

DanHatch Holding A/S
Rugerivej 26
9760 Vrå
Central Business Registration
No 38223038

Annual report 2017

The Annual General Meeting adopted the annual report on 22.03.2018

Chairman of the General Meeting

Name: Ole Christensen

This document is an unofficial translation of the Danish original. In the event of any inconsistencies the Danish version shall apply.

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Entity details

Entity

DanHatch Holding A/S
Rugerivej 26
9760 Vrå

Central Business Registration No: 38223038
Registered in: Hjørring
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Christian Pagaard Junker, chairman
Ole Christensen, vice chairman
Henning Haahr
Kristian Johnsen Hundebøll

Executive Board

Kristian Holm Kristensen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4. sal
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 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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, 05.02.2018

Executive Board

Kristian Holm Kristensen
CEO

Board of Directors

Christian Pagaard Junker
chairman

Ole Christensen
vice chairman

Henning Haahr

Kristian Johnsen Hundebøll

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 01.01.2017 - 31.12.2017, 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 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the 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 Group or 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

Independent auditor's report

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.

Independent auditor's report

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, 05.02.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Thomas Skovsgaard
State Authorised Public Accountant
Identification number (MNE) mne34333

Rasmus Brodd Johnsen
State Authorised Public Accountant
Identification number (MNE) mne33217

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	1,096,188	1,052,039	961,112	885,126	908,601
Gross profit/loss	267,342	229,761	178,914	182,023	172,737
Operating profit/loss	87,864	55,206	22,539	38,055	24,531
Net financials	(2,580)	(3,478)	(4,533)	(6,162)	(12,929)
Profit/loss for the year	68,123	39,780	14,854	20,884	8,451
Total assets	932,881	883,951	827,663	729,240	801,067
Investments in property, plant and equipment	91,436	185,718	128,714	52,010	60,810
Equity incl minority interests	474,458	391,588	354,239	306,487	173,556
Ratios					
Gross margin (%)	24.4	21.8	18.6	20.6	19.0
Net margin (%)	6.2	3.8	1.5	2.4	0.9
Return on equity (%)	15.7	10.7	4.5	8.7	5.0
Equity ratio (%)	50.9	44.3	42.8	42.0	21.7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The DanHatch Group is an internationally oriented group with business areas within poultry and pig production. With hatching facilities located in Denmark, Finland, Poland and France, the Group is one of Europe's largest players in its area. The main activity is production and sale of day-old broilers and related activities, including breeding of pullets, hatching egg production and the purchase and sale of hatching eggs. Group enterprises also produce broilers and piglets.

In 2017, the DanHatch Group completed a restructuring process, and all major companies in Denmark and abroad except DanHatch Poland S.A. are now organised in a holding structure with direct ownership by DanHatch Holding A/S.

Development in activities and finances

In 2017, the DanHatch Group reached a sales peak of 293 million day-old chicks. By comparison, sales in 2016 amounted to 267 million. The increase in sales was primarily achieved in H2 through the acquisition of a significant ownership interest in a French hatchery.

At the end of the financial year 2017, the Group's total hatching capacity amounted to well over DKK 370 million day-old chicks and thus allows for continued growth in the coming years.

Activity expansion in the hatching section

At the beginning of H2 2017, the DanHatch Group expanded its international hatching activities, becoming a majority shareholder in the French hatchery Goasduff through the 50/50-owned company BD France S.A.S, together with the Belgian BHV2 Group. This hatchery has an annual production capacity of up to 65 million day-old chicks and is the third largest hatchery in France.

In 2017, the Group also completed the establishment of a new modern hatchery for the production of organic and other free-range day-old chicks. The activity is located in the subsidiary DanHatch Special A/S and reached sales in 2017 of 1.4 million day-old chicks, which was more than expected and attributable to good support from both producers and slaughterhouses within this production segment.

Divestment

According to the DanHatch Group's divestment strategy for pig activities, Group Management had contact with several interested buyers of DanPiglet A/S' production facilities during the year, which resulted in divestment in two cases. In mid-spring, the assets in Vålse Multisite were sold with 1,100 sows + 30 kg production, while the activity in Borum Østergaard Svineproduktion with 1,800 sows + 30 kg production was sold in late summer. The two transactions did not have any material impact on profit for the year.

Due to recent years' divestment of activities, the DanPiglet Group has distributed dividends of DKK 30 million to DanHatch Holding A/S at the end of H1.

Poultry activities

The sale of conventional day-old chicks from the Group's two Danish hatcheries amounted to 140.1 million day-old chicks in 2017, of which 117.5 million was sold to the domestic market and 22.6 million was exported. The total sales volume was 0.5 million below the level of 2016. This is attributable to good growth in exports and a decline in the domestic market due to increased supplies of foreign day-old chicks.

Management commentary

Exports of hatching eggs from Denmark amounted to 31.6 million eggs, which was 8.4 million eggs more than the year before. The improvement was primarily due to increased production of hatching eggs as both productivity and the number of production square meters increased throughout the year. The international hatching market has been particularly flooded in the past six months as a result of increased supplies of parent stock in Europe and reduced exports to Russia and North Africa. This has resulted in strong price competition in the spot market in part of the period resulting in financial loss.

