



Tican Fresh Meat A/S

Strandvejen 6
7700 Thisted
CVR No. 26786576

Annual report 2020

The Annual General Meeting adopted the
annual report on 30.06.2021

Niels Jørgen Villesen

Chairman of the General Meeting

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Entity details

Entity

Tican Fresh Meat A/S

Strandvejen 6

7700 Thisted

Business Registration No.: 26786576

Registered office: Thisted

Financial year: 01.01.2020 - 31.12.2020

Phone number: 99192300

URL: www.tican.dk

E-mail: TICAN@TICAN.DK

Board of Directors

Frank Duffe, Chairman

Ove Thejls

Carl Ernst Bürger

Jacqueline Nowack

Executive Board

Niels Jørgen Villesen, CEO

Jens Røjkjær Lyhne, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Tican Fresh Meat A/S for the financial year 01.01.2020 - 31.12.2020

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Thisted, 30.06.2021

Executive Board

Niels Jørgen Villesen
CEO

Jens Røjkjær Lyhne
CFO

Board of Directors

Frank Duffe
Chairman

Ove Thejls

Carl Ernst Bürger

Jacqueline Nowack

Independent auditor's report

To the shareholder of Tican Fresh Meat A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tican Fresh Meat A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 30.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Rasmus Brodd Johnsen

State Authorised Public Accountant
Identification No (MNE) mne33217

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	8,898,250	7,825,539	6,606,493	7,145,511	8,445,559
Gross profit/loss	673,565	742,926	620,338	459,589	877,825
Operating profit/loss	9,310	237,966	153,100	(30,596)	98,790
Net financials	(18,416)	(4,310)	(20,452)	(12,550)	(25,227)
Profit/loss for the year	(35,402)	208,094	89,483	(65,238)	40,685
Balance sheet total	2,775,602	2,732,622	2.188.285	2,106,187	2,298,597
Investments in property, plant and equipment	195,155	(58,825)	(63,717)	(65,751)	(77,612)
Equity	717,469	789,352	549.906	473,411	547,929
Cash flows from operating activities	124,901	(151,578)	108,673	106,261	113,690
Cash flows from investing activities	(186,614)	(56,825)	(59,744)	26,733	37,178
Cash flows from financing activities	115,512	192,404	22,211	(125,791)	(10,145)
Change in cash and cash equivalents for the year	49,569	(15,999)	71,140	7,203	140,723
Average number of employees	2,160	2,102	1,974	2,028	2,444
Ratios					
Gross margin (%)	7.57	9.49	9.39	6.43	10.39
Profit margin (%)	0.1	3.0	2.3	(0.4)	1.2
Return on assets	0.3	8.7	7.0	(1.5)	4.3
Solvency ratio (%)	25.8	28.9	25.1	22.5	23.8

2016 contains 15 months.

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Profit margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Return on assets (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Total assets}}$

Solvency ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The Company's activities consist primarily in running slaughtering business and other production activities as well as food trading, financing, shareholding, investments and subordinate capital contributions in other companies.

Development in activities and finances

The Company's income statement for 2020 shows a loss of DKK 35,402k, and the consolidated balance sheet at 31 December 2020 shows equity of DKK 717,469k.

The Company merged with SB Pork A/S and Tican A/S with effect from 1 January 2018. Financial highlights for the years 2019, 2018 and 2017 have been restated. It should be noted that the 2016 figures in the statement of financial highlights comprise a 15-month period due to the change of financial year.

During the year, Tican has focused its efforts on increasing productivity and maintaining its ability to provide safe quality products at competitive prices. Considerable investments in both optimisation and maintenance of the production have been made during the year.

In the UK market, the group enterprises have seen a good year. In a competitive market, Tican Chilled Ltd. thus succeeded in maintaining its position as a leading provider of various types of meat to independent butchers and catering enterprises.

Brexit is not expected to have any material impact on group operations in the long term.

In the past financial year, Tican Rose GmbH has continued the good development from previous years.

The Group's food processing companies in the UK, Direct Table Foods Ltd. and Pro-Pak Foods Ltd., realised satisfactory results for 2020.

Profit/loss for the year in relation to expected developments

In 2020, revenue amounted to DKK 8,898,250k compared to DKK 7,825,539k in 2019, corresponding to an increase of 13.7%. The increase in revenue is primarily related to higher meat prices. Quotations for slaughter pigs were on average approx. 2.4% above those of 2019 due to a steadily increasing demand from primarily China, as a result of the continued African swine fever in the country. Moreover, the weight of pigs in 2020 has been somewhat higher than in 2019.

The conditions for carrying on pig farming activities have been very difficult for a number of years and have presented significant challenges for the farmers. But during 2019, the market for pork products has been substantially improved, and this has continued throughout 2020. As stated before, the settlement price has continued to rise. As a result of the improved settlement prices and the declining export of piglets to Germany in particular, the total production of slaughter pigs in Denmark amounted to DKK 16.9 million in 2020, which is approx. 1 million higher than the year before. For the year ahead, the production of slaughter pigs in Denmark is expected to show a small increase.

