BPI A/S

HOLMEGÅRDEN, Lyngbyvej 403, DK-2820 Gentofte

Annual Report for 1 January - 31 December 2020

CVR No 27 23 70 10

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/4 2021

Jan Klarskov Henriksen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BPI A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

HOLMEGÅRDEN Gentofte, 23 April 2021

Executive Board

Ole Munksgaard Hansen

Jens Jacob Madsen

Board of Directors

Jan Klarskov Henriksen
Chairman

Ole Munksgaard Hansen

Flemming Skouboe

Henning Kruse Lorentzen

Independent Auditor's Report

To the Shareholders of BPI A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of BPI A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Hellerup, 23 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorized Public Accountant
mne18628

Jan Bunk Larsen
State Authorized Public Accountant
mne30224

Company Information

The Company	BPI A/S HOLMEGÅRDEN Lyngbyvej 403 DK-2820 Gentofte Website: www.bpi.nu CVR No: 27 23 70 10 Financial period: 1 January - 31 December Municipality of reg. office: Gentofte Kommune
Board of Directors	Jan Klarskov Henriksen, Chairman Ole Munksgaard Hansen Flemming Skouboe Henning Kruse Lorentzen
Executive Board	Ole Munksgaard Hansen Jens Jacob Madsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1.204.493	1.416.154	1.361.150	1.217.468	1.025.428
Operating profit/loss	6.625	12.118	-3.955	7.421	8.334
Profit/loss before financial income and expenses	6.625	13.148	-3.974	7.391	8.421
Net financials	715	-1.390	-2.891	-2.688	-2.987
Net profit/loss for the year	5.497	9.043	-6.666	4.330	3.631
Balance sheet					
Balance sheet total	266.678	284.430	298.794	263.482	225.423
Equity	87.131	81.427	71.721	71.768	64.837
Cash flows					
Cash flows from:					
- operating activities	-10.424	27.804	-17.577	-16.492	38.318
- investing activities	-858	-295	-1.908	-2.172	-4.388
including investment in property, plant and equipment	-659	-1.051	-2.650	-2.402	-4.698
- financing activities	11.323	-27.666	18.055	18.192	-32.232
Change in cash and cash equivalents for the year	40	-157	-1.430	-472	1.698
Number of employees	55	58	56	56	55
Ratios					
Gross margin	3,9%	3,8%	2,5%	3,4%	3,9%
Profit margin	0,6%	0,9%	-0,3%	0,6%	0,8%
Return on assets	2,5%	4,6%	-1,3%	2,8%	3,7%
Solvency ratio	32,7%	28,6%	24,0%	27,2%	28,8%
Return on equity	6,5%	11,8%	-9,3%	6,3%	5,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

BPI A/S operates as a global trader of foodstuffs under its own brands as well as private labels.

Development in the year

The consolidated income statement for the group shows an EBIT of DKK 6.624.719 and a profit of DKK 5.497.137. EBITDA for the group including EBITDA for associates on a 100% basis amounts to DKK 17.967.050 The group's balance sheet at 31 December 2020 shows equity of DKK 87.131.449 and a solvency ratio of 32,7%.

The past year and follow-up on development expectations from last year

The group has realized revenues of more than DKK 1.204 million, which is about 15% less the 2019 figure. The amounts for revenues is decreased because of corona lockdowns and due to decreasing commodity prices in foreign currencies and decreased strength on USD relative to the danish kroner from DKK 6,68 to DKK 6,05 during 2020.
Profit for the year amounts to DKK 5,5 million which is DKK 3,5 million below the 2019 figure, which is according to expectations for the year.

2020 has been a stable year with reasonable results in most departments of BPI's business areas, except for the catering department, which has been hard affected by corona lockdowns. In 2020 we re-visited the strategic plan regarding 2020 2025 to secure, that the expected growth on both top line and bottom line in the coming years still is intact. As a consequence of the corona period, we have decided to extend the strategy plan until 2026. The BPI strategy has the ambition to ensure that BPI A/S will continue being a successful, trustworthy, attractive and professional business partner in our markets. The key strategic choices of our strategy is grouped in the headings "Profitable growth", "Business optimizations", "People" and "Society". Delivering on these choices will continue us to deliver enhanced value for our owners and stakeholders

Management's Review

Significant events during the year

Foreign sales account for more than 80%, within expectations and this share is expected to be maintained in the future.

