DanHatch Holding A/S

Rugerivej 26
9760 Vrå
CVR No. 38223038

Annual report 2020

The Annual General Meeting adopted the annual report on 28.06.2021

Christian Pagaard junker
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: 01.01.2020 - 31.12.2020

Board of Directors

Christian Pagaard Junker
Jørgen Hesselbjerg Mikkelsen
Niels Dengsø Jensen
Henning Haahr, formand
Kristian Johnsen Hundebøll, næstformand
Ole Christensen

Executive Board

Kristian Holm Kristensen, direktør

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 01.01.2020 - 31.12.2020

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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 28.06.2021

Executive Board

Kristian Holm Kristensen
direktør

Board of Directors

Christian Pagaard Junker

Jørgen Hesselbjerg Mikkelsen

Niels Dengsø Jensen

Henning Haahr
formand

Kristian Johnsen Hundebøll
næstformand

Ole Christensen

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 and 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, 28.06.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

Rasmus Brodd Johnsen
State Authorised Public Accountant
Identification No (MNE) mne33217

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	1,154,830	1,181,566	1,094,351	1,109,701	1,052,039
Gross profit/loss	250,581	276,935	216,552	261,020	229,761
Operating profit/loss	52,829	80,440	37,873	87,864	55,206
Net financials	(3,186)	(3,343)	(3,747)	(3,099)	(3,566)
Profit/loss for the year	44,041	70,456	40,853	68,123	39,780
Profit for the year excl. minority interests	43,466	67,961	40,609	64,982	38,648
Balance sheet total	975,940	983,074	924,025	932,881	883,951
Investments in property, plant and equipment	86,548	70,721	43,852	91,436	185,718
Equity	608,092	581,867	511,783	474,458	391,588
Equity excl. minority interests	592,305	561,561	491,663	454,377	381,296
Ratios					
Gross margin (%)	21.70	23.44	19.79	23.52	21.84
Net margin (%)	3.81	5.96	3.73	6.14	3.78
Return on equity (%)	7.53	12.91	8.59	15.55	10.60
Equity ratio (%)	60.69	57.12	53.21	48.71	43.14

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

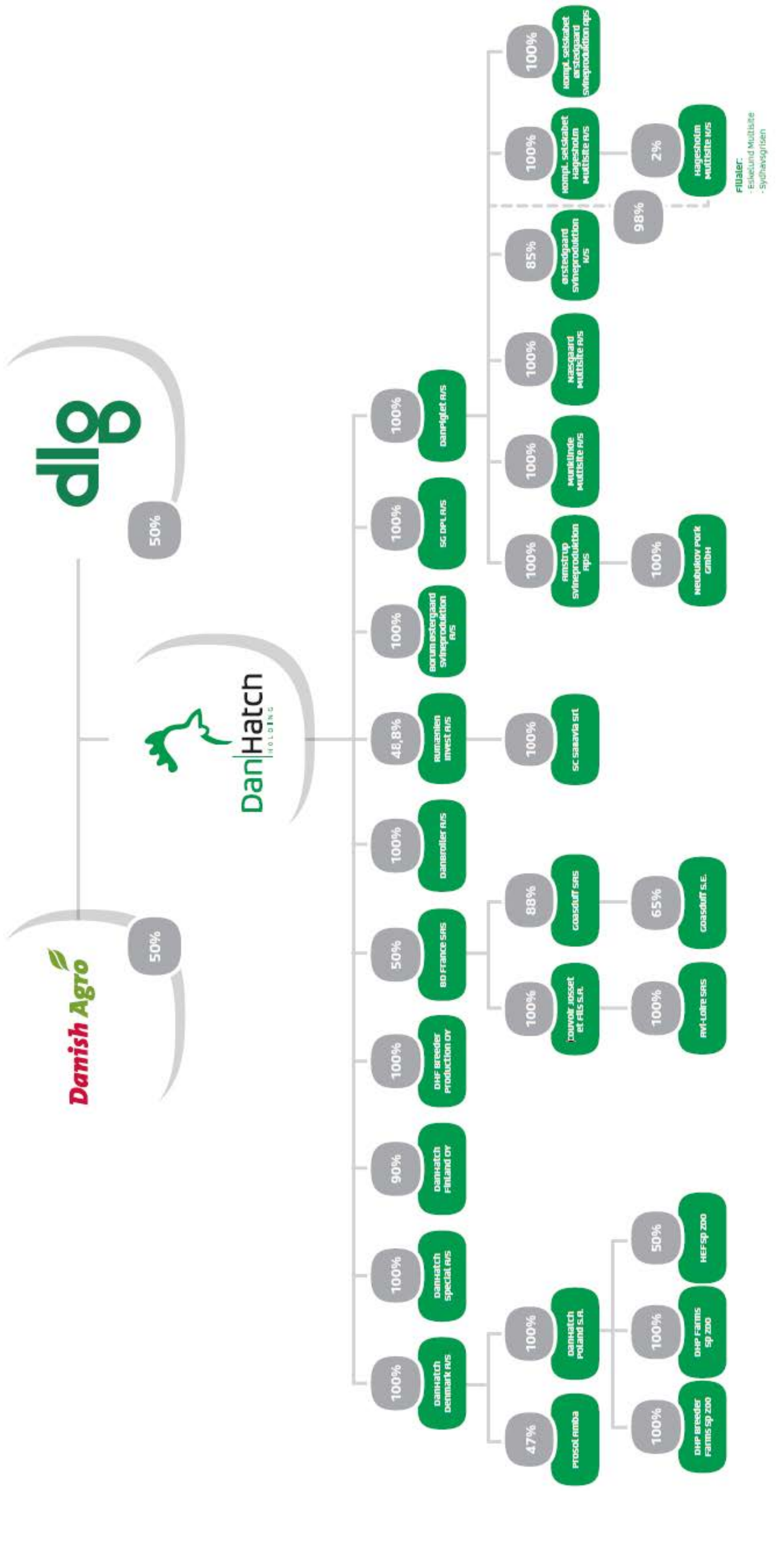
Net margin (%):
Profit/loss for the year * 100
Revenue

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

Equity ratio (%):

$$\frac{\text{Equity excl. minority interests * 100}}{\text{Balance sheet total}}$$

Selskabsstruktur
i DanHatch Group
Pr. 31.12.2020



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 hatcheries with facilities in Denmark, Finland, Poland and France.

