



PALSGAARD A/S

Annual Report 2019

1 January 2019 – 31 December 2019

The Annual Report has been presented and adopted
at the company's Annual General Meeting on
20 May 2020.

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
Board of Executives	Jakob Thøisen Torben Eske Dahl-Hansen Palle Hansen Allan Sandbeck Kim Bøjstrup
Auditor	BDO Statsautoriseret revisionsaktieselskab Roms Hule 4, 1. sal 7100 Vejle

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Palsgaard A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2019 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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

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

Juelsminde, 20 May 2020

Board of Executives

Jakob Thøisen

Torben Eske Dahl-Hansen

Palle Hansen

Allan Sandbeck

Kim Bøjstrup

Board of Directors

Anders Brix
Chairman

Rasmus Christiansen

Mette Marciniak Mikkelsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Palsgaard A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Palsgaard A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2019 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 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

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

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

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Vejle, 20 May 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Frank Lau
State Authorised Public Accountant
MNE no. mne32054

FINANCIAL HIGHLIGHTS OF THE GROUP

	2019	2018	2017	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Net revenue.....	1.436.015	1.410.427	1.250.203	1.175.947	1.080.737
Gross profit.....	389.432	407.733	368.276	359.964	331.619
Operating profit.....	103.099	139.258	119.843	139.530	110.906
Financial income and expenses, net.....	-3.430	-7.126	-2.107	-3.307	-2.483
Profit for the year before tax.....	99.664	112.838	170.803	142.921	114.537
Profit for the year.....	72.038	75.123	133.370	105.870	78.248
Profit for the year incl. minority interests.....	67.863	72.134	129.148	101.765	74.932
Balance sheet					
Balance sheet total.....	1.346.766	1.261.882	1.193.500	1.077.861	954.997
Equity.....	1.155.574	1.063.258	1.034.680	920.790	814.834
Equity incl. minority interests.....	1.125.414	1.039.957	1.014.324	901.996	803.522
Cash flows					
Investment in tangible fixed assets.....	-159.291	-50.492	-15.200	-13.139	-12.070
Ratios					
Gross margin.....	27.1	28.9	29.5	30.6	30.7
Profit margin.....	7.2	9.9	9.6	11.9	10.3
Rate of return.....	12.4	19.5	18.1	20.7	16.5
Solvency ratio.....	83.6	82.4	85.0	83.7	84.1
Return on equity (ex minority interests)..	6.3	7.0	13.5	11.9	9.6
Index for net revenue.....	133	131	116	109	100

FINANCIAL HIGHLIGHTS OF THE GROUP

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

Gross margin:
$$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$$

Profit margin:
$$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$$

Rate of return:
$$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$$

Invested capital: Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities

Solvency ratio:
$$\frac{\text{Equity ex minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity (ex minorities):
$$\frac{\text{Profit/loss after tax ex minorities} \times 100}{\text{Average equity ex minorities}}$$

MANAGEMENT'S REVIEW

Principal activities

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

Development in activities and financial position

The company's profit before tax is reduced by 10 million DKK compared with 2018 and the Group's profit before tax is reduced by 13 million DKK compared with 2018.

Compared with 2018 the profit for the company as well as the Group has been reduced. This is mainly caused by a combination of a difficult market situation for raw materials and sales.

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

Profit for the year compared to future expectations

The company's and the Group's profit for 2019 is lower than the expectations presented in the annual report for 2018 this mainly due to the difficult market situation for raw materials and sales.

Significant events after the end of the financial year

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

Special risks

Operating risks

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

Price risks

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

Currency risks

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

Currency risks related to investments in subsidiaries are not hedged.

Interest risk

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

MANAGEMENT'S REVIEW

Environmental situation

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

Knowledge resources

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

Research and development activities

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

Future expectations

The company and the Group expects a growth in 2020 and that the earnings will improve compared with 2019.