In 2017, productivity and the health status in the parent stock segment continued last year's favorable development. This has been established by the production of more hatching eggs per hen as well as a rising hatching percentage of the hatching eggs produced. This progress has provided the basis for a satisfactory development in earnings of the Company's breeding and hatching egg production, which, however, has been challenged by extraordinary costs relating to salmonella infection in one breeding facility and two hatching plants. Furthermore, due to a flooded European hatching egg market, it has been necessary to temporarily shut down one of the Company's own hatching egg production plants.

As a result of the positive development in the parent stock segment, DanHatch Denmark A/S' Danish hatcheries have seen good progress in the average hatching percentage over the year, which together with good cost management has contributed to ensuring high efficiency. Conversely, the decrease in the sale of day-old chicks to the domestic market and a lower price level than expected in H1 have pressured earnings. Furthermore, salmonella infection in three hatching egg flocks has had a negative impact on the financial situation, and due to destroyed hatching eggs from the hatching machines, this has resulted in failure to deliver day-old chicks to some of the Company's customers. In one case, this has resulted in the transmission of salmonella infection to three broiler facilities resulting in disposals and thus in significant losses and compensation payments.

DanHatch Denmark A/S' deliveries of day-old chicks to the Danish market have had a satisfactory quality and health status throughout the year, which has been an important part of the basis for a particularly positive development in the productivity of total broiler production, which at year-end showed the best results ever. This also applied to the productivity of the Group's own broiler production in DanBroiler A/S and DanHatch Denmark A/S, which saw a reasonable return based on reasonable price relations throughout a large part of the year.

New build within broiler production in Denmark amounted to approx. 17,500 production square meters in 2017, which hardly raised the total production volume due to the reduction in the occupancy rate in a number of broiler facilities with production of animals to the high-value segment.

The DanHatch Group's foreign hatching companies saw a very differentiated development in the markets in 2017. DanHatch Finland Oy achieved sales growth of 2.9 million day-old chicks reaching 36.4 million, and today the Finnish company appears quite efficient after a number of cost adjustments. However, reduced sales volumes, overproduction of hatching eggs, and thus loss from production reductions over the past six months have sharply cut total financial performance for the year.

DanHatch Poland S.A., on the other hand, with a sales volume of 85.3 million day-old chicks saw a decline of 7.4 million compared with sales in 2016. An important reason for this was several instances of avian flu in Poland at the beginning of the year. As a result, exports of day-old chicks to Belarus and Ukraine ceased

Management commentary

during the period from February to September with a massive oversupply on the domestic market as a result. Moreover, the slaughtering capacity was extended, mainly in integrated companies, and the customer structure changed significantly with growing slaughterhouse influence resulting in increased integration of the entire value chain. However, to some extent DanHatch Poland A/S was able to meet the financial consequences of the declining sale of day-old chicks through lower commodity prices and good cost control.

In the middle of the year, the Polish subsidiary started using a new hatching egg plant with an annual production capacity of approx. 10 million hatching eggs. The plant was the fourth in a series of facilities built in recent years. The Company itself now produces approx. 30% of the hatching eggs, which are used at the hatching of day-old chicks.

The Group's entry into the French market on 1 July 2017 through the associated hatching company Goasduff developed positively with total sales of 30 million day-old chicks in the period and 58.0 million in the entire year. This together with a gradual implementation of the business plan resulted in a satisfactory profit for the year of the French company.

Pig activities

At the end of 2017, the DanHatch Group's pig activities in DanPiglet A/S consist of activities on 7 sow plants with a total of 8,600 sows and production of 30-kilo pigs. Over the year, the Group produced 321,500 piglets, and productivity has been at a quite satisfactory level with an average production of 32.7 pigs per annual sow. During the year, almost all production facilities have seen reasonable progress on both productivity and production stability, which together with high sales prices of piglets in the first three quarters of the year has resulted in a strongly improved economy of the activity.

Financial situation

The DanHatch Group saw a very satisfactory profit in the financial year, showing a profit after tax of DKK 65.0m (incl. investments in group enterprises and excl. minority interests) against a profit of DKK 38.6m in 2016. Profit for the year includes a healthy profit from the poultry production of DKK 50.8m of which investments from foreign hatching companies amounted to DKK 20.0m. Pig activities in DanPiglet A/S have contributed with a profit after tax of DKK 21.8m compared to DKK 1.3m in 2016.

Total group revenue amounted to DKK 1,096.2m against DKK 1,052m in 2016. Revenue in poultry activities amounted to DKK 930.3m of which the activities in DanHatch Finland Oy and DanHatch Poland S.A. collectively amounted to DKK 450.5m, whereas revenue in DanPiglet A/S amounted to DKK 165.9m.

The Group's total operating investments amounted to DKK 59.9m in 2017 and comprised new establishment of a hatching plant in Poland as well as completion of a Danish special hatchery. Moreover, the Group completed the installation of automation equipment in a hatchery in Finland, and feed systems in pig production were replaced.

Finally, financial resources have been invested in transport facilities and spent on a number of replacement and rationalisation investments.

A highly dedicated joint effort from all employees in the group enterprises is key to the DanHatch Group's good financial results in 2017. The employees are the most important asset of the different activities, and

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through the Group's core values such as independence, responsibility, professional pride, commitment and loyalty, they contribute to a stable and positive development of the Group.

Profit/loss for the year in relation to expected developments

Profit for the year incl. minority interests amounts to DKK 68.1m where expectations were a total consolidated profit above the profit realised in 2016 of DKK 39.8m. The primary reason for the improved profit has been high sales prices of piglets throughout a large part of the year.