The net loss for the year in the Group of DKK 35,402k is regarded as unsatisfactory, but the reason for the poor performance is partly the Corona lockdown at European customers as well as the Chinese trade embargo on products from the factory in Brørup – also due to Corona.

Capital resources

The Company's equity amounts to DKK 717,469k, and the capital resources have been reduced as a result of the loss for the year.

Uncertainty relating to recognition and measurement

No uncertainties have been identified in relation to recognition and measurement in the annual report.

Unusual circumstances affecting recognition and measurement

The Group's financial position at 31 December 2020 and its results of operations and cash flows for 2020 have not been affected by any unusual circumstances except for the COVID-19 outbreak as previously described.

Outlook

During the year, targeted efforts were directed at lowering the level of cost and increasing productivity.

The Company expects a modest profit before income from investments in subsidiaries for financial year 2021 on the assumption of an expected market premium added to quoted price at the level of past years' average.

The Group's outlook for the future will continue to be negatively affected by COVID-19 and the measures taken by governments in most of the world to mitigate the impacts of continuous outbreak. It is, however, too early yet to give an opinion as to the extent of the implications on the Group's outlook. Until now it has been possible to maintain a partly normal production on the Group's factories in Denmark as well as abroad.

Consequently, Management finds itself unable to disclose reliably its expectations for the future in accordance with section 12 of the Danish Financial Statements Act.

Particular risks

Operating risks

As a global food company, Tican is exposed to a number of industry risks such as e.g. food safety, public regulation and financial risks.

Food safety

Throughout the world, consumers can rely on quality when purchasing meat from Tican. Quality and food safety throughout the value chain are an important part of the Company's strategy. Tican's own control supplements the external control and is based on the HACCP principles, and all employees attend sanitation and food safety courses.

The production entity in Thisted, Denmark has the highest level of GRMS (Global Red Meat Standard) certification. Moreover, the entity in Brørup has been certified under GRMS from the beginning of 2021. Moreover, the entities in Thisted, Pro-Pak Foods and Direct Table Foods, have been certified for organic production.

To live up to the ever increasing demands from customers and authorities, Tican continuously evaluates and develops quality and food safety systems and initiatives. The high status achieved by Tican over the years is a crucial assumption for keeping all markets open to Tican products and for ensuring Tican's strong position in the market as a brand with high consumer confidence

Market risks

Public regulation

Tican is primarily affected by public regulation of food safety and protection of the environment.

Changes may affect the business of Tican substantially, including access to raw materials; therefore, political initiatives and development are monitored closely.

Utilisation of production capacity

On a current basis, Tican considers and assesses initiatives to ensure that the production is as efficient as possible. Besides high capacity utilisation, investments in further automation of production facilities and processes are made on a current basis.

As a result of the high degree of automation, Tican is vulnerable to long periods of breakdown of production facilities and IT systems. A number of measures have been taken to reduce the consequences in this respect.

Foreign exchange risks

As an export company, Tican is exposed to a translation risk with respect to DKK as results, cash flows and equity are affected by exchange and interest rate developments with respect to a number of foreign currencies. The Company's policy is to hedge commercial foreign exchange risks primarily through forward contracts relating to expected export income in foreign currencies. Hedging of commercial foreign exchange risks is carried out by the group treasury.

Interest rate risks

The interest-bearing debt amounts to DKK 1,222 million at 31 December 2020. A change in the interest rate of 1% will affect the results for the year by DKK 12.2 million. No interest rate positions have been taken to hedge interest rate risks.

Price and credit risks

Credit risks are related to trade receivables. Tican's policy is to take out credit insurance for customers wanting to trade on credit terms. In recent years, the Company has not incurred any material bad debts.

Liquidity risks

Tican has access to credit facilities to ensure financial flexibility through the cash management within the Group, and it is ensured that sufficient unutilised overdraft facilities are available to ensure uninterrupted operations for the company.

Knowledge resources

The Company is built on many years of market knowledge and product experience. This knowledge is integrated in the Company's systems and procedures, and our employees have been trained to handle the special work which forms the basis of the Company's activities.

Research and development activities

The Company does not carry out any research activities apart from normal customisation of products to customer needs.

Statutory report on corporate social responsibility

Business model

Tican is an international food company producing and selling fresh and frozen pork to the retail sector as well as industrial customers. We specialise in pig slaughtering, cutting and deboning and focus on providing a dynamic and flexible service to farmers as well as customers.