Despite BPI's large foreign sales, only a very limited portion is trade with the UK. This means that the impact of Brexit will be very limited.

The implications of COVID-19 with many governments across the world deciding to "lock down their countries" will have great impact on the global economy. As the demand for the majority of the Company's products are unaffected or nearly unaffected by the outbreak of COVID-19, the outbreak has only smaller impact, and is not expected to have, any significant impact on the Company for the future.

The US election of Biden can be a changer. Will he end the trade war against China or will it continue as in 2016-2020 or something between? If the tone remains harsh, it will probably help Europe in terms of exports, otherwise the opposite.

In 2020 commodity prices was significant lower than normal on prime cuts as tenderloins/entrecote/ribeye/chicken breast and so on. This was due to lockdown, which led to a large drop in travel and tourism, and thus also in restaurant visits, where many prime cuts are used. Will it change and when? If it only change slowly, farmers and slaughterhouses do not make money and it does not work long term. Alternatively, the farmers and slaughterhouses shall earn their money by selling rest products that they do today. This have the impact on BPI, that as we mostly trade with rest products, we see a fairly high average price level, which we do not think is sustainable, but may well take time before it breaks due to extreme amounts of money that are sent out in world. Characteristic of end 2020 and start 2021: Expensive cuts are relatively too cheap and cheap products are too expensive in historical perspective.

Other factors is African Swine Flu and Bird Flu, which had opened and closed markets from month to month. Today Germany closed as exporter of pork. Denmark and the Netherlands is closed as exporters of poultry. In BPI, these are the important countries in Europe in terms of exports of bulk meat.

New activities, investments and consolidation

2020 was not characterized by major new activities or investments. On the other hand, we consolidated the current business areas, also according to the corona lockdowns.

The group continues to make due diligences on investments in representation internationally, securing our global presence.

Furthermore, BPI A/S has continued investing in related product to our new ERP system in order to better control our goods and costs.

Management’s Review

Risk assesment

Interest rate risks

The Group's interest bearing debt primarily consists of mortgage loans and debt to credit institutions with a variable interest rate. Consequently, the Group is exposed to interest rate fluctuations.

Credit risks

The Group remains relatively independent from individual customers due to heavy diversification. Debtors are for a large part credit insured to minimize losses. Debtors who cannot be insured have to prepay or issue a letter of credit. They can alternatively agree to "cash against documents" terms.

Operating risks

BPI A/S's core business is "back to back" trading, which to a large degree is low risk. As most goods traded by BPI is frozen, BPI is less exposed to expiration risk than many other companies in the food sector.

International trade barriers are a risk to all trading companies. For many years, more and more trade barriers had been removed, which provided companies such as BPI a larger market and more opportunities. In recent years, this trend towards less trade barriers has been reversed and this is a development we have in our overall risk assessment. BPI is not yet affected by this new development; nonetheless, we continue to monitor the situation and remain ready to act in a new reality.

As the company is increasingly engaged as an inventory manager primarily on its own brands for the catering market as well as for some major customers in the retail segment there is increased risk directly influenced by the price fluctuations in the market; the increased risk is counteracted by the following mechanisms: inventory for larger customers is generally bought and sold on back to back basis (through fixed contracts) and thus is unaffected by market developments. However, the situation is different for goods in own brands, for example goods for the catering market. The uncertainties are regulated here partly through strict management of goods and warehousing, and when possible through contractual hedging.

Targets and expectations for the year ahead

Revenue in 2021 is expected to be a few percent higher than 2020, but profit in 2021 is expected to increase to DKK 14 -18 million EBIT level. Operations in the first quarter of 2021 show increasing growth in both revenue and profit than expected. At the end of 2020, the liquidity situation was very favorable for BPI. We utilized less than 45% of our credit line in Jyske Bank, and we remain in a very favorable situation in this area.

Management's Review

Statement of corporate social responsibility

BPI A/S follows the UN's 10 guiding principles for Global Compact, which constitutes the foundation for the company's Code of Conduct. Our Code of Conduct (http://bpi.nu/csr/) makes sure we live up to our responsibility internally and also to secure that our suppliers live up to and follow the principles in our Code of Conduct. The Code of Conduct describes the company's values and approach to corporate social responsibility within the areas of environment/climate, human rights, social relations and animal welfare.

