310
Cash and cash equivalents.....		93.281	108.612	34.082	68.896
CURRENT ASSETS.....		783.701	843.328	479.420	551.985
ASSETS.....		1.430.907	1.346.766	1.351.823	1.271.598

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Share capital.....	14	50.000	50.000	50.000	50.000
Reserve for development costs.....		18.381	13.926	18.381	13.926
Other reserves.....		-53.609	0	0	0
Retained earnings.....		1.148.042	1.061.488	1.094.433	1.061.488
Minority shareholders.....		31.166	30.160	0	0
EQUITY.....		1.193.980	1.155.574	1.162.814	1.125.414
Provision for deferred tax.....	15	13.252	11.169	17.505	16.221
PROVISIONS.....		13.252	11.169	17.505	16.221
Bank loan.....		7	0	0	0
Accruals and deferred income.....		16.810	9.203	14.496	4.933
Non-current liabilities.....	16	16.817	9.203	14.496	4.933
Bank debt.....		3.145	778	0	0
Prepayments received.....		9.773	1.769	9.773	1.769
Trade payables.....		87.887	106.235	61.259	80.288
Payables to group enterprises.....		28.425	1.803	44.029	10.339
Corporation tax.....		2.130	5.118	0	2.842
Other liabilities.....		73.812	53.377	41.947	29.792
Accruals and deferred income.....		1.686	1.740	0	0
Current liabilities.....		206.858	170.820	157.008	125.030
LIABILITIES.....		223.675	180.023	171.504	129.963
EQUITY AND LIABILITIES.....		1.430.907	1.346.766	1.351.823	1.271.598
Contingencies etc.	17				
Charges and securities	18				
Related parties	19				
Consolidated Financial Statements	20				

EQUITY

	Group					Total
	Share capital	Reserve for development costs	Other reserves	Retained earnings	Minority shareholders	
Equity at 1 January 2020....	50.000	13.926	0	1.061.488	30.160	1.155.574
Proposed profit allocation ..				91.009	6.374	97.383
Transactions with owners						
Capital increase.....					2.178	2.178
Other legal bindings						
Transferred to reserve for development costs.....		4.455		-4.455		0
Foreign exchange adjustments.....					-7.546	-7.546
Transfers						
Foreign exchange adjustments.....			-53.609			-53.609
Equity at 31 December 2020.....	50.000	18.381	-53.609	1.148.042	31.166	1.193.980

	Parent Company				Total
	Share capital	Net revaluation under the equity method	Reserve for development costs	Retained earnings	
Equity at 1 January 2020.....	50.000	0	13.926	1.061.488	1.125.414
Proposed profit allocation ..		38.129		52.880	91.009
Other legal bindings					
Transferred to reserve for development costs.....			4.455	-4.455	0
Foreign exchange adjustments.....		-53.609			-53.609
Transfers					
Transferred from retained earnings.....		15.480		-15.480	0
Equity at 31 December 2020.....	50.000	0	18.381	1.094.433	1.162.814

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	<u>Group</u>	
	2020	2019
	DKK '000	DKK '000
Profit/loss for the year.....	97.383	72.038
Depreciation and amortisation, reversed.....	49.047	46.434
Reversed realization gains.....	321	352
Profit/loss from subsidiaries.....	-2	5
Tax on profit/loss, reversed.....	30.214	27.626
Other adjustments.....	-7.601	1.063
Corporation tax paid.....	-33.979	-23.870
Change in inventories.....	-15.372	-13.742
Change in receivables (ex tax).....	-16.565	-7.199
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	44.273	-9.671
Other cash flows from operating activities.....	-53.566	17.307
CASH FLOWS FROM OPERATING ACTIVITY.....	94.153	110.343
Purchase of intangible assets.....	-13.112	-7.085
Purchase of property, plant and equipment.....	-180.029	-159.291
Purchase of financial assets.....	79.105	39.602
CASH FLOWS FROM INVESTING ACTIVITY.....	-114.036	-126.774
Minority interests' share of capital increase.....	2.185	1.989
CASH FLOWS FROM FINANCING ACTIVITY.....	2.185	1.989
CHANGE IN CASH AND CASH EQUIVALENTS.....	-17.698	-14.442
Cash and cash equivalents at 1. januar.....	107.834	122.276
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	90.136	107.834
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	93.281	108.612
Bank overdraft.....	-3.145	-778
CASH AND CASH EQUIVALENTS, NET DEBT.....	90.136	107.834

