DCH International A/S

Growing in Romania

Annual Report 2019

DCH International A/S

Dannevirkevej 6, 7000 Fredericia,
Reg. no. 26 08 85 77

Annual Report
January 1st – December 31st, 2019

Presented and adopted at the Annual General Meeting on 31st of March 2020.

Chairman of the Annual General Meeting:

Bo Holse

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Management's Statement of the Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of DCH International A/S for the financial year 1 January to 31 December 2019.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019 and of the results of their operations and cash flows for the financial year 2019.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements.

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

Fredericia, 27th of February 2020

Executive Board

Lars V. Drescher
CEO

Morten Beider
CFO

Board of Directors

Torben Svejgård
Chairman

Carsten Lind Pedersen
Board Member

Ole Sloth Nielsen
Board Member

Bo Holse
Board Member

Jytte Rosenmaj
Board Member

Deloitte.

Independent auditor's report on the annual report for the period 01.01.2019 - 31.12.2019

Opinion

We have audited the consolidated financial statements and the parent financial statements of DCH International A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31-12-2019, and of the results of their operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the annual reports

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

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

Auditor's responsibilities for the audit of the annual report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

Independent auditor's report on the annual report for the period 01.01.2019 - 31.12.2019

Deloitte.

Auditor's responsibilities for the audit of the annual report *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 27th of February 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

Rasmus Brodd Johnsen	***Søren Alsen Lauridsen***
State-Authorised Public Accountant	*State-Authorised Public Accountant*
MNE no.: mne33217	*MNE no.: mne40040*

Consolidated Financial Highlights

	2019	2018	2017	2016	2015
Profit & Loss					
Total income	**91,591**	63,857	67,587	58,185	49,270
EBITDA	**28,866**	10,305	23,380	19,492	10,693
Adjusted EBITDA (excl. fair value adjust. bio assets and Special Items due to ASF)	***20,687***	*13,363*	*24,241*	*16,219*	*12,542*
Operating profit/loss (EBIT)	**21,053**	3,817	17,885	15,275	6,680
Net financials	**-3,457**	-2,294	-3,098	-2,313	-2,155
Profit/loss for the period	**14,844**	1,172	12,335	10,931	4,085
Balance sheet:					
Total assets	**173,771**	157,679	149,685	116,790	103,160
Investment in property, plant and equipment	**11,764**	15,076	23,638	11,489	10,571
Equity	**91,520**	74,532	73,071	59,041	45,797
Invested capital	**138,592**	134,089	127,402	100,421	86,221
Net interest-bearing debt	**56,302**	56,011	51,918	39,274	40,100
Cash flow:					
Cash flow from operating activities	**5,731**	11,467	10,850	10,516	2,004
Cash flow from investing activities	**-7,625**	-14,908	-23,829	-9,725	-7,412
Cash flow from financing activities	**-326**	5,820	6,295	1,307	5,805

		2019	2018	2017	2016	2015
Employees:						
Average number of employees		**471**	445	335	286	295
Production Scope:						
Harvested land	ha	**1,663**	1,720	1,796	1,848	2,925
Total yield (all crops)	tons	**8,377**	6,159	7,496	7,226	9,472
Average number of sows		**17,532**	16,519	12,503	12,256	12,862
Number of pigs produced		**568,385**	511,111	406,702	395,318	378,672
Produced pigs per avg. sow		**32.4**	30.9	32.5	32.3	29.4
Ratios:						
Gross margin		**43.5%**	29.8%	42.8%	43.7%	29.8%
Ajusted EBITDA margin		***22.6%***	*20.9%*	*35.9%*	*27.9%*	*25.5%*
EBIT margin		**23.0%**	6.0%	26.5%	26.3%	13.6%
Return on invested capital		**15.5%**	2.9%	15.7%	16.4%	8.0%
Return on equity		**18.1%**	1.6%	18.7%	20.9%	9.0%
Solvency ratio		**52.7%**	46.5%	48.8%	50.6%	44.4%
Current Ratio		**167%**	136%	130%	144%	123%
Booked value per share	DKK/share	**7.17**	5.93	5.80	4.69	3.91

Definitions of financial ratios:

Adjusted EBITDA	*EBITDA adjusted for price effect on fair value adjustment of biological assets and any special items*
Gross margin	*Gross profit / Total Income x 100*
Adjusted EBITDA margin	*Adjusted EBITDA / Total Income x 100*
EBIT margin	*EBIT / Total Income x 100*
Return on invested capital	*EBIT / Avg. invested capital x 100*
Return on equity	*Net Profit / Avg. equity x 100*
Solvency ratio	*Equity / Total assets x 100*
Current Ratio	*Current assets / current liabilities x 100*
Booked value per share	*Equity / Share Capital*

Company Information

DCH International A/S

Address:	Synergihuset Dannevirkevej 6 DK-7000 Fredericia
Company Reg. no.:	26 08 85 77
Domicile:	Fredericia
Telephone:	+45 64812600
Telefax:	+45 64812601
Web:	www.dchi.dk
E-mail:	mail@dchi.dk

Board of Directors

Torben Svejgård (chairman)
Carsten Lind Pedersen
Ole Sloth Nielsen
Bo Holse
Jytte Rosenmaj

Executive Board

Lars Vesten Drescher (CEO)
Morten Beider (CFO)

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
DK - 8000 Aarhus C

Bank

Nordea Danmark A/S
Kirkegade 3
DK - 8900 Randers

Lawyer

Gorrissen Federspiel
Silkeborgvej 2
DK - 8000 Aarhus C

Subsidiaries

Premium Pork International A/S
Premium Porc SRL
Consinterfin SRL
Degaro SRL
Premium Porc Feed SRL
Agro Investments Moldova SRL
Premium Porc Negreni SRL
Premium Vet Depot SRL
Olsuin SRL
Premium Porc Sibiu SRL
Premium Pork Commercial SRL

About us

The second largest pig production in Romania

9 owned farms
+rented farms

3 feed factories
950 tons feed/day

+450 employees

own truck fleet

600.000
slaughter pigs/year

18.000
reproduction sows

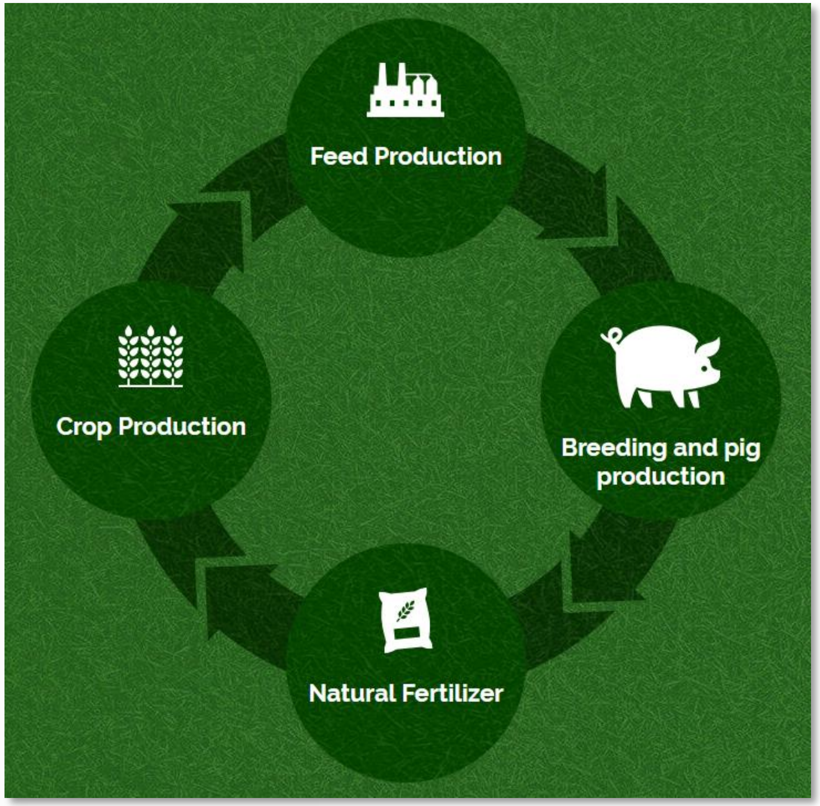
2.000 ha
arable land

48.000 tons
cereal storage

About us

Main activity

As in previous years the main activity has been to operate pig production, focusing on sales of finishers through subsidiaries in Romania. The group manages all activities related to pig production, having all required production divisions: reproduction and genetics, maternity and finisher barns. As secondary activities, the group has its own cereal and feed production divisions as well as manure management.

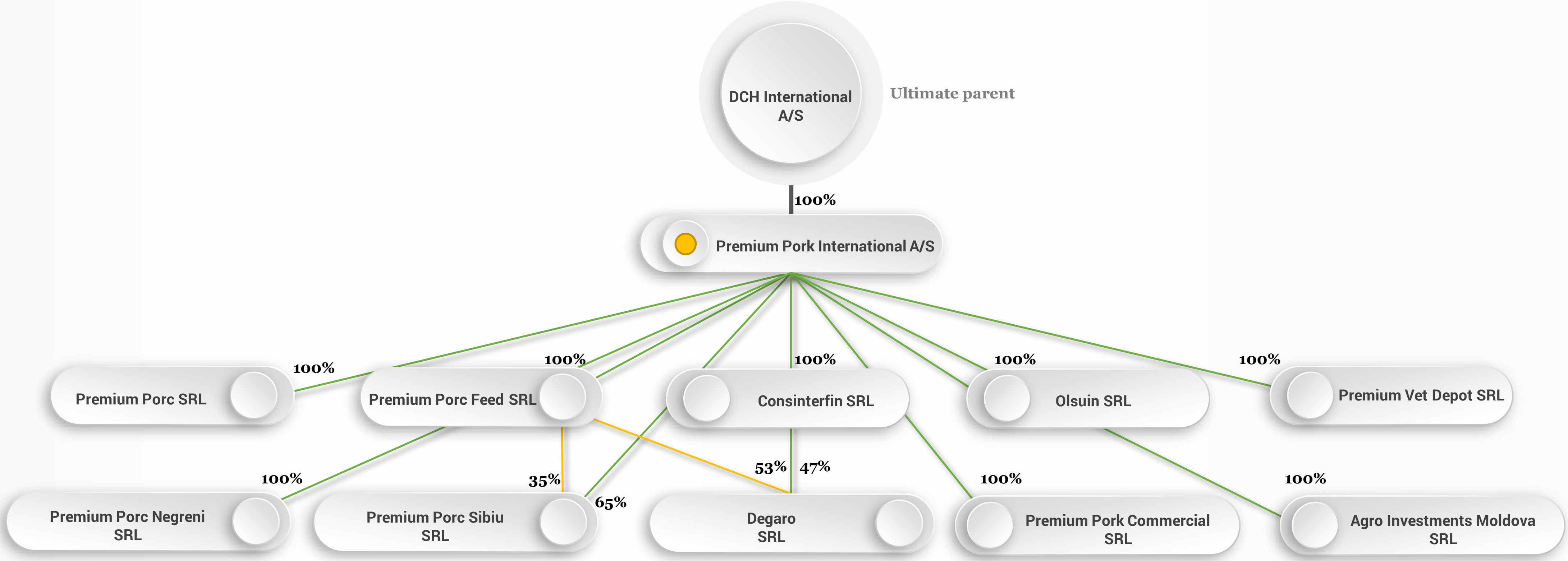


Our business model

- ✓ Integrated pig production: breeding, reproduction, maternity, finishers
- ✓ The best Danish genetics and technology
- ✓ Internal logistics for animals and feed
- ✓ Own Feed Mills
- ✓ Agriculture division
- ✓ Management of natural fertilizer

Corporate Structure

(As is from December 31st 2019)



Note

All subsidiaries are **100% controlled** and are all 100% owned directly or indirectly by DCH International A/S.

