ANNUAL REPORT 2019

NEW NUTRITION HOLDING APS

SATURNVEJ 51

DK – 8700 HORSENS

BUSINESS REGISTRATION NO 36903775

The annual General meeting adopted the annual report on 24 June 2020

Chairman of the General Meeting

Christen Steffensen

HAMLET
PROTEIN

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COMPANY DETAILS

COMPANY:

New Nutrition Holding ApS
Saturnvej 51, DK – 8700 Horsens, Denmark
Business Registration No.: 36903775

BOARD OF DIRECTORS:

Kjeld Johannesen, Chairman
Scarlett Omar-Broca, Deputy chairman
Søren Dan Johansen, Deputy chairman
Sarah Bibi Vawda
Christoffer Erik Mathies Lorenzen
Torben Gosvig Madsen

EXECUTIVE BOARD:

Søren Dan Johansen

COMPANY AUDITORS:

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

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The board of directors and the Executive Board have today considered and approved the annual report of New Nutrition Holding ApS for the financial year 1 January – 31 December 2019.

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statement Act.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2019.

In our opinion, the management review contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the annual General meeting.

Horsens,

24 June 2020

EXECUTIVE BOARD

Søren Dan Johansen

BOARD OF DIRECTORS

Kjeld Johannesen
Chairman

Scarlett Omar-Broca
Deputy chairman

Søren Dan Johansen
Deputy chairman

Sarah Bibi Vawda

Christoffer Erik Mathies Lorenzen

Torben Gesvig Madsen

HAMLET PROTEIN

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NEW NUTRITION HOLDING APS

OPINION

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

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

BASIS FOR OPINION

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

MANAGEMENT'S RESPONSIBILITES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

STATEMENT ON THE MANAGEMENT COMMENTARY

Management is responsible for the management commentary.

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

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

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

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

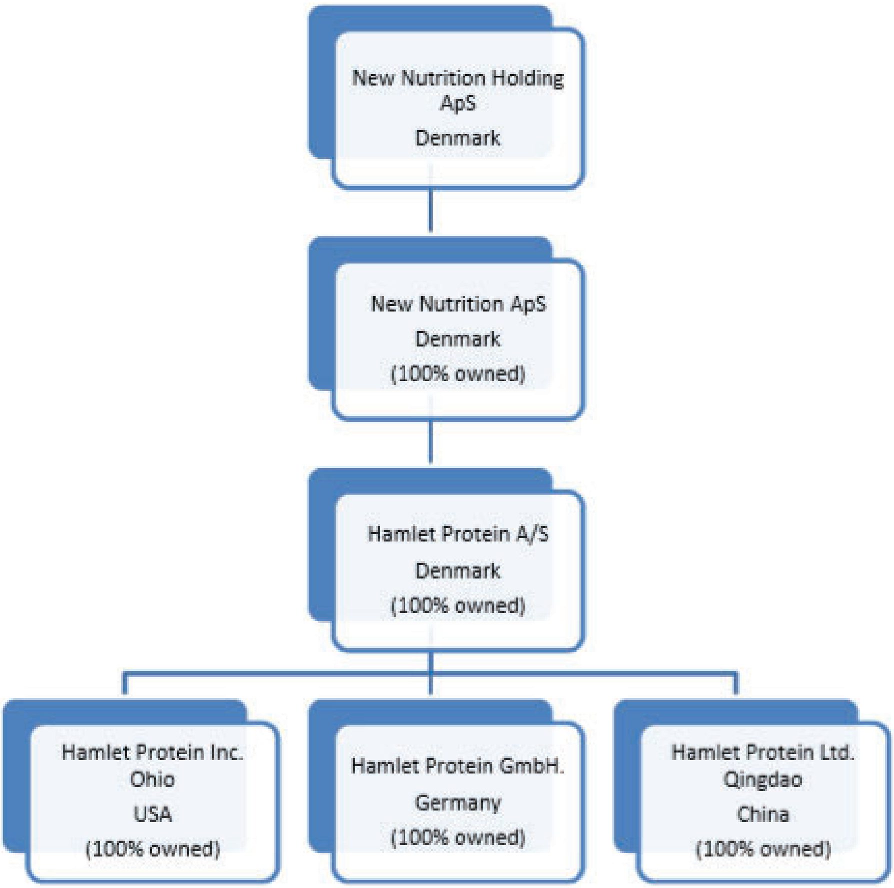
Aarhus, 24 June 2020

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

Jacob Nørmark	Kasper Vestergaard Jessen
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no. 30176	MNE no. 42784