As a concrete measure, BPI in 2017 and continuing, collaborated with the Danish Animal Protection organization to have our lamb from Chile approved as the first supplier outside of the EU. This helps us explain our values in a concrete way to our customers. This gives us the status as a high quality supplier to supermarket chains and in food service businesses.

Business model

BPI is an international trading house with representation in several countries worldwide.

BPI imports chicken products from South America and Asia, which are sold in Europe and Scandinavia. These products are sold to industry, catering and retail in our own brands as well as under private label. Similarly, milk powder, pork and beef products are sold to customers in Asia, the Middle East and Africa.

Social and employee relations

We want to be an attractive and preferred place to work both to current and future employees. We will ensure equal opportunity and a diverse workforce through the way we hire. Employee health and safety is a prerequisite for how we do business, both within our own company and within the companies we cooperate with. We are constantly monitoring that employee turnover does not increase. The risk of this increases if we, for example, are not careful about the working environment.

Action/Effort
It's our ambition that all employees shall maintain the opportunity to advance on an equal basis in the organization regardless of gender or ethnicity; we pursue this goal by formulating our job postings so that they are accessible broadly. It has been possible, therefore, to hire competent employees from very different backgrounds.

The APV Committee has held the scheduled meetings. We also follow the sick leave.

Results
Those efforts is an ongoing process and we still get closer to our goals according to more equal representation of both gender in leading positions in BPI A/S, without compromising qualifications.

Human rights

In support of human rights and living conditions in general in the countries where our suppliers are situated, we will continue to engage in social projects that will improve and develop the local areas where we operate.

In the medium and long term, compliance with human rights will increase our international opportunities and make it possible to engage with most of the world's buyers and suppliers in the international food industry, which maintain a similar focus.

We are aware that we also have a responsibility in the meantime, where we are constantly on guard against the risk of contributing to the violation of human rights.

Action/Effort
On a regular basis we visit our suppliers and state that their compliance with basic human rights matters to our cooperation and that this also will be important for BPI in 2020.

BPI is member of Sedex, who help us to increase regarding human rights according to Labour standards, Health and safety, The environment, Business ethics.

BPI has supported the NGO “Save the Children” in order to help increasing the living standards and respect for human rights in the countries where we operate, such as in the Middle East and Asia.

BPI work together with NGO Animal Welfare in Denmark and we brand our lamb with the official animal welfare logo. We also work together with the international animal welfare organization ANIMA – in order to produce our chicken under the animal welfare rules called ECC standard.

Results
During these conversations with our suppliers, we feel that they are moving in a positive direction with respect to human rights, but it is not an area where BPI can monitor the development by using KPIs.

Anti-corruption and bribery

BPI has a zero tolerance to all types of corruption, facility payments and anti competitive behaviour.

We continuously assess the risk of violating local law in the countries in which we operate, in the same way that we assess the risk of violating our own standards.

Action/Effort
We have reviewed all agreements with a view to identifying whether agreements and transactions may be subject to the risk of bribery and corruption.

Results
The above review of agreements did not result in any agreements or transactions being found which were found to be covered by terms such as bribery or corruption.

Environment and climate

We will continuously work to reduce our environmental and climate impact. This primarily relates to our

Management's Review

own activities when transporting products to our customers, but also includes travelling and maintenance of our own buildings. In dialogue with our customers and clients, we will aim to improve performance in our supply chain by providing advice when relevant and possible and by this reduce the risk according to the environment.

BPI work to buy our products where they are produced most co2 neutral. For example, chicken is an Asian jungle bird that thrives on local temperatures in Asia and South America. In Scandinavia, huge co2 resources are required for local production of special chickens as much as the feed is imported and the production of chicken in Scandinavia require heating to 35 degrees inside the farm buildings.

Action/Effort
As a trading company, BPI does not directly have an environmental impact from production or similar activities. As mentioned, our impact is related to transport, where we don't have the directly influence on the environmental impact.

Indirectly our environmental impact started decrease in bigger scale from 1 January 2020, when all containerships is forced to change from heavy fuel to light fuel or mounting of scrubbers if continued use of heavy fuel. This will still increase in reducing the direct impact on the environment from this transport. This international initiative is also expected to replace old ships with new and more fuel efficient vessels.

