ANNUAL REPORT 2023/24

SPF-Danmark A/S
Drejervej 7, 6600 Vejen
CVR no. 31 74 45 20

Approved at the general meeting on 29 November 2024

Frederik Ørnekoll Kristoffersen
Chair of the meeting

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STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management have today considered and adopted the annual report of SPF-Danmark A/S for the financial year 1 October 2023 – 30 September 2024.

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

In our opinion, the annual report give a true and fair view of the company's assets, liabilities and financial position at 30 September 2024 and of the result of the company's activities for the financial year 1 October 2023 – 30 September 2024.

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

We recommend the annual report for adoption by the annual general meeting.

Vejen, 21 November 2024

Executive Management

Jens Bølling Kongensholm
CEO

Board of Directors

Nicolaj Henrik Nørgaard Chair	Tommas Bjørnbak Tygesen	Astrid Wulff Kashi
Brian Gade Johansen Employee elected	Bjarne Andersen Employee elected	

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of SPF-Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2024, and of the results of the Company's operations for the financial year 1 October 2023 to 30 September 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SPF-Danmark A/S for the financial year 1 October 2023 to 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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 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 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 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.

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.

Trekantområdet, 21 November 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Rune Kjeldsen State Authorised Public Accountant mne34160	Lasse Berg State Authorised Public Accountant mne35811

MANAGEMENT'S REVIEW

Company information

Company details	SPF-Danmark A/S Drejervej 7 6600 Vejen Website: www.spf.dk E-mail: spf@spf.dk Phone: +45 7696 4600 CVR no.: 31 74 45 20 Established: 7 August 2008 Financial year: 1 October – 30 September Municipality: Vejen
Board of Directors	Nicolaj Henrik Nørgaard, Chair Tommas Bjørnbak Tygesen Astrid Wulff Kashi Brian Gade Johansen, Employee elected Bjarne Andersen, Employee elected
Executive Management	Jens Bølling Kongensholm, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredvej 32 7100 Vejle

Financial highlights

DKKt	2023/24	2022/23	2021/22	2020/21	2019/20
Revenue	2,275,806	1,688,800	862,691	872,189	1,041,757
Operating profit	33,961	30,675	10,505	10,268	16,181
Result from financial items	-9,275	-6,702	-1,430	-1,402	-1,411
Profit for the year	20,102	19,761	7,445	7,135	11,394
Balance sheet total	321,953	331,493	246,283	204,680	234,978
Investments in property, plant and equipment	30,827	38,552	35,604	48,302	34,518
Equity	73,169	72,828	60,512	60,202	64,461
Average number of employees	198	202	214	220	221
Key figures					
EBIT margin	1.5%	1.8%	1.2%	1.2%	1.6%
Return on equity	27.5%	29.6%	12.3%	11.4%	17.2%
Solvency ratio	22.7%	22.0%	24.6%	29.4%	27.4%

The financial ratios stated under "Financial highlights" have been calculated as follows:

EBIT margin $$\frac{\text{Operating profit (EBIT)} * 100}{\text{Revenue}}$$

Return on equity $$\frac{\text{Profit for the year} * 100}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity} * 100}{\text{Total assets at year−end}}$$

MANAGEMENT'S REVIEW

Business review

The purpose of the company is the facilitation of the sale and purchase of piglets, as well as the sale of transport services for piglets, breeding pigs, and slaughter pigs.

Financial review

The competitiveness in purchasing Danish piglets has been relatively high from foreign markets, which has increased the export share of Danish piglets. Consequently, the volume of transport of piglets to Danish pig producers and the transport of pigs to Danish Crown's slaughterhouses has decreased throughout the financial year. On the other hand, SPF-Danmark has strengthened its position in the export market for piglets. Despite the market changes, SPF-Danmark has managed to achieve a profit of DKK 20.1 million, which is significant higher than the expected profit of DKK 10-12 million. The result is considered satisfactory.