Development in activities and finances

2020 was a very changeable year for the DanHatch Group with large fluctuations in the demand for the Group's products as well as the development in sales prices. The primary reasons were the global pandemic outbreak of covid-19 and the spreading of the Highly Pathogenic Avian Influenza (HPAI) in poultry and more incidents of the African Swine Fever (ASF) in wild boar.

Profit/loss for the year in relation to expected developments

DanHatch Group's profit for the year excl. minority interests amounted to DKK 43.5m, which is considerably less than the expected DKK 72-76m. The main reasons for this is the development in the different markets in continuation of the global pandemic outbreak of covid-19 and the spreading of the Highly Pathogenic Avian Influenza (HPAI) in poultry and more incidents of the African Swine Fever in wild boar. Especially in the second half of 2020, all three factors have had a significant negative impact on the DanHatch Group's financial performance.

The most significant impact in 2020

The year started off with a positive development in the Group's sales of day-old chicks and a rather nice increase in pig prices. H1 2020 therefore saw record earnings in the DanHatch Group despite the outbreak of covid-19 in early spring. Unfortunately, this trend did not continue in H2 when the escalating corona pandemic increasingly reduced European poultry meat sales to the food service segment and to the export markets. In Q4 2020, this market situation was further exacerbated by an increasing number of incidents of the highly pathogenic avian influenza in Europe - including Denmark and Poland. This resulted in significant restrictions on the export of poultry products from the EU to many third countries with a significant negative impact on the demand and prices of hatching eggs and day-old chicks. For the Group's pig activities, the corona situation during the summer also put increased pressure on the pricing of piglets, and an outbreak of African swine fever in wild boar in September in south-eastern Germany resulted in a sharp drop in export prices. The consequence was a record low price level in the main markets for piglets in Q4. The above factors have resulted in a significant negative impact on the DanHatch Group's financial performance in 2020.

Increase in sales

Although the DanHatch Group's hatchery activities have been affected by many challenges in the second half of 2020, the Group nevertheless reached a new sales peak of DKK 457 million day-old chicks against 454 million last year. The increase comes from the Group's hatcheries in Finland and France.

The DanHatch Group's total hatching capacity at the end of the financial year amounted to just over 535 million day-old chicks, and there are thus continued growth opportunities within the current production facilities.

Developments in the poultry companies

In 2020, DanHatch Denmark A/S' two Danish hatcheries sold 144.6 million conventional day-old chicks, 106.1 million of which were sold on the domestic market and 38.5 million were exported. Total sales were 1.4 million day-old chicks below the level in 2019 as sales to the domestic market were declining through 2020, while at the same time there was a sales increase to several countries in Eastern Europe and the Baltics. The domestic sales reduction is primarily related to a conversion in part of the Danish broiler production to slower-growing chicken types, which have primarily been delivered from foreign hatcheries. At the same time, the slower-growing chickens have a growth period which is 12-14 days longer than for conventional chickens, which results in a reduction of the total production capacity in the Danish broiler sheds. Exports of hatching eggs from Denmark amounted to DKK 36.3 million in the financial year - an increase of 5.1 million hatching eggs compared to 2019.

In 2020, DanHatch Special A/S sold 3.9 million organic and slower-growing day-old chicks. This is an increase in sales volume of 2.0 million day-old chicks compared to 2019. The primary reason for the higher sales is that in 2020 the company increased the production of pre-hatched hatching eggs for hatching in the broiler shed. This product is based on the slower-growing breed Ranger Gold and totaled a volume of just over 2.3 million day-old chicks.

At the beginning of 2021, DanHatch Special A/S acquired two properties for hatching egg production. It is the intention that after a transitional period, the two production facilities will primarily produce hatching eggs as a basis for the slower growing broiler production. In connection with the outlined transactions, the company Frijsenborg Poultry A/S has become a new minority shareholder of the company.

During 2020, Danish broiler production has been challenged on the two key productivity parameters; total mortality and rejections, whereas the figures for 1st week's mortality, growth and feed utilisation have maintained a satisfactory development. Despite many studies and analyses, DanHatch Denmark has not been able to identify any unambiguous causal explanation for the stated challenges. However, the company has established an ex gratia compensation scheme to partially cover the extraordinary financial losses seen by the most affected broiler producers. In this way, the company has taken co-responsibility for the development of the Danish broiler value chain in collaboration with other players in the industry.

Productivity in the hatching egg production of DanHatch Denmark has developed positively in 2020 with an increase in the number of day-old chicks per hen based on both slightly improved egg production and a higher hatching percentage. This has created the basis for acceptable earnings across the total breeding and hatching egg production. In general, the health status of the parent animals has been satisfactory, but in the last months of the year it has been challenged by disease outbreaks in several hatching egg productions. Thus, infection with HPAI was found at an external hatching egg production and ILT at four of the company's own production facilities in Northern Jutland, which has resulted in quite significant financial losses. As to suppliers, during the year DanHatch Denmark has, through a long-term lease agreement, taken over the operation of an external breeding facility with a capacity of 51,000 young hens per rotation, and an external hatching eggs supplier has expanded production by 14,000 hen stations per rotation. During the year, significant investments were also made in upgrading some of the company's own hatching egg facilities, which in the future will help to ensure a stable basis for the company's raw material supply of both young hens and hatching eggs.

