DanHatch Holding A/S

Rugerivej 26
9760 Vrå
CVR No. 38223038

Annual report 2021

The Annual General Meeting adopted the annual report on 06.07.2022

Kristian Johnsen Hundebøll
Chairman of the General Meeting

Contents

Entity details

Entity

DanHatch Holding A/S

Rugerivej 26

9760 Vrå

Business Registration No.: 38223038

Registered office: Hjørring

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Kristian Johnsen Hundebøll
Jørgen Hesselbjerg Mikkelsen
Niels Dengsø Jensen
Henning Haahr

Executive Board

Kristian Holm Kristensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DanHatch Holding A/S for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Vrå, 06.07.2022

Executive Board

Kristian Holm Kristensen

Board of Directors

Kristian Johnsen Hundebøll

Jørgen Hesselbjerg Mikkelsen

Niels Dengsø Jensen

Henning Haahr

Independent auditor's report

To the shareholders of DanHatch Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of DanHatch Holding A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 the management commentary.

Aalborg, 06.07.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Skovsgaard
State Authorised Public Accountant
Identification No (MNE) mne34333

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne34506

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	1,125,530	1,154,830	1,181,566	1,094,351	1,109,701
Gross profit/loss	219,488	250,581	276,935	216,552	261,020
Operating profit/loss	13,127	52,829	80,440	37,873	87,864
Net financials	(4,126)	(3,186)	(3,343)	(3,747)	(3,099)
Profit/loss for the year	16,784	44,041	70,456	40,853	68,123
Profit for the year excl. minority interests	17,164	43,466	67,961	40,609	64,982
Balance sheet total	1,017,895	975,940	983,074	924,025	932,881
Investments in property, plant and equipment	79,199	86,548	70,721	43,852	91,436
Equity	639,731	608,092	581,867	511,783	474,458
Equity excl. minority interests	607,748	592,305	561,561	491,663	454,377
Ratios					
Gross margin (%)	19.50	21.70	23.44	19.79	23.52
Net margin (%)	1.49	3.81	5.96	3.73	6.14
Return on equity (%)	2.86	7.53	12.91	8.59	15.55
Equity ratio (%)	59.71	60.69	57.12	53.21	48.71

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross margin * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

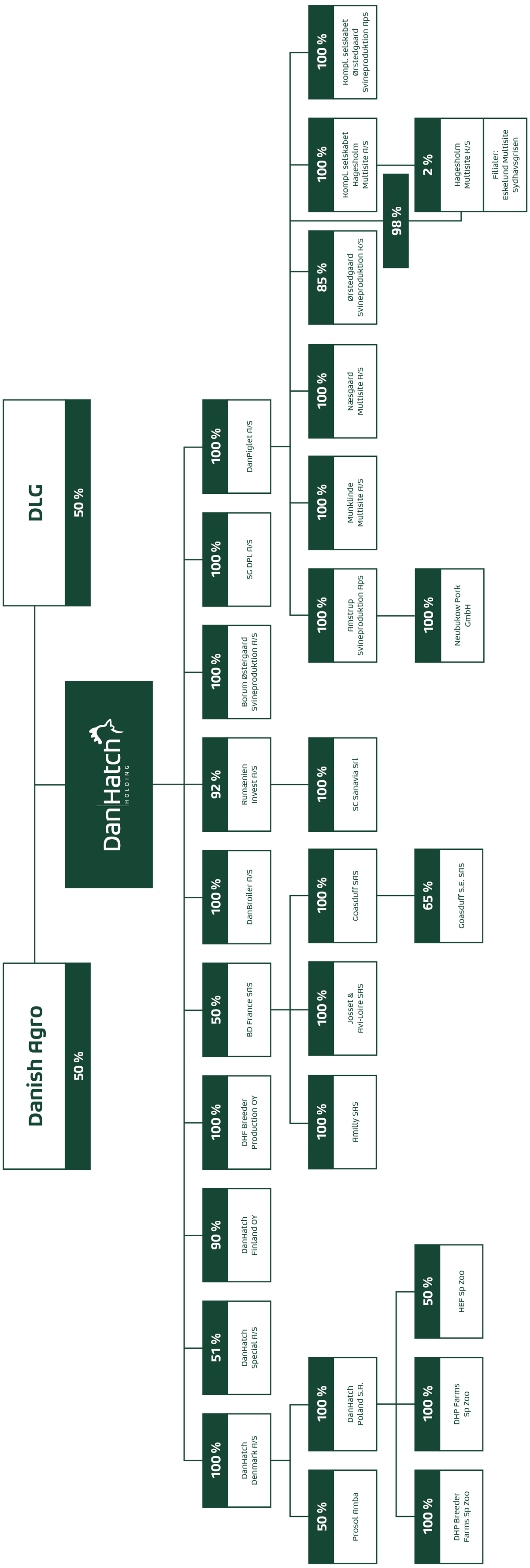
Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Selskabsstruktur

DanHatch Group

31.12.2021



Primary activities

The DanHatch Group is an international group engaging in poultry and pig production. Within its core business of producing and selling day-old chicks for broiler production, the Group is one of Europe's largest and most efficient hatchery groups with facilities in Denmark, Finland, Poland and France.

Development in activities and finances

For the DanHatch Group, 2021 was another turbulent year. The effects of the Covid-19 pandemic on society in combination with an increased spread of Highly Pathogenic Avian Influenza (HPAI) in poultry as well as an increasing incidence of African Swine Fever (ASF) in Europe have caused significant fluctuations throughout the year in both the demand and the pricing of the Group's main products. Moreover, a sharp increase in the prices of raw materials for feed production in the last part of the year has led to very pressured terms of trade within both poultry and pig production. The above factors have resulted in a significant negative impact on the DanHatch Group's financial performance in 2021.

Growth in poultry production through a French acquisition

In 2021, the DanHatch Group reached another sales high of 472 million day-old chicks compared to 457 million last year. The progress comes primarily from the hatcheries in France, while production at the hatcheries in Denmark, Finland and Poland has been slightly increasing.

At the end of the financial year, the Group's total hatching capacity amounts to just under 565 million day-old chicks and is planned to be expanded further to 575 million during 2022.

NEW CEO in DanHatch Denmark A/S

At the beginning of 2021, Søren Villumsen took over as the new CEO of DanHatch Denmark A/S. The new CEO has poultry experience from previous jobs in the agricultural raw material industry. With strong commercial and production skills, he has exactly the right profile to hold the position in a changing Danish broiler market. In the first year as CEO, Søren Villumsen has been head of the change of the company's sales structure, which targets an increased export share and an increasing focus on slower-growing types of chicken.

Developments in the poultry companies

During the DanHatch Group's strategic work, Group Management also put a more targeted focus on sustainability in the autumn of 2021, and as an initial part of the process some internal workshops were held with input from several external parties. The clear purpose of this has been to obtain greater knowledge and inspiration about the area of sustainability as well as to define the general framework for the further process. The objective is to determine a sustainability strategy for the Group during 2022 with subsequent implementation in all subsidiaries. The DanHatch Group estimates that through the intensified work within the area of sustainability, the individual group enterprises will be able to keep abreast of the increasing societal, customer and consumer demands that many markets are expected to face in the future.