MANAGEMENT REVIEW

GROUP CHART



MANAGEMENT REVIEW

KEY FIGURES

	2019	2018	2017	2016	2015*)
Revenue	615,870	612,195	574,975	567,572	172,094
Gross profit	196,709	196,017	203,197	260,157	55,522
Operating profit before depreciation amortisation and special items	24,487	50,056	55,767	70,334	16,246
Special items and non-recurring expenses	-	(12,196)	(15,074)	(16,483)	(39,585)
Operating profit /(loss)	(59,144)	(119,596)	(32,487)	(17,638)	(44,790)
Financial expenses, net	(29,045)	(22,008)	(30,274)	(21,958)	(4,853)
Profit /(loss) for the year	(69,533)	(129,434)	(50,969)	(31,207)	(46,092)
Total assets	935,009	982,543	1,014,823	1,077,309	1,151,040
Equity	329,494	397,666	522,544	578,889	603,723
Cash flow from operating activities	(29,673)	40,049	23,371	(7,870)	(35,411)
Cash flows from investing activities	(49,968)	(98,615)	(31,553)	(73,215)	(621,046)
Acquistion of property, plant and equipment	(32,022)	(83,102)	(34,706)	(36,764)	(45,398)
Cash flow from financing activities	46,095	86,635	(2,800)	4,516	722,156
Total cash flow	(33,546)	28,071	(10,982)	(60,829)	65,699
Average number of fulltime employees	130	132	122	108	88
Ratios					
Operating margin	3.6%	8.2%	9.7%	12.4%	9.4%
Gross margin	31.9%	32.0%	35.3%	45.8%	32.3%
Return on assets	-6.2%	-11.9%	-3.2%	-1.6%	-14.4%
Equity ratio	35.2%	40.5%	51.5%	53.7%	53.5%
Return on equity	-19.1%	-13.0%	-4.8%	-5.3%	-25.9%

*) The period covers 26 May - 31 December 2015

The ratios have been prepared in accordance with the definition below.

$$\text{Operating margin} = \frac{\text{Operating profit before depreciation, amortisation and special items x 100}}{\text{Revenue}}$$

$$\text{Gross profit} = \frac{\text{Gross profit x 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Profit before financials x 100}}{\text{Total assets, average}}$$

$$\text{Equity ratio} = \frac{\text{Equity end of year x 100}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

HAMLET PROTEIN

DEVELOPMENT IN ACTIVITIES AND FINANCES

OPERATING REVIEW

HAMLET PROTEIN GROUP

The objective of the parent company New Nutrition Holding ApS is to own shares and other financial instruments. In 2015, the parent company acquired all shares in the HAMLET PROTEIN A/S Group via the fully owned subsidiary New Nutrition ApS.

HAMLET PROTEIN A/S' business strategy is to develop, produce and sell vegetable protein solutions used in high value add animal feed for young animals. The company services more than 50 countries from its two production facilities in Horsens, Denmark and Findlay, Ohio, USA.

The subsidiary, New Nutrition ApS is located in Denmark, and handles selected group functions.

The subsidiary, HAMLET PROTEIN A/S is located in Denmark, and handles the development, production and distribution of products globally, as well as selected group functions.
The subsidiary, HAMLET PROTEIN Inc., is located in Ohio, USA, and handles the production sales, and distribution of products, primarily to North America and Asia.

The subsidiary, Hamlet (Qingdao) Trading Co., Ltd. is located in Shandong, China, and handles import, sales and distribution to customers in China.

The subsidiary, HAMLET PROTEIN GmbH is located in Germany, and handles direct sales to new customers in Germany.

The subsidiary, HAMLET PROTEIN Iowa Inc. with no operating activities was closed down in 2019.
The Group is owned by New Nutrition Holding S.àr.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. (“GS Group”) and Altor Fund IV Holding AB.

FINANCIAL REVIEW

We have maintained or increased our market share in most main markets through competitive positioning and expanded deployment of our own sales teams, mainly within piglets. We are specialized in young animals and our strong market position is maintained and expanded via a deep and specific knowledge of the individual species, combined with solid documentation from feeding trials continuously ongoing across the world.