In the Group's broiler production in DanBroiler A/S, earnings in 2020 were at a higher level than the year before due to satisfactory productivity and cost efficiency compared with an acceptable terms of trade for a significant part of the year.

The DanHatch Group’s foreign hatcheries in Finland, Poland and France experienced a very diverse development in the market for day-old chicks in 2020, as the individual country's percentage sales of finished poultry products for export were of great importance. In the Finnish market, from which exports are limited, recent years’ growth in both production and consumption of broilers continued, and DanHatch Finland Oy's sales grew by DKK 1.5 million day-old chicks to 44.8 million. This growth is expected to continue in the coming years, for which reason parts of a multi-year investment plan for the hatchery Kokemäki have been in process of execution during the year with replacement of incubators and streamlining of a number of handling processes. Investments will continue for the next 2-3 years to be able to handle the growing demand for day-old chicks from both the domestic and export markets in the future.

In contrast, in 2020 the subsidiary DanHatch Poland S.A. operated in a domestic market under great negative impact of both covid-19 and the incidents of HPAI in poultry. This resulted in a halt on recent years' sales growth, as sales stabilised at DKK 105.6 million day-old chicks, which was a slight decline of 0.5 million on the previous year. These two factors, in particular, caused a sharp reduction in Polish exports of broiler products, and the increasing incidents of HPAI also resulted in significant sales restrictions for all stages of broiler production. For DanHatch Poland, this resulted in both transport and sales restrictions, resulting in large financial losses. Despite the year's negative market development, the company completed an expansion of the hatching capacity at the hatching facility iStary Widzim of DKK 15 million day-old chicks during the summer, now amounting to approx. 120 million day-old chicks a year. This means that DanHatch Poland is well prepared to handle the market when development moves in a positive direction again.

The DanHatch Group's French associate, BD France SAS, which is owned on a 50:50 basis with the Belgian business partner, Yellow Bird Group, increased its sales to 157.8 million day-old chicks in 2020 against 156.4 million in 2019. This growth was less than expected, but at the same time satisfactory in light of the year's negative impacts from both covid-19 and HPAI, which caused a reduction in French poultry products sales in several export markets.

During the year, BD France initiated the building of a joint organisation with a view to consolidating and optimising the overall management and operation of the company's live production and hatcheries. Moreover, significant amounts have been invested in the implementation of the 5-year investment plan for the company's activities, which was launched in 2019. Both initiatives are made to match the increasing market demands for both hatching eggs and day-old chicks and to continue BD France's organic growth in the French market for both special and traditional day-old chicks for broiler production.

Development in pig operations

2020 was a very changeable year for the DanHatch Group's pig operations in the subsidiary DanPiglet A/S with large fluctuations in sales prices. The primary reasons for this were the pandemic outbreak of covid-19 as well as increased incidents of African swine fever (ASF) in wild boar. The year started off with a rather nice increase in piglet prices, and the first six months therefore saw record earnings for the DanPiglet Group despite the outbreak of covid-19 in early spring. Unfortunately, this trend did not continue in the last six months of the year when the escalating corona pandemic during the summer increased the pressure on the pricing of piglets weighing 30 kilos. In September, this market situation was further complicated by an increasing number of incidents of African swine fever in wild boar in south-eastern Germany. This caused a sharp drop in export prices, and the consequence was a record low price level in the Group's main markets for piglets in the last quarter of the year, and after a large write-down of livestock holdings, DanPiglet made an overall financial loss for the year.

Throughout the year, the DanPiglet Group has had activities at 7 sow plants producing 30-kilo pigs. A total of 278,140 piglets were produced based on 8,616 yearling sows. This is equal to an average productivity rate of 32.3 pigs produced per yearling sow, which is an increase of 2% on last year. The Group's production facilities are continuously being upgraded and streamlined, and during 2020 several renovation projects and a single major construction on the Amstrup production facility have been completed, including a new farrowing barn and new welfare and feed facilities.

Future growth

In 2019, the DanHatch Group prepared a new group strategy entitled "Moving Forward", setting guidelines for the period up to 2025. Within the framework of the strategy, the Group acquired an additional 10% of the share capital in DanHatch Finland Oy in 2020, thereby raising the ownership interest in the company to 90%. Since the primary focus of the strategy was on the DanHatch Group's poultry operations, significant efforts have been made throughout the year to carry out controlled discontinuation of the Group's pig operations, which, however, has not yet given rise to divestments. Contact with interested buyers, however, gives reason to believe that it will be possible to divest several production facilities in 2021.

During the year, it has also been a goal to create a stronger basis for future growth in the Group's French and Polish hatchery activities. Efforts have been made to achieve this goal, based on the optimisation of several quality and productivity parameters as well as the establishment of a number of new cooperative and partnership relations. The coming years' expansion possibilities in the countries in question are assessed to have been strengthened by these efforts.

Financial situation

Under the difficult market conditions described, the DanHatch Group realised an acceptable net profit for the financial year 2020 amounting to DKK 43.5m (including investments in group enterprises and associates but exclusive of minority interests) against a net profit of DKK 68.0m in 2019. Profit for the year includes a satisfactory profit from poultry production, including DanHatch Holding, of DKK 45.5m against DKK 56.4m in 2019. The share of profit from foreign hatching companies amounted to DKK 26.2m against DKK 33.0m in 2019. Pig activities of DanPiglet A/S have contributed with an unsatisfactory loss of DKK 5.5m after tax and minority interests compared to a net profit of DKK 11.6m in 2019.