In 2021, DanHatch Denmark's two Danish hatcheries achieved sales of 147.1 million day-old chicks, of which 97.2 million chicks were sold on the domestic market, and 49.9 million chicks were sold for export. Total sales exceeded the level in 2020 by 2.5 million day-old chicks based on increasing sales on export markets and at the same time declining sales to the domestic market. Sales of day-old chicks for export increased by 11.4 million chicks. whereas domestic sales were reduced by 8.9 million chicks compared to the previous year. The decreasing domestic sales were related to the delivery of an increased number of slower-growing day-old chicks from foreign hatcheries, and the production of these chicks which need a longer growth period reduces the total production capacity in the Danish broiler sheds. Exports of hatching eggs from DanHatch Denmark amounted to 28.3 million hatching eggs in the financial year - a decrease of 8.0 million hatching eggs compared to 2020.

DanHatch Special's sales of organic and slow-growing day-old chicks amounted to 0.6 million chicks in the financial year, which was less than expected. In 2021, the company has undergone a restructuring process, as the company's hatching capacity from spring 2022 will primarily be used for the production of pre-incubated hatching eggs and day-old chicks for concepts based on slower-growing chick types.

In 2021, Danish broiler production has seen an extremely positive development in productivity, as the key productivity parameters such as mortality, scrapping, feed utilisation and growth have all moved in a satisfactory direction. In particular, the figures for 1st week's mortality and total mortality reflect that during the year DanHatch Denmark has delivered healthy and viable day-old chicks of high quality to the company's customers.

Productivity of the hatching egg production at DanHatch Denmark has been maintained at a satisfactory level in 2021, both when it comes to the production of hatching eggs and the hatching percentage achieved. This has created the basis for steady earnings across the total breeding and hatching egg production. The health status of the parent animals has generally been satisfactory, but an outbreak of HPAI in July and an infection with Salmonella in November on two of the company's own hatching egg farms have led to a significant loss of hatching eggs, as both hatching egg flocks were culled. This reduction in the supply of hatching eggs is the direct reason for the decreasing sales of hatching eggs for export and, despite some insurance coverage, this has resulted in financial losses for both the hatching egg production and the hatchery operation itself.

The Group's broiler production in DanBroiler A/S saw a slight loss for the year. The primary reasons for this are attributable to a pressured quotation level for broilers, which for a large part of the year related to the corona pandemic as well as the occurrence of Highly Pathogenic Avian Influenza in Denmark and other European countries, which has put restrictions on the export of poultry products from the EU to many third countries. At the same time, the competitive situation in the last part of the year was negatively affected by significantly increased feed prices due to significant price increases on raw materials for feed production.

DanHatch Group's foreign hatcheries in Finland, Poland and France operated in 2021 in markets with a very diverse development in the sale of day-old chicks. On the Finnish market, recent years' steady growth in both production and consumption of broilers continued, and DanHatch Finland Oy's sales increased by 0.8 million chicks to 45.6 million chicks. At the hatchery Kokemäki, a multi-year investment plan has focused on the automation of a number of handling processes, while at the hatchery Mynamäki, a major construction of washing and garage facilities for the company's transport equipment has been completed. Both initiatives aim to increase the efficiency and hygiene standards of the company's handling of day-old chicks.

In contrast, the subsidiary DanHatch Poland S.A. experienced in 2021 a Polish market heavily affected by an increasing incidence of avian influenza. The company's hatching egg production facility, hatchery and several of its broiler customers have thus been in a surveillance zone several times throughout the year as a result of nearby outbreaks of HPAI, thus resulting in reduction in revenue. Moreover, due to the significant occurrence of avian influenza in Poland, the company has not been able to carry out the planned export of day-old chicks to the company's foreign customers. Finally, the supply of hatching eggs has been significantly reduced in certain parts of the country due to a high incidence of HPAI-affected parent flocks that have been culled.

These conditions have resulted in higher prices for both hatching eggs and day-old chicks, additional logistics costs to avoid transport in surveillance zones as well as ongoing adjustments to delivery plans depending on the customers' geographical location. These challenges have existed in most of Poland and thus also in other Polish hatcheries. A few of these have been directly affected by disease outbreaks, whereas DanHatch Poland's production facility has not been in this situation and has often been able to maintain high delivery reliability thanks to effective logistics management. Thus, the company has succeeded in maintaining sales and even achieving a small increase in sales to 105.9 million day-old chicks despite the difficult market conditions.

At the company's hatchery in Stary Widzim, a minor expansion of the hatching capacity was carried out in 2021, so that the annual sales potential has increased from 120 million day-old chicks to 125 million chicks. Based on the volume of orders at the beginning of the new year, this production volume is expected to be largely utilised through 2022.

The DanHatch Group's French company BD France SAS, which is owned 50/50 together with the Belgian business partner Yellow Bird Group, saw sales growth of 15.2 million day-old chicks reaching 173.0 million day-old chicks in 2021. The increase is mainly a result of the acquisition of the small hatchery Amilly, located south of Paris, but is also characterised by organic growth in a market which for a large part of the year has been affected by both covid-19 and an increasing incidence of avian influenza.

When establishing BD France in mid-2017, the two owners drew up a business plan whose most important goal was to achieve a market share of 25% in the French market for day-old chicks, and this goal was achieved after a couple of years. The business plan also contained an ambitious investment plan for the following 8-10 years, according to which a renovation and upgrade of all hatchery facilities had to be prioritised. At the end of 2021, the first phase of this plan was completed as BD France's largest hatchery in Plabennec in western France was able to start using some partially newly built production facilities , which will have increased the annual hatching capacity from 62 million day-old chicks to 85 million day-old chicks by autumn 2022.

Development in pig activities

For DanHatch Group's pig activities in the subsidiary DanPiglet A/S, 2021 was another changeable year characterised by very large fluctuations in the sales prices of 30-kg piglets caused by significant changes over the year in the demand for pork on the international market. The pool price of piglets rose steadily throughout much of H1 to peak at the transition from May to June. The price then fell to a record low level in mid-Q4, and overall this development led to an average price level for 2021 that ended 24% lower than in 2020. On top of this development, feed costs increased especially in the last part of the year as a result of significant price increases on raw materials for feed production, and this trend has unfortunately continued into 2022. Both matters have led to a very unfavorable competitive situation in H2 2021, which has continued into the new year. Together with two PRRS out-breaks in the Group's herds during the summer of 2021, this has led to the removal of the sows and temporary shutdown of production at three production facilities.

Throughout the year, the DanPiglet Group has had activities at 7 sow plants producing 30-kilo pigs. A total of 245,177 piglets were produced based on 7,912 yearling sows. This is equal to an average productivity rate of 31.0 pigs produced per sow, which is a decrease of 4% on last year. This level is absolutely not satisfactory and is primarily attributable to the outlined PRRS outbreaks and the decision to remove sows. The continuing herds have seen a positive development in productivity in 2021, which has continued into 2022.

The DanPiglet Group's primary investments in 2021 have included a complete renovation of one gestation house as well as a change of the feeding system on another sow herd from wet feed to dry feed.

New international Group website

In continuation of the DanHatch Group's growth strategy "Moving Forward" from 2019, the Group launched a new international website in the spring of 2021, which unites the websites of the country-specific subsidiaries into one common group website. The new website is to help strengthening the Group's profile at home and abroad, and at the same time position the DanHatch Group as an ambitious and progressive hatchery group in the

European broiler sector. The website has so far been launched in Danish, English, Polish and Finnish and is expected to be continuously expanded with more languages.