In 2019 our investment in public heating in our head office was fully implemented, and in 2020 we invested in heat pumps, which now cover approximately 50% of our heat needs.

Results
Our environmental impact in decreased in 2020 related to:

- Many vessels has changed fuel in second part of 2019
- Full year with using public heating of our head office
- In 2020 implementing of environmentally friendly heat pumps.

Non-financial key performance indicators

BPI A/S are not using Non-financial key performance indicators.

Statement on gender composition

BPI A/S has an ambition to have 25% females in the board of directors no later than 2023. At the end of 2020, status is that there are no women among the four members of the Board of Directors, since the general assembly did not find it necessary to make changes to the Board in 2020.

BPI's gender policy on other management levels is revised on an ongoing basis. The overall aim is to secure a gender composition that represents both genders. In 2018, equal distribution of the genders was achieved on other management levels.

Management's Review

Uncertainty relating to recognition and measurement

In the past financial year 2020, there have been no events or otherwise unusual circumstances that have affected the recognition or measurement of the company's activities.

Income Statement 1 January - 31 December

	Note	Group 2020	Group 2019	Parent 2020	Parent 2019
		DKK	DKK	DKK	DKK
Revenue	1	**1.204.493.478**	**1.416.154.366**	**1.174.101.611**	**1.392.579.356**
Other operating income		2.680.493	1.065.558	2.680.493	265.717
Expenses for raw materials and consumables		-1.142.155.480	-1.337.690.804	-1.115.975.273	-1.323.050.180
Other external expenses		-18.499.125	-25.947.393	-16.463.394	-23.122.761
Gross profit/loss		**46.519.366**	**53.581.727**	**44.343.437**	**46.672.132**
Staff expenses	2	-36.753.672	-36.875.158	-35.549.205	-35.294.828
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.140.588	-3.523.068	-1.742.247	-2.036.677
Other operating expenses		-387	-35.708	0	0
Profit/loss before financial income and expenses		**6.624.719**	**13.147.793**	**7.051.985**	**9.340.627**
Income from investments in subsidiaries		0	0	-559.641	3.357.386
Income from investments in associates		2.845.448	1.426.525	2.845.448	1.426.525
Financial income	3	165.687	1.063.389	271.196	44.982
Financial expenses	4	-2.295.707	-3.879.652	-3.081.653	-3.733.608
Profit/loss before tax		**7.340.147**	**11.758.055**	**6.527.335**	**10.435.912**
Tax on profit/loss for the year	5	-1.843.010	-2.715.349	-1.030.198	-1.393.206
Net profit/loss for the year		**5.497.137**	**9.042.706**	**5.497.137**	**9.042.706**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2020	2019	2020	2019
		DKK	DKK	DKK	DKK
Completed development projects		0	0	0	0
Acquired patents		19.487.794	20.791.917	0	0
Goodwill		663.584	0	0	0
Intangible assets	6	**20.151.378**	**20.791.917**	**0**	**0**
Land and buildings		40.218.718	40.103.199	40.218.718	40.103.199
Other fixtures and fittings, tools and equipment		2.006.844	2.761.926	2.003.526	2.681.403
Leasehold improvements		0	0	0	0
Property, plant and equipment	7	**42.225.562**	**42.865.125**	**42.222.244**	**42.784.602**
Investments in subsidiaries	8	0	0	44.520.691	44.273.884
Investments in associates	9	5.951.767	3.570.221	5.951.767	3.570.221
Fixed asset investments		**5.951.767**	**3.570.221**	**50.472.458**	**47.844.105**
Fixed assets		**68.328.707**	**67.227.263**	**92.694.702**	**90.628.707**
Inventories		**63.550.870**	**66.243.039**	**58.168.437**	**58.801.740**
Trade receivables		128.406.299	145.315.858	126.715.864	141.322.840
Receivables from group enterprises		191.644	1.209.727	6.505.767	4.248.087
Receivables from associates		23.103	115.947	23.103	115.947
Other receivables		5.717.222	3.897.523	5.339.265	3.229.588
Corporation tax receivable from group enterprises		184.000	0	184.000	0
Prepayments	10	85.262	269.841	85.262	269.841
Receivables		**134.607.530**	**150.808.896**	**138.853.261**	**149.186.303**
Cash at bank and in hand		**191.298**	**150.804**	**88.129**	**80.935**
Currents assets		**198.349.698**	**217.202.739**	**197.109.827**	**208.068.978**
Assets		**266.678.405**	**284.430.002**	**289.804.529**	**298.697.685**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020 DKK	Group 2019 DKK	Parent 2020 DKK	Parent 2019 DKK
Share capital		4.500.000	4.500.000	4.500.000	4.500.000
Revaluation reserve		20.108.080	19.666.620	20.108.080	19.666.620
Reserve for net revaluation under the equity method		5.901.767	3.545.221	21.673.385	20.110.926
Reserve for foreign currency translation adjustment		-234.446	0	0	0
Retained earnings		56.856.048	53.715.458	40.849.984	37.149.752
Equity		**87.131.449**	**81.427.299**	**87.131.449**	**81.427.298**
Provision for deferred tax	12	3.514.674	2.562.164	3.514.674	2.562.164
Other provisions		0	111.769	0	0
Provisions		**3.514.674**	**2.673.933**	**3.514.674**	**2.562.164**
Mortgage loans		11.765.199	12.533.811	11.765.199	12.533.811
Other payables		2.928.769	1.116.575	2.928.769	1.116.575
Long-term debt	13	**14.693.968**	**13.650.386**	**14.693.968**	**13.650.386**
Mortgage loans	13	755.261	756.638	755.261	756.638
Credit institutions		57.217.958	44.718.703	56.619.937	44.625.899
Prepayments received from customers		1.910.855	4.160.682	1.910.855	4.160.682
Trade payables		89.701.942	125.872.174	87.425.562	117.411.253
Payables to group enterprises		0	406.571	26.506.265	23.931.155
Corporation tax		590.379	129.912	202.202	0
Other payables	13	11.161.919	10.633.704	11.044.356	10.172.210
Short-term debt		**161.338.314**	**186.678.384**	**184.464.438**	**201.057.837**
Debt		**176.032.282**	**200.328.770**	**199.158.406**	**214.708.223**
Liabilities and equity		**266.678.405**	**284.430.002**	**289.804.529**	**298.697.685**