Development in the financial year and financial positions

Pork prices continue at a record high level

The total profit for 2019 is EUR 14.8 million, which is EUR 13.7 million higher than 2018, and the highest profit in the Group's history. The consolidated total income increased to EUR 91.6 million (+43% compared to 2018). A positive fair value adjustment of herd explains EUR 10.4 million of the increase. The higher turnover is a result primarily of record prices on the group's main product, pork, despite losses caused by ASF and lower government grants. The underlining activity reached the highest production to date, with 11% production increase compared to 2018.

Main drivers behind the 2019 profit compared to 2018:

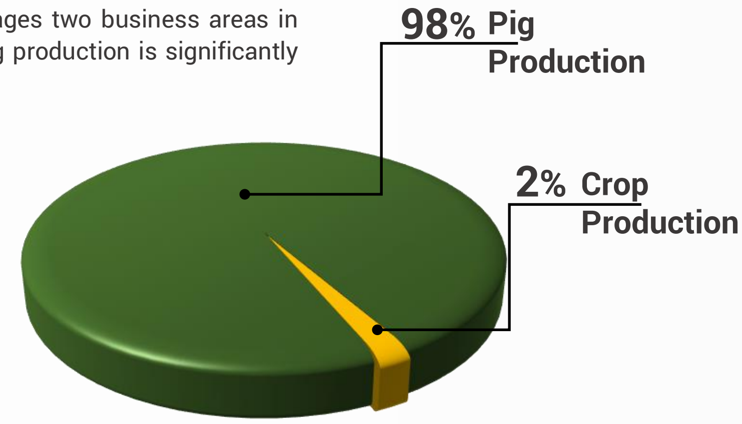
- **The pork prices were 15% higher** accounting to EUR 9m higher turnover compared to 2018 prices. The higher prices also had a big impact on the herd prices at year-end causing a positive herd fair value adjustment of EUR 10.4m (2018: EUR -2.1m).
- **Higher efficiency and full production.** With the new Olsuin farm operating at full capacity during 2019, and high production efficiency at group level, additional 90.000 pigs were sold, compared to 2018.
- **Indirect losses due to African Swine Fever (ASF) zoning:** higher number of ASF outbreaks in Romania, especially among backyard pig population, which continued to severely disrupt our production flows as well as our sales channels. In total, 11 direct Surveillance/Protection zones have included one or more owned or rented farms, during 2019, compared to 4 entries in 2018. The main impact is generated by indirect losses due to ASF-related restrictions, accounting for a total loss of EUR 9m before tax in 2019.
- **Direct loses due to ASF** as the new Olsuin farm got infected at the end of 2019. As the outbreak was confirmed in January 2020, the financial impact is limited to EUR 1.0m in 2019. The biggest part of the loss will affect 2020 as business interruption.

Satisfactory profit for 2019

The total profit reached a satisfactory level for the group considering the challenges with ASF, and production performance can be considered high under the conditions presented above.

The Group's liquidity reserves are, as per 31/12 2019, at a satisfactory level.

Overall, the Group manages two business areas in Romania from which pig production is significantly the largest.



EUR '000	Consolidated total 2019	Consolidated total 2018	Pig production 2019	Pig production 2018	Crop Production 2019	Crop Production 2018
Total income	91,591	63,857	89,943	62,466	1,625	1,405
EBITDA *wo fair value adjust. biological assets*	*18,493*	*12,430*	17,719	11,947	*945*	654
EBITDA	28,866	10,305	28,135	9,818	903	657
EBIT	21,053	3,817	20,671	3,641	580	406
Profit before tax	**17,596**	**1,523**	**16,929**	**1,041**	**385**	**272**

ASF in China drives global pork prices to a record high

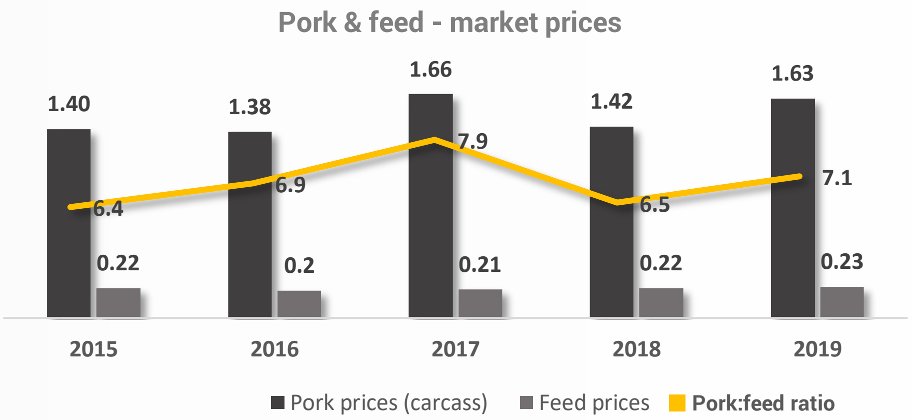
Pork price evolution

While still lower on annual level, compared to 2017, the pork prices in Romania, as well as in Europe, reached a record high level in second half of 2019, as the demand from China significantly increased.

While in Q1 2019 pork prices were below the 5-year average, after a dramatical 85% increase in Q2 and continuous increases until year-end, the annual price was 15% higher compared to the average of 2018, but 51% higher from year-end to year-end.

As China's pig production was severely affected by ASF, the shortage of pork supply has triggered an unprecedented demand, positively impacting pork prices at a global level.

While the situation in China remains volatile and forecasts are yet to generate a clearer overview for mid-term, it can be expected that prices will remain on a high level for the upcoming period, as the current global protein production seems unable to fully cover the high supply gap.



Feed price evolution

Feed prices have been stable, at a level equivalent to previous years. While the raw-material prices remained constant, we had temporarily increased purchases of feed from external sources for covering production needs, until the completion of the Venturelli Feed Mill, in August 2019.

Tendency of pork and feed prices in Romania		2015	2016	2017	2018	2019
Pork Prices (carcass)	EUR/kg	1,40	1,38	1,66	1,42	1,63
Feed Prices	EUR/kg	0,22	0,20	0,21	0,22	0,23
Exchange ratio pork:feed		**6,5**	**6,8**	**7,9**	**6,5**	**7,1**

Note: *The table show realized prices from the subsidiaries in Romania as an annual average.*

The fluctuations in commodity prices underline the industry's high exposure to the global price ratio of meat and cereals.

The price ratio between pork and feed of 7.1 for 2019 is higher compared to 2018, yet lower compared to the record 2017. The higher ratio represents an increase in profit before tax of EUR 7.1m in 2019 compared to the same production with 2018 prices.

Revised herd valuation

The market prices of biological assets, primarily the pig herd, have followed the fluctuations in the pork prices reaching record high prices at the end of the year. Consequently, the value of biological assets are increased by EUR 10.4m compared to the equivalent, if prices of 31.12.2018 were to be used. The adjustment is in line with international accounting principles, which are considered to provide a more accurate description of the company's activities and financial position.

Sales patterns changed due to ASF

Sales of slaughter pigs are still characterized by selling to many small slaughterhouses with different level of financial capabilities. In 2019 we registered a few losses and made provisions on debtors among customers for EUR 0.2m.

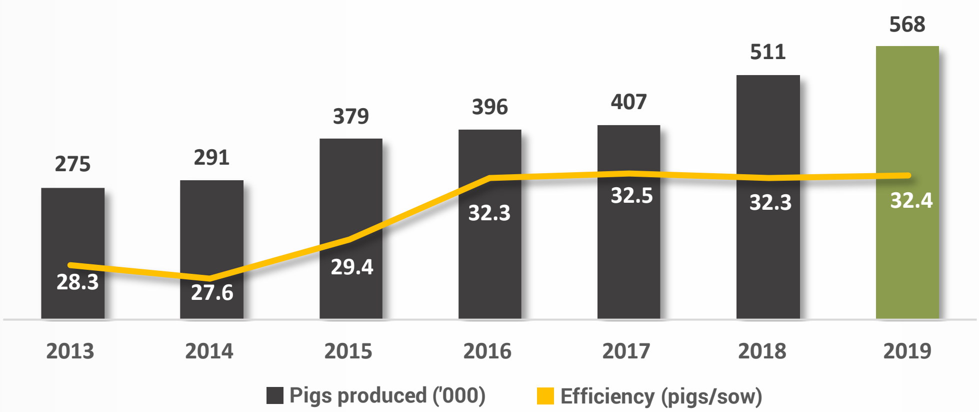
Due to the ASF restrictions described above, we have, over a short period of time, established channels for selling weaners, as well as selling of slaughter pigs to be processed through thermal treatment. As to accommodate the changes, we had to deviate from our normal credit policies and accept less securities for those sale channels. Up to date, payments from those customers are received regularly.

Production increased in 2019

Facts about the pig production

		2016	2017	2018	2019	Diff. '18 to '19
Number of sows end of year	heads	12.269	12.510	17.427	17.744	2%
Weaned piglets per avg. sow	heads	34,0	34,2	34,1	34,6	1%
Produced pigs per avg. sow *)	heads	32,3	32,5	32,3	32,4	0%
Sold slaughterpigs	heads	383.936	396.445	393.712	441.030	12%
Sold weaners (net)	heads	14.743	6.900	59.096	102.871	74%
Produced pigs total	heads	395.318	406.702	511.111	568.385	11%
Weight produced pigs	tons	40.275	44.593	48.779	53.936	11%

***) Note:** *The number of produced pigs per sow for 2017 & 2018 are excluding the BraSib expansion.*



Pig production increased by 11%

The production capacity, measured in herd of sows, remained similar to 2018, but the total number of pigs produced has increased with 11%, as compared to 2018. The expansion is the result of all 4 sow herds running at complete capacity, during the full year, as the sow herd in the new Braila farm (Olsuin farm), had the first year of being fully operational.

Productivity, measured in produced pigs/sow per year, was maintained relatively on the same level as in the previous years. The production efficiency was negatively impacted by production flow disturbances generated by ASF zoning, with animal movement restrictions (blocked farms, reconfigured flows etc.).

Considering this, the efficiency was maintained at a very high level, in the given conditions.

Romania supports pig welfare

We have applied for and received grants to improve animal welfare in pig production, based on the Romanian support scheme. The grant we applied for in the year has been recognized in total income of EUR 6.4m. This represents 80% of the total amount applied for, given the risk assessment on the payment. Payment is expected at the end of the 1st quarter of 2020.

In 2019 we have received payments of EUR 6.4m for animal welfare support, for which we applied for in 2018. This represents EUR 1.4m more than allocated by the end of 2018. In total, payments for welfare subsidies of EUR 7.8m are booked in 2019.

The subsidy amount is far from a net gain, as we could reduce the significant costs related to meeting the requirements for the subsidy in case it ceases to exist. In addition, if there were no subsidies, it would be expected to reflect positively on the local pork prices.

Due to a significant reduction in the support scheme per unit, the total booked grants were gradually reduced since 2017, despite the increased number of sold finishers.

Production affected by African Swine Fever in Romania

ASF – evolution and indirect losses

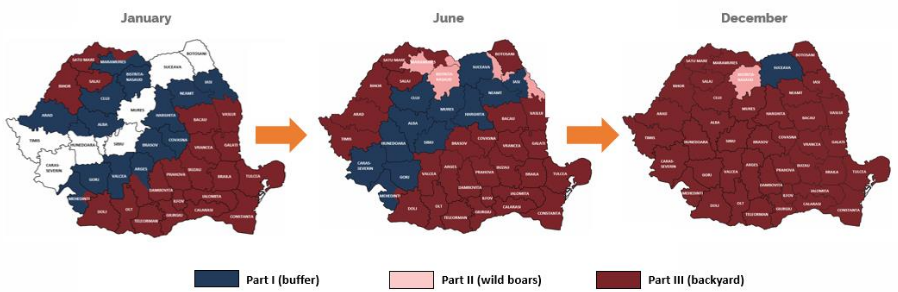
Romania continues to register a significant number of outbreaks of African Swine Fever (ASF) since the beginning of June 2018. Since then more than 2,900 outbreaks were registered at national level and 36 of 41 counties are now affected.