Sustainability

During the DanHatch Group's strategic work, Group Management also put a more targeted focus on sustainability in the autumn of 2021, and as an initial part of the process internal workshops were held with input from several external parties. The clear purpose of this has been to obtain greater knowledge and inspiration about the area of sustainability as well as to define the general framework for the further process. The objective is to determine a sustainability strategy for the Group during 2022 with subsequent implementation in all subsidiaries and group enterprises. The DanHatch Group estimates that through the intensified work within the area of sustainability, the individual group enterprises will be able to keep abreast of the increasing societal, customer and consumer demands expected in the future.

Financial situation

Under the turbulent market conditions described, the DanHatch Group realised a less acceptable profit for the financial year 2021 of DKK 17.2m (including investments in group enterprises and associates but exclusive of minority interests) against a profit of DKK 43.5 million in 2020. Profit for the year includes a satisfactory profit from poultry production, including DanHatch Holding, of DKK 46.4m against DKK 45.5m in 2020. The share of profit from foreign hatching companies amounted to DKK 35.1m against DKK 26.2m in 2020. Pig activities of DanPiglet A/S have contributed with an extremely unsatisfactory loss of DKK 29.3m after tax and minority interests compared to a net loss of DKK 5.5m in 2020.

Total group revenue amounted to DKK 1,125.5m against DKK 1,154.9m in 2020. Revenue from poultry operations amounted to DKK 1,029.1m (1,024.4m) of which the activities of the Finnish and Polish subsidiaries collectively accounted for DKK 617.8m (DKK 578.1m), whereas revenue of DanPiglet A/S was DKK 96.4m (DKK 130.5m).

The Group's investments in operations totalled DKK 53.5m in 2021. These investments included a major construction of new washing and garage facilities for transport equipment as well as new construction and modernisation of production buildings for both chicks, pigs and hatchery operations. Moreover, the Group acquired an existing production facility for production of hatching eggs and performed upgrading and replacement of incubators and different types of automation and transport equipment.

In spring 2021, total dividends of DKK 22.0m were distributed by the Group's subsidiaries to the Parent, DanHatch Holding A/S.

As in the previous year, DanHatch Holding A/S and its group enterprises did not in 2021 apply for any of the aid schemes adopted by the Danish parliament and other European parliaments as a result of the ongoing covid-19 pandemic.

A key prerequisite for the DanHatch Group's financial results is a dedicated and loyal staff. In each group enterprise, employees are the most important asset, and through independence, responsibility, reliability and professional pride, they contribute to stable operations and a positive development of the Group.

Particular risks

Price and market risks

Being part of the broiler and pig value chains, the DanHatch Group is affected directly by the global production and market development of poultry and pig products, including in particular the market conditions for poultry and pig production in the EU. DanHatch Denmark A/S' trading relation with Danish broiler producers is regulated by trading agreements with a mutual notice period of 18 months, while DanHatch Poland S.A.'s trading relations with the Polish broiler producers are based on annual agreements, and DanHatch Finland Oy's sales are primarily governed by multi-annual agreements with a number of slaughterhouses. The 30-kg piglets from the DanPiglet Group's production facility are sold to intermediaries, and sales are typically regulated by current trading agreements with a mutual notice period of 3-6 months.

Disease risks

Because of the DanHatch Group's activities within animal production, the different production stages will always be exposed to the risk of impact of different diseases. This means that a number of preventive measures are continuously taken and will be taken to meet these risks, primarily through maintenance of a good state of health and a high biosecurity level.

The introduction of Salmonella in the Group's production systems is one of the risk moments that may have a financial impact on the Company in the short and the long run. Continuous development of a quality assurance system under the HACCP standard serves as the basis for continued optimisation of the Group's behaviour and hygiene procedures while minimising the incidence of Salmonella and potential poultry diseases. Consequently, there is also focus on collaborating closely with external cooperative partners.

In recent years, together with the related breeding and hatching egg producers, DanHatch Denmark A/S took out livestock insurance with an international insurance company specialising in this area. This means that payments to the previous solidarity arrangement in the independent cooperative society – Prosol A.m.b.A. – have ceased, but the company is maintained so far. The capital in the company remains as a reserve and can still be used for extraordinary or unforeseen disease outbreaks in breeding and hatching egg production. Overall, these two arrangements contribute to reducing the operational economic risk profile of DanHatch Denmark A/S' own breeding and hatching egg facilities. Abroad, only DanHatch Finland Oy has taken out livestock insurance together with this company's related breeding and hatching egg producers with a national insurance company operating in this area.

In recent years, the DanPiglet Group's pig operations have seen large fluctuations in sales prices of pork meat and 30 kg piglets due to more incidents of ASF, particularly in the Far East and Europe. Any spread of ASF in the markets to which the Group primarily is selling piglets may involve serious sales risks. So far, it has not been possible to take out insurance for this risk. The assessment is, however, that if sales to the main markets are reduced in case of an ASF outbreak, expectations are that it will be possible to sell the piglets to the rest of the EU internal market, which will presumably cause prices to plunge. If ASF is recorded in Denmark, sweeping restrictions on both pig production and the export of livestock and products are likely to be implemented, which will have massive adverse financial consequences for the DanPiglet Group.

Interest rate risks

A considerable portion of the interest-bearing debt in the DanHatch Group's companies consists of long-term mortgage loans based on short-term interest rates. The loans are raised in DKK as well as in EUR.

Currency risks
DanHatch Denmark A/S' sales for export are invoiced primarily in EUR, but also in PLN. To meet the currency risk, the Company has raised loans in EUR, while other currencies are sold when payments are received. Since the Group's foreign subsidiaries almost exclusively trade in their local currencies, there is no hedging.

The investments in DanHatch Poland S.A., DanHatch Finland Oy and the associate, BD France SAS, are adjusted on a monthly basis at the closing rate of PLN and EUR. The adjustments are taken to equity. There is no hedging of either PLN or EUR.

DanPiglet A/S' sales are primarily conducted in DKK. A small portion of the company's debt, however, is raised in EUR, which is hedged through the Group's net income denominated in EUR.

Profit/loss for the year in relation to expected developments
The DanHatch Group's profit for the year excl. minority interests amounted to DKK 17.2m, which is just over DKK 25m lower than expectations in the annual report for 2020. The main reason for this is the very negative development in the terms of trade, which affected the Group's pig production in H2 due to a sharp drop in the price of 30-kg piglets for export in combination with significant increases in the prices of raw materials for feed production.

Outlook
In the years ahead, the DanHatch Group expects to grow in many of the day-old chicks markets on which the Group already operates. One of the reasons is organic growth through a generally increasing demand for broiler products, but another is the expansion of business relationships with existing as well as new customers.

Total sales of day-old chicks from the DanHatch Group are expected to be approx. 505 million chicks in 2022, and the total volume thus exceeds the level of 2021 by well over 30 million chicks. The primary growth is estimated to take place in Poland and France as a result of growing demand from several large slaughterhouses with which the DanHatch group enterprises already have a constructive cooperation.

Overall, the DanHatch Group's sales of day-old chicks in 2022 could also be affected to some extent by the current sharply rising prices of energy and transport as well as raw materials for the production of feed for the Group's production of young hens and hatching eggs. Moreover, the company's broiler customers will be challenged on the trade ratio between the quotation for chickens for slaughter and the cost of feed. Furthermore, continued outbreaks of avian influenza in Europe are expected to affect the development of the European broiler sector, and on this basis intensive work is being done on an international level with measures to meet the challenge of avian influenza, including the possibilities of carrying out vaccination-based infection protection of poultry.