Outlook

The expected profit after tax for the coming year is estimated to be approximately DKK 15 million. Market outlooks are associated with uncertainty due to changes in pig production across Europe, shifts in pork consumption, a globally altered market for pork exports, and the impact of African Swine Fever on piglet sales. Despite these challenges, SPF-Danmark expects to continue a positive market development.

Special risks

Currency risk

SPF-Danmark is affected by leasing interest rates as well as bank interest rates based on a group agreement in Danish Crown. It is assessed that the risk is subject to normal fluctuations in the financial market.

Environmental conditions

SPF-Danmark's largest factor from an environmental perspective is fuel consumption. Efforts are continuously made to optimise fuel usage through individual follow-up and by purchasing new fuel-efficient tractors.

Statement on corporate social responsibility

The statement on the company's corporate social responsibility, in accordance with section § 99a of the Danish Financial Statements Act, is included in the annual report of Leverandørselskabet Danish Crown AmbA, where the statutory statement on social responsibility is integrated. Reference is made to the annual report of Leverandørselskabet Danish Crown AmbA, which is publicly available at the Danish Business Authority at www.cvr.dk under CVR no. 21 64 39 39.

Report on the gender composition of Management

Danish Crown Group has established targets and policies for the proportion of underrepresented gender on the Board of Directors and in the group's upper management, aiming for 40% by 2030. SPF-Danmark has also adopted this goal. Although gender is far from the only form of diversity, a more equal gender distribution in the workplace is an important step forward.

Danish Crown Group has launched a new Diversity, Equity & Inclusion Policy in 2023/24 where we have committed ourselves to work with short- and mid-term targets on business area level, in order to meet the target set for both Board of Directors and upper management. The policy is a general framework for diversity, equity and inclusion, and aims to promote equitable opportunities, advance diversity and eliminate discrimination. This objective is linked to our gender diversity target.

The main objective is to ensure Danish Crown is a great place to work where the well-being of employees is prioritised. An inclusive working environment is a positive enabler for employee wellbeing, which in turn supports better mental health, safety, engagement and performance. We recognise that it takes effort and commitment to be an inclusive and equitable employer, where diversity can thrive. And we believe that there is no fixed one size-fits-all solution across all business areas and countries/regions. Instead, we work with differentiated action plans and roadmaps for each business unit in addition to the group level actions which in overall terms are *Strengthened Governance, Inclusive Leadership* and *Pay Equity*.

The company's target figure for the proportion of underrepresented gender on the Board of Directors is 40%. The proportion of underrepresented gender on the board currently amounts to one in three, or 33%, which does not meet the set target figure, but meets the Danish Business Authority recommended target figures according to their guidance. In 2023/24, the board's focus was on business operation, therefore no actions were taken to improve diversity on management levels.

In 2023/24, the proportion of underrepresented gender-managers in the upper management level in SPF-Danmark has increased from 20% to 33%, but is still below the group's set target of 40%. Going forward, SPF-Danmark will continue to actively contribute to achieving the group's target for the proportion of underrepresented gender in the upper management level, by implementing the actions set out in the Diversity, Equity and Inclusion Policy.

	2023/24
Board of Directors	
Total number of members	3
Underrepresented gender, %	33%
Target figure, %	40%
Year for achievement of target figure	2030
Upper management	
Total number of members	6
Underrepresented gender, %	33%
Target figure, %	40%
Year for achievement of target figure	2030

Statement on data ethics policy

Danish Crown's values must be reflected in the way we collect, handle, and use data. The Danish Crown Group has established a group-wide data ethics policy with applicable principles. SPF-Danmark A/S is covered by this group policy. The policy describes how data ethics are considered and incorporated into the use of data, as well as the design and implementation of technologies used to process data within the group. The Danish Crown Group will use a risk-based approach to select and train relevant employees in data ethical dilemmas.