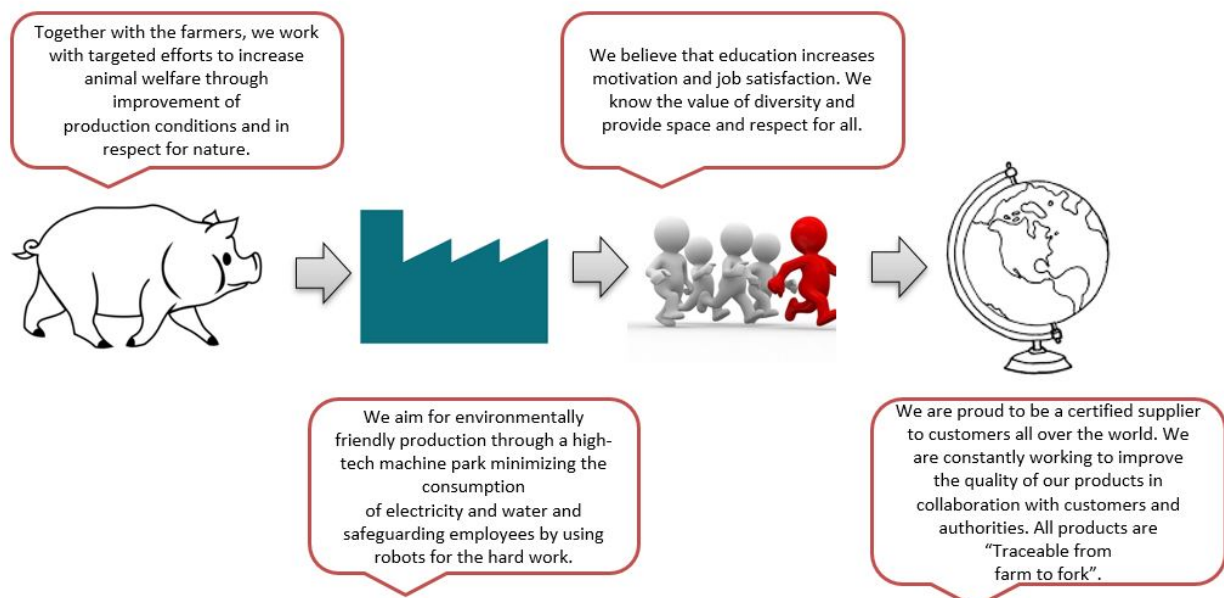
Export to some of the most quality-conscious markets in the world guarantees a constant focus on quality and food safety.

We offer a wide range of pork products to customers in several countries. We take pride in delivering meat that lives up to our customers' expectations all over the world.

In addition to many standard cuts, we offer individual cuts customised to customer wishes and needs no matter the market.

With the variety of standard cuts, our existing range will almost always meet our customers' demand. If not, we are ready to tailor the products to our customers' exact specifications. We deliver fresh, frozen and vacuum-packed pork.

Tican takes supply only of quality pigs from pig farmers throughout Denmark.



CSR policy and Code of Conduct

Tican continuously reinforces its focus on CSR (Corporate Social Responsibility) based on the philosophy that investments in responsibility for people, the environment and society are closely linked with good business results.

The CSR policy and the Code of Conduct of Tican have been implemented through attitudes and policies as a basis for our general views and rules of conduct relating to our social responsibility and our approach to trading and working relationships.

This is intended to contribute to clarifying the Company's attitudes and form the basis of the all-pervasive corporate culture for which we want our Company to be known. A culture that respects the individual, the organisation as a whole as well as the community to which we belong.

Tican is a company with deep roots and traditions, known for its long-term visions, ethics and sustainable

development. It is, however, also a company that knows how to shift its focus as reality changes. Customer demand is important to our standpoint on various issues. We want to be known for high morals and ethics in our business policy.

In relations within the Company and in the contact with employees, the day-to-day and long-term work must be characterised by ethical and moral conduct based on legislation, a social code and humane interrelationships. When developing and changing our work structure, we use customer needs as our point of departure combined with a clear ambition of showing integrity with respect to our working environment which must be good and must excel through deliberate commitment to equality, diversity and health.

Employees

We believe in a strong connection between satisfied employees, satisfied customers and a good financial performance.

We develop work methods, tools and instruments used to set targets and measure performance in order to attract, develop and motivate skilled and dedicated employees.

Each individual employee contributes to our overall results through his or her performance and skills. Tican considers our employees' fundamental need for development, good health, commitment, awareness and appreciation an assumption of a high performance.

Tican must provide the opportunity for an exciting and challenging work life, and, in connection with recruiting, career development and executive development, our entities must act and be perceived as one unit. Responsibility and authority must be delegated taking into account the individual employee's wishes and capabilities. This also means that we encourage freedom with responsibility, which also implies that it is acceptable to make mistakes.

Code of Conduct

Trading and working relationships

We want to be known for high morals and ethics when trading and cooperating with customers, employees, authorities and any other parties.

Our conduct in all situations, no matter the country or market, is characterised by respect for customers, business partners and local communities.

Bribery, fraud and corruption

All types of corruption, bribery, fraud and money laundering are strictly prohibited as we are aware that there pose a risk to our business. Our reputation and business relationships may be adversely affected by this. We reject all unfair and restrictive trading practices. No employee of the Company is allowed to accept personal gifts, services, trips, entertainment offers or similar benefits of material value from suppliers or other business partners.