Recently, new guidelines have also been published internationally for the handling of export restrictions in connection with national outbreaks of avian influenza. In the future, together with bilateral negotiations with the individual recipient countries on regionalisation options, this will hopefully result in fewer and shorter export restrictions in the event of an outbreak, thus increasing the possibility of exporting broiler products from Europe to third market countries.

Pig operations
For several years, the DanHatch Group, as the owner of DanPiglet A/S, has had an overall strategy of carrying out a controlled divestment of the pig activities within a shorter time horizon. This strategy will be maintained in 2022

although it has not been possible to divest any of the production units in the financial year, despite interest from several potential buyers. On this background, however, it is estimated that a basis has been created for the disposal of several production units during 2022.

Moreover, the DanPiglet Group's pig production is expected to be further reduced during 2022, unless there is a significant improvement in the terms of trade within a short time horizon.

In 2020, the financial performance of the DanPiglet Group will be highly dependent on the developments in production efficiency as well as selling and feed prices where the development in the terms of trade is the most important factor. The incidents and spreading of African Swine Fever in the Far East and Europe may affect both pricing and the possibilities of selling piglets for export from Denmark. Furthermore, developments in hostilities in Ukraine in recent months will have a major influence on the pricing of raw materials for feed production. These circumstances together with a decreasing European consumption of pork therefore point to several major uncertainty factors for the Group's pig activities in the new year.

Group expectations

For the financial year 2022, Management of DanHatch Holding A/S expects a total group profit, which will exceed that realised in 2021 by between DKK 5m and DKK 10m. As stated above, these earnings expectations, however, are subject to much uncertainty, which relates to the development in production structure, consumers' demand for poultry meat and pork, compulsorily notifiable animal diseases (e.g. Highly Pathogenic Avian Influenza and African Swine Fever), trade restrictions by third countries as well as fluctuations in the international feed raw material prices and the derived impacts on the markets for hatching eggs, day-old chicks and piglets.

Statutory report on corporate social responsibility

Policies and corporate social responsibility

In the DanHatch Group, each company and operating unit are required to meet legislation in the countries where they operate. The Group's business model and geographical presence are described as a first point. At group level, continuous efforts are made to prepare policies, frameworks and targets for social responsibility at the workplace, food safety and environmental and climate conditions.

The Group believes that it will have the greatest opportunity within these areas to impact society positively - and where a potential risk of negative impact may exist if attention is not directed at both own and the cooperative partner's actions. The Group's management of this risk is described below under the individual topics.

Food safety in poultry production

The policies for food safety primarily comprise combating the incidence of Salmonella bacteria as well as limiting the use of antibiotics in the Group's breeding and hatching egg production.

The DanHatch Group's goals for elimination of Salmonella in production environments and the prevention of development of antibiotics resistance are based on a close cooperation with the Group's breeding and hatching egg producers, breeding animal suppliers and stakeholders in the Group's sales channels. Continuous optimisation of quality assurance systems and production management systems, which include stringent procedures relating to hygiene, infection protection, animal health, vaccination, feed, management and traceability, ensures fulfilment of these goals.

Against this background, the DanHatch Group's deliveries of day-old chicks in Denmark and Finland are the preconditions for the broiler production in these countries having a Salmonella incidence and antibiotics consumption level that is very satisfactory and lower than in most other comparable countries. As a result of preparedness in the area in 2021, two incidents of Salmonella infection in the hatching egg production in Denmark had to be dealt with.

Throughout Europe, the occurrence of Highly Pathogenic Avian Influenza (HPAI) through 2021 has had a significant impact on the entire broiler value chain: breeding animals, parent animals and broilers. Many companies in the DanHatch Group have been affected to a greater or lesser extent by established surveillance zones of 3 and 10 km depending on HPAI outbreaks in the individual country. Through systematic monitoring and tests, the health of the animals is continuously checked together with the local veterinary authorities to minimise the risk of possible spreading of infection. None of the Group’s production facilities have been directly affected by infection, but many have incurred extraordinary expenses in connection with monitoring, sales restrictions, planning and logistics.

Human Resources
In many ways, CSR and HR are closely linked. Several of the HR efforts in which the DanHatch Group is involved include both social and societal elements which may be considered value-adding CSR efforts.

People and diversity
The DanHatch Group wants to be an inclusive and tolerant workplace. Efforts are therefore made to ensure a high degree of employee diversity, which reflects the diverse society that surrounds us. When recruiting new employees, the Group is thus open to different types of candidates and encourages everyone to apply for a job regardless of gender, ethnicity, age and background. The Group caters for fellow citizens with limited or no connection to the labour market and is open to flexjobbers or other types of employment of persons who do not fit into the ordinary framework of the job market. In 2021, two flexjobbers were employed in the Group's Danish poultry companies, and several citizens have been on trial jobs in the Group's companies throughout the year.

At the beginning of 2021, DanHatch Denmark was approved for internships in the live production and was thus able to hire the company's very first intern in early February 2021. Moreover, in the autumn, a trainee was employed in the parent company, who had previously been in the company, first as a student assistant and later as an intern as part of his/her education. The DanHatch Group considers it a social responsibility to share knowledge and experience with a wide range of students from both universities and vocational educations, so they are better prepared for the labour market and thereby can improve their job opportunities after graduation. The interns are also rewarding for the Group, bringing new input and fresh eyes on processes and workflows.

Job satisfaction and safe conditions in the workplace
According to the Danish Working Environment Act, all companies with employees must prepare a workplace risk assessment (APV) every three years. However, the workplace risk assessment and the job satisfaction survey are carried out with a higher frequency in the DanHatch Group’s Danish poultry companies, which for the past several years have revised the workplace risk assessment and the job satisfaction survey every two years. This allows for faster identification of and follow-up on any new challenges within the physical as well as the psychological working environment.

In the autumn of 2021, the Group's Danish poultry companies carried out workplace risk assessments and job satisfaction surveys, and a number of action plans were drawn up on this basis, which the management and employee representatives on the working environment committee are to work with prospectively in the respective departments. The most significant risks were identified in the physical working positions and repetitive movements as well as in the psychological work environment, where a need for feedback from managers and colleagues was identified in many places. The initiated action plans cover these areas in particular.

Several of the DanHatch Group's subsidiaries are located in countries where there are not the same requirements for systematic analysis of the working environment as in Denmark. However, in the DanHatch Group it has been decided to spread the job satisfaction survey to group level, so that the Group's subsidiaries in Finland, Poland and France are also provided with a systematic tool to survey the well-being of employees and thus a basis for prioritising and working with specific priority areas within the psychological working environment. Working with a job satisfaction survey model will become a focus point for the HR departments in the group enterprises in 2022.

In the DanHatch Group's subsidiaries, there are various constellations consisting of both management and employee representatives, which is to ensure cooperation and dialogue - both between the management and employees, but also across the departments in the respective companies. However, a real cooperation organisation did not exist in the Group's 50%-owned company BD France until the establishment of such an organisation was initiated in 2020. During 2021, however, the new works committee in BD France was fully established and now consists of two groups at two different locations in France.

Investment in people
The opportunity for employees to develop on a personal and professional level is a high priority in the DanHatch Group. Employees are therefore regularly encouraged to participate in competence development courses, and further education is also an option. These forms of upgrading of skills can help to create increased well-being at the workplace, and it is also a good investment for both the Group and society, as competent labour is ensured.

Over the past few years, there has been an ongoing focus on the development of managerial skills in the Group's subsidiaries as an essential basis for the development of the rest of the workforce. In 2021, the primary focus has been on the Danish middle managers, who have attended courses facilitated by an external occupational psychologist, who has held full course days for the middle managers and provided professional consultation.