INCOME STATEMENT
1 October - 30 September

DKKt	Note	2023/24	2022/23
Revenue	1	2,275,806	1,688,800
Production costs	3	-2,210,384	-1,639,672
Gross profit		**65,422**	**49,128**
Distribution costs	3	-302	-328
Administration costs	2,3	-35,864	-25,521
Other operating income		4,925	7,396
Other operating costs		-220	0
Operating profit (EBIT)		**33,961**	**30,675**
Income from investments in subsidiaries		584	545
Financial income		465	281
Financial costs	4	-9,740	-6,983
Profit before tax		**25,270**	**24,518**
Tax on profit for the year	5	-5,168	-4,757
Profit for the year		**20,102**	**19,761**

BALANCE SHEET – ASSETS
30 September

DKKt	Note	30.09.2024	30.09.2023
Software	7	816	1,665
Acquired trademarks etc.	7	5,953	9,524
Intangible assets		**6,769**	**11,189**
Land and buildings	8	11,362	11,812
Other fixtures and fittings, tools and equipment	8	122,639	126,603
Assets under construction	8	1,338	1,420
Lease assets	9	6,558	11,610
Property, plant and equipment		**141,897**	**151,445**
Equity investments in subsidiaries	10	7,482	7,107
Investments		**7,482**	**7,107**
Fixed assets		**156,148**	**169,741**
Trade receivables		112,819	110,600
Receivables from group enterprises		18,515	17,485
Other receivables		32,221	31,147
Prepayments	11	2,193	2,463
Receivables		**165,748**	**161,695**
Other securities and equity investments		57	57
Non-fixed assets		**165,805**	**161,752**
Total assets		**321,953**	**331,493**

BALANCE SHEET – EQUITY AND LIABILITIES
30 September

DKKt	Note	30.09.2024	30.09.2023
Share capital		5,344	5,344
Reserve for net revaluation according to equity method		1,890	1,515
Retained earnings		45,833	46,208
Proposed dividend		20,102	19,761
Equity		**73,169**	**72,828**
Deferred tax liabilities	12	7,533	7,916
Other provisions	13	3,500	3,721
Provisions		**11,033**	**11,637**
Lease debt	14	3,600	6,682
Non-current liabilities		**3,600**	**6,682**
Lease debt	14	3,151	5,075
Trade payables		85,146	111,379
Payables to group enterprises		125,220	107,849
Corporation tax payable		5,550	2,440
Other payables		15,084	13,603
Current liabilities		**234,151**	**240,346**
Total liabilities other than provisions		**237,751**	**247,028**
Total equity and liabilities		**321,953**	**331,493**
Proposed distribution of profit	6		
Contingent liabilities	15		
Related parties	16		

STATEMENT OF CHANGES IN EQUITY
30 September

DKKt	Share capital	Reserve for net revaluation of equity	Retained earnings	Proposed dividend	Total
Equity at 01.10.2023	5,344	1,515	46,208	19,761	72,828
Paid out dividend	0	-209	209	-19,761	-19,761
Profit for the year	0	584	-584	20,102	20,102
Equity at 30.09.2024	**5,344**	**1,890**	**45,833**	**20,102**	**73,169**

NOTES

Note 1 Revenue

DKKt	2023/24	2022/23
Revenue distributed by markets		
Denmark	341,189	343,557
Other EU-countries	1,934,617	1,345,243
	2,275,806	**1,688,800**
Revenue distributed by activities		
Pork	2,020,349	1,452,308
Transportation services	255,457	236,492
	2,275,806	**1,688,800**

Note 2 Fees to the auditors appointed by the Board of Representatives

In accordance with section 96(3) of the Danish Financial Statements Act and to the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, the company has not disclosed fee to auditors appointed at the general meeting.

Note 3 Staff costs

DKKt	2023/24	2022/23
Salaries and wages	117,358	112,915
Pensions	11,889	9,886
Other social security costs	2,342	1,709
	131,589	**124,510**
Staff cost are distributed as follows:		
Production costs	108,861	103,937
Administration costs	22,728	20,573
	131,589	**124,510**
Of which:		
Remuneration for the Board of Directors and Executive Management	1,962	1,776
	1,962	**1,776**
Average no. of employees	198	202

Remuneration is shown as a total to not show remuneration to a single member of the Executive Management.

