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DanHatch Holding A/S

Rugerivej 26
9760 Vrå
Central Business Registration
No 38223038

Annual report 2018

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting

Name: Ole Christensen

Contents

Entity details

Entity
DanHatch Holding A/S
Rugerivej 26
9760 Vrå

Central Business Registration No (CVR): 38223038
Registered in: Hjørring
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Christian Pagaard Junker, Chairman
Ole Christensen, Vice Chairman
Henning Haahr
Kristian Johnsen Hundebøll

Executive Board
Kristian Holm Kristensen, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4. sal
9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DanHatch Holding A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 07.02.2019

Executive Board

Kristian Holm Kristensen
CEO

Board of Directors

Christian Pagaard Junker Chairman	Ole Christensen Vice Chairman	Henning Haahr
Kristian Johnsen Hundebøll		

Independent auditor's report

To the shareholders of DanHatch Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of DanHatch Holding A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these 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 Parent’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 Parent’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 07.02.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

René Winther Pedersen
State Authorised Public Accountant
Identification No (MNE) mne34173

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

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	1.094.351	1.109.701	1.052.039	961.112	885.126
Gross profit/loss	216.552	261.020	229.761	179.665	185.052
Operating profit/loss	37.873	87.864	55.206	22.539	38.055
Net financials	10.844	(2.580)	(3.478)	(4.533)	(6.162)
Profit/loss for the year	40.853	68.123	39.780	14.854	20.884
Total assets	924.025	932.881	883.951	827.663	729.240
Investments in property, plant and equipment	43.852	91.436	185.718	128.714	52.010
Equity	511.783	474.458	391.588	354.239	306.487
Ratios					
Gross margin (%)	19,8	23,5	21,8	18,7	20,9
Net margin (%)	3,7	6,1	3,8	1,5	2,4
Return on equity (%)	8,3	15,7	10,7	4,5	8,7
Equity ratio (%)	55,4	50,9	44,3	42,8	42,0

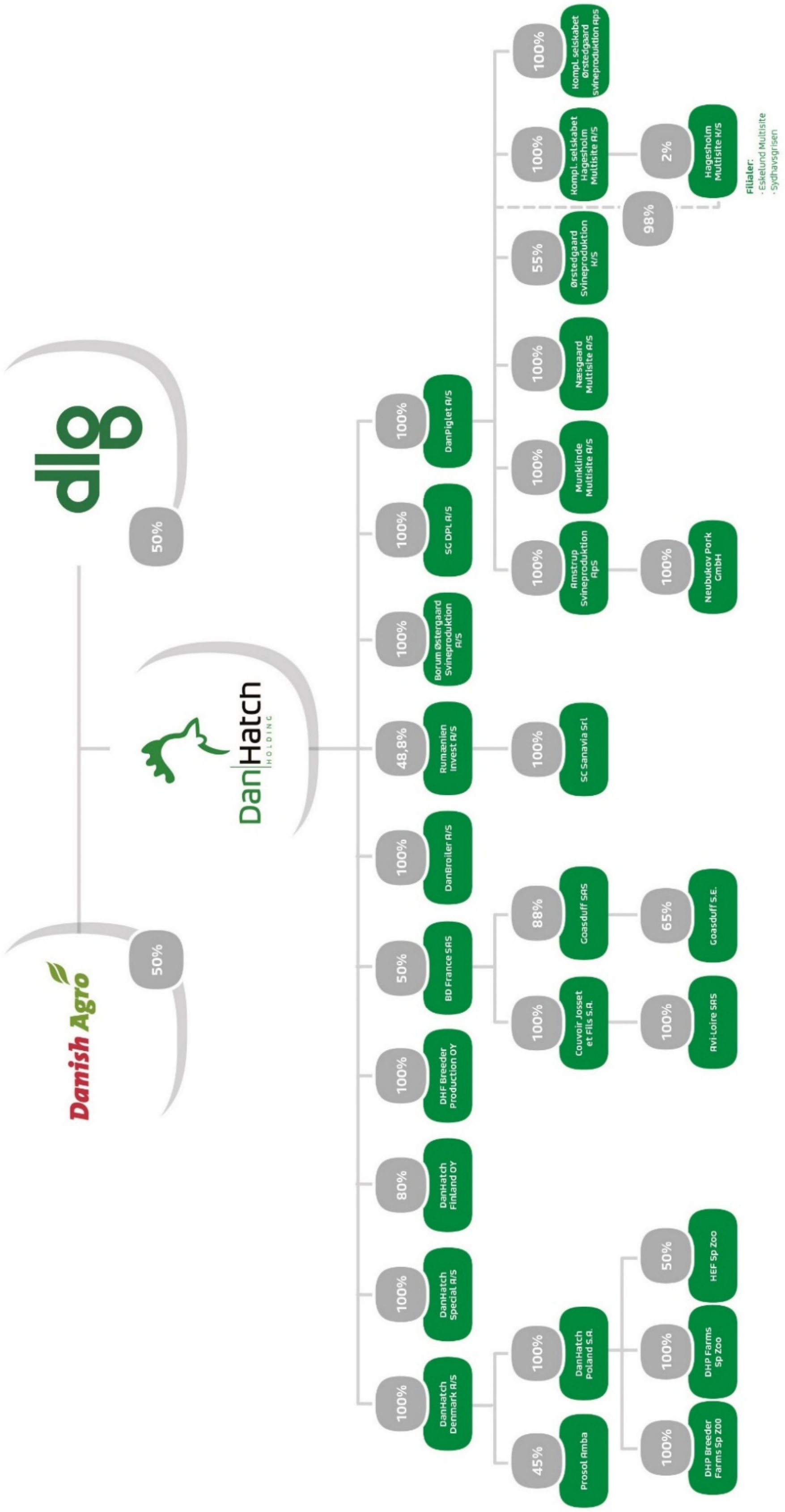
Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

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

Management commentary

Primary activities

Company structure at 31.12.2018



Management commentary

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.