It is strictly forbidden to grant, offer or promise any benefit, whether directly or indirectly, to any public officer with a view to wrongfully influencing the exercise of public authority in connection with purchases, tendering or any other type of business or business transaction that may result in an undue gain.

We are on the lookout for conflicts of interests, and our employees should always safeguard the Company's

interests over their personal interests. We encourage everyone to use their common sense.

We focus on our internal procedure and control measures and are striving continuously to adapt these to our day-to-day work and in response to external impacts. We did not during the year identify any instances in the nature of bribery, fraud or corruption, and we will continue to focus on this in the coming year.

Personal data processing

Employees must treat and store all personal data processed by them in a legitimate way and in compliance with applicable legislation, rules and requirements. The Company takes all measures necessary to protect our information systems against threats and to reduce the risks associated with personal data processing.

Equal opportunity and diversity

Equality between genders and between people of different ages, nationalities and religions contributes towards a greater holistic view based on a variety of life experience. We are working to achieve an equal gender representation at all levels of Tican. To us, equality implies that women and men must have the same rights, obligations, opportunities and equal pay for the same work, no matter their nationality and religion.

Human rights

The Company supports and respects internationally declared human rights. We are actively working to ensure that all of our employees are treated fairly, equally and respectfully. We do not employ anyone below the age of 14, and the age of all employees is verified through their civil registration number. This is checked every month. Risks around human rights such as discrimination, child labor, trade union freedom etc. can adversely affect our employees and reputation, thereby hindering our ability to run a successful business. In 2020, we did not have any employees below the age of 14. We will continue to focus on risks related to human rights.

Freedom of association

The Company respects employees' right to unionise and allows collective bargaining.

Working conditions

Working hours are in compliance with national legislation and agreements. Regular overtime is not allowed. Wages, services and overtime are in compliance with national legislation and agreements. Any wage reduction as a disciplinary measure is prohibited.

Working environment

The Company complies with the minimum standards according to local working environment legislation and rules. In 2020 we have continued our focus on developing our employees' skills to provide them with the best possible basis for mastering their day-to-day tasks. We have focused strongly on training our employees in safety and evacuation procedures, workplace user instructions and workplace assessments.

The Group's strong focus on safety was maintained throughout the year, but unfortunately, the number of work-related accidents has everything considered remained unchanged from 2019 to 2020. The number of work-related accidents remains too high, and we still aim at reducing the number of work-related accidents through targeted safety measures.

Health and safety

We are continuously improving the working environment through, eg, unrelenting focus on technological development in order to promote good health and to prevent accidents and work-related injuries resulting from the work performed. It is our assessment that work environment and safety are some of the biggest risks for our employees, as lack of this can harm our employees and have a negative impact on the ability to attract new employees, thereby continuing to develop a competitive business.

Labour

No form of forced labour or labour as a penal sanction is accepted. No employee can be forced to transfer valuables or identity documents to his or her employer. No child labour is accepted.

Discrimination and suppression

It is our ambition to promote diversity and to focus on employee involvement and competence development. We do not accept differential treatment of any kind nor threats, suppression or harassment of any kind among our employees or among our suppliers.

Human capital

The Company encourages human capital development by creating job opportunities and offering employees educational opportunities.

Mental bullying

Mental bullying is unacceptable harassment, and any employee is responsible for ensuring that there is no practice of mental bullying at our workplace. Management must intervene against mental bullying, i.e. practical jokes and similar malicious behaviour, persecution, self-promotion, envy and gossip.

Mental bullying has a destructive influence on a good working environment and a good performance.

Environment

Noise level measurements has been performed, which has resulted in a number of noise reducing measures being implemented at several noise sources, including noise barriers placed round parking areas and towards neighbors'.

Energy reducing actions

Tican is continuously focused on reducing consumption, and in 2020 has continued to work on this process but in all the rebuilds question, including all possible energy optimization is considered, which has also happened in connection with the new construction of a cold store in Thisted.

Tican's work to reduce the impact on the environment and climate from our activities stems from the recognition of the environmental risks that society must deal with in order to avoid further damaging the environment. By limiting our CO₂ emissions as well as other initiatives, it is our intention to prevent a negative impact on the environment.

Sustainability

Tican is part of the Tonnies group in Germany, and together with these we are working towards the year 2030 to be able to reduce the impact on the environment and climate. We therefore aim to reduce CO emissions by 50 percent compared to 2010, reduce water consumption, and together with the packaging industry to be able to use 100 percent recyclable packaging material. Tican is also part of the collaboration on the use of sustainable and deforestation-free soy for feed. In relation to transport, there will be ongoing changes to fleets that are more fuel efficient up to 40 percent less consumption. Tican is also a member of Danish Agriculture and Food Council

and is therefore involved in the process of being climate neutral by 2050.

With our current composition and expectations for the future and the planned operations, it is Ticans view that the current business model and guidelines handle the above matters.