Members of the Board of Directors is employed by the parent company Danish Crown A/S. The remuneration for their work is paid through the management fee.

NOTES

Note 4 Financial costs

DKKt	2023/24	2022/23
Group enterprises	4,475	3,549
Interest, lease debt	428	323
Other interest	4,837	3,111
	9,740	**6,983**

Note 5 Tax on profit for the year

DKKt	2023/24	2022/23
Current tax	5,550	2,439
Change in deferred tax	-383	2,315
Adjustment concerning previous years	1	3
	5,168	**4,757**

Note 6 Proposed distribution of profit

DKKt	2023/24	2022/23
Proposed dividend	20,102	19,761
Revalutaion reserve according to the equity method	-584	1,515
Retained earnings	584	-1,515
	20,102	**19,761**

Note 7 Intangible assets

DKKt	Software	Acquired trademarks etc.	Total
Cost at 01.10.2023	3,633	11,115	14,748
Cost at 30.09.2024	**3,633**	**11,115**	**14,748**
Depreciation and impairment at 01.10.2023	-1,968	-1,591	-3,559
Depreciation and impairment for the year	-849	-3,571	-4,420
Depreciation and impairment at 30.09.2024	**-2,817**	**-5,162**	**-7,979**
Carrying amount at 30.09.2024	**816**	**5,953**	**6,769**

NOTES

Note 8 Property, plant and equipment

DKKt	Land and buildings	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 01.10.2023	17,308	268,132	1,420	286,860
Completion of assets under construction	0	1,420	-1,420	0
Additions	0	29,489	1,338	30,827
Diposals	0	-10,119	0	-10,119
Cost at 30.09.2024	**17,308**	**288,922**	**1,338**	**307,568**
Depreciation and impairment at 01.10.2023	-5,496	-141,529	0	-147,025
Depreciation and impairment for the year	-450	-30,713	0	-31,163
Depreciation and impairment on sold assets	0	5,959	0	5,959
Depreciation and impairment at 30.09.2024	**-5,946**	**-166,283**	**0**	**-172,229**
Carrying amount at 30.09.2024	**11,362**	**122,639**	**1,338**	**135,339**

Note 9 Lease assets

DKKt	Other fixtures and fittings, tools and equipment
Cost at 01.10.2023	23,734
Additions	1,779
Disposals	-11,468
Cost at 30.09.2024	**14,045**
Depreciation and impairment at 01.10.2023	-12,124
Depreciation and impairment for the year	-4,467
Depreciation and impairment on sold assets	9,104
Depreciation and impairment at 30.09.2024	**-7,487**
Carrying amount at 30.09.2024	**6,558**

Lease debt is disclosed in note 14.

NOTES

Note 10 Investments

DKKt	Equity investments in subsidiaries
Cost at 01.10.2023	5,592
Cost at 30.09.2024	**5,592**
Value adjustments at 01.10.2023	1,515
Share of net profit	584
Dividend	-209
Value adjustments at 30.09.2024	**1,890**
Carrying amount at 30.09.2024	**7,482**

Equity investments in subsidiaries includes:

Name	Domicile	Ownership-%
Kolding Export Center A/S	Kolding	50.8

Note 11 Prepayments

Accruals consists of prepaid expenses related to insurance premiums and licenses.

Note 12 Deferred tax liabilities

DKKt	2023/24	2022/23
Intangible assets	-544	-16
Property, plant and equipment	10,259	11,284
Non-fixed assets	73	53
Current liabilities	-2,255	-3,405
	7,533	**7,916**
Movements of the year		
Deferred tax at 01.10.2023	7,916	5,601
Recognised in the income statement	-383	2,315
Deferred tax at 30.09.2024	**7,533**	**7,916**

NOTES

Note 13 Other provisions

DKKt	2023/24	2022/23
Other provisions	3,500	3,721
	3,500	**3,721**

Other provisions consists of provisions for potential negative outcomes in legal cases and contractual obligations.