Due to the covid-19 pandemic, it has not been possible to gather large groups of employees for inhouse training. As an alternative, the employees have instead been able to attend webinars and online inspiration days on motivation, stress and conflict management, among other topics. Moreover, employees in the Danish poultry companies have got access to videos on the intranet – developed by a physiotherapist tailored to the DanHatch Group – with training exercises and good advice for setting up the home office.

Ethics and morality
The DanHatch Group wants to contribute positively to the local communities and countries where the Group is active, and to run a business based on principles and values which the Group stands for. As part of this, the Group's HR Group team was engaged in the development of a "code of conduct" in 2021. This code of conduct is to assist in ensuring that all group enterprises will act from the same framework and comply with the internal policies for accountability and behaviour. The code of conduct work is expected to be completed during 2022 after which the new code of conduct will be rolled out in all group enterprises.

In 2021, the Group has also set up a whistleblower scheme. With this scheme, employees and other stakeholders can report to the DanHatch Group if they suspect a breach of law. The whistleblower scheme is thus a tool to prevent and identify criminal or other serious matters in relation to the DanHatch Group and aims to encourage transparency in the Group.

The DanHatch Group wants to ensure that no employees are exposed to abusive behaviour in the workplace. Therefore, a policy on bullying and sexual harassment was drawn up in 2021 to prevent and deal with abusive behaviour. The policy includes definitions of abusive behaviour and what you as an employee must do if you are subjected to or witness abusive behavior.

Environmental responsibility
During the DanHatch Group's strategic work, Group Management put a more targeted focus on the theme of "sustainability" in the autumn of 2021. Sustainability is discussed in a previous section under “Development in activities and finances”.

Human rights
The DanHatch Group definitely wants to comply with the UN human rights. This is done internally through a number of policies regarding the Group’s employees that are monitored by Management and relevant internal functions. Externally, cooperative partners are not directly monitored; however, the Group always chooses partners who are highly respected and where there is no knowledge of breaches of human rights. Therefore, the Group does not consider this an area exposed to any particular or current risk. No breaches of human rights were identified in 2021, neither internally nor with cooperative partners. The Group will continue to have a strong focus on this area in 2022.

Business ethics and anti-corruption
The DanHatch Group is based in Denmark, which generally has high standards of business ethics and one of the world's lowest levels of corruption. This is why there is no particular risk of corruption with respect to the Group’s business areas. Also, the Group counteracts any kind of bribery or corruption and would rather turn down a “good deal” than take part in such activity, regardless of market. Documentation of all group companies’ expenses is required, and both accounts departments and the external auditors perform vouching on a regular basis. All employees know that the DanHatch Group does not condone any form of corruption or bribery, and no breaches of this policy were identified in 2021. The Group will continue to have a strong focus on this area in 2022.

Environmental and climate conditions
The DanHatch Group's most significant risk of impact occurs in the production itself in the form of fertiliser and biological waste as well as in the consumption of energy (electricity and heat) and secondarily in the consumption of water. In these areas, consumption volumes are calculated on an ongoing basis in order to identify the greatest opportunities for optimisation and reduction of consumption.

All the Group’s production plants are subject to the same environmental legislation for agriculture-related activities and are approved by the relevant authorities. In 2021, four environmental approvals were reassessed without changes. At one pig production facility, an environmental approval was updated, enabling a minor expansion of production. Moreover, environmental inspections have been carried out at a number of production facilities, and no issues were found that deviated from the framework of the previous environmental approvals.

In the Polish subsidiary, an environmental application process was initiated in 2016 after the purchase of six plots of land for establishing future breeding and hatching egg production. So far five environmental approvals have been granted, while one application is still in process.

The Group prepares and submits annual fertiliser accounts for all production facilities, which contributes to documenting compliance with the rules governing environmental impact. It is also monitored through continuous efficiency controls that the permitted production volume is not exceeded. To prevent damage to waste water tanks and fertiliser tanks, these are regularly subject to independent external inspection.
In 2021, no irregularities have been identified relating to fertiliser allocation and waste water and fertiliser tanks.

In 2021, DanHatch Denmark has entered into a long-term fertiliser agreement with a large biogas plant in Southern Jutland. The intention of the agreement is that from Q2 2022 the biogas plant will start receiving approx. 90% of the poultry fertiliser produced every year by the company's production facility in Southern Jutland. In this way, DanHatch Denmark obtains an income from the fertiliser produced, and the fertiliser is processed into energy, which is used for heating ordinary households. Furthermore, the utilisation of the remaining nutrients in the agricultural land will be optimised.

Over the year, DanHatch Denmark has also been involved in a pilot project in Northern Jutland, the purpose of which is also to produce energy while the nutrients undergo a process where they can be reused in the agricultural production.

Statutory report on the underrepresented gender

The members of DanHatch Holding's Board of Directors elected by the general meeting are elected from the shareholders' management bodies, whereas the subsidiaries' board members elected by the general meeting are mostly elected from among the parent's executives. Accordingly, the breakdown by male and female board members depends on the gender composition within those two forums. There are female board members in several of the Group's companies, and in connection with the presentation of the annual report for 2020, DanHatch Group set a goal that a realistic target in the future would be that there is at least one member of each gender represented on each Board of Directors by 2024.

The Board of Directors of DanHatch Holding A/S consists of four members elected by the general meeting, none of whom are women. Thus, the Group's target has not yet been achieved.

In DanHatch Denmark A/S, the Board of Directors consists of four board members elected by the general meeting; three men and one woman. Add to this two staff-elected members, both men. This means that the target of one member of each gender represented on the Board of Directors has been achieved in DanHatch Denmark A/S.

The DanHatch Group's target for the gender distribution of executives comprises an overall desire to have a minimum of 40% women. The share of female executives in the DanHatch Group was 40.6% in 2020, but this figure fell to 37.8% in 2021. However, this year more women have been employed in various specialist functions without managerial responsibility, and it is therefore assessed that through structured development processes and active recruitment of qualified executives, it will be realistic to achieve the target of a minimum of 40% female executives in the Group in the course of 2022.

Statutory report on data ethics policy

The DanHatch Group complies with both Danish and EU legislation on data and privacy protection. The Group recognises that the rapid pace of technological development, together with the development, risks and benefits of big data use, requires careful and responsible decision-making. In connection with the IT policy, the DanHatch Group has implemented a policy for data ethics based on three main principles:

- Transparency and clear information about data use and its purpose
- Automation and advanced data use for the benefit of customers, employees and other relevant stakeholders
- Data security as a basis.