As demand for safe and affordable meat products continues to grow in most regions of the world, so does the demand for high quality feed protein. Our growth is supported by long-term structural mega trends such as population growth, transition from backyard farming towards more industrialized farming practices as well as greater focus on antibiotic free feed practices and feed safety. Especially the North American market has accounted for a considerable growth in recent years, driven by the need for continued improvement of farm efficiency, while at the same time reducing or eliminating antibiotics in animal feed. Finally, demand is driven by an increased focus on feed security by reducing the use of animal-based protein in favor of secure, high efficient products such as HAMLET PROTEIN's soy based products.

At the HAMLET PROTEIN Innovation Center, we draw on our knowledge of bioavailability, biotechnology, bioconversion and the practical application of our feed ingredients to meet all these demands. Every year, we run hundreds of tests in our pilot production plant to verify efficacy and customer value. Many of our innovation projects are run in partnership with customers and external research institutes. Together, we aim to lead the way to bigger and better achievements within specialty proteins for young animals.

As an integral part of HAMLET PROTEIN's DNA we continuously document the value-adding performance of HAMLET PROTEIN products in numerous international trials at farms and universities.

Our main market in Denmark contracted slightly in 2019 as the extremely dry summer in 2018 led to higher protein content in Danish grain thereby reducing the use of supplementary protein sources such as HAMLET PROTEIN in animal feed. Our business volume in the rest of Europe, Middle East and Africa was also lower mainly driven by fluctuations in the most price sensitive part of the industry. Volumes continue to be negatively affected by the trade embargo in Russia and Belarus regarding selected food products from EU.

Our sales organization in China keeps developing fast and our presence in this sizable market, which is rapidly undergoing a professionalization of farming practices, has been further strengthened during 2019. African Swine Fever remains the overarching theme in China disturbing the entire pig meat value chain significantly but also increasing the interest in HAMLET PROTEIN's safe and well documented products. As a result, direct sales in China has increased significantly during 2019 mainly driven by new customers.

African Swine Fever has during 2019 spread to most of South East Asia except Thailand and Malaysia and thereby increased uncertainty in the local pig industry. In 2019, HAMLET PROTEIN has increased business volume in South East Asia despite these challenges.

The trade conflict between USA and China has lowered the sales prices of most agricultural products in USA and thereby affected farming profitability. Despite challenging market conditions, HAMLET PROTEIN has again significantly increased market share and business volume within piglets in both USA and Canada.

In conclusion, while the financial year of 2019 was characterized by solid growth on certain strategically important markets, the year also contained reductions in Denmark and a number of smaller markets, leading to a virtually flat volume development.
Operating cost was higher than the year before partly driven by a number of replacements in the management group and sales organization.

Operating profit for the year was DKK 24,487 thousand, which is DKK 25,569 thousand lower than last year mainly due to the above-mentioned increase in operating cost.

2019 investments include the completion of a significant increase in production capacity at our plant in Ohio, USA. In addition, we have invested in a further strengthening of our long-term growth platform through R&D activities with the aim to further broaden the knowledge of our products in future growth markets.

NON FINANCIAL MATTERS

QUALITY

Both our plants in Denmark and USA meet the criteria of the feed safety standard GMP+ and the food safety management standard ISO 22000. Further, our strict Feed Safety Policy ensures full traceability of both GMO and non-GMO products, allowing any batch of product to be easily traced if need be. Every week, our laboratory team analyses 200 protein samples, taken round-the-clock from our production lines. These analyses are an important part of our customer service and guarantee of high product quality.

SHAREHOLDERS

The Company is owned by New Nutrition Holding S.àr.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB.

The Company's share capital is not divided into share classes, and the Company's articles of association do not stipulate any limits for ownership or voting right.

The Board of Directors regularly assesses whether the Company's capital structure is sound. The overall objective is to ensure that the Company's capital structure supports its growth strategy.

THE BOARD OF DIRECTOR DUTIES

The Board of Directors of the Company ensures that the Executive Board complies with the decisions, strategies and business procedures adopted by the Board of Directors. The Board of Directors in New Nutrition Holding ApS meets according to a fixed schedule. In 2019, the Board of Directors held six meetings. The Board of Directors does not rely on any subcommittees due to the limited size and complexity of the Group. Accordingly, the entire Board of Directors has focused on significant accounting policies and significant accounting estimates, transactions with related parties, if any, as well as uncertainties and risks in its financial reporting process. Together with the auditors, the quality of the Company's internal control systems is assessed on a regular basis, just as the auditors' independence is verified. Areas identified as particularly critical, such as foreign currency policy, procurement policy and insurance matters, are regularly discussed within the Board of Directors.