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Liabilities and equity

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Statement of Changes in Equity

Group

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for foreign currency translation adjustment	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	4.500.000	19.666.620	3.545.221	0	53.715.457	81.427.298
Exchange adjustments	0	0	0	-234.446	0	-234.446
Revaluation for the year	0	565.974	0	0	0	565.974
Tax on revaluation for the year	0	-124.514	0	0	0	-124.514
Net profit/loss for the year	0	0	2.356.546	0	3.140.591	5.497.137
Equity at 31 December	**4.500.000**	**20.108.080**	**5.901.767**	**-234.446**	**56.856.048**	**87.131.449**

Parent

	Share capital	Revaluation reserve	Reserve for net revaluation under the equity method	Reserve for foreign currency translation adjustment	Retained earnings	Total
Equity at 1 January	4.500.000	19.666.620	20.110.926	0	37.149.752	81.427.298
Revaluation for the year	0	565.974	0	0	0	565.974
Tax on revaluation for the year	0	-124.514	0	0	0	-124.514
Exchange adjustments relating to foreign entities	0	0	-234.446	0	0	-234.446
Net profit/loss for the year	0	0	1.796.905	0	3.700.232	5.497.137
Equity at 31 December	**4.500.000**	**20.108.080**	**21.673.385**	**0**	**40.849.984**	**87.131.449**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		DKK	DKK
Net profit/loss for the year		5.497.137	9.042.706
Adjustments	14	4.034.110	6.613.422
Change in working capital	15	-17.270.643	16.044.941
Cash flows from operating activities before financial income and expenses		**-7.739.396**	**31.701.069**
Financial income		165.687	1.063.389
Financial expenses		-2.295.707	-3.879.653
Cash flows from ordinary activities		**-9.869.416**	**28.884.805**
Corporation tax paid		-554.547	-1.080.855
Cash flows from operating activities		**-10.423.963**	**27.803.950**
Purchase of intangible assets		-663.584	0
Purchase of property, plant and equipment		-658.556	-1.051.163
Fixed asset investments made etc		-25.000	0
Sale of property, plant and equipment		0	318.627
Dividends received from associates		488.902	437.940
Cash flows from investing activities		**-858.238**	**-294.596**
Repayment of mortgage loans		-769.989	-762.918
Repayment of loans from credit institutions		0	-28.285.254
Repayment of payables to group enterprises		-406.571	0
Raising of loans from credit institutions		12.499.255	0
Raising of loans from group enterprises		0	265.204
Raising of other long-term debt		0	1.116.575
Cash flows from financing activities		**11.322.695**	**-27.666.393**
Change in cash and cash equivalents		**40.494**	**-157.039**
Cash and cash equivalents at 1 January		150.804	307.843
Cash and cash equivalents at 31 December		**191.298**	**150.804**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		191.298	150.804
Cash and cash equivalents at 31 December		**191.298**	**150.804**