DanHatch Holding A/S is parent to the Group's operations.

Development in activities and finances

Increased sales

In 2018, the DanHatch Group increased its total sales to a record high of 419 million day-old chicks compared to 293 million last year. This increase in sales has primarily been a result of a massive expansion of the hatching activities in France because of a series of acquisitions but also because of organic growth in the Polish market and several export markets.

At financial year-end, the Group’s total hatching capacity amounted to close on 480 million day-old chicks and thus allows for continued growth in the years ahead.

Expansion in the French market

The DanHatch Group’s French arm, BD France SAS, which is owned on a fifty-fifty basis with the Belgian cooperative partner Belgabroed Group, expanded quite heavily during 2018 and reached a total sales volume of 146 million day-old chicks, or about 25% of the French market for conventional day-old chicks for broiler production. This growth was brought about organically and by acquiring the three hatcheries Josset, Avi-Loire and St. Marcellin in H1 2018. So strictly geographically, BD France’s hatcheries now cover the key areas of broiler production in the eastern, western and north-western parts of France.

At year-end 2018, the DanHatch Group together with its partner Belgabroed Group, including BD France, is the largest hatching group to produce day-old chicks for broiler production in Europe.

Developments in other poultry activities

In 2018, DanHatch Denmark’s two Danish hatcheries sold 145.1 million conventional day-old chicks, 119.1 million of which were sold on the domestic market and 26.0 million were exported. Total sales were 5.0 million over the 2017 level and relate to the increase in domestic slaughterings and in exports to more countries in Eastern Europe. Danish hatching egg exports stood at 32.4 million eggs in 2018, which is a slight increase on last year.

DanHatch Special’s Danish production of organic and slow-growing day-old chicks also saw a positive market development in 2018 when sales went up by 0.8 million to 2.2 million day-old chicks. This increase was primarily attributable to a growing demand for organic chicks by Danish slaughterhouses.

Danish broiler production was in 2018 influenced by a most positive development in productivity, with the foundation being delivery of healthy and robust day-old chicks of high quality from DanHatch Denmark’s hatcheries.

Productivity and parent animal health status have stabilised in 2018 at last year's satisfactory level. This has provided a basis for reasonable and stable earnings in the Company’s breeding and hatching egg production, although this was challenged in Q4 2018 by surging prices of raw materials for producing feed.

Management commentary

In 2018, the DanHatch Group’s foreign hatcheries in Poland and Finland operated on markets with growth rates of around 5-6%. However, this only lead to increased sales for DanHatch Poland whereas DanHatch Finland’s sales during the year were adversely affected by technical challenges at a significant customer and so only increased slightly to 36.8 million day-old chicks. DanHatch Poland on the other hand recorded an increase of 3.7 million day-old chicks, leading to total sales of 89.0 million chicks based on growing broiler production as a result of handsome growth in Poland’s export of processed poultry products.
For the Group’s broiler activities of DanHatch Denmark A/S and DanBroiler A/S, earnings have been satisfactory throughout the year, which is attributable mainly to a good and stable level of productivity and reasonable price relatives in the first three quarters of the year.

Pig activities
The Group’s pig operations under DanPiglet A/S have in 2018 had activities at 7 sow plants producing 30-kilo pigs. A total of 269,300 piglets were produced based on 8,300 yearling sows. This is equivalent to an average productivity rate of 32.4 piglets produced per yearling sow. After some years of heavy productivity growth, this stagnated in 2018, however, by focusing on optimising day-to-day operations, on cost control, and on improving feed efficiency, it was possible to compensate for this strictly financially.

After being high in 2017, selling prices were very low throughout 2018 and at the same time feed prices following this year’s poor crop yields have soared. All in all, this has caused the competitive situation during the year to be very unfavourable, which has resulted in an unsatisfactory financial position for these activities.

Financial situation
The DanHatch Group realised a satisfactory net profit for the financial year 2018 amounting to DKK 40.6m (including investments in group enterprises and associates but exclusive of minority interests) against a net profit of DKK 65.0m in 2017. Profit for the year includes a handsome profit from poultry production, including DanHatch Holding, of DKK 57.0m of which the share from investments in foreign hatching companies amounted to DKK 33.2m. Also, the Danish export activities realised very satisfactory earnings. Pig activities of DanPiglet A/S have contributed with an unsatisfactory loss of DKK 16.4m after tax and minority interests compared to a net profit of DKK 21.8m in 2017.