OUTLOOK

For 2020 we expect that the global trend of increasing demand for high-quality, vegetable-based protein will continue. We expect that the Asian and North American markets will be the main drivers of our 2020 growth, where we expect increased sales volumes of 3-6% compared to 2019.

HAMLET PROTEIN will in 2020 continue to invest in new products and future growth. In addition, further investments in process optimization and information technology will pave the way for a further shift of resources towards growth-driving commercial areas.

Through the combination of sales growth and improved utilization of our production facilities, we expect a 10-20% improvement in earnings in 2020 compared to 2019.

PARTICULAR RISKS

The pricing of HAMLET PROTEIN's raw materials and finished goods is influenced by the price development on international commodity exchanges, which, together with the price development on substitute goods, will influence the Company's and customers' competitive situation, resulting in uncertainty about forecasted results.

A substantial part of the Company's products is sold to the agricultural sector. The market conditions for these customers are subject to high volatility, meaning that the market situation may change rapidly and be difficult to predict. HAMLET PROTEIN strives to mitigate such conditions by setting up our production, sales and distribution channels as flexibly as possible.

It is company policy to hedge risks on transactions denominated in selected foreign currencies as well as purchases of raw materials. The Company's exposure to changes in the interest rate of loans is regularly assessed, and interest hedging is made at group level. Currency risks on the investment in the US subsidiary are partly hedged by loans denominated in USD.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2019, HAMLET PROTEIN incurred research and development costs for products for both new and existing customers. All external development cost is capitalized in the balance sheet.

GROUP RELATIONS

RECOMMENDATIONS FOR THE ACTIVE OWNERSHIP AND CORPORATE GOVERNANCE FOR PRIVATE EQUITY FUNDS

Being owned by equity funds, New Nutrition Holding ApS is subject to the guidelines for active owner-ship and corporate governance for equity funds and their controlled enterprises as issued by the Danish Venture Capital and Private Equity Association ("DVCA").

In general, New Nutrition Holding ApS complies with these recommendations apart from the incidents where the Company's Management assesses that the disclosure of specific information will be detrimental to the Group's and the Company's competitive situation.

STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY

HAMLET PROTEIN's business model is to develop, produce and sell vegetable protein solutions used in high value add animal feed for young animals mainly in Europe, North America and Asia. We strive to define our corporate social responsibility within the areas of energy and environment, responsible sourcing, human resource issues and compliance with ethical business standards.

RESPONSIBLE OUTSORCING

We believe that human rights should be observed and respected in all aspects. Our predominant raw material is soy, which we acquire partly from producers in South America, and we are aware that there is a potential risk of lacking compliance with human rights in the production chain. The risk, however, is mitigated by means of our policy for responsible sourcing of raw materials.

Our objective is to be leading within product quality and product integrity, and we constantly strive to strengthen our supply chain towards sustainability but at the same time balancing the need for an effective and reliable flow of raw materials to our production units.

It is our policy only to buy from soy producers that demonstrate social and environmental responsibility. We buy our raw materials from the world's leading soy producers in North and South America and have since day one paid a surcharge to reach our goal proven by certifications since 2005.

HAMLET PROTEIN solely buys soy from suppliers who are approved according to our quality management system before goods are delivered.

In the US, we buy soy from internationally recognized suppliers; either members of NOPA (National Oilseed processors Association) or related members.

In South America, we require the following from our suppliers:

- The supplier is not involved in or supports the use of child labor, forced labor, discrimination or harassment
- The supplier supports voluntary unionism of employees and the right to negotiate collective agreements for all employees
- The supplier does not buy soy from land in the Amazon Biome cleared after 24 July 2006.
- The supplier does not buy soy grown from land where natives' residences have been removed after May 2009, except if in accordance with national legislation

- The supplier supports the use of pesticides in accordance with local legislation, the Stockholm Convention and the Rotterdam Convention.

Alternatively, we require that our soy suppliers are certified according to the ProTerra Standard or committed to the Soy Moratorium or in any other way are able to document that they live up to the Basel Criteria (4th edition 16.02.2005).

Our goal is that minimum 90% of our soy supplies should comply with these conditions. In recent years, the compliance rate has exceeded this minimum, and for 2019 the compliance rate was 100%
As new and improved soy certification programs become available, we will consider implementing these programs in our standard basis for sourcing.