We have increased the biosecurity to a very high level, on all of our farms, well exceeding industry standards. Nevertheless, we experience huge indirect impact on our operations, due to the measures taken by the authorities in order to control and eradicate the virus.

We started the year with most of our farms, including all our sow farms, located in areas with transport and market restrictions, preventing us from maintaining our normal production flow. As Part III zoning continued to expand, all our production flows reverted to normal, from this regard, during 2019.

Zoning evolution in Romania

2019



Specific surveillance/protection zones caused by outbreaks in areas close to our farms continued to severely impact our production flows due to restrictions on moving the animals out of the blocked farms. In total 11 direct Surveillance/Protection zones have included one or more of our farms, during 2019, varying between 4 weeks and up to 29 weeks. We gradually benefited from ours, as well as the authorities, extensive experience in lifting of surveillance zones attempting to reduce the time frame. We are often able to continue the production unaffected in the blocked farms, if we can lift the zones in 4-6 weeks, due to the measures we have taken to adjust our production flow.

Direct losses caused by ASF outbreaks

A rented low-biosecurity barn was infected with ASF in August. The probable carrier of the virus was the animal transfer truck. All 1.920 pigs were culled and compensated by the state.

At the end of 2019, Olsuin farm was infected as well. The cause of infection is not identified. Given the exceptionally high level of biosecurity of the farm, the probable cause is human factor. All 26.000 animals were culled (5.400 sows and all piglets). The farm will be repopulated during 2020 reaching full capacity in Q4. The first slaughter pigs originating from Olsuin piglets are expected to be sold in Q1 2021.

The animals will be compensated by the state at fair value. Business interruption is partially compensated through insurance. The net losses registered in 2019 due to the Olsuin outbreak are EUR 1m. 2020 will be significantly affected, especially due to business interruption in the finisher production based on piglets normally produced in Olsuin.

Precautions are continued on all PPG farms, both regarding constant biosecurity investments, as well as internal procedures and compliance audits.

Total losses for 2019 due to ASF

On top of the direct loss due to the Olsuin outbreak, the accumulated losses registered by our group, caused by ASF in Romania, are estimated to approx. EUR 9m in 2019, compared to EUR 5.2m in the 6 months with ASF in 2018.

The impact caused by all the restrictions is not compensated neither by the authorities nor by the insurance. These indirect losses can be split in the following components:

1. Lower sale prices due to special handling of pigs from ASF areas and, in many cases, thermal treatment of the pigs from restriction zones;
2. Lost production potential due to selling weaners from restriction zones instead of fattening them for slaughter on our own farms located in non-ASF areas;
3. Lost production in finishers farms not being supplied with weaners due to surveillance/protection zones;
4. Special items: Extra costs to compensate for disrupted production flows. This category includes extra feed, rental of additional barns, extra work and a variety of additional costs for veterinarians, consultants etc.

Crop Production and Investments

Satisfactory yields in crops

The crop yields were satisfactory despite the problematic weather in the autumn of 2018. Frequent and more consistent rainfall than usual secured a yield above average. The seeding of crops in the autumn 2019 was challenging and rape was not seeded. Wheat and barley were well established and support a positive outlook for the 2020 harvest.

The produced cereals represent less than 5% of the total raw materials needed for the group's feed production, the remaining being sourced from both local as well as international producers. We are continuously evaluating the crop division's strategic position in our group.

The new "Agrosite"

The EUR 1.4m investment represents a modern operational base for logistics, manure management and crop division, comprising of a garage for the group's machinery, a workshop, a deposit for spare parts and stocks and a dedicated washing platform. In addition to operational benefits, the project is highly relevant for increasing biosecurity measures, separating the agriculture divisions from the pig production facilities.

EUR 0.3m profit from sales of farmland

The profit in the subsidiary covering the field activities, Agro Investments Moldova SRL, is positively impacted by sales of farmland, reaching approx. EUR 0.3m (out of EUR 0.4m).

EUR 11.3 mil. invested in 2019

Overall, the investments in 2019 reached EUR 11.3m excluding the breeding herd. The BraSib project received the biggest amount, approx. EUR 3.9m out of the total investments. EUR 0.8m of the Agrosite project were included in the investments in 2019.

BraSib project completed

The BraSib project (started in 2017), the group's largest expansion project to date, was successfully completed in 2019. The project includes a greenfield modern sow farm (Olsuin) and boar station, the acquisition of two large-scale finisher sites and a greenfield feed mill. The 33 mil. EUR project was completed in time and budget, in August 2019, with the inauguration of the Venturelli feed mill.

Improvements on Feldioara finisher farm

We have started works on building new lagoons, corridors and making other renovations at the Feldioara farm purchased as part of the BraSib project in 2018. The construction works will be finalized in H1 2020, reaching a total investment of EUR 3.0m, out of which EUR 1.5m were spend in H2 2019.

Biosecurity investments continue

As a key element in operating in the ASF environment, we have continued our investments in biosecurity, representing a significant share of the total investments of 2019.

Other relevant investments to be mentioned: Pelletizing line in the Focsani feed mill, the acquisition of the two smaller Ianca farms, the acquisition of logistic and manure handling equipment.

All investments are in line with the budget and the scheduled time frame.

Properties revalued by EUR 1.1m

A valuation review has been performed on the properties owned by the subsidiaries Premium Porc SRL and Premium Porc Negreni SRL. The valuation reviews are the basis for property tax payments and have resulted in a total financial revaluation of EUR 1.1m. The revaluation after tax is allocated to other comprehensive income included in the equity and has no impact on the result for the year.

Litigations overview

Litigations for repayment of grants

The pending cases of claims for recovery of various grants with a total of EUR 1,6m have been reduced from three cases to one since the two minor cases have been ruled in favor of the company after two court rulings. The larger dispute has been appointed to a higher court from the start and was addressed starting with December 2015. An unfavorable ruling for the company was given in February 2016. The court decision was appealed to High Court. The High Court decided in our favor in January 2019 to return the case for retrial at the first court. We won the retrial in May 2019, but this time the authorities appealed to High Court and a new trial date is set for 2021.

Our Romanian lawyers and legal advisors assessed that we still have a good legal position. For that reason, we have chosen not to expense the amount. During 2017 we did pay the amount to the tax authorities, in order to avoid pledge on the tangible assets, although we consider the amount paid as a receivable.

We consider the case as an isolated event without influence on subsidies received after 2012.

Litigations for relocation of Negreni farm

A group of citizens in Negreni village brought charges in 2016 claiming our farm should be relocated. Their claim is based on a Government Order from 2014 stipulating that distances from farm operations to the neighboring houses should be minimum 1,500m.

Our advisors, as well as the authorities that have assessed and validated our production and building permits, agree that this Order was meant to cover future constructions only and not farms and houses established decades before the Order was issued. Despite this, we lost in two consecutive local court hearings in 2018 and we are demanded to relocate the farm. The case is contradicting in many ways with the legal framework covering our production permits. The enforceability of the verdict is anyhow seen as practically impossible as all production permits are valid, and the production can continue despite the verdict.

We have no intentions for relocating the farm and continue disputing the ruling.

The management and our legal advisors have initiated several actions for annulment and estimate that we have a strong case for overturning the motion.

Based on this, we have chosen not to make any provisions as we don't expect to encounter any losses due to this case. The case is described in detail in Note 3.

Improved organizational development

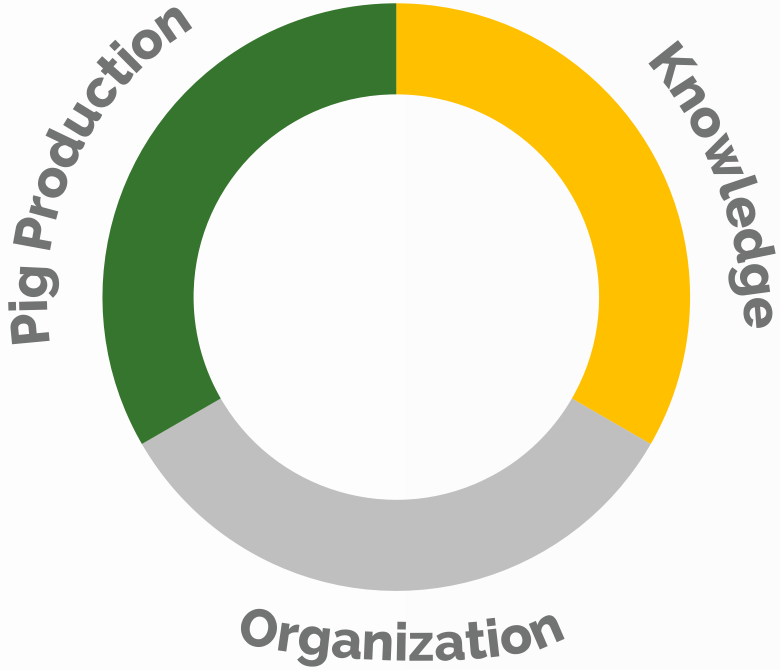
High focus on development

We have continued our ample platform of developing internal expertise through extensive training programs and focus on employee education, as a core foundation for efficiency and improved production and business results. Considerable expenses are allocated each year for this purpose which is considered to bring value to the company both in the short- as well as in the long-run.

An additional focus was placed on enhancing the role of middle management level throughout the organization, with the aim of maximizing its input, increase team efficiency and releasing resources for continuous corporate growth.

The development is additionally supported by the broadened transparency and communication between all organizational levels, together with increased involvement in decision making.

The activities of the Romanian subsidiaries are administered by the local management team.



Our main differentiators

Expertise
A tested and fine-tuned business and production model.

Danish Pig Breeds
The best certified Danish pig breeds in the industry.

Management
A dedicated and experienced management team with excellent results.

Modern technology
We use state of the art Danish technology, automation and software infrastructure.

Biosecurity
The highest standards in the industry.

Expansion
High expertise in creating and implementing large-scale investment projects.

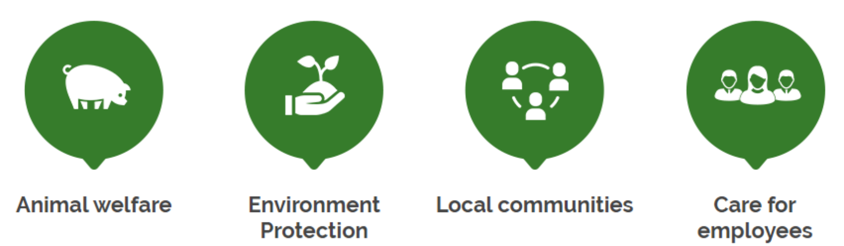
CSR

Corporate Social Responsibility

Responsibility and sustainability at the core of our actions

This statement has been prepared in accordance with the Statement Acts §99a and §99b.

CSR is a focus area for DCH International A/S, as reflected in our strategy. The main pillars of our CSR action and policies regard: animal welfare, environment, human and labor rights, anti-corruption and community development. The complete CSR report is public and can be downloaded at the company's website: www.premiumporc.com



We follow solid principles of sustainability and responsibility, engrained within the policies that guide us, our operations and our way of conducting business. Our goal is to focus on areas with significant potential of making a long-term difference. This means continually reducing the impact of our business activities.