NOTES

Note

	Group		Parent Company		
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
Net revenue					1
Segment details (geography)					
Domestic.....	656.666	581.652	18.853	15.074	
Foreign.....	840.925	854.363	1.094.326	1.074.991	
	1.497.591	1.436.015	1.113.179	1.090.065	
Staff costs					2
Average number of employees	530	476	287	264	
Wages and salaries.....	222.352	201.668	155.814	140.461	
Pensions.....	29.762	25.800	21.963	19.489	
Social security costs.....	7.912	7.775	2.394	1.884	
Other staff costs.....	2.937	4.304	2.935	4.304	
	262.963	239.547	183.106	166.138	
Remuneration of Executive Board...	12.139	11.131	12.139	11.131	
Remuneration of board of directors.	3.154	2.875	3.154	2.875	
	15.293	14.006	15.293	14.006	
Result from investments in sub-sidiaries					3
Result of equity investments in group enterprises.....	2	-5	38.129	2.403	
	2	-5	38.129	2.403	
Other financial income					4
Group enterprises.....	0	3	0	22	
Other interest income.....	1.524	7.459	918	6.740	
	1.524	7.462	918	6.762	
Other financial expenses					5
Group enterprises.....	37	105	80	141	
Other interest expenses.....	10.596	10.787	7.355	5.209	
	10.633	10.892	7.435	5.350	

NOTES

	Group		Parent Company		Note
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
Tax on profit/loss for the year					6
Calculated tax on taxable income of the year.....	28.131	26.957	10.140	16.761	
Adjustment of deferred tax.....	2.083	669	1.284	1.713	
	30.214	27.626	11.424	18.474	
 Proposed distribution of profit					7
Allocation to net revaluation under the equity method.....	0	0	38.129	2.403	
Retained earnings.....	91.009	67.863	52.880	65.460	
Minority interests' share of subsidiaries' result.....	6.374	4.175	0	0	
	97.383	72.038	91.009	67.863	
 Intangible assets					8
			Group		
			Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2020.....			2.425	3.575	
Exchange adjustment at closing rate.....			0	-253	
Transfer.....			7.980	0	
Additions.....			0	255	
Cost at 31 December 2020.....			10.405	3.577	
 Amortisation at 1 January 2020.....			525	608	
Exchange adjustment at closing rate.....			0	-103	
Amortisation of the year.....			1.195	85	
Amortisation at 31 December 2020.....			1.720	590	
 Carrying amount at 31 December 2020.....			8.685	2.987	

NOTES

Note

Intangible fixed assets (continued)

8

	<u>Group</u>	
	Goodwill	Development projects in progress and prepayments
Cost at 1 January 2020.....	110.032	15.954
Transfers to/from other items.....	0	-7.974
Additions.....	5.021	7.980
Disposals.....	0	-1.080
Cost at 31 December 2020.....	115.053	14.880
Amortisation at 1 January 2020.....	44.013	0
Amortisation of the year.....	5.752	0
Amortisation at 31 December 2020.....	49.765	0
Carrying amount at 31 December 2020.....	65.288	14.880

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 2020.....	2.425	2.493	15.954
Transfers to/from other items.....	7.974	0	-7.974
Additions.....	0	240	7.980
Disposals.....	0	0	-1.080
Cost at 31 December 2020.....	10.399	2.733	14.880
Amortisation at 1 January 2020.....	525	79	0
Amortisation of the year.....	1.189	27	0
Amortisation at 31 December 2020.....	1.714	106	0
Carrying amount at 31 December 2020.....	8.685	2.627	14.880

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 2020.....	202.016	554.855
Exchange adjustment.....	-8.500	-13.532
Additions.....	69.933	34.741
Disposals.....	0	-801
Cost at 31 December 2020.....	263.449	575.263
Depreciation and impairment losses at 1 January 2020.....	64.031	423.836
Exchange adjustment.....	-1.614	-8.771
Reversal of depreciation of assets disposed of.....	0	-800
Depreciation for the year.....	6.765	27.454
Depreciation and impairment losses at 31 December 2020...	69.182	441.719
Carrying amount at 31 December 2020.....	194.267	133.544

	Group	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2020.....	66.899	118.946
Exchange adjustment.....	-3.054	-5.964
Additions.....	11.813	128.721
Disposals.....	-1.732	-45.367
Cost at 31 December 2020.....	73.926	196.336
Depreciation and impairment losses at 1 January 2020.....	38.250	
Exchange adjustment.....	-1.488	
Reversal of depreciation of assets disposed of.....	-776	
Depreciation for the year.....	6.721	
Depreciation and impairment losses at 31 December 2020...	42.707	
Carrying amount at 31 December 2020.....	31.219	196.336

	Parent Company	
	Land and buildings	Production plant and machinery
Cost at 1 January 2020.....	78.435	354.456
Additions.....	1.082	17.033
Cost at 31 December 2020.....	79.517	371.489
Depreciation and impairment losses at 1 January 2020.....	30.064	295.536
Depreciation for the year.....	2.343	12.081
Depreciation and impairment losses at 31 December 2020...	32.407	307.617
Carrying amount at 31 December 2020.....	47.110	63.872