Corporate social responsibility

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

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

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

The Report on corporate social responsibility for 2019 according to section 99a of the Danish Financial Statements Act is published on the website:

<http://novicell.ipapercms.dk/PalsgaardAS/CSR/palsgaard-csr-report-2019/>

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

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

Target figures and policies for the underrepresented gender

Target figures

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

Policies

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
NET REVENUE	1	1.436.015	1.410.427	1.090.065	1.098.156
Cost of sales.....		-829.877	-803.014	-668.220	-661.715
Other operating income.....		2.550	529	0	0
Other external expenses.....		-219.256	-200.209	-154.358	-142.381
GROSS PROFIT		389.432	407.733	267.487	294.060
Staff costs.....	2	-239.547	-224.046	-166.138	-157.349
Depreciation and amortisation.....		-46.434	-43.494	-18.718	-19.134
Other operating expenses.....		-352	-935	-109	-553
OPERATING PROFIT		103.099	139.258	82.522	117.024
Result from investments in subsidiaries.....	3	-5	-19.294	2.403	-14.991
Other financial income.....	4	16.904	7.730	6.762	4.407
Other financial expenses.....	5	-20.334	-14.856	-5.350	-10.083
PROFIT BEFORE TAX		99.664	112.838	86.337	96.357
Tax on profit/loss for the year.....	6	-27.626	-37.715	-18.474	-24.223
PROFIT FOR THE YEAR	7	72.038	75.123	67.863	72.134

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Development projects completed..		1.900	600	1.900	600
Intangible fixed assets acquired....		2.967	2.666	2.414	2.090
Goodwill.....		66.019	71.520	0	0
Development projects in progress and prepayments.....		15.954	10.929	15.954	10.929
Intangible fixed assets.....	8	86.840	85.715	20.268	13.619
Land and buildings.....		137.985	131.708	48.371	47.875
Production plant and machinery....		131.018	137.334	58.920	65.655
Other plant, machinery, tools and equipment.....		28.649	22.940	17.904	14.877
Tangible fixed assets in progress and prepayment.....		118.946	6.153	74.993	6.154
Tangible fixed assets.....	9	416.598	298.135	200.188	134.561
Investments in subsidiaries.....		0	0	499.157	449.107
Fixed asset investments.....	10	0	0	499.157	449.107
FIXED ASSETS.....		503.438	383.850	719.613	597.287
Raw materials and consumables....		113.104	98.465	68.842	58.616
Finished goods and goods for resale.....		205.484	206.381	101.641	107.641
Inventories.....		318.588	304.846	170.483	166.257
Trade receivables.....		285.214	291.097	149.566	153.035
Receivables from group enterprises.....		0	53	58.008	60.245
Other receivables.....		41.326	30.174	19.569	13.116
Prepayments and accrued income..		10.278	8.295	6.153	5.197
Receivables.....		336.818	329.619	233.296	231.593
Investments in subsidiaries.....		285	290	285	290
Other securities and investments... Current investments.....		79.025	118.628	79.025	118.628
Cash and cash equivalents.....		108.612	124.649	68.896	86.155
CURRENT ASSETS.....		843.328	878.032	551.985	602.923
ASSETS.....		1.346.766	1.261.882	1.271.598	1.200.210

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Share capital.....	11	50.000	50.000	50.000	50.000
Reserve for development costs.....		13.926	8.993	13.926	8.993
Retained earnings.....		1.061.488	980.964	1.061.488	980.964
Minority shareholders.....		30.160	23.301	0	0
EQUITY.....		1.155.574	1.063.258	1.125.414	1.039.957
Provision for deferred tax.....	12	11.169	10.500	16.221	14.508
PROVISION FOR LIABILITIES.....		11.169	10.500	16.221	14.508
Accruals and deferred income.....		9.203	0	4.933	0
Long-term liabilities.....	13	9.203	0	4.933	0
Bank debt.....		778	2.373	0	0
Prepayments received.....		1.769	1.794	1.769	1.794
Trade payables.....		106.235	97.989	80.288	72.234
Payables to group enterprises.....		1.803	22.127	10.339	35.297
Corporation tax.....		5.118	1.950	2.842	0
Other liabilities.....		53.377	61.891	29.792	36.420
Accruals and deferred income.....		1.740	0	0	0
Current liabilities.....		170.820	188.124	125.030	145.745
LIABILITIES.....		180.023	188.124	129.963	145.745
EQUITY AND LIABILITIES.....		1.346.766	1.261.882	1.271.598	1.200.210
Contingencies etc.	14				
Charges and securities	15				
Related parties	16				
Derivative financial instruments	17				
Consolidated financial statements	18				

