Danish Crown

Annual report 2019/20

NORDIC SWAN ECOLABEL
Printed matter
5041 0751

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Contents

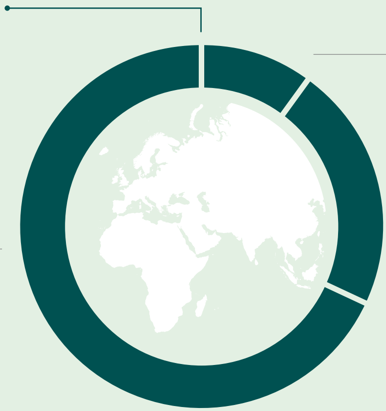
Financial highlights

Danish Crown delivered strong financial results in 2019/20 with improvements across all business areas: Fresh Meat, Foods and Casings.

● 2019/20 ● 2018/19 ● 2017/18

Global revenue

DKK 61 bn
DKK 57 bn
DKK 54 bn



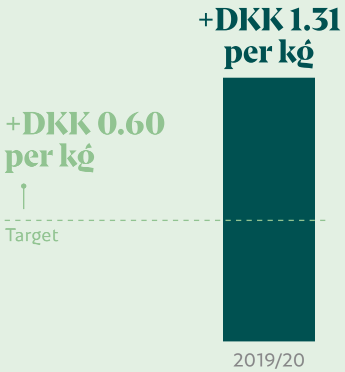
	2019/20	2018/19	2017/18
Europe	68%	72%	74%
Other	10%	11%	11%
Asia	22%	17%	15%

Revenue and EBIT by business area

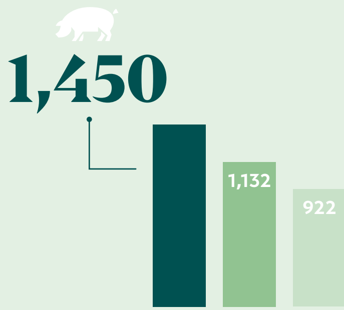
DKK 61 bn Revenue — **DKK 3 bn** EBIT

		Revenue	EBIT
Fresh Meat	2019/20	57%	46%
	2018/19	56%	55%
	2017/18	58%	52%
Foods	2019/20	36%	31%
	2018/19	37%	28%
	2017/18	35%	29%
Casings	2019/20	7%	23%
	2018/19	7%	17%
	2017/18	7%	19%

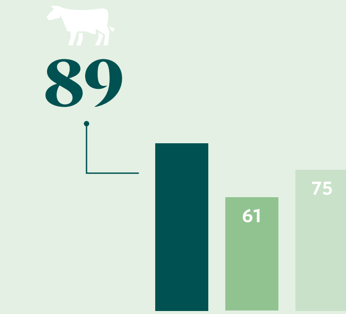
4WD target



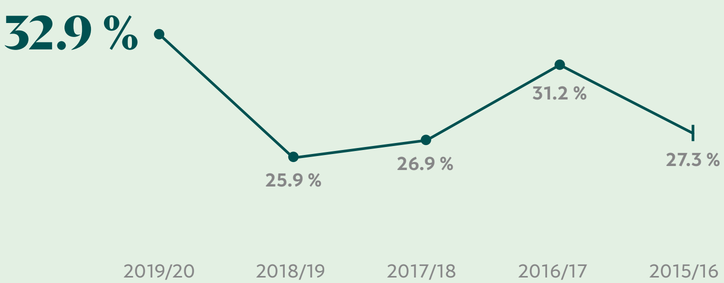
Supplementary payments for pigs (DKKm)



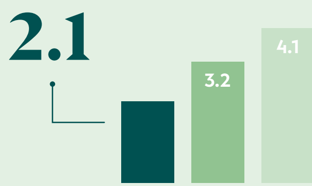
Supplementary payments for cattle (DKKm)



Solvency ratio



Financial gearing



We show the way towards sustainable food

Danish Crown has taken the reins to lead the way towards a more sustainable future for food. We do so together with our owners: the many Danish farmers who rear pigs and cattle that end up as tasty meals on dinner tables around the world. To them and to us, sustainability makes environmental sense and it is also good for business. The world needs meat that is as sustainable as possible. At Danish Crown, we work systematically to produce food for the future in a completely climate-neutral way. This is an ambitious goal, but we will achieve it – step by step.

Our business

Danish Crown is a global food company headquartered in Denmark. We are one of the world's largest exporters of pork and organic meat and among the top five producers of beef in Europe. We are owned by 5,900 Danish farmers, and as a cooperative we have an obligation to receive the pigs and cattle that our cooperative members supply.

We also slaughter livestock from farmers in Sweden, Poland and Germany. We sell fresh and processed meat via our various brands along with a series of by-products to customers in more than 130 countries. Strong customer relationships ensure that products deriving from our farmers' livestock are sold at the highest prices on the global markets.

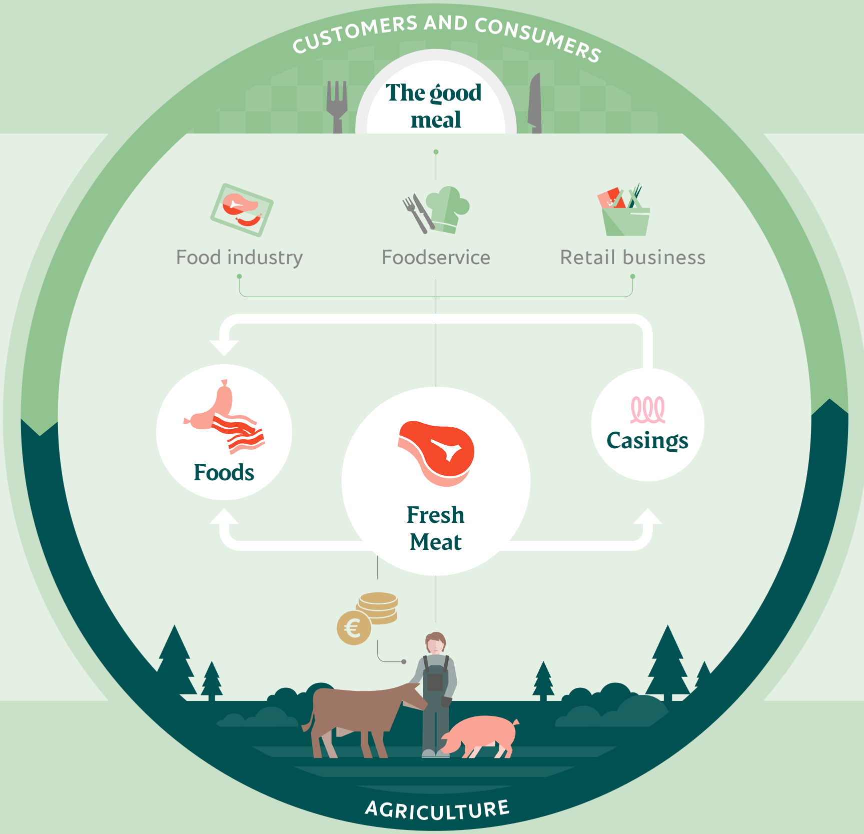
Foundation

Natural resources
Our food production is dependent on having large areas for agriculture, which makes use of the earth's natural resources, especially for the production of feed.

Technology and knowhow
Our production must be driven by ever cleaner technology and the latest knowledge to ensure sustainability, resource efficiency and high levels of food safety.

Qualified workforce
We are dependent on having a qualified workforce to run our business and develop innovative and sustainable foods.

Stakeholder dialogue
Ongoing dialogue with authorities and opinion shapers is crucial if we are to secure good operating conditions for our business and make a positive contribution to society.



Value creation

Fair payment for meat
Most of Danish Crown's earnings are paid back to our cooperative members and owners during the year through regular settlements and annual supplementary payments.

Meals for consumers
By maintaining high levels of supply security and food safety we ensure millions of high-quality meals for consumers in most parts of the world.

Sustainability from farm to fork
We lead the way towards making food production sustainable and involve our entire value chain in the process.

Local workplaces
We create jobs both directly and indirectly around the world and contribute locally to upgrading the qualifications of our workforce.

Agriculture leads the way and ensures good animal welfare, healthy livestock and works towards sustainable agriculture.

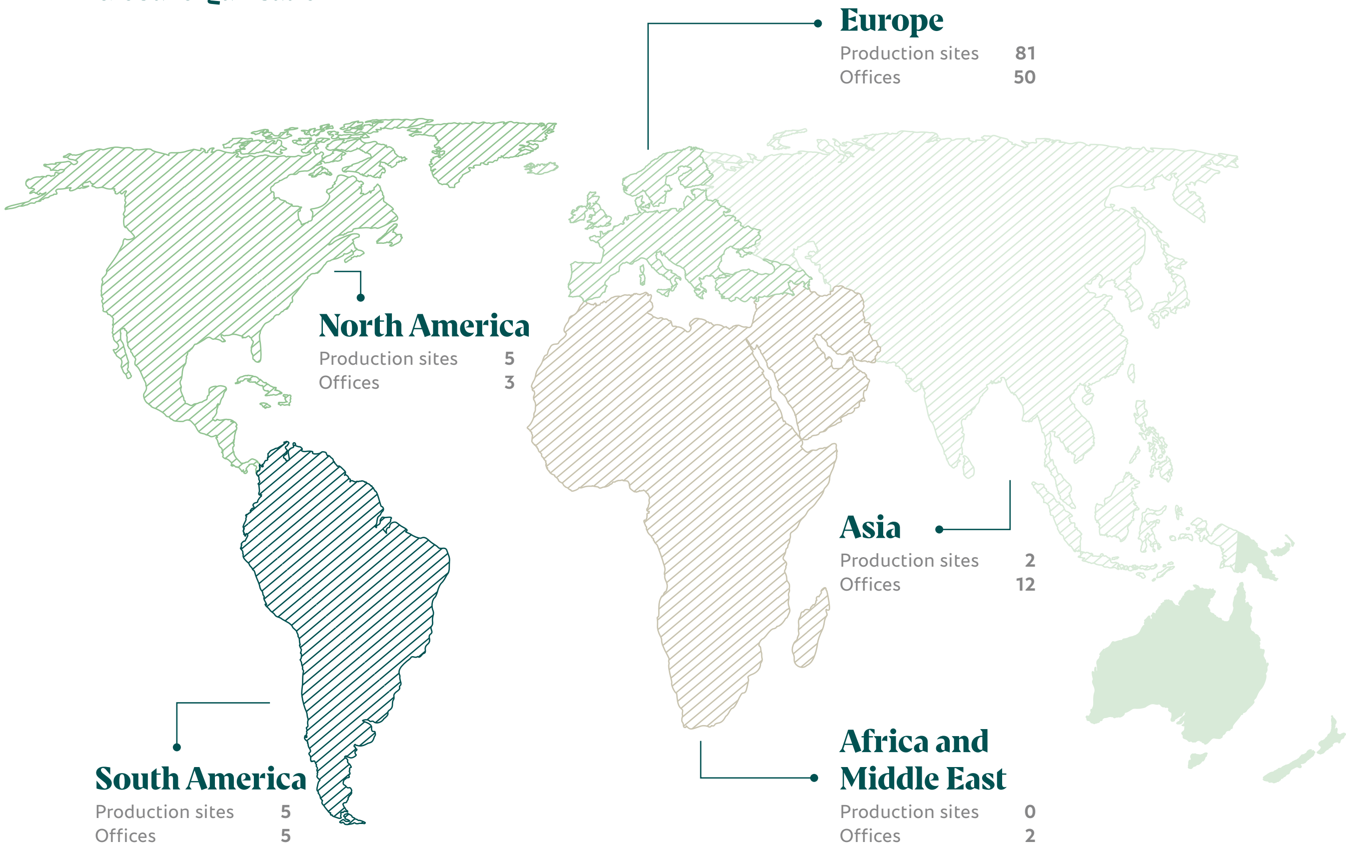
Fresh Meat slaughters pigs and cattle and prepares meat sold as fresh meat around the world.

Foods processes fresh meat into high-quality foods, such as cold cuts and ready meals, for customers and consumers around the world.

Casings produces natural and artificial casings for food production and supplies products to the pharmaceutical industry.

Customers and consumers in the food industry, foodservice and retail business use our meat and food products to create the good meal.

Global organisation



We have a total of 93 production sites, including separate warehouses, in 17 countries and 72 offices all over the world. Most of our 23,000 employees work at production sites in Europe.

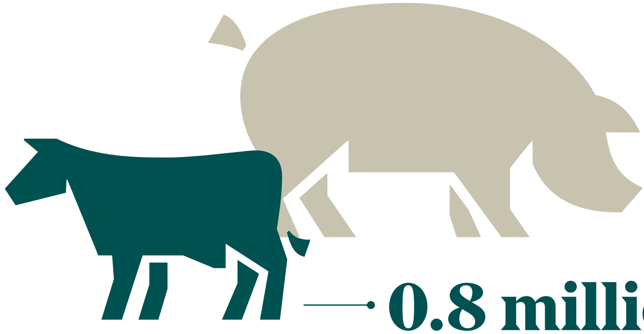
The largest business unit in Fresh Meat is Danish Crown Pork, which has pig abattoirs and factories in Denmark, Germany, the UK, France and China, while the business unit Danish Crown Beef has cattle abattoirs and factories in Denmark and Germany. Fresh Meat also comprises ESS-FOOD, which trades and distributes fresh and frozen foods all over the world.

Foods covers Danish Crown Foods, which has factories in Denmark, Germany, the Netherlands and Sweden. Foods also comprises KLS Ugglarps, which has abattoirs and processing factories in Sweden, and the Polish activities in Sokołów, which slaughters pigs and cattle, processes fresh meat and produces a large number of processed meat products. It also comprises Friland, which produces and sells organic beef and pork.

Casings consists of DAT-Schaub, which has activities at pig abattoirs in Denmark, Germany, Sweden, Poland, the UK, France, Spain, the USA, China and Brazil. DAT-Schaub also has sorting facilities in Portugal and China and heparin factories in Germany and the USA.

Slaughter animals

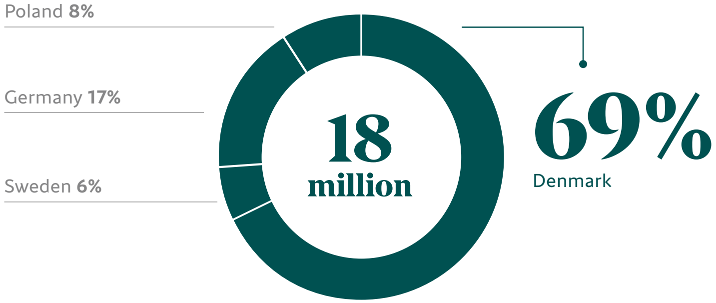
18 million pigs and sows



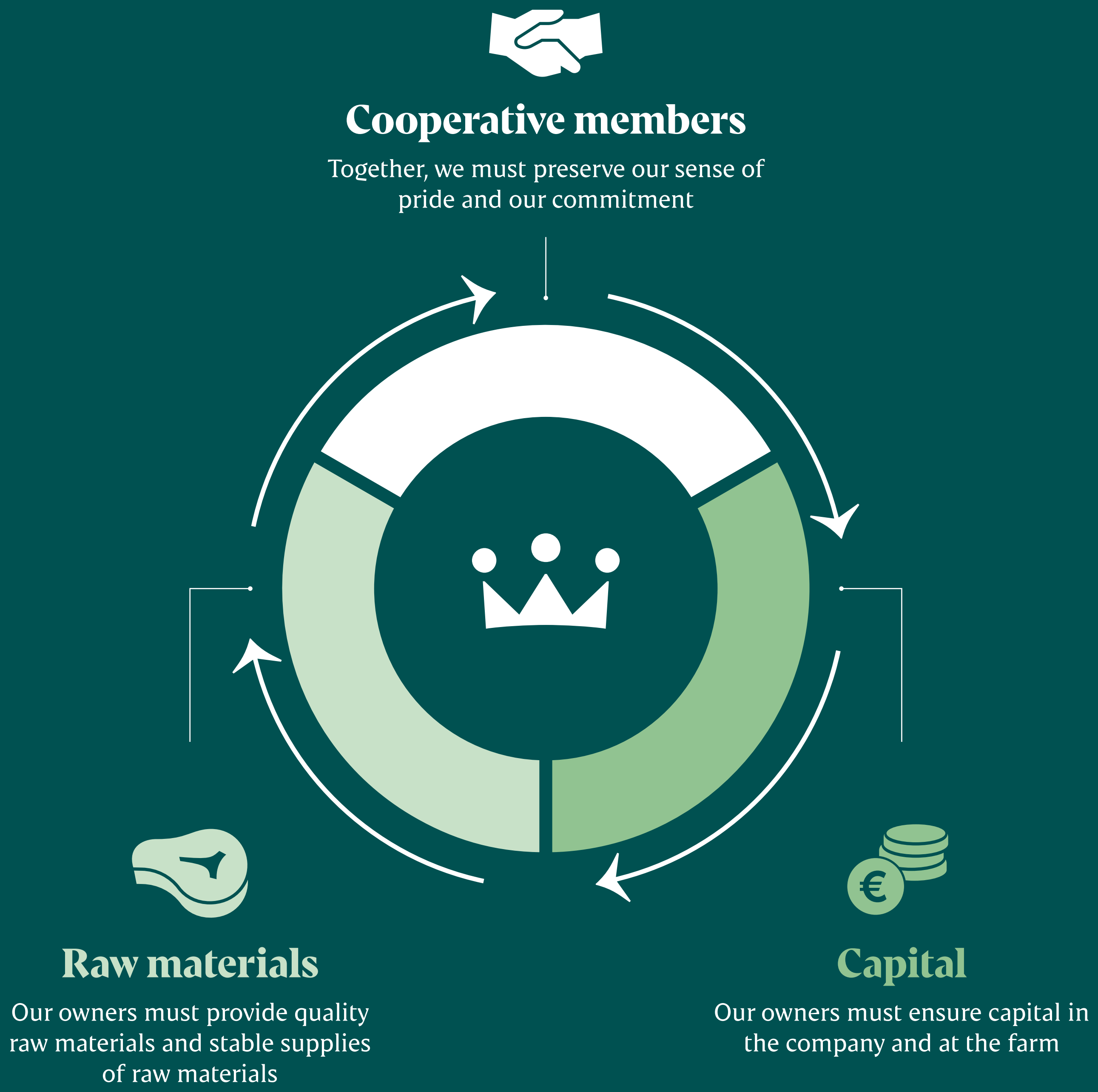
0.8 million cattle

846,000 organic and free-range pigs and cattle and pigs reared without antibiotics

Number of pigs and sows slaughtered by country



The cornerstones of a cooperative



All cooperative members have a right to delivery. Farmers can always sell their slaughter animals at the quoted price in force from time to time, and that is an important assurance for producers.

The cooperative aims to have a transparent and simple calculation and settlement model for the slaughter animals sold by each cooperative member.

As cooperative members, we stand united behind our company. At the same time, we are aware of the role we play in the Danish agricultural sector and the obligations that follow from competition law. As a company, we believe in the cooperative members' freedom of choice but will do everything within our powers to pave the way for stable and increasing supplies from our cooperative members.

On the right track

A clear strategy and close collaboration between the company and its owners is the recipe for good results.

The past year clearly illustrates the volatility of our markets and the world we live in. As producers of pigs and cattle, uncertainty is one of the conditions we must accept and plan for in our everyday lives. Therefore, I am pleased that we have outlined a clear direction for our company through our business strategy. Successfully pursuing this strategy, this year we were able to meet the strategy target of paying DKK 0.60 more per kg – and by a fair margin even. We were well aware that this ambitious target would not be easy to meet, and we have certainly had challenges along the way. Based on the performance for the year, we embark on the future, confident that we have defined the right strategy.

Our year-end results and continuous payments to pig farmers place us well ahead of an average of the other European markets, although the year did not prove as profitable as we had expected at the beginning of March. Unfortunately, but not unexpectedly, African swine fever broke out in Germany shortly before the end of the financial year. In this serious situation for our industry, we must do our very best to safeguard our cooperative members.

Together, we welcome the stabilisation of the pig supply and are pleased that confidence has returned among slaughter pig producers. However, some producers are still hesitant about investing in new slaughter pig buildings, and that could eventually represent a challenge for our Danish supply of slaughter animals.

We strongly improved our competitive strength during the year following a challenging period. A survey made among our pig producers shows that almost half of them believe their financial position will not improve during the next five years. However, this year's strong results have improved their cash flows and results, and hopefully this will instil confidence that we have reached a new and better level.

Our cattle producers had a difficult year. After a positive start to the year, the COVID-19 pandemic caused declining sales of both meat for restaurants and hides for leather in the fashion and automotive industries. We have now taken steps to strengthen the relationships with our cattle suppliers, and we are intensifying collaborations with our producers of calves, beef cattle and dairy cattle.

Last autumn, the Board of Directors began to prepare an owner strategy to clearly demonstrate that, as cooperative members, we are in fact the owners of one of Denmark's largest companies. Working on the ownership strategy, we examined ownership models and other possible ways of being a cooperative member. The preliminary conclusions are that we will keep the current ownership form and maintain the cooperative. We strongly believe that this serves the best interests of our Danish producers of slaughter animals.

Undoubtedly, it makes a difference that we work even closer together as owners and company. For that reason, we have also scaled up the collaboration between the company and the cooperative members through our Member Relations to both cattle and pig farmers. We feel that these measures have been welcomed and that they create value to our company and our owners alike.

I would like to thank our owners for their flexibility to the extraordinary situation brought on by the COVID-19 pandemic. Also, I would like to express a special thanks to our employees in all parts of our operations and their unions for being adaptable and showing responsibility throughout the process.

For the upcoming year, we expect that our strategic initiatives will continue to deliver results. We will stay on the course we have charted to obtain an even stronger position in the markets. Operating in a large export industry, we rely heavily on our ability to navigate and capitalise on opportunities in a volatile global market – as has been the case ever since the cooperative was established.

We will persistently pursue the goal of delivering good results as well as a high level of service to our owners. Optimising our production at the farm allows us to boost both our competitive strength and sustainability initiatives – to the benefit of our industry and the society we are a part of.

Erik Bredholt

Erik Bredholt, Chairman

Ambitious goal achieved

For the first time, we realised our goal of DKK +0.60. Despite the pandemic, we managed to strengthen our overall business and will continue along the same track.

In a situation of large and abrupt market fluctuations, we managed to generate a high level of earnings both for the company and for our owners. With our 4WD strategy from 2016, we defined an ambitious goal of paying DKK 0.60 more per kg relative to average pig prices in Europe. While it has been difficult to achieve that goal, we have now shown that it is achievable – and exceedable.

After a strong first half-period, the COVID-19 pandemic caused restaurants and the foodservice market to shut down. This had an impact on many markets – some being more severely hit than others – while also weighing on our owners' earnings. The countries of southern Europe were particularly hard hit, and we experienced a steep drop in pork and beef exports to Italy.

On the other hand, consumers had more meals at home, boosting retail chain sales. In all four of our main markets, more consumers opted for locally produced products. In Denmark, this trend strengthened Danish Crown as a brand, and the same goes for Sokołów in Poland. Consumers in Sweden and the UK also displayed a distinct preference for locally produced products.

Owing to a huge effort both from employees who continued to work at their normal workplace and those who worked from home, we have been able to ensure stable supplies to our customers, and by quickly refocusing our business, we have taken a less severe financial hit from the COVID-19 situation than initially expected. However, in spite of tight precautions, we were unable to prevent the infection from spreading locally, and we had to temporarily shut down a few facilities to safeguard our employees.

We succeeded in expanding exports from Europe, not least due to our efforts in the Asian markets, where continuing outbreaks of African swine fever have caused a shortage of pork. The business unit, DAT-Schaub reported strong improvements, and the prioritised acquisitions have proven successful. Sokołów and KLS Ugglarps continued to expand their positions in Poland and Sweden, respectively. Danish Crown Foods also had one of its best years ever – not least owing to strong progress in the pizza toppings and canned products categories. Both our bacon initiatives and expansion of the new facility in the Netherlands were hit by the lockdown of restaurants and fewer people eating out, but sales recovered as societies gradually reopened.

Our customers are responding well to our initiatives for greater sustainability, and our owners are showing keen interest in efforts to define and pursue ambitious climate goals. With respect to social sustainability, we have launched initiatives to strengthen the skills of our production workers; both in terms of training apprentices and providing adult vocational training in writing, reading and arithmetic skills.

"Our employees have made a tremendous effort."

Our Beef business was particularly hard hit by the COVID-19 lockdown, including our hides producer, Scan-Hide, which supplies leather for the fashion and automotive industries, and despite strong developments in the German businesses, this resulted in lower payment for our cattle owners. However, openness to change in our company and strong customer relationships led to a rebound in sales of veal and beef in the fourth quarter.

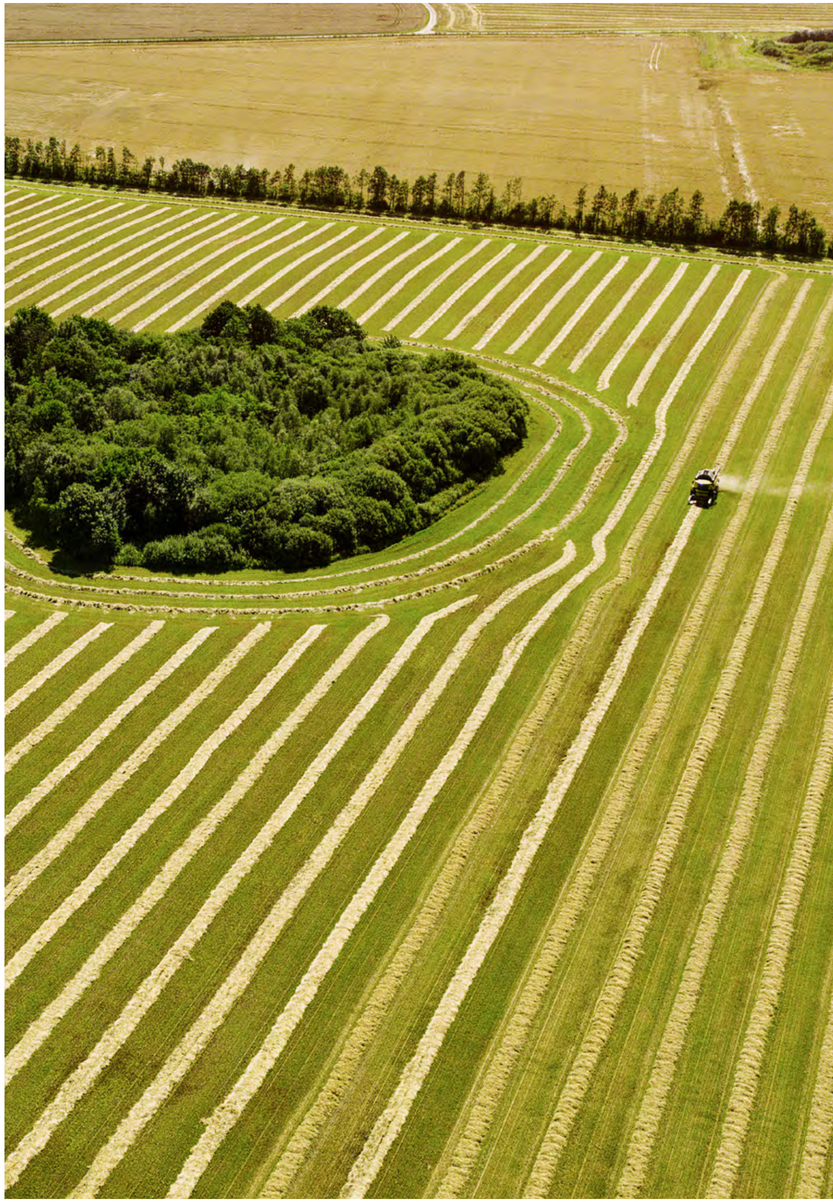
> "We have another exciting year ahead of us, where we will be taking important new steps to uniting our company and creating a more sustainable future for food."