NOTES

		Note
Tangible fixed assets (continued)		9

	<u>Parent Company</u>	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2020.....	44.423	74.993
Additions.....	7.011	128.605
Disposals.....	-511	-7.533
Cost at 31 December 2020.....	50.923	196.065
Depreciation and impairment losses at 1 January 2020.....	26.519	
Reversal of depreciation of assets disposed of.....	-142	
Depreciation for the year.....	3.649	
Depreciation and impairment losses at 31 December 2020...	30.026	
Carrying amount at 31 December 2020.....	20.897	196.065

Financial non-current assets

	<u>Parent Company</u>	
	Investments in subsidiaries	
Cost at 1 January 2020.....		579.148
Additions.....		34.964
Disposals.....		-500
Cost at 31 December 2020.....		613.612
Revaluation at 1 January 2020.....		-79.991
Exchange adjustment.....		-53.566
Dividend.....		-1.269
Profit/loss for the year.....		38.130
Changes in equity.....		19
Other adjustments.....		1.332
Revaluation at 31 December 2020.....		-95.345
Carrying amount at 31 December 2020.....		518.267

Goodwill

Acquired goodwill for the year 5 mio. DKK.

NOTES

Note

Fixed asset investments (continued)
Investments in subsidiaries

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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., Hannover, 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.....	56 %
Palsgaard Kenya Limited, Kenya.....	100 %
Palsgaard Gida Sanayi ve Dis Ticaret A.S., Turkey.....	90 %

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 2020 to hedge future purchases of USD, GBP, ZAR, BRL and CNY totaling to 217,466 DKK ('000).

BRL	5,048 DKK('000)
CNH	19,057 DKK('000)
GBP	232 DKK('000)
USD	189,843 DKK('000)
ZAR	3,286 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 2020, DKK ('000) 2.161 and "Other liabilities" 31 December 2019, DKK ('000) 592.

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

NOTES

	<u>Group</u>		<u>Parent Company</u>		Note
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
Prepayments and accrued income					12
Insurances.....	5.871	4.125	0	0	
Costs.....	6.887	6.153	6.887	6.153	
	12.758	10.278	6.887	6.153	

Other securities and equity investments

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The carrying amount of current investments includes securities measured at fair value by the following amounts:

	<u>Group</u>
	Listed bonds
Fair value at 31 December 2020.....	205
Value adjustment in the year recognised in the Income Statement.....	1

	<u>Parent Company</u>
	Listed bonds
Fair value at 31 December 2020.....	205
Value adjustment in the year recognised in the Income Statement.....	1

	2020 DKK '000	2019 DKK '000	
Share capital			14
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>	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Deferred tax, beginning of year.....	11.169	10.500	16.221	14.508
Deferred tax of the year, income statement and equity.....	2.083	669	1.284	1.713
Provision for deferred tax 31 December 2020.....	13.252	11.169	17.505	16.221

NOTES

Note

Long-term liabilities

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	Group			
	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Bank loan.....	7	0	0	0
Accruals and deferred income.....	16.881	71	13.454	9.203
	16.888	71	13.454	9.203
	Parent Company			
	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Accruals and deferred income.....	14.567	71	13.454	4.933
	14.567	71	13.454	4.933

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) 553.

The lease agreements have a total residual lease payment of DKK ('000) 891. 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 2020 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****19****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**20**

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 2020 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, except for the following areas.

Change in accounting policies and classification

The accounting policies have been changed in the following areas:

- The Company has chosen to recognise currently the derivative financial instruments directly in the income statement.

The accumulated effect of the change of policy is per 2020:

- The results for the year after tax is reduced by DKK ('000) 296.
- The balance sheet total is unchanged.
- Equity is unchanged.

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

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

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

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

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to DKK ('000) 65,288.

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 equity interests 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 plant, fixtures and equipment.....	3-10 years	0 %

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

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.

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 subsidiary's 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.

ACCOUNTING POLICIES

Securities

Securities and investments, recognised as current assets, comprise public quoted bonds, shares and other current investments that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price.

Securities and investments include investments in subsidiaries which are measured in the company's balance sheet under the equity method.

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

Cash and cash equivalents

Cash and cash equivalents include cash bank deposits.

Tax payable and deferred tax

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

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

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

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

Liabilities

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

Amortised cost of current liabilities usually corresponds to nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

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.

ACCOUNTING POLICIES

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.

CASH FLOW STATEMENT

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

Cash flows from operating activities:

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

Cash flows from investing activities:

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

Cash flows from financing activities:

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

Cash and cash equivalents:

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