Total group revenue amounted to DKK 1,154.9m against DKK 1,181.6m in 2019. Revenue from poultry operations amounted to DKK 1,024.4m of which the activities of the Finnish and Polish subsidiaries collectively accounted for DKK 578.1m, whereas revenue of DanPiglet A/S was DKK 130.5m.

The Group's investments in operations totalled DKK 81.3m in 2020. These have included new construction and modernisation of production buildings for both chickens, pigs and hatcheries. Moreover, the Group has purchased a previously leased production facility for hatching eggs and performed upgrading and replacement of incubators and different types of automation and transport equipment.

In spring 2020, total dividends of DKK 21.0m were distributed by the Group's subsidiaries to the Parent, DanHatch Holding A/S.

In 2020, DanHatch Holding A/S and the affiliated group enterprises have not applied for any of the aid schemes adopted by the Danish parliament 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. The employees of each group enterprise are the most important asset of the different operations, and through independence, responsibility, reliability and professional pride, they contribute to stable operations and a positive development of the Group.

Outlook

Poultry operations

The total sales of day-old chicks from the DanHatch Group are expected to be almost DKK 470 million in 2021 and thus above the level of 2020. However, the distribution in the various markets will be different than previously, as Danish sales volumes will be stable, while growth will primarily be driven by increased domestic sales for both DanHatch Finland Oy and BD France SAS. Conversely, the sale of day-old chicks from DanHatch Poland S.A. is expected to fall in 2021 due to a continued negative impact of the covid-19 pandemic as well as the prevalence of

HPAI in poultry - both with negative consequences for the Polish sales of broiler products to the food service segment and the export markets. The DanHatch Group's main focus on the Polish market is therefore in the short term to adapt the production and cost structure to a market development that is less predictable than before.

In the first part of 2021, a significant part of the European market for poultry products continues to be negatively affected by both the corona pandemic and the outbreak of HPAI in several countries and may therefore in various ways challenge the Group's sales of day-old chicks in the year to come. At the same time, rising prices of raw materials for feed production puts significant pressure on the terms of trade in broiler production, with a reduction in the earnings potential as a result. However, it is expected that the second half of 2021 will offer a gradual return to a more normal sales climate in line with easing of the current corona restrictions as well as a declining impact from HPAI in Europe and thus, among other things, reopening of exports of broiler products to several third country markets.

Pig operations

In 2021, the financial performance of the DanPiglet Group will be highly dependent on the production efficiency as well as sales 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. Similarly, the development in the prevalence of covid-19 on a global scale will affect the general demand for pork and thus also for 30-kg piglets. In addition, as previously stated, feed raw material prices have risen significantly over the past six months and are at a high level in the new year, which will have a negative impact on the terms of trade in the coming period. Overall, the expectations for 2021 therefore point to several major uncertainties for the Group's pig activities.

Group expectations

For the financial year 2021, Management of DanHatch Holding A/S expects a total group profit, which will be slightly below the profit realised in 2020. As stated above, these earnings expectations, however, are subject to some 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.

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. DanPiglet A/S' trading relations for the sale of piglets 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 2017, 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 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 of DanHatch Denmark's own breeding and hatching egg facilities. Abroad, only Dan-Hatch Finland Oy has taken out livestock insurance too together with this company's related breeding and hatching egg producers with a national insurance company operating in this area.

In the latter half of 2019 and in early 2020, the DanPiglet Group's pig operations have favoured price-wise by a massive global demand for pork meat due to more incidents of ASF, particularly in the Far East. In early 2020, the fever was recorded in Poland near the German border and thus close to the largest market for piglets from DanPiglet's production facilities. Any spread of ASF to the markets that the Group primarily is selling piglets to may involve serious sales risks. Currently, it is not possible to take out insurance cover for this. The assessment is, however, that if sales to the main markets are reduced because of any 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.

Foreign exchange 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, DHF Breeder Production 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.

Environmental performance

The DanHatch Group's most significant environmental 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 2020, one environmental approval was reassessed without changes. A reassessment of other environmental approvals has also been initiated, which are expected to be completed in 2021 without further requirements in significant areas in relation to the applicable environmental approvals. At the same time, 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. At one pig production facility, the supervisory authority has set requirements for covering the slurry tanks, which has been complied with. Moreover, a further five slurry tanks have been covered, after which there is now only one pig production facility where the slurry storage is not covered. At this place, the cover is planned to be established within a few years.

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 2020, no irregularities were identified in terms of fertiliser allocation, but one fertiliser tank was found to be leaky and was subsequently repaired.

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. Plans are made to start a breeding facility on one of the acquired plots of land in 2022, while the others will remain with a view to later expansion of the company's own production capacity within both breeding and hatching egg production.

Based on a strong focus on the Group's energy consumption, energy-saving investments in production plants for both poultry and pig production are made regularly. In 2020, some energy-saving projects involving installation of energy-efficient lighting and heat pumps were completed for which CO2 compensation has been granted. Also, various minor energy-efficient measures were taken for which the saved amount has yet to be calculated. Moreover, the DanHatch Group's trucks in Denmark, Finland, Poland and France are replaced on a regular basis, meaning more energy-efficient engines which, in combination with driver training, result in a lower fuel consumption and lower CO2 emissions.

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 2020, one incident of Salmonella infection in the hatching egg production in Denmark had to be dealt with.

Human Resources
In many ways, CSR and HR are closely linked. Several of the HR efforts that the DanHatch Group is involved in 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, we are thus open to different types of candidates and encourage everyone to apply for a job regardless of gender, 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.

Every year, many students from both business academies and universities do internships in the Group's companies, and in 2020 some of the students have come from fields of study that are different from those with which the companies have previously become acquainted. We consider it a social responsibility to share our knowledge and experience with a wide range of students, so that they are better prepared for the labour market and thereby can improve their job opportunities after graduation. The interns are also rewarding for the DanHatch Group, bringing new input and fresh eyes on processes and workflows.