Notes to the Financial Statements

		Group		Parent	
		2020	2019	2020	2019
		DKK	DKK	DKK	DKK
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	207.036.810	232.822.618	207.036.810	232.822.618
	Revenue, exports	997.456.668	1.183.331.748	967.064.801	1.159.756.738
		1.204.493.478	**1.416.154.366**	**1.174.101.611**	**1.392.579.356**
	Business segments				
	Meat	862.066.568	1.050.303.812	831.942.290	1.050.303.812
	Dairy	311.883.497	334.893.169	311.883.497	334.893.169
	Other	30.543.413	30.957.385	30.275.824	7.382.375
		1.204.493.478	**1.416.154.366**	**1.174.101.611**	**1.392.579.356**
2	**Staff expenses**				
	Wages and salaries	32.690.599	32.832.362	31.486.132	31.252.032
	Pensions	2.748.866	2.804.687	2.748.866	2.804.687
	Other staff expenses	1.314.207	1.238.109	1.314.207	1.238.109
		36.753.672	**36.875.158**	**35.549.205**	**35.294.828**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	3.120.365	3.001.820	3.120.365	3.001.820
	Supervisory Board	400.000	400.000	400.000	400.000
		3.520.365	**3.401.820**	**3.520.365**	**3.401.820**
	Average number of employees	**55**	**58**	**50**	**51**

The board of directors consists of four persons. The board of executives consists of two persons, of which one is also a member of the board of directors.

Notes to the Financial Statements

		Group		Parent	
		2020	2019	2020	2019
		DKK	DKK	DKK	DKK
3	**Financial income**				
	Interest received from group enterprises	10.855	0	270.330	26.556
	Other financial income	154.832	1.063.389	866	18.426
		165.687	**1.063.389**	**271.196**	**44.982**
4	**Financial expenses**				
	Interest paid to group enterprises	0	4.483	799.677	728.959
	Other financial expenses	2.295.707	3.875.169	2.281.976	3.004.649
		2.295.707	**3.879.652**	**3.081.653**	**3.733.608**
5	**Tax on profit/loss for the year**				
	Current tax for the year	1.015.014	1.322.143	202.202	0
	Deferred tax for the year	827.996	1.393.206	827.996	1.393.206
		1.843.010	**2.715.349**	**1.030.198**	**1.393.206**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired patents	Goodwill	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	1.872.852	27.240.862	2.985.360	32.099.074
Additions for the year	0	0	680.598	680.598
Cost at 31 December	1.872.852	27.240.862	3.665.958	32.779.672
Impairment losses and amortisation at 1 January	1.872.852	6.448.945	2.985.360	11.307.157
Amortisation for the year	0	1.304.123	17.014	1.321.137
Impairment losses and amortisation at 31 December	1.872.852	7.753.068	3.002.374	12.628.294
Carrying amount at 31 December	**0**	**19.487.794**	**663.584**	**20.151.378**
Amortised over	5 years	5-20 years	7 years	

Parent

	Completed development projects	Acquired patents	Goodwill	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	1.872.852	200.000	2.241.000	4.313.852
Cost at 31 December	1.872.852	200.000	2.241.000	4.313.852
Impairment losses and amortisation at 1 January	1.872.852	200.000	2.241.000	4.313.852
Impairment losses and amortisation at 31 December	1.872.852	200.000	2.241.000	4.313.852
Carrying amount at 31 December	**0**	**0**	**0**	**0**
Amortised over	5 years	5-8 years	7 years	