Outlook

Poultry activities

The DanHatch Group's sales of day-old chicks from the French hatcheries are expected to be at a lower level in 2018 compared to 2017. The reason for this is that the total demand for day-old chicks from broiler producers, who deliver chickens to the Danish poultries, is expected to decrease. The decrease in demand, however, is composed of different trends relating to both growth and maintenance of production volume, together with continuously increasing imports of foreign day-old chicks for concept productions. On the other hand, it is expected that Danish broiler producers whose chickens are slaughtered in Germany will take an increasing volume of day-old chicks and thus have a positive impact on domestic sales. The Company's exports of day-old chicks are expected to be slightly declining compared to 2017, for which reason total sales of day-old chicks from the Group's Danish hatcheries are expected to amount to around 138 million chicks in 2018. The sale of hatching eggs for export will exceed the level for 2017 in volume, but the market is expected to be affected by price pressure for some time due to oversupply.

In the Group's foreign hatcheries, the Group expects growth in 2018 in the sale of day-old chicks in both the Finnish and French markets as a consequence of increased consumption of poultries in Finland as well as a gradual structural adjustment among broiler hatcheries in France. Prospectively, the sales volume of French hatching activities will also be recognised in a whole calendar year. The Polish market for day-old chicks is expected to be highly competitive this year, which will put pressure on DanHatch Poland S.A.'s sales volumes and on the price level of day-old chicks. The development of new cooperative relationships with integration-similar enterprises in the value chain will therefore be a focus point in 2018 and is expected to stabilise during the year and prospectively again increase the Polish sale of day-old chicks.

Expansion and consolidation

Total sales from the DanHatch Group's hatcheries are expected to reach almost 330 million day-old chicks in 2018 through organic growth.

A key focus point in the DanHatch Group's business strategy is to gradually expand the hatching activities in the Baltic Sea region and in other European markets with growth potential and need for structural adjustments. The present subsidiaries in Poland and Finland provide the DanHatch Group with a natural access to growth in several Eastern European countries where the broiler production is undergoing significant structural adjustments these years due to a growing home market and increasing exports. Moreover, consolidation of the hatching sector in France is necessary, and the investment in Goasduff is found to have created a favourable basis for further growth.

Due to these circumstances as well as intensified consolidation in the other parts of the broiler value chain in large parts of Europe, the DanHatch Group expects an increase of the international hatching activities

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based on acquisitions, new establishments or partnerships either on existing markets or new markets in the coming years.

Pig activities

The financial performance for 2018 of the DanPiglet Group is highly dependent on the development in production efficiency as well as sales and feed prices where the development in competitiveness is the most important factor. Furthermore, any continued spread of the African swine fever, which spread from Russia to Poland in 2017, might affect the opportunities of selling piglets from Denmark. The competitiveness of piglet production was unusually good throughout the financial year under review, but with agreed feed prices in the first nine months of the year and a demand for 30-kilo pigs, which had a weak start in 2018, there is a slowdown in expectations for the year's average sales price and thus the competitive position.

Also in the next year, Management of the DanHatch Group will have considerable focus on the continuation of the controlled phasing out of the pig activities under DanPiglet A/S. In continuation thereof, it is assessed that the dialogue which has been conducted in 2017 with interested buyers of several of the remaining sow plants may result in further divestments.

Group expectations

For the financial year 2018, Management of DanHatch Holding A/S expects a satisfactory group profit, which will be somewhat below the profit realised in 2017.

These earnings expectations, however, are subject to some uncertainty, which relates to the development in production structure, consumers' demand for poultry meat and pork, trade restrictions from third countries as well as fluctuations in the international feed commodity prices and the derived impacts of the markets for hatching eggs, day-old chicks and piglets.

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 laid down in 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 sale is primarily governed by a multi-annual agreement with the meat producer HKScan Finland. DanPiglet A/S' trading relations for the sale of piglets are typically governed 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 links 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 as well as long run. The implementation and continuous development of a quality assurance system under the HACCP standard serve as the basis for continued

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optimisation of the Group's behaviour and hygiene procedures and also minimise the incidence of salmonella and potential poultry diseases. Consequently, there is also focus on a close cooperation with external cooperative partners.

This spring, together with the related breeding and hatching egg producers, DanHatch Denmark A/S took out livestock insurance in an international insurance company specialised in this area. This means that payments to the previous solidarity arrangement in the independent co-operative society Prosol A.m.b.A. have ceased while 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 for the Company's own breeding and hatching egg facilities.

Interest rate risks

A considerable part 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 local currency, there is no hedging.

The investments in DanHatch Poland S.A. and DanHatch Finland Oy 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 neither PLN or EUR.

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

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. At group level, continuous efforts are made to prepare policies, frameworks and targets for social responsibility at the workplace, food safety and environmental and climatic conditions. There is no written policy yet for human rights.

Food safety in poultry production

The policies for food safety primarily comprise combating the incidence of salmonella bacteria as well as restricted 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 welfare, vaccination, feed, management and traceability, ensures fulfilment of these goals.

Management commentary

On this background, the DanHatch Group's deliveries of day-old chicks in Denmark and Finland are the pre-conditions for the broiler production in these countries having a salmonella incidence and antibiotics consumption that is very satisfactory and lower than in most other comparable countries. As a result of preparedness in the area in 2017, the Group has handled one incident of salmonella infection in the breeding production in Denmark inflicted by the breeding animal supplier and two incidents and one suspected incident of salmonella infection in hatching egg stocks in Denmark.