The good work life
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 a number of employees have chosen to undergo further education in 2020. 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 in general, as competent labour is ensured.

In 2020, DanHatch Group's 50/50-owned company BD France has started establishing a cooperation organisation consisting of both management and employee representatives. Similar constellations are already active in the Group's other companies. A close cooperation across management and staff aims to ensure collaboration, dialogue and well-being in all parts of the companies, and there is a focus on creating a safe and healthy work environment. The cooperation organisation's work is followed up with regular meetings, where it is also decided which overall themes are relevant to work with across the individual company's departments.

A theme that has been a focus point for a number of years, and thus also in 2020, is strenuous working positions, which are considered to be the most significant challenge and greatest risk within the physical work environment. This is backed by the results from the Danish poultry companies' workplace risk assessment, which is carried out in the company every other year and was most recently carried out in 2019. In this assessment, 20% of the employees in the hatcheries and on the farms answered that they were challenged by strenuous working positions. Based on the results of the workplace risk assessment, department specific actions plans have been prepared to help ensure that the specific challenges are continuously addressed. One of the focus points has been switching between different working positions and stations as well as guidance in ergonomically correct pulling, pushing and lifting. For this purpose, several technical aids were introduced in 2020, including lifting equipment for handling cardboard trays with hatching eggs for export as a supplement to the manual handling.

In relation to the mental work environment, feedback and recognition have been in focus in the last few years. This theme was adopted by DanHatch Denmark’s Working Environment and Works Committee in 2018. Based on the results from the job satisfaction survey in 2019, which showed that employees generally wanted feedback from their colleagues when performing their day-to-day tasks, it was decided to continue with the same theme in the following years. The theme has been rolled out as departmental courses facilitated by an external industrial psychologist, and subsequently there was very good feedback from the employees in relation to both the course provider and the course content. Unfortunately, due to the pandemic outbreak of covid-19, it has not been possible to hold the planned courses on feedback and recognition in 2020, but they are expected to be resumed in the autumn of 2021.

In several ways, the presence of coronavirus in society has resulted in changed workflows in the DanHatch Group’s workplaces and limited opportunities to interact with colleagues. As many employees have worked at home for long periods of time throughout the year, several managers have had to practice distance management. The special situation has also placed new demands on the employees, who to a greater extent had to work together at a distance. This has made the theme of feedback and recognition more relevant than ever before, as much of the interpersonal feedback takes place non-verbally and is therefore lost when it is not possible to see each other. As a tool for this, the video conferencing service StarLeaf was implemented in the spring of 2020. This initiative has made it possible to hold virtual meetings in larger or smaller groups and thus ensure regular face-to-face contact between colleagues across departments, companies and countries. The employees have really embraced StarLeaf, and the statistics show great activity at online meetings over the past few months. Also in the future, when the situation around corona is back to normal, StarLeaf will be used as an alternative form of meeting in cases where it saves time or is not possible to meet physically.

Leadership development and implementation of a corporate strategy

Development of executives in the group enterprises is an ongoing theme, which has been further developed in 2020. Through one-on-one conversations with an external industrial psychologist, executives in DanHatch Denmark, DanHatch Poland, DanHatch Finland and DanPiglet received professional sparring during the year to develop their leadership competencies. In the future, the DanHatch Group will also prioritise management development as an essential starting point for the development of the rest of the staff.

In 2020, an HR function has been established in the DanHatch Group's French company, and with the addition of this resource, there is now a local HR manager in each of the countries where the Group is represented. Across the Group, this provides good conditions for working with targeted efforts with staff development in the individual companies. The new HR manager in France has also become part of the Group's HR Group team, which has initiated the development of a number of code of conduct guidelines in 2020. 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 HR Group team also collaborates across countries and companies to develop and implement the Group's HR and communication strategy, thereby creating uniformity and exploiting synergies in this area.

Back in 2019, an overall group strategy for the DanHatch Group was prepared under the name “Moving Forward” and initially formed the basis for the subsequent preparation of the strategy for DanHatch Denmark. Subsequently, in 2020, DanHatch Poland and DanHatch Finland have also drawn up their own company strategies. The strategic goals in the individual company strategies include i.a. an increased environmental consideration as well as extra focus on employee development and satisfaction. Over the next five years, these focus points will be targeted in specific initiatives adapted to the individual companies' departments.

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 functions, as described in the Human Resources section. 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 2020, neither internally nor with cooperative partners.

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 2020.

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 DanHatch intended to have an average female representation on the boards in reporting class “C” (large) enterprises of at least 30% by 2020.

The Board of Directors of DanHatch Holding A/S consists of six members elected by the general meeting, none of whom are women. Thus, the Group’s target has not been achieved. Based on the current composition of the Board of Directors, it is assessed that an ambitious and realistic target in the future will be that there is at least one member of each gender represented on the Board of Directors by 2024.

In DanHatch Denmark A/S, the Board of Directors consists of three board members elected by the general meeting; two men and one woman. Add to this two staff-elected members, one of each gender in 2020. Overall, there is a representation of women of 40%, which means that the target for 2020 has been achieved in DanHatch Denmark A/S.

The DanHatch Group's target for the gender distribution of managers comprises an overall desire to have a minimum of 40% women. Through active recruitment of newly hired managers and a structured development process for selected female employees, the share of female managers has increased from 31.1% in 2019 to 40.6% in 2020. It is the DanHatch Group's objective to continuously focus on the gender composition in all group enterprises.