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	16.813.736	9.528.632	321.712	26.664.080
Additions for the year	0	613.914	0	613.914
Cost at 31 December	16.813.736	10.142.546	321.712	27.277.994
Revaluations at 1 January	25.203.615	0	0	25.203.615
Revaluations for the year	565.974	0	0	565.974
Revaluations at 31 December	25.769.589	0	0	25.769.589
Impairment losses and depreciation at 1 January	1.914.152	6.766.706	321.712	9.002.570
Depreciation for the year	450.455	1.368.996	0	1.819.451
Impairment losses and depreciation at 31 December	2.364.607	8.135.702	321.712	10.822.021
Carrying amount at 31 December	**40.218.718**	**2.006.844**	**0**	**42.225.562**
Depreciated over	20-50 years	3-8 years	3-10 years	

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	16.813.736	9.143.854	183.261	26.140.851
Additions for the year	0	613.914	0	613.914
Kostpris at 31 December	16.813.736	9.757.768	183.261	26.754.765
Revaluations at 1 January	25.203.615	0	0	25.203.615
Revaluations for the year	565.974	0	0	565.974
Revaluations at 31 December	25.769.589	0	0	25.769.589
Impairment losses and depreciation at 1 January	1.914.152	6.462.451	183.261	8.559.864
Depreciation for the year	450.455	1.291.791	0	1.742.246
Impairment losses and depreciation at 31 December	2.364.607	7.754.242	183.261	10.302.110
Carrying amount at 31 December	**40.218.718**	**2.003.526**	**0**	**42.222.244**
Depreciated over	20-50 years	3-8 years	3-10 years	

8 Investments in subsidiaries

	Parent 2020 DKK	Parent 2019 DKK
Cost at 1 January	27.379.593	27.379.593
Cost at 31 December	27.379.593	27.379.593
Value adjustments at 1 January	16.565.705	13.351.097
Exchange adjustment	-234.446	-144.060
Net profit/loss for the year	744.482	4.662.791
Amortisation of goodwill	-1.304.123	-1.304.123
Value adjustments at 31 December	15.771.618	16.565.705
Equity investments with negative net asset value amortised over receivables	1.369.480	328.586
Carrying amount at 31 December	**44.520.691**	**44.273.884**
Positive differences arising on initial measurement of subsidiaries at net asset value	18.533.234	19.837.357

Pursuant to section 127(4) of the Danish Financial Statements Act investments in subsidiaries are not disclosed.

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
9 Investments in associates				
Cost at 1 January	25.000	25.000	25.000	25.000
Additions for the year	25.000	0	25.000	0
Cost at 31 December	50.000	25.000	50.000	25.000
Value adjustments at 1 January	3.545.221	2.556.636	3.545.221	2.556.636
Net profit/loss for the year	2.845.448	1.426.525	2.845.448	1.426.525
Dividends received	-488.902	-437.940	-488.902	-437.940
Value adjustments at 31 December	5.901.767	3.545.221	5.901.767	3.545.221
Carrying amount at 31 December	**5.951.767**	**3.570.221**	**5.951.767**	**3.570.221**
Negative differences arising on initial measurement of subsidiaries at net asset value	874.534	0	874.534	0

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Faunakram Pet Food A/S	Denmark	500.000 DKK	50%
Urban Bites ApS	Denmark	50.000 DKK	50%

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
11 Distribution of profit				
Reserve for net revaluation under the equity method	2.356.546	988.585	1.796.905	4.347.253
Retained earnings	3.140.591	8.054.121	3.700.232	4.695.453
	5.497.137	**9.042.706**	**5.497.137**	**9.042.706**

12 Provision for deferred tax

Provision for deferred tax at 1 January	2.562.164	941.289	2.562.164	941.289
Amounts recognised in the income statement for the year	827.996	1.393.206	827.996	1.393.206
Amounts recognised in equity for the year	124.514	227.669	124.514	227.669
Provision for deferred tax at 31 December	**3.514.674**	**2.562.164**	**3.514.674**	**2.562.164**

Deferred tax has been provided at 22% corresponding to the current tax rate.