As part of our 4WD strategy plan, we launched a number of cross-organisational initiatives with a view to streamlining our company and increasingly enabling us to capitalise on our overall economies of scale. On group procurements alone, we have had significant savings this year. This has boosted our competitive strength, and we remain focused on exploiting synergies – without affecting proximity to customers in the individual markets. During the year, we scaled up the development and sharing of sale and production best practices. We also invested in technology and automation that will make a substantial contribution to maintaining a high level of health and safety in our production.

Transforming our company from operating as independent entities to thinking as one united company and exploiting synergies across the group places great demands on our managers. To that end, we have started an extensive leadership training programme to prepare our managers better for the huge task.

We have another exciting year ahead of us, where we will be taking important new steps to uniting our company and creating a more sustainable future for food. Also in this regard, we have set ourselves an ambitious goal and promised to be a frontrunner – together with our owners, employees, customers and consumers. Our results for the year show that we are on the right track.

Jais Valeur, Group CEO



Strategy

Closer to customers and consumers

Under the "4WD Forward" heading, we launched a new business strategy in 2016 for the period until 2021. The goal is to deliver more value to customers, consumers, employees and, not least, our owners.

Four Wheel Drive (4WD) illustrates that we must deliver both in terms of exploiting the benefits of being a large group with synergies and efficiency and in terms of creating more value through organic growth, investments and acquisitions.

The four wheels of the strategy illustrate our wish:

1. to build a leading position in our domestic markets;
2. to become a value-creating partner for our customers;
3. to be a consumer-driven food company; and
4. to be one united company with focused and simplified workflows and a joint procurement function.

Combined, the four focus areas are to contribute to ensuring that our owners, the Danish farmers, obtain DKK 0.60 per kg more for their pork compared with the starting point in 2016.

Another objective is to bring employees and owners together behind a strengthened Danish Crown brand and create a true differentiation in the market by taking the lead in terms of sustainable food production.

Towards the end of the strategy period, we see that we have strengthened our position in our four domestic markets: Denmark, Sweden, Poland and the UK. In Sweden, we have increased the number of suppliers, and demand among Swedish customers for local raw materials continues to increase. The same applies in Poland and Denmark, while in the UK we have consolidated our position as a supplier of sustainable food.

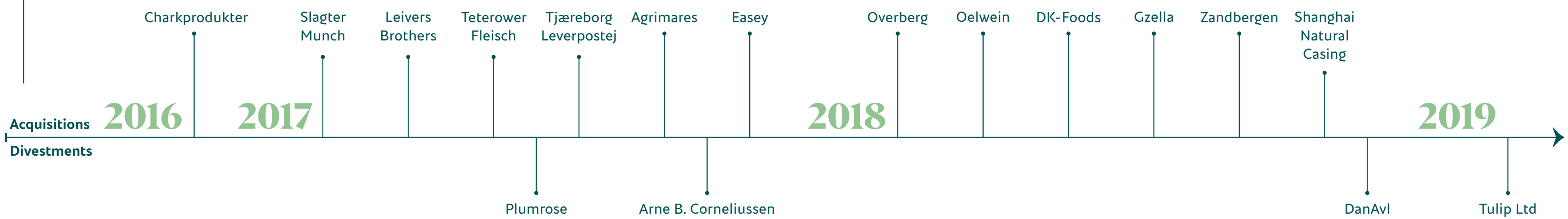
In the strategy period, we defined a clear ambition of developing a strong future position in the categories of pizza toppings, bacon and canned products, and Danish Crown Foods has delivered solid growth in all these categories.

Another clear objective was to become one of the three largest suppliers of casings, and our business unit DAT-Schaub has delivered strong growth rates for four consecutive years.

We established local production in China in 2019. Danish Crown's first processing facility in China has had a difficult start. A Chinese customers did not purchase the expected volumes, and we therefore had to end the cooperation. Our sales organisation in China is now working on other retail and foodservice opportunities in the Shanghai area.

The fourth wheel of the strategy of creating one united company has resulted in a number of joint group projects. So far, procurement activities have been organised in one global function, and our cost-cutting initiatives are progressing to plan. We have established a joint business service in Krakow, Poland. In addition, we are pursuing a number of scheduled activities in Commercial Excellence, Production Excellence and sustainability. Lastly, we have embarked on a number of cross-organisational HR initiatives concerning joint management principles, leadership development and employee training.

Acquisitions and divestments during the 2016-2019 strategy period



One united group

Bottom line to be improved through focused and simplified workflows, by consolidating group procurement functions and by optimising production and key support functions.

Ambitions

- → To exploit the benefits of being a large group and sharing commercial and production best practices across the group
- → To establish joint standards for administrative workflows, including consolidating group procurement functions

A leading player in Northern Europe

We aim to be a strong player in our four domestic markets: Denmark, Sweden, Poland and the UK.

Ambitions

- → To lead and develop the meat product category in Denmark
- → To gather our activities in Sweden
- → To lead and strengthen our Sokołów business in Poland
- → To strengthen our product portfolio for British customers

A value-creating partner

We will work closely with our customers to develop solutions that create partnerships and greater value in our overall value chain.

Ambitions

- → To differentiate our pork with respect to sustainability
- → To develop our foodservice segment

A consumer-driven food company

We aim to create added value for customers and consumers by developing more processed products.

Ambitions

- → To be a leader in canned meat, bacon and pizza toppings
- → To be a leader in processed products in Shanghai, China
- → To create added value for our fresh beef business through innovation and foodservice

Strategy target deliverables

Our company has delivered a strong performance across all four strategic tracks.

Across the entire organisation

Functional boards set up across the organisation are in charge of collaboration in finance, HR, procurement, commercial excellence and supply chain.

Leadership training

700 of the group's managers have completed our leadership programme, which is 28 per cent of all our managers.

Global Business Service

Establishment and continued roll-out of Global Business Service.

DKK 500 million

Procurement savings of DKK 500 million.

4WD target

In 2016, we defined a strategy target of paying DKK 0.60 more per kg relative to average pig prices in Europe. In 2020, we exceeded our strategy target by paying DKK 1.31/kg more.

80% more bacon

Index compared with 2016/17

sold in 2019/20 relative to the time when we defined the strategy target. A European consumer will most likely find bacon from Danish Crown in the store or in the restaurant. Danish Crown is Europe's leading producer of bacon with leading market positions in Denmark, Germany, Italy and the Netherlands and among the top three in Sweden and Norway.

179
2019/20

201
2018/19

119
2017/18

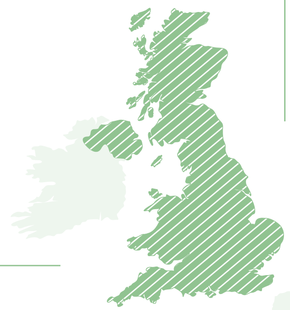
100
2016/17

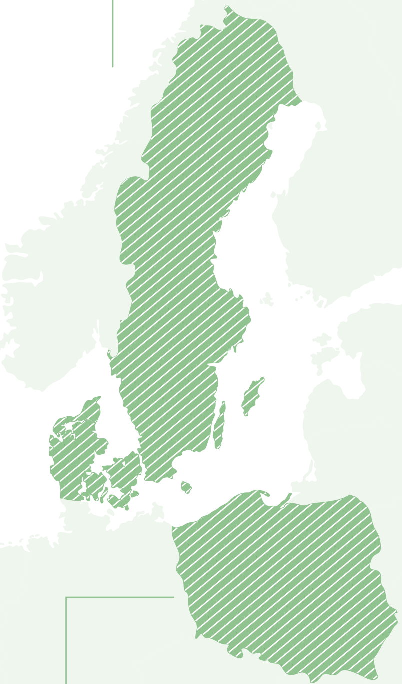
6% increase in sales

of locally produced products in Denmark, Sweden and Poland.

Additional sales of local products

Additional sales of locally produced products lead to improved results in domestic markets.





Lower consumption of bacon in 2020

The lockdown of many restaurants, hotels and canteens as a result of COVID-19 caused a substantial drop in demand for bacon in particular in the spring of 2020.

Focus on Danish products in the UK

At the beginning of the year, we divested Tulip Ltd, and our UK activities are focused on selling Danish products to B2B customers in the UK.

Increasing competitive pressure in Poland

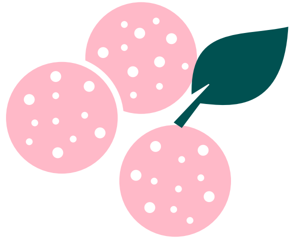
Added competitive pressure in the Polish market, but we have still managed to increase sales.

9% increase in sales of pizza toppings

Sales of pizza toppings have increased, while parts of our bacon and foodservice market have been challenged by the lockdown of hotels and restaurants, although sales improved in the fourth quarter.

23% increase in sales of canned products

There is a strong increase of 23 per cent in sales of canned products.



90% have joined our sustainability programme, the Climate Track

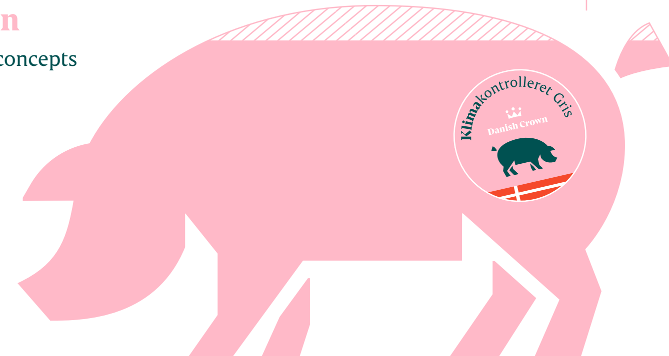
New product concepts in Denmark based on the sustainability programme, the Climate Track: 'Dansk Kalv' and Climate Controlled Pig.

Plant-based products

launched in Poland, Germany and Denmark. Among others, these are cold cut products and sausages.

Bacon in Japan

New bacon product concepts launched in Japan.



Pure Pork

Danish Crown has been actively involved in more initiatives that have reduced the use of antibiotics in the production of slaughter pigs. At the same time, our Pure Pork concept has helped build a market for pigs reared without the use of antibiotics, both in Denmark and internationally.

Focus on sustainability

Our customers increasingly demand sustainable products and have welcomed our owners' farm-based climate initiatives, which are pooled in our sustainability programme, the Climate Track.

1,100 different cardboard packing materials being standardised

The procurement and development of cardboard packing materials are being standardised and are now concentrated on fewer suppliers. We have concentrated our purchases on two primary cardboard suppliers who are working actively with sustainability and who offer solutions that ensure we stay on the right course.

The concept Climate Controlled Pig in all Danish retail chains

During the summer, Danish Crown Foods launched meat from climate-controlled pig production in all Danish retail chains. The launch will be followed up by a communication campaign in the autumn of 2020.

DANSK KALV

DEDIKERET TIL DET GODE KALVELIV

Developing new concepts

At the end of May, Danish Crown and a Danish retail chain started on a major relaunch campaign for the 'Dansk Kalv' brand. The campaign gave the 'Dansk Kalv' brand a whole new identity with a new logo and visual expression. The relaunch aims to make it even more obvious to Danish consumers that the concept equals Danish rearing and good animal welfare.

New plant-based products

Sokołów's Z Gruntu Dobre range of plant-based products now comprises pastes, pies, spreads, cold cuts and ready meals. This is good news for Polish consumers, who want to reduce their meat consumption.

In August 2020, Danish Crown Foods, Europe's largest bacon producer, launched a plant-based bacon alternative in Denmark under the Tulip brand in order to expand the range of meat product alternatives. The product will also be launched in Norway and Sweden, and later in other European countries.

Action plan for soy

In the future, pigs supplied to Danish Crown must have been fed with 100 per cent responsibly-produced soy. By 2025, pigs from Danish Crown's owners will be fed with soy from producers who are able to document that their soy was produced responsibly and on arable land that was not established on the basis of illegal deforestation of the Amazon rainforest. Until the physical supply lines for responsible soy have been established, from 1 October 2020 Danish Crown will supplement with purchases of RTRS or RTRS-equivalent credits, which document that no illegal or legal deforestation has taken place in sensitive forest areas. RTRS stands for Round Table on Responsible Soy, which is a non-profit organisation selling credits to boost the use of responsible soy.

Sales of pork from free-range and organic pigs maintained in a difficult market

Prices on meat from organic and free-range pigs have been under pressure, but despite that we have managed to maintain sales on par with last year. Exports in particular have helped us maintain sales – including the markets in Germany, France and the USA.

Business

Business areas

Agriculture

...is primary production and thus our owner deliveries and purchases of slaughter animals on commercial terms in Northern Europe. Agriculture leads the way and ensures good animal welfare, healthy livestock and works towards sustainable agriculture.

↓

Critical because it ensures supplies for the overall value chain.

Primary focus areas

Animal welfare, sustainability, traceability and efficiency

Production

Denmark

Fresh Meat

...is slaughtering of pigs and cattle as well as deboning and processing of meat, which is sold as fresh meat worldwide.

↓

Critical because it is the principal sales channel for our owners.

Primary focus areas

Food safety, competitive strength, quality, sustainability and efficiency

Production

Denmark, Germany, Poland, the UK, France and China

Foods

... is processing of fresh meat into good foods, such as cold cuts and ready meals, for customers and consumers around the world.

↓

Critical because processing helps ensure added value for our products and because it is the direct link to the consumers.

Primary focus areas

Innovation, food safety, competitive strength, quality and sustainability

Production

Denmark, Sweden, Germany, Poland and the Netherlands

Casings

...is among the leading players in sourcing, production, marketing and distribution of natural and artificial casings for food production.

↓

Critical because it helps to ensure full utilisation of the raw materials from the slaughter animals.

Primary focus areas

Access to raw materials, competitive strength and quality

Production

Denmark, Sweden, Germany, Poland, the UK, France, Spain, Portugal, China, the USA and South America

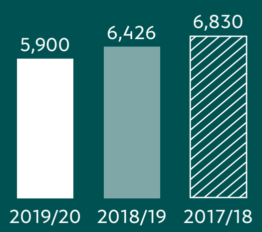
Agriculture

Agriculture is primary production and thus our owner deliveries and purchases of slaughter animals on commercial terms in northern Europe. Agriculture leads the way and ensures good animal welfare, healthy livestock and works towards sustainable agriculture.

2019/20	18,822
2018/19	19,694
2017/18	21,030

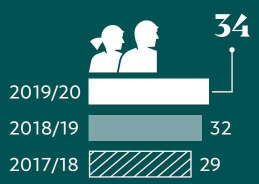
No. of animals for slaughter
(pigs, sows and cattle), million

Stabilisation of the number of pigs for slaughtering and a reduction in the number of cattle in Denmark in the year.



No. of cooperative members
(pigs, sows and cattle), thousand

The number of members has decreased over the past three years. This development reflects the generational change and efficiency enhancement journey that the Danish agriculture is undergoing at present – resulting in fewer and larger farms.



No. of cooperative members receiving advice
(pigs and sows), %

On feed utilisation alone, we can measure that the price of each pig has increased by DKK 25 since the advisory programme was launched.

Positive results both in field and barn

It was a very good year for Danish Crown's pig farmers with positive results both in the field and barn. A challenging market for the foodservice segment meant lower settlement prices for cattle farmers.

It was a very good year for Danish Crown's pig farmers, who enjoyed positive results both in the field and barn. The 2019 harvest produced an excellent yield with a high protein content in the grain, which led to high-quality feed. Efficiency in the barn is up, and we recorded a historic improvement in weight gain for pigs. As pigs are now allowed to grow heavier before they are sent for slaughter, the farmers have gained an extra advantage now that the balance between the price of slaughtered pigs and the price of grain has hardly ever been better. The good balance meant that the Danish pig barns have been quite full during the past year.

The launch of a forecasting tool based on owner reporting of numbers of pigs in the barns has enhanced the planning of pig collection and improved the utilisation of slaughtering capacity. The more precise pig forecasts have also improved our sales planning and contributed to strong sales performance.

In terms of our cattle activities, it is fair to say that calf farmers had a particularly tough year. Sales of veal have been challenged by a decreasing market and increasing competition in the European market, especially from Ireland. Moreover, sales of hides were affected by the COVID-19 lockdown. Altogether, this had a negative impact on the payment per kg veal paid to farmers. The number of cattle in Denmark was reduced by approximately 25,000 during the past year.

Closer to farmers outside Denmark
In Germany and Sweden, we have worked on establishing closer collaboration with more farmers. In Germany, we launched an initiative to strengthen the relationship with our suppliers. In Sweden, KLS Ugglarps signed new contracts with Swedish farmers, which is good news in terms of meeting customer demand for more Swedish pigs. Positive developments in pig prices in Sweden have benefited the Swedish suppliers.

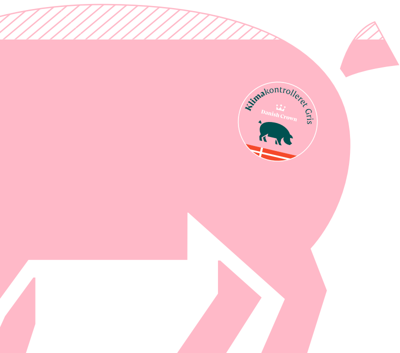
In Poland, pig production is challenged by the aggressive spread of African swine fever (ASF). In the year, about 100 ASF cases have been registered among domestic pigs in Poland. As a result, parts of the country

DKK 0.01-0.02 per kg

The target is for the system Dynamic Gain to add DKK 0.01–0.02 per kg meat. In the period, almost half of our Danish slaughter pigs were comprised by the system.

90%

of our Danish pigs are part of our sustainability programme, the Climate Track, in 2019.



have been divided into zones, categorised as either ASF-infected or ASF-free. This year, we have seen a slight downward trend in pig production. In Poland, we have also launched initiatives to establish closer collaboration with our suppliers.

More digital tools for farmers

To boost livestock productivity, Danish Crown's Member Relations has developed a dashboard containing all key figures of importance to the farmer. The dashboard enables farmers to compare their figures against a benchmark which they select themselves. During the year, about 1,000 of our 1,684 pig farmers have used the dashboard.

The dashboard also shows the pigs' weight gain day by day. The data available to Danish Crown mean the daily weight gain of individual pigs can be calculated very accurately, enabling the farmer to respond in time in case of any livestock problems. Named Dynamic Gain, the digital tool was developed in collaboration with a Danish IT business. It was launched in October 2019. The target is for the system to add DKK 0.01-0.02 per kg meat. In the period, almost half of our Danish slaughter pigs were comprised by the system.

Farm sustainability

Ninety per cent of our pigs in Denmark were climate-controlled in 2019. This means the pigs come from one of our 950 Danish farms which have signed up to Danish Crown's sustainability programme, the Climate Track. Farmers subscribing to the Climate Track commit to reducing their carbon footprints by 50 per cent by 2030. In 2020, we made efforts to include the remaining 10 per cent in the programme. We expect to reach 100 per cent by the end of the calendar year 2020.

As part of the sustainability programme, the farmer defines three-year goals for reductions of the farm's carbon footprint and improvements in a number of other areas relating to the environment, animal welfare and social responsibility. Every farmer defines a baseline for CO_2 emissions per pig reared, which allows the farmers to assess performance against their own targets. The certification is carried out by an independent agency based on Danish Crown's standard.

Growing interest in organic pigs

We noticed growing demand for free-range and organic pigs during the year. Following approval by the US Department of Agriculture (USDA), demand really took off, resulting in better prices per kg paid to organic pig producers. Unfortunately, the sale of special pigs was challenged not least by the general price increase of pork in Danish stores. Consequently, it proved necessary to cut production, and supplier contracts were cancelled for more producers of higher-welfare special pigs. With respect to the state animal welfare label, we had to accept that interest in pork labelled with one heart was too weak, and the product was taken out of the product range. Pork labelled with two or three hearts is still available in the supermarkets.

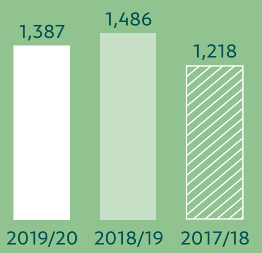
Fresh Meat*

Fresh Meat is the business areas Pork, Beef and the trading activities of ESS-FOOD, all of which sell products worldwide.

2019/20	34,388
2018/19	31,703
2017/18	33,125

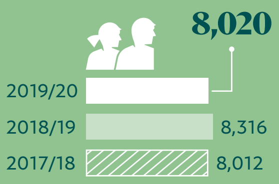
Revenue
DKK billion

Price increases on the company's products have resulted in a significant increase in revenue this year.



Operating profit
DKK billion

Additional costs for, among other things, COVID-19 measures, have caused a decrease in earnings.



Employees

Efficiency improvements have led to a decrease in the number of employees primarily in Denmark, which accounts for about 80 per cent of the total number of employees.

* KLS Ugglarps has been moved from Fresh Meat to Foods, and ESS-FOOD has been moved from Other companies to Fresh Meat to reflect business developments. Comparative figures have been restated.

Healthy and safe food is valuable during times of turbulence

2019/20 was a particularly volatile year, marked by the spread of African swine fever to many countries – including our neighbouring market in Germany – and by the COVID-19 pandemic, which spread worldwide.

For many years, Fresh Meat has focused on consistently producing and supplying healthy and safe food to markets worldwide and to remain agile and quick to adapt to new market conditions in both our production and sales channels. In 2019/20, this focus and these capabilities proved more important than ever.

In the first half of 2019/20, the world market price of pork was still riding at the peak of the price wave caused by the aggressive spread of African swine fever in many parts of the world – but particularly in the Asian markets. Here China represents the largest market, and it has a major influence on the global price of pork. The strong decrease in pig production in China drove up pork prices.

As one of the major supplier of healthy and safe pork products for the Asian and especially the Chinese markets, we were able to adapt and optimise our production and sales so that as many products as possible were sold in these markets – with due consideration to other existing strategic markets and customers. This also applied to sales from our German abattoir, which recorded a substantial increase.

This gave us a strong foundation in terms of earnings to tackle the challenges faced by the global markets in the second half-year.

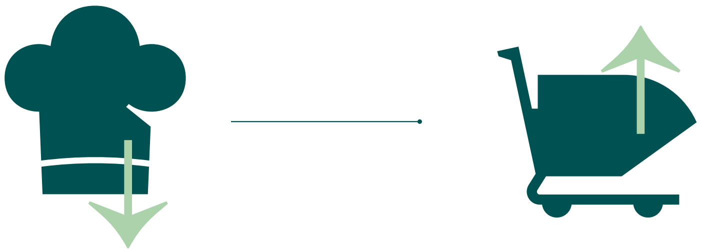
COVID-19 started in China at the beginning of 2020, forcing large parts of the country to go into lockdown in order to contain the virus. Despite the attempts to contain the virus, COVID-19 spread to large parts of the world, causing pig abattoirs both in the USA and Europe to shut down due to infection among employees. In Germany, we had to shut down temporarily both our joint venture facility WestCrown for sow products and our pig abattoir in Essen. Subsequently, we also had to shut down our Danish pig abattoir at Ringsted for a short period of time.

At the same time, sales especially to the foodservice segment decreased when restaurants, hotels and canteens around the world shut down in an attempt to contain the COVID-19 pandemic. On the other hand, retail demand increased because far more consumers opted to prepare meat in their own homes.

The many lockdowns resulted in an excess supply of pork and weak demand, causing a substantial decrease in the world market price of pork. Furthermore, we experienced a significant change in the composition of the products in demand.

Once more, our highly flexible labour force was able to adapt production and sales – fending off the worst impacts of the worldwide pandemic.

At our abattoirs, we introduced stricter rules to take care of each other because of the outbreak of COVID-19.



Foodservice **Retail business**

Sales especially to the foodservice segment decreased when restaurants, hotels and canteens around the world shut down in an attempt to contain the COVID-19 pandemic. On the other hand, retail demand increased.

Every day, we continue our dedicated efforts in our production facilities to prevent employees from becoming infected. While the standards of hygiene in food production were always high, extraordinary measures are now being taken, such as temperature measurements and increased use of face masks and hand sanitisers.

At the end of the year, wild boars infected with African swine fever were found in Germany. This resulted in an almost immediate freeze of German pork exports to the Asian markets as well as a decreasing price of slaughter pigs in Germany. The price decrease also affected other European prices because of a sudden oversupply of meat. Subsequently, prices have stabilised at a lower level, but there is still considerable uncertainty in terms of developments for German pork.

At the end of the year, demand remains low in Europe and there is also some uncertainty regarding future conditions in the UK market post Brexit. Demand in Asia remains quite strong.

The international trading market
High pork prices in the Asian markets have caused extra challenges for the international trading companies because not all customers are able to pay the high prices, just as several customers have resorted to buying direct from the abattoirs.

However, ESS-FOOD has been able to create a decent balance and has only suffered a small decline in sales and earnings in the international markets.

High pork prices in China

Owing to a lack of local raw materials, pork prices in China have been at an extraordinarily high level in 2019/20.

Beef market
For some time, the Danish and German beef markets have witnessed a downward trend, caused partly by fewer animals for slaughter and partly by decreasing demand due to factors such as growing focus on sustainability and the climate impact of cattle. At the same time, however, greater focus on locally produced meat has resulted in decreasing beef imports to Europe.

We are constantly working to accommodate consumer demands. For example, in 2019/20, we completed the sustainability programme for 'Dansk Kalv', where Danish calf farmers work systematically to reduce their CO_2 emissions, and more sustainable packaging materials have also been introduced. These initiatives have contributed to increasing sales and earnings in the markets.

We have also taken steps to improve efficiency. At our German abattoir in Teterow, we have carried out an efficiency improvement programme that has rendered the production more profitable.

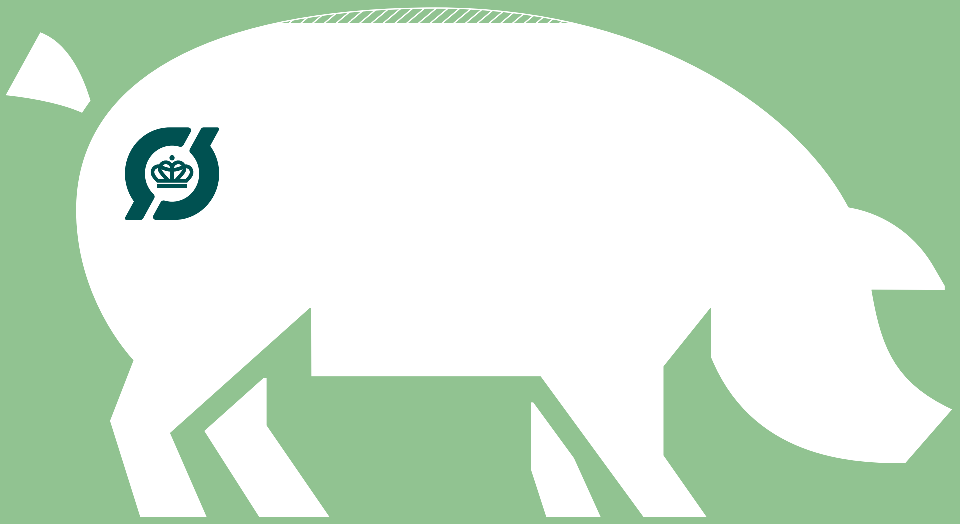
In terms of sales, the year started off on a positive note and in line with expectations. In the second half-year, the outbreak of COVID-19 in southern Europe, particularly in Italy, caused a substantial decline in the market for high-end beef products and for hides. The latter was due to production shutdown at most of the tanneries, which are primarily located in northern Italy. However, the decrease in sales of meat was partly offset by growing sales to the retail market and growing focus on locally produced products.