Human resources

The driving force and the precondition for the DanHatch Group's business development are a committed staff group who have quality and results as their focal point. In 2017, DanHatch has focused on the further development of the Company's social responsibility – both internally and in the surrounding society.

Development of new senior policy in Denmark

The general life expectancy of the population is increasing, and accordingly, employees must stay in the labour market for a longer period. Therefore, DanHatch has prepared a new senior policy which allows for this development in society so we as a company are always developing in line with societal trends.

The specific purpose of the senior policy is primarily to retain our senior employees and offer them continued development through more education, courses etc. Another purpose of the new policy is to ensure that each senior employee has a good experience when he or she retires and enters a new phase of life as an early retired or old age pensioner after many years in the labour market. On this background, DanHatch has initiated annual information meetings where a coming senior/old age pensioner/early retired employee is offered advice and guidance from different speakers (e.g. pension companies, trade unions etc.) on the new phase of life.

DanHatch believes that flexibility in both work planning and organisation is the key to a successful cooperation between senior employees and the company. DanHatch sees a great value in using employees' knowledge, competencies and growing experience throughout the working life and has therefore also decided to employ more seniors and old age pensioners.

Focus on ergonomics and health

DanHatch Denmark A/S' working environment committee decided back in 2014 to focus on the ergonomic working environment of the enterprise, including prevention of disabilities in relation to the daily work. In recent years, the special focus on ergonomics has given rise to a number of different initiatives. In 2017, for instance, rotation arrangements were introduced in hatcheries as well as in the live production, and guidelines were prepared, showing how to perform specific tasks ergonomically correct. Moreover, ergonomic programmes were implemented in the different sections in cooperation with a physiotherapist in order to give employees individual advice and guidance on work positions, tools etc. The employees have been willing to adapt, and the initiatives have been warmly welcomed. Afterwards, many employees have indicated that both the ergonomic processes and the rotation arrangement have had a notably positive effect in the daily work.

DanHatch Denmark A/S is part of an industry where there is a risk of employees being worn out and where issues like ergonomics never become irrelevant. Therefore, ergonomics will also in future be a focus point in

Management commentary

the business. Many years of work with the ergonomic working environment has resulted in ergonomics gradually becoming an integrated part of the working environment culture, which is naturally adjusted and redeveloped in line with the enterprise.

The most recent initiative originated from DanHatch Denmark A/S' focus on ergonomics is the purchase of additional insurance to the existing health insurance. This insurance covers chronic diseases and is thus a valuable staff benefit for the Company's permanent staff.

In 2017, several employees from DanHatch participated in the DHL relay race, and at the end of the year, the Company decided to sign up for the weight-loss event 'Vendsyssel på Vægten' and the step-counting campaign 'Tæl Skridt' by request of the employees. These health-promoting initiatives have in common that they put activity, health and social intercourse on the agenda in both working hours and leisure time, which the Company wants to support.

The above initiatives in 2017 have contributed to supporting a continuously good working environment in the Company. The initiatives will also be assessed when workplace evaluations and job satisfaction surveys will be carried out in the autumn of 2018.

Diversity and inclusiveness

The DanHatch Group has focus on diversity in order to reflect the surrounding society in relation to age, race, gender, religion and nationality. Moreover, the Company wants to be an inclusive employer being open to people who despite injuries or disabilities are able to make an effort in the labour market. Therefore, DanHatch Denmark A/S is making continuous efforts together with job centres and educational institutions to set up various traineeships and also to favour flex jobbers when employing new staff. Moreover, again in 2017, the Company initiated a number of traineeships with foreign citizens with the purpose of contributing to improved integration. These programmes have been of great satisfaction to both the citizen and the workplace.

Compulsory first aid course

The last 15 years have seen a tripling in survival after cardiac arrest outside hospitals in Denmark, which no other country has managed (Source: www.hjertestarter.dk). This is a positive trend, which we as a company want to support. For a long time, DanHatch Denmark A/S has had defibrillators located at several of the Company's addresses, which are publicly available. Moreover, in 2017, DanHatch decided to implement compulsory first aid courses for all present and future permanently employed staff where this will be in focus.

Sponsorships for association activities in the local area

During 2017, DanHatch Denmark A/S has had a more active sponsorship strategy in relation to the local associational life. This originates in a general wish to maintain and support the local community – especially because most employees are recruited from the local area. The Company has sponsored handball clubs and tennis associations as well as other local activities and events.

Gender composition in the Group's management bodies

The members of the Group's boards of directors elected by the general meeting are elected from the shareholders' management bodies, and the gender distribution between male and female members thus depends

Management commentary

on the gender composition in these bodies. There are female board members in several of the Group's companies, and DanHatch intends to obtain one female representative on the boards in reporting class "C" (large) enterprises by 2023.

Of the 4 board members elected by the general meeting in DanHatch Holding A/S, there are no women at the moment. Here, the group target has not been achieved as the company was newly established at the end of 2016, and there has been no replacement on the board in 2017.

Similarly, DanHatch Denmark A/S has 4 board members who are all men. Thus, here the target has not been achieved either. The reason for this is that there has not been any replacement on the board during the year.

The DanHatch Group's target for gender distribution comprises an overall wish for a minimum of 40% female managers. Through active recruitment of new managers as well as a structured development programme for selected female employees, the target for 2017, however, has not been achieved. The Company's share of female managers is 33.4% at present. It is the DanHatch Group's objective to continuously focus on the gender composition in all group enterprises.