COMPLIANCE
Our long-term success is built on doing business in a fair and ethical way. The risk of failing to do so is unrelated to HAMLET PROTEIN's specific business model but merely a general risk of doing business is all parts of the world. Specific risk areas for HAMLET PROTEIN includes bribery in connection with government approvals and licenses for manufacturing and cross border trade, selling to unethical individuals or dealing with companies or individuals subject to international sanctions.

HAMLET PROTEIN has revised its compliance policies to reflect best practices in regards to Anti-Bribery and Corruption, Economic Sanctions and Anti-Money Laundering compliance, and we are com-mitted to ensuring we conduct our business ethically and in line with these principles.

The Anti-Corruption and Economic Sanctions Compliance Policy sets forth the policy of the Group to ensure compliance with all potentially applicable laws and conventions. The Policy applies to everyone working for the Company and any other member of the Group worldwide regardless of location, role or level of seniority. Third parties acting on behalf of the Group, such as agents, consultants, partners, or distributors must also comply with the spirit of this Policy and all applicable laws.

In addition, HAMLET PROTEIN provides a whistleblowing opportunity for all employees to report suspicions of misconduct. We encourage employees to raise their concern if they suspect a serious misconduct that should be prevented or corrected. If they feel they cannot be open with their information, they can raise their concern anonymously, by using a communication channel managed by a third-party.

HAMLET PROTEIN has not received reports open or anonymous from employees or third parties about incidents of unethical behavior in 2019.

ENVIRONMENTAL PERFORMANCE

ENERGY AND IMPACT TO THE EXTERNAL ENVIRONMENT

Our production process requires energy and we acknowledge that energy production involves an environmental impact related to carbon dioxide emissions.

Ever since we designed our production process in the early 1990s, we have focused on optimizing our use of energy and water and on reducing waste. This means that the plant in Denmark is certified ac-cording to the ISO 50001:2011 energy management system standard and the plant in US is built on the same level of technology. Apart from steam consisting of water and carbon dioxide, our emission is close to zero hence, the risk of directly polluting the external environment is negligible.

It is HAMLET PROTEIN's policy to maintain certified in accordance with ISO 50001:2011 in DK and prepare for certification in US in 2019.

On both factories, we have already made considerable investments in thermal incineration plants reducing energy consumption per produced ton of finished goods by more than 10%.

In Denmark, we have worked intensively to further reduce energy consumption via condensation and recycling of excess heat. As a direct result of these efforts, HAMLET PROTEIN last year entered into a partnerships agreement with Horsens district heating (Fjernvarme Horsens) and this year completed a condensation plant at the HAMLET PROTEIN factory in Denmark. The plant has commenced delivering district heating to the city of Horsens and reduced energy waste at HAMLET PROTEIN to the lowest degree possible applying the latest available heat regeneration technology. We believe that our efforts have contributed to minimizing our environmental impact in 2019.

ORGANISATION AND EMPLOYEES

One of the HAMLET PROTEIN's strategic drivers is to attract and retain qualified and motivated employees. The Company provides its employees with a safe and healthy workplace and follows procedures intended to safeguard all employees, avoid workplace accidents and maintain compliance. However, as for any other company, working at HAMLET PROTEIN involves a minimal level of risks such as work accidents in operations and stress.

To maintain and improve our safety standards, we focus on avoiding occupational accidents - security in our facilities is our top priority. We have established Safety Committees that are committed to work-place safety, and who regularly follow up and document workplace accidents. Industrial accidents are measured on "the number of hours absent due to industrial accidents per million working hours". In 2019, this ratio accounted for 0.001% in HP A/S and for 0.000% in the US subsidiary.

To ensure and improve the general working environment, the HAMLET PROTEIN follows up on staff turnover, capability development and absence due to sickness. We continuously work with a number of activities to help promote the attractive and motivating working environment that the Company wishes to offer to all its employees.

We work diligently and are dedicated to the recruitment and integration of new employees, just as we focus on maintaining and developing our employees' personal and professional skills. The annual performance reviews is an important part of these efforts.

In HP A/S we measure short term and long term absence due to sickness. For 2019, long-term absence in HP A/S was 0.9% and short-term absence due to sickness was 1.0%, which is well below our objective of 2.5%. Absence due to sickness totaled 1.1% in the US subsidiary.

At year-end, the Group had 133 employees and 5 independent consultants. 38 new employees were hired in and 31 employees left during 2019. Staff turnover represented 23%. The turnover was higher than expected for 2019, which is partly due to organizational adjustments during 2019, which allowed a reduction of back-office staff, while strengthening the commercial organization. We expect to have a turnover of approx. 15% in 2020.