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 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	1,154,830	1,181,566
Own work capitalised		1,074	642
Other operating income		4,539	10,362
Costs of raw materials and consumables		(784,451)	(783,791)
Other external expenses	2	(125,411)	(131,844)
Gross profit/loss		**250,581**	**276,935**
Staff costs	3	(141,392)	(133,383)
Depreciation, amortisation and impairment losses	4	(56,844)	(62,941)
Other operating expenses		(13)	(171)
Negative goodwill		497	0
Operating profit/loss		**52,829**	**80,440**
Income from investments in associates		5,798	10,338
Other financial income		5,276	3,143
Other financial expenses		(8,462)	(6,486)
Profit/loss before tax		**55,441**	**87,435**
Tax on profit/loss for the year	5	(11,400)	(16,979)
Profit/loss for the year	6	**44,041**	**70,456**

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	8	3,688	0
Acquired intangible assets		21	30
Goodwill		0	1,415
Development projects in progress	8	2,052	4,599
Intangible assets	7	**5,761**	**6,044**
Land and buildings		383,241	377,670
Plant and machinery		104,861	94,324
Other fixtures and fittings, tools and equipment		73,822	68,728
Leasehold improvements		4,792	5,314
Biological assets		24,270	24,969
Property, plant and equipment in progress		5,942	15,883
Property, plant and equipment	9	**596,928**	**586,888**
Investments in associates		87,916	82,486
Other investments		3,724	3,960
Deposits		497	497
Other receivables		10,169	11,404
Financial assets	10	**102,306**	**98,347**
Fixed assets		**704,995**	**691,279**
Raw materials and consumables		67,077	70,211
Work in progress		32,252	51,013
Inventories		**99,329**	**121,224**

Trade receivables		136,271	132,544
Receivables from associates		4,495	4,521
Deferred tax	11	2,872	2,733
Other receivables		17,227	16,155
Tax receivable		608	1,677
Receivables from owners and management	12	93	0
Prepayments	13	2,253	2,205
Receivables		**163,819**	**159,835**
Other investments		57	59
Investments		**57**	**59**
Cash		**7,740**	**10,677**
Current assets		**270,945**	**291,795**
Assets		**975,940**	**983,074**

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	14	10,000	10,000
Revaluation reserve		7,445	7,977
Translation reserve		(12,737)	0
Reserves for loans and collateral		93	0
Reserve for development costs		4,478	3,588
Retained earnings		583,026	539,996
Equity belonging to Parent's shareholders		**592,305**	**561,561**
Equity belonging to minority interests		**15,787**	**20,306**
Equity		**608,092**	**581,867**
Provisions for pension liabilities etc.		121	94
Deferred tax	11	22,201	21,540
Other provisions	16	1,151	3,675
Provisions		**23,473**	**25,309**
Mortgage debt		82,017	82,926
Bank loans		70,314	70,409
Lease liabilities		1,573	2,771
Non-current liabilities other than provisions	17	**153,904**	**156,106**

Current portion of non-current liabilities other than provisions	17	33,875	52,180
Subordinate loan capital		0	675
Bank loans		49,034	39,839
Deposits		1	310
Prepayments received from customers		16	16
Trade payables		61,299	69,092
Tax payable		1,764	1,926
Other payables		44,482	55,754
Current liabilities other than provisions		**190,471**	**219,792**
Liabilities other than provisions		**344,375**	**375,898**
Equity and liabilities		**975,940**	**983,074**

Unrecognised rental and lease commitments	19
Contingent liabilities	20
Assets charged and collateral	21
Transactions with related parties	22
Subsidiaries	23

Consolidated statement of changes in equity for 2020

	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	7,977	0	0	3,588
Effect of divestments of entities etc.	0	0	0	0	0
Exchange rate adjustments	0	0	(12,737)	0	0
Value adjustments	0	0	0	0	0
Transfer to reserves	0	(532)	0	93	890
Profit/loss for the year	0	0	0	0	0
Equity end of year	**10,000**	**7,445**	**(12,737)**	**93**	**4,478**

	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	539,996	561,561	20,306	581,867
Effect of divestments of entities etc.	0	0	(4,392)	(4,392)
Exchange rate adjustments	0	(12,737)	(702)	(13,439)
Value adjustments	15	15	0	15
Transfer to reserves	(451)	0	0	0
Profit/loss for the year	43,466	43,466	575	44,041
Equity end of year	**583,026**	**592,305**	**15,787**	**608,092**

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		52,829	80,440
Amortisation, depreciation and impairment losses		56,844	62,941
Share-based payment		(2,497)	1,634
Working capital changes	18	(3,325)	(25,735)
Adjustments goodwill		(657)	0
Cash flow from ordinary operating activities		**103,194**	**119,280**
Financial income received		5,276	2,979
Financial expenses paid		(8,462)	(6,276)
Taxes refunded/(paid)		(9,971)	(16,330)
Cash flows from operating activities		**90,037**	**99,653**
Acquisition etc. of intangible assets		(1,681)	(1,504)
Sale of intangible assets		(86,548)	(70,721)
Sale of property, plant and equipment		9,338	5,424
Acquisition of fixed asset investments		(370)	(1,447)
Sale of fixed asset investments		1,841	3,581
Acquisition of enterprises		(3,895)	0
Cash flows from investing activities		**(81,315)**	**(64,667)**
Free cash flows generated from operations and investments before financing		**8,722**	**34,986**
Repayments of loans etc.		(20,507)	(15,889)
Loan to associates		(26)	(4,521)
Change in bank loans		9,195	(8,511)
Cash flows from financing activities		**(11,338)**	**(28,921)**
Increase/decrease in cash and cash equivalents		**(2,616)**	**6,065**

Cash and cash equivalents beginning of year	10,677	4,612
Currency translation adjustments of cash and cash equivalents	(321)	0
Cash and cash equivalents end of year	**7,740**	**10,677**