Great flexibility both in our production and sales activities enabled us to handle the changes and mitigate our challenges in terms of earnings. However, our hides business is running below the expected level due to persistently low prices on hides, driven by lower demand as a consequence of COVID-19.

Overall, Danish Crown Beef generated satisfactory earnings on top of good cattle prices.

In the fourth quarter, the beef market started to normalise. By the end of the year, the greatest uncertainty will remain the consequences of Brexit, which are still unknown.

In 2019/20, we successfully relaunched products under the 'Dansk Kalv' brand in the Danish market



3%

of the year's total exports from Friland is the share of organic and free-range pork to the USA. Friland expects to maintain this good momentum in 2020/21

The Danish Crown company Friland has launched niche production of organic pork, which is produced subject to strict animal welfare requirements. As the only company in Europe, Friland has obtained approval to export the organic pork to the USA, where it is immensely popular.

Overall, Denmark has one of the world's highest levels of animal welfare. There are strict requirements relating to the conditions for the slaughter animals, which must have good conditions both in the barn and outdoors. The organic concept represents the highest level of animal welfare in Denmark. Organic products represent a small niche area in the USA, but that does not mean less strict requirements – quite the contrary, in fact.

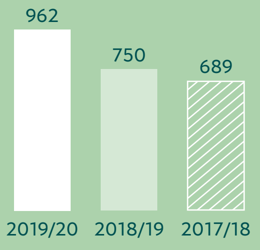
Foods*

Foods comprises the business units Sokołów, producing in Poland, and KLS Ugglarps, producing in Sweden – both of which primarily sell their products locally – as well as Danish Crown Foods with production operations in Northern Europe and worldwide sales, but also extensive sales of fresh products in the Danish market.

2019/20	21,964
2018/19	20,740
2017/18	18,567

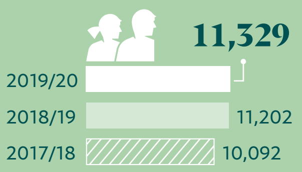
Revenue
DKK billion

Rising prices on the company's products have resulting in an increase in revenue.



Operating profit
DKK billion

Despite turbulent market conditions and higher costs associated with COVID-19 measures, the company succeeded in increasing its revenue.



Employees

A higher level of activity in the Polish business resulted in a higher number of employees.

* KLS Ugglarps has been moved from Fresh Meat to Foods to reflect business developments. Comparative figures have been restated.

Agility is a core competency

While raw material prices rose in the first half and our focus was on implementing increasing selling prices, focus in the second half was on maintaining supplies to our customers during the COVID-19 lockdown.

In the first half-year, Foods was challenged by high raw material prices on pork, but in the second half-year the challenge was – as for most other food companies – the COVID-19 lockdown of the markets to varying degrees. During some periods, we experienced an almost complete lockdown of the foodservice segment, which accounts for a significant part of the business in Foods.

The higher prices of raw materials were reasonably reflected in higher selling prices of our products, but did result in slightly lower sales than anticipated.

In Poland, Sokołów remained challenged by the lack of export possibilities due to the spread of African swine fever in the country. The situation caused many farmers to shut down production, leading to a reduction in slaughter animals.

Sokołów has successfully focused on the local Polish market. The outbreak of COVID-19 resulted in changes to consumption patterns with a significant reduction in demand in the foodservice segment, which was partly offset by growing demand in the retail segment. The Polish market has also seen a trend towards reduced meat consumption, increasing focus on locally produced products and higher demand for plant-based products. Furthermore, COVID-19 has resulted in higher online sales – also of foods.

Sokołów is keeping track of market developments and collaborates with its customers to be ahead of the curve with respect to consumer demand. Thus, during the year, we increased our supply of meat-free cold cuts, burger and sausage products under our Z Gruntu Dobre brand.

We also opened a chicken cold cuts factory in Osie in northern Poland to accommodate the growing demand for these products. These products were launched under the Uczta Drób name. The Sokołów brand was strengthened further during the year.

Our Swedish activities in KLS Ugglarps, which does not export to China, did not experience the same dramatic developments in prices of raw materials, although prices did increase in the first half-year. However, Sweden was also affected by COVID-19 and the resulting uncertainty. On a positive note, we continued to experience increased demand for local Swedish meat, and in spite of a decline in the overall foodservice market, we were able to increase our sales to foodservice customers. In other words, our strategy of focusing on collaboration with customers with respect to product launches has been successful.

Local meat for the local market

In the Swedish market, we saw an increase in demand for locally-produced meat and meat products. We have seen the same trend in many other markets.

In the convenience market, we were also very successful with both our pork and beef products, with products based on fish and chicken as well as vegetarian and vegan products.

Having focused on implementing sales price increases to compensate for the higher raw material prices in the first half-year, Danish Crown Foods changed tack in the second half to focus on reorganising our production to accommodate the change in demand patterns. The lockdown of restaurants, hotels and canteens triggered a significant decrease in demand for bacon, while demand for cold cuts, pizza toppings and canned products increased significantly. Good fresh meat cuts also sold well in the Danish retail segment.

Our employees displayed a high degree of flexibility and helped to implement changes as quickly as possible, in both production and sales departments. At our canning plant in Vejle, Denmark, we increased production by 13 per cent, commissioned one new production line in Dinklage, Germany, to continue to boost the sales of pizza toppings, whereas our factory extension in Haarlem, the Netherlands, of another 14,000 sqm for bacon production was delayed. However, it has now opened, and we have started introducing new customers to products from the facility.

In the Danish market, we remain challenged by a decline in meat consumption. Still, our products sold under brands such as Tulip, GØL, Steff Houlberg, MOU and Den Grønne Slagter continue to sell well, and investments in these brands continue. Our branded products experienced strong growth in 2019/20.

The lockdown of restaurants, hotels and canteens during COVID-19 triggered a significant decrease in demand for bacon, while demand for cold cuts, pizza toppings and canned products increased significantly.

For more than a century, the tulip has symbolised Denmark's oldest brand: Tulip. In 2019/20, it was relaunched in the Danish market, but still symbolised by the tulip. The good values and the strong brand recognition have been retained among consumers.

During the summer, the famous Tulip brand was relaunched in the Danish market, receiving a good response from customers and consumers.

Danish Crown Foods maintains a strong focus on innovation, launching a fair number of new products during the year. These include plant-based bacon alternatives, a number of fresh convenience products and the Climate Controlled Pig concept, which is fresh pork from farmers who work with a focus on sustainability.

All these activities were undertaken without losing focus on ensuring that our employees could turn up for work every day with the least possible risk of becoming infected with COVID-19. The usual high standards of hygiene have been extended with daily temperature measurements, increased use of face masks, travel restrictions and a reduction in the number of visitors to our locations. Despite the many measures and restrictions, local virus outbreaks forced us to shut down production temporarily in Jaroslaw and Kolo, in Poland.

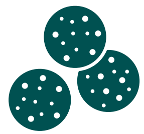
Although we have kept focusing on adapting our product range to market demands, we continued our efforts to ensure that we consistently make our products and value chain more sustainable. This applies particularly to packaging materials, minimising food loss and waste and reducing the climate impact of our production. During the year, we introduced heat recovery at several production locations in Poland, and the extension of our Dutch bacon factory in Haarlem is classified to the highest climate certification standard in the Netherlands.

In terms of earnings, we had a quite decent year, not least because we consistently focused on optimising costs and spending the money where it will yield the greatest return. However, we also gave priority to showing public spirit during the difficult times, for example by donating 100,000 free meals to Danish humanitarian organisations and 20 tonnes of food for vulnerable people in Poland.

Despite the turbulent times, we have remained focused on developing our managers. The majority of our managers in Danish Crown Foods managed to complete our leadership development programme, while the programme was delayed at Sokołów and KLS Ugglarps due to the COVID-19 lockdown. The programme will start up again as soon as circumstances permit.

By the end of the year, we believe that our business will have made it safely through the difficult period and that we stand stronger to utilise the new opportunities provided by market developments and to face the challenges that may arise.

100,000



20 tonnes

During the lockdown in March and April, we donated 100,000 meals in Denmark to Danish humanitarian organisations. In Poland, we donated 20 tonnes of food to vulnerable Polish people.

13%

increase of production at our canning plant in Vejle, Denmark

In 2019/20, we experienced strong demand worldwide for our canned products. The occurrence of COVID-19 in many markets made it more difficult to buy foods in some periods. As a result of this, many consumers purchased our canned products, which are known for their food safety and quality all over the world. To meet demand, we had to increase our production at the factory in Vejle, Denmark, and in this connection, we have recruited about 60 new workers.

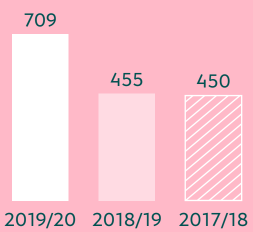
Casings

Casings comprises DAT-Schaub, which is one of the leading companies within the sourcing, processing and sale of natural casings. The company also trades in artificial casings and packaging and it also produces and sells ingredients and raw heparin.

2019/20	4,442
2018/19	4,063
2017/18	3,859

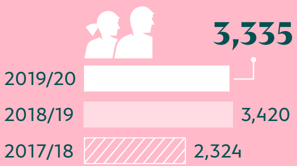
Revenue
DKK billion

Good growth in revenue for the third consecutive year.



Operating profit
DKK billion

Strong growth in earnings, among other things as a result of strategic acquisitions.



Employees

Following acquisitions in 2017/18, the number of employees is decreasing once again as part of efficiency improvement initiatives.

Strong trends for all activities

Through organic growth and the full effect of previous acquisitions, DAT-Schaub has increased its share of raw materials outside Denmark, while consolidating its production at the same time.

The severe market volatility affecting our other business areas did not have the same impact on our DAT-Schaub business, which experienced favourable developments during the year and recorded strong earnings.

In addition, the business was only affected by the COVID-19 pandemic to quite a limited extent. For a short period of time, it was difficult to sell products to China, although we later recovered from this shortfall. We also avoided any extensive spread of the infection among our employees at our production sites.

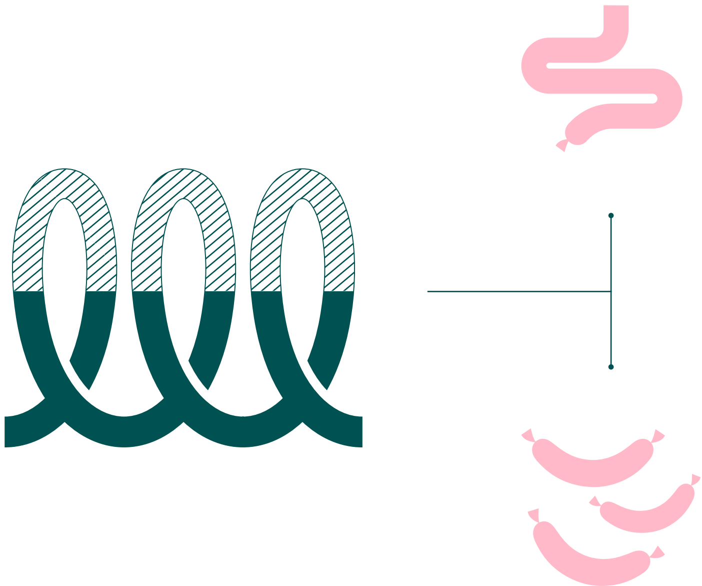
The market for hog casings grew steadily in 2019/20 and saw stable prices of raw materials and finished products over the year. As in previous years, we collaborated consistently with existing and new suppliers in order to increase the value creation of the company's raw materials.

DAT-Schaub enjoys a strong market position within hog casings based on raw materials from both North and South America as well as from Europe. Through organic activities and by realising the full effect of prior-year acquisitions, we increased the proportion of raw materials derived from markets outside Denmark so that Danish raw materials only account for around 13 per cent of the raw materials available to the company.

The South American businesses are developing favourably, demonstrating that we have successfully integrated them into DAT-Schaub's other activities. Our Chinese sorting operations in Shanghai Natural Casing also contribute favourably to the business.

In 2019/20, the market for sheep casings was characterised by slightly increasing prices of raw materials and finished products. There is still an attractive market for quality products. This situation led to stable sales and earnings from sheep casings.

Our primary ingredients business is based in France, where we have seen continued growth in sales of our own blends from our factory in Northern France.



With sales of more than one billion meters of artificial casings, DAT-Schaub crossed a historic milestone in the year. The product range is a supplement to natural casings, where the company currently has a leading position within selection and sale to sausage production.

Sales of natural casings are highly dependent on access to raw materials. We maintained our strong market position and were able to keep revenue on par with last year.

In 2019/20, DAT-Schaub consolidated its production and sale of raw heparin from the acquired facility in Iowa, the USA. By continuing to strengthen the supply of raw materials to the US factory and increasing the company's raw material base for extracting mucosa, we consolidated our position as an important supplier to the global pharmaceutical industry within the production of anticoagulant medicines. Following a start-up phase for the US facility, this business area also contributes positively to the company's earnings.

During the summer, the company moved its Danish headquarters from Kødbyen to Axelborg in Copenhagen, where we are now neighbours to our trading company ESS-FOOD. We expect this will lead to increased collaboration between the two businesses.

Following the positive developments in DAT-Schaub, we are well on the way to realising the objective of our 4WD strategy of being market leader within the handling and processing of natural casings. As we also believe the business holds a strong market position, we expect the positive trends to continue.

Raw heparin extracted from mucosa is used by the pharmaceutical industry to produce anticoagulant medicines.

We clarify our brand position

To get the right position in the markets, we have to understand consumers' expectations to the food they will eat in the future. We have identified preferences and trends and build on a new global brand position for Danish Crown, focusing on sustainability.

As a business, Danish Crown has created a strong brand. Most of our existing customers, business partners, employees and stakeholders know that we have decided to lead the way in creating a more sustainable future for food. Our task is now to communicate that clearly to customers and consumers around the world.

We have to understand their needs and demands to be able to tell them about Danish Crown and our products in a way they will find interesting, relevant and trustworthy. This way, more people may choose our products and thus create more value.

This is the reason why we have worked hard this year to identify the special preferences of customers and consumers in terms of sustainable foods in three of our principal markets.

For the markets in Denmark, the UK and China, we have:

- systematically reviewed all existing consumer and market surveys
- interviewed customers, consumer behaviour experts, opinion makers, trend researchers, top chefs, people with knowledge of the industry as well as key persons at Danish Crown
- only in China: conducted a survey among 1,000 consumers.

The analysis focused on the general preferences of customers and consumers as well as trends in specific segments. The respondents assessed the potential of eight selected themes where Danish Crown has something special to offer (see illustration).

The object was to understand where the markets are heading and how Danish Crown can make itself the most relevant in these markets.

The mapping shows that a number of topics already have a strong position in the consciousness of many consumers, whereas other topics are not expected to be equally important until in a couple of years. In all three markets, the overall assessment is that sustainability

Eight aspects of sustainable foods

Key persons in the markets in Denmark, the UK and China were asked to consider which of the below eight themes relating to sustainable foods they believe consumers will focus on in future. Every theme was described in text and pictures. Danish Crown can tell important stories about all eight themes.

- High level of animal welfare
- Transparency and traceability
- Community from farm to fork
- Food safety
- Danish origin
- Less climate impact
- Front-runner in sustainable solutions
- Fight against food waste

holds a significant potential for creating added value, but we also need to make our sustainability efforts more specific and meaningful to the individual consumer.

Markets are not alike
The idea of having one global commercial brand position is to have a common core to the way in which we communicate with our customers and consumers about Danish Crown. Consistency and repetition will create brand awareness and trust – this is the basic principle of branding. At the same time, our efforts to create a common consumer brand support our strategic targets of acting and appearing as one company.

However, markets are not alike, and our communication and marketing should not be exactly the same in every country. We must have the option to place greater emphasis on issues of particular interest to the consumers in a given market. In China, food safety is a relevant issue, among others.

By way of thorough preparations, we have created a strong foundation for marketing Danish Crown in the coming years – and thus for increasing awareness and stronger loyalty and for creating added value.

We took the first steps in this direction by establishing a shared digital platform from which we can start communicating our stories about sustainable foods and adapting them to local markets and media. The digital testing is important because it enables us to monitor how consumers respond to our messages. In this way, we can adjust the form and contents before we use other types of communication and marketing in a wider context.

Danish Crown has been actively involved in a number of initiatives reducing the use of antibiotics. Meat from pigs raised completely without the use of antibiotics is marketed under the Pure Pork brand and sold in several international markets.

Good leadership motivates employees

A boost to the group's 2,500 managers should result in even better results and jobs that are more attractive. Job satisfaction is high, but as the competition for future talent intensifies, it needs to increase even further.

In the coming years, all managers at Danish Crown will complete a targeted programme for the purpose of taking the group's overall leadership quality to a higher level. Good leadership is essential for us to achieve our strategic goals, but it is also required to be able to develop, retain and attract talented employees for all jobs.

Danish Crown is undergoing a significant transformation. Closer dialogue with customers and consumers. Products with higher value. A strong identity as one united group. All this will enable us to make the production of sustainable foods a healthy business.

The company's owners and top management have defined the strategic direction, but we will only achieve our targets if our managers at all levels and all over the world are able to stay on course when performing their jobs on a day-to-day basis. For that reason, Danish Crown has put leadership development high on its agenda.

Our leadership development is based on two pillars. Firstly, a set of leadership principles which apply to all managers and reflect the group's strategy very clearly. See the five leadership principles on page 38. Secondly, clear and concise descriptions of the expectations that we have to our managers at the various levels. The fact is that managing employees, other managers or a business area require very different skills.

700 managers have already completed the relevant leadership programme, and by the end of 2022, all of the group's 2,500 managers will have completed the programme. This programme is an important and integral part of the way we work with management and leadership development. We give all managers a detailed evaluation of their strengths and development potential and provide regular follow-ups related to everyday situations. We train our managers in defining clear and meaningful goals for their employees and in giving them useful feedback on a regular basis. Moreover, we measure employee satisfaction and motivation and use the results actively to lift the overall management quality and make adjustments in the teams where employee satisfaction is not good enough.

High employee satisfaction

We normally measure employee satisfaction every other year. We have increased substantially the number of participants in the 2020 survey, and now the majority of the company's employees participate in the survey. A total of 16,668 employees completed the survey, corresponding to 88 per cent of the employees asked.

By the end of 2022, all the group's 2,500 managers will have completed our leadership programme.

The most recent survey shows that Danish Crown has a strong foundation:

- The employees' overall "motivation and satisfaction" is 70 out of 100 points for the group as a whole, four points above the average for other businesses with a comparable composition of employees. We aim to improve our score by at least two percentage points by 2023. Satisfaction has increased in all business units, but the strong improvement was also attributable to the fact that almost 5,500 hourly-paid workers from Sokołów participated in the survey for the first time.

- The six most important sources of motivation and satisfaction have improved and are ahead of or in line with comparable workplaces internationally.

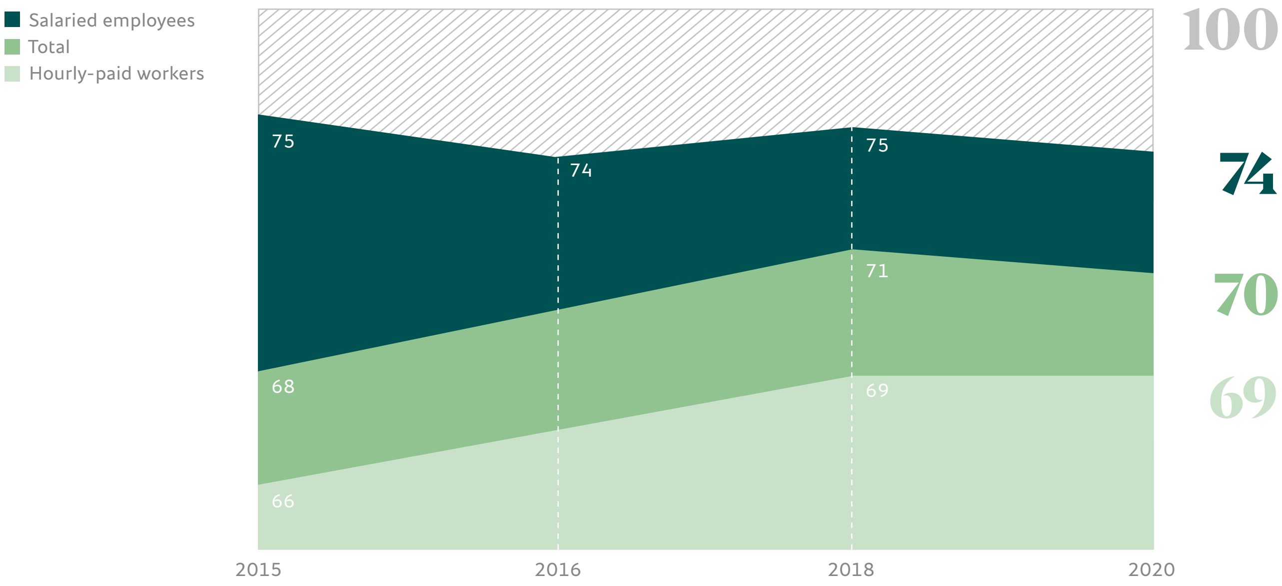
- The overall level of satisfaction for the entire group decreased 0.5 point since the last survey. This is partly because a much larger proportion of hourly-paid workers participated in the survey, and their satisfaction score is generally slightly below that of the salaried employees, and partly because we have seen a decrease among salaried employees in two business areas, whereas the other business areas remain unchanged or are increasing.

The survey confirms the value of good leadership. The average score across the group is 75 out of 100, and there is a clear link between the management quality as perceived by the employees and their satisfaction and motivation. Consequently, we follow up systematically on all teams with low scores on the day-to-day management quality, focusing particularly on the teams where quality has not improved since the last survey.

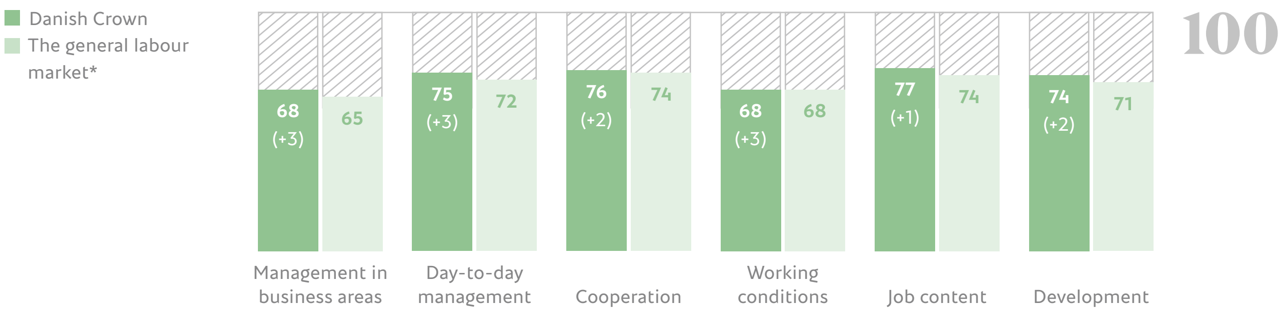
Equipped for the future

The survey shows that the most important path to higher motivation and commitment is to raise the level of satisfaction by improving work content. Thus, in the coming years, we will prioritise offering our employees better opportunities to develop and apply their skills so that

→ Employee motivation and satisfaction in Danish Crown



→ Comparison of satisfaction rates at workplaces internationally



Numbers in brackets show changes compared with last measurement.
* Benchmark is calculated so that the employee composition in the 'general labour market' matches the employee composition in Danish Crown.

Danish Crown's five leadership principles

they can undertake challenges that are more exciting and assume greater responsibility in their everyday lives

We already started this process for our youngest employees who join us as apprentices. In future, we will offer our apprentices a significantly improved education, and we have rethought all subjects and disciplines. The education is broader and more integrated, giving the apprentices more opportunities and making them better equipped to be employed in a modern food production facility. This implies a stronger focus on processing, sustainability, efficient workflows as well as health and safety.

In recent years, we have stepped up significantly our efforts to train our own apprentices, and over the next three years, we will increase the intake of apprentices by 15 per cent. At present, we employ 275 young apprentices in our company, hereof about two-thirds in Denmark. The application rate for the gut cleaner programme has increased significantly, especially among women, whereas the butcher programme has to work harder to attract young people.

However, updating one's skills and competencies is not only relevant for young people and new employees. For many years, the industry has taken the view that only a minority of employees were interested in supplementary training. This myth was disproved by a survey conducted by Danish Crown among representatively selected hourly-paid workers in Denmark. In this survey, 69 per cent of the workers say that they generally feel positively inclined to taking on further training.

At the same time, the survey points to a major challenge. Some of the workers who would like to acquire new professional skills lack the required basic Danish-language, maths and IT skills. Many of the workers would like to acquire these skills if they were given the chance. Consequently, we are now offering a number of practice-oriented courses in maths and Danish, including special classes for dyslectic employees. Danish Crown's employees should also be given the opportunity to learn and develop throughout their working lives, as many of them are unskilled workers or have experience and skills from other areas.

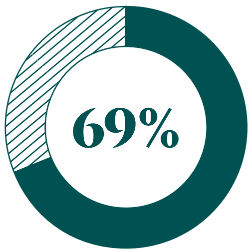
Better food. Brighter future.
Danish Crown is in many ways an attractive workplace, and we constantly strive to ensure that we deserve our employees' satisfaction. However, we also have to raise awareness of what we can offer, as the competition for talent is tough and prejudices about career opportunities in our line of business are deep-rooted.

Against this background, we are stepping up our efforts to communicate with prospective employees, explaining what Danish Crown stands for as an employer. We would not only like them to be familiar with our objective, but also to understand how that can translate into an exciting and meaningful job for them.

"Better food. Brighter future. This is in essence our message to the employees of the future. It communicates our ambitions in relation to sustainable foods and expresses our belief in a better tomorrow – for the individual employee and for the world. The message should be communicated and adjusted to various target groups, but the essence of the promise to everyone is: At Danish Crown, you can use and develop your talent in exciting ways for a good cause – and at the same time be a member of a strong community in which you are listened to and taken seriously.

The wording of this message is not a coincidence. It serves as the common denominator between who we are, who we would like to be and how we are perceived by other people. Thus, we have interviewed a number of existing, prospective and former employees and established a realistic ideal; something we can promise each other to continue to strive for.

Initially, our efforts are particularly aimed at three target groups that we have a critical need to be able to attract: young people, technical specialists and business profiles. Various campaign material will provide vivid stories about all the things that make us feel proud of Danish Crown as a workplace. It is important and valuable to all our employees that we keep reminding ourselves of why we have reasons to feel proud.



say that they generally feel positively inclined to taking on further training.

Governance

Code of Conduct | Risk management | Group financial highlights
Financial review | Corporate governance | Executive Board and Board of Directors

When common values become valuable

With our Code of Conduct, we undertake to observe clear and common principles for our conduct as a business. Common principles of responsibility are important to maintain confidence in Danish Crown as a global business.