Statutory report on the underrepresented gender

The target ratio of 20% board members of the underrepresented gender among those charged with governance has been achieved as one of the four members of the Board of Directors is female. The target ratio for female executives has likewise been met and is unchanged at 25 percent. Tican will continue its work to increase the ratio of the underrepresented gender at management level, in order to maintain the target of at least 20% female managers during the next three years and hopefully to rise.

As part of the Company's work to increase the diversity of employees, the ambition is also to increase the share of the underrepresented gender, at both employee, management and board levels.

In job advertisements, we encourage candidates of both genders to apply. We continuously focus on leadership potential among employees and offer the employees who are interested in managerial development a targeted management programme customised to the individual, including continuous and daily mentoring.

During the year, Tican has succeeded in hiring more female employees. However on management levels, unfortunately no female applications for the advertised positions have been received. The development on management level has in 2020 been limited due to corona restrictions etc.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	2	8,898,250	7,825,539
Production costs		(8,224,685)	(7,082,613)
Gross profit/loss		673,565	742,926
Distribution costs		(535,335)	(380,702)
Administrative expenses	3	(128,370)	(126,485)
Other operating income		480	3,472
Other operating expenses		(1,030)	(1,245)
Operating profit/loss		9,310	237,966
Income from other fixed asset investments		3,932	5,348
Other financial income	5	7,609	11,735
Other financial expenses	6	(29,957)	(21,393)
Profit/loss before tax		(9,106)	233,656
Tax on profit/loss for the year	7	(26,296)	(25,562)
Profit/loss for the year	8	(35,402)	208,094

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	10	1,241	2,065
Goodwill		48,222	60,764
Intangible assets	9	49,463	62,829
Land and buildings		335,742	343,240
Plant and machinery		298,733	260,629
Other fixtures and fittings, tools and equipment		9,642	10,135
Property, plant and equipment in progress		75,316	30,451
Property, plant and equipment	11	719,433	644,455
Other investments		9,646	9,596
Financial assets	12	9,646	9,596
Fixed assets		778,542	716,880
Raw materials and consumables		69,088	72,752
Work in progress		45,232	37,476
Manufactured goods and goods for resale		461,381	293,380
Prepayments for goods		1,717	7,465
Inventories		577,418	411,073

Trade receivables		727,380	875,400
Receivables from group enterprises		35,861	100,254
Other receivables		356,839	385,686
Prepayments	13	25,780	19,116
Receivables		1,145,860	1,380,456
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Cash		273,782	224,213
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Current assets		1,997,060	2,015,742
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Assets		2,775,602	2,732,622
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Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		234,164	234,164
Translation reserve		(37,138)	0
Reserve for fair value adjustments of hedging instruments		681	0
Reserve for development costs		969	2,065
Retained earnings		512,008	546,713
Equity belonging to Parent's shareholders		710,684	782,942
Equity belonging to minority interests		6,785	6,410
Equity		717,469	789,352
Deferred tax	14	18,454	17,682
Other provisions	15	4,332	2,942
Provisions		22,786	20,624
Other payables		57,828	16,254
Non-current liabilities other than provisions	16	57,828	16,254
Lease liabilities		545	709
Prepayments received from customers		1,846	850
Trade payables		533,892	640,281
Payables to group enterprises		1,273,754	1,158,405
Tax payable		664	5,052
Other payables		166,818	100,890
Deferred income	18	0	205
Current liabilities other than provisions		1,977,519	1,906,392
Liabilities other than provisions		2,035,347	1,922,646
Equity and liabilities		2,775,602	2,732,622
Events after the balance sheet date	1		
Staff costs	4		
Financial instruments	20		
Unrecognised rental and lease commitments	21		
Transactions with related parties	22		
Group relations	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000
Equity beginning of year	234,164	0	0	2,065	546,713
Exchange rate adjustments	0	(37,138)	0	0	0
Fair value adjustments of hedging instruments	0	0	681	0	0
Value adjustments	0	0	0	0	0
Transfer to reserves	0	0	0	(1,096)	1,096
Profit/loss for the year	0	0	0	0	(35,801)
Equity end of year	234,164	(37,138)	681	969	512,008

	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	782,942	6,410	789,352
Exchange rate adjustments	(37,138)	0	(37,138)
Fair value adjustments of hedging instruments	681	0	681
Value adjustments	0	(24)	(24)
Transfer to reserves	0	0	0
Profit/loss for the year	(35,801)	399	(35,402)
Equity end of year	710,684	6,785	717,469

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		9,310	237,966
Amortisation, depreciation and impairment losses		95,589	114,344
Working capital changes	19	71,543	(460,191)
Other adjustments		(3,213)	14,403
Cash flow from ordinary operating activities		173,229	(93,478)
Financial income received		11,541	17,341
Financial expenses paid		(29,957)	(21,398)
Taxes refunded/(paid)		(29,912)	(54,043)
Cash flows from operating activities		124,901	(151,578)
Acquisition etc. of intangible assets		0	(399)
Acquisition etc. of property, plant and equipment		(195,155)	(58,202)
Sale of property, plant and equipment		8,591	1,776
Acquisition of fixed asset investments		(50)	0
Cash flows from investing activities		(186,614)	(56,825)
Free cash flows generated from operations and investments before financing		(61,713)	(208,403)
Incurrence of debt to group enterprises		115,349	191,893
Lease obligations incurred		163	511
Cash flows from financing activities		115,512	192,404
Increase/decrease in cash and cash equivalents		53,799	(15,999)
Cash and cash equivalents beginning of year		224,213	240,212
Currency translation adjustments of cash and cash equivalents		(4,230)	0
Cash and cash equivalents end of year		273,782	224,213