Total group revenue amounted to DKK 1,094.4m against DKK 1,109.7m in 2017 (adjusted compared to last year’s Annual Report). Revenue from poultry activities amounted to DKK 991.2m of which the activities of DanHatch Finland Oy and DanHatch Poland S.A. collectively accounted for DKK 479.8m, whereas revenue of DanPiglet A/S was DKK 103.2m.

The Group’s investments in operations totalled DKK 45.7m in 2018. These included major renovations of hatching egg production plants and investments in transport vehicles, automation devices and replacement of operating equipment.

In spring 2018, total dividends of DKK 239m were distributed by the Group's subsidiaries to the Parent, DanHatch Holding A/S.

A committed and loyal workforce is a key precondition for the DanHatch Group’s fine financial performance. The employees of each group company are the most important asset of the different operations, and through

Management commentary

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

Profit/loss for the year in relation to expected developments
Profit for the year exclusive of minority interests stands at DKK 40.6m, which is at the lower end of the expected earnings range of DKK 40-50m. The main reason for earnings being at this lower end and poorer than last year was very low selling prices of piglets during much of the year. Conversely, positive developments in the French activities acquired have helped generate an overall record-breaking profit from the Group’s poultry activities.

Poultry activities
In the years ahead, the DanHatch Group expects to grow in many of the day-old chicks markets that it is operating on today. One of the reasons is organic growth through a generally increasing demand for broiler products, but another is the establishment of business relationships with new players along with increased market shares in more countries because of ongoing consolidation of the hatchery stage. To cope with this growth, a number of investment projects will be launched in 2019 in e.g. Poland and France to boost hatching capacity but also to ensure upgrading of some hatcheries with focus on product quality and process efficiency.

At the same time, these years are witnessing a considerable consolidation of the European broiler sector which may lead to some very exciting development perspectives for the DanHatch Group. However, it is important to point out in this respect that the Group’s growth strategy focuses strongly on profitable development of both existing and new markets where it is possible to create synergy effects in relation to existing hatching activities.

Pig activities
In 2019, the financial performance of the DanPiglet Group will be highly dependent on the developments in production efficiency as well as selling and feed prices where the development in the competitive situation is the most important factor. Also, any continued spread of the African swine fever which in 2018 spread to e.g. Belgium may have a bearing on pricing and the opportunities for exporting piglets from Denmark. The competitive situation for piglet production has been highly unsatisfactory throughout the financial year 2018, however, 2019 was off with increasing selling prices and some forecasts that point to considerable increases in prices in H1. However, all forecasts emphasise the unusually great market uncertainties due to the risk of trade wars, Brexit and outbreaks of swine fever, for which reason expectations for next year's average selling price and hence the competitive situation are moderate.

For years, the overarching strategy for the Group’s pig activities has been to perform a controlled liquidation. In this regard, the ownership structure of multiple production plants was streamlined in 2018 and there have been negotiations with potential buyers. Expectations are that these steps may result in further divestments in 2019.

Outlook
For the financial year 2019, Management of DanHatch Holding A/S expects a satisfactory group profit, which will be a little higher than that realised in 2018. 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, trade restrictions by third countries as well as fluctuations

Management commentary

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 links will always be exposed to the risk of impact of different diseases. This means that a number of preventive measures are continuously taken and will be taken to meet these risks, primarily through comprehensive vaccination procedures, maintenance of a good state of health and a high biosecurity level.

The introduction of Salmonella primarily in the Group's poultry production systems is one of the risk moments that may have a financial impact on the Company in the short as well as long run. 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 and also minimise 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 specialised in this area. This means that payments to the previous solidarity arrangement in the independent co-operative society – Prosol A.m.b.A. have ceased while the company is maintained so far. The capital in the company remains as a reserve and can still be used for extraordinary or unforeseen disease outbreaks in breeding and hatching egg production. Overall, these two arrangements contribute to reducing the operational economic risk profile of DanHatch Denmark's own breeding and hatching egg facilities. Abroad, only DanHatch 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.

Interest rate risks

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

Currency risks

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

Management commentary

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

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

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 climatic impacts.

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 2018, one incident of Salmonella infection in the breeding and 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.

Diversity and social inclusion
DanHatch aims to be a diverse workplace with a broad composition of employees across age, gender and culture. Based in a desire to exercise social responsibility while optimally using all of society's resources, the

Management commentary

Group also has focus on social inclusion of individuals who due to, say, disability, attrition or long unemployment find it difficult to find an initial foothold in the labour market. This is why continuous efforts are made in Denmark together with the job centres to establish flexible jobs and company internship programmes. This also includes programmes for refugees who want to join the Danish labour market.

Management programmes
In 2018, the Group decided to invest in upgrading the skills of its Danish executives. Consequently, all staff holding managerial responsibilities have attended a programme with an external consultant, with the pivot being the development of managerial skills. This focus on management was adopted based on the awareness that good management has a huge impact on the employees' individual development and well-being. Qualified executives can therefore help boost the other employees and ultimately be the key to a sound working environment.

The management programme has been very rewarding, for which reason it has no end date but will be expanded further in the years ahead.

Psychological working environment
Even though as a rule, it is Management's responsibility to ensure a sound working environment, the individual employees too have a share in this responsibility. This is why the employees are regularly trained in how they may each contribute to a good physicl and psychological working environment.