Danish Crown has always based its business on special values. Thanks to our deep roots in the Danish co-operative movement, decency and responsibility for the community are obvious values that we have not really felt the need to talk about – let alone flaunt. However, esoteric values are no longer enough.

Danish Crown has a presence in an increasing number of countries. We regularly get new employees, customers and business partners and cannot take it for granted that they all know or share the principles and values that form the foundation on which we operate as a business. Thus, we have to articulate our values – loud and clear. We do that by way of our Code of Conduct, which is comprised of a set of eight rules.

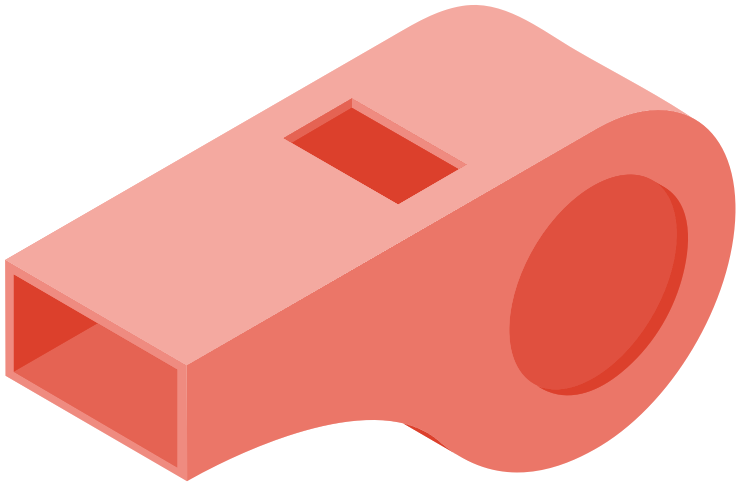
The essence is that we want to behave and be recognised as an ethically and socially responsible business. Writing down the principles is not enough. We are stepping up our efforts to truly explain, communicate and document our work. We still have a lot to learn and prove, but we believe that the path to credible responsibility should be travelled step by step and at a common pace.

The two most important steps that we took in the past year were to establish a whistleblower scheme and draw up an anti-corruption policy.

Everyone should feel safe saying no

Everyone at Danish Crown is expected to comply with the rules laid down in our Code of Conduct, and compliance must be actively monitored by management. If an employee suspects that a breach of our Code of Conduct has occurred or current legislation has been violated, he or she must generally notify the immediate superior without delay.

However, in some cases, employees may prefer to share their knowledge in confidence or through channels other than the formal management system. Consequently, we have established a whistleblower portal where all stakeholders can report violations of legislation or incidents conflicting with our Code of Conduct.



When should you blow the whistle?

You should blow the whistle if you experience anyone violating our Code of Conduct or breaking the law. Violations could be for example corruption, illegal working conditions or food safety breaches.

28 different languages

In order to facilitate access for all group employees and other stakeholders, the whistleblower portal is available in many languages.

The whistleblower portal is hosted by an independent third party. Reports may be submitted anonymously and are subject to the rules on the protection of personal data.

The portal is open to employees, business partners, suppliers, customers and owners and is available in 28 different languages. Read more on danishcrown.com/whistleblower.

The portal was established in April 2020. During the initial phase, all administrative employees were informed digitally about the scheme. In the summer of 2020, the scheme was communicated broadly to all employees – including those in production.

If a report is found to be substantiated, the matter will be thoroughly investigated for the purpose of drawing a conclusion and taking steps to rectify any issues open to criticism.

One common anti-corruption policy

Danish Crown will play an active role in fighting corruption, and setting out the group's anti-corruption policy is a major step along that path. Our new common policy is closely linked to rules 6 and 8 of our Code of Conduct: "We act with integrity and transparency in all our business operations" and "We comply with laws and regulations in all the countries in which we operate".

With this new policy, we make it clear to all employees that Danish Crown does not tolerate corruption of any kind, regardless of where in the world we operate.
Our senior management has made anti-corruption a priority; subsequently, business managers have received material supporting the implementation of the policy in their respective business areas. The internal material, in the form of dilemma case videos, a mandatory quiz and guidelines, is available on our intranet, and therefore training can be carried out both via PC and mobile phone.

For particular high-risk areas, we have prepared separate guidelines to ensure compliance with the rules. For example, guidelines for gifts, travels and hospitality as well as thorough guidelines on how to avoid bribery.

With our policy and guidelines to our employees worldwide, we want to promote a culture where it is taken for granted that all employees comply with anti-corruption laws.

The initial anti-corruption initiatives are based on an in-house analysis of the most significant risk areas. Both the risk analysis and our documentation will be expanded on an ongoing basis and the in-house training will be further developed.

Our Code of Conduct

1

We maintain respectful and honest relationships with our colleagues, communities and all other stakeholders.

2

We develop our business together with consumers and customers and in the interest of our owners.

3

We strive to uphold the highest standards on food safety and the quality of our products.

4

We strive for sustainable solutions in all decisions.

5

We respect human and labour rights throughout the entire value chain.

6

We act with integrity and transparency in all our business operations.

7

We take responsibility for the work safety of ourselves and our colleagues and contribute to a good working environment.

8

We comply with laws and regulations in all countries in which we operate.

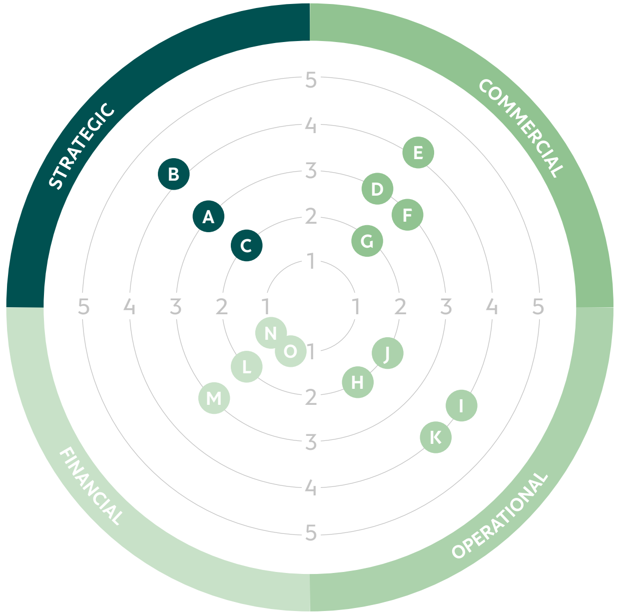
Risk management

We consistently focus on the group's strategic, commercial and operational targets and, by extension, also on events that could constitute obstacles to meeting these targets.

External and internal risks are identified in an ongoing process and assessed in relation to their potential impact, including financial loss and/or damage to our reputation. Against this background, we make decisions on any risk-mitigating measures.

Risks are assessed on a scale of 1 to 5 (1 being the lowest and 5 being the highest) in relation to probability and impact.

- **A** Consumer demand
- **B** Availability of raw materials
- **C** Sustainability
- **D** Pandemics
- **E** Market access
- **F** African swine fever (ASF)
- **G** Reputation
- **H** Stoppages
- **I** Food safety
- **J** Health and safety at work
- **K** IT security
- **L** Interest rate risk
- **M** Currency risk
- **N** Liquidity risk
- **O** Credit risk



Risk development

→ **Unchanged risk** ↑ **Increasing risk** ↓ **Decreasing risk**

STRATEGIC

3 →

A Consumer demand

Description: Consumers are stepping up their demands regarding the foods they eat, and are increasingly concerned about factors such as health and sustainability.
Against this background, certain segments, particularly in the western world, are witnessing a change in consumption patterns towards reduced consumption of meat and meat products.

Management: It is generally believed that global population growth and the growing middle classes will lead to increased demand for meat and meat-based foods. We regularly engage in dialogue with customers and consumers on the demand for plant-based products in specific segments, and on that basis, we decide how such products should represent a supplement to our core business going forward.

4 →

B Availability of raw materials

Description: Abattoirs and processing units both rely on the adequate supplies of pigs and cattle.
In more production countries, supplies of slaughter pigs in particular were under pressure in the past year. Going forward, the current lack of investments in new pig barns represents a potential risk that production capacity will fail to meet demand at some point.

Management: Most of the company's earnings are paid out to the Danish cooperative members as supplements to their payments for raw materials, increasing their incentive to produce and deliver raw materials to Danish Crown. However, the global market generates strong fluctuations in the payments per kg paid to farmers, which represents an uncertainty factor for their financial situation.

With a view to securing the supply of pigs going forward, the company has taken direct action to support the farmers' financial capacity to maintain and expand their production facilities.
In our other production countries, regular and proactive measures are also undertaken to establish long-term relationships with the suppliers. For example, our Polish business unit Sokołów is running a well-established advisory programme, "Together into the future", to promote a stable collaborative partnership with the Polish pig and cattle producers.

2 ↑

C Sustainability

Description: International research points to meat production as a major environmental factor in areas such as water consumption, water pollution, deforestation, biodiversity depletion and greenhouse gas emissions.
This will most likely lead to stricter rules on the methods and standards of meat production.

Management: Danish Crown's ambition is to be the world's most sustainable and successful meat producer by 2030. We are confident that sustainability will be a deciding factor going forward – both in terms of future health and the company's earnings.
A more comprehensive description of our targets and initiatives is provided in our Sustainability Report 2019/20.

COMMERCIAL

4 (new)

D Pandemics

Description: The COVID-19 pandemic has either directly or indirectly increased the risks in a number of areas, including:

- changes in customer and consumer demand
- reduced movement of labour and/or outbreak of virus among employees potentially causing reduced production
- reduced access to important markets
- increase in the number of attacks on IT systems

Management: Owing to a generally high level of hygiene in the food industry, swift implementation of recommended precautions and a strong team effort by all employees, we have navigated the COVID-19 crisis quite well.
In unprecedented times such as these, we are fortunate to be able to draw on the built-in flexibility of our business. Thus, parts of our production can relatively quickly be relocated from one facility to another, and our international market coverage enables us to sell products on other markets if some countries suddenly experience a decrease in demand or are closed for our products.
This unique situation has strengthened our internal communication processes and ability to respond, and going forward we will maintain a contingency plan for crisis management.

3 →

E Market access

Description: Danish Crown is one of the world's largest exporters of meat and meat products, and is therefore dependent on open markets and regulated international trade.
Overall, the support from the world's large nations to international trade institutions (such as the WTO) is declining, and we are witnessing an emerging tendency to domestic market protectionism.
The UK will be leaving the EU and the common market on 1 January 2021. There is still considerable uncertainty attached to the UK's future relationship with the EU and therefore about customs processing and customs duties as well as certification requirements and so on.

Management: We are working actively to utilise the potential of the new trade agreements concluded by the EU with a number of countries, including Japan.
In recent years, we have been preparing for the UK's withdrawal from the EU – both in terms of administration and commercial operations. Historically, Denmark and the UK have strong ties, which is expected to support trade relations in the short to medium term.

4 →

F African swine fever (ASF)

Description: ASF is a disease that is highly contagious and deadly to pigs and it continues to represent a substantial risk. If one single case of infection is found among domestic pigs, it is necessary to cull the entire herd. Experience from other countries shows that, despite active intervention, the disease can spread very quickly and substantially reduce the total pig population within a short period of time.
Countries with confirmed ASF cases will see their commercial potential severely diminished because certain markets – including China – will immediately ban all imports from the country in question.

Management: In Poland, the disease has existed in wild board populations since 2014, while relatively few cases have been found in domestic pig herds.
As with Poland, Sweden has large populations of wild boar, but in spite of this significant risk factor the country has so far avoided the disease. Both countries primarily sell pork to their domestic markets and to the EU, which reduces the commercial risk.
In Denmark, the authorities and trade organisations remain strongly focused on preventing ASF from entering the country. Wild boar fences along the Danish–German border were completed in the autumn of 2019, and requirements are still in place for washing and disinfecting pig transport vehicles that have been outside Denmark. As the wild boar population has been significantly reduced, the risk of the disease spreading has been mitigated.
Due to its geography and long borders, Germany is more vulnerable than other countries to the spread of an infection, and in spite of preventive measures, several infected wild boars were found in the north-eastern part of the country in the autumn of 2020. This has closed down the country's substantial pork exports to especially the Asian markets and put European pig prices under pressure. At group level, however, the situation in Germany has strengthened exports of pork from Denmark to Asia.

3 →

G Reputation

Description: A crisis of reputation can have serious consequences in the form of loss of sales, loss of talent or closer monitoring by the authorities.

Management: To be able to respond quickly and proactively to relevant issues, we are keeping a keen eye on public interest in our organisation through monitoring the media, social media and interest groups.
We have defined a set of rules with the aim of ensuring ethical business conduct, including specific codes of conduct for our employees and our suppliers, respectively. In addition, we have defined formal group policies covering a number of areas such as anti-corruption, data protection, tax, competition and sustainability-related issues.

OPERATIONAL

2 →

H Stoppages

Description: Any stoppage represents a financial risk relative to the maximum capacity utilisation of our highly automated and costly production facilities and relative to honouring customer contracts.

Management: Preventive measures, such as regularly maintaining production facilities and establishing good employee relations, help to ensure that lengthy stoppages very rarely occur.
Most of our products are produced at several different facilities, which ensures flexibility in the event of unintended stoppages at a particular plant.

4 →

I Food safety

Description: Food safety is a basic condition of our strong image among customers and consumers and of our access to important export markets. A single breach of our food safety standards could cause disease among consumers and have major commercial implications.

Management: All our production units have quality and food safety systems tailored to meet specific needs and external requirements.
Our systems are generally subject to third-party certification according to the Global Food Safety Initiative's approved standards.

2 ↓

J Health and safety at work

Description: Working in abattoirs and factories is physically demanding and involves a risk of work-related injuries and accidents with subsequent human and financial consequences.

Management: We have committed ourselves to the objective of creating safe and healthy workplaces. Through initiatives such as preventive 'Safety First' campaigns and root-cause analyses of work-related accidents, we continuously strive to reduce the number of accidents.
With respect to work-related diseases, which typically occur after several years of exposure, our efforts include adjusting workplaces and production patterns and introducing technology to reduce heavy lifting and/or repetitive actions.

4 ↑

K IT security

Description: Our operations rely on well-functioning IT systems in our production and administration. Unauthorised access to or a breakdown of these systems can have serious consequences for our production and for the protection of critical and confidential data and of our brand.

Management: In 2019/20, we strengthened our IT security organisation, assigning more staff to the area. The senior management must now regularly consider cyber risks and the level of IT security.
We have upgraded our preventive and detective systems, and all in-house users receive regular updates and training on secure IT conduct.

FINANCIAL

2 →

L Interest rate risk

Description: The annual change in financial cash flows resulting from a 1 percentage point change in interest rates.

Management: We aim to ensure a reasonable balance between the company's exposure to floating and fixed interest rates.
Significant changes to the composition between of floating and fixed interest rates must be approved by the Board of Directors.

3 →

M Currency risk

Description: The value fluctuation, calculated in a domestic currency, of one or more future payments in a foreign currency because of changes in the exchange rate between the two currencies.

Management: Our net currency exposure is hedged on an ongoing basis by matching same-currency incoming and outgoing payments and by drawing on currency overdraft facilities or by means of forward exchange transactions.
The use of derivative financial instruments is regulated by a set of rules approved by the Board of Directors.

1 →

N Liquidity risk

Description: Unforeseen fluctuations in liquidity outflows.

Management: We aim at having an overweight of long-term commitments to ensure financing stability. In connection with the raising of loans, we seek to ensure the highest possible flexibility by diversifying the loans in terms of maturity, renegotiation dates and counterparties, taking into account factors such as pricing.

1 →

O Credit risk

Description: Relating primarily to trade receivables.

Management: Customers are credit-rated individually, and based on an overall assessment of the customer's credit collateral and geographical location, a decision is made on the use of credit insurance, letters of credit, prepayments or open credit terms.

Group financial highlights

DKKm	2015/16	2016/17	2017/18*	2018/19	2019/20
Income statement					
Revenue	60,038	62,024	53,551	56,506	60,794
Operating profit before special items (EBIT)	2,167	1,923	2,091	2,522	2,860
Operating profit after special items	2,068	2,449	2,394	2,522	2,718
Net financials	-234	-225	-198	-232	-185
Net profit for the year from continuing operations	1,639	2,022	1,952	1,953	2,141
Net profit for the year from discontinued operations	0	0	-591	-785	14
EBIT %	3.6	3.1	3.9	4.5	4.7
Balance sheet					
Total assets	25,257	24,433	27,980	28,443	24,473
Investments in intangible assets	47	74	48	39	75
Investments in property, plant and equipment	1,038	928	1,081	1,398	1,494
Equity	6,897	7,611	7,540	7,361	8,055
Solvency ratio	27.3%	31.2%	26.9%	25.9%	32.9%
Net interest-bearing debt	10,562	9,229	12,643	11,847	8,989
Financial gearing	2.9	2.8	4.1	3.2	2.1
Interest cover	12.4	11.3	13.3	13.9	18.8
Cash flows from operating and investing activities					
Cash flows from operating and investing activities	2,750	1,937	-1,219	954	3,506

	2015/16	2016/17	2017/18	2018/19	2019/20
Supplementary payments, DKK/kg					
Supplementary payments, pigs	1.00	0.95	0.80	1.05	1.35
Supplementary payments, sows	0.80	0.80	0.70	0.90	1.20
Supplementary payments, cattle	1.30	1.30	0.95	0.80	1.25
Total supplementary payments, DKKm					
Supplementary payments, pigs	1,155	1,050	922	1,132	1,450
Supplementary payments, sows	41	37	31	38	45
Supplementary payments, cattle	99	100	75	61	89
Total supplementary payments	**1,295**	**1,187**	**1,028**	**1,231**	**1,584**
Disbursement according to articles 22.2 d and 22.3.2 of the articles of association	0	250	42	27	34
Total disbursement	**1,295**	**1,437**	**1,070**	**1,258**	**1,618**
Supplies from members weighted in (million kg)					
Pigs	1,155.4	1,104.9	1,152.0	1,078.4	1,074.4
Sows	50.9	46.6	44.7	41.6	37.7
Cattle	76.2	77.3	79.2	76.1	70.9
No. of cooperative members					
No. of cooperative members	7,605	7,166	6,830	6,426	5,900
No. of employees					
Average no. of full-time employees	26,276	25,956	21,769	23,052	22,996

* 2017/18 figures have been restated with respect to the income statement and cash flow statement. Tulip Ltd is considered a discontinued activity and is reported under a separate line.

Strong financial performance built on a united, strong company

2019/20 was a good year for Danish Crown with an increase in revenue of 8 per cent and strong financial performance with a profit of DKK 2.1 billion.

The revenue increase was primarily driven by rising prices of pork and strong sales to the Asian markets. A fair increase in revenue in the Swedish market both for fresh meat and processed products and in Casings for raw materials for the pharmaceutical industry also contributed to the revenue increase. Generally, we experienced a decrease in revenue in Foodservice due to COVID-19 lockdowns around the world, but on the other hand we increased our sales to retail businesses and the industry.

The gross margin was on par with the year before, which is satisfactory in light of the extra costs incurred as a result of the worldwide COVID-19 outbreak. In addition to wages paid to furloughed employees, costs were incurred for extra personal protective equipment, temperature measurements and tests.

Distribution costs increased by 3 per cent, primarily because more goods were shipped to the Asian markets.

We continued to invest in the strategic projects which aim to strengthen Danish Crown going forward. We strengthened our skills and ressources in the commercial and production technical areas as well as in sustainability. These are some of the reasons for the increase in administrative expenses.

Overall, we realised an operating profit of DKK 2.9 billion, against DKK 2.5 billion the year before. This highly satisfactory result exceeded our expectations at the beginning of the year. The profit is particularly strong in light of the many market challenges we experienced during the year – primarily the COVID-19 outbreak and the spread of African swine fever. This development shows that our strategic initiatives are also reflected in the bottom-line figures.

As part of the optimisation of our overall production set-up, it will be necessary to close a few older plants. During the year, we wrote down plants due to be closed by DKK 0.1 billion.

The financial expenses were lower than last year because the debt was reduced in connection with the divestment of UK-based Tulip Ltd, and also because we significantly reduced our net working capital during the year.

Overall, we realised a net profit from continuing operations of DKK 2.1 billion, which is an increase of DKK 0.2 billion relative to last year.

Tulip Ltd in the UK was divested last year. All accounting items from this activity are reported in the line item "Net profit for the year from discontinued operations". In 2019/20, we realised an income of DKK 14 million, primarily as a result of the final calculation of the sales price.

Net profit for the year from continuing and discontinued operations amounts to DKK 2.2 billion, against DKK 1.2 billion last year.

Assets
Our total assets decreased by DKK 4 billion, primarily due to the divestment of Tulip Ltd, but lower inventories and debtors also contributed to the reduction.

Our investments in the year amounted to DKK 1.5 billion, which was on a level with the depreciation for the year. We did not invest as much as we had planned because a number of projects were delayed due to COVID-19-related restrictions in terms of access to our factories. Among other things, we have invested in our strategic bacon and pizza toppings initiatives, but we also invested a substantial amount in our abattoirs.

In addition, total assets increased by DKK 0.5 billion due to the recognition of leases in accordance with IFRS 16.

Net working capital was reduced by DKK 1.4 billion despite a higher price level for the company's products. This was achieved through a dedicated effort to reduce inventories and debtors. These efforts will continue in the coming year.

Equity
At the end of 2019/20, our equity amounted to DKK 8.1 billion, which is an increase compared to last year because of this year's strong financial results.

At the end of 2019/20, the solvency ratio stood at a historically high 33 per cent.

Liabilities
During the year, net interest-bearing debt decreased by DKK 2.9 billion to DKK 9 billion.

The financial gearing improved from 3.2 to 2.1, which is historically low.

Our financing structure is based mainly on credits with a maturity of more than one year. 89 per cent of our net interest-bearing debt is long-term, against 86 per cent last year.

The share of interest-bearing debt falling due after more than five years from the balance sheet date is now 43 per cent against 42 per cent last year. Fixed-rate loans make up approximately 53 per cent of total loans, against 40 per cent at the end of 2018/19.

During the year, we remortgaged mortgage loans for DKK 3.6 billion to a lower fixed nominal interest rate.

Cash flow statement
Cash flows from operating activities for the year amounted to DKK 5.0 billion – an improvement of DKK 2.7 billion compared to last year. Of this amount, DKK 2.4 billion derived from a reduced net working capital, achieved through a dedicated effort in the area.

Investments in property plant and equipment were a little above last year. Due to a strong cash flow and the divestment of Tulip Ltd, we have reduced the interest-bearing debt by nearly DKK 3 billion.

Outlook for 2020/21
For the upcoming year, we expect the operating profit before special items (EBIT) to be slightly lower than this year, which was an extraordinarily good year. Furthermore, we expect the net profit to be on par with this year as we do not expect to have to write down non-current assets again.

Danish Crown's products have become more visible in supermarkets around the world.

Corporate governance – in close dialogue with our owners

Our close collaboration with the farmers who own Danish Crown is a strength both on a day-to-day basis and in the development of our company.

We differ from our competitors in the global market by being wholly owned by the Danish farmers who supply the pigs, sows and cattle for our production. Our cooperative is 133 years old and still builds on the simple principle that the interests of every individual farmer are best served in a joint, professionally run company.

The company is committed to creating value and paying the best possible price to the owners – and is ultimately accountable to the cooperative members. We consider this company structure an important strength, because the cooperative members are committed owners who actively take responsibility for their jointly owned company. This applies from the small everyday improvements to the company's overall strategy and targets.

Danish Crown has (as shown in the figure) a double governance structure:

- A cooperative management in Leverandørselskabet Danish Crown AmbA, which owns Danish Crown A/S.
- A company management in charge of running and developing Danish Crown A/S.

Cooperative management

Leverandørselskabet Danish Crown AmbA is owned by 5,900 Danish farmers. The supreme authority is the Board of Representatives, which consists of up to 90 members elected by and among the company's cooperative members as well as 15 observers elected by the employees. During the financial year, district meetings and meetings of the Board of Representatives are held, at which the cooperative members are informed about important matters regarding the company's strategy, operation and current status, including information about quarterly and annual reporting.

The Board of Directors of Leverandørselskabet Danish Crown AmbA is elected by the Board of Representatives for a two-year period. It is responsible for all matters relating to the cooperative members, including procurement and reselling of the farmers' supplies. Furthermore, Danish Crown AmbA is as the owner the Danish Crown group responsible for matters relating to capital, ownership and strategy. The Board of Directors currently consists of ten members and one observer, all elected by and among the members of the Board of Representatives. Information about the board members is provided on page 51 and on danishcrown.com/organization.

Corporate governance

Being a cooperative, Danish Crown is not formally obliged to comply with the recommendations on corporate governance that apply to listed companies. However, with due consideration to the special conditions that apply to a limited liability cooperative, we have defined a clear objective of acting transparently and in accordance with the guidelines set out by the Committee on Corporate Governance* – with a few exceptions:

- As the company is not listed on the stock exchange, the publication of quarterly reports is not deemed to be necessary. The company publishes half-year reports.
- For historical reasons, and as laid down in Leverandørselskabet Danish Crown AmbA's articles of association, cooperative members wishing to exercise their influence at the meetings of the Board of Representatives must attend such meetings in person or by written proxy.
- The remuneration and remuneration policy for the Board of Directors and the Executive Board are not disclosed, nor does the company's Board of Directors

* Recommendations on Corporate Governance – November 2017

17

Board meetings in the 2019/20 financial year

AmbA
Seven ordinary and three extraordinary meetings

A/S
Seven ordinary and no extraordinary meetings

Board committees

Overview of board committees and names of chairmen:

- **Audit Committee:**
  Chairman
  Jesper V. Christensen
- **Nomination and Remuneration Committee:**
  Chairman
  Erik Bredholt
- **Pork Committee:**
  Chairman
  Jais Valeur
- **Beef Committee:**
  Chairman
  Jais Valeur

meet the recommendations with regard to independence, the disclosure of owner's shares and participation in meetings. This is due to our close relationship with our owners, who are also suppliers to the company, and to Leverandørselskabet Danish Crown AmbA's special status as a cooperative and the election procedures that follow therefrom.

The Board of Directors of Danish Crown A/S is responsible for following up on, sparring with and controlling of the company's operations, development, management and financial affairs. The Board of Directors elects a chairman and a vice-chairman who, in accordance with recognised principles, do not participate in the day-to-day management.

In order to maintain value creation and ensure renewal, an evaluation of the work of the Board of Directors is undertaken once a year. Internally, the Board of Directors assesses whether the skills of its members, individually and collectively, contribute to and support the cooperation with the Executive Board in the best way.

The Board of Directors currently consists of ten members elected by the general shareholders' meeting (elected for one year at a time) and three employee representatives (elected for four years at a time). The Board of Directors currently has four independent members, who contribute to a broadly based decision-making process based on their expertise and experience. Information about the board members is provided on page 51 and on danishcrown.com/organization.

Board committees
As the group's operating activities are managed by Danish Crown A/S, relevant management committees are organised under the Board of Directors of this company. The primary task of the committees is to prepare the decisions to be made by the Board of Directors within certain areas. The composition, terms of reference and activities of the management committees during the year are published on danishcrown.com/organization.

- **The Audit Committee's** primary task is to monitor the company's accounting and auditing matters, and to report significant accounting policies and estimates to the Board of Directors prior to the approval of the annual report. In addition, the Audit Committee assists the Board of Directors in the dialogue with the external auditors and in connection with the agreement of the audit fee. The need for an internal audit is assessed on an ongoing basis, but an internal audit function is not considered relevant at present.