Solving the DanHatch Group's tasks requires access to and processing of relevant data about employees, other companies and business partners. Respect for and responsible management of this data are absolutely fundamental for the DanHatch Group. Technological development constantly pushes the boundaries of what is technically feasible, which is often faster than legislation. Transparency and trust are therefore particularly important. The use of data must be able to be explained and defended at all times, and data ethics must be a prerequisite for all innovation and development processes.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	1,125,530	1,154,830
Own work capitalised		867	1,074
Other operating income		4,594	4,539
Costs of raw materials and consumables		(780,737)	(784,451)
Other external expenses	2	(130,766)	(125,411)
Gross profit/loss		**219,488**	**250,581**
Staff costs	3	(145,227)	(141,392)
Depreciation, amortisation and impairment losses	4	(59,202)	(56,844)
Other operating expenses		(1,932)	(13)
Negative goodwill		0	497
Operating profit/loss		**13,127**	**52,829**
Income from investments in associates		8,930	5,798
Other financial income		3,644	5,276
Other financial expenses		(7,770)	(8,462)
Profit/loss before tax		**17,931**	**55,441**
Tax on profit/loss for the year	5	(1,147)	(11,400)
Profit/loss for the year	6	**16,784**	**44,041**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	8	4,283	3,688
Acquired intangible assets		44	21
Development projects in progress	8	2,510	2,052
Intangible assets	7	**6,837**	**5,761**
Land and buildings		376,962	383,241
Plant and machinery		102,319	104,861
Other fixtures and fittings, tools and equipment		69,314	73,822
Leasehold improvements		4,101	4,792
Biological assets		17,585	24,270
Property, plant and equipment in progress		20,193	5,942
Property, plant and equipment	9	**590,474**	**596,928**
Investments in associates		100,209	87,916
Other investments		4,099	3,724
Deposits		497	497
Other receivables		8,834	10,169
Financial assets	10	**113,639**	**102,306**
Fixed assets		**710,950**	**704,995**
Raw materials and consumables		77,013	67,077
Work in progress		36,348	32,252
Inventories		**113,361**	**99,329**

Trade receivables		146,131	136,271
Receivables from associates		7,446	4,495
Deferred tax	11	2,159	2,872
Other receivables		20,906	17,227
Tax receivable		3,693	608
Receivables from owners and management		0	93
Prepayments	12	1,961	2,253
Receivables		**182,296**	**163,819**
Other investments		93	57
Investments		**93**	**57**
Cash		**11,195**	**7,740**
Current assets		**306,945**	**270,945**
Assets		**1,017,895**	**975,940**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	13	10,000	10,000
Revaluation reserve		6,914	7,445
Translation reserve		(14,458)	(12,737)
Reserves for loans and collateral		0	93
Reserve for development costs		5,299	4,478
Retained earnings		599,993	583,026
Equity belonging to Parent's shareholders		**607,748**	**592,305**
Equity belonging to minority interests		**31,983**	**15,787**
Equity		**639,731**	**608,092**
Provisions for pension liabilities etc.		129	121
Deferred tax	11	18,014	22,201
Other provisions	15	2,052	1,151
Provisions		**20,195**	**23,473**
Mortgage debt		85,424	82,017
Bank loans		54,119	70,314
Lease liabilities		877	1,573
Non-current liabilities other than provisions	16	**140,420**	**153,904**

Current portion of non-current liabilities other than provisions	16	27,198	33,875
Bank loans		64,536	49,034
Deposits		0	1
Prepayments received from customers		16	16
Trade payables		92,088	61,299
Tax payable		166	1,764
Other payables		33,545	44,482
Current liabilities other than provisions		**217,549**	**190,471**
Liabilities other than provisions		**357,969**	**344,375**
Equity and liabilities		**1,017,895**	**975,940**
Fair value information	18		
Unrecognised rental and lease commitments	19		
Contingent assets	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Transactions with related parties	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Revaluation reserve DKK'000	Translation reserve DKK'000	Reserves for loans and collateral DKK'000	Reserve for development costs DKK'000
Equity beginning of year	10,000	7,445	(12,737)	93	4,478
Exchange rate adjustments	0	0	(1,721)	0	0
Transfer to reserves	0	(531)	0	(93)	821
Equity end of year	**10,000**	**6,914**	**(14,458)**	**0**	**5,299**

	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	583,026	592,305	15,787	608,092
Increase of capital	0	0	16,660	16,660
Exchange rate adjustments	0	(1,721)	(84)	(1,805)
Transfer to reserves	(197)	0	0	0
Profit/loss for the year	17,164	17,164	(380)	16,784
Equity end of year	**599,993**	**607,748**	**31,983**	**639,731**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		13,127	52,829
Amortisation, depreciation and impairment losses		59,202	56,844
Share-based payment		909	(2,497)
Working capital changes	17	(8,076)	(3,325)
Adjustments goodwill		0	(657)
Cash flow from ordinary operating activities		**65,162**	**103,194**
Financial income received		3,608	5,276
Financial expenses paid		(7,770)	(8,462)
Taxes refunded/(paid)		(9,304)	(9,971)
Cash flows from operating activities		**51,696**	**90,037**
Acquisition etc. of intangible assets		(1,739)	(1,681)
Sale of intangible assets		(77,742)	(86,548)
Sale of property, plant and equipment		26,199	9,338
Acquisition of fixed asset investments		(380)	(370)
Sale of fixed asset investments		1,340	1,841
Acquisition of enterprises		(2,215)	(3,895)
Disposal of enterprises		1,050	0
Cash flows from investing activities		**(53,487)**	**(81,315)**
Free cash flows generated from operations and investments before financing		**(1,791)**	**8,722**
Repayments of loans etc.		(20,161)	(20,507)
Loan to associates		(7,413)	(26)
Change in bank loans		15,502	9,195
Aditions to acquisition of enterprises		718	0
Capital increase in minority		16,660	0
Cash flows from financing activities		**5,306**	**(11,338)**
Increase/decrease in cash and cash equivalents		**3,515**	**(2,616)**

Cash and cash equivalents beginning of year	7,740	10,677
Currency translation adjustments of cash and cash equivalents	(60)	(321)
Cash and cash equivalents end of year	**11,195**	**7,740**

Cash and cash equivalents at year-end are composed of:

Cash	11,195	7,740
Cash and cash equivalents end of year	**11,195**	**7,740**

Notes to consolidated financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Denmark	474,032	498,524
Other EU countries	623,616	626,090
Other European countries	27,882	30,216
Total revenue by geographical market	**1,125,530**	**1,154,830**
Poultry production	1,029,084	1,024,383
Pig production	96,446	130,447
Total revenue by activity	**1,125,530**	**1,154,830**

2 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	683	558
Other assurance engagements	371	244
Tax services	79	45
Other services	297	262
	1,430	**1,109**

3 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	124,414	121,454
Pension costs	12,143	11,894
Other social security costs	8,328	7,711
Other staff costs	342	333
	145,227	**141,392**
Average number of full-time employees	**353**	**358**

	Remuneration of management 2021 DKK'000	Remuneration of management 2020 DKK'000
Total amount for management categories	5,480	5,457
	5,480	**5,457**

4 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 DKK'000
Amortisation of intangible assets	713	1,965
Depreciation on property, plant and equipment	58,489	54,879
	59,202	**56,844**

5 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	4,621	10,736
Change in deferred tax	(3,474)	664
	1,147	**11,400**

6 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Retained earnings	17,164	43,466
Minority interests' share of profit/loss	(380)	575
	16,784	**44,041**

7 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	4,215	3,468	2,052
Exchange rate adjustments	0	(1)	0
Transfers	1,282	0	(1,282)
Additions	0	49	1,740
Cost end of year	**5,497**	**3,516**	**2,510**
Amortisation and impairment losses beginning of year	(527)	(3,447)	0
Exchange rate adjustments	0	1	0
Amortisation for the year	(687)	(26)	0
Amortisation and impairment losses end of year	**(1,214)**	**(3,472)**	**0**
Carrying amount end of year	**4,283**	**44**	**2,510**

8 Development projects

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform. At the end of 2021, a few sub-elements of the development were put into service. The development continues, and the next sub-elements are expected to be put into service in 2022. The IT platform is going to replace the Company's current production tool and is not expected to be resold. The development proceeds as planned in line with deadlines and financial resources. Management has not found any reason to write down the recognised development asset.