The 2018 focus of DanHatch Holding's and DanHatch Denmark's joint consultation committee and working environment committee has been particularly on the psychological working environment that was chosen as the annual theme across these committees early in the year. As an introduction, the committees had a course day on this theme, and then the same course was rolled out to the rest of the organisations. Divided into the respective staff groups and one management team, all employees have completed a course day on psychological working environment in the last half of 2018 together with an external consultant. The course was built on Jung's typology. The overall aim was to give the employees a better understanding of their own and their colleagues' personalities, which may be useful in working relationships. Subsequently, both course and course organiser received very positive feedback from the different staff groups. This is why it has decided to continue the collaboration with the course organiser in 2019 when the work on the psychological working environment theme will continue across the organisations.

Skills development for all employees
This year, DanHatch's Danish poultry operations started an e-learning project with a view to developing electronic courses that each employee may take irrespective of time and place. E-learning is to serve as a supplement to the other seminars being offered and help ensure that new employees are given a consistent training that is tailored to their role in the Company. Also, e-learning is to serve as a tool of documentation with respect to the increasing training requirements posed by several of the Group's third-party auditors.

At the DanHatch Group, great importance is attached to the professional and personal development of the employees, and the ongoing development of skills adds value to the employee as well as the Company. Also, the Group considers it a social responsibility to make sure that its employees remain attractive in the labour market for more years than before.

Management commentary

Health promoting measures
Every year, many of the Group's employees participate in various fitness runs and other health promoting initiatives. Generally, it is the employees themselves that propose the various events, after which the HR Department is in charge of facilitating them. In the financial year closed, employees participated in the "Tæl Skridt" (Count Steps) campaigns, "Vendsyssel på Vægten" (Vendsyssel on the Scales), LadyWalk, the DHL Relay Race and a spinning event. Several of these events also saw participation in previous years, however, attendance in 2018 was even greater. This bears witness to the health promoting initiatives providing value to the employees, and the effect of these initiatives is also of great benefit to the Company from a health perspective as well as a social perspective. Ultimately, the improved level of health is also of benefit to society in general.

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 2018 either internally or with cooperative partners.

Business ethics and anti-corruption
The DanHatch Group is based in Denmark, which 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. Moreover, the Group observes an invariable code of conduct under which any form of bribery or other elements of corruption are not acceptable in any types of trading transactions or business arrangements. This code of conduct applies in all markets in which the Group carries on business. 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 2018.

Environmental and climatic conditions
All the Group's production plants are subject to the same environmental legislation for agriculture-related activities and are approved by the relevant authorities. In 2018, the environmental approval of four Danish production facilities was reconsidered. In this context, no matters were identified or further requirements were made which in significant areas have deviated from the framework of the previous environmental approvals.

The Group prepares and submits annual fertiliser accounts for all production facilities, which contributes to documenting compliance with the rules governing environmental impact. It is also monitored through continuous efficiency controls that the permitted production volume is not exceeded. To prevent damage to waste water tanks and fertiliser tanks, these are regularly subject to independent external inspection. In 2018, no irregularities have been identified relating to fertiliser allocation and waste water and fertiliser tanks.

Management commentary

In the Group's Polish subsidiary, an environmental application process was initiated in 2016 after the purchase of six plots of land to establish future breeding and hatching egg production. So far, four environmental permits have been obtained, and two processes have been almost completed. Late in 2018, another environmental application process was initiated to expand the hatching capacity at DanHatch Poland's hatchery in Stary widzim. Expectations are in this context that construction of a facility may be started in the summer of 2019 that will increase annual hatching to close on 120 million day-old chicks.

Based on heavy focus on the Group's energy consumption, a number of energy-optimising investments in production facilities in both poultry and pig production are continuously made, including setting up of new heat sources for alternative fuel types and more energy-efficient ventilation and lighting. In connection with several of the investments, CO_2 quotas are sold as a result of the reduced energy consumption. In 2018, no projects with grants for energy efficiency have been completed, but several minor energy optimization initiatives have been carried out for which the saving has not been quantified. Also, the Group's trucks are replaced on a regular basis, meaning more energy-efficient engines which, in combination with driver training, result in lower fuel consumption and lower CO_2 emission.

Statutory report on the underrepresented gender

The members of the Group's boards of directors elected by the general meeting are elected from the shareholders' management bodies, and the gender distribution between male and female members thus depends on the gender composition in these bodies. There are female board members in several of the Group's companies, and DanHatch intends to have an average female representation on the boards in reporting class "C" (large) enterprises of at least 30% by 2020.

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

Similarly, DanHatch Denmark A/S has four board members who are all men and were elected by the general meeting. To this should be added two staff-elected members, one of each gender in 2018. So DanHatch Denmark A/S has not yet achieved its target either. The reason for this is that there has not been any replacement of board members during the year.