- **The Nomination and Remuneration Committee** prepares an annual evaluation for the Board of Directors on the composition of and the filling of positions for the company's boards of directors, committees and the Executive Board as well as their remunerations. The overall objective is to ensure that, at all times, the company's senior management possesses the qualifications and competences necessary to look after the interests of our cooperative members and employees, to give concrete form to company objectives and to support long-term value creation. The Nomination and Remuneration Committee also supervises incentive schemes for leaders.

- **Pork and Beef Committees:** Due to the relative importance of the Danish Crown Pork and Danish Crown Beef business units, the Board of Directors has set up two sub-committees to undertake a more in-depth consideration of matters relating to these business units.

The Executive Board of Danish Crown A/S is responsible for the day-to-day management of the company. As Group CEO, Jais Valeur is in charge of the strategic and group coordination of the business units. In the autumn of 2019, Preben Sunke, our Group CFO of many years, was given charge of a newly established function as Group COO. One of his new responsibilities is to create commercial and production synergies across the group. In February 2020, Thomas Ahle was appointed as our new Group CFO. He thus assumed responsibility for our ongoing Finance Transformation focusing on process optimisation and increased transparency. All members of the Executive Board work closely with, but independently of, the Board of Directors, which has laid down tasks and segregation of responsibilities in formal instructions to the Executive Board.

The **business management** of Danish Crown is organised into operational divisions based on product and/or geographical segmentation and with the overall aim of supporting the company's strategy.

Business committees ensure close coordination between the individual business units, the group management and the group functions. This is of particular importance to support our strategic goal of acting as one united group. The committees have representatives from all units and are driven by the central management.

Financial reporting and internal control

The company's internal control system is continually extended with a view to ensuring fair and reliable financial reporting.

A number of policies, standards and internal controls have been defined for financial reporting processes. Combined with a formal division of responsibilities, these aim to ensure that the annual report provides a true and fair view of the company's financial position. In the spring of 2020, Danish Crown implemented a whistleblower scheme at group level. The scheme enables employees and other company stakeholders to report violations of the law and of internally defined rules.

The Board of Directors and the Audit Committee monitor the internal control processes and continuously consider specific events or risks that could affect the company's financial affairs.

Executive Board and Board of Directors

From left to right: Søren Bonde, Michael Nielsen, Asger Krogsgaard, Jørgen Larsen, Kurt Høj, Erik Bredholt, Thomas Ahle, Majken Schultz, Karsten Willumsen, Jais Valeur, Knud Jørgen Lei, Ulrik Bremholm, Thomas Kjær, Palle Joest Andersen, Preben Sunke, Brian Vestergaard, Jesper V. Christensen, Peter Fallesen Ravn, Kim Tovgaard, Mads Nipper and Camilla Sylvest.

Executive Board

Jais Valeur
Group CEO
Born 1962 | Appointed 2015

Preben Sunke
Group COO
Born 1961 | Appointed 2002

Thomas Ahle
Group CFO
Born 1971 | Appointed 2020

Board of Directors

Erik Bredholt [*,1,2,3,6]
Chairman
Born 1966 | Appointed 2001

Asger Krogsgaard [*,1,2,3,4]
Vice Chairman
Born 1966 | Appointed 2003

Mads Nipper [2,4]
Vice Chairman
Group President, CEO
Grundfos Holding A/S
Born 1966 | Appointed 2016

Peter Fallesen Ravn [*,1,2]
Born 1968 | Appointed 2008

Palle Joest Andersen [*,1,2]
Born 1963 | Appointed 2009

Søren Bonde [*,1,2]
Born 1962 | Appointed 2013

Knud Jørgen Lei [*,1]
Born 1967 | Appointed 2013

Majken Schultz [2,4]
Professor, ph.d.
Born 1958 | Appointed 2013

Karsten Willumsen [*,1,2,3,4]
Born 1974 | Appointed 2013

Jesper V. Christensen [2,5]
Executive Vice President,
CFO Danfoss A/S
Born 1969 | Appointed 2016

Ulrik Bremholm [*,1]
Born 1967 | Appointed 2017

Michael Nielsen [*,1]
Born 1964 | Appointed 2017

Camilla Sylvest [2]
Executive Vice President
Novo Nordisk A/S
Born 1972 | Appointed 2017

Thomas Kjær [*,1]
Born 1981 | Appointed 2019

Kurt Høj [2]
Born 1959 | Appointed 2017
(employee representative)

Kim Tovgaard [2]
Born 1975 | Appointed 2017
(employee representative)

Brian Vestergaard [2]
Born 1973 | Appointed 2017
(employee representative)

Jørgen Larsen [*,1]
Observer
Born 1954 | Appointed 2019

* Independent farmer in privately owned company or corporate form and also a cooperative member

1 Leverandørselskabet Danish Crown AmbA

2 Danish Crown A/S

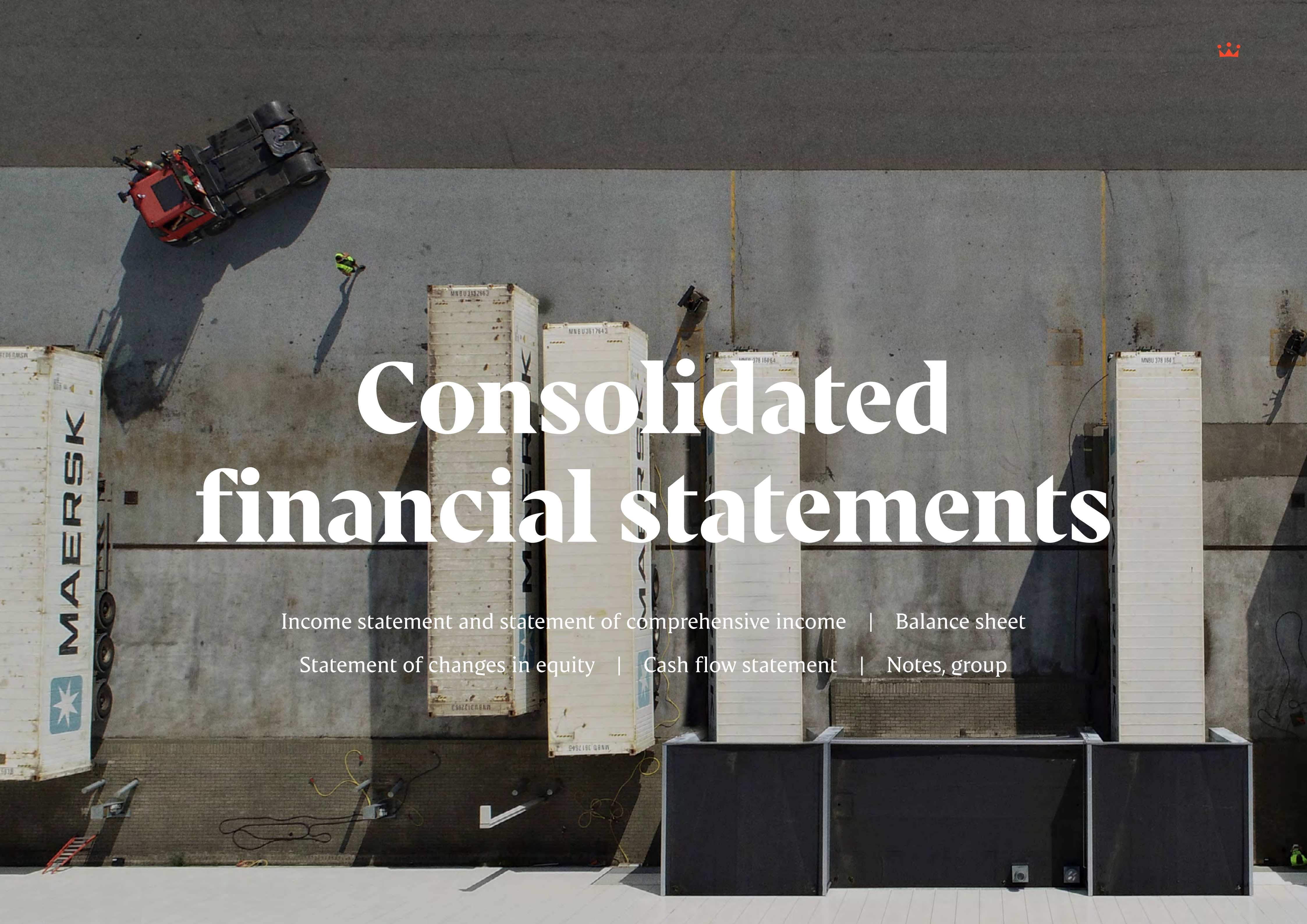
3 Member of the Audit Committee

4 Member of the Nomination and Remuneration Committee

5 Chairman of the Audit Committee

6 Chairman of the Nomination and Remuneration Committee

Further information about our Executive Board and Board of Directors is available on danishcrown.com/organization.



Consolidated financial statements

Income statement and statement of comprehensive income | Balance sheet
Statement of changes in equity | Cash flow statement | Notes, group

Income statement

1 October 2019 – 30 September 2020

		Group	
DKKm	**Note**	**2019/20**	**2018/19**
Revenue	2	60,794	56,506
Production costs	3,4	-51,980	-48,240
Gross profit		**8,814**	**8,266**
Distribution costs	3,4	-4,423	-4,297
Administrative expenses	3,4,5	-1,640	-1,537
Other operating income		13	18
Other operating expenses		-12	-4
Income from equity investments in associates and joint ventures	13	108	76
Operating profit before special items (EBIT)		**2,860**	**2,522**
Special items	6	-142	0
Operating profit after special items		**2,718**	**2,522**
Financial income	7	48	53
Financial expenses	8	-233	-285
Profit before tax		**2,533**	**2,290**
Tax on profit for the year	9	-392	-337
Net profit for the year from continuing operations		**2,141**	**1,953**
Net profit for the year from discontinued operations (to be distributed to the shareholders of the parent)	18	14	-785
Net profit for the year		**2,155**	**1,168**
Cooperative members of the parent		2,073	1,132
Non-controlling interests		82	36
Distribution of net profit for the year		**2,155**	**1,168**

Statement of comprehensive income

1 October 2019 – 30 September 2020

		Group	
DKKm	**Note**	**2019/20**	**2018/19**
Net profit for the year		**2,155**	**1,168**
Items subsequently recycled to the income statement:			
Foreign currency translation adjustment of foreign enterprises		-215	-42
Hedging of net investments in foreign enterprises		63	25
Fair value adjustments etc. of financial instruments hedging future cash flows	7	7	-37
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	7	14	-8
Tax on other comprehensive income		-1	10
Items not recycled to the income statement:			
Actuarial gains/losses on defined benefit plans etc.		-3	-4
Tax on other comprehensive income	9	1	1
Other comprehensive income from continuing operations		**-134**	**-55**
Other comprehensive income from discontinued operations	18	58	-91
Other comprehensive income		**-76**	**-146**
Comprehensive income		**2,079**	**1,022**
Cooperative members of the parent		2,021	972
Non-controlling interests		58	50
Distribution of comprehensive income		**2,079**	**1,022**
Continuing operations		2,007	1,898
Discontinued operations	18	72	-876
Comprehensive income for the year		**2,079**	**1,022**

Balance sheet – assets

30 September 2020

		Group	
DKKm	**Note**	**30.09.2020**	**30.09.2019**
Intangible assets	10	3,661	3,806
Property, plant and equipment	12	7,954	7,877
Lease assets	11	547	0
Equity investments in associates and joint ventures	13	298	278
Other securities and equity investments	14	10	10
Biological assets	16	2	1
Deferred tax assets	19	175	180
Non-current assets		**12,647**	**12,152**
Inventories	15	4,610	4,831
Biological assets	16	24	33
Trade receivables	17	5,524	6,237
Receivables from and prepayments to cooperative members	27	242	329
Receivables from associates		19	26
Other receivables		757	791
Prepayments		90	106
Other securities and equity investments	14	45	15
Cash		515	129
Assets related to discontinued operations	18	0	3,794
Current assets		**11,826**	**16,291**
Total assets		**24,473**	**28,443**

Balance sheet – equity and liabilities

30 September 2020

		Group	
DKKm	**Note**	**30.09.2020**	**30.09.2019**
Member's accounts	25	1,380	1,462
Personal subordinated accounts	25	462	354
Other reserves		-284	-235
Retained earnings		6,190	5,485
Equity owned by cooperative members of the parent		**7,748**	**7,066**
Equity owned by non-controlling interests		307	295
Equity		**8,055**	**7,361**
Pension obligations		44	44
Deferred tax liabilities	19	257	263
Other provisions	20	150	114
Loans	21,27	8,747	10,513
Other payables		4	4
Non-current liabilities		**9,202**	**10,938**
Other provisions	20	131	86
Loans	21,27	1,044	1,807
Trade payables		3,472	3,384
Payables to associates		57	60
Income tax payable		154	73
Other payables		2,308	1,842
Deferred income		50	44
Liabilities related to discontinued operations	18	0	2,848
Current liabilities		**7,216**	**10,144**
Liabilities		**16,418**	**21,082**
Total equity and liabilities		**24,473**	**28,443**

Statement of changes in equity

30 September 2020

DKKm	Member's accounts	Personal subordinated accounts	Reserve for foreign currency translation adjustments	Reserve for value adjustment of hedging instruments	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
Equity at 30 September 2018	**1,548**	**282**	**-252**	**84**	**5,595**	**7,257**	**283**	**7,540**
Net profit for the year	**0**	**76**	**0**	**0**	**1,056**	**1,132**	**36**	**1,168**
Foreign currency translation adjustment of foreign enterprises	0	0	-56	0	0	-56	14	-42
Fair value adjustments etc. of financial instruments hedging future cash flows	0	0	0	-37	0	-37	0	-37
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	0	0	0	-8	0	-8	0	-8
Hedging of net investments in foreign enterprises	0	0	0	25	0	25	0	25
Actuarial gains/losses on defined benefit plans etc.	0	0	0	0	-113	-113	0	-113
Tax on other comprehensive income	0	0	4	5	20	29	0	29
Recycled to the income statement	0	0	0	0	0	0	0	0
Total other comprehensive income	**0**	**0**	**-52**	**-15**	**-93**	**-160**	**14**	**-146**
Comprehensive income for the year	**0**	**76**	**-52**	**-15**	**963**	**972**	**50**	**1,022**
Payment of contributed capital	-86	-4	0	0	0	-90	0	-90
Supplementary payments disbursed	0	0	0	0	-1,070	-1,070	-38	-1,108
Acquisition of non-controlling interests	0	0	0	0	-3	-3	0	-3
Equity at 30 September 2019	**1,462**	**354**	**-304**	**69**	**5,485**	**7,066**	**295**	**7,361**
Net profit for the year	**0**	**112**	**0**	**0**	**1,961**	**2,073**	**82**	**2,155**
Foreign currency translation adjustment of foreign enterprises	0	0	-191	0	0	-191	-24	-215
Fair value adjustments etc. of financial instruments hedging future cash flows	0	0	0	7	0	7	0	7
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	0	0	0	14	0	14	0	14
Hedging of net investments in foreign enterprises	0	0	0	63	0	63	0	63
Actuarial gains/losses on defined benefit plans etc.	0	0	0	0	-3	-3	0	-3
Tax on other comprehensive income	0	0	17	-17	0	0	0	0
Recycled to the income statement	0	0	108	-50	0	58	0	58
Total other comprehensive income	**0**	**0**	**-66**	**17**	**-3**	**-52**	**-24**	**-76**
Comprehensive income for the year	**0**	**112**	**-66**	**17**	**1,958**	**2,021**	**58**	**2,079**
Payment of contributed capital	-82	-4	0	0	0	-86	0	-86
Supplementary payments disbursed	0	0	0	0	-1,258	-1,258	-41	-1,299
Dilution of non-controlling interests	0	0	0	0	5	5	-5	0
Equity at 30 September 2020	**1,380**	**462**	**-370**	**86**	**6,190**	**7,748**	**307**	**8,055**

Cash flow statement

1 October 2019 – 30 September 2020

		Group	
DKKm	Note	2019/20	2018/19
Operating profit before special items (EBIT)		2,860	2,522
Depreciation, amortisation and impairment	4	1,331	1,184
Income from associates	13	-108	-76
Change in provisions		-1	26
Change in net working capital	26	1,429	-930
Operating cash flows		**5,511**	**2,726**
Financial income received	7	16	27
Financial expenses paid	8	-209	-269
Income tax paid		-296	-205
Cash flows from operating activities		**5,022**	**2,279**
Purchase of intangible assets	10	-75	-40
Sale of intangible assets	10	0	1
Purchase of property, plant and equipment and biological assets	11,12,16	-1,559	-1,410
Sale of property, plant and equipment	11 ,12	65	12
Purchase of other securities and equity investments	13,14	-30	-3
Sale of other securities and equity investments	13,14	2	38
Dividend received	13	81	77
Cash flows from investing activities		**-1,516**	**-1,325**
Disbursement of supplementary payments		-1,258	-1,070
Disbursement to non-controlling shareholders		-41	-40
Proceeds from borrowings		3,584	1,548
Repayment of loans		-6,276	-823
Payment of contributed capital		-86	-90
Cash flows from financing activities	**26**	**-4,077**	**-475**
Cash flows from discontinued operations	**18**	**957**	**-529**
Change in cash and cash equivalents		**386**	**-50**
Cash and cash equivalents at 30 September 2019		129	179
Cash and cash equivalents at 30 September 2020	**26**	**515**	**129**

Notes | group

Note 1

Significant accounting estimates and judgments

When preparing the annual report in accordance with the group's accounting policies, management is required to make estimates and assumptions that affect the assets and liabilities recognised, including information on any contingent assets and liabilities.

Management's estimates are based on historical experience and other assumptions which are deemed relevant at the time. These estimates and assumptions form the basis of the recognised carrying amounts of assets and liabilities and the related effects recognised in the income statement. Actual results may differ from such estimates and assumptions.

Management considers the following estimates and judgments significant to the preparation of the consolidated financial statements.

Production costs
The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Property, plant and equipment
Management makes accounting estimates concerning residual values, and these are reassessed on an annual basis.

In addition, separate assessments are made of impairment losses in connection with capacity adjustments, closure of facilities or any other situations where there is an indication of impairment as a result of changed production or market conditions.

An impairment charge of DKK 63 million was recognised on facilities that are to be closed. No impairment charges were recognised on facilities last year.

Impairment testing
At least once a year, the group tests goodwill and intangible assets with indefinite useful lives for impairment. A further description of the basis of accounting estimates can be found in note 10.

No impairment was recognised on goodwill. Last year, an impairment charge of DKK 575 million was made in connection with the divestment of Tulip Ltd. For further information, see note 18.

Inventories
When assessing the net realisable value of inventories of fresh/frozen meat and casings, management estimates the expected development in market prices. Price developments in the world market may be affected by the group's access to major markets.

By the end of 2019/20, a write-down of inventories of DKK 115 million was made due to a decrease in the market price of pork.

A specification of inventories is provided in note 15.

Deferred tax liabilities and tax assets
Deferred tax assets are recognised if it is probable that taxable income will be available in the future against which temporary differences or tax losses carried forward can be utilised. The group's deferred tax assets primarily relate to future depreciation for tax purposes of property, plant and equipment.

In this connection, management makes an estimate of the coming years' earnings based on budgets and strategy forecasts in the legal entities to which the tax assets relate. In addition, the uncertain tax positions are assessed, and the required provisions are recognised.

As a result of higher uncertainty as to the future earnings of loss-making units, the majority of the tax assets related to tax losses carried forward have been written down.

A specification of deferred tax liabilities and tax assets is provided in note 19.

Note 2

Revenue

Allocation of revenue on business units and sales channels

DKKm	Fresh Meat	Foods	Casings	Total
2019/20				
Industry	21,707	6,125	3,427	31,259
Foodservice	3,875	2,270	50	6,195
Retail	6,567	12,803	180	19,550
Other	2,239	766	785	3,790
Total	**34,388**	**21,964**	**4,442**	**60,794**
2018/19				
Industry	21,116	5,183	3,469	29,768
Foodservice	4,757	2,241	50	7,048
Retail	4,208	11,698	176	16,082
Other	1,622	1,618	368	3,608
Total	**31,703**	**20,740**	**4,063**	**56,506**

Allocation of revenue on business units and markets

DKKm	Fresh Meat	Foods	Casings	Total
2019/20				
Denmark	1,941	3,479	359	5,779
Europe	16,154	17,276	2,107	35,537
Asia	12,582	235	269	13,086
Other	3,712	939	1,741	6,392
Total	**34,388**	**21,964**	**4,442**	**60,794**
2018/19				
Denmark	2,007	3,453	130	5,590
Europe	16,698	16,261	1,945	34,904
Asia	9,005	196	176	9,377
Other	3,992	831	1,812	6,635
Total	**31,703**	**20,740**	**4,063**	**56,506**

* KLS Ugglarps has been moved from Fresh Meat to Foods, and ESS-FOOD has been moved from Other companies to Fresh Meat to reflect business developments. Comparative figures have been restated.

Note 3

Staff costs

DKKm	2019/20	2018/19
Salaries and wages	6,184	5,890
Defined contribution plans	419	424
Defined benefit plans	1	1
Other social security costs	611	576
	7,215	**6,891**
Staff costs are distributed as follows:		
Production costs	5,347	5,118
Distribution costs	810	814
Administrative expenses	1,058	959
	7,215	**6,891**
Of which:		
Remuneration for the parent's Board of Directors	8	7
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	36	24
	45	**32**
Average no. of employees	22,996	23,052

Remuneration for the Executive Board includes pensions of DKK 1 million (2018/19: DKK 1 million) and provisions for the year for long-term bonuses of DKK 13 million (2018/19: DKK 4 million). The group management consists of the Executive Board. There are no other key members of management.

Note 4

Depreciation, amortisation and impairment

DKKm	2019/20	2018/19
Amortisation of intangible assets:		
Production costs	10	12
Distribution costs	72	75
Administrative expenses	44	35
	126	**122**
Depreciation of property, plant and equipment and lease assets:		
Production costs	1,034	983
Distribution costs	108	25
Administrative expenses	73	53
	1,215	**1,061**
Value adjustment of biological assets:		
Production costs	1	1
	1	**1**
Impairment of property, plant and equipment:		
Special items	63	0
	63	**0**
Gain on the disposal of non-current assets	28	8
Loss on the disposal of non-current assets	17	3

Note 5

Fees to the parent's auditors appointed by the Board of Representatives

DKKm	2019/20	2018/19
PwC:		
Statutory audit	8	7
Other assurance engagements	0	0
Tax advice	0	0
Other services	3	2
	11	**9**

Note 6

Special items

DKKm	2019/20	2018/19
Special items, expenses:		
Impairment of facility	63	0
Demolition and closure costs	79	0
	142	**0**

Note 7

Financial income

DKKm	2019/20	2018/19
Interest, cash etc.	16	27
Foreign currency gains and losses, net	46	18
Fair value adjustment of derivative financial instruments hedging the fair value of financial instruments	-73	70
Fair value adjustment of hedged financial instruments	73	-70
Fair value adjustment recycled from equity concerning hedges of future cash flows	-14	8
	48	**53**

Note 8

Financial expenses

DKKm	2019/20	2018/19
Interest expenses, credit institutions etc.	209	269
Interest, lease debt	15	0
Foreign currency gains and losses, net	9	16
	233	**285**

Note 9

Tax on profit for the year

DKKm	2019/20	2018/19
Current tax	393	242
Change in deferred tax	-68	53
Change in deferred tax resulting from a change in the tax rate	-1	-3
Adjustment concerning previous years, current tax	-16	-55
Adjustment concerning previous years, deferred tax	26	58
Write-down of tax assets	45	32
	379	**327**
Tax in cooperatively taxed enterprises and tax on other income not subject to income tax	13	10
Tax on profit for the year	**392**	**337**
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	534	486
Effect of differences in tax rates for foreign enterprises	13	9
Change in deferred tax resulting from a change in the tax rate	-1	-3
Tax in cooperatively taxed enterprises and tax on other income not subject to income tax	13	10
Tax base of profit in cooperatively taxed enterprises	-242	-242
Tax base of non-taxable income	-15	-23
Tax base of non-deductible costs	35	65
Adjustment concerning previous years, current tax	-16	-55
Adjustment concerning previous years, deferred tax	26	58
Write-down of tax assets	45	32
	392	**337**
Effective tax rate (%)	**16.2**	**15.2**
Foreign currency translation adjustment of foreign enterprises	-17	-5
Fair value adjustments etc. of financial instruments hedging future cash flows	1	-9
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	3	-2
Hedging of net investments in foreign enterprises	14	6
Actuarial gains/losses on defined benefit plans etc.	-1	-1
Tax on other comprehensive income	**0**	**-11**

Note 10

Intangible assets

DKKm	Goodwill	Software	Acquired trademarks etc.	Total
Cost at 1 October 2019	2,965	586	1,338	4,889
Foreign currency translation adjustments	-75	-2	-22	-99
Additions	0	71	4	75
Disposals	0	-17	-5	-22
Cost at 30 September 2020	**2,890**	**638**	**1,315**	**4,843**
Amortisation and impairment at 1 October 2019	0	489	594	1,083
Foreign currency translation adjustments	0	-2	-8	-10
Amortisation for the year	0	54	72	126
Amortisation of disposals for the year	0	-17	0	-17
Amortisation and impairment at 30 September 2020	**0**	**524**	**658**	**1,182**
Carrying amount at 30 September 2020	**2,890**	**114**	**657**	**3,661**
Cost at 1 October 2018	3,663	561	1,510	5,734
Foreign currency translation adjustments	5	-2	-8	-5
Additions	0	35	6	41
Disposals	0	-8	-3	-11
Transfer to discontinued operations	-703	0	-167	-870
Cost at 30 September 2019	**2,965**	**586**	**1,338**	**4,889**
Amortisation and impairment at 1 October 2018	0	454	586	1,040
Foreign currency translation adjustments	0	-1	-1	-2
Impairment for the year	457	0	0	457
Amortisation for the year	0	45	86	131
Amortisation of disposals for the year	0	-9	0	-9
Transfer to discontinued operations	-457	0	-77	-534
Amortisation and impairment at 30 September 2019	**0**	**489**	**594**	**1,083**
Carrying amount at 30 September 2019	**2,965**	**97**	**744**	**3,806**

Except for goodwill with an indefinite useful life, all other intangible assets are considered to have finite useful lives over which the assets are amortised.

Impairment testing of goodwill
Goodwill arising on acquisition etc. at the date of acquisition is allocated to the cash-generating units which are expected to obtain economic benefits from the business combination.

The carrying amount of goodwill is allocated to the cash-generating units as follows:

DKKm	30.09.2020	30.09.2019
Sokołów	668	696
DAT-Schaub	468	505
KLS Ugglarps	97	96
Danish Crown Foods	1,151	1,154
Danish Crown Pork	27	28
Danish Crown Beef	26	26
Danish Crown	453	460
Continuing operations	**2,890**	**2,965**
Tulip Ltd (discontinued operations)	0	246
	2,890	**3,211**

Goodwill is tested for impairment at least once a year, or more frequently if there are indications of impairment. The annual impairment test is made at the end of the financial year and has not resulted in any impairment of goodwill in the financial year. The recoverable amount for the individual cash-generating units to which the goodwill amounts have been allocated is calculated on the basis of calculations of the units' net present value.