The main environmental impact, in terms of our production, is storage and usage of manure. The storage is done in impermeable and sealed double membrane lagoons in order to prevent release of ammonia and greenhouse gases and reduce odors in general. Applying liquid manure on farmland is performed according to the latest Danish technology and standards and also contributes to the enrichment of the soil.

To support local communities sponsorships are concluded with local schools and hospitals in Romania, and the Group continuously participates in other projects that improve the living conditions in the surrounding villages.

Animal welfare is ensured by ongoing controlling and compliance with our written procedures for pig production and high focus on biosecurity. These procedures are based on Danish practice, EU norms in this area and further supplemented by the additional measures required by the Romanian national program for animal welfare.

Policy for the under-represented gender

Board of Directors:

The gender composition of the board changed in January 2019. The current gender balance in the board is: 1 woman, 4 men. The target regarding diversity at Board of Directors level was that at least one of the board members should be of the under-represented gender before the end of 2020. This goal is now met.

The company's board members are elected by the shareholders at the Annual General Meeting. Taking the specifics of the industry into account, it is unlikely that the proportion of the under-represented gender in the board will increase further over the coming years. The shareholders will be aware of this in the future constitutions of the Board, if the recruitment base supports this possibility, in order to ensure diversity in management to strengthen the innovation capacity and quality of the management.

Other management levels:

Due to the limited number of employees in Denmark, the company is not required to establish a policy for other management levels. Nevertheless, through its internal policies and practices, the group assures a fair selection process, open towards all genders as well as personal circumstances, and the selection is performed strictly on criteria related to expertise and reflection of company values.

Anticipated development

Pork prices continue at a record high level

The pork market is expected to continue with a high price level throughout 2020. The undersupply of pork on the global market, mainly driven by the severe impact of ASF in China, is expected to further increase the demand and lead to a conservative estimation of price increase of 15-20% (annual average) during 2020, compared to 2019.

Three factors, demand from China, ASF development in Europe as well as Brexit, make the predictions for the development of the European market for pork more uncertain than ever. Although a worst-case scenario can lead to lower pork prices than expected, we do see the upsides as being more likely, especially based on China's increasing demand due to the shutdown of production following the huge challenges it has with ASF.

Production focused on having Olsuin back in operation

Due to the ASF outbreak in Olsuin sow farm and culling of the entire herd in January 2020 our total production will be approx. 25% lower than in 2019. We plan to repopulate the farm in Q2 2020 and having the herd gradually rebuilt, reaching full production in Olsuin during Q4 2020. The repopulation on the finisher farms supplied by piglets from Olsuin will continue into H1 2021.

In terms of profitability, the decrease in production will be partly offset by higher selling weight and favorable pork prices and market conditions.

ASF restrictions expected to continue to impact our production flow negatively also in 2020

As ASF continues to evolve in Romania, we expect production flow disruptions caused by farms entering protection/surveillance zones, although hopefully at a lower level than 2019. In production and financial planning we have included a reserve to cover the negative impact caused by such situations.

ASF will be present in Romania for several years to come

It's of a high importance for our industry that the ASF situation is being controlled. We support the actions of the authorities and the need to maintain the restrictions for a longer period. Improvement can be seen in the manner that local authorities manage the clearance of ASF outbreaks, leading to gradually decreasing periods of animal movement restrictions. On the other hand, on state level, it is less likely that authorities will manage to gain control over the evolution of ASF and implement a unitary disease combat strategy.

We do expect that ASF will be present in Romania for several years to come, but as backyard production is naturally decreasing, further accelerated by ASF, the risk is eventually expected to gradually decrease within the following years.

Subsidies for animal welfare continue

The current program for improving animal welfare was approved in 2018 covering 2019 and 2020 as well. Even if the current program is significantly reduced in financial value compared to previous programs, we still see it as an important factor for the future development of the industry in Romania as well as for the Group.

Investments continues, but at a lower level. Strong cash flow.

Considering the ASF situation, and the focus on having Olsuin back in production, some investments projects will only be implemented based on a high degree of visibility.

We do have a strong cash base and significant reserves built in our budget to mitigate rather big negative events in case they should occur.

We expect a satisfactory profit in 2020 but negatively impacted by ASF

As stated above, we believe pork prices continue at a high level in 2020 compensating for the ASF challenges described. Measured on EBITDA adjusted for fair value adjustment we expect to reach approx. EUR 17-25m compared to EUR 18.8m in 2019. Herd valuation is not expected to have a similar positive impact in 2020 (will most likely be negative). This estimate is subject to more uncertainty than usual.

Income Statement

Consolidated Income Statement

EUR '000	Note	2019	2018
Revenue	4	73,035	57,585
Grants and other income	5	8,183	8,398
Value adjustment, biological assets	6	10,373	-2,125
Total Income		**91,591**	**63,857**
Direct costs		-35,824	-30,280
Other external costs		-15,932	-14,525
Gross profit		**39,835**	**19,052**
Staff expenses	7	-8,775	-7,815
Special items	8	-2,194	-933
Depreciation	9	-7,813	-6,488
Operating profit (EBIT)		**21,053**	**3,817**
Financial income	10	76	5
Financial expenses	11	-3,533	-2,298
Profit before tax		**17,596**	**1,523**
Tax on profit for the year	12	-2,752	-352
Net profit for the year		**14,844**	**1,172**
Distribution of profit for the year:			
Group Shareholders		14,844	1,172
Distributed		**14,844**	**1,172**

Consolidated Statement of Comprehensive Income

EUR '000	2019	2018
Net profit for the year	**14,844**	**1,172**
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments of foreign enterprises	-123	44
Fair value adjustment of hedging instruments	-178	-279
Tax on hedging instruments	29	45
Items that may not be reclassified subsequently to profit or loss		
Revaluation of land, buildings, leasehold improvements and plant and machinery	1,108	570
Tax on revaluation	-177	-91
Total comprehensive income	**15,501**	**1,461**
Distribution of total comprehensive income		
Group shareholders	15,501	1,461
	15,501	**1,461**

Balance Sheet

Consolidated Statement of Financial Position

Assets	Note	31/12 2019	31/12 2018
		EUR '000	
Acquired rights	13	330	310
Intangible fixed assets in total		**330**	**310**
Land and buildings	14	70,094	62,850
Plant and machinery	14	21,023	18,285
Operating equipment	14	3,251	3,175
Property, plant and equipment in progress	14	3,659	9,269
Property, plant and equipment		**98,027**	**93,579**
Non-current investments	16	79	72
Fixed asset investments		**79**	**72**
Biological assets, Breeding herd	15	7,853	8,485
Biological assets		**7,853**	**8,485**
Total non-current assets		**106,288**	**102,445**
Biological assets, Commercial herd	15	20,655	12,595
Biological assets, Crop production	15	432	509
Inventories	17	7,321	5,569
Biological assets and inventories		**28,407**	**18,673**
Trade receivables	18	9,363	7,853
Other receivables	18	16,718	11,968
Prepayments		1,639	2,652
Receivables		**27,720**	**22,473**
Assets classified as held for sale	19	651	967
Cash and cash equivalents		10,706	13,122
Total current assets		**67,483**	**55,234**
Total Assets		**173,771**	**157,679**

Equity and Liabilities	Note	31/12 2019	31/12 2018
		EUR '000	
Share Capital	20	12,767	11,915
Reserve for exchange adjustments		0	0
Asset revaluation surplus		9,128	8,197
Retained earnings		69,625	54,420
Equity		**91,520**	**74,532**
Provision for deferred tax	21	3,038	1,672
Credit institutions	22	36,351	37,949
Deferred income	23	1,654	1,874
Other non-current liabilities	22	658	870
Long-term liabilities		**41,700**	**42,366**
Short term portion, credit institutions and other non-current	22	29,999	30,314
Trade payables		5,466	8,352
Other liabilities	24	5,044	2,030
Short-term liabilities		**40,508**	**40,696**
Liabilities associated with assets held for sale	19	44	86
Total liabilities		**82,252**	**83,147**
Total Equity and Liabilities		**173,771**	**157,679**

Consolidated Statement of Changes in Equity

EUR '000	Share Capital	Asset revaluation surplus	Reserve for exchange adjustment	Retained earnings	Total Equity
Equity at January 1, 2018	**11,915**	**7,718**	**0**	**53,438**	**73,071**
Net profit/loss for the year	0	0	0	1,172	1,172
Other comprehensive income	0	479	44	-234	289
Comprehensive income for the year 2018	**0**	**479**	**44**	**938**	**1,461**
Transfer other reserves to retained earnings	0	0	-44	44	0
Equity December 31, 2018	**11,915**	**8,197**	**0**	**54,420**	**74,532**
Capital increase	862	0	0	666	1,528
Acquisition own shares	-10	0	0	-20	-30
Share based payments	0	0	0	13	13
IFRS 16 Implementation	0	0	0	-23	-23
Net profit/loss for the year	0	0	0	14,844	14,844
Other comprehensive income	0	930	-123	-150	657
Comprehensive income for the year 2019	**852**	**930**	**-123**	**15,329**	**16,988**
Transfer other reserves to retained earnings	0	0	123	-123	0
Equity December 31, 2019	**12,767**	**9,128**	**0**	**69,625**	**91,520**

Consolidated Cash Flow Statement

EUR '000	Note	2019	2018
Operating profit/loss (EBIT)		**21,053**	3,817
Adjustment for non-cash items:			
Depreciations & non-cash provisons		7,826	6,861
Value adjustment, biological	6	-10,373	2,125
Change in commercial herd	15	-632	-2,601
Change in inventories incl. crops in progress		-1,705	3,530
Change in receivables		-5,741	235
Change in trade payables etc.		-968	807
Cash flow from operations before financial items		**9,459**	**14,774**
Financial income received	10	76	5
Financial expenses paid		-2,467	-2,289
Corporation taxes paid		-1,338	-1,023
Cash flow from operating activities		**5,731**	**11,467**
Acquisition of intangible assets	13	-148	-32
Acquisitions of property, plant and equipment	14	-11,764	-14,582
Sale of property, plant and	14	399	191
Acquisition of investments	16	-7	0
Sale of investments	16	0	551
Net disposal of assets held for sale	19	274	333
Acquisition of biological assets	15	3,621	-1,369
Cash flow from investing activities		**-7,625**	**-14,908**

EUR '000	Note	2019	2018
Proceeds from borrowings	22	6,479	15,030
Repayment of borrowings	22	-8,302	-9,210
Capital Increase		1,497	0
Cash flow from financing activities		**-326**	**5,820**
Change in cash and cash equivalents		**-2,220**	**2,378**
Cash and cash equivalents, start		13,122	10,749
Exchange adjustments, begining		-196	-6
Cash and cash equivalents at December		**10,706**	**13,122**
Un-utilised short term facilities		8,315	4,064
Liquidity available at December 31		**19,021**	**17,185**

Summary of significant accounting policies and estimates

Note 1: First time implementation IFRS

As mentioned in the management report and in the accounting policies (note 30), the Company prepares its annual report in accordance with International Financial Reporting Standards (IFRS) as adopted by EU as from 2019.

All subsidiaries implemented IFRS as of January 1, 2016 and the subsidiaries Financial Statements has been prepared according IFRS since. As a result, the accounting policies of the Company have been adopted years ago to reflect IFRS and have only been changed within a few areas. IFRS is implemented so that the financial statements comply with the provisions of the International Financial Reporting Standards as adopted by EU.

According to IFRS 1, the opening balance sheet at January 1st, 2018 and the comparative figures for 2018 are prepared in accordance with the IFRS/IAS and IFRIC/SIC applicable at December 31st, 2019.