Note 14 Non-current liabilities

DKKt	Within 1 year	Between 1 and 5 years	After 5 years	Total
Lease debt	3,151	3,386	214	6,751
	3,151	**3,386**	**214**	**6,751**

Note 15 Contingent liabilities

Danish Crown Group's Danish companies are jointly liable for tax on the group's jointly taxed income etc. The group's Danish companies are also jointly liable for Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any subsequent adjustments to corporate taxes and withholding taxes may result in the company's liability amounting to a larger sum.

Rental and lease commitments

The company has signed contracts regarding lease and operating leasing for the following amounts:

Lease of office facilities for an annual rent of DKK 468 thousand with a non-terminable lease for an on-going twelve months. Lease of other equipment of an annual fee of DKK 31 thousand with a contract period up to three years.

Note 16 Related parties

The company is a wholly-owned subsidiary of Leverandørselskabet Danish Crown AmbA. It is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which is the ultimate parent company.

The consolidated financial statements can be obtained at www.cvr.dk (CVR no. 21 64 39 39) or at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

In addition, the company's related parties include the Executive Management and the Board of Directors.

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. No such transactions were carried out during the financial year.

NOTES

Note 17 Accounting policies

Reporting class
The 2023/24 annual report for SPF-Danmark A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in preparation of the financial statements are consistent of those of last year.

Reporting currency
The annual report is presented in Danish kroner (DKK) rounded to nearest thousand.

Consolidated financial statements
In accordance with section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared, as reference is made to the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which are publicly available at the Danish Business Authority under CVR no. 21 64 39 39.

The consolidated financial statements can be obtained at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

Cash flow statement
SPF-Danmark A/S has, with reference to section 86(4) of the Danish Financial Statements Act, omitted the preparation of a cash flow statement, as this is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA.

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

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

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of each acquired company's customer composition, the expected life time of contracts and the lifetime of synergies from the business combination. Based on this, goodwill is considered

NOTES

Note 17 Accounting policies (continued)

to have an expected lifetime of up to 20 years. Negative differences (negative goodwill), which correspond to an expected unfavourable development in the respective companies, are recognised in the income statement at the date of acquisition.

Acquisitions of shares in an already existing subsidiary are treated as an equity transaction and the difference between the consideration and the book value is allocated to equity.

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, initial recognition is based on provisionally determined amounts. The provisionally determined amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition to reflect new information obtained about facts and circumstances that existed at the date of acquisition and, if known, would have affected the calculation of the amounts at the date of acquisition. Changes in estimates of contingent consideration are, as a general rule, recognised directly in the income statement.

Foreign currency translation

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

Foreign exchange differences arising between the transaction date's exchange rate and the rate on the payment data, or the balance sheet date rate, are recognised in the income statement under net revenue along with hedging elements.

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

Foreign exchange adjustments of receivables from or liabilities to subsidiaries that are considered part of the overall investment in the subsidiary are recognised directly in equity.

Tax

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

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

Note 17 Accounting policies (continued)

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

The company is jointly taxed with all Danish subsidiaries and other group-related Danish companies, with Danish Crown A/S acting as the administrative company. The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their taxable income (full allocation with reimbursement concerning tax losses).

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

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

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

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

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

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

Income statement

Revenue

Revenue is recognised in the income statement, in accordance with IFRS 15, when benefits and risks relating to the goods sold have been transferred to the buyer, the revenue can be measured reliably and it is likely that the financial benefits of the sale will accrue to the company. Revenue is recognised less VAT, duties and discounts and plus export refunds.

Information is provided on business segments and geographic markets. The segment information follows the group's accounting practices and internal financial management reporting.

NOTES

Note 17 Accounting policies (continued)

Production cost

Production costs comprises costs incurred to generate revenue. Production cost comprise costs for traded goods, transport, insurance of debtors and maintenance as well as depreciation, amortisation and impairment of property plant and equipment, intangible assets and lease assets recognised under IFRS 16 which are used in the production process. Variable lease payments, low-value lease assets and short-term leases concerning lease assets used in production are also recognised in production costs at the time of payment or on a straight-line basis over the term of the contract.