The cash-generating units' net present value is calculated using the cash flows stated in the companies' budgets and strategy plans for the next five financial years. Account is taken of timing differences in strategy plans. For financial years following the budget and strategy periods (terminal period), cash flows in the most recent strategy period have been extrapolated, adjusted for expected growth rates for the specific markets. The most important uncertainties in this regard are related to the determination of discount rates and growth rates as well as the uncertainties and risks reflected in the budget and strategy figures.

The fixed discount rates reflect market assessments of the time value of money, expressed as a risk-free interest rate, and the specific risks which are associated with the individual cash-generating unit. Discount rates are generally determined on an 'after tax' basis based on the estimated weighted average cost of capital (WACC).

The growth rates used are based on the forecasts and strategy plans of the individual companies as well as on expectations for discount rates, interest and inflation levels. The growth rates used do not exceed the expected average long-term growth rate for the markets in question.

The most important budget assumptions are based on expectations for the organic growth in tonnage in the market(s) in which the companies primarily operate, the possibility of moving up in the value chain (new and more processed products) and the development in raw material prices for the principal products (pork and beef as well as by-products). For Sokołów and KLS Ugglarps, such expectations cover the Polish and Swedish markets, respectively, while the assessment for DAT-Schaub and Danish Crown Foods covers a number of global primary markets. The estimates of growth and the correlation between selling prices and raw material prices in the budget and strategy periods are based on historical experience and expectations for future growth and market conditions.

Note 10 – continued

Intangible assets

The most significant parameters used to calculate the recoverable amounts are as follows:

	Growth factor in the terminal period (%)		Risk-free interest rate, 10-year swap interest rate (%)		WACC after tax (%)		WACC before tax (%)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sokołów	1.0	1.0	1.5	2.9	6.6	7.1	8.1	8.7
DAT-Schaub	1.0	1.0	-0.3	0.0	4.6	4.6	5.9	5.9
KLS Ugglarps	1.0	2.0	-0.1	0.2	4.8	4.4	6.0	5.7
Danish Crown Foods	1.0	1.0	-0.3	0.0	4.6	4.6	5.9	5.9
Danish Crown Pork	1.0	1.0	-0.3	0.0	4.6	4.6	5.9	5.9
Danish Crown Beef	1.0	1.0	-0.3	0.0	4.6	4.6	5.9	5.9
Danish Crown	1.0	1.0	-0.3	0.0	4.6	4.6	5.9	5.9

Acquired trademarks etc.
Acquired trademarks etc. primarily concern trademarks in Poland with a remaining life of 5-15 years.

Note 11

Lease assets

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 October 2019	0	0	0	0
Opening balance sheet IFRS 16	274	100	101	475
Transfer from property, plant and equip.	77	72	11	160
Foreign currency translation adjustments	-11	-2	0	-13
Additions	94	28	46	168
Disposals	-12	-8	-6	-26
Cost at 30 September 2020	**422**	**190**	**152**	**764**
Depreciation and impairment at 1 October 2019	0	0	0	0
Transfer from property, plant and equip.	26	30	3	59
Depreciation for the year	69	53	56	178
Depreciation of and impairment on disposals for the year	-6	-8	-6	-20
Depreciation and impairment at 30 September 2020	**89**	**75**	**53**	**217**
Carrying amount at 30 September 2020	**333**	**115**	**99**	**547**

Lease liabilities are specified in notes 22 and 30.

Note 12

Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total
Cost at 01.10.2019	10,494	9,808	892	657	21,851
Transfer to lease assets	-77	-72	-11	0	-160
Foreign currency translation adjustments	-53	-93	-11	-4	-161
Completion of plant under construction	154	94	5	-253	0
Additions	238	657	89	404	1,388
Disposals	-18	-64	-8	0	-90
Cost at 30.09.2020	**10,738**	**10,330**	**956**	**804**	**22,828**
Depreciation and impairment at 01.10.2019	6,540	6,778	656	0	13,974
Transfer to lease assets	-26	-30	-3	0	-59
Foreign currency translation adjustments	-21	-64	-8	0	-93
Impairment for the year	10	52	1	0	63
Depreciation for the year	327	630	80	0	1,037
Depreciation and impairment on disposals for the year	-5	-37	-6	0	-48
Depreciation and impairment at 30.09.2020	**6,825**	**7,329**	**720**	**0**	**14,874**
Carrying amount at 30.09.2020	**3,913**	**3,001**	**236**	**804**	**7,954**
Of which recognised interest expenses	44	5	0	0	49
Cost at 01.10.2018	11,986	11,641	1,012	513	25,152
Foreign currency translation adjustments	-28	-49	-4	2	-79
Completion of plant under construction	106	163	20	-289	0
Additions	248	844	113	515	1,720
Disposals	-135	-300	-57	-10	-502
Transfer to discontinued operations	-1,683	-2,491	-192	-74	-4,440
Cost at 30.09.2019	**10,494**	**9,808**	**892**	**657**	**21,851**
Depreciation and impairment at 01.10.2018	7,137	8,149	755	0	16,041
Foreign currency translation adjustments	-11	-32	-2	0	-45
Depreciation for the year	389	764	93	0	1,246
Depreciation and impairment on disposals for the year	-132	-287	-50	0	-469
Transfer to discontinued operations	-843	-1,816	-140	0	-2,799
Depreciation and impairment at 30.09.2019	**6,540**	**6,778**	**656**	**0**	**13,974**
Carrying amount at 30.09.2019	**3,954**	**3,030**	**236**	**657**	**7,877**
Of which assets held under finance leases	51	42	8	0	101
Of which recognised interest expenses	44	5	0	0	49

Finance costs of DKK 0 million were recognised in the cost of property, plant and equipment under construction in the financial year (2018/19: DKK 0 million).

Note 13

Equity investments in associates and joint ventures

DKKm	Associates 30 September 2020	Associates 30 September 2019	Joint ventures 30 September 2020	Joint ventures 30 September 2019
Cost at 1 October	167	163	17	17
Foreign currency translation adjustments	-4	4	0	0
Cost at 30 September	**163**	**167**	**17**	**17**
Value adjustments at 1 October	87	89	7	6
Share of net profit	87	75	21	1
Foreign currency translation adjustments	-3	0	0	0
Distribution during the year	-81	-77	0	0
Value adjustments at 30 September	**90**	**87**	**28**	**7**
Carrying amount at 30 September	**253**	**254**	**45**	**24**

	Associates		Joint ventures	
DKKm	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Statement of comprehensive income				
Revenue	2,020	1,467	1,421	1,264
Net profit for the year from continuing operations	209	175	42	3
Other comprehensive income	-14	8	0	0
Total comprehensive income (100%)	**195**	**183**	**42**	**3**
Dividend received	**81**	**77**	**0**	**0**
Non-current assets	681	695	10	8
Current assets	586	558	185	131
Non-current liabilities	243	179	0	0
Current liabilities	458	501	103	101
Equity (100%)	**566**	**573**	**92**	**38**

The financial year of Daka Danmark A/S, Agri-Norcold A/S, Oriental Sino Limited and WestCrown GmbH runs from 1 January to 31 December.

For consolidation purposes, financial statements are prepared in accordance with Danish Crown's accounting policies for periods corresponding to Danish Crown's accounting periods.

Note 14

Other securities and equity investments

DKKm	30.09.2020	30.09.2019
Unlisted shares	10	10
Listed bonds	45	15
	55	**25**
Securities are recognised in the balance sheet as follows:		
Non-current assets	10	10
Current assets	45	15
	55	**25**

Note 15

Inventories

DKKm	30.09.2020	30.09.2019
Raw materials and consumables	645	698
Semi-finished goods	415	452
Finished goods and goods for resale	3,550	3,681
	4,610	**4,831**
Cost of sales	47,450	42,221
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	94	19

Note 16

Biological assets

DKKm	30.09.2020	30.09.2019
Non-current assets:		
Cost at 1 October	1	108
Additions	3	96
Disposals	-2	-79
Transfer to discontinued operations	0	-124
Cost at 30 September	**2**	**1**
Value adjustment at 1 October	0	-13
Adjustment for the year	-1	-17
Adjustment of disposal for the year	1	11
Transfer to discontinued operations	0	19
Value adjustments at 30 September	**0**	**0**
Carrying amount at 30 September	**2**	**1**
No. of sows and boars at 30 September	1,196	892
Current assets:		
Slaughter pigs	21	29
Land holdings	3	4
Carrying amount at 30 September	**24**	**33**
No. of slaughter pigs at 30 September	16,070	19,084
Kg produced ('000) during the year	2,914	3,015

Note 17

Trade receivables

DKKm	30.09.2020	30.09.2019
Trade receivables (gross)	**5,636**	**6,334**
Write-down for bad debts at 1 October	-98	-80
Foreign currency translation adjustments	2	0
Realised losses for the year	11	4
Reversed provisions	5	1
Provisions for bad debts for the year	-32	-23
Transfer to discontinued operations	0	1
Write-down for bad debts at 30 September	**-112**	**-97**
Trade receivables (net)	**5,524**	**6,237**

Receivables are written down, partly on the basis of the simplified expected credit loss model, and partly on the basis of an individual assessment of whether the individual debtor's solvency is reduced, for example as a result of suspension of payments or bankruptcy.

Individual receivables are written down to the calculated net realisable value. The carrying amount of receivables written down to net realisable value based on an individual assessment is DKK 76 million (30 September 2019: DKK 180 million).

The group's expected losses on trade receivables distributed by weighted loss rate:

DKKm	Loss rate	Gross receivables 2019/20	Expected loss	Net receivables 2019/20	Gross receivables 2018/19
Not due	0.1	4,737	5	4,732	5,117
Less than 30 days overdue	0.2	639	1	638	907
Between 30 and 90 days overdue	2.0	68	1	67	128
More than 90 days overdue	25.0	116	29	87	127
		5,560	**36**	**5,524**	**6,279**

During the financial year, no interest income in respect of receivables written down has been recognised (2018/19: DKK 0 million). The maximum credit risk on receivables more than 30 days overdue, but not written down, is DKK 61 million (30 September 2019: DKK 55 million).

Note 18

Discontinued operations

With a view to simplifying the group's UK business, an agreement was made in August 2019 to divest the shares in Tulip Ltd to Pilgrim's Pride Corporation's UK subsidiary.

The divestment was completed on 15 October 2019. Tulip Ltd is therefore presented as discontinued operations in the 2019/20 and 2018/19 financial statements.

The figures for the discontinued operations are specified.

The net assets of the discontinued operation were written down to the expected cash selling price. As a result, goodwill and other assets were written down by DKK 575 million. In 2019/20, we recognised a gain of DKK 14 million due to the final calculation of the selling price.

DKKm	30.09.2020	30.09.2019
Assets classified as discontinued operations		
Intangible assets	0	336
Property, plant and equipment and biological assets	0	1,746
Financial assets	0	82
Inventories	0	689
Receivables	0	941
	0	**3,794**
Liabilities classified as discontinued operations		
Provisions	0	296
Loans	0	1,575
Trade payables	0	565
Deferred tax	0	106
Other liabilities	0	306
Liabilities	**0**	**2,848**

DKKm	2019/20	2018/19
Revenue	359	7,005
Costs	-359	-7,207
Profit before tax and impairment	**0**	**-202**
Tax on profit for the year	0	-8
Profit after tax and before impairment	**0**	**-210**
Write-down to fair value of discontinued operations/noncurrent assets	14	-575
Net profit for the year from discontinued operations	**14**	**-785**
Statement of comprehensive income		
Items subsequently recycled to the income statement:		
Recycled to the income statement, special items (foreign currency translation adjustment)	58	0
	58	**0**
Items not recycled to the income statement:		
Actuarial gains/losses on defined benefit plans etc.	0	-110
Tax on other comprehensive income	0	19
	0	**-91**
Statement of comprehensive income for the year in respect of discontinued operations	**72**	**-876**
Cash flows from discontinued operations		
Cash flows from operating activities	0	-168
Cash flows from investing activities	2,456	-322
Cash flows from financing activities	-1,499	-39
Change in cash and cash equivalents	**957**	**-529**

Note 19

Deferred tax

DKKm	30.09.2020	30.09.2019
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	175	180
Deferred tax liabilities	-257	-263
	-82	**-83**
Tax value of non-recognised deferred tax assets	**344**	**304**
The expiry dates of tax losses to be carried forward can be specified as follows:		
No expiry date	283	265
2020	1	2
2021	1	1
2022	0	1
After 2025	6	2
	291	**271**

The tax base of tax losses amounting to DKK 71 million (2018/19: DKK 61 million) was not recognised as it was not deemed sufficiently probable that the losses will be utilised in the foreseeable future.

Note 19 – continued

Deferred tax

2019/20 DKKm	Deferred tax at 1 October 2019	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Transfer to discontinued operations	Change in tax rate	Deferred tax at 30 September 2020
Intangible assets	-68	4	-10	-8	0	0	0	-82
Property, plant and equipment	157	0	-17	13	0	0	1	154
Financial assets	5	0	-5	-2	0	0	0	-2
Current assets	57	-1	1	14	0	0	0	71
Non-current liabilities	-40	0	0	4	1	0	-1	-36
Current liabilities	48	-1	6	35	0	0	0	88
Tax losses carried forward	67	-4	-1	12	0	0	0	74
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	-6
	220	**-2**	**-26**	**68**	**1**	**0**	**0**	**261**
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	1
Write-down of tax assets	-304	4	0	-45	0	0	1	-344
	-83	**2**	**-26**	**23**	**1**	**0**	**1**	**-82**

2018/19 DKKm	Deferred tax at 1 October 2018	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Transfer to discontinued operations	Change in tax rate	Deferred tax at 30 September 2019
Intangible assets	-68	-1	-3	-13	0	15	2	-68
Property, plant and equipment	217	1	-92	-54	0	84	1	157
Financial assets	0	0	0	5	0	0	0	5
Current assets	36	0	0	21	0	0	0	57
Non-current liabilities	-14	0	0	-23	20	-23	0	-40
Current liabilities	65	0	-2	-12	0	-3	0	48
Tax losses carried forward	63	0	-16	20	0	0	0	67
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	-6
	293	**0**	**-113**	**-56**	**20**	**73**	**3**	**220**
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	1
Write-down of tax assets	-305	0	13	-12	0	0	0	-304
	-11	**0**	**-100**	**-68**	**20**	**73**	**3**	**-83**

Deferred tax assets and deferred tax are set off in the balance sheet when a legal right of set-off exists, and the deferred tax asset and deferred tax concern the same legal tax unit/consolidation.

Note 20

Other provisions

DKKm	Employee-related	Specific require-ments	Renovation of leasehold premises etc.	Other	Total
Other provisions at 1 October 2019	67	54	18	61	200
Foreign currency translation adjustments	-1	0	0	0	-1
Utilised during the year	-3	-2	-14	-1	-20
Reversal of unutilised provision	-1	-4	0	-2	-7
Provisions for the year	11	43	26	29	109
Other provisions 30 September 2020	**73**	**91**	**30**	**87**	**281**
Other provisions at 1 October 2018	66	148	28	94	336
Foreign currency translation adjustments	0	-2	0	0	-2
Utilised during the year	-12	-46	-11	-1	-70
Reversal of unutilised provision	-2	0	0	-20	-22
Provisions for the year	15	0	1	100	116
Transfer to discontinued operations	0	-46	0	-112	-158
Other provisions at 30 September 2019	**67**	**54**	**18**	**61**	**200**

Other provisions can be specified by maturity as follows:

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
30 September 2020	**131**	**103**	**47**	**281**
30 September 2019	**86**	**72**	**42**	**200**

The provisions were made based on the latest information available. The group believes that the risk in the individual areas has been fully provided for and that it will not require additional provisions.

Note 21

Loans

Loans can be specified by maturity as follows:

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
30 September 2020				
Mortgage debt	187	750	2,571	3,508
Other debt, issued bonds	0	2,371	1,611	3,982
Other credit institutions	448	906	0	1,354
Bank debt	266	167	0	433
Lease liabilities	143	322	49	514
	1,044	**4,516**	**4,231**	**9,791**
30 September 2019				
Mortgage debt	172	734	2,974	3,880
Other debt, issued bonds	0	2,235	1,864	4,099
Other credit institutions	79	1,044	310	1,433
Bank debt	1,534	1,313	0	2,847
Finance lease liabilities	22	38	1	61
	1,807	**5,364**	**5,149**	**12,320**

Note 22

Lease liabilities

DKKm	30.09.2020
Total undiscounted future minimum lease payments under capitalised non-cancellable leases (operating equipment and rent) break down as follows:	
Within 1 year of the balance sheet date	146
Between 1 and 5 years from the balance sheet date	313
More than 5 years after the balance sheet date	53
	512

DKKm	2019/20
Total future cash flows according to leases concerning variable lease payments, options, residual value guarantees, leases that have not yet come into force, short-term leases and other non-recognised components.	30

DKKm	2019/20
Total lease expenses recognised in profit for the year	
Expenses relating to short-term leases	23
Expenses relating to low-value lease assets which are not part of short-term leases	4
Expenses relating to variable lease payments which are not a part of lease liabilities	9
	36

Minimum lease payments recognised in profit for the year amounted to DKK 204 million last year.

Lease assets are described in note 11. Note 30 provides a specification of the IFRS 16 opening balance sheet.

Note 23

Contingent liabilities

DKKm	30.09.2020	30.09.2019
Other guarantees	26	21
Contractual obligations in respect of property, plant and equipment	0	0

The group is involved in a few lawsuits and disputes. Management is of the opinion that the outcome of these will not have any significant impact on the group's financial position.

Note 24

Security

DKKm	30.09.2020	30.09.2019
The following assets have been provided as security for mortgage debt and other long-term debt:		
Nominal mortgage secured on land, buildings and production facilities etc.	3,807	4,031
Carrying amount of the above-mentioned assets	3,442	3,299

Note 25

Rights and liabilities of the cooperative members

The rights of the cooperative members of Leverandørselskabet Danish Crown AmbA are set out in the company's articles of association. The individual cooperative members elect representatives to the company's supreme governing body, the Board of Representatives. Members are elected to the company's Board of Directors from among the members of the Board of Representatives.

With due consideration to the company's articles of association the Board of Representatives decides on the Board of Directors' recommendation for the annual supplementary payments out of the net profit for the year. Until 2017, in accordance with the articles of association, the individual cooperative members accumulated balances in members' accounts which are held as the company's contributed capital. This accumulation of members' accounts was terminated with effect from 2018. In addition, any distribution of profit for the year to the members' personal subordinated accounts by the Board of Representatives is accumulated as equity. Disbursements from member's accounts and personal subordinated accounts are made in accordance with the relevant provisions of the articles of association and are adopted annually by the Board of Representatives in connection with the approval of the annual report and the adoption of appropriation. According to the articles of association, disbursements from member's accounts and personal subordinated accounts can only be made if deemed proper with regard to the company's creditors. Balances in member's accounts may be disbursed in 2021 at the earliest.

The cooperative members are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative member is calculated on the basis of the supplies provided by such member and cannot exceed DKK 25,000.

No. of cooperative members

	30.09.2020	30.09.2019
No. of cooperative members at 1 October	6,426	6,830
Net reduction	-526	-404
No. of cooperative members at 30 September	**5,900**	**6,426**
DKKm		
Total liability	148	161
Proposed supplementary payments for the cooperative members (incl. return on members' accounts)	1,618	1,258

Note 26

Specifications to the cash flow statement

Change in net working capital

DKKm	2019/20	2018/19
Change in inventories	104	-289
Change in receivables	705	-527
Change in other provisions	-82	-49
Change in trade payables and other payables	702	-65
	1,429	**-930**
Cash and cash equivalents		
Cash and bank deposits, see balance sheet	515	129
	515	**129**

Liabilities in respect of financing activities

Balance at 1 October	11,991	11,270
Loans raised	3,584	1,548
Repayment and servicing of loans	-6,086	-810
Repayment of lease liabilities	-190	-13
Foreign currency translation adjustments	250	-4
Balance at 30 September	**9,549**	**11,991**

Note 27

Financial risks and financial instruments

Financial risks
Financial risks are managed at group level in accordance with the group's treasury policy. The group hedges commercial risks only and does not engage in derivative financial transactions for speculation purposes.

Currency risks in respect of assets and liabilities and future cash flows
The group's currency policy is to hedge net currency exposure on an ongoing basis. The company has a general risk exposure to foreign currency cash flows due to the uncertainty associated with the DKK value of future cash flows.

The commercial risk is therefore calculated as follows:
Commercial risk = cash and cash equivalents and securities
+ receivables and expected sales
÷ trade payables and other payables

Expected sales are calculated as follows:
Expected sales = sales orders concluded
+ specific expected sales in the short term

As part of the hedging of recognised and non-recognised transactions, the group uses hedging instruments in the form of forward exchange contracts, foreign currency loans and foreign currency overdrafts. The hedging of recognised assets and liabilities primarily comprises cash and cash equivalents, securities, receivables and financial liabilities.

At the balance sheet date, the fair value of the group's derivative financial instruments hedging recognised financial assets and liabilities amounted to DKK 13 million (30 September 2019: DKK -68 million). The fair value of the derivative financial instruments is recognised under other payables/other receivables and set off against the foreign currency translation adjustments of the hedged assets and liabilities in the statement of comprehensive income.

The hedging of expected future cash flows is treated as a cash flow hedge, meaning that the fair value adjustment of the hedging instruments used is made through other comprehensive income. Fair value adjustment of hedging instruments used to hedge specific expected sales in the short term is calculated on the basis of the value of such sales.

The hedging of sales orders concluded is treated as a fair value hedge, meaning that the fair value adjustment of the hedged orders and the hedging instruments used is made through profit and loss.

If the group has concluded foreign currency hedging agreements which do not qualify as hedge accounting, such agreements are treated as trading portfolios, recognising fair value adjustments continuously through profit and loss.

Open forward exchange contracts at the balance sheet date have a term to maturity of up to 12 months and can be specified as described on page 72, where agreements on the sale of currency are stated with a positive contractual value.

Hedging of net investments in foreign subsidiaries
The Danish Crown Group has a number of investments in foreign subsidiaries and is exposed to currency risk in connection with the translation of these subsidiaries' equity to DKK. The group hedges some of this currency risk by raising loans in the relevant currency. This applies to net investments in EUR, USD, GBP, SEK and PLN.

The change in the foreign currency translation adjustment of these financial instruments (debt instruments) hedging the currency risk concerning investments in foreign currency is made through other comprehensive income. To the extent that the fair value adjustment does not exceed the value adjustment of the investment, adjustments of these financial instruments are made through other comprehensive income; otherwise the fair value adjustment is recognised in the income statement.

At the balance sheet date, DKK 49 million (30 September 2019: DKK 18 million) was recognised in other comprehensive income concerning the foreign currency translation adjustment of instruments hedging of net investments and loans classified as additions to net investments.

There were no ineffective hedges in the present or previous financial years.

At the balance sheet date, the fair value of the accumulating foreign currency translation adjustments of instruments for hedging net investments amounted to DKK 151 million (30 September 2019: DKK 100 million).

Currency sensitivity analysis
The group's most important currency exposure with regard to sales concerns GBP, JPY, EUR and USD. Exchange rate fluctuations in respect of these currencies will not impact the group's financial results significantly as commercial currency positions are hedged in accordance with the group's risk policy, meaning that sales and net positions in the balance sheet are hedged.

The table below shows the effect it would have had on net profit and equity if the exchange rate of the most important currencies carrying a risk of significant exchange rate fluctuations had been 10 per cent lower than the exchange rate actually applied. If the exchange rate had been 10 per cent higher than the actual exchange rate, this would have had an equivalent positive effect on net profit and equity.

	Effect on net profit		Effect on equity	
DKKm	**30.09.2020**	**30.09.2019**	**30.09.2020**	**30.09.2019**
Effect if EUR exchange rate was 10% lower than actual exchange rate	-13	13	-13	13
Effect if GBP exchange rate was 10% lower than actual exchange rate	-4	-1	-9	-30
Effect if JPY exchange rate was 10% lower than actual exchange rate	1	0	-9	-28
Effect if SEK exchange rate was 10% lower than actual exchange rate	-2	-1	-2	-1
Effect if USD exchange rate was 10 % lower than actual exchange rate	-3	-1	-28	-30
Effect if other exchange rates were 10% lower than actual exchange rate	-5	-1	-6	-1

Embedded derivative financial instruments
The group has performed a systematic review of contracts which may contain conditions making the contract or parts of it a derivative financial instrument. The review did not give rise to any recognition of derivative financial instruments.

Note 27 – continued

Financial risks and financial instruments

DKKm	Cash and cash equivalents and securities	Receivables and expected sales	Trade payables and other payables	Commercial risk	Of which hedged by forward exchange contracts	Of which hedged by loans and overdrafts	Unhedged net position
EUR	6	1,807	-931	882	-18	-694	170
GBP	0	578	-27	551	-163	-340	48
JPY	0	1,132	0	1,132	-1,206	64	-10
SEK	0	59	-5	54	-194	164	24
USD	0	3,656	-494	3,162	-2,920	-201	41
Other currencies	27	532	-82	477	-1,603	1,185	59
30 September 2020	**33**	**7,764**	**-1,539**	**6,258**	**-6,104**	**178**	**332**
EUR	2	1,577	-952	627	1	-795	-167
GBP	0	741	-67	674	-1,897	1,236	13
JPY	0	1,222	0	1,222	-1,118	-101	3
SEK	0	87	-7	80	-384	320	16
USD	0	4,652	-587	4,065	-2,969	-1,084	12
Other currencies	46	585	-113	518	-53	-455	10
30 September 2019	**48**	**8,864**	**-1,726**	**7,186**	**-6,420**	**-879**	**-113**

	Hedging of future cash flows		Fair value hedging		Non-fulfilment of hedging criteria	
DKKm	Contractual value	Fair value adjustment recognised in equity	Contractual value	Fair value	Contractual value	Fair value
Forward exchange contracts EUR	0	0	0	0	18	0
Forward exchange contracts GBP	63	0	101	1	0	0
Forward exchange contracts JPY	128	0	1,091	16	4	0
Forward exchange contracts SEK	0	0	193	-1	0	0
Forward exchange contracts USD	321	-1	2,595	-8	-6	0
Forward exchange contracts, other	13	0	1,595	5	0	0
30 September 2020	**525**	**-1**	**5,575**	**13**	**16**	**0**
Forward exchange contracts EUR	0	0	0	0	-2	0
Forward exchange contracts GBP	288	-2	1,599	-8	0	0
Forward exchange contracts JPY	284	-7	820	-9	0	0
Forward exchange contracts SEK	0	0	384	0	0	0
Forward exchange contracts USD	287	-5	2,619	-48	10	0
Forward exchange contracts, other	0	0	77	-3	-28	0
30 September 2019	**859**	**-14**	**5,499**	**-68**	**-20**	**0**

Note 27 – continued

Financial risks and financial instruments

Interest rate risk
Danish Crown has, to a wide extent, interest-bearing financial assets and liabilities and is as such exposed to interest rate risk. The Group shows its financial assets and liabilities broken down by interest-reset or maturity dates, whichever occurs first, as interest-bearing assets and liabilities falling due after one year are considered to carry a fixed interest rate as shown in the right column.

The fair value of mortgage debt, debt to other credit institutions and bank debt has been calculated at the present value of future instalments and interest payments by using the current interest rate curve derived from current market rates (level 2). The fair value of the interest rate swaps outstanding at the balance sheet date hedging interest rate risks on floating-rate loans amounts to DKK -18 million (30 September 2019: DKK -26 million) (level 2).

The group's bank deposits are placed in current accounts or fixed-term deposit accounts.