Cash and cash equivalents at year-end are composed of:

Cash	273,782	224,213
Cash and cash equivalents end of year	273,782	224,213

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2020 DKK'000	2019 DKK'000
Revenue, EU/domestic	5,407,607	5,309,524
Revenue, non-UE/exports	3,490,643	2,516,015
Total revenue by geographical market	8,898,250	7,825,539
Fresh Meat division	6,811,578	5,948,532
Processing division	2,086,672	1,877,007
Total revenue by activity	8,898,250	7,825,539

3 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	1,604	1,526
Tax services	263	309
Other services	293	212
	2,160	2,047

2020

PWC

Statutory audit fee: 933 t.DKK

Tax Services: 263 t.DKK

Other service: 93 t,DKK

Deloitte

Statutory audit fee: 671 t.DKK

Tax Services: 0 t.DKK

Other service: 200 t,DKK

4 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	746,619	645,960
Pension costs	45,570	40,053
Other social security costs	37,945	31,760
	830,134	717,773
Number of employees at balance sheet date	2,160	2,102

	Remuneration of manage- ment 2020	Remuneration of manage- ment 2019
	DKK'000	DKK'000
Executive Board	5,329	11,602
	5,329	11,602

5 Other financial income

	2020	2019
	DKK'000	DKK'000
Other interest income	7,609	10,999
Exchange rate adjustments	0	736
	7,609	11,735

6 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	21,974	19,265
Other interest expenses	7,983	2,128
	29,957	21,393

7 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	25,524	25,062
Change in deferred tax	772	500
	26,296	25,562

8 Proposed distribution of profit/loss

	2020	2019
	DKK'000	DKK'000
Retained earnings	(35,801)	207,860
Minority interests' share of profit/loss	399	234
	(35,402)	208,094

9 Intangible assets

	Completed development projects	Goodwill
	DKK'000	DKK'000
Cost beginning of year	30,536	228,165
Exchange rate adjustments	(1,255)	(13,757)
Cost end of year	29,281	214,408
Amortisation and impairment losses beginning of year	(28,471)	(167,401)
Exchange rate adjustments	1,255	10,256
Amortisation for the year	(824)	(9,041)
Amortisation and impairment losses end of year	(28,040)	(166,186)
Carrying amount end of year	1,241	48,222

10 Development projects

Development projects relate to it-projects improving the company's infrastructure. The projects are progressing according to plan through the use of the resources allocated to the development.

11 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	731,407	1,241,612	165,637	54,067
Exchange rate adjustments	(16,272)	(19,061)	(1,537)	(324)
Transfers	24,342	99,729	0	(124,071)
Additions	0	11,110	4,295	179,750
Disposals	0	(10,755)	(1,565)	(10,490)
Cost end of year	739,477	1,322,635	166,830	98,932
Depreciation and impairment losses beginning of year	(388,167)	(980,983)	(155,502)	(23,616)
Exchange rate adjustments	6,901	13,555	1,366	0
Depreciation for the year	(22,469)	(59,163)	(4,092)	0
Reversal regarding disposals	0	2,689	1,040	0
Depreciation and impairment losses end of year	(403,735)	(1,023,902)	(157,188)	(23,616)
Carrying amount end of year	335,742	298,733	9,642	75,316
Recognised assets not owned by Entity	0	0	603	0

12 Financial assets

	Other investments DKK'000
Cost beginning of year	9,596
Additions	50
Cost end of year	9,646
Carrying amount end of year	9,646

13 Prepayments

Prepayments consists of prepaid expenses.

14 Deferred tax

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	17,682	17,182
Recognised in the income statement	772	500
End of year	18,454	17,682

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

15 Other provisions

Other provisions consists of provisions for customer complaints.

16 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000
Other payables	57,828
	57,828

Non-current liabilities are all due within 5 years.

17 Payables to group enterprises

The group is financed with loans from the parent company Tönnies Holding GmbH & Co. KG. The loans have after the balance sheet date been prolonged to 31 December 2023.

18 Deferred income

Deferred income consists of prepayments from customers.

19 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	(166,345)	(144,624)
Increase/decrease in receivables	234,596	(460,674)
Increase/decrease in trade payables etc.	3,292	145,731
Other changes	0	(624)
	71,543	(460,191)

20 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to 7,077 t.DKK.