Environmental and climatic conditions

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 2017, the environmental approval of two Danish production facilities was reevaluated. During this reevaluation, no matters were identified or further requirements were made which in significant areas have deviated from the framework of the previous environmental approvals.

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 2017, no irregularities have been identified relating to fertiliser allocation and waste water and fertiliser tanks.

In the Group's Polish subsidiary, a still pending environmental application process was initiated in 2016 after the purchase of 6 plots of land for establishment of future breeding and hatching egg production.

Based on large focus on the Group's energy consumption, a number of energy-optimising investments in production plants in both poultry and pig production are continuously made, including setting up of new heat sources for alternative fuel types and more energy efficient ventilation and lighting. In connection with several of the investments, CO₂ quotas are sold as a result of the reduced energy consumption. In 2017, no projects with grants for energy efficiency have been completed, but several minor energy optimisations have been carried out for which the saving has not been quantified..

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 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	2	1,096,188	1,052,039
Own work capitalised		1,269	0
Other operating income		11,379	12,253
Costs of raw materials and consumables		(727,801)	(708,711)
Other external expenses	3	(113,693)	(125,820)
Gross profit/loss		267,342	229,761
Staff costs	4	(126,051)	(120,561)
Depreciation, amortisation and impairment losses	5	(53,427)	(53,994)
Operating profit/loss		87,864	55,206
Income from investments in associates		519	88
Income from other fixed assets investments		224	188
Other financial income	6	4,006	4,945
Other financial expenses	7	(7,329)	(8,699)
Profit/loss before tax		85,284	51,728
Tax on profit/loss for the year	8	(17,161)	(12,262)
Profit or loss from continuing operations		68,123	39,466
Profit or loss from discontinued operations	1	0	314
Profit/loss for the year	9	68,123	39,780

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Acquired intangible assets		742	1,130
Goodwill		8,019	11,535
Development projects in progress		1,231	0
Intangible assets	10	9,992	12,665
Land and buildings		396,763	407,177
Plant and machinery		87,151	81,213
Other fixtures and fittings, tools and equipment		68,816	67,176
Leasehold improvements		6,904	1,812
Biological assets		24,368	32,383
Property, plant and equipment in progress		7,834	11,212
Property, plant and equipment	11	591,836	600,973
Investments in associates		38,733	8,181
Other investments		4,361	22,234
Deposits		976	971
Other receivables		28,698	1,999
Fixed asset investments	12	72,768	33,385
Fixed assets		674,596	647,023
Raw materials and consumables		55,977	57,749
Work in progress		28,390	24,147
Manufactured goods and goods for resale		23,671	30,828
Prepayments for goods		344	925
Inventories		108,382	113,649

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Trade receivables		114,583	106,005
Deferred tax	15	3,699	0
Other receivables		12,277	13,082
Income tax receivable		738	0
Prepayments	14	4,440	2,462
Receivables		135,737	121,549
Other investments		88	87
Other investments		88	87
Cash		14,078	1,643
Current assets		258,285	236,928
Assets		932,881	883,951

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		10,000	10,000
Revaluation reserve		9,040	9,572
Reserve for development expenditure		960	0
Retained earnings		434,377	361,724
Equity attributable to the Parent's owners		454,377	381,296
Share of equity attributable to minority interests		20,081	10,292
Equity		474,458	391,588
Provisions for pension liabilities etc.		77	63
Deferred tax	15	19,302	7,213
Other provisions	16	1,502	0
Provisions for investments in associates		0	6,796
Provisions		20,881	14,072
Subordinate loan capital		2,025	0
Mortgage debts		100,988	95,267
Bank loans		94,908	43,116
Finance lease liabilities		2,062	1,813
Non-current liabilities other than provisions	17	199,983	140,196

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Current portion of long-term liabilities other than provisions	17	31,604	25,922
Bank loans		88,566	207,920
Trade payables		71,218	53,170
Income tax payable		432	981
Other payables		45,739	50,102
Current liabilities other than provisions		237,559	338,095
Liabilities other than provisions		437,542	478,291
Equity and liabilities		932,881	883,951
Associates	13		
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Mortgages and securities	22		
Transactions with related parties	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Revaluation reserve DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10,000	9,572	0	361,724
Increase of capital	0	0	0	0
Exchange rate adjustments	0	0	0	8,005
Value adjustments	0	0	0	120
Tax of equity postings	0	0	0	(26)
Transfer to reserves	0	(532)	960	(428)
Profit/loss for the year	0	0	0	64,982
Equity end of year	10,000	9,040	960	434,377
			Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year			10,292	391,588
Increase of capital			6,517	6,517
Exchange rate adjustments			131	8,136
Value adjustments			0	120
Tax of equity postings			0	(26)
Transfer to reserves			0	0
Profit/loss for the year			3,141	68,123
Equity end of year			20,081	474,458