Sale and repurchase transactions in respect of bonds (repos) entered into concurrently with the raising of bond loans in the same series are classified as derivative financial instruments, with bonds being the underlying assets. At 30 September 2020, such sale and repurchase transactions with a nominal value of DKK 3,680 million (30 September 2019: DKK 2,787 million) have been entered into. The fair value of the derivative financial instruments is immaterial.

Interest rate fluctuations affect the group's bond portfolios. An increase in interest rate levels of 1 percentage point per year relative to the interest rate level at the balance sheet date would have had a negative effect of DKK 2 million (30 September 2019: negative impact of DKK 0 million) on the group's results

As regards the group's floating-rate bank deposits, mortgage debt and other payables, an increase of 1 percentage point per year relative to the interest rate levels at the balance sheet date would have resulted in a decrease in the group's net profit and equity of DKK 34 million (2018/19: DKK 57 million). A corresponding decrease in interest rate levels would have had an equivalent positive effect on the group's net profit and equity.

The group aims to ensure a reasonable balance between the group's exposure to floating and fixed interest rates. The interest rate risk constitutes the annual change in financial cash flows entailed in the event of a 1 percentage point change in interest rates. Significant changes to the mix of floating and fixed interest rates must be approved by the Executive Board.

Repricing or expiry date

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total	Fair value
Bonds	-45	0	0	-45	-45
Bank deposits	-515	0	0	-515	-515
Mortgage debt	3,189	66	253	3,508	3,511
Other debt, issued bonds	1,431	1,552	999	3,982	3,982
Other credit institutions	448	906	0	1,354	1,354
Bank debt	292	141	0	433	433
Lease liabilities	357	141	16	514	516
Interest rate swaps, fixed rate	-820	817	4	1	18
30.09.2020	**4,337**	**3,623**	**1,272**	**9,232**	**9,254**
Bonds	-15	0	0	-15	-15
Bank deposits	-129	0	0	-129	-129
Mortgage debt	3,534	68	278	3,880	3,897
Other debt, issued bonds	1,453	1,414	1,232	4,099	4,099
Other credit institutions	469	654	310	1,433	1,433
Bank debt	2,803	44	0	2,847	2,848
Finance lease liabilities	59	2	0	61	62
Interest rate swaps, fixed rate	-825	820	5	0	26
30.09.2019	**7,349**	**3,002**	**1,825**	**12,176**	**12,221**

Note 27 – continued

Financial risks and financial instruments

Liquidity risks
In connection with the raising of loans etc., it is group policy to ensure the largest possible flexibility through a spreading of the loans in relation to maturity, renegotiation dates and contracting parties, taking into account pricing etc.

The group's strategy is to have a predominance of long-term commitments to ensure financial stability. The group's strategy is also to have enough cash resources to be able to make the necessary arrangements in the event of unforeseen fluctuations in the outflow of cash.

The maturities of financial liabilities are specified by the time intervals applied in the group's cash management. The specified amounts on page 75 represent the amounts falling due for payment, including interest etc.

Credit risks
The primary credit risk of the group concerns trade receivables. The payment terms stated in the group's sales contracts with customers are based on the underlying performance obligation and customer relations. The group's payment terms comprise short-term credits averaging approximately 35 days. No sales with significant credit terms exist. Customers are credit-rated individually, and based on an overall assessment of the customer's credit collateral and geographical location, a decision is made on the use of credit insurance, letters of credit, prepayments or open credit terms. For customers with outstanding balances exceeding DKK 25 million, credit insurance must be taken out unless the customer has a credit rating of A or higher with a reputable rating agency. Agreements on derivative financial instruments with a nominal value exceeding DKK 100 million are generally only concluded with reputable insurance or credit institutions with a credit rating of A or higher with Standard & Poor's.

Optimisation of capital structure
The company's management assesses on an ongoing basis whether the group's capital structure matches the company's and the owners' interests. The overall target is to ensure a capital structure which supports long-term financial growth and, at the same time, maximises the return for the group's stakeholders by optimising the debt-equity ratio. The group's overall strategy is consistent with that of last year.

The group's capital structure includes debt, comprising financial liabilities in the form of mortgage debt, bank debt, lease liabilities, receivables from cooperative members, cash and equity, including members' accounts, personal subordinated accounts, other reserves and retained earnings.

Non-performance of loan agreements
The group has neither during the financial year nor during the year of comparison been in arrears with or defaulted on any of its loan agreements.

Financial gearing
Financial gearing calculated as the ratio of net interest bearing debt to total EBITDA for the year was 2.1 (30 September 2019: 3.2) at the balance sheet date.

The financial gearing at the balance sheet date can be calculated as follows

DKKm	30.09.2020	30.09.2019
Mortgage debt	3,508	3,880
Other debt, issued bonds	3,982	4,099
Other credit institutions	1,354	1,433
Bank debt	433	2,847
Lease liabilities	514	61
Receivables from and prepayments to cooperative members	-242	-329
Cash and short-term securities	-560	-144
Net interest-bearing debt	**8,989**	**11,847**
Operating profit before special items (EBIT)	2,860	2,522
Depreciation, amortisation and impairment	1,331	1,184
EBITDA	**4,191**	**3,706**
Financial gearing	**2.1**	**3.2**

Cash resources

DKKm	30.09.2020	30.09.2019
Cash resources comprise:		
Cash	515	129
Unutilised credit facilities	6,153	3,114
	6,668	**3,243**

Note 27 – continued

Financial risks and financial instruments

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities:				
Mortgage debt	11	989	3,421	4,421
Other debt, issued bonds	99	2,590	1,654	4,343
Other credit institutions	461	941	0	1,402
Bank debt	266	167	0	433
Lease liabilities	151	315	49	515
Trade payables	3,472	0	0	3,472
Other payables	2,275	5	0	2,280
	6,735	**5,007**	**5,124**	**16,866**
Derivative financial instruments:				
Derivative financial instruments hedging the fair value of recognised assets and liabilities	12	0	0	12
Derivative financial instruments hedging future cash flows	20	0	0	20
30.09.2020	**6,767**	**5,007**	**5,124**	**16,898**
Non-derivative financial liabilities:				
Mortgage debt	266	1,010	3,882	5,158
Other debt, issued bonds	107	2,521	1,941	4,569
Other credit institutions	93	1,092	303	1,488
Bank debt	1,536	1,313	0	2,849
Finance lease liabilities	22	39	1	62
Trade payables	3,067	0	0	3,067
Other payables	1,732	0	0	1,732
	6,823	**5,975**	**6,127**	**18,925**
Derivative financial instruments:				
Derivative financial instruments hedging the fair value of recognised assets and liabilities	68	0	6	74
Derivative financial instruments hedging future cash flows	40	0	0	40
30.09.2019	**6,931**	**5,975**	**6,133**	**19,039**

DKKm	30.09.2020	30.09.2019
Categories of financial instruments in accordance with IAS 39:		
Other securities and equity investments	55	25
Financial assets measured at fair value through profit and loss	**55**	**25**
Derivative financial instruments hedging the fair value of recognised assets and liabilities	25	6
Derivative financial instruments hedging future cash flows	3	0
Financial assets used as hedging instruments	**28**	**6**
Trade receivables	5,524	6,237
Receivables from and prepayments to cooperative members	242	329
Receivables from associates	19	26
Other receivables	729	785
Cash	515	129
Financial assets measured at amortised cost	**7,029**	**7,506**
Other liabilities	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**
Financial liabilities hedging net investments in foreign subsidiaries*	3,365	2,623
Derivative financial instruments hedging the fair value of recognised assets and liabilities	12	74
Derivative financial instruments hedging future cash flows	20	40
Financial liabilities used as hedging instruments	**3,397**	**2,737**
Mortgage debt	3,508	3,880
Other debt, issued bonds	3,982	4,099
Other credit institutions	1,354	1,433
Bank debt*	-2,932	224
Lease liabilities	514	0
Finance lease liabilities	0	61
Trade payables	3,472	3,384
Payables to associates	57	60
Other payables	2,280	1,732
Financial liabilities measured at amortised cost	**12,235**	**14,873**

* Of bank debt of DKK 433 million, DKK 3,365 million is allocated to hedging of net investments in foreign subsidiaries.

Note 27 – continued

Financial risks and financial instruments

Fair value hierarchy for financial instruments measured at fair value in the balance sheet
The table on the right shows the classification of financial instruments measured at fair value, distributed according to the fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods according to which all important inputs are based on observable market data (level 2).
- Valuation methods according to which any important inputs are not based on observable market data (level 3).

Methodology and assumptions for the calculation of fair values
Listed bonds and shares
The portfolio of listed government bonds, mortgage bonds and shares is measured at quoted prices and price quotes.

Unlisted shares
Unlisted shares are measured on the basis of market multiples for a group of comparable listed companies less an estimated factor for trading in an unlisted market. If this is not possible, unlisted shares are measured at cost.

Derivative financial instruments
Forward exchange contracts and interest rate swaps are measured on the basis of generally accepted valuation methods based on relevant observable swap curves and foreign exchange rates.

DKKm	Level 1	Level 2	Level 3	Total
30.09.2020				
Listed bonds	0	0	0	0
Unlisted shares	0	0	6	6
Financial assets measured at fair value through profit and loss	**0**	**0**	**6**	**6**
Financial assets used as hedging instruments	**0**	**28**	**0**	**28**
Other liabilities	0	0	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**	**0**	**0**
Financial liabilities used as hedging instruments	**0**	**32**	**0**	**32**
30.09.2019				
Listed bonds	0	0	0	0
Unlisted shares	0	0	8	8
Financial assets measured at fair value through profit and loss	**0**	**0**	**8**	**8**
Financial assets used as hedging instruments	**0**	**6**	**0**	**6**
Other liabilities	0	0	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**	**0**	**0**
Financial liabilities used as hedging instruments	**0**	**114**	**0**	**114**

No material transfers were made between level 1 and level 2 in the financial year.

DKKm	30.09.2020	30.09.2019
Financial instruments measured at fair value in the balance sheet on the basis of valuation methods according to which any important inputs are not based on observable market data (level 3).		
Carrying amount at 1 October	8	12
Purchase	1	1
Sale	-3	0
Transfer to discontinued operations	0	-5
Carrying amount at 30 September	**6**	**8**
Gain/loss included in net profit for the year for assets held at 30 September	**0**	**0**

Note 28

Related parties

Leverandørselskabet Danish Crown AmbA has no related parties with a controlling interest.

The company's related parties with a significant interest comprise members of the Board of Directors and the Executive Board as well as members of their families.

Related parties also include enterprises in which such persons have significant interests.

Furthermore, related parties include associates, see the group structure, in which the company has a significant interest.

Related party transactions
During the financial year, the group has engaged in the following related party transactions:

DKKm	Associates and joint ventures	Board of Directors of the parent	Executive Board of the parent	Total
2019/20				
Sale of goods	536	8	0	544
Purchase of goods	29	400	0	429
Sale of services	1	0	0	1
Purchase of services	323	0	0	323
Salaries and other remuneration	0	8	36	44
Trade receivables	40	3	0	43
Trade payables	48	1	0	49
Dividend received/supplementary payments	0	24	0	24
Member's accounts	0	23	0	23
2018/19				
Sale of goods	413	7	0	420
Purchase of goods	21	201	0	222
Sale of services	1	0	0	1
Purchase of services	277	0	0	277
Salaries and other remuneration	0	7	24	31
Trade receivables	25	3	0	28
Trade payables	36	1	0	37
Dividend received/supplementary payments	0	12	0	12
Member's accounts	0	13	0	13

No security or guarantees for balances had been provided at the balance sheet date. Both receivables and trade payables will be settled in cash.

No bad debts in respect of related parties were realised, and no provision for bad debts was made.

Note 29

Events after the balance sheet date

No material events have occurred after the balance sheet date.

Note 30

Accounting policies

The 2018/19 consolidated financial statements of Leverandørselskabet Danish Crown AmbA are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, see the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act. Leverandørselskabet Danish Crown AmbA is a cooperative domiciled in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for the group's activities.

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets which are recognised at fair value through profit and loss, biological assets which are also measured at fair value as well as net assets concerning discontinued assets which are measured at expected sales prices (net).

Except for what is described below regarding IFRS 16, the accounting policies are consistent with those of last year.

Effects of new IFRS standards

With effect for the 2019/20 financial year, Leverandørselskabet Danish Crown AmbA has implemented IFRS 16, which entered into force for financial years beginning on or after 1 January 2019.

IFRS 16 changes the accounting treatment of leases that were previously treated as operating leases according to the recognition requirements of IAS 17. Under the standard, all leases, regardless of type – with a few exceptions – must be recognised in the balance sheet as an asset with a corresponding lease liability. The annual lease expenses have now been split into two components: a depreciation charge and an interest expense. The lease asset is depreciated over the shorter of the term of the lease and the useful life of the asset. Reported EBIT is positively affected because the interest component is recognised in financial expenses. Over time, the impact on profit for the year will be neutral, but a timing difference exists because of the calculated accelerated interest expense.

Initial recognition

IFRS 16 has been adopted using the simplified approach, under which comparative figures are not restated and where there is no impact on the opening equity. Lease assets are presented on a separate line in the balance sheet and further specified in note 11. The corresponding lease liabilities are included under loans and specified further in notes 22 and 30.

For existing leases that were previously treated as operating leases under IAS 17, the lease liability is recognised as the present value of the remaining lease payments discounted using an interest rate reflecting the lease asset's category, currency in the contract and the risk assessment of the cash-generating unit which has leased the asset. In the opening balance sheet, existing leases that were recognised as finance leases under IAS 17 are recognised at the same amount as that recognised in the year-end balance sheet at 30 September 2019.

On initial recognition of leases under IFRS 16, no reassessment has been made of contracts which were not previously identified as containing a lease component. Leases with a term of less than 12 months or leases in respect of low-value assets have not been recognised. The term of a lease is to a certain extent determined on the basis of estimates where the lease contains termination options or extension options.
No leases have been made for investment purposes.

Effect on the opening balance sheet

The value of operating and finance leases as disclosed at 30 September 2019 and the value of leases recognised in the opening balance sheet under IFRS 16 at 1 October 2019 can be specified as shown in the table below:

Specification of IFRS 16 opening balance sheet
DKKm

Operating lease liability as disclosed in the annual report at 30 September 2019	**451**
Opening balance sheet based on calculated borrowing rate at 1 October 2019	418
Short-term leases and low-value lease assets	-39
Extension or termination options that are reasonably certain to be exercised	96
Variable lease payments based on an index	0
Lease liability calculated at 1 October 2019	**475**
To this should be added finance lease liabilities as disclosed in the annual report at 30 September 2019	61

Other changes

In addition to the new standard mentioned above, IASB has issued a number of amendments to existing standards and new interpretations.

It is management's assessment that these changes will not have any significant impact on the consolidated financial statements.

IFRIC 23

The implementation of IFRIC 23 has not had any effect on equity in 2019/20.

Consolidated financial statements

The consolidated financial statements comprise Leverandørselskabet Danish Crown AmbA (the parent) and the enterprises (subsidiaries) in which the parent is deemed to have a controlling interest. The parent is considered to have a controlling interest in an enterprise in which it has invested if the parent is exposed or entitled to variable returns and is able to affect such returns based on its investment in the enterprise.

Enterprises in which the group, directly or indirectly, holds between 20 per cent and 50 per cent of the voting rights and exercises a significant influence, but not control are regarded as associates. Enterprises in which the group directly or indirectly has joint control are regarded as joint ventures.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Leverandørselskabet Danish Crown AmbA and its subsidiaries.

The consolidated financial statements are prepared by combining items of a uniform nature. All financial statements used for consolidation purposes are presented in accordance with the accounting policies of the group.

On consolidation, intra-group income and expenses, accounts and dividends as well as gains and losses on transactions between the consolidated enterprises are eliminated.

The tax effect of these eliminations is taken into account.

The items in the financial statements of the subsidiaries are recognised in full in the consolidated financial statements.

Non-controlling interests

On first recognition, non-controlling interests are either measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. The choice of method is made for each individual transaction. The non-controlling interests are subsequently adjusted for their proportionate share of changes in the subsidiary's equity. The comprehensive income is allocated to the non-controlling interests, even if this may cause the non-controlling interest to become negative.

Acquisition of non-controlling interests in a subsidiary and sale of non-controlling interests in a subsidiary which do not entail obtaining or losing control are treated in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is allocated to the parent's share of equity.

Any liabilities relating to put options allocated to non-controlling shareholders in subsidiaries are recognised as liabilities at the present value of the amount falling due upon exercise of the option if the group has an obligation to transfer cash and cash equivalents or other assets. The liability is deducted from equity owned by non-controlling interests, and shares of profit or loss are subsequently not transferred to non-controlling interests. On subsequent balance sheet dates, the financial liability is measured again, and any value adjustments are recognised in net financials in the income statement.

Note 30 – continued

Accounting policies

Business combinations
Newly acquired or newly established businesses are recognised in the consolidated financial statements from the date of acquisition or establishment of such businesses, respectively. The date of acquisition is the date when control of the business actually passes to the group. Businesses divested or wound up are recognised in the consolidated income statement until the date of divestment or winding up of such business, respectively. The date of divestment is the date when control of the business actually passes to a third party.

On acquisition of new businesses where the group obtains a controlling interest in the acquired business, the purchase method is used, according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired businesses are measured at fair value on the date of acquisition. Non-current assets which are acquired with the intention to sell them are, however, measured at fair value less expected costs to sell. Restructuring costs are only recognised in the acquisition balance sheet if they constitute a liability for the acquired business. Allowance is made for the tax effect of revaluations. The purchase price of a business consists of the fair value of the price paid for the acquired business. If the final determination of the price is contingent on one or more future events, such events are recognised at their fair values at the date of acquisition. Costs which are directly attributable to the acquisition of the business are recognised directly in the income statement when incurred.

The excess of the consideration paid for the acquired business, the value of non-controlling interests in the acquired business and the fair value of previously acquired investments over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, initial recognition is based on provisionally determined amounts.

The provisionally determined amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition to reflect new information obtained about facts and circumstances that existed at the date of acquisition and, if known, would have affected the calculation of the amounts at the date of acquisition.

Changes in estimates of contingent consideration are, as a general rule, recognised directly in the income statement. In connection with the transition to IFRS, business combinations completed before 30 September 2002 were not restated to the above-mentioned accounting policies. The carrying amount at 30 September 2002 of goodwill relating to business combinations completed before 30 September 2002 is regarded as the cost of the goodwill.

Gains or losses on the divestment or winding up of subsidiaries and associates
Gains or losses on the divestment or winding up of subsidiaries and associates which entails a loss of control or significant influence, respectively, are calculated as the difference between the fair value of the sales proceeds or the winding-up amount and the fair value of any remaining equity investments on the one hand, and the carrying amount of the net assets at the date of divestment or winding up, including goodwill, less non-controlling interests (if any) on the other. The gain or loss thus calculated is recognised in the income statement together with the accumulated foreign currency translation adjustments that are recognised in other comprehensive income.

In connection with the divestment of ownership interests in associates and jointly controlled enterprises which are fully or partly paid for by ownership interests in the acquiring company, meaning that significant influence still exists after the transaction, a specific assessment is made of the transaction. If the transaction has commercial substance, i.e. if the divestment significantly affects the future cash flows from the ownership interests in terms of risks, timing and size, the gain or loss is recognised without proportionate elimination.

Foreign currency translation
On initial recognition, transactions in currencies other than the functional currency of the individual enterprise are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates applicable at the balance sheet date.

Exchange rate differences arising between the transaction date and the payment date and the balance sheet date, respectively, are recognised in the income statement as net financials.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currencies and measured on the basis of historical cost are translated at the exchange rates applicable at the transaction date. Non-monetary items which are revalued to fair value are recognised at the exchange rates applicable at the date of revaluation.

On recognition in the consolidated financial statements of enterprises reporting in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates unless these deviate significantly from the actual exchange rates applicable at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates applicable at the balance sheet date. Goodwill is regarded as belonging to the business acquired and is translated at the exchange rate applicable at the balance sheet date.

Exchange rate differences arising on translation of the balance sheet items of foreign enterprises at the beginning of the year at the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates using the exchange rates applicable at the balance sheet date are recognised in other comprehensive income. Similarly, exchange rate differences arising as a result of changes made directly in the equity of the foreign enterprise are also recognised in other comprehensive income.

Foreign currency translation adjustments of receivables from or payables to subsidiaries which are considered part of the parent's total investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as hedges of the fair value of a recognised asset, a recognised liability or a permanent order are recognised in the income statement together with changes in the value of the hedged item.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as effective hedges of future transactions are recognised in other comprehensive income. The ineffective part is recognised immediately in the income statement. When the hedged transactions are realised, the cumulative changes are recognised as part of the cost of the transactions in question. Derivative financial instruments which do not qualify for hedge accounting are regarded as trading portfolios and measured at fair value with ongoing recognition of fair value adjustments under net financials in the income statement.

Tax
Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit for the year and directly in equity or other comprehensive income with the portion attributable to transactions directly in equity and other comprehensive income, respectively.

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

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Note 30 – continued

Accounting policies

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and where the temporary difference ascertained at the time of initial recognition neither affects the carrying amount nor the taxable income.

Deferred tax is recognised on temporary differences related to equity investments in subsidiaries and associates, unless the parent is able to control when the deferred tax is realised and it is likely that the deferred tax will not crystallise as current tax within a foreseeable future.

The deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised in the balance sheet at the value at which the asset is expected to be realised, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable incomes. At each balance sheet date, it is estimated whether it is likely that sufficient future taxable income will be generated to utilise the deferred tax asset.

In connection with international trade between the group's subsidiaries, disputes may arise with local tax authorities with respect to compliance with transfer pricing rules. Group management assesses the possible outcome of such disputes, and the most likely outcome is used to calculate the resulting tax liability. Management believes that the provision for uncertain tax positions is sufficient to cover liabilities relating to unsettled disputes with local tax authorities.

The actual liabilities following the resolution of disputes may differ from the amounts provided for, however, depending on the outcome of legal disputes and settlements reached with the tax authorities in question.

Non-current assets held for sale
Non-current assets and groups of assets held for sale are presented separately as current assets in the balance sheet. Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet. Non-current assets held for sale are not depreciated but written down to the lower of fair value less expected selling costs and carrying amount.

Income statement and statement of comprehensive income
Revenue
The group's revenue comprises the sale of meat and meatrelated products, primarily within three business areas: Fresh Meat, Foods and Casings.

The revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation.

Revenue from the sale of goods for resale and finished goods is thus recognised in the income statement when control of the product passes to the customer. The main part of revenue is recognised when the goods are handed over to the carrier. Due to the nature of the products, the volume of returned goods is insignificant.

The revenue recognised is measured at the fair value of the agreed consideration plus export refunds and less VAT, duties and discounts.

Production costs
Production costs comprise costs incurred to earn revenue. In production costs, the trading enterprises include cost of sales and the manufacturing enterprises include costs relating to raw materials, including purchases from cooperative members, consumables, production staff as well as maintenance, depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the production process. Variable lease payments and low lease value assets and short-term leases concerning lease assets used in production are also recognised in production costs at the time of payment or on a straight-line basis over the lease term. The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Distribution costs
Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation, amortisation of and impairment of property, plant and equipment and intangible assets and lease assets recognised under IFRS 16, which are used in the distribution process Variable lease payments and low-value lease assets and short-term leases concerning lease assets used in distribution are also recognised in distribution costs at the time of payment or on a straight-line basis over the lease term.

Administrative expenses
Administrative expenses comprise costs incurred for the management and administration of the group, including costs for administrative staff and management as well as office expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets and lease assets recognised under IFRS 16 which are used in the administration of the group. Variable lease payments and low lease value assets and short-term leases concerning lease assets used for administrative purposes are also recognised in administrative expenses at the time of payment or on a straight-line basis over the term of the contract.

Other operating income and expenses
Other operating income and expenses comprise income and expenses of a secondary nature in relation to the group's primary activities.

Government grants
Government grants are recognised when there is reasonable certainty that the conditions for receiving a grant have been met, and the grant will be received.

Government grants received to cover costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement. The grants are offset against the costs incurred.

Government grants related to an asset are recognised under prepayments in the balance sheet and offset against depreciation over the economic life of the asset when the asset is brought into use. If government grants are received relating to an asset which has been written off, the amount will be recognised at the time of receipt.

Special items
Special items include significant income and expenses of a special nature in relation to the group's activities, such as basic structural adjustments as well as any related gains and losses on disposals. Special items also include other significant non-recurring amounts, for example accounting profit in connection with the assumption of control of a group company.

Net financials
Net financials comprise interest income and expenses, the interest element of lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, amortisation premiums/deductions concerning mortgage debt etc. as well as surcharges and allowances under the Danish Tax Prepayment Scheme ("acontoskatteordningen").

Interest income and interest expenses are accrued on the basis of the principal amount and the effective rate of interest. The effective rate of interest is the discount rate used to discount the expected future payments related to the financial asset or the financial liability in order for the present value of these to correspond to the carrying amount of the asset and the liability, respectively.

Dividend from equity investments is recognised when a definitive right to the dividend has been obtained. This typically takes place when the general meeting approves the distribution of dividend from the company concerned.

Balance sheet
Goodwill
On initial recognition, goodwill is recognised and measured as the excess of the cost of the business acquired, the value of non-controlling interests in the business acquired and the fair value of previously acquired equity investments over the fair value of the assets, liabilities and contingent liabilities acquired, as described in the consolidated financial statements section.

On recognition of goodwill, the goodwill amount is distributed among those of the group's activities that

Note 30 – continued

Accounting policies

generate incoming cash flows (cash-generating units). The determination of cash-generating units follows the management structure and internal financial management and reporting in the group. Goodwill is not amortised, but is tested for impairment at least once a year as described below.

Other intangible assets
Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised on a straight-line basis over the remaining term of patent, and licences are amortised over the term of agreement. If the actual useful life is shorter than the term of patent or term of agreement, respectively, the asset is amortised over the shorter useful life.

Amortisation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Software
5 years

Acquired trademarks
10-20 years

Intellectual property rights acquired are written down to the lower recoverable amount, if relevant, as described in the section on impairment below.

Lease assets
The group leases various assets, including buildings and warehouses, retail premises, lorries, trucks and cars, etc. No leases have been made for investment purposes.

Lease assets are recognised at the commencement of the lease, which is the date on which the asset is brought into use.

The lease asset is recognised at cost corresponding to the present value of the calculated lease liability adjusted for direct costs at inception of the lease and expected re-establishment costs on expiry and lease payments made before the asset was brought into use. Lease assets are depreciated on a straight-line basis over the shorter of the term of the lease and the expected useful life of the asset and are subsequently measured at cost less accumulated depreciation and impairment. Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

The expected useful lives of lease assets are as follows:

Buildings
20-40 years

Plant and machinery
10 years

Plant and machinery
5-10 years

Other fixtures and fittings, tools and equipment
3-5 years

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. Land is not depreciated.

Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use. For assets constructed in-house, cost comprises costs directly attributable to the construction of the asset, including materials, components, sub-suppliers and wages and salaries.

Interest expenses on loans for financing the construction of property, plant and equipment are included in cost if they relate to the construction period. Other borrowing costs are recognised in the income statement.

If the acquisition or use of the asset requires the group to incur costs for the demolition or re-establishment of the asset, the estimated costs of such measures are recognised as a provision and a part of the cost of the asset concerned, respectively.

The basis of depreciation is the cost of the asset less the residual value. The residual value is the amount expected to be obtained if the asset was sold today less selling costs if the asset already had the age and was in the condition that the asset is expected to be in at the end of its useful life. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Land
is not depreciated

Buildings
20-40 years

Special installations
10-20 years

Plant and machinery
10 years

Plant and machinery
5-10 years

Other fixtures and fittings, tools and equipment
3-5 years

Depreciation methods, useful lives and residual values are subject to an annual reassessment.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount as described in the section on impairment below.