The Company's accounts in foreign currencies and related hedging transactions are as follows at 31 December 2020 TDKK:

Currency Payment/maturity	Net position
GBP 0-12 months	794
JPY 0-12 months	26,439
USD 0-12 months	199275
	226,508

21 Unrecognised rental and lease commitments

	2020	2019
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	26,617	44,343

22 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

For trade between related parties, or when related parties perform work for another Company, settlement takes place on marketbased conditions or on a cost recovery basis. Trading is conducted in accordance with a contractual agreement with the companies, unless the transactions are insignificant.

In addition, no transactions with the Board of Directors, the Supervisory Board, senior executives, affiliated companies or other related parties were carried during the year, except for intercompany transactions and normal management remuneration.

23 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Tönnies Holding GmbH & Co. KG, Germany

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Tönnies Holding GmbH & Co. KG, Germany

The consolidated financial statements of Tönnies Holding GmbH & Co. KG, may be ordered at this address:

In der Mark 2
33378 Rheda-Wiedenbrück
Germany

24 Subsidiaries

	Registered in	Corporate form	Ownership %
Tican (UK) Holdings Ltd.	UK	Ltd.	100
Tican UK Ltd.	UK	Ltd.	100
Tican Chilled Ltd.	UK	Ltd.	100
Tican-Rose G.m.b.H.	Germany	G.m.b.H	50*
Tican Process Holdings Ltd.	UK	Ltd.	100
Direct Table Foods Ltd.	UK	Ltd.	100
Pro-Pak Foods Ltd.	UK	Ltd.	100

*Tican-Rose G.m.b.H is a subsidiary due to a shareholder agreement.

Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	2	6,198,781	5,203,353
Production costs		(5,834,912)	(4,734,719)
Gross profit/loss		363,869	468,634
Distribution costs		(397,569)	(246,830)
Administrative expenses	3	(76,001)	(79,473)
Other operating income	5	2,014	1,759
Other operating expenses		(379)	(284)
Operating profit/loss		(108,066)	143,806
Income from investments in group enterprises		85,630	72,580
Income from other fixed asset investments		3,932	5,348
Other financial income	6	7,833	12,431
Other financial expenses	7	(25,019)	(19,480)
Profit/loss before tax		(35,690)	214,685
Tax on profit/loss for the year	8	(112)	(6,824)
Profit/loss for the year	9	(35,802)	207,861

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	11	1,241	2,065
Intangible assets	10	1,241	2,065
Land and buildings		196,014	185,124
Plant and machinery		222,052	164,098
Other fixtures and fittings, tools and equipment		3,816	6,368
Property, plant and equipment in progress		21,171	25,077
Property, plant and equipment	12	443,053	380,667
Investments in group enterprises		650,157	601,664
Other investments		9,646	9,596
Financial assets	13	659,803	611,260
Fixed assets		1,104,097	993,992
Raw materials and consumables		6,571	5,480
Work in progress		18,201	22,383
Manufactured goods and goods for resale		432,048	258,672
Inventories		456,820	286,535
Trade receivables		319,282	418,863
Receivables from group enterprises		146,660	214,808
Other receivables		200,153	214,675
Tax receivable		637	6,002
Prepayments	14	2,964	2,042
Receivables		669,696	856,390
Cash		158,022	151,938
Current assets		1,284,538	1,294,863
Assets		2,388,635	2,288,855

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		234,164	234,164
Reserve for fair value adjustments and hedging instruments		681	0
Reserve for net revaluation according to the equity method		281,522	233,028
Reserve for development costs		969	2,065
Retained earnings		193,349	313,685
Equity		710,685	782,942
Other provisions	15	2,000	2,000
Provisions		2,000	2,000
Other payables		57,828	16,254
Non-current liabilities other than provisions	16	57,828	16,254
Lease liabilities		545	709
Prepayments received from customers		1,846	850
Trade payables		265,261	322,266
Payables to group enterprises	17	1,228,634	1,095,599
Other payables	18	121,836	68,030
Deferred income	19	0	205
Current liabilities other than provisions		1,618,122	1,487,659
Liabilities other than provisions		1,675,950	1,503,913
Equity and liabilities		2,388,635	2,288,855
Events after the balance sheet date	1		
Staff costs	4		
Financial instruments	20		
Unrecognised rental and lease commitments	21		
Related parties with controlling interest	22		
Transactions with related parties	23		

Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000
Equity beginning of year	234,164	0	233,028	2,065	313,685
Exchange rate adjustments	0	0	(37,136)	0	0
Fair value adjustments of hedging instruments	0	681	0	0	0
Transfer to reserves	0	0	0	(1,096)	1,096
Profit/loss for the year	0	0	85,630	0	(121,432)
Equity end of year	234,164	681	281,522	969	193,349
					Total DKK'000
Equity beginning of year					782,942
Exchange rate adjustments					(37,136)
Fair value adjustments of hedging instruments					681
Transfer to reserves					0
Profit/loss for the year					(35,802)
Equity end of year					710,685

The share capital consists of 234,164,000 shares of a nominal value of DKK 1,000. No shares carry any special rights.