EQUITY

	Group				
	Share capital	Reserve for development costs	Retained earnings	Minority shareholders	Total
Equity at 1 January 2019.....	50.000	8.993	980.964	23.301	1.063.258
Capital increase.....				1.989	1.989
Foreign exchange adjustments.....			17.307	695	18.002
Net adjustment of hedging instruments..			287		287
Proposed distribution of profit.....			67.863	4.175	72.038
Transferred to reserve for development costs.....		4.933	-4.933		0
Equity at 31 December 2019.....	50.000	13.926	1.061.488	30.160	1.155.574

	Parent company			
	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019.....	50.000	8.993	980.964	1.039.957
Foreign exchange adjustments.....			17.307	17.307
Net adjustment of hedging instruments.....			287	287
Proposed distribution of profit.....			67.863	67.863
Transferred to reserve for development costs.....		4.933	-4.933	0
Equity at 31 December 2019.....	50.000	13.926	1.061.488	1.125.414

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2019 DKK '000	2018 DKK '000
Profit for the year.....	72.038	75.123
Reversed depreciation of the year	46.434	43.494
Reversed realization gains.....	352	553
Loss from subsidiaries.....	5	19.294
Reversed tax on profit/loss for the year.....	27.626	37.715
Other adjustments.....	1.063	-297
Corporation tax paid.....	-23.870	-35.119
Change in inventory.....	-13.742	-53.853
Change in receivables.....	-7.199	-27.806
Change in current liabilities (ex bank and tax).....	-9.671	34.999
Other cash flows from operating activities.....	17.307	3.488
CASH FLOWS FROM OPERATING ACTIVITY.....	110.343	97.591
Purchase of intangible fixed assets.....	-7.085	-7.190
Purchase of tangible fixed assets.....	-159.291	-50.492
Purchase of financial assets, other securities and equity investments.....	39.602	-118.627
Other cash flows from investing activities.....	0	-19.584
CASH FLOWS FROM INVESTING ACTIVITY	-126.774	-195.893
Repayments of loans.....	0	-15
Minority interests' share of capital increase.....	1.989	267
Dividend paid in the financial year.....	0	-50.000
CASH FLOWS FROM FINANCING ACTIVITY.....	1.989	-49.748
CHANGE IN CASH AND CASH EQUIVALENTS.....	-14.442	-148.050
Cash and cash equivalents at 1 January.....	122.276	270.326
CASH AND CASH EQUIVALENTS AT 31 DECEMBER.....	107.834	122.276
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	108.612	124.649
Bank debt.....	-778	-2.373
CASH AND CASH EQUIVALENTS, NET DEBT.....	107.834	122.276

NOTES

	Group		Parent company		Note
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000	
Net revenue					1
Segment details (geography)					
Domestic.....	581.652	560.848	15.074	15.495	
Foreign.....	854.363	849.579	1.074.991	1.082.661	
	1.436.015	1.410.427	1.090.065	1.098.156	
Staff costs					2
Average number of employees Group: 476 (2018: 460) Parent company: 264 (2018: 252)					
Wages and salaries.....	201.668	189.162	140.461	134.263	
Pensions.....	25.800	23.487	19.489	18.080	
Social security costs.....	7.775	9.111	1.884	2.720	
Other staff costs.....	4.304	2.286	4.304	2.286	
	239.547	224.046	166.138	157.349	
Remuneration of management.....	11.131	10.106	11.131	10.106	
Remuneration of board of directors..	2.875	3.260	2.875	3.260	
	14.006	13.366	14.006	13.366	
Result from investments in subsidiaries					3
Income from investments in subsidiaries.....	-5	-19.294	2.403	-14.991	
	-5	-19.294	2.403	-14.991	
Other financial income					4
Group enterprises.....	3	17	22	577	
Other interest income.....	16.901	7.713	6.740	3.830	
	16.904	7.730	6.762	4.407	
Other financial expenses					5
Group enterprises.....	105	251	141	342	
Other interest expenses.....	20.229	14.605	5.209	9.741	
	20.334	14.856	5.350	10.083	