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Biological assets DKK'000
Cost beginning of year	790,315	278,200	251,727	10,412	24,270
Exchange rate adjustments	(1,180)	(857)	(216)	0	0
Transfers	8,931	6,706	2,313	0	0
Additions	22,450	7,206	7,883	0	9,443
Disposals	(9,550)	(7,507)	(16,905)	0	(16,128)
Cost end of year	**810,966**	**283,748**	**244,802**	**10,412**	**17,585**
Revaluations beginning of year	22,500	0	7,146	0	0
Revaluations end of year	**22,500**	**0**	**7,146**	**0**	**0**
Depreciation and impairment losses beginning of year	(429,574)	(173,339)	(185,051)	(5,620)	0
Exchange rate adjustments	247	400	155	0	0
Depreciation for the year	(28,161)	(15,249)	(14,310)	(691)	0
Reversal regarding disposals	984	6,759	16,572	0	0
Depreciation and impairment losses end of year	**(456,504)**	**(181,429)**	**(182,634)**	**(6,311)**	**0**
Carrying amount end of year	**376,962**	**102,319**	**69,314**	**4,101**	**17,585**
Carrying amount if asset had not been revalued	368,098	-	69,314	-	-
Recognised assets not owned by Entity	-	-	1,625	-	-

	Property, plant and equipment in progress DKK'000
Cost beginning of year	5,942
Addition through business combinations etc	1,507
Exchange rate adjustments	(16)
Transfers	(17,950)
Additions	30,710
Cost end of year	**20,193**
Carrying amount end of year	**20,193**
Carrying amount if asset had not been revalued	-
Recognised assets not owned by Entity	-

10 Financial assets

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	59,301	3,957	497	10,169
Additions	4,462	380	0	0
Disposals	(3,702)	(5)	0	(1,335)
Cost end of year	**60,061**	**4,332**	**497**	**8,834**
Revaluations beginning of year	28,615	0	0	0
Exchange rate adjustments	(48)	0	0	0
Amortisation of goodwill	(1,221)	0	0	0
Share of profit/loss for the year	10,180	0	0	0
Reversal regarding disposals	2,622	0	0	0
Revaluations end of year	**40,148**	**0**	**0**	**0**
Impairment losses beginning of year	0	(233)	0	0
Impairment losses end of year	**0**	**(233)**	**0**	**0**
Carrying amount end of year	**100,209**	**4,099**	**497**	**8,834**

Associates	**Registered in**	**Ownership %**
BD France	Plabannec, France	50,0

11 Deferred tax

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	(19,329)	(18,807)
Recognised in the income statement	3,474	(664)
Other adjustments	0	142
End of year	**(15,855)**	**(19,329)**

Deferred tax has been recognised in the balance sheet as follows	2021 DKK'000	2020 DKK'000
Deferred tax assets	2,159	2,872
Deferred tax liabilities	(18,014)	(22,201)
	(15,855)	**(19,329)**

Deferred tax assets

The recognised tax asset in the Group includes DKK 103k from recognised value of tax-loss carryforward, which is expected to be utilised within 3-5 years as part of ordinary operations in the group enterprises. During the year, DKK 38k of the tax-loss carryforward has been utilised.

Deferred tax is incumbent on intangible assets, property, plant and equipment, fixed asset investments, inventories, receivables, provisions, liabilities and tax-loss carryforwards.

12 Prepayments

Prepayments comprise prepaid expenses, including insurance and property expenses relating to the next financial year.

13 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	10,000	1,000	10,000,000
	10,000		**10,000,000**

14 Provisions for pension liabilities etc.

Provisions for pensions, etc. comprise provisions for pension to the Group's employees in Poland.

15 Other provisions

Other provisions comprise guarantee commitments to broiler producers in connection with the outbreak of Salmonella and other diseases.

16 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Mortgage debt	8,150	7,481	85,424	56,186
Bank loans	18,366	25,368	54,119	38,811
Lease liabilities	682	1,026	877	162
	27,198	**33,875**	**140,420**	**95,159**

17 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(14,032)	21,895
Increase/decrease in receivables	(13,896)	(5,207)
Increase/decrease in trade payables etc.	19,852	(20,013)
	(8,076)	**(3,325)**

18 Fair value information

	Listed Securities DKK'000
Fair value end of year	93
Unrealised fair value adjustments recognised in the income statement	36

19 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	**26,984**	**43,967**

20 Contingent assets

The Group has an entity-specific pre-joint taxation loss to be carried forward amounting to DKK 869k, equivalent to a tax asset of DKK 191k, which can be set off against future tax profits. No tax asset has been recognised in relation to this entity-specific pre-joint taxation loss, as Management assesses that it is unlikely that the company will be able to use this within a period of 3-5 years.

21 Contingent liabilities

The Group has provided a lease guarantee of DKK 1,074k

22 Assets charged and collateral

The Group's mortgage debt of DKK 93,574 is secured by way of mortgage on property, plant and equipment and inventories at a carrying amount of DKK 290,682k.

Bank loans of DKK 159,450k, including cashpool, are secured by way of mortgage deeds totalling DKK 83,550k on property, plant and equipment and inventories whose carrying amount is DKK 105,310k.

At the end of the year, the Group's mortgage debt of DKK 4,500k is secured on land and buildings at a carrying amount of DKK 6,497k. Property registration has not yet taken place at 31.12.2021.

A guarantee has been provided to Nordea Kredit Realkreditaktieselskab. The maximum limit of the guarantee is DKK 158,644k. The mortgage debt guaranteed amounts to DKK 85,472k at 31.12.21.

23 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

24 Subsidiaries

	Registered in	Corporate form	Ownership %
DanHatch Denmark A/S	Hjørring	A/S	100,0
DanHatch Polen S.A.*	Wolsztyn, Poland	S.A	100,0
DHP Breeder Farms Sp. z.o.o.**	Wolsztyn, Poland	Sp. z.o.o	100,0
DHP Farms Sp. z.o.o.**	Wolsztyn, Poland	Sp. z.o.o	100,0
Hatching Eggs Farms Sp. z.o.o.**	Wolsztyn, Poland	Sp. z.o.o	50,0
DanBroiler A/S	Ikast-Brande	A/S	100,0
DanHatch Special A/S	Hjørring	A/S	100,0
Borum Østergaard Svineproduktion A/S	Århus	A/S	100,0
Ørstedgaard Svineproduktion K/S***	Roskilde	K/S	85,0
Munklinde Multisite A/S***	Ikast-Brande	A/S	100,0
Hagesholm Multisite K/S***	Holbæk	K/S	100,0
Næsgård Multisite A/S***	Guldborgsund	A/S	100,0
SG DPL A/S	Lolland	A/S	100,0
Ørstedgaard Svineproduktion ApS***	Hjørring	ApS	100,0
Komplementarselskabet Hagesholm Multisite ApS***	Hjørring	ApS	100,0
Amstrup Svineproduktion ApS***	Hjørring	ApS	100,0
Neubukow Pork GmbH****	Harrislee, Germany	GmbH	100,0
DanPiglet A/S	Hjørring	A/S	100,0
DanHatch Finland OY	Mynämäki, Finland	OY	90,0
DHF Breeder OY	Mynämäki, Finland	OY	100,0
Rumænien Invest A/S	Hjørring	A/S	91.89
Sanavia s.r.l.*****	Romania	s.r.l.	100.00
DHP Farms West 2 SPV Sp. z.o.o.**	Wolsztyn, Poland	Sp. z.o.o.	100.00