The DanHatch Group's target for the gender distribution comprises an overall desire to have a minimum of 40% female managers. Through active recruitment of new managers as well as a structured development programme for selected female employees, the target for 2018, however, has not been achieved. The Company's share of female managers was 28.1% in 2018. 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 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	1.094.351	1.109.701
Own work capitalised		886	1.269
Other operating income		15.333	11.970
Costs of raw materials and consumables		(771.672)	(735.871)
Other external expenses	2	(122.346)	(126.049)
Gross profit/loss		**216.552**	**261.020**
Staff costs	3	(124.532)	(119.387)
Depreciation, amortisation and impairment losses	4	(54.131)	(53.769)
Other operating expenses		(16)	0
Operating profit/loss		**37.873**	**87.864**
Income from investments in associates		14.591	519
Income from other fixed asset investments		0	224
Other financial income		3.379	4.006
Other financial expenses		(7.126)	(7.329)
Profit/loss before tax		**48.717**	**85.284**
Tax on profit/loss for the year	5	(7.864)	(17.161)
Profit/loss for the year	6	**40.853**	**68.123**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Acquired intangible assets		169	742
Goodwill		4.585	8.019
Development projects in progress		3.097	1.231
Intangible assets	7	**7.851**	**9.992**
Land and buildings		384.126	396.763
Plant and machinery		83.569	87.151
Other fixtures and fittings, tools and equipment		61.380	68.816
Leasehold improvements		6.085	6.904
Biological assets		24.375	24.368
Property, plant and equipment in progress		21.162	7.834
Property, plant and equipment	8	**580.697**	**591.836**
Investments in associates		72.147	38.733
Other investments		4.375	4.361
Deposits		981	976
Other receivables		12.639	28.698
Fixed asset investments	9	**90.142**	**72.768**
Fixed assets		**678.690**	**674.596**
Raw materials and consumables		62.491	55.977
Work in progress		25.233	28.390
Manufactured goods and goods for resale		17.694	23.671
Prepayments for goods		0	344
Inventories		**105.418**	**108.382**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Trade receivables		117.564	114.583
Deferred tax	11, 13	2.340	3.699
Other receivables		12.507	12.277
Income tax receivable		435	738
Prepayments	12	2.371	4.440
Receivables		**135.217**	**135.737**
Other investments		88	88
Other investments		**88**	**88**
Cash		**4.612**	**14.078**
Current assets		**245.335**	**258.285**
Assets		**924.025**	**932.881**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		10.000	10.000
Revaluation reserve		8.508	9.040
Reserve for development expenditure		2.416	960
Retained earnings		470.739	434.377
Equity attributable to the Parent's owners		**491.663**	**454.377**
Share of equity attributable to minority interests		**20.120**	**20.081**
Equity		**511.783**	**474.458**
Provisions for pension liabilities etc		85	77
Deferred tax	11, 13	18.975	19.302
Other provisions	14	2.050	1.502
Provisions		**21.110**	**20.881**
Subordinate loan capital		0	2.025
Mortgage debt		93.076	100.988
Bank loans		81.993	94.908
Finance lease liabilities		1.473	2.062
Non-current liabilities other than provisions	15	**176.542**	**199.983**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Current portion of long-term liabilities other than provisions	15	47.633	31.604
Bank loans		48.350	88.566
Trade payables		74.879	82.929
Payables to associates		111	0
Income tax payable		2.222	432
Other payables		41.395	34.028
Current liabilities other than provisions		**214.590**	**237.559**
Liabilities other than provisions		**391.132**	**437.542**
Equity and liabilities		**924.025**	**932.881**

Associates	10
Financial instruments	17
Unrecognised rental and lease commitments	18
Contingent liabilities	19
Assets charged and collateral	20
Transactions with related parties	21
Subsidiaries	22

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Revaluation reserve DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10.000	9.040	960	434.377
Exchange rate adjustments	0	0	0	(3.397)
Value adjustments	0	0	0	95
Tax of entries on equity	0	0	0	(21)
Transfer to reserves	0	(532)	1.456	(924)
Profit/loss for the year	0	0	0	40.609
Equity end of year	**10.000**	**8.508**	**2.416**	**470.739**

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	20.081	474.458
Exchange rate adjustments	(205)	(3.602)
Value adjustments	0	95
Tax of entries on equity	0	(21)
Transfer to reserves	0	0
Profit/loss for the year	244	40.853
Equity end of year	**20.120**	**511.783**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		37.873	87.864
Amortisation, depreciation and impairment losses		53.812	53.427
Other provisions		556	1.516
Working capital changes	16	1.345	8.743
Cash flow from ordinary operating activities		**93.586**	**151.550**
Financial income received		3.060	4.006
Financial expenses paid		(7.058)	(7.329)
Income taxes refunded/(paid)		(4.718)	(10.032)
Cash flows from operating activities		**84.870**	**138.195**
Acquisition etc of intangible assets		(1.871)	(1.235)
Acquisition etc of property, plant and equipment		(43.852)	(58.966)
Sale of property, plant and equipment		1.525	27.240
Acquisition of fixed asset investments		(19.356)	(50.276)
Sale of fixed asset investments		16.745	4.844
Cash flows from investing activities		**(46.809)**	**(78.393)**
Loans raised		0	65.469
Repayments of loans etc		(7.412)	0
Cash increase of capital		0	6.517
Cash flows from financing activities		**(7.412)**	**71.986**
Increase/decrease in cash and cash equivalents		**30.649**	**131.788**
Cash and cash equivalents beginning of year		(74.488)	(206.277)
Currency translation adjustments of cash and cash equivalents		101	1
Cash and cash equivalents end of year		**(43.738)**	**(74.488)**
Cash and cash equivalents at year-end are composed of:			
Cash		4.612	14.078
Short-term debt to banks		(48.350)	(88.566)
Cash and cash equivalents end of year		**(43.738)**	**(74.488)**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
Revenue by geographical market		
Danmark	498.152	576.407
Andre EU-lande	550.021	506.413
Andre europæiske lande	46.178	26.881
	1.094.351	**1.109.701**
Revenue by activity		
Poultry production	991.537	943.814
Pig production	102.814	165.887
	1.094.351	**1.109.701**