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Operating profit/loss		87,864	55,206
Amortisation, depreciation and impairment losses		53,427	53,994
Other provisions		1,516	(3,103)
Working capital changes	18	8,743	(19,266)
Cash flow from ordinary operating activities		151,550	86,831
Financial income received		4,006	5,133
Financial income paid		(7,329)	(8,699)
Income taxes refunded/(paid)		(10,032)	(12,383)
Cash flows from operating activities		138,195	70,882
Acquisition etc of intangible assets		(1,235)	(3)
Acquisition etc of property, plant and equipment		(58,966)	(112,703)
Sale of property, plant and equipment		27,240	22,106
Acquisition of fixed asset investments		(50,276)	(925)
Sale of fixed asset investments		4,844	1,337
Cash flows from investing activities		(78,393)	(90,188)
Loans raised		65,469	10,070
Instalments on loans etc		0	(21,367)
Cash increase of capital		6,517	0
Cash flows from financing activities		71,986	(11,297)
Increase/decrease in cash and cash equivalents		131,788	(30,603)
Cash and cash equivalents beginning of year		(206,277)	(175,518)
Currency translation adjustments of cash and cash equivalents		1	(156)
Cash and cash equivalents end of year		(74,488)	(206,277)
Cash and cash equivalents at year-end are composed of:			
Cash		14,078	1,643
Short-term debt to banks		(88,566)	(207,920)
Cash and cash equivalents end of year		(74,488)	(206,277)

Notes to consolidated financial statements

1. Discontinued operations

Discontinued operations comprise profit after tax from fertiliser production in DanBroiler A/S until the disposal at 31.08.2016. Revenue is recognised at DKK 3,095k, cost of sales and other external expenses at DKK 2,114k, staff costs at DKK 578k and calculated tax at DKK 89k.

	2017 DKK'000	2016 DKK'000
2. Revenue		
Revenue by geographical market		
Denmark	562,894	538,737
Other EU countries	506,413	488,790
Other European countries	26,881	24,512
	1,096,188	1,052,039
Revenue by activity		
Poultry production	930,301	903,715
Pig production	165,887	148,324
	1,096,188	1,052,039
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	572	602
Other assurance engagements	56	137
Tax services	40	0
Other services	267	796
	935	1,535
4. Staff costs		
Wages and salaries	108,877	104,566
Pension costs	9,501	9,078
Other social security costs	6,759	6,897
Other staff costs	914	20
	126,051	120,561
Average number of employees	322	321

Notes to consolidated financial statements

	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Total amount for management categories	4,570	3,709
	4,570	3,709
	2017 DKK'000	2016 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3,911	4,460
Depreciation of property, plant and equipment	49,858	45,908
Profit/loss from sale of intangible assets and property, plant and equipment	(342)	3,626
	53,427	53,994
	2017 DKK'000	2016 DKK'000
6. Other financial income		
Interest income	2,379	4,928
Exchange rate adjustments	1,223	7
Other financial income	404	10
	4,006	4,945
	2017 DKK'000	2016 DKK'000
7. Other financial expenses		
Interest expenses	6,897	8,454
Exchange rate adjustments	93	122
Other financial expenses	339	123
	7,329	8,699
	2017 DKK'000	2016 DKK'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	8,797	15,861
Change in deferred tax for the year	8,364	(3,733)
Adjustment concerning previous years	0	134
	17,161	12,262

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	64,982	38,648
Minority interests' share of profit/loss	3,141	1,132
	68,123	39,780

	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop- ment projects in progress DKK'000
10. Intangible assets			
Cost beginning of year	12,331	50,901	0
Exchange rate adjustments	6	0	0
Transfers	(1,411)	0	0
Additions	4	0	1,231
Disposals	(5,150)	(4,047)	0
Cost end of year	5,780	46,854	1,231
Amortisation and impairment losses beginning of year	(11,201)	(39,366)	0
Exchange rate adjustments	(3)	0	0
Transfers	1,411	0	0
Amortisation for the year	(395)	(3,516)	0
Reversal regarding disposals	5,150	4,047	0
Amortisation and impairment losses end of year	(5,038)	(38,835)	0
Carrying amount end of year	742	8,019	1,231

Development projects in progress

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform, which is expected to be completed within 1-2 years. 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.

Notes to consolidated financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
11. Property, plant and equipment				
Cost beginning of year	743,642	207,133	234,107	4,400
Exchange rate adjustments	5,890	4,081	1,025	0
Transfers	(25,081)	0	(3,918)	5,833
Additions	29,164	15,704	17,998	0
Disposals	(28,348)	0	(31,354)	0
Cost end of year	725,267	226,918	217,858	10,233
Revaluations beginning of year	12,272	0	0	0
Transfers	10,228	0	12,663	0
Reversal regarding disposals	0	0	(5,514)	0
Revaluations end of year	22,500	0	7,149	0
Depreciation and impairment losses beginning of the year	(348,737)	(125,920)	(166,931)	(2,588)
Exchange rate adjustments	(750)	(1,187)	(558)	0
Transfers	9,020	0	(8,745)	0
Depreciation for the year	(24,325)	(12,660)	(12,338)	(741)
Reversal regarding disposals	13,788	0	32,381	0
Depreciation and impairment losses end of the year	(351,004)	(139,767)	(156,191)	(3,329)
Carrying amount end of year	396,763	87,151	68,816	6,904
Carrying amount if asset had not been revalued	385,172	-	68,816	-

Notes to consolidated financial statements

	Biological assets DKK'000	Property, plant and equipment in progress DKK'000
11. Property, plant and equipment		
Cost beginning of year	32,383	11,212
Exchange rate adjustments	0	522
Transfers	0	0
Additions	656	27,914
Disposals	(8,671)	(31,814)
Cost end of year	24,368	7,834
Revaluations beginning of year	0	0
Transfers	0	0
Reversal regarding disposals	0	0
Revaluations end of year	0	0
Depreciation and impairment losses beginning of the year	0	0
Exchange rate adjustments	0	0
Transfers	0	0
Depreciation for the year	0	0
Depreciation and impairment losses end of the year	0	0
Depreciation and impairment losses end of the year	0	0
Carrying amount end of year	24,368	7,834
Carrying amount if asset had not been revalued	-	-