Distribution cost

Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs, depreciation and impairments of tangible assets, as well as leased assets recognised according to IFRS 16, used in the distribution process. Variable lease payments, low-value assets and short-term leases concerning lease assets used in distribution are also recognised in distribution costs at the time of payment or straight-line basis over the term of the contract.

Administration cost

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

Other operating income and costs

Other operating income and costs include income and costs of a secondary nature in relation to the company's main activity. Other operating income also includes the recognition of income resulting from negative goodwill (badwill) identified when subsidiaries are accounted for using the equity method.

Income from investments in subsidiaries

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

Net financials

Net financials comprise interest income and costs, the interest element of lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies as well as surcharges and allowances under the Danish Tax Prepayment Scheme ("acontoskatteordningen").

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

NOTES

Note 17 Accounting policies (continued)

Balance Sheet

Intangible assets

Intellectual property rights, such as software and acquired customer relations, are measured at cost less accumulated depreciation and impairment. Software is amortised on a straight-line basis over the contract period, and customer relations is amortised on a straight-line basis over the useful lives. If the actual useful life is shorter than either the remaining contract period or of the expected useful life, amortisation is done over the shorter period.

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

Software:	4 years
Customer relations:	3 years

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

Property, plant and equipment

Land and buildings, as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairments. Land is not depreciated. Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use.

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

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

Land:	is not depreciated
Buildings:	40 years
Other fixtures and fittings, tools and equipment:	3-10 years

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

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

NOTES

Note 17 Accounting policies (continued)

Lease assets

The company leases various assets, including trucks and cars etc. No leases have been made for investment purposes.

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

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

The expected useful lives for lease assets are as follows:

Other fixtures and fittings, tools and equipment: 3-10 years

Impairment of property, plant and equipment and intangible assets

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

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

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

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

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

NOTES

Note 17 Accounting policies (continued)

Equity investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The parent's share of the profits or losses of the subsidiaries is recognised in the income statement after elimination of unrealised intra-group profits and losses minus amortisation of goodwill on acquisition. Dividend received is deducted from the carrying amount.

Net revaluation of equity investments in subsidiaries is taken to the reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Equity investments in subsidiaries with a negative net asset value are recognised to the extent that the parent company has a legal or actual obligation to cover the subsidiary's liabilities. Receivables and other long-term financial asset considered part of the overall investment in these companies are written down by any remaining negative net asset value. Receivables are only written down if they are deemed unrecoverable.

Receivables

Receivables include amounts due from the sale of goods and services, intercompany balances and other receivables.

Receivables are measured at amortized cost, which usually corresponds to nominal value with less impairment to account for expected losses. Impairments are made using the simplified expected credit loss model, where the expected loss over the asset's lifetime is immediately recognised in the income statement based on a historically derived loss percentage. Additional impairment may be recognised based on knowledge of underlying customer relationships and general market conditions.

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities with an insignificant price risk less any overdrafts that form an integral part of the cash management. The company participates in a cash pool arrangement with other group-related companies through the group's bank connections. These cash pool accounts are presented as receivables from group enterprises.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the reserve for net revaluations according to the equity method. The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates. The reserve cannot be recognised at a negative amount.

NOTES

Note 17 Accounting policies (continued)

Proposed dividends

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Other provisions

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

Provisions are measured as the best estimate of the costs required to settle the obligations at the balance sheet date. Provisions that are expected to be used more than a year after the balance sheet date are measured at present value.

Lease debt

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

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

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

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

On subsequent recognition, lease debt is measured at amortised cost. Residual value guarantees or reestablishment/dismantling obligations are recognised as provisions.

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

Other financial liabilities

Other financial liabilities comprise bank debt, intercompany balances, trade payables and other payables to public authorities etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference

NOTES

Note 17 Accounting policies (continued)

between the proceeds and the nominal value is recognised as a financial costs in the income statement over the loan period.