	2018 DKK'000	2017 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	595	572
Other assurance engagements	13	56
Tax services	80	40
Other services	215	267
	903	**935**

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	105.533	103.620
Pension costs	10.027	9.501
Other social security costs	6.644	5.352
Other staff costs	2.328	914
	124.532	**119.387**
Average number of employees	**340**	**322**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	4.761	4.570
	4.761	**4.570**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	4.011	3.911
Depreciation of property, plant and equipment	50.120	49.858
	54.131	**53.769**

	2018 DKK'000	2017 DKK'000
5. Tax on profit/loss for the year		
Current tax	7.035	8.797
Change in deferred tax	1.032	8.364
Adjustment concerning previous years	(203)	0
	7.864	**17.161**

	2018 DKK'000	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	40.609	64.982
Minority interests' share of profit/loss	244	3.141
	40.853	**68.123**

	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
7. Intangible assets			
Cost beginning of year	5.780	46.854	1.231
Exchange rate adjustments	(4)	0	0
Additions	5	0	1.866
Disposals	(485)	0	0
Cost end of year	**5.296**	**46.854**	**3.097**
Amortisation and impairment losses beginning of year	(5.038)	(38.835)	0
Exchange rate adjustments	3	0	0
Amortisation for the year	(453)	(3.434)	0
Amortisation, depreciation and impairment losses on assets disposed of	(124)	0	0
Reversal regarding disposals	485	0	0
Amortisation and impairment losses end of year	**(5.127)**	**(42.269)**	**0**
Carrying amount end of year	**169**	**4.585**	**3.097**

Notes to consolidated financial statements

Development projects

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform, which is expected to be completed within 1-2 years. The IT platform is going to replace the Company's current production tool and is not expected to be resold. The development proceeds as planned in line with deadlines and financial resources. Management has not found any reason to write down the recognised development asset.

8. Property, plant and equipment	**Land and buildings DKK'000**	**Plant and machinery DKK'000**	**Other fixtures and fittings, tools and equipment DKK'000**	**Leasehold improve-ments DKK'000**
Cost beginning of year	725.267	226.918	217.858	10.233
Exchange rate adjustments	(2.610)	(2.093)	(396)	0
Transfers	997	3.778	633	0
Additions	13.364	6.928	4.392	0
Disposals	0	(875)	(2.214)	(2)
Cost end of year	**737.018**	**234.656**	**220.273**	**10.231**
Revaluations beginning of year	22.500	0	7.149	0
Reversal of revaluations	0	0	(3)	0
Revaluations end of year	**22.500**	**0**	**7.146**	**0**
Depreciation and impairment losses beginning of year	(351.004)	(139.767)	(156.191)	(3.329)
Exchange rate adjustments	427	741	253	0
Transfers	131	0	0	(131)
Depreciation for the year	(24.946)	(12.878)	(11.532)	(688)
Reversal regarding disposals	0	817	1.431	2
Depreciation and impairment losses end of year	**(375.392)**	**(151.087)**	**(166.039)**	**(4.146)**
Carrying amount end of year	**384.126**	**83.569**	**61.380**	**6.085**
Carrying amount if asset had not been revalued	**372.568**	**-**	**61.380**	**-**

Notes to consolidated financial statements

	Biological assets DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment		
Cost beginning of year	24.368	7.834
Exchange rate adjustments	0	(62)
Transfers	0	(5.409)
Additions	369	18.799
Disposals	(362)	0
Cost end of year	**24.375**	**21.162**
Revaluations beginning of year	0	0
Reversal of revaluations	0	0
Revaluations end of year	**0**	**0**
Depreciation and impairment losses beginning of year	0	0
Exchange rate adjustments	0	0
Transfers	0	0
Depreciation for the year	0	0
Depreciation and impairment losses end of year	0	0
Depreciation and impairment losses end of year	**0**	**0**
Carrying amount end of year	**24.375**	**21.162**
Carrying amount if asset had not been revalued	**-**	**-**

Notes to consolidated financial statements

9. Fixed asset investments	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	40.674	4.594	976	28.698
Additions	18.627	712	17	0
Disposals	0	(698)	(12)	(16.059)
Cost end of year	**59.301**	**4.608**	**981**	**12.639**
Revaluations beginning of year	(1.941)	(233)	0	0
Exchange rate adjustments	197	0	0	0
Amortisation of goodwill	(1.156)	0	0	0
Share of profit/loss for the year	15.746	0	0	0
Revaluations end of year	**12.846**	**(233)**	**0**	**0**
Carrying amount end of year	**72.147**	**4.375**	**981**	**12.639**
Goodwill or negative goodwill recognized during the financial year	**(4.889)**	**-**	**-**	**-**

10. Associates	Registered in	Equity interest %
Rumænien Invest A/S	Hjørring	48,8
BD France SAS	Plabannec, France	50,0

11. Deferred tax

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

Recognised tax asset in the Group includes DKK 9,477k from recognised value of a 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, a value of DKK 2,906k of the tax-loss carryforward has been utilised.