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
Mortgage loans				
After 5 years	8.743.786	9.521.808	8.743.786	9.521.808
Between 1 and 5 years	3.021.413	3.012.003	3.021.413	3.012.003
Long-term part	11.765.199	12.533.811	11.765.199	12.533.811
Within 1 year	755.261	756.638	755.261	756.638
	12.520.460	**13.290.449**	**12.520.460**	**13.290.449**

Notes to the Financial Statements

13 Long-term debt (continued)

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
Other payables				
Between 1 and 5 years	2.928.769	1.116.575	2.928.769	1.116.575
Long-term part	2.928.769	1.116.575	2.928.769	1.116.575
Other short-term payables	11.161.919	10.633.704	11.044.356	10.172.210
	14.090.688	**11.750.279**	**13.973.125**	**11.288.785**

14 Cash flow statement - adjustments

	Group	
	2020	2019
	DKK	DKK
Financial income	-165.687	-1.063.389
Financial expenses	2.295.707	3.879.652
Depreciation, amortisation and impairment losses, including losses and gains on sales	3.140.975	2.652.394
Income from investments in associates	-2.845.448	-1.426.525
Tax on profit/loss for the year	1.843.010	2.715.349
Other adjustments	-234.447	-144.059
	4.034.110	**6.613.422**

15 Cash flow statement - change in working capital

Change in inventories	2.692.169	-16.877.350
Change in receivables	16.201.366	29.486.816
Change in other provisions	-111.769	111.769
Change in trade payables, etc	-36.052.409	3.323.706
	-17.270.643	**16.044.941**

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying value of	40.218.718	40.103.199	40.218.718	40.103.199

Contingent liabilities

BPI A/S is jointly taxed with other Danish group Enterprises. As a group enterprise, together with the other group enterprises, BPI A/S has joint and unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalities within the joint taxation. The known total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation are disclosed in the financial statements of the administrative company, FMH ApS, registration no. 10 14 14 27. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

BPI A/S has granted a floating charge of a nominal amount of DKK 48,1 million for bank debt to Jyske Bank A/S. On the balance date, BPI A/S debt to Jyske Bank A/S amounts to DKK 56,6 million.

BPI A/S has provided a surety (primary liability) in respect of the parent company MCM International A/S bank facility. On the balance date, MCM International A/S debt to Jyske Bank A/S amounts to DKK 3,8 million.

BPI A/S has provided a surety (primary liability) in respect of the group company BPI GmbH bank facility. On the balance date, BPI GmbH debt to Jyske Bank A/S amounts to DKK 0,6 million.

When applying for import licenses from the EU authorities in a limited number of EU countries, large insurance companies, on behalf of BPI, guarantee to fulfill the company's obligations in applying for the above import licenses.

BPI A/S has assumed lease obligations, which at the balance date amounted to DKK 1 million in the period of non-terminability.

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
MCM International A/S	Majority shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions during the year with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties are made on market conditions.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
FMH ApS, CVR-nr. 10141427	Rudersdal

18 Fee to auditors appointed at the general meeting

	Group	
	2020	2019
	DKK	DKK
PricewaterhouseCoopers		
Audit fee	317.500	255.000
Tax advisory services	25.000	25.000
Other services	37.500	25.000
	380.000	**305.000**

Notes to the Financial Statements

19 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of BPI A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, BPI A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Notes to the Financial Statements

20 Accounting Policies (continued)

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment. In the Group figures, gains and losses resulting from sale of subsidiaries are also recognized in other income and expenses.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

20 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience with in the individual business areas. The amortisation period is beetween 5-20 years, the longest for strategic acquistions with a strong market position and long earningsprofile.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 20 years.

Property, plant and equipment

Land and buildings

On acquisition assets are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed assets comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and sup-suppliers up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of assets are recognised in cost over the construction period.

After the initial recognition land and buildings are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Estimated useful lives of buildings are estimated at 20-50 years.

The estimated useful lives and residual value of buildings, DKK 20.4 million, are reassed annually.

Fair value is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The fair value of assets has been determined at year end for each property by using a yield-based model

Notes to the Financial Statements

20 Accounting Policies (continued)

under which the expected future cash flows for the coming year combined with a rate of return form the basis of the fair value of the property. The calculations are based on property budgets for the coming years. The budget takes into account developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The budgeted cash flow is divided by the estimated rate of return to arrive at the fair value of the properties.

The fair value of assets has been assessed by the independent assessor firm 'Nordicals' at 29 December 2020.

The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

Other fixed assets

Other fixed assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost added revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-8	years
Leasehold improvements	3-10	years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

20 Accounting Policies (continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items"Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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 labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Notes to the Financial Statements

20 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

Notes to the Financial Statements

20 Accounting Policies (continued)

Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$