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2020 DKK'000	2019 DKK'000
Revenue, EU/domestic	291,971	307,689
Revenue, non-EU/exports	5,906,810	4,895,664
Total revenue by geographical market	6,198,781	5,203,353
Fresh Meat division	6,198,781	5,203,353
Total revenue by activity	6,198,781	5,203,353

3 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	671	707
Other services	200	112
	871	819

4 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	504,602	428,018
Pension costs	39,242	33,673
Other social security costs	19,489	13,627
	563,333	475,318

Average number of full-time employees	1,030	957
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	Remuneration of manage- ment 2020 DKK'000	Remuneration of manage- ment 2019 DKK'000
Executive Board	5,329	11,602
	5,329	11,602

5 Other operating income

Other operating income comprises substantially intergroup servicefees.

6 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	3,949	4,183
Exchange rate adjustments	0	736
Other financial income	3,884	7,512
	7,833	12,431

7 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	21,974	18,026
Exchange rate adjustments	690	0
Other financial expenses	2,355	1,454
	25,019	19,480

8 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	0	6,824
Adjustment concerning previous years	112	0
	112	6,824

9 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Retained earnings	(35,802)	207,861
	(35,802)	207,861

10 Intangible assets

	Completed development projects DKK'000
Cost beginning of year	9,725
Cost end of year	9,725
Amortisation and impairment losses beginning of year	(7,660)
Amortisation for the year	(824)
Amortisation and impairment losses end of year	(8,484)
Carrying amount end of year	1,241

11 Development projects

Development projects relate to it-projects improving the company's infrastructure. The projects are progressing according to plan through the use of the resources allocated to the development.

12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	461,545	914,837	129,887	48,693
Transfers	24,342	99,729	0	(124,071)
Additions	0	0	756	120,165
Disposals	0	0	(1,025)	0
Cost end of year	485,887	1,014,566	129,618	44,787
Depreciation and impairment losses beginning of year	(276,421)	(750,739)	(123,519)	(23,616)
Depreciation for the year	(13,452)	(41,775)	(2,783)	0
Reversal regarding disposals	0	0	500	0
Depreciation and impairment losses end of year	(289,873)	(792,514)	(125,802)	(23,616)
Carrying amount end of year	196,014	222,052	3,816	21,171
Recognised assets not owned by entity	0	0	603	0

13 Financial assets

	Investments in group enterprises DKK'000	Other investments DKK'000
Cost beginning of year	165,862	9,596
Exchange rate adjustments	(9,944)	0
Additions	0	50
Cost end of year	155,918	9,646
Revaluations beginning of year	435,801	0
Exchange rate adjustments	(27,192)	0
Amortisation of goodwill	(1,471)	0
Share of profit/loss for the year	87,101	0
Revaluations end of year	494,239	0
Carrying amount end of year	650,157	9,646
Goodwill or negative goodwill recognised during the financial year	9,748	

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

14 Prepayments

Prepayments consist of prepaid expenses.

15 Other provisions

Other provisions consists of provisions for customer complaints.

16 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000
Other payables	57,828
	57,828

Non-current liabilities are all due within 5 years.

17 Payables to group enterprises

The company is financed with loans from the parent company Tönnies Holding GmbH & Co. KG. The loans have after the balance sheet date been prolonged to 31. december 2023.

18 Other payables

	2020 DKK'000	2019 DKK'000
Wages and salaries, personal income taxes, social security costs, etc. payable	100,745	56,701
Holiday pay obligation	858	8,318
Other costs payable	20,233	3,011
	121,836	68,030

19 Deferred income

Deferred income consists of prepayments from customers.

20 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded.

The Company has entered into forward exchange contracts to hedge sales future sales in foreign currency cf. above. Compared with the forward rate on the balance sheet date, the contracts have a positive fair value of approximately DKK 7,077 (DKK 1,972 i 2019)

21 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	8,524	17,516

22 Related parties with controlling interest

Tönnies International Holding G.m.b.H. owns all shares in the Entity, thus exercising control.

23 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year

For trade between related parties, or when related parties perform work for another Company, settlement takes place on marketbased conditions or on a cost recovery basis. Trading is conducted in accordance with a contractual agreement with the companies, unless the transactions are insignificant.

In addition, no transactions with the Board of Directors, the Supervisory Board, senior executives, affiliated companies or other related parties were carried during the year, except for intercompany transactions and normal management remuneration.

Accounting policies

Reporting class

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

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

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

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

Basis of consolidation

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the 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. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the

balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised under other receivables or other payables.

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

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

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

Income statement

Revenue

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

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year.

Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

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

Other operating expenses

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

Income from investments in group enterprises

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

Income from other fixed asset investments

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

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by

Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5 years.

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Buildings	20-25 years
Plant and machinery	7-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

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

Other investments

Other investments comprise unlisted equity investments measured at the lower of cost and net realisable value.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

Receivables

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

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at

their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

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

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Lease liabilities

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

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

Cash flow statement

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

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.