12. Prepayments

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

Notes to consolidated financial statements

	2018 DKK'000
13. Deferred tax	
Changes during the year	
Beginning of year	15.603
Recognised in the income statement	1.032
End of year	**16.635**

14. Other provisions

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

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Subordinate loan capital	2.025	0	0	0
Mortgage debt	9.297	8.647	93.076	84.498
Bank loans	35.613	22.092	81.993	0
Finance lease liabilities	698	865	1.473	102
	47.633	**31.604**	**176.542**	**84.600**

	2018 DKK'000	2017 DKK'000
16. Change in working capital		
Increase/decrease in inventories	2.964	5.267
Increase/decrease in receivables	(1.142)	(9.751)
Increase/decrease in trade payables etc	(477)	13.227
	1.345	**8.743**

17. Financial instruments

To secure the interest rate of part of non-current liabilities, an interest rate swap has been contracted with maturity on 30.12.2020. The interest rate swap has a principal amount of DKK 1,368k and a negative value at the balance sheet date of DKK 104k. The negative value is included in the balance sheet date under other payables (current liabilities).

	2018 DKK'000	2017 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**41.424**	**37.978**

Notes to consolidated financial statements

19. Contingent liabilities

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

20. Assets charged and collateral

The Group's mortgage debt of DKK 102,373k is secured by way of mortgage on property, plant and equipment and inventories at a carrying amount of DKK 686,115k.

Bank loans of DKK 165,956k, including cashpool, are secured by way of mortgage deeds totalling DKK 80,540k on property, plant and equipment and inventories whose carrying amount at 31.12.2018 is DKK 686,115k.

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

21. Transactions with related parties

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

Notes to consolidated financial statements

	Registered in	Corpo-rate form	Equity inte-rest %
22. Subsidiaries			
DanHatch Denmark A/S	Hjørring	A/S	100,0
DanHatch Polen S.A.	Wolsztyn, Poland	S.A.	100,0
DHP Breeder Farms Sp. z.o.o.	Wolsztyn, Poland	Sp. z.o.o.	100,0
DHP Farms Sp. z.o.o.	Wolsztyn, Poland	Sp. z.o.o.	100,0
Hatching Eggs Farms Sp. z.o.o	Wolsztyn, Poland	Sp. z.o.o.	50,0
DanBroiler A/S	Hjørring	A/S	100,0
DanHatch Special A/S	Hjørring	A/S	100,0
Borum Østergaard Svineproduktion A/S	Århus	A/S	100,0
Ørstedgaard Svineproduktion K/S	Roskilde	K/S	55,0
Munklinde Multisite A/S	Ikast-Brande	A/S	100,0
Hagesholm Multisite K/S	Holbæk	K/S	100,0
Næsgård Multisite A/S	Guldborgsund	A/S	100,0
SG DPL A/S	Lolland	A/S	100,0
Ørstedgaard Svineproduktion ApS	Hjørring	ApS	100,0
Komplementarselskabet Hagesholm Multisite ApS	Hjørring	ApS	100,0
Amstrup Svineproduktion ApS	Hjørring	ApS	100,0
Neubukow Pork GmbH	Harrislee, Germany	GmbH	100,0
DanPiglet A/S	Hjørring	A/S	100,0
DanHatch Finland OY	Mynämäki, Finland	OY	80,0
DHF Breeder OY	Mynämäki, Finland	OY	100,0

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue		9.216	10.073
Own work capitalised		792	1.231
Other external expenses		(5.881)	(6.096)
Gross profit/loss		**4.127**	**5.208**
Staff costs	1	(12.073)	(12.104)
Operating profit/loss		**(7.946)**	**(6.896)**
Income from investments in group enterprises		32.257	72.228
Income from investments in associates		14.591	519
Other financial income	2	2.733	1.757
Other financial expenses	3	(2.622)	(4.387)
Profit/loss before tax		**39.013**	**63.221**
Tax on profit/loss for the year	4	1.596	1.761
Profit/loss for the year	5	**40.609**	**64.982**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Development projects in progress		3.097	1.231
Intangible assets	6	**3.097**	**1.231**
Investments in group enterprises		381.183	573.556
Investments in associates		72.148	38.733
Other receivables		4.000	19.125
Fixed asset investments	7	**457.331**	**631.414**
Fixed assets		**460.428**	**632.645**
Trade receivables		2	1.346
Receivables from group enterprises		75.590	48.601
Other receivables		296	710
Joint taxation contribution receivable		8.597	15.002
Prepayments	8	205	176
Receivables		**84.690**	**65.835**
Current assets		**84.690**	**65.835**
Assets		**545.118**	**698.480**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		10.000	10.000
Reserve for net revaluation according to the equity method		0	84.094
Reserve for development expenditure		2.416	960
Retained earnings		479.247	359.323
Equity		**491.663**	**454.377**
Deferred tax	9	681	271
Provisions		**681**	**271**
Bank loans		24.139	75.700
Trade payables		693	1.667
Payables to group enterprises		15.384	159.325
Payables to associates		111	0
Income tax payable		1.485	79
Joint taxation contribution payable		5.105	3.892
Other payables		5.857	3.169
Current liabilities other than provisions		**52.774**	**243.832**
Liabilities other than provisions		**52.774**	**243.832**
Equity and liabilities		**545.118**	**698.480**
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Assets charged and collateral	12		
Transactions with related parties	13		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10.000	84.094	960	359.323
Exchange rate adjustments	0	(3.397)	0	0
Value adjustments	0	74	0	0
Dividends from group enterprises	0	(239.000)	0	239.000
Transfer to reserves	0	158.229	1.456	(159.685)
Profit/loss for the year	0	0	0	40.609
Equity end of year	**10.000**	**0**	**2.416**	**479.247**