NOTES

	Group		Parent company		Note
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000	
Tax on profit/loss for the year					6
Calculated tax on taxable income of the year.....	26.957	38.494	16.761	24.024	
Adjustment of tax in previous years..	0	-277	0	-277	
Adjustment of deferred tax.....	669	-502	1.713	476	
	27.626	37.715	18.474	24.223	
Proposed distribution of profit					7
Retained earnings.....	67.863	72.134	67.863	72.134	
Minority interests' share of subsidiaries' result.....	4.175	2.989	0	0	
	72.038	75.123	67.863	72.134	
Intangible fixed assets					8
			Group		
			Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2019.....			750	3.165	
Exchange adjustment at closing rate.....			0	19	
Transfer.....			1.675	0	
Additions.....			0	391	
Cost at 31 December 2019.....			2.425	3.575	
Amortisation at 1 January 2019.....			150	499	
Exchange adjustment at closing rate.....			0	25	
Amortisation of the year.....			375	84	
Amortisation at 31 December 2019.....			525	608	
Carrying amount at 31 December 2019.....			1.900	2.967	
			Group		
			Goodwill	Development projects in progress and prepayments	
Cost at 1 January 2019.....			110.032	10.929	
Transfers to/from other items.....			0	-1.675	
Additions.....			0	6.700	
Cost at 31 December 2019.....			110.032	15.954	
Amortisation at 1 January 2019.....			38.512	0	
Amortisation of the year.....			5.501	0	
Amortisation at 31 December 2019.....			44.013	0	
Carrying amount at 31 December 2019.....			66.019	15.954	

NOTES

Note

Intangible fixed assets (continued)

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

	Parent company		
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2019.....	750	2.143	10.929
Transfers to/from other items.....	1.675	0	-1.675
Additions.....	0	350	6.700
Cost at 31 December 2019.....	2.425	2.493	15.954
Amortisation at 1 January 2019.....	150	53	0
Amortisation of the year.....	375	26	0
Amortisation at 31 December 2019.....	525	79	0
Carrying amount at 31 December 2019.....	1.900	2.414	15.954

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.

Tangible fixed assets

9

	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2019.....	188.553	533.087
Exchange adjustment.....	2.651	4.546
Additions.....	10.812	19.396
Disposals.....	0	-2.175
Cost at 31 December 2019.....	202.016	554.854
Depreciation and impairment losses at 1 January 2019.....	56.845	395.752
Exchange adjustment.....	512	2.765
Reversal of depreciation of assets disposed of.....	0	-2.175
Depreciation for the year.....	6.674	27.494
Depreciation and impairment losses at 31 December 2019...	64.031	423.836
Carrying amount at 31 December 2019.....	137.985	131.018

NOTES

Note

Tangible fixed assets (continued)

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	Group	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2019.....	56.063	6.154
Exchange adjustment.....	651	0
Additions.....	15.814	115.544
Disposals.....	-5.629	-2.752
Cost at 31 December 2019.....	66.899	118.946
Depreciation and impairment losses at 1 January 2019.....	33.123	
Exchange adjustment.....	413	
Reversal of depreciation of assets disposed of.....	-1.595	
Depreciation for the year.....	6.309	
Depreciation and impairment losses at 31 December 2019...	38.250	
Carrying amount at 31 December 2019.....	28.649	118.946
	Parent company	
	Land and buildings	Production plant and machinery
Cost at 1 January 2019.....	75.655	348.625
Additions.....	2.780	5.831
Cost at 31 December 2019.....	78.435	354.456
Depreciation and impairment losses at 1 January 2019.....	27.780	282.970
Depreciation for the year.....	2.284	12.566
Depreciation and impairment losses at 31 December 2019...	30.064	295.536
Carrying amount at 31 December 2019.....	48.371	58.920
	Parent company	
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2019.....	38.251	6.154
Additions.....	6.955	71.591
Disposals.....	-783	-2.752
Cost at 31 December 2019.....	44.423	74.993
Depreciation and impairment losses at 1 January 2019.....	23.374	
Reversal of depreciation of assets disposed of.....	-322	
Depreciation for the year.....	3.467	
Depreciation and impairment losses at 31 December 2019...	26.519	
Carrying amount at 31 December 2019.....	17.904	74.993