Cash and cash equivalents at year-end are composed of:		
Cash	7,740	10,677
Cash and cash equivalents end of year	**7,740**	**10,677**

Notes to consolidated financial statements

1 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	498,524	524,981
Other EU countries	626,090	603,240
Other European countries	30,216	53,345
Total revenue by geographical market	**1,154,830**	**1,181,566**
Poultry production	1,024,383	1,041,773
Pig production	130,447	139,793
Total revenue by activity	**1,154,830**	**1,181,566**

2 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	558	583
Other assurance engagements	244	313
Tax services	45	127
Other services	262	283
	1,109	**1,306**

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	121,454	115,498
Pension costs	11,894	10,545
Other social security costs	7,711	7,047
Other staff costs	333	293
	141,392	**133,383**

Average number of full-time employees	**358**	**331**

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Total amount for management categories	5,457	4,999
	5,457	**4,999**

4 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	1,965	3,182
Impairment losses on intangible assets	0	129
Depreciation on property, plant and equipment	54,879	52,760
Impairment losses on property, plant and equipment	0	6,870
	56,844	**62,941**

5 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	10,736	15,709
Change in deferred tax	664	1,231
Adjustment concerning previous years	0	39
	11,400	**16,979**

6 Proposed distribution of profit/loss

	2020 DKK'000	2019 DKK'000
Retained earnings	43,466	67,961
Minority interests' share of profit/loss	575	2,495
	44,041	**70,456**

7 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	3,465	46,854	4,599
Exchange rate adjustments	0	(10)	0	0
Transfers	4,215	0	0	(4,215)
Additions	0	13	0	1,668
Disposals	0	0	(46,854)	0
Cost end of year	**4,215**	**3,468**	**0**	**2,052**
Amortisation and impairment losses beginning of year	0	(3,435)	(45,439)	0
Exchange rate adjustments	0	11	0	0
Amortisation for the year	(527)	(23)	(1,415)	0
Reversal regarding disposals	0	0	46,854	0
Amortisation and impairment losses end of year	**(527)**	**(3,447)**	**0**	**0**
Carrying amount end of year	**3,688**	**21**	**0**	**2,052**

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 2020, 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 2021. 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	759,463	256,559	235,059	10,231	24,969
Exchange rate adjustments	(9,086)	(5,972)	(1,798)	0	0
Transfers	10,018	15,603	586	181	0
Additions	29,938	12,010	18,451	0	8,581
Disposals	(18)	0	(571)	0	(9,280)
Cost end of year	**790,315**	**278,200**	**251,727**	**10,412**	**24,270**
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	(404,293)	(162,235)	(173,477)	(4,917)	0
Exchange rate adjustments	1,770	2,800	1,116	0	0
Transfers	12	0	0	(12)	0
Depreciation for the year	(27,063)	(13,904)	(13,221)	(691)	0
Reversal regarding disposals	0	0	531	0	0
Depreciation and impairment losses end of year	**(429,574)**	**(173,339)**	**(185,051)**	**(5,620)**	**0**
Carrying amount end of year	**383,241**	**104,861**	**73,822**	**4,792**	**24,270**
Carrying amount if asset had not been revalued	373,695	-	73,822	-	-
Recognised assets not owned by Entity	-	-	2,814	-	-

	Property, plant and equipment in progress DKK'000
Cost beginning of year	15,883
Exchange rate adjustments	(1,120)
Transfers	(26,389)
Additions	17,568
Disposals	0
Cost end of year	**5,942**
Revaluations beginning of year	0
Revaluations end of year	**0**
Depreciation and impairment losses beginning of year	0
Exchange rate adjustments	0
Transfers	0
Depreciation for the year	0
Reversal regarding disposals	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**5,942**
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	4,193	497	11,404
Additions	0	370	0	0
Disposals	0	(606)	0	(1,235)
Cost end of year	**59,301**	**3,957**	**497**	**10,169**
Revaluations beginning of year	23,185	(233)	0	0
Exchange rate adjustments	(368)	0	0	0
Amortisation of goodwill	(1,223)	0	0	0
Share of profit/loss for the year	7,021	0	0	0
Revaluations end of year	**28,615**	**(233)**	**0**	**0**
Carrying amount end of year	**87,916**	**3,724**	**497**	**10,169**

Associates	Registered in	Ownership %
Rumænien Invest A/S	Hjørring	48,8
BD France	Plabannec, France	50,0

11 Deferred tax

Changes during the year	2020 DKK'000	2019 DKK'000
Beginning of year	(18,807)	(17,576)
Recognised in the income statement	(664)	(1,231)
Other adjustments	142	0
End of year	**(19,329)**	**(18,807)**

Deferred tax has been recognised in the balance sheet as follows	2020 DKK'000	2019 DKK'000
Deferred tax assets	2,872	2,733
Deferred tax liabilities	(22,201)	(21,540)
	(19,329)	**(18,807)**

The recognised tax asset in the Group includes DKK 141k 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 36k 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 Receivables from owners and management

Receivables from shareholders and Management consist of a legal loan to the shareholders approved by the general meeting. The loan is expected to be repaid during 2021.

13 Prepayments

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

14 Contributed capital

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

15 Provisions for pension liabilities etc.

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

16 Other provisions

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

17 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	7,481	8,520	82,017	47,670
Bank loans	25,368	42,447	70,314	26,558
Lease liabilities	1,026	1,213	1,573	0
	33,875	**52,180**	**153,904**	**74,228**

18 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	21,895	(15,806)
Increase/decrease in receivables	(5,207)	(19,459)
Increase/decrease in trade payables etc.	(20,013)	9,530
	(3,325)	**(25,735)**

19 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	**43,967**	**46,806**

20 Contingent liabilities

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

21 Assets charged and collateral

The Group’s mortgage debt of DKK 82,017 is secured by way of mortgage on property, plant and equipment and inventories at a carrying amount of DKK 686,523k.