	Total DKK'000
Equity beginning of year	454.377
Exchange rate adjustments	(3.397)
Value adjustments	74
Dividends from group enterprises	0
Transfer to reserves	0
Profit/loss for the year	40.609
Equity end of year	**491.663**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	10.569	10.677
Pension costs	1.415	1.343
Other social security costs	89	84
	12.073	**12.104**
Average number of employees	**14**	**14**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	3.056	2.245
	3.056	**2.245**

	2018 DKK'000	2017 DKK'000
2. Other financial income		
Financial income arising from group enterprises	1.619	1.483
Other interest income	1.097	264
Other financial income	17	10
	2.733	**1.757**

	2018 DKK'000	2017 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	763	2.620
Other interest expenses	1.859	1.767
	2.622	**4.387**

	2018 DKK'000	2017 DKK'000
4. Tax on profit/loss for the year		
Current tax	(2.006)	(2.032)
Change in deferred tax	410	271
	(1.596)	**(1.761)**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	40.609	64.982
	40.609	**64.982**

	Development projects in progress DKK'000
6. Intangible assets	
Cost beginning of year	1.231
Additions	1.866
Cost end of year	**3.097**
Carrying amount end of year	**3.097**

Development projects

Development costs comprise costs and salaries that are directly attributable to the Company's development of a new IT platform, which is expected to be completed within 1-2 years. The IT platform is going to replace the Company's current production tool and is not expected to be resold. The development proceeds as planned in line with deadlines and financial resources. Management has not found any reason to write down the recognised development asset.

Notes to parent financial statements

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
7. Fixed asset investments			
Cost beginning of year	489.984	38.212	19.125
Additions	17.892	18.627	0
Disposals	0	0	(15.125)
Cost end of year	**507.876**	**56.839**	**4.000**
Revaluations beginning of year	83.572	521	0
Exchange rate adjustments	(3.596)	198	0
Amortisation of goodwill	(341)	(1.156)	0
Share of profit/loss for the year	32.598	15.746	0
Dividend	(239.000)	0	0
Fair value adjustments	74	0	0
Revaluations end of year	**(126.693)**	**15.309**	**0**
Carrying amount end of year	**381.183**	**72.148**	**4.000**
Goodwill or negative goodwill recognized during the financial year	**-**	**(4.889)**	**-**

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

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

8. Prepayments

Prepayments comprise prepaid expenses.

Notes to parent financial statements

	2018 DKK'000
9. Deferred tax	
Changes during the year	
Beginning of year	271
Recognised in the income statement	410
End of year	**681**

Deferred tax is exclusively incumbent on intangible assets.

	2018 DKK'000	2017 DKK'000
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**461**	**631**

11. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

12. Assets charged and collateral

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

13. Transactions with related parties

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

Accounting policies

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

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

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

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

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

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

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

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in

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group equity.

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

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

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

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as 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 of 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.

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

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

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

Accounting policies

the accumulated changes are recognised as part of cost of the relevant financial statement items.

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

Income statement

Revenue

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

Own work capitalised

Own work capitalised comprises staff costs 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, including rental income and profits from sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other operating expenses

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

Accounting policies

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

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

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

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

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

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

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

Balance sheet
Goodwill
Goodwill is 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 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.

Accounting policies

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

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

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

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

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

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

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

Buildings (residual value 0-25%)	10-30 years
Plant and machinery (residual value 0%)	5-12 years
Other fixtures and fittings, tools and equipment (residual value 0%)	3-15 years
Leasehold improvements (residual value 0%)	22 years

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

Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

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

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 enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation 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 under equity.

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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 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.

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

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

Other investments
Other investments comprise shareholders' accounts, which are measured at fair value (market price) at the balance sheet date.

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

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

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

Egg laying stock is presented as raw materials and consumables together with other raw material inventories.

Inventories are recognised at the lower of cost and net realisable value. Cost consists of delivery costs and any costs of conversion.

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

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

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

Accounting policies

Cash
Cash comprises cash in hand and bank deposits.

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

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

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.

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

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

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

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

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

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

Accounting policies

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

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

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

Cash flows from investing activities comprise payments in connection with acquisition, development, improvement and divestment 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 and instalments on interest-bearing debt.

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