The accounting effect of the transition to IFRS for the Company is as follows:

Reclassifications

In addition to the change in accounting policies, the following reclassification and changes have been made in the layout including restatement of the comparative figures for the opening balance at January 1st, 2018:

- Assets and liabilities reclassified as Assets Held for Sale
- Introduction of Other Comprehensive Income

The reclassifications have not affected the profit or equity.

Cash flow statement

There is no difference between the cash flow statement presented according to IFRS and the previous presentation under Danish accounting regulations.

	Equity		Comprehensive income 2018
EUR '000	1/1 2018	31/12 2018	
According to Annual Report 2018	73,071	74,532	1,461
The financial statements after transition to IFRS	**73.071**	**74,532**	**1,461**

Note 2: Significant accounting estimates and assessments in the group accounting policies

Impact of new accounting standards

DCH International has implemented all new and amended standards (IFRS) and interpretations (IFRIC) as endorsed by the EU and which are effective for the financial year 1 January – 31 December 2019. This implementation had no material effect.

Impact of new accounting standard -

IFRS 16 Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016).

IFRS 16 replaces IAS 17 Leases, and sets out the principles for the recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under this new standard, an asset (the right to use the leased item) and a financial liability to make lease payments are recognized for all leases with a term of more than 12 months unless the leased asset is of low value. Accordingly, the Group's leases were recognized in the balance sheet at 1 January 2019 in the form of right of use assets and lease liabilities.

Summary of significant accounting policies and estimates

Note 2: Significant accounting estimates and assessments in the group accounting policies (continued)

As regards the income statement, IFRS 16 implementation has resulted in lease expenses being replaced by depreciation of right of use assets and interest on lease liabilities. The recognition of lease assets and lease liabilities, respectively, resulted in an increase of the Group's total assets and liabilities of EUR 0.5 million at 1 January 2019. The amount is specified in the table (right).

Lease liabilities 31 December 2018 as disclosed in the annual report 2018	EUR 1.7m
Short-term leases (less than 12 months) & leases of low value	EUR 1.2m
Discounting	EUR 0.1m
Lease liabilities recognized at 1 January 2019	EUR 0.5m

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

– fixed lease payments (including in-substance fixed payments), less any lease incentives;
– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
– the amount expected to be payable by the lessee under residual value guarantees;
– the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
– payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in debt to credit institutions in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
– the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the interest rate, in which case a revised discount rate is used).
– a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Summary of significant accounting policies and estimates

Accounting policy - IFRS 16 Leases - continued

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identify impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Revaluation of fair value of property, plant and equipment

The Group's land, buildings, plant and machinery are revaluated at fair value. Revaluation of property, plant and equipment is recognized in fair value using either a market-based approach or a replacement cost approach. Results of the revaluation based on the replacement cost approach were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any.

The revaluation process is based on qualified independent appraisers done according with International Valuation Standard 300. This standard considers as basis for evaluation IAS36 and IFRS13. Valuation techniques are the market and replacement cost approach.

The replacement cost approach is only used in cases where there was no possibility to use the market approach. The valuation process and results for measurement are reviewed and approved by the Group's Management and by the Audit Committee at least once every year.

In the subsidiaries, revaluations are performed every third year to ensure the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting period. This procedure has been used for many years with only very limited value adjustments registered. This year one of the entities performed a valuation.

The total fair value of land, buildings, plant and machinery amounted to EUR 91.1 million at December 31st, 2019 (EUR 81.1 million at December 31st, 2018).

Fair value of biological assets

Biological assets are recognized when the Group controls the assets and it is probable that future economic benefits associated with the asset will flow to the Group and the cost for fair value of the asset can be measured reliably.

Biological assets are measured at fair value less selling costs.

Value adjustments of biological assets are recognized in profit or loss for the period of which they relate.

Commercial herd:

Slaughter pigs (Finishers) above 50 kg are valued based on average sales prices for November-December on the local market less costs for reaching desired sales weight on approx. 111 kg. Finishers between 25-50 kg are valued as weaners with additions for added weight.

The fair value of weaners is based on official Danish and German quotes plus a mark-up to reflect the Romanian market conditions. The Danish and German quotes are used as there isn't an official quotation for the Romanian market. The Group's experience from historical sales as well as purchases is that prices on the Romanian market are strongly correlated to the German and Danish quotations plus a mark-up reflecting the lack of weaners for sale in Romania. The mark-up is according to the Groups recent weaner sales contracts.

The valuation of piglets is based on official Danish quotes.

Breeding herd:

Breeding herd (boars, sows and young females) are valued based on official quotes, based on criteria such as genetics, costs and expected piglets.

WIP Crops:

For crops sown in the autumn, the Group estimates that there was no material biological transformation at Year-end compared with the time of sowing, and therefore these biological assets are measured at cost, which corresponds to the fair value.

Note 3: Contingent liabilities

Repayment claim Premium Porc SRL: ("APIA case")

The Ministry of Agriculture in Romania raised in 2014 a claim for repayment of EUR 1,592k against the subsidiary company Premium Porc SRL. The repayment claim is EUR 1,337k after tax. This claim is based on an error in the application for diesel subsidy for 2011. An error which was detected and corrected in 2012.

Premium Porc SRL appealed in 2014 against the claims and prevailed in respect of 2 out of 3 cases. The last of the 3 cases is in beginning of February 2016 lost in first court and afterwards appealed as the company's management and legal advisors assess that the repayment claim is invalid, and the company are expected to win the appeal. In January 2019, the High Court annulled the sentence from February 2016 and returned the case back for retrial. We won the retrial in May 2019 as the first court ruled in our favor, but the authorities appealed to the High Court. The first term is set for 2021.

Based on the management and the company's legal advisor's opinion that the repayment claim is invalid, no provisions for repayment of subsidies are stated in the income statements. The amount is paid to the authorities in 2017 and is part of other receivables since year end 2017.

Relocation of Negreni farm: (Negreni neighbor cases):

Five citizens from Negreni village filed, in November 2016, a claim against Premium Porc Negreni SRL with the objective of relocating the Negreni-farm as well as receiving compensation for moral damages. Their claim is based on Government Order no. 119/2014 stipulating that distances from farm operations to the neighboring houses should be minimum 1,500m. The Negreni farm, build in 1981, is currently located at few hundred meters from the nearest houses, all of them being built after the farm.

In first court, in March 2018, the judge ruled that the farm should be relocated in order to respect the mandatory distance provided by Order 119 and denied the claimants compensation for moral damages. Premium Porc Negreni SRL appealed the ruling in June 2018. In second court, in December 2018, the Mehedinti Tribunal rejected our appeal and upheld the decision from the first court.

Two means of extraordinary appeals were both denied by the court (the same court who decided the initial ruling). A formal complaint against the judge, referring to misconduct of the case and unjustified dismissal of evidence, was also dismissed by the administrative procedure, but it was challenged to the Court, no term has been set so far.

The Government's objective, in 2014 when Order 119 was issued, was to prevent construction of new farms within less than 1,500 m from private houses for the future. And vice versa. This understanding of the Government's Order also is confirmed by all authorities and is reflected in the fact that all production and functioning permits are regularly renewed despite the distance being less than 1,500 m.

To further substantiate our understanding of the Order we've recently received a response from the Ministry of Health confirming that our understanding is correct.

As a secondary measure we filed in October 2018 a request for annulment of Order No. 119/2014. The court dismissed our claim in June 2019. We have appealed to High Court, as we believe we have good grounds to obtain the annulment of this Order, which could re-open the lost case. Unfortunately, this has a long-time horizon as trial is set for 2022.

Fighting enforcement procedures is ongoing. Court decisions have until now only dealt with technicalities with satisfactory results for us. Court hearings continues in February 2020.

We received in September 2019, two new similar claims from other citizens with connections to the original claimants. Also a new claim from the son of one of the original claimant was received in November 2019, having as object, to meet the distance between his house and the lagoons None of these claims have so far been accepted by the court for trial.

The current ruling for relocation doesn't cancel our permits and the production continues undisturbed. According to our legal advisors, since the ruling is to "move" the farm and not to close it, it will be difficult or impossible for the claimants to stop our production in the farm. Relocation of the farm is impossible to carry out in practice and calculation of the potential worst-case loss is impossible to assess with a reasonable certainty. The potential worst-case loss caused by the unlikely outcome that the farm will have to be closed and removed is substantial.

Based on the management and the company's legal advisor's opinion that the relocation ruling is invalid and will be annulled eventually, no provisions for relocation of the farm nor other provisions are stated in the financial statements.

Notes to the Income Statement

Note	EUR '000	2019	2018
4	**Revenue**		
	Business areas:		
	Pig production	71,701	56,605
	Crop production	1,312	993
	Other	1,063	758
		74,075	**58,356**
	Intra-group trade between the business areas	-1,040	-772
		73,035	**57,585**
	Geography:		
	Romania	73,035	57,585
5	**Grants and other income**		
	Animal Welfare Payments	7,827	7,990
	EU hectare support	356	408
		8,183	**8,398**
6	**Value adjustment, biological assets**		
	Value adjustments pigs	10,416	-2,129
	Value adjustments crop production	-43	3
		10,373	**-2,125**
7	**Staff expenses**		
	Wages and salaries	8,328	7,471
	Pension costs	8	9
	Social contribution & other staff expenses	427	335
		8,762	**7,815**
	Share based payments for management team	13	0
		8,775	**7,815**
	Remuneration to the Executive Board	590	499
	Remuneration to the Board of Directors	90	90
	Average number of employees	*471*	*445*

Note	EUR '000	2019	2018
8	**Special Items**		
	Costs incurred in connection with ASF restriction zones:		
	Costs related to establish extra barn capacities in zones	201	131
	Costs related to operation of blocked farms	736	560
	Costs related to replace weaners zones	265	157
	Costs related to handling and authority requirements	37	85
	Provision for ASF confirmed in Olsuin in January 2020:		
	90% of expected compensation for culled herd (revenue)	-5,340	0
	Value culled herd	4,181	0
	Costs related to culling, desinfection and quarantine	2,115	0
		2,194	**933**

Special Items are: 1) non recurrent costs related to restrictions imposed by the Authorities when our farms is placed in different ASF zones and 2) costs caused by infection of ASF leading to the herd being culled. We refer to the detailed decription in the management review.

If the special items had been recognized in operating profit before special items, they would have been included in the following items:

	2019	2018
Revenue pig production	2,416	0
Value adjustment pig production	-1,256	0
Direct costs	-984	-608
Other external costs	-1,125	-192
Staff expenses	-792	-132
Depreciation	-453	0
	-2,194	**-933**

Notes to Income Statement and Intangible Assets

Note	EUR '000	2019	2018
9	**Depreciation**		
	Intangible assets	128	126
	Buildings	3,798	3,141
	Plant and equipment	3,598	2,920
	Vehicles and other machinery	1,049	893
	Investment subsidy amortization	-221	-220
	Loss or gain on asset sales	-539	-373
		7,813	**6,488**
10	**Financial Income**		
	Interest financial institutions	76	5
		76	**5**
11	**Financial Expenses**		
	Interest bank debt	1,902	1,642
	Calculated interest leasing commitments	131	113
	Interest shareholders loans	0	0
	Other financial expenses	195	309
	Exchange rate adjustment	1,306	235
		3,533	**2,298**

Note	EUR '000	2019	2018
12	**Income Taxes**		
	Current tax	1,834	1,093
	Tax Comprehensive Income	-149	-91
	Adjustment of deferred tax	1,067	-650
		2,752	**352**
	Tax on profit for the year is specified as follows:		
	Calculated 22% tax on profit for the year before tax:	3,871	335
	Tax effect of:		
	Differences in tax rates in Romania (16%) compared with Denmark	-1,056	-91
	Non-taxable income and expenses	-63	108
		2,752	**352**
	Effective tax rate for the year	*16%*	*23%*
13	**Intangible assets**		
	Acquired rights		
	Cost at January 1	738	706
	Additions for the year	148	32
	Disposals for the year	0	0
	Cost at December 31	**886**	**738**
	Amortisation at January 1	428	302
	Amortisation for the year	128	126
	Amortisation at December 31	**556**	**428**
	Carrying amount at December 31	**330**	**310**

The Group has acquired and implemented several software systems used in daily operations. The value of the acquired rights are based on costs for licenses and implementations of those software systems.