Bank loans of DKK 119,348k, including cashpool, are secured by way of mortgage deeds totalling DKK 75,181k on property, plant and equipment and inventories whose carrying amount is DKK 686,523k.

22 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.

23 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

*) 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 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue		11,152	10,278
Own work capitalised		806	594
Other external expenses		(3,150)	(5,342)
Gross profit/loss		**8,808**	**5,530**
Staff costs	1	(15,474)	(14,064)
Depreciation, amortisation and impairment losses	2	(527)	0
Operating profit/loss		**(7,193)**	**(8,534)**
Income from investments in group enterprises		41,635	63,169
Income from investments in associates		5,798	10,338
Other financial income	3	4,027	2,654
Other financial expenses	4	(2,018)	(1,149)
Profit/loss before tax		**42,249**	**66,478**
Tax on profit/loss for the year	5	1,217	1,483
Profit/loss for the year	6	**43,466**	**67,961**

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	8	3,688	0
Development projects in progress	8	2,052	4,599
Intangible assets	7	**5,740**	**4,599**
Investments in group enterprises		376,176	363,288
Investments in associates		87,916	82,486
Other receivables		3,400	3,700
Financial assets	9	**467,492**	**449,474**
Fixed assets		**473,232**	**454,073**
Trade receivables		9	19
Receivables from group enterprises		156,467	129,333
Receivables from associates		4,495	4,521
Other receivables		591	201
Tax receivable		479	1,677
Joint taxation contribution receivable		8,510	12,147
Receivables from owners and management	10	93	0
Prepayments	11	308	197
Receivables		**170,952**	**148,095**
Current assets		**170,952**	**148,095**
Assets		**644,184**	**602,168**

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		10,000	10,000
Reserves for loans and collateral		93	0
Reserve for development costs		4,478	3,588
Retained earnings		577,734	547,973
Equity		**592,305**	**561,561**
Deferred tax	12	1,263	1,011
Provisions		**1,263**	**1,011**
Bank loans		26,847	24,620
Trade payables		768	811
Payables to group enterprises		15,786	6,620
Joint taxation contribution payable		1,415	1,418
Other payables		5,800	6,127
Current liabilities other than provisions		**50,616**	**39,596**
Liabilities other than provisions		**50,616**	**39,596**
Equity and liabilities		**644,184**	**602,168**
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2020

	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	0	3,588	547,973	561,561
Exchange rate adjustments	0	0	0	(12,737)	(12,737)
Value adjustments	0	0	0	15	15
Transfer to reserves	0	93	890	(983)	0
Profit/loss for the year	0	0	0	43,466	43,466
Equity end of year	**10,000**	**93**	**4,478**	**577,734**	**592,305**

Notes to parent financial statements

1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	13,751	12,445
Pension costs	1,638	1,526
Other social security costs	85	93
	15,474	**14,064**

Average number of full-time employees	**15**	**14**

	Remuneration of manage-ment 2020 DKK'000	Remuneration of manage-ment 2019 DKK'000
Total amount for management categories	3,562	3,060
	3,562	**3,060**

2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	527	0
	527	**0**

3 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	2,202	1,774
Financial income from associates	41	0
Other interest income	1,762	873
Other financial income	22	7
	4,027	**2,654**

4 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	122	102
Other interest expenses	1,896	1,047
	2,018	**1,149**

5 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	(1,468)	(1,813)
Change in deferred tax	251	330
	(1,217)	**(1,483)**

6 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	43,466	67,961
	43,466	**67,961**

7 Intangible assets

	Completed development projects DKK'000	Development projects in progress DKK'000
Cost beginning of year	0	4,599
Transfers	4,215	(4,215)
Additions	0	1,668
Cost end of year	**4,215**	**2,052**
Amortisation for the year	(527)	0
Amortisation and impairment losses end of year	**(527)**	**0**
Carrying amount end of year	**3,688**	**2,052**

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 2020, 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 2021. 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	Investments in associates DKK'000	Other receivables DKK'000
Cost beginning of year	507,874	56,839	3,700
Additions	4,597	0	0
Disposals	0	0	(300)
Cost end of year	**512,471**	**56,839**	**3,400**
Revaluations beginning of year	(144,586)	25,647	0
Exchange rate adjustments	(12,369)	(368)	0
Amortisation of goodwill	0	(1,223)	0
Share of profit/loss for the year	41,635	7,021	0
Dividend	(21,000)	0	0
Fair value adjustments	25	0	0
Revaluations end of year	**(136,295)**	**31,077**	**0**
Carrying amount end of year	**376,176**	**87,916**	**3,400**
Goodwill or negative goodwill recognised during the financial year	(497)	-	

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

Investments in associates	Registered in	Corporate form	Ownership %
Rumænien Invest A/S	Hjørring	A/S	48,8
BD France SAS	Plabannec, France	SAS	50,0

10 Receivables from owners and management

Receivables from shareholders and Management consist of a legal loan to the shareholders approved by the general meeting. The loan is expected to be repaid during 2021.

11 Prepayments

Prepayments comprise prepaid expenses.

12 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	1,263	1,011
Deferred tax	**1,263**	**1,011**

Changes during the year	2020 DKK'000	2019 DKK'000
Beginning of year	1,011	681
Recognised in the income statement	252	330
End of year	**1,263**	**1,011**

13 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	**404**	**728**

14 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.

15 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 8,002k. The mortgage debt in group enterprises amounts to DKK 7,094k.

16 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.

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).

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

Goodwill
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 one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other 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. Useful lives are reassessed annually. The amortisation periods used are 5-15 years.

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

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.

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.

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 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.

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.