Notes to consolidated financial statements

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
12. Fixed asset investments				
Cost beginning of year	10,685	22,467	971	1,999
Transfers	0	(15,583)	0	15,583
Additions	36,972	229	499	12,800
Disposals	(6,983)	(2,519)	(494)	(1,684)
Cost end of year	40,674	4,594	976	28,698
Revaluations beginning of year	(2,504)	(233)	0	0
Exchange rate adjustments	4	0	0	0
Amortisation of goodwill	(577)	0	0	0
Share of profit/loss for the year	1,096	0	0	0
Reversal regarding disposals	40	0	0	0
Revaluations end of year	(1,941)	(233)	0	0
Carrying amount end of year	38,733	4,361	976	28,698
Goodwill or negative goodwill recognised during the financial year	11,532	-	-	-
			Registered in	Equity interest %
13. Associates				
Rumænien Invest A/S			Hjørring	48.8
BD France SAS			Plabanec, France	50.0
14. Prepayments				

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

Notes to consolidated financial statements

	2017 DKK'000
15. Deferred tax	
Changes during the year	
Beginning of year	7,213
Recognised in the income statement	8,364
Recognised directly in equity	26
End of year	15,603

Deferred tax is incumbent on intangible assets, property, plant and equipment and fixed asset investments as well as inventories, receivables, provisions, liabilities and tax-loss carryforwards. The tax asset recognised in the Group includes DKK 3,699k from the recognised value of tax-loss carryforward, which is expected to be utilised within 3-5 years as part of the ordinary operations in the group enterprises. During the year, DKK 19,964k of the tax-loss carryforward has been utilised.

16. Other provisions

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

	Instalments within 12 months 2017 DKK'000	Instalments within 12 months 2016 DKK'000	Instalments beyond 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
17. Liabilities other than provisions				
Subordinate loan capital	0	2,025	2,025	0
Mortgage debts	8,647	11,811	100,988	76,464
Bank loans	22,092	9,596	94,908	32,916
Finance lease liabilities	865	2,490	2,062	0
	31,604	25,922	199,983	109,380

	2017 DKK'000	2016 DKK'000
18. Change in working capital		
Increase/decrease in inventories	5,267	(4,951)
Increase/decrease in receivables	(9,751)	(28,935)
Increase/decrease in trade payables etc	13,227	14,620
	8,743	(19,266)

19. Financial instruments

To secure the interest rate of part of non-current liabilities, an interest rate swap has been contracted with maturity on 30.12.2020. The interest rate swap has a principal amount of DKK 2,005k and a negative value

Notes to consolidated financial statements

at the balance sheet date of DKK 199k. The negative value is included in the balance sheet date under other payables (current liabilities).

20. Unrecognised rental and lease commitments

The Group has entered into lease agreements on production plant, other fixtures and fittings, etc. and land. Each agreement runs until year 2017. The residual commitment amounts to DKK 37,978k.

21. Contingent liabilities

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

22. Mortgages and securities

The Group's mortgage debt of DKK 109,635k is secured by way of mortgage on property, plant and equipment and inventories at a carrying amount of DKK 700,218k.

Bank loans of DKK 205,566k, including cashpool, are secured by way of mortgage deeds totalling DKK 102,143k on property, plant and equipment and inventories whose carrying amount at 31.12.2017 is DKK 700,218k.

Amstrup Svineproduktion A/S, which is part of the DanPiglet Group, has concluded a rental agreement running until 30 June 2027. The company has also entered into an investment agreement of up to DKK 12m over a 10-year period relating to a purchase option. DanHatch Denmark A/S has provided a guarantee for the implementation of the investments.

23. Transactions with related parties

Only related party transactions that have not been conducted on an arm's length basis are disclosed in the annual report. There have not been any transactions in the financial year which have not been conducted on an arm's length basis.

Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
24. Subsidiaries			
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	Hjørring	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	55.0
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	80.0
DHF Breeder OY	Mynämäki, Finland	OY	100.0

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue		10,073	0
Own work capitalised		1,231	0
Other external expenses		(6,096)	0
Gross profit/loss		5,208	0
Staff costs	1	(12,104)	0
Operating profit/loss		(6,896)	0
Income from investments in group enterprises		72,228	38,673
Income from investments in associates		519	(25)
Other financial income	2	1,757	0
Other financial expenses	3	(4,387)	0
Profit/loss before tax		63,221	38,648
Tax on profit/loss for the year	4	1,761	0
Profit/loss for the year	5	64,982	38,648

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Development projects in progress		1,231	0
Intangible assets	6	1,231	0
Investments in group enterprises		573,556	501,991
Investments in associates		38,733	8,181
Other receivables		19,125	0
Fixed asset investments	7	631,414	510,172
Fixed assets		632,645	510,172
Trade receivables		1,346	0
Receivables from group enterprises		48,601	0
Other receivables		710	0
Income tax receivable		0	565
Joint taxation contribution receivable		15,002	0
Prepayments	8	176	0
Receivables		65,835	565
Current assets		65,835	565
Assets		698,480	510,737