Note 14 Tangible assets

14 Tangible assets

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Property, plant and equipment in progress
Cost at January 1, 2018	59,490	29,121	5,357	9,563
Additions for the year	8,265	5,715	1,410	12,090
Disposals for the year	-178	-287	-127	-12,384
Cost at December 31, 2018	67,576	34,549	6,641	9,269
Apraisal at January 1, 2018	8,730	0	0	0
Apraisal increases	570	0	0	0
Apraisal increases at December 31, 2018	9,300	0	0	0
Amortisation at January 1, 2018	10,894	13,636	2,657	0
Amortisation for the year	3,141	2,920	893	0
Reversed depreciation on disposal	-9	-291	-83	0
Amortisation at December 31, 2018	14,027	16,265	3,466	0
Carrying amount at December 31, 2018	62,850	18,284	3,175	9,269
Land which is not depreciated	4,454			
Right of use assets	120	889	1,990	0
Assets provided as security for debt	62,850	18,284	3,175	0

Revaluation of fair value of property, plant and equipment

The Group's land and buildings and plant and machinery are revaluated at fair value as described in note 2. The revaluation process is based on qualified independent appraisers, and valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

Revaluations are in the subsidiaries carried out every third year to ensure the carrying amounts does not differ materially from that which would be determined using fair value at the end of the reporting period. A valuation review has been performed in 2019 on the properties owned by Premium Porc SRL (2018: Consinterfin SRL). The valuation reviews resulted in a total financial revaluation of EUR 1.1m. (2018: EUR 0.6m).

14 Tangible assets continued

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Property, plant and equipment in progress
Cost at January 1, 2019	67,576	34,549	6,641	9,269
IFRS Implementation	358	0	381	0
Additions for the year	9,768	6,580	1,026	6,730
Disposals for the year	-42	-463	-556	-12,340
Cost at December 31, 2019	77,660	40,666	7,492	3,659
Apraisal at January 1, 2019	9,300	0	0	0
Apraisal increases	1,108	0	0	0
Apraisal increases at December 31, 2019	10,408	0	0	0
Amortisation at January 1, 2019	14,027	16,265	3,466	0
IFRS Implementation	149	0	168	0
Amortisation for the year	3,798	3,598	1,049	0
Reversed depreciation on disposal	0	-220	-442	0
Amortisation at December 31, 2019	17,974	19,643	4,241	0
Carrying amount at December 31, 2019	70,094	21,023	3,251	3,659
Land which is not depreciated	5,033			
Right of use assets	360	1,141	1,462	0
Assets provided as security for debt	70,094	21,023	3,251	0

If Land and buildings were measured using cost model, the carrying amounts would be:

Net carrying amount Land and Buildings without revaluations, 2018	53,550
Net carrying amount Land and Buildings without revaluations, 2019	59,686

The Group had end of 2019 contractual obligations related to Property, plant and equipment in progress on EUR 0.5m (2018: EUR 1.4m).

Notes to Financial Position

15 Biological assets

EUR '000	Commercial herd	Breeding herd	Total herd
Commercial and breeding herd			
Carrying amount at January 1, 2018	11,609	7,631	19,239
Movements 2018:			
Gains/losses from fair value changes	-1,614	-514	-2,129
Additions from production	53,742	1,657	55,399
Additions from purchases	1,408	161	1,569
Disposals from sales	-51,710	-1,289	-52,999
Transfers between groups	-839	839	0
Carrying amount at December 31, 2018	**12,595**	**8,485**	**21,080**
Year-end stock (heads)	*231,766*	*23,377*	*255,143*
Finishers, weaners & sows sold during year (heads)	*484,716*	*7,794*	*492,509*
Biological assets provided as security ('000 EUR)	12,595	8,485	21,080
Movements 2019:			
Gains/losses from fair value changes	7,428	2,988	10,416
Additions from production	69,034	-182	68,852
Additions from purchases	2,097	193	2,290
Disposals from sales	-68,787	-1,164	-69,951
Transfers between groups	-892	892	0
Provision for herd culled in 2020	-820	-3,360	-4,181
Carrying amount at December 31, 2019	**20,655**	**7,853**	**28,508**
Year-end stock (heads)	*246,081*	*22,316*	*268,397*
Finishers, weaners & sows sold during year (heads)	*571,828*	*7,520*	*579,348*
Biological assets provided as security ('000 EUR)	20,655	7,853	28,508

Note

15 Biological assets (continued)

EUR '000	2019	2018
Crop production - work in progress		
Carrying amount at begining	509	676
Gains/losses from fair value changes	-43	3
Additions (field expenses) for the year	1,287	959
Disposals from harvesting	-1,309	-1,129
Exchange adjustments	-13	-1
Carrying amount at December 31	**432**	**509**
Total number of harvested hectares during year	*1,663*	*1,720*
Number of cultivated hectares end of year	*887*	*950*

Gain on changes in fair value comprises changes as a consequence of biological growth and price changes. Disposals from sales and transfer amounts are calculated using the fair value per unit from previous period. Transfers between groups' covers pigs transferred to own breeding as young females.

Reference is made to note 2 for further details of fair value measurement of biological assets.

Current biological assets under crop production include winter crops sown in the autumn. Field expenses for the year include expenses relating to biological transformation.

All biological assets are measured at fair value. All of these fair values are placed at level 3 in the fair value hierarchy as significant estimates are applied – please refer to note 2. The Groups financial department is responsible for performing the valuation of fair value measurements including level 3 fair values of biological assets. Valuation model includes market inputs from official prices and actual own sales prices on local market. The valuation process and results for measurement are reviewed and approved by Group Management and the Audit Committee at least once every year.

Notes to Financial Position

Note	EUR '000	2019	2018
16	**Non-current investments**		
	Deposits / other financial assets	79	72
	Cost at December 31	**79**	**72**
17	**Inventories**		
	Rawmaterials for feed	4,553	3,066
	Other Consumables	1,992	1,764
	Finished goods (Agriculture produce, feed a.o.)	776	738
	Total inventories	**7,321**	**5,569**
	Cost of sales recognized in profit or loss (feed)	34,575	30,977
	Inventories provided as security ('000 EUR)	7,321	5,569
	No write-down has been made on inventories.		
18	**Receiveables**		
	Trade receiveables	10,523	9,060
	Bad debt provision	-1,124	-1,207
	Trade receiveables, net	**9,398**	**7,853**
	Receiveable from public grants	6,615	5,624
	Receiveable compensation culled herd	5,340	0
	Other receiveables	5,416	6,889
	Bad debt provision	-653	-545
	Other receiveables, net	**16,718**	**11,968**
	Write down, beginning of year	1,752	1,318
	Exchange adjustments	-44	-1
	Additions for the year	228	527
	Disposals for the year	-158	-93
	Write-down at December 31	**1,777**	**1,752**

Note	EUR '000	2019	2018
19	**Assets held for sale**		
	Land and buildings	651	967
	Other liabilities	-44	-86
	Cost at December 31	**607**	**881**

Assets held for sale is related to a agricultural land development project spread out over Galati County in Romania. The land has never been part of the Group's operation and a sale will not impact future earnings neither the future development of the Group.

Note			2019	2018
20	**Share Capital**			
	The share capital comprises the following share classes:			
	A-shares:			
	Number beginning	*number of shares*	88.925.416	88.925.416
	Capital increase	*number of shares*	6.439.195	0
	Number at December 31 in DKK		**95.364.611**	**88.925.416**

Each share has a value of DKK 1. No shares carry any special rights.

Note		2019	2018
21	**Provision for deferred taxes**		
	Provision at begining of year	1.672	2.413
	Adjustment for the year recognized in profit or loss	1.067	-235
	Adjustment on OIC	299	-506
	Provision for deferred tax December 31	**3.038**	**1.672**

Deferred tax relates to tangible assets.

Notes to Consolidated Financial Statements

22 Interest bearing debt

EUR '000	Payable after 5 years	Payable between 2 and 5 years	Payable within 1 year	Total
Debt at December 31, 2018				
Credit institutions, non-current:	10,640	25,306	5,945	41,892
Leasing debt:	0	2,002	980	2,982
Other non-current debt:	0	870	3,427	4,297
Credit institutions, current:	0	0	19,962	19,962
	10,640	28,179	30,314	69,133
Debt at December 31, 2019				
Credit institutions, non-current:	9,330	24,753	7,907	41,991
Leasing debt:	0	2,268	1,112	3,379
Other non-current debt:	0	658	1,431	2,089
Credit institutions, current:	0	0	19,548	19,548
	9,330	27,679	29,999	67,007

Cash flow from financing activities

EUR '000	1/1 2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	31/12 2018
Credit institutions, non-current:	32,740	9,152	0	0	41,892
Leasing debt:	1,593	1,389	0	0	2,982
Other non-current debt:	693	3,605	-1	0	4,297
Subordinated loans	0	0	0	0	0
Other payables to shareholder	0	0	0	0	0
Credit institutions, current:	23,021	-3,053	-6	0	19,962
Total liabilities from fin. activities	58,047	11,093	-7	0	69,133

Cash flow from financing activities

EUR '000	1/1 2019	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	31/12 2019
Credit institutions, non-current:	41,892	147	-48	0	41,991
Leasing debt:	2,982	397	0	0	3,379
Other non-current debt:	4,297	-2,101	-107	0	2,089
Credit institutions, current:	19,962	-265	-148	0	19,548
Total liabilities from fin. activities	69,133	-1,823	-304	0	67,007

Note / EUR '000	2019	2018
23 Deferred Income		
Investments subsidies beginning	1,874	2,095
New investment subsidies received	0	0
Amortization of investments subsidies	-221	-220
	1,654	1,874

Deferred income primarily relates to grants for the construction of feedmills in Romania. Grants are recognised as income concurrently with the underlying fixed assets being depreciated.

	2019	2018
24 Other liabilities		
Employee related payables	450	440
ASF outbreak provision	2,115	0
Other payables	2,479	1,589
	5,044	2,030

Market Risk

Note 25: Financial risks

Market risk

The Group's credit facilities are floating-rate credits, which exposes the Group to interest rate fluctuations. According to Group policy, all financing of working capital and investments in fixed assets are made on floating-rate terms. An interest hedging of approx. 17 % of the debt (EUR 12m) has been concluded via the same banks providing the underlying long-term facility. The interest hedge fixes the interest to approx. 3.5% including margins for the next 5 years. The market values of the interest hedge, EUR 0.5m, is included in Other liabilities (note 24). Additional 6 % of the Group's debt is with fixed interest rate.

Activities abroad, earnings, cash flows and equity are not materially affected by currency risks, as the foreign activities are predominantly transacting in their functional currency (RON). Similarly, the external financing is denominated in EUR, which is the functional currency of the parent entity and the presentation currency for the Group, except for financing locally, which is in the functional currency of the subsidiary. Hence, there is no currency risks related to external financing either. Consequently, material currency risks for the Group are limited to translation risks related to foreign subsidiaries.

The Group does not engage in speculative currency positions. Introduction of the EUR as functional currency of the consolidated financial statements has contributed to reducing the overall impact of exchange rates.

Exchange rate adjustments of investments in foreign subsidiaries being independent entities are recognized in other comprehensive income. Exchange rate risks related to investments are normally not hedged, as the company's management is of the opinion that a current foreign currency hedging would not be the optimal solution with a view to the overall risk and costs.