NOTES

		Parent company	Note
		<u>Investments in subsidiaries</u>	
Fixed asset investments			10
Cost at 1 January 2019.....		547.064	
Additions.....		32.084	
Cost at 31 December 2019.....		579.148	
Revaluation at 1 January 2019.....		-97.957	
Exchange adjustment.....		17.307	
Dividend.....		-1.744	
Profit/loss for the year.....		2.403	
Revaluation at 31 December 2019.....		-79.991	
Carrying amount at 31 December 2019.....		499.157	
Investments in subsidiaries			
Name and registered office		Ownership	
Palsgaard Great Britain Ltd., England.....		100 %	
Palsgaard Netherlands B.V., Holland.....		100 %	
Palsgaard Malaysia SDN. BHD, Malaysia.....		100 %	
Palsgaard Inc., USA.....		100 %	
Palsgaard Additive China Ltd., China.....		100 %	
Palsgaard Verwaltungsgesellschaft m.b.H., Hannover, Germany.....		100 %	
Palsgaard Verkaufsgesellschaft m.b.H. & 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 %	
Einar A/S, Juelsminde.....		100 %	
Palsgaard Candon S/A, Brazil.....		56 %	
PHIHAU ApS, Hedensted, Denmark.....		100 %	
Palsgaard Kenya Limited, Kenya.....		100 %	
Palsgaard Ghana Limited, Ghana.....		100 %	
	2019	2018	
	DKK '000	DKK '000	
Share capital			11
Specification of the share capital:			
Shares, 50.000 in the denomination of 1.000 DKK.....	50.000	50.000	
	50.000	50.000	

NOTES

Note

Provision for deferred tax

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

	Group		Parent company	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Deferred tax, beginning of year.....	10.500	11.002	14.508	14.032
Deferred tax of the year, income statement and equity.....	669	-502	1.713	476
Provision for deferred tax at 31 December 2019.....	11.169	10.500	16.221	14.508

Long-term liabilities

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	Group				
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Accruals and deferred income..	9.203	0	0	0	0
	9.203	0	0	0	0
	Parent company				
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Accruals and deferred income..	4.933	0	0	0	0
	4.933	0	0	0	0

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) 745.

The lease agreements have a total residual lease payment of DKK ('000) 793. The remaining period of the lease agreements is 0-3 years.

Joint liabilities

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

NOTES

	Note
Charges and securities	15
<p>As security for engagements with banks, letters of indemnity amounting to DKK ('000) 10,000 have been registered. At 31 December 2019 the bank debt amounts to DKK ('000) 0.</p> <p>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.</p>	
Related parties	16
<p>Other Related parties having performed transactions with the company</p> <p>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.</p>	
<p>Transactions with related parties</p> <p>The company did not carry out any material transactions that were not concluded on market conditions.</p>	
Derivative financial instruments	17
<p>The Group uses forward exchange contracts to hedge the Group's recognised and non-recognised transactions.</p> <p>The Group has entered into forward exchange contracts at 31 December 2019 to hedge future purchases of USD, ZAR and CNY totaling to 127,323 DKK ('000).</p> <p>The fair value of forward exchange contracts relating to hedging of future purchases and sales in foreign currencies is included in the item "Other liabilities". At 31 December 2019, DKK ('000) 592 and at 31 December 2018, DKK ('000) 1,248.</p>	
Consolidated financial statements	18
<p>The Company is included in the consolidated financial statements of the ultimate parent, Schou-Fondet, Palsgaardvej 10, 7130 Juelsminde</p>	

ACCOUNTING POLICIES

The Annual Report of Palsgaard A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

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

Consolidated financial statements

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

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

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

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

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

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to DKK ('000) 66,019.

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

Minority interests

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

ACCOUNTING POLICIES

INCOME STATEMENT

Net revenue

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

Other operating income

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

Other operating expenses

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

Cost of sales

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

Other external expenses

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

Staff costs

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

Investments in subsidiaries and associates

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

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

Financial income and expenses

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

Tax

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

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

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

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

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

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

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

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

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

Tangible fixed assets

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

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

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

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

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

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

Fixed asset investments

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

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

ACCOUNTING POLICIES

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

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

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

Impairment of fixed assets

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

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

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

Inventories

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

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

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

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

Receivables

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

Accruals, assets

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

ACCOUNTING POLICIES

Securities and investments

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash bank deposits.

Tax payable and deferred tax

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

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

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

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

Liabilities

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

Amortised cost of current liabilities usually corresponds to nominal value.

Accruals, liabilities

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

ACCOUNTING POLICIES

Derivative financial instruments

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

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

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

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

Foreign currency translation

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

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

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

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

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

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

CASH FLOW STATEMENT

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

ACCOUNTING POLICIES

Cash flows from operating activities:

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

Cash flows from investing activities:

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

Cash flows from financing activities:

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

Cash and cash equivalents:

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