*) Group enterprise in DanHatch Denmark A/S.
**) Group enterprise in DanHatch Poland S.A.
***) Group enterprise in DanPiglet A/S
****) Group enterprise in Amstrup Svineproduktion ApS

Parent income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue		11,498	11,152
Own work capitalised		836	806
Other external expenses		(3,938)	(3,150)
Gross profit/loss		**8,396**	**8,808**
Staff costs	1	(16,181)	(15,474)
Depreciation, amortisation and impairment losses	2	(687)	(527)
Operating profit/loss		**(8,472)**	**(7,193)**
Income from investments in group enterprises		13,099	41,635
Income from investments in associates		8,930	5,798
Other financial income	3	4,246	4,027
Other financial expenses	4	(2,108)	(2,018)
Profit/loss before tax		**15,695**	**42,249**
Tax on profit/loss for the year	5	1,469	1,217
Profit/loss for the year	6	**17,164**	**43,466**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	8	4,283	3,688
Development projects in progress	8	2,510	2,052
Intangible assets	7	**6,793**	**5,740**
Investments in group enterprises		397,818	376,176
Receivables from group enterprises		20	0
Investments in associates		100,209	87,916
Other receivables		3,000	3,400
Financial assets	9	**501,047**	**467,492**
Fixed assets		**507,840**	**473,232**
Trade receivables		3	9
Receivables from group enterprises		155,044	156,467
Receivables from associates		7,446	4,495
Other receivables		238	591
Tax receivable		3,365	479
Joint taxation contribution receivable		8,059	8,510
Receivables from owners and management		0	93
Prepayments	10	200	308
Receivables		**174,355**	**170,952**
Current assets		**174,355**	**170,952**
Assets		**682,195**	**644,184**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		10,000	10,000
Reserves for loans and collateral		0	93
Reserve for development costs		5,299	4,478
Retained earnings		592,449	577,734
Equity		**607,748**	**592,305**
Deferred tax	11	1,495	1,263
Provisions		**1,495**	**1,263**
Bank loans		24,749	26,847
Trade payables		1,256	768
Payables to group enterprises		35,756	15,786
Joint taxation contribution payable		6,741	1,415
Other payables		4,450	5,800
Current liabilities other than provisions		**72,952**	**50,616**
Liabilities other than provisions		**72,952**	**50,616**
Equity and liabilities		**682,195**	**644,184**
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Reserves for loans and collateral DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,000	93	4,478	577,734	592,305
Exchange rate adjustments	0	0	0	(1,721)	(1,721)
Transfer to reserves	0	(93)	821	(728)	0
Profit/loss for the year	0	0	0	17,164	17,164
Equity end of year	**10,000**	**0**	**5,299**	**592,449**	**607,748**

Notes to parent financial statements

1 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	14,281	13,751
Pension costs	1,778	1,638
Other social security costs	122	85
	16,181	**15,474**

Average number of full-time employees	**17**	**15**

	Remuneration of Manage-ment 2021 DKK'000	Remuneration of Manage-ment 2020 DKK'000
Total amount for management categories	3,575	3,562
	3,575	**3,562**

2 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 DKK'000
Amortisation of intangible assets	687	527
	687	**527**

3 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	2,722	2,202
Financial income from associates	40	41
Other interest income	1,476	1,762
Other financial income	8	22
	4,246	**4,027**

4 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	239	122
Other interest expenses	1,869	1,896
	2,108	**2,018**

5 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	(1,701)	(1,468)
Change in deferred tax	232	251
	(1,469)	**(1,217)**

6 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	17,164	43,466
	17,164	**43,466**

7 Intangible assets

	Completed development projects DKK'000	Development projects in progress DKK'000
Cost beginning of year	4,215	2,052
Transfers	1,282	(1,282)
Additions	0	1,740
Cost end of year	**5,497**	**2,510**
Amortisation and impairment losses beginning of year	(527)	0
Amortisation for the year	(687)	0
Amortisation and impairment losses end of year	**(1,214)**	**0**
Carrying amount end of year	**4,283**	**2,510**

8 Development projects

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform. At the end of 2021, a few sub-elements of the development were put into service. The development continues, and the next sub-elements are expected to be put into service in 2022. The IT platform is going to replace the Company's current production tool and is not expected to be resold. The development proceeds as planned in line with deadlines and financial resources. Management has not found any reason to write down the recognised development asset.

9 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
Cost beginning of year	512,471	0	56,839	3,400
Additions	32,214	20	4,462	0
Disposals	0	0	(1,240)	(400)
Cost end of year	**544,685**	**20**	**60,061**	**3,000**
Revaluations beginning of year	(136,295)	0	31,077	0
Exchange rate adjustments	(1,671)	0	(48)	0
Amortisation of goodwill	0	0	(1,221)	0
Share of profit/loss for the year	13,099	0	10,180	0
Dividend	(22,000)	0	0	0
Reversal regarding disposals	0	0	160	0
Revaluations end of year	**(146,867)**	**0**	**40,148**	**0**
Carrying amount end of year	**397,818**	**20**	**100,209**	**3,000**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Investments in associates	Registered in	Corporate form	Ownership %
BD France SAS	Plabannec, France	SAS	50,0

10 Prepayments

Prepayments comprise prepaid expenses.

11 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	1,495	1,263
Deferred tax	**1,495**	**1,263**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	1,263	1,011
Recognised in the income statement	232	252
End of year	**1,495**	**1,263**

12 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	**195**	**404**

13 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

14 Assets charged and collateral

As security for cashpool (intercompany account with group enterprises), the Entity has guaranteed the group enterprises' debt to Nordea Bank.

The Entity has provided a guarantee for group enterprises' debt to Nordea Kredit Realkreditaktieselskab of a maximum of DKK 19,582k. The mortgage debt in group enterprises amounts to DKK 18,598k.

15 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. In the year, a tax-free group contribution of DKK 30,000k was provided to a subsidiary. No further non-arm's length transactions were conducted in the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Whereas the Parent's annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium) with addition of a few provisions governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Negative goodwill
Negative goodwill, which arises from negative differences between cost of entities acquired and the fair value-measured net assets acquired from the acquisition, is recognised as income in profit or loss at the time of acquisition of each entity.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc.
Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 8 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-30 years
Plant and machinery	5-12 years
Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	22 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Biological assets
On initial recognition, biological assets comprising live pigs are measured at cost which, for acquired assets, comprises the acquisition price plus any directly related acquisition costs. As the stock is replaced on a continuous basis, it is not depreciated.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-15 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these associates are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. The amortisation periods used are 5-15 years.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date.

Inventories
Stocks, which consist of pigs and chickens, are measured at cost. Cost consists of direct costs and indirect production costs.

Cost of pigs is calculated on the basis of assumptions included in Danish Bacon and Meat Council's continuous calculations of piglet listing, whereas chickens are recognised at 90% of a scale value distributed by age based on the cost, value increment and remaining lives of the animals.

Eggs that are included in production are presented as work in progress. Other eggs are presented as raw material and consumables.

Egg laying stock is presented as raw materials and consumables together with other raw material inventories. Inventories are recognised at the lower of cost and net realisable value. Cost consists of delivery costs and any costs of conversion.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises bank deposits.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Provisions for pension liabilities etc
Provisions for pension liabilities etc are measured at net realisable value equal to the present value of expected payments by the individual pension plans etc.

Other provisions
Guarantee commitments comprise commitments towards broiler producers in connection with outbreak of salmonella and other diseases.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions

receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt.

Cash and cash equivalents comprise cash.