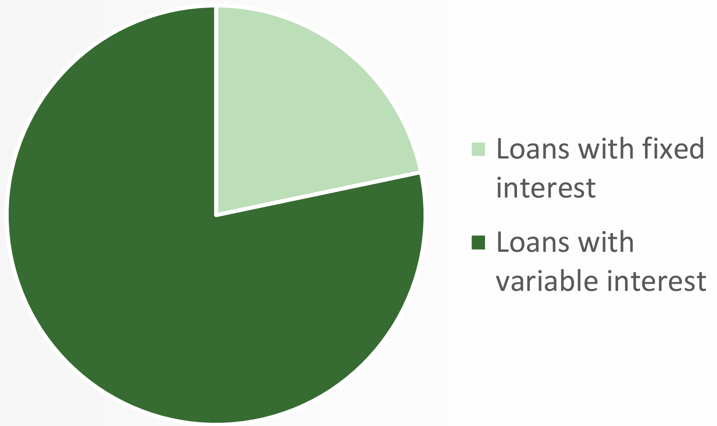
The Group is exposed to interest rate risks, as loans are primarily with variable interests except for the smaller part with fixed interests described above. A reasonable possible change in interest rates at 31.12.2019 would not have any material effect on income statement or equity.

The Group is highly exposed to global and EU development in sales prices of pork as well as raw materials for feed (grain and protein). The most significant effect on the Group's earnings is attributable to changes in the price of pig meat and price changes relating to pig feed, which makes up 2/3 of the pig production costs. The Group observes these developments closely.

A change of the pig meat price of 10% will, on an isolated basis, affect profit for the year before tax by approximately EUR 6.8 million (2018: approx. EUR 5.2 million). A 10% change in the feed price will, on an isolated basis, affect profit for the year before tax by approximately EUR 3.5 million (2018: approx. EUR 2.9 million).

Split of total outstanding interest bearing debt

EUR '000	2018	2019	Interest binding period in months	Avg. effective interst
Loans with fixed interest				
EUR	15,290	12,000	12-60	3-4%
RON	546	2,089	up to 36	0%
DKK	3,751	997		6.5%
	19,587	**15,086**		
Loans with variable interest				
EUR	42,251	45,504	1-6	2-3%
RON	6,844	5,957	1-6	2-3%
DKK	451	460	1	4%
	49,546	**51,921**		



Other Financial Risks

Liquidity risk

The Group ensures adequate cash resources by entering into framework agreements in respect of current overdraft facilities. Existing agreements subject to time limitation are irrevocable on the part of the banks prior to maturity unless there is a breach of the terms of the loans according to the loan agreements.

Maturity analysis for debt is stated in Note 22, to which reference is made. The maturity analysis is disclosed according to category and class broken down on maturity period. All amounts are excluding future interest payments.

Capital management

The objective of the Group's capital management is to ensure the Group's ability to continue as a going concern in order to provide return on the shareholders' investments and establish and maintain an optimal capital structure for the purpose of reducing the costs of borrowed capital and maintain a basis for continued growth in the Group.

The Group's capital management is moreover partly controlled by loan agreements which include specific requirements to the financial performance of the Group.

Total capital comprises equity; as shown in the consolidated balance sheet.

Credit risk

The Group is exposed to credit risks on receivables. The Group positively wants to minimize its credit risks, which mainly relates to sales transactions. Credit insurance is taken out in advance on more than 90% of the normal sales of slaughter pigs. Due to changes in the sales (thermal treatment and weaner sales) caused by ASF trade restrictions the credit exposure has significantly increased. Credit insurance covers only approx. 65% of the total receivable end of 2019 (2018: 50%). Outstanding receivables are followed-up upon on a current basis in accordance with Group procedures. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

EUR '000	Due above 5 years	Due Between 2 and 5 years	Due within 1 year	Total Carrying amount
Receivables at December 31, 2018				
Trade receivables	0	0	7,853	**7,853**
Other receivables	0	0	11,928	**11,928**
Prepayments	0	1,467	1,185	**2,652**
	0	**1,467**	**20,966**	**22,433**
Receivables at December 31, 2019				
Trade receivables	0	0	9,398	**9,398**
Other receivables	0	0	16,718	**16,718**
Prepayments	0	1,046	593	**1,639**
	0	**1,046**	**26,709**	**27,755**

Notes to Consolidated Financial Statements

Note 26: Incentive program for group management

The Group's management team have been granted warrants to purchase a number of shares in the parent entity at a price agreed in advance. A total of 2,000,000 warrants have been granted, of which 500,000 warrants have vested at December 31, 2019. The remaining 1,500,000 warrants will vest in installments up and until December 2022 if all the participants in the program remain employed. The participants may exercise their warrants by purchasing shares during a four-week period following the approval of the parent entity's annual report in the years 2023 to 2027, after which the warrants will lapse without any further notice. The agreed exercise price increases from 3.81 DKK per share in 2023 to 4.63 per share in 2027.

The fair value of each option is calculated using an option pricing model taking into account the exercise price of the option, an estimate of the current price of the underlying shares, the life of the option and the risk-free interest rate for the life of the option. As the Group is unlisted, and no market information for comparable listed entities are currently available, the current price of the underlying shares is determined based on the equity per share according to the annual report for 2020. Management believe that this is a reasonable approximation of the current market price for the Group's shares for the purpose of the measurement of the warrants, due to the current market situation and the outbreak of ASF in Romania, and the fact that all tangible assets and biological assets of the group are measured at fair value. In determining the life of the option for the purpose of the measurement, it is assumed that the employees will exercise the option as soon as possible.

The fair value of the warrants granted has been determined to be 0.89 DKK (0.12 EUR) per warrant. The most significant inputs used in the measurement model are the following:

Current market price for the underlying shares	**7.15 DKK**
Exercise price	**3.81 DKK**
Risk free interest rate (pro anno)	**2.0%**
Life of the warrants	**40 months**

Note 27: Related parties and ownership

DCH International A/S's shareholders are legal and natural persons, and no individual shareholder exercises control of the Group's activities. The following shareholders are registered as holding more than 5% of the voting share capital or minimum 5% of the share capital:

FMB Holding A/S, Søvejen 33, 8752 Østbirk
Stenagergaard Invest ApS, Tellerupvej 15, 5591 Gelsted
Helge Maagaard, Ulfsundvej 25, Nees, 7660 Bækmarksbro
Tofthøj Agro A/S, Tofthøjvej 41, 7321 Gadbjerg

Transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

No such transactions have been conducted in the financial year.

28 Fees paid to auditors appointed by the General Assembly

Fees for statutory audits	79	80
Other Services	72	53
	151	**133**

Audit fee are recognized as administrative costs

29 Post balance sheet events

There have been no significant post balance sheet events.

Accounting Policies

Note 30: Accounting Policies

Classification

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Recognition and measurement

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

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

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

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

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

Consolidated financial statement

The annual report include DCH International A/S (Parent) and the enterprises (group enterprises) that are controlled by the Parent, see group chart on page X. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

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

Subsidiaries' financial statement items are recognized in full in the annual report.

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

Business Combinations

Newly acquired or newly established enterprises are recognized in the annual report from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognized in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Identifiable intangible assets are recognized separately from goodwill if they are separable or arise from contractual or other legal rights.

Any remaining positive differences between cost and the fair value of assets, liabilities and contingent liabilities acquired are recognized in intangible assets in the balance sheet as goodwill. Goodwill is not amortized but is tested for impairment on an annual basis. Enterprises acquired are recognized in the consolidated financial statements as from the date of obtaining control, whereas enterprises sold are recognized up until the date of surrender of control. Intra-group acquisitions of subsidiaries are made under the pooling of interests method.

If any remaining difference between cost and the fair value of assets, liabilities and contingent liabilities acquired are negative, the amount is recognized immediately in profit or loss as a bargain purchase gain.

Foreign currency translation

The items recognized in the financial statements of each of the group enterprises are measured at the functional currency used in the primary economic environment in which the individual enterprise operates. The functional currencies of the group enterprises are the following: Romanian Lei (RON) for the Romanian subsidiary and EUR for the parent company in Denmark.

The consolidated financial statements are presented in EUR, which are the functional currency of the parent company and the presentation currency of the Group. On initial recognition, transactions in foreign currencies are translated at the exchange rates at the date of transaction. Exchange differences arising between the transaction date rates and the rates at the date of payment are recognized in the income statement as financial income and expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the exchange rates at the date at which the receivable or the payable arose or was recognized in the most recent financial statements are recognized in the income statement as financial income and expenses.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

Balance sheet items including goodwill relating to consolidated enterprises that do not have EURO as their functional currency are translated into EUR based on the exchange rates at the balance sheet date, whereas the income statements of these enterprises are translated at average rates of exchange. Exchange adjustments arising on the translation of the opening equity at the exchange rates at the balance sheet date and net profit/loss for the year at the exchange rates at the balance sheet are recognized in other comprehensive income over equity under a separate reserve for exchange adjustments.

The Group used the following exchange rates for the translation into EUR at 31 December 2019:

RON:	Income statement 2019: 1 EUR = 4.782 RON
	(2018: 1 EUR = 4.653 RON)
DKK:	Income statement 2019: 1 EUR = 7.469 DKK
	(2018: 1 EUR = 7.453 DKK)

Derivative financial instruments

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

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

Accounting Policies continued

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognized in other comprehensive income. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant financial statement items.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries are classified in other comprehensive income.

Income statement

Revenue

Revenue from sale of products is recognized when the Group has transferred control of products sold to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the determined consideration.

Investment grants are taken to income as actual payment is made when the conditions of payment of grants have been approved by the authorities.

Fair value adjustment biological assets

Fair value adjustments of biological assets include the adjustments of the company's biological assets for the financial year measured at fair value.

Costs of plant breeding, feed, energy and other production costs

Costs of plant breeding, feed, energy and other production costs include the consumption of raw materials and consumables used to achieve net revenue.

Other external expenses

Other external expenses comprise expenses for distribution, sale, administration, premises, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages, social

security costs, pension contributions, etc. for the Company's staff.

Amortization, depreciation and impairment losses

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

Financial income and expenses

These items comprise interest income and interest expenses, the interest portion of finance lease payments, payables and transactions in foreign currencies, mortgage amortization premium/allowance on mortgage debt, etc. as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

Tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit/loss for the year and recognized directly in equity by the portion attributable to entries directly in equity. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance Sheet

Intangible assets

Acquired intellectual property is amortized over the term of the agreement, but over no more than 5 years. Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment and property plant and equipment in progress are measured at cost less accumulated depreciation. Cost comprises the cost of acquisition and expenses directly related to the acquisition and costs for set-up. In case of assets of own construction, cost comprises directly attributable costs of labor, materials, components and sub-suppliers.

The categories land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is recognized in retained earnings without passing the income statement. Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group uses the local, effective rate of interest on credit for construction and overdraft facilities for the calculation of expenses for capitalization.

Depreciation of a non-current asset is commenced when it is put into use. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	**25-40 years**
Production plant and machinery	**7-15 years**
Operating fixtures, tools and vehicles	**3-7 years**
Land is not depreciated	

The carrying amount of property, plant and equipment is reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by fair-value or depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

Biological assets

Agricultural activity is defined as an activity in which biological transformation of biological assets for sale into agricultural produce or another biological asset takes place. Agricultural produce is defined as a harvested product of the Group's biological assets, and a biological asset is defined as living animals or crops.

The Group has assessed that its biological assets consists of breeding herds of gilts, sows and boars, commercial heard of slaughter pigs and unharvested crops.

On initial recognition and at subsequent reporting dates, biological assets are measured at fair value less estimated costs to sell unless fair value cannot be reliably measured on initial recognition.