Impairment of property, plant and equipment and intangible assets
The carrying amounts of property, plant and equipment and intangible assets with finite useful lives are reviewed at the balance sheet date to determine if there are any indications of impairment. If this is the case, the recoverable amount of the asset is calculated to determine whether the asset should be written down and, if so, the amount of the impairment loss.

The recoverable amount of goodwill is calculated annually, whether there are any indications of impairment or not.

If the asset does not generate cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit in which the asset is included.

The recoverable amount of the asset or cash-generating unit is calculated as the higher of its fair value less selling costs and its value in use. When determining value in use, estimated future cash flows are discounted to present value applying a discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset or cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, any goodwill amounts are written down first, and any remaining impairment loss is allocated to the other assets in the unit, provided that no individual asset is written down to a value lower than its fair value less expected selling costs.

Impairment losses are recognised in profit or loss. In any subsequent reversal of impairment losses resulting from changes in the assumptions used to determine the asset's recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revalued recoverable amount, but not exceeding the carrying amount which the asset or cash-generating unit would have had, had no impairment loss been recognised. Impairment of goodwill is not reversed.

Equity investments in associates and joint ventures
Equity investments in associates and joint ventures are recognised and measured according to the equity method. This means that equity investments are measured at the proportionate share of the enterprises' equity value, calculated according to the group's accounting policies less or plus proportionate intra-group gains and losses and plus the carrying amount of goodwill.

Note 30 – continued

Accounting policies

The proportionate share of the enterprises' net financial results and elimination of unrealised proportionate intra-group gains and losses and less any impairment of goodwill is recognised in the income statement. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the other comprehensive income of the group.

Equity investments in associates and joint ventures with negative carrying amounts are measured at DKK 0. Receivables and other non-current financial assets which are regarded as part of the overall investment in the associate are written down by any remaining negative equity value. Trade receivables and other receivables are written down only if they are deemed to be irrecoverable.

A provision is recognised to cover the remaining negative equity value only if the group has a legal or constructive obligation to cover the liabilities of the enterprise in question.

The purchase method is used for the acquisition of equity investments in associates and joint ventures, as described in the above section on consolidated financial statements.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus cost of transporting the goods to the place of business. The cost of manufactured goods and semi-manufactured goods comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

Variable production overheads comprise indirect materials and labour and are distributed on the basis of estimates of the goods actually produced.

Fixed production overheads comprise costs relating to maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the technical plant.

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

Biological assets

Biological assets, which for the Danish Crown Group means live animals, are measured at fair value if there is an active market, less expected selling costs or cost. Animals producing slaughter animals (sows, boars etc.) are measured at cost less costs relating to the impairment that arises due to the aging of the animals. As animals producing animals for slaughter are not traded, they have no market price.

Receivables

Receivables comprise trade receivables and other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of the simplified expected credit loss model, according to which the expected credit loss over the lifetime of the asset is recognised immediately in the income statement based on a historical loss rate. To this is added any additional write-downs based on knowledge of the underlying customer relations and general market conditions.

Prepayments

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

Other securities and equity investments

Securities recognised under current assets mainly comprise listed bonds and equity investments which are measured at fair value (market price) at the balance sheet date. Changes in fair value are recognised in the income statement under net financials.

Discontinued operations

Assets and liabilities linked to discontinued operations are measured at the lower of carrying amount at the time the assets are put up for sale and fair value less selling costs. Assets and liabilities are reported as separate items in the balance sheet, the results of operations are recognised as a separate item in the income statement and cash flows from operations are recognised as a separate item in the cash flow statement. Comparative figures in the balance sheet are not restated, whereas comparative figures in the income statement and cash flow statement are restated.

Supplementary payments

Supplementary payments are recognised as a liability at the time of adoption at the meeting of the Board of Representatives.

Pension obligations etc.

Under the defined contribution plans, the company makes regular, defined contributions to independent pension companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

Under the defined benefit plans, the group is required to pay a defined benefit in connection with the comprised employees retiring, for example a fixed amount or a percentage of their final pay.

Under defined benefit plans, the net present value of vested future benefits to which the employees are entitled through past service to the group, and which will become payable under the plan, is determined annually using an actuarial valuation method. The projected unit credit method is used to determine the net present value. Net present value is calculated on the basis of market assumptions of the future development in pay levels, interest rates, inflation, mortality and disability, among other things.

The net present value of pension obligations less the fair value of any plan assets is recognised in the balance sheet under pension assets and pension obligations, respectively, depending on whether the net amount constitutes an asset or a liability, see below.

In the event of changes in the assumptions concerning the discount rate, inflation, mortality and disability or differences between the expected and realised return on plan assets, actuarial gains or losses will occur. Such gains and losses are recognised in other comprehensive income.

If the pension plan constitutes a net asset, the asset is recognised only if it equals the present value of any repayments from the plan or reductions in future contributions to the plan.

In the event of changes in the benefits that concern the employees' services in prior periods, a change will occur in the actuarially calculated net present value, which is regarded as past service cost. If the comprised employees are already entitled to the changed benefit, the change is recognised immediately in the income statement. If not, the change is recognised in the income statement over the period in which the changed benefits vest.

Provisions

Provisions are recognised when the group has a legal or constructive obligation resulting from events in the financial year or previous years, and it is likely that settling the obligation will result in an outflow of the group's financial resources.

Provisions are measured as the best estimate of the costs required to settle the obligations at the balance sheet date.

Provisions that are expected to be used more than a year after the balance sheet date are measured at present value.

For goods sold that are subject to a right of return, provisions are made to cover the profit on those goods which are expected to be returned and any costs relating to the returns. For planned restructurings of the group's activities, provisions are made only for obligations concerning restructurings which had been decided at the balance sheet date.

Mortgage and bond debt

Mortgage and bond debt is measured at fair value at the time of borrowing less any transaction costs. Mortgage and bond debt is subsequently measured at amortised cost. This means that the difference between the

Note 30 – continued

Accounting policies

proceeds from the borrowing and the amount which must be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Lease liabilities
Lease liabilities are recognised at the commencement of the lease, which is the date on which the asset is brought into use.

On initial recognition of the lease liability, future cash flows are discounted using an interest rate reflecting the lease asset's category, currency in the contract and the risk assessment of the cash-generating unit which has leased the asset. Future cash flows include both fixed payments and indexed payments. If it is deemed highly probable that options on extension, termination or buyout will be exercised, such options are taken into account. Variable lease payments are recognised in profit or loss in the period to which they relate and are not included in the lease liability.

Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

For all types of leases which are composite contracts with e.g. an associated service or maintenance contract, this contract will be accounted for separately and will not form a part of the lease liability.

On subsequent recognition, a lease liability is measured at amortised cost.

Residual value guarantees or re-establishment/dismantling obligations are recognised as provisions.

All lease liabilities are considered on an ongoing basis with a view to determining whether reassessments should be made due to changes in underlying assumptions.

Other financial liabilities
Other financial liabilities comprise a subordinated loan, bank debt, trade payables and other payables to public authorities etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs.

The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the loan period.

Deferred income
Deferred income is income received for subsequent financial years and government grants received in respect of assets recognised over their useful lives. Deferred income is measured at cost.

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

The effect on cash flow of acquisition and divestment of businesses is recognised separately under cash flows from investing activities. In the cash flow statement, cash flows relating to acquired businesses are recognised as from the date of acquisition, and cash flows relating to divested businesses are recognised until the date of divestment.

Cash flows from operating activities are presented according to the indirect method and are calculated as the operating profit or loss adjusted for non-cash operating items, changes in working capital as well as financial income, financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of businesses and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment.
Cash flows from financing activities comprise changes to the parent's capital and costs relating thereto as well as the raising and repayment of loans, repayment of interest-bearing debt and disbursement of supplementary payments. Cash flows from assets held under leases in the form of lease payments made are also recognised.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less any overdrafts that form an integral part of the cash management.

Segment information
The group is not listed on the stock exchange, and no segment information is disclosed according to IFRS.

In note 2, information is provided on revenue in Denmark and internationally and by business areas, markets and sales channels. However, this does not represent segment information in accordance with IFRS 8.

Definition of ratios

EBIT margin	=	Operating profit before special items / Revenue
Solvency ratio	=	Equity / Total assets
Financial gearing	=	Net interest-bearing debt / Profit before depreciation, amortisation, impairment losses, interest, tax and special items (EBITDA)
Interest cover	=	EBITDA + interest income / Interest expenses

Parent financial statements

Income statement | Balance sheet | Statement of changes in equity | Notes, parent
Management's statement and auditor's report, group | Group structure

Income statement

1 October 2019 – 30 September 2020

		Parent	
DKKm	**Note**	**2019/20**	**2018/19**
Revenue	1	16,536	13,712
Production costs		-15,579	-12,818
Gross profit		**957**	**894**
Administrative expenses	2	-50	-49
Operating profit (EBIT)		**907**	**845**
Income from equity investments in group enterprises	6	740	337
Income from equity investments in associates	6	0	0
Financial income	3	212	240
Financial expenses		-2	-2
Profit before tax		**1,857**	**1,420**
Tax on profit for the year	4	-14	-9
Net profit for the year		**1,843**	**1,411**

Proposed distribution of profit

DKKm	**2019/20**
Net profit for the year	1,843
Total amount available for distribution	**1,843**
To be distributed as follows:	
Transferred to proposed supplementary payments for the year	
Pig suppliers 1,074,422,771 kg of DKK 1.35	1,450
Sow suppliers 37,693,702 kg of DKK 1.20	45
Cattle suppliers 70,854,680 kg of DKK 1.25	89
Supplementary payments from the year's operations	**1,584**
Return on members' accounts in accordance with article 22.2 d of the articles of association	
Pig suppliers	30
Sow suppliers	1
Cattle suppliers	3
Total return on members' accounts	**34**
Total proposed disbursement	**1,618**
Transferred to equity	
Transferred to personal subordinated accounts	112
Transferred to other reserves	113
Transferred to equity, total	**225**
Available for distribution, total	**1,843**

Balance sheet – assets

30 September 2020

DKKm	Note	Parent 30.09.2020	Parent 30.09.2019
Non-current assets			
Intangible assets			
Software	5	6	6
Total intangible assets	5	**6**	**6**
Financial assets			
Equity investments in group enterprises		3,446	2,953
Receivables from group enterprises		3,150	3,150
Equity investments in associates		19	19
Total financial assets	6	**6,615**	**6,122**
Total non-current assets		**6,621**	**6,128**
Current assets			
Receivables			
Receivables from and prepayments to cooperative members		242	329
Receivables from group enterprises		165	159
Total receivables		**407**	**488**
Cash		**0**	**0**
Total current assets		**407**	**488**
Total assets		**7,028**	**6,616**

Balance sheet – equity and liabilities

30 September 2020

DKKm	Note	Parent 30.09.2020	Parent 30.09.2019
Equity			
Member's accounts		1,380	1,462
Personal subordinated accounts		462	354
Net revaluation reserves for equity investments		299	0
Other reserves		2,753	2,886
Proposed supplementary payment for the year		1,618	1,258
Total equity		**6,512**	**5,960**
Provisions			
Other provisions	7	24	24
Total provisions		**24**	**24**
Liabilities			
Non-current liabilities			
Bank debt		161	270
Total non-current liabilities	8	**161**	**270**
Current liabilities			
Trade payables		279	318
Payables to group enterprises		40	35
Income tax payable		10	6
Other payables		2	3
Total current liabilities		**331**	**362**
Total liabilities		**492**	**632**
Total equity and liabilities		**7,028**	**6,616**

Statement of changes in equity

30 September 2020

	Parent					
DKKm	Member's accounts	Personal subordinated accounts	Reserve for net revaluation of equity investments	Other reserves	Proposed supplementary payments etc. for the year	Total
Equity at 30 September 2018	**1,548**	**282**	**0**	**2,973**	**1,070**	**5,873**
Payments and disbursements for the year	-86	-4	0	0	-1,070	-1,160
Foreign currency translation adjustment, foreign enterprises	0	0	-56	0	0	-56
Other adjustments	0	0	-105	-3	0	-108
Net profit for the year	0	76	0	77	1,258	1,411
Transfer	0	0	161	-161	0	0
Equity at 30 September 2019	**1,462**	**354**	**0**	**2,886**	**1,258**	**5,960**
Payments and disbursements for the year	-82	-4	0	0	-1,258	-1,344
Foreign currency translation adjustment, foreign enterprises	0	0	-191	0	0	-191
Other adjustments	0	0	81	163	0	244
Net profit for the year	0	112	0	113	1,618	1,843
Transfer	0	0	409	-409	0	0
Equity at 30 September 2020	**1,380**	**462**	**299**	**2,753**	**1,618**	**6,512**

Notes | parent

Note 1

Revenue

DKKm	2019/20	2018/19
Distribution by market:		
Denmark	16,536	13,712
	16,536	**13,712**
Distribution by sector:		
Danish Crown Pork	15,056	12,095
Danish Crown Beef	1,480	1,617
	16,536	**13,712**

Note 2

Staff costs

DKKm	2019/20	2018/19
Salaries and wages	28	26
Pensions	1	1
Other social security costs	1	1
	30	**28**
Staff costs are distributed as follows:		
Administrative expenses	30	28
	30	**28**
Of which:		
Remuneration for the parent's Board of Directors	4	3
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	5	**4**
Average no. of employees	41	38

Note 3

Financial income

DKKm	2019/20	2018/19
Group enterprises	208	236
Other interest	4	4
	212	**240**

Note 4

Tax on profit for the year

DKKm	2019/20	2018/19
Calculated tax on profit for the year	14	14
Adjustment concerning previous years	0	-5
	14	**9**

Tax on profit for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets and not its income.

Most of the company's profit is paid to the cooperative members in the form of supplementary payments, which is subject to taxation for the individual cooperative member.

Note 5

Intangible assets

DKKm	Software
Cost at 1 October 2019	9
Additions	1
Cost at 30 September 2020	**10**
Amortisation and impairment at 1 October 2019	3
Amortisation for the year	1
Amortisation and impairment at 30 September 2020	**4**
Carrying amount at 30 September 2020	**6**
Cost at 1 October 2018	6
Additions	3
Cost at 30 September 2019	**9**
Amortisation and impairment at 1 October 2018	2
Amortisation for the year	1
Amortisation and impairment at 30 September 2019	**3**
Carrying amount at 30 September 2019	**6**

Note 6

Financial assets

DKKm	Equity investments in group enterprises	Receivables from group enterprises	Equity investments in associates	Total financial assets
Cost at 1 October 2019	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Cost at 30 September 2020	**5,158**	**3,150**	**0**	**8,308**
Value adjustments at 1 October 2019	-2,205	0	19	-2,186
Foreign currency translation adjustments	-191	0	0	-191
Share of net profit	740	0	0	740
Distribution during the year	-300	0	0	-300
Disposals	0	0	0	0
Other adjustments	244	0	0	244
Value adjustments at 30 September 2020	**-1,712**	**0**	**19**	**-1,693**
Carrying amount at 30 September 2020	**3,446**	**3,150**	**19**	**6,615**
Cost at 1 October 2018	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Cost at 30 September 2019	**5,158**	**3,150**	**0**	**8,308**
Value adjustments at 1 October 2018	-2,282	0	19	-2,263
Foreign currency translation adjustments	-56	0	0	-56
Share of net profit	337	0	0	337
Distribution during the year	-96	0	0	-96
Disposals	0	0	0	0
Other adjustments	-108	0	0	-108
Value adjustments at 30 September 2019	**-2,205**	**0**	**19**	**-2,186**
Carrying amount at 30 September 2019	**2,953**	**3,150**	**19**	**6,122**

An overview of subsidiaries and associates appears from the group structure on page 94.

Note 7

Other provisions

DKKm	30.09.2020	30.09.2019
Other provisions at 1 October	24	24
Utilised during the year	0	0
Other provisions at 30 September	**24**	**24**

Other provisions comprise a provision made in respect of a foreign lawsuit. The provision is deemed to cover the company's risk in this regard and is expected to be settled within 1-5 years.

Note 8

Bank debt

The company is included in a cash pool arrangement with other consolidated companies with the group's bank.

Note 9

Contingent liabilities etc.

DKKm	30.09.2020	30.09.2019
Guarantees to group enterprises, maximum	15,904	17,075
Guarantees to group enterprises, utilised	9,254	13,427

Note 10

Cooperative members' liability

	30.09.2020	30.09.2019
The cooperative members are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative member is calculated on the basis of the supplies made by such member and cannot exceed DKK 25,000.		
No. of cooperative members	5,900	6,426
DKKm		
Total liability	148	161

Note 11

Related parties

Associates and members of the Board of Directors and the Executive Board of Leverandørselskabet Danish Crown AmbA are regarded as related parties.

Since the company is a cooperative, supplies have been received from cooperative members, including from members of the Board of Directors.

Note 12

Events after the balance sheet date

No material events have occurred after the balance sheet date.

Note 13

Accounting policies

The financial statements of the parent (Leverandørselskabet Danish Crown AmbA) are presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) concerning reporting class C enterprises (large).

The financial statements have been presented in accordance with the accounting policies applied last year.

The parent generally applies the same accounting policies for recognition and measurement as the group. Where the parent's accounting policies deviate from those of the group, the policies are described below.

Intra-group business transfers
In connection with intragroup business transfers, the pooling-of-interest method is used, according to which assets and liabilities are transferred at the carrying amounts at the beginning of the financial year. The difference between the consideration paid and the carrying amount of the transferred assets and liabilities is recognised in the equity of the acquiring enterprise.

Comparative figures are restated to reflect the enterprises as if they had been combined for the entire period during which they have been under joint control.

Tax
Tax for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets.

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

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Intangible assets
Goodwill/ goodwill on acquisition is generally amortised over a period of 5 to 10 years; however the amortisation period may be up to 20 years for strategically acquired businesses with a strong market position and a long-term earnings profile if the longer period of amortisation is considered to better reflect the benefit from the relevant resources. Goodwill is not amortised in the consolidated financial statements under IFRS.

Property, plant and equipment
For assets constructed in-house, cost comprises direct and indirect costs relating to materials, components, subsuppliers and labour. Under IFRS, indirect costs may not be recognised for assets constructed in-house.

Property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets to the expected residual value. According to the provisions of IFRS, the residual value must be reassessed on an annual basis. In the financial statements of the parent, the residual value is determined on the date of entry into service and is generally not subsequently adjusted.

Equity investments in group enterprises and associates
Equity investments in group enterprises and associates are measured according to the equity method.

The parent's share of the profits or losses of the enterprises is recognised in the income statement after elimination of unrealised intra-group profits and losses minus or plus amortisation of positive or negative goodwill on acquisition.

Net revaluation of equity investments in group enterprises and associates is taken to reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Cash flow statement
The consolidated financial statements contain a cash flow statement for the group as a whole, and a separate statement for the parent is therefore not included as per the exemption clause in Section 86 of the Danish Financial Statements Act.

Management's statement and auditor's report

Statement by the Board of Directors and the Executive Board on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2019 - 30 September 2020.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act. The management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent's financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position at 30 September 2020 and of the results of the group's and the company's activities and the group's cash flows for the financial year 1 October 2019 - 30 September 2020.

We believe that the management's review contains a fair review of the development in the group's and the company's activities and financial affairs, net profit for the year, the company's financial position and the financial position as a whole of the enterprises included in the consolidated financial statements as well as a description of the most important risks and uncertainties facing the group and the company.

We recommend the annual report for adoption by the Board of Representatives.

Randers, 18 November 2020

Executive Board

Jais Valeur
Group CEO

Preben Sunke
Group COO

Thomas Ahle
Group CFO

Board of Directors

Erik Bredholt
Chairman

Asger Krogsgaard
Vice Chairman

Karsten Willumsen
Member of the Board of Directors

Peter Fallesen Ravn
Member of the Board of Directors

Palle Joest Andersen
Member of the Board of Directors

Søren Bonde
Member of the Board of Directors

Knud Jørgen Lei
Member of the Board of Directors

Ulrik Bremholm
Member of the Board of Directors

Michael Nielsen
Member of the Board of Directors

Thomas Kjær
Member of the Board of Directors

Management's statement and auditor's report

Independent auditor's report
To the cooperative members of Leverandørselskabet Danish Crown AmbA

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 30 September 2020 and of the results of the group's operations and cash flows for the financial year 1 October 2019 to 30 September 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's financial position at 30 September 2020 and of the results of the parent company's operations for the financial year 1 October 2019 to 30 September 2020 in accordance with the Danish Financial Statements Act.

We have audited the cconsolidated financial statements and the parent company financial sstatements of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2019 - 30 September 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent ccompany, as well as statement of comprehensive income and cash flow statement for the group ("financial statements").

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

Statement on management's review
Management is responsible for management's review. Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in management's review

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the 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.

Aarhus, 18 November 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne 23328

Rune Kjeldsen
State Authorised Public Accountant
mne 34160

Group structure

Company name		Direct ownership interest in %
Leverandørselskabet Danish Crown AmbA	**DK**	
Danish Crown A/S	**DK**	**100**
Danish Crown Foods A/S	**DK**	**100**
Slagter Munch ApS	DK	100
Danish Crown Foods Norway AS	NO	100
Danish Crown Foods Germany GmbH	DE	100
Danish Crown Foods Oldenburg GmbH	DE	100
Danish Crown Foods France S.A.S.	FR	100
Danish Crown Foods Sweden AB	SE	100
Pölsemannen AB	SE	100
Danish Crown Foods Italy S.r.L.	IT	100
Danish Crown Foods Japan Ltd.	JP	100
Majesty Inc.	US	100
Danish Crown Foods Netherlands B.V.	NL	100
Danish Crown Foods Haarlem B.V.	NL	100
ESS-FOOD Holding A/S	**DK**	**100**
ESS-FOOD A/S	DK	100
ESS-FOOD Brazil Servicos de Consultoria Ltda	BR	100
Overberg Food Distributors Proprietary Limited	ZA	100
ESSFU Food (Shanghai) Company Limited	CN	80
Danish Crown Holding GmbH **)	**DE**	**100**
Danish Crown GmbH *), **)	DE	90
Danish Crown Fleisch GmbH **)	DE	100
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	DE	90
Danish Crown Teterower Fleisch GmbH **)	DE	100
Scan-Hide A.m.b.a. *)	DK	14
SPF-Danmark GmbH **)	DE	100
WestCrown GmbH	DE	50
Friland A/S	DK	**100**
Friland Udviklingscenter ApS	DK	100
Center for Frilandsdyr K/S *)	DK	2
Center for Frilandsdyr K/S *)	DK	48
Friland Deutschland GmbH **)	DE	100

Company name		Direct ownership interest in %
DAT-Schaub A/S	**DK**	**100**
DAT-SCHAUB Portugal, Indústria Alimentar, Lda	PT	100
DAT-Schaub USA Inc.	US	100
DAT-Schaub France S.A.S.	FR	100
DAT-Schaub Gallent S.L.	ES	51
Oy DAT-Schaub Finland Ab	FI	100
Thomeko Oy	FI	100
Thomeko Eesti OÜ	EE	100
DAT-Schaub AB	SE	100
DAT-Schaub (Deutschland) GmbH	DE	100
Gerhard Küpers GmbH	DE	100
DIF Organveredlung Gerhard Küpers GmbH & Co. KG ***)	DE	100
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	DE	50
CKW Pharma-Extrakt GmbH & Co.KG ***)	DE	50
DAT-Schaub Holdings USA Inc.	US	100
DCW Casing LLC	US	51
DAT-Schaub Polska Sp. z o.o.	PL	100
DAT-Schaub (UK) Ltd	UK	100
Oriental Sino Limited	HK	45
Yancheng Lianyi Casing Products Co. Ltd	CN	73
Jiangsu Chongan Plastic Manufacturing Co. Ltd	CN	59
Yili Lianyi Casing Products Company Limited	CN	100
Yancheng Xinyu Food Products Ltd	CN	73
Yancheng Huawei Food Products Ltd	CN	73
DAT-Schaub Spain Holding S.L.U.	ES	100
Procesadora Insuban SpA.	CL	80
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	BR	70
BRC Tripas - Comercio de Tripas Ltda.	BR	70
Tripas de Colombia S.A.S.	CO	70
Agrimares S.L.	ES	70
CasCom Srl	IT	49
DAT-Schaub Norge AS	NO	100
Shanghai Natural Casing Co., Ltd	CN	51

Company name		Direct ownership interest in %
Sokołów S.A.	**PL**	**100**
Sokołów-Logistyka Sp. Z o.o.	PL	100
Agro Sokołów Sp. Z o.o.	PL	100
Sokołów-Services Sp. Z o.o.	PL	100
Marka Sokołów-Service Sp. Z o.o	PL	100
Agro Sokołów F1 Sp. Z o.o.	PL	100
Gzella Net Sp. Z o.o.	PL	100
KLS Ugglarps AB	**SE**	**100**
Scan-Hide A.m.b.a. *)	DK	25
Svenska Köttföretagen AB	SE	22
Charkprodukter i Billesholm AB	SE	100
Øvrige dattervirksomheder i Danish Crown A/S		
Scan-Hide A.m.b.a. *)	**DK**	**47**
Scan-Hide Sweden AB	SE	100
KHI Fastighets AB	SE	100
DC Pork Rønne ApS	**DK**	**100**
SPF-Danmark A/S	**DK**	**100**
Danish Crown USA Inc.	**US**	**100**
Danish Crown UK Limited	**UK**	**100**
Leivers Brothers Ltd	UK	100
Tulip International (UK) Ltd	**UK**	**100**
Danish Crown GmbH *), **)	**DE**	**10**
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	**DE**	**10**
Scan-Hide A.m.b.a. *)	DK	11
Danish Crown GBS Sp.z.o.o.	**PL**	**100**
Danish Crown S.A.	**CH**	**100**
Danish Crown/Beef Division S.A.	**CH**	**100**
DAK AO	**RU**	**100**
Danish Crown España S.A.	**ES**	**100**
Danish Crown France S.A.S.	**FR**	**100**
Danish Crown Division Porc S.A.S.	FR	100
Danish Crown Japan Co., Ltd	**JP**	**100**
Danish Crown B2B Ltd	**HK**	**100**
Danish Crown (Shanghai) Trading Co. Ltd	CN	100

Company name		Direct ownership interest in %
Danish Crown Korea LLC	**KR**	**100**
Danish Crown (China) Co. Ltd	**CH**	**100**
Danish Crown Foods Jönköping AB	**SE**	**100**
Associerede virksomheder		
Daka Denmark A/S	DK	43
Agri-Norcold A/S	DK	43
Danske Slagterier ◊)	DK	92
Svineslagteriernes Varemærkeselskab ApS ◊)	DK	92

*) Appears several times in the group structure.

**) The following enterprises have exercised their right of exemption under Section 264(3) of the German Handelsgesetzbuch (HGB).

***) The following enterprises have exercised their right of exemption under Section 264b of the German Handelsgesetzbuch (HGB). The consolidated financial statements are published in Deutsche Bundesanzeiger.

◊) Due to provisions of the articles of association requiring important decisions to be unanimous, the group does not have a controlling interest despite an ownership interest of more than 50 per cent.

The Danish Crown Sustainability Report is an integral part of the management's review of the Danish Crown Annual Report 2019/20, and this report constitutes our report on corporate responsibility and Management's gender composition in accordance with sections 99a and b of the Danish Financial Statements Act.

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