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		10,000	10,000
Reserve for net revaluation according to the equity method		84,094	33,211
Reserve for development expenditure		960	0
Retained earnings		359,323	338,088
Equity		454,377	381,299
Deferred tax	9	271	0
Provisions for investments in associates	10	0	6,796
Provisions		271	6,796
Bank loans		75,700	0
Trade payables		1,667	0
Payables to group enterprises		159,325	122,077
Income tax payable		79	0
Joint taxation contribution payable		3,892	565
Other payables		3,169	0
Current liabilities other than provisions		243,832	122,642
Liabilities other than provisions		243,832	122,642
Equity and liabilities		698,480	510,737
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Mortgages and securities	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10,000	33,211	0	338,088
Exchange rate adjustments	0	8,002	0	0
Value adjustments	0	94	0	0
Dividends from group enterprises	0	(30,000)	0	30,000
Transfer to reserves	0	40	960	(1,000)
Profit/loss for the year	0	72,747	0	(7,765)
Equity end of year	10,000	84,094	960	359,323
				Total DKK'000
Equity beginning of year				381,299
Exchange rate adjustments				8,002
Value adjustments				94
Dividends from group enterprises				0
Transfer to reserves				0
Profit/loss for the year				64,982
Equity end of year				454,377

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Staff costs		
Wages and salaries	10,677	0
Pension costs	1,343	0
Other social security costs	84	0
	12,104	0
Average number of employees	14	0
		Remunera- tion of manage- ment 2017 DKK'000
		2,245
		2,245
Total amount for management categories		
There have been no employees in the Parent in 2016, and thus no management remuneration has been paid.		
	2017 DKK'000	2016 DKK'000
2. Other financial income		
Financial income arising from group enterprises	1,483	0
Interest income	264	0
Other financial income	10	0
	1,757	0
	2017 DKK'000	2016 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	2,620	0
Interest expenses	1,767	0
	4,387	0
	2017 DKK'000	2016 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	(2,032)	0
Change in deferred tax for the year	271	0
	(1,761)	0

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
5. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	72,747	38,640
Retained earnings	(7,765)	8
	64,982	38,648
		Develop- ment projects in progress DKK'000
6. Intangible assets		
Additions		1,231
Cost end of year		1,231
Carrying amount end of year		1,231

Udviklingsprojekter under udførelse

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform, which is expected to be completed within 1-2 years. 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.

Notes to parent financial statements

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
7. Fixed asset investments			
Cost beginning of year	468,738	8,223	0
Additions	21,246	36,972	19,583
Disposals	0	(6,983)	(458)
Cost end of year	489,984	38,212	19,125
Revaluations beginning of year	33,253	(42)	0
Exchange rate adjustments	7,997	4	0
Amortisation of goodwill	(341)	(577)	0
Share of profit/loss for the year	72,569	1,096	0
Dividend	(30,000)	0	0
Fair value adjustments	94	0	0
Reversal regarding disposals	0	40	0
Revaluations end of year	83,572	521	0
Carrying amount end of year	573,556	38,733	19,125
Goodwill or negative goodwill recognised during the financial year	-	11,532	-

Investments in subsidiaries are specified in the notes to the consolidated financial statements.

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in associates comprise:			
Rumænien Invest A/S	Hjørring	A/S	48.8
BD France SAS	Plabanec, France	SAS	50.0

8. Prepayments

Prepayments comprise prepaid expenses.

	2017 DKK'000
9. Deferred tax	
Changes during the year	
Recognised in the income statement	271
End of year	271

Notes to parent financial statements

Deferred tax is exclusively incumbent on intangible assets.

10. Provisions for investments in associates

If investments in associates have a negative carrying amount after set-off of any receivable from these enterprises, the residual amount is recognised under provisions provided the Parent has a legal and actual obligation to cover the liabilities of the enterprise in question.

	2017 DKK'000	2016 DKK'000
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	631	0

12. Contingent liabilities

The Entity serves as an 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.

13. Mortgages and securities

Collateral securities provided for subsidiaries and group enterprises

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

14. Transactions with related parties

Only related party transactions that have not been conducted on an arm's length basis are disclosed in the annual report. There have not been any transactions in the financial year which have not been conducted on an arm's length basis.

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 (big), 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).

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial 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' proportionate share of profit or loss is presented as a separate item in Management's proposal for

Accounting policies

distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition 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 as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Accounting policies

Income statement

Revenue

Revenue from the sale of manufactured goods, goods for resale and services 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 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 salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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 internal 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 elimination of internal profits or losses.

Accounting policies

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc on fixed asset investments which are not investments in group enterprises or associates.

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 gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as 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 losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as 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 subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is 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 on an annual basis. The amortisation periods used are 5 to 15 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise costs relating to running-in of new stock as well as development projects.

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

Accounting policies

the costs incurred 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 external costs that are directly and indirectly attributable to the development projects.

Intellectual property rights acquired (running-in costs) are measured at cost less accumulated amortisation. Running-in costs are amortised on a straight-line basis over the maximum term of agreement.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised 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 (residual value 0-25%)	10-30 years
Plant and machinery (residual value 0%)	5-12 years
Other fixtures and fittings, tools and equipment (residual value 0%)	3-15 years
Leasehold improvements (residual value 0%)	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.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured 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 is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

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 under equity

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is 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 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 associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

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

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is 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

Accounting policies

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

Receivables

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

Other investments

Other investments comprise shareholders' accounts, 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 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.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated 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

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Provisions for pension liabilities etc

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

Deferred tax

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

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

Finance lease liabilities

Lease commitments 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 commitments 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.

Accounting policies

Other financial liabilities

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

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 acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

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, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.