Accounting Policies

Gains or losses on initial recognition of a biological asset measured at fair value less estimated costs to sell, and subsequent changes in the fair value less estimated costs to sell relating to the biological asset, are recognized in the income statement in the item “Gains/losses on changes in the fair value of biological assets” in the period in which the gain or loss arises.

Biological assets are recognized as current or non-current biological assets depending on the production cycle of the biological asset concerned. Generally, biological assets relating to slaughter pigs and cropping are recognized as current assets. Breeding herds of gilts, sows and boars are recognized as non-current assets.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity value plus or less unamortized positive, or negative goodwill and plus or minus unrealized intra-group profits and losses.

The Parent’s share of the enterprises’ profits or losses after elimination of unrealized intra-group profits and losses and minus or plus amortization of positive or negative goodwill is recognized in the income statement and the net revaluation reserve under the equity.

Upon distribution of profit or loss, net revaluation of subsidiaries is transferred from the reserve for net revaluation to retained earnings under the equity method.

The purchase method is applied in the acquisition of investments in subsidiaries; see above description under annual report.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value. The net realizable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operation with deduction of costs to sell and costs of completion. The net realizable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor as well as directly attributable labor and production costs. These costs also comprise maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process as well as costs of production management.

Agricultural produce is initially recognized at fair value at the point of harvest less estimated costs to sell, and subsequently in inventories up until the point when it is sold to a third party or is used internally as feed. The fair value of agricultural produce at the point of harvest is measured on the basis of the market prices on the markets on which the agricultural produce is expected to be sold or used as feed.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad debts.

Prepayments

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

Lease commitments

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

Lease payments on operating leases are recognized on a straight-line basis in the profit and loss account over the term of the lease.

Other financial liabilities

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash

Cash comprises bank deposits.

Deferred tax

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

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

Income tax receivable or payable

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

Cash flow statement

The consolidated cash flow statement and the parent cash flow statement are presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from the acquisition and divestment of enterprises are shown separately under cash flows from investing activities.

Cash flows from acquired enterprises are recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized up to the time of divestment.

Cash flows from operating activities are calculated as operating profit/loss adjusted for non-cash operating items, working capital changes, financial income and expenses and income taxes paid.

Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of enterprises, activities and fixed asset investments as well as acquisition, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Parent’s share capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

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

Parent Income Statement

EUR '000	Note	2019	2018
Revenue	30	39	145
Other external costs		-171	-471
Gross profit		-132	-326
Staff Expenses	32	-181	0
Depreciation	33	-27	-58
Operating profit (EBIT)		-340	-384
Income from investments in subsidiaries		14,724	1,111
Financial income	35	620	758
Financial expenses	36	-122	-294
Profit before tax		14,882	1,190
Tax on profit for the year	37	-37	-18
Net profit for the year		14,844	1,172
Distribution of profit for the year:			
Group Shareholders		14,844	1,172
Distributed		14,844	1,172

Parent Statement of Comprehensive Income

EUR '000	2019	2018
Net profit for the year	14,844	1,172
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments of foreign enterprises	-127	49
Hedge accounting	-150	-234
Items that may not be reclassified subsequently to profit or loss		
Value adjustments in subsidiaries	930	479
Total comprehensive income	15,498	1,467

Parent Statement of Financial Position

EUR '000	Note	31/12 2019	31/12 2018
Assets			
Operating equipment		56	124
Property, plant and equipment		**56**	**124**
Investments in subsidiaries	39	87,483	72,128
Loan to subsidiaries	40	3,500	3,500
Other non-current investments		0	0
Fixed asset investments		**90,983**	**75,628**
Non-current assets		**91,039**	**75,752**
Receiveables group companies	40	1,063	0
Other receivables		37	40
Deferred tax assets		239	277
Receiveables		**1,340**	**317**
Cash and cash equivalents		191	2,703
Current assets		**1,531**	**3,020**
Total Assets		**92,570**	**78,772**

EUR '000	Note	31/12 2019	31/12 2018
Equity and liabilities			
Share capital	19	12,767	11,915
Reserve for net revaluation according to the equity method		68,416	53,038
Retained earnings		10,337	9,578
Equity		**91,520**	**74,532**
Other non-current liabilities	41	0	521
Credit institutions	41	0	0
Long-term liabilities		**0**	**521**
Short term portion, credit institutions and other non-current	41	1,034	3,230
Trade payables		5	118
Interest bearing payables to group companies		0	210
Other payables		10	162
Short-term liabilities		**1,049**	**3,719**
Total liabilities		**1,049**	**4,240**
Total Equity and Liabilities		**92,570**	**78,772**

Parent Statement of Changes in Equity

EUR '000	Share Capital	Reserve for net revaluation according to the equity method	Retained earnings	Total Equity
Equity at January 1, 2018	**11,915**	**51,633**	**9,523**	**73,071**
Net profit/loss for the year	0	1,111	61	**1,172**
Other comprehensive income	0	295	-6	**289**
Equity at December 31, 2018	**11,915**	**53,038**	**9,578**	**74,532**
Capital increase	862	0	666	**1,528**
Purchase own shares	-10	0	-20	**-30**
Share based payments	0	0	13	**13**
IFRS 16 Implementation	0	0	-23	**-23**
Net profit/loss for the year	0	14,724	120	**14,844**
Other comprehensive income	0	654	4	**657**
Equity at December 31, 2019	**12,767**	**68,416**	**10,337**	**91,520**

Parent Cash Flow Statement

EUR '000	2019	2018
Operating profit/loss (EBIT)	-340	-384
Adjustment for non-cash items:		
Depreciations	31	58
Provisions	13	0
Change in receivables	-1,061	1,822
Change in trade and other payables	-264	-476
Change in interest bearing payables group	-210	210
Cash flow from operations before financial items	**-1,832**	**1,230**
Financial income received	620	751
Financial expenses paid	-113	-294
Corporation taxes paid	0	1
Cash flow from operating activities	**-1,325**	**1,687**
Acquisitions of property, plant and equipment	0	-20
Sale of property, plant and equipment	40	21
Investments in subsidiaries	0	0
Repayment of loans from subsidiaries	0	1,600
Payments deposits/other financial assets	0	0
Cash flow from investing activities	**41**	**1,601**
Proceeds from borrowings	0	0
Repayment of borrowings	-2,725	-869
Capital increase	1,497	0
Cash flow from financing activities	**-1,228**	**-869**
Change in cash and cash equivalents	**-2,512**	**2,419**
Cash and cash equivalents, start year	2,703	284
Cash and cash equivalents at December 31	**191**	**2,703**
Un-utilised short term facilities	0	0
Liquidity available at December 31	**191**	**2,703**

Notes to Parent Financial Statements

Note	EUR '000	2019	2018
30	**Revenue**		
	Rental of equipment	39	145
		39	**145**
31	**Fees paid to auditors appointed by the General Assembly**		
	Fees for statutory audits	5	8
	Other Services	0	9
		5	**17**

Audit fee are recognized as other external costs.

Note	EUR '000	2019	2018
32	**Staff expenses**		
	Wages and salaries	168	0
	Share based payments	13	
		181	**0**
	Average number of employees	*0*	*0*

Reference is made to note 6 for infomation about remuneration to the Executive Board and Board of Directors and to note 26 for incentive program for the group management team.

Note	EUR '000	2019	2018
33	**Depreciation**		
	Plant and machinery	31	58
	Loss or gain on asset sales	-4	0
		27	**58**

Note	EUR '000	2019	2018
34	**Income from investments in subsidiaries**		
	Premium Pork International A/S	14,724	1,111
		14,724	**1,111**
35	**Financial Income**		
	Interest on loans to subsidiaries	620	738
	Exchange rate adjustment	0	20
		620	**758**
36	**Financial Expenses**		
	Interest bank debt	2	31
	Other financial expenses	110	263
	Exchange rate adjustment	9	0
		122	**294**
37	**Income Taxes**		
	Adjustment of deferred tax	37	18
		37	**18**

Notes to Parent Financial Statements

Note	EUR '000	2019	2018
38	**Tangible assets**		
	Plant and machinery		
	Cost at January 1	892	894
	Additions for the year	0	20
	Disposals for the year	-369	-22
	Cost at December 31	**523**	**892**
	Amortisation at January 1	768	711
	Amortisation for the year	31	58
	Disposals for the year	-332	-1
	Amortisation at December 31	**467**	**768**
	Carrying amount at December 31	**56**	**124**
	Right of use assets	56	124

Note	EUR '000		2019	2018
39	**Investment in subsidiaries**			
	Cost beginning of year		19,060	19,060
	Additions for the year		0	0
	Cost end of period		**19,060**	**19,060**
	Apraisal increases at beginning		53,068	51,663
	Result for the period in subsidiaries		14,724	1,111
	Exchange adjustments in subsidiaries		-127	48
	IFRS 16 Implementation 1/1 2019		-23	0
	Appraisal of subsidiaries		930	479
	Hedging in subsidiaries		-150	-234
	Appraisal increases at end of period		**68,423**	**53,068**
	Carrying amount at end of period		**87,483**	**72,128**
	The carrying amount of investments in subdiaries i specified as follows:	Ownership interest in %		
	Premium Pork International A/S	100	87,483	72,128
			87,483	**72,128**

Notes to Parent Financial Statements

Note	EUR '000	2019	2018
40	**Loans and receivables, subsidiaries**		
	Subordinated loan to Premium Pork International A/S	3,500	3,500
	Total loan to subsidiaries subordinated	**3,500**	**3,500**
	Total receivables from subsidiaries	**1,063**	**-210**
	Total loans and receivables, subsidiaries	**4,563**	**3,290**

41 Interest bearing debt

EUR '000	Payable after 5 years	Payable between 2 and 5 years	Payable within 1 year	Total
Debt at December 31, 2018				
Leasing debt:	0	0	108	**108**
Other non-current debt:	0	521	3,230	**3,751**
Credit institutions, current:	0	0	0	**0**
	0	**521**	**3,338**	**3,859**
Debt at December 31, 2019				
Leasing debt:	0	0	37	**37**
Other non-current debt:	0	0	997	**997**
Credit institutions, current:	0	0	0	**0**
	0	**0**	**1,034**	**1,034**

Note 41: Financial risks

Reference is made to the description of financial risks for the Group in the Notes to the Consolidated Financial Statements. The Parent Company is not considered to be subject to any special financial risks other than those disclosed in the Notes to the Consolidated Financial Statements.

Note 42: Assets charged and securities

Letter of subordination has been issued to banks in respect of loans granted to subsidiaries of EUR 3,500k.

Note 42: Guarantees and other contingent liabilities

The parent has made a corporate guarantee for subsidiaries debt to credit institutions. The guarantee is limited to EUR 67.3m. The actual debt was EUR 58.7m end of year.

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2016 for income taxes etc. for the jointly taxed companies and from 14 July 2016 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies. The total net liability to the Danish Tax Administration appears from the financial statements.

45 Related parties and ownership

Transactions between the company and the subsidiaries: (EUR '000)	2019	2018
The subsidiaries have obtained subordinate loans from the Company:		
Outstanding amount at Year-end:	3,500	3,500
Interest for the year amounts to:	210	294
Other interest bearing debt and intercompany amounts from the Company:		
Outstanding amount at Year-end:	1,063	-210
Financial expenses for the year amounts to:	410	444
The subsidiaries have provided management services to the Company and the Company provided other services to the subsidiaries:		
Management services charged to the Company:	-138	-13
O. services or reinvoiced costs from the Company to subsidiaries:	39	145

Reference is made to note 27 (Note to the Consolidated Financial Statements) for details of the Groups transactions with the Parent Company.

DCH International A/S

Growing in Romania

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