In 2019, 67% of the performance reviews were performed in HP A/S. In the US subsidiary, turnover as a significant factor resulting in 40% of performance reviews being carried out. This is a decrease from 2018 driven by changes in management positions and the adjustment in the organization in November 2019.

UNDERREPRESENTED GENDER

New Nutrition Holding ApS' supreme governing body, the Board of Directors, consists at year-end of two female and four male members. The unchanged goal is to have at least one female board member. We see this goal as ambitious in an industry in which the recruitment base primarily consists of men.

It is our policy and goal to represent a minimum of 40% of each gender in other management levels within our enterprise. This goal is not fulfilled for 2019 as the gender composition was 66.7% male and 33.3% female by year-end. Our corporate values aim at attracting both female and male applicants equally, and we have strong focus on strengthening our resources in communication to and recruitment of the under-represented sex managers. Employer Branding is a key activity for our HR department, which will also strengthen the portrait of HAMLET PROTEIN as an equal opportunity employer.

We are an equal opportunity employer and aim at maintaining and reaching the gender ratio objective for each management group, but we will always employ the person who is best qualified for the job. We strive to, whenever possible, to have at least one candidate from the underrepresented gender represented among 3 final candidates for a management position; we have assessed barriers and challenges in relation to the underrepresented in other management levels, e.g. how we form job ads, how we recruit, how we train and develop our employees and how we communicate in relation to opportunities internally. Both male and female employees are encouraged to apply for internally advertised positions and to develop their skills and careers.

EVENTS AFTER THE BALANCE SHEET DATE

After the closing of the financial year 2019, the global economy has been impacted by Covid-19 virus pandemic (Corona). Many industries are directly or indirectly affected, but so far the animal feed sector continues and has proven to be very resilient. The food service industry has been seriously affected and demand for meat types predominantly served in restaurants has dropped, while demand for meat types predominantly consumed at home have increased. Hamlet Protein supplies an important feed ingredient to young animals across species and geographies, and demand at time of publishing of annual report has been stable. Our main challenge relates to potential supply chain interruptions, but so far no mayor disruptions have occurred. International freight rates have increased, and availability of containers is limited at times, but the additional cost is normally shared with our customers. We expect that the impact of Covid-19 on our 2020 financial result will be insignificant.

Early March 2020 the Hamlet Protein Group signed a new financing agreement with Nordea, which represents a prolonged financing commitment and a better fit with the financing needs of Hamlet Protein.

No other significant events have occurred subsequent to the financial year-end.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER

1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Revenue	6	615,870	612,195
Cost of goods sold		(419,161)	(416,178)
Gross profit/(loss)		**196,709**	**196,017**
Other operating income	8	454	672
Other external expenses	9	(63,215)	(50,035)
Staff costs	7	(109,461)	(96,594)
Operating profit before depreciation, amortisation and special items		**24,487**	**50,056**
Depreciation	14,15	(32,919)	(26,926)
Amortisation and impairments	13	(50,712)	(130,530)
Operating profit /(loss) before special items and non-recurring items		**(59,144)**	**(107,400)**
Special items and non-recurring items		-	(12,196)
Profit/(loss) before financial expenses and tax		**(59,144)**	**(119,596)**
Financial income	10	1,748	2,900
Financial expenses	10	(30,793)	(24,908)
Profit/(loss) before tax		**(88,189)**	**(141,604)**
Income tax for the year	11	18,656	12,170
Net profit/(loss) for the year		**(69,533)**	**(129,434)**
Attributable to:			
Owners of New Nutrition Holding ApS		(69,533)	(129,434)
Net profit / (loss)		**(69,533)**	**(129,434)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Net profit/(loss) for the year		**(69,533)**	**(129,434)**
Other comprehensive income to be reclassified subsequently to profit or loss			
Net gain/(loss) on cash flow hedge		(2,425)	786
Exchange differences on translation of foreign operations		1,074	3,833
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(1,351)**	**4,619**
Total comprehensive profit / (loss) for the year net of tax		**(70,884)**	**(124,815)**
Attributable to:			
Owners of New Nutrition Holding ApS		**(70,884)**	**(124,815)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK thousands	Note	2019	2018
ASSETS			
Intangible assets	13	393,959	426,752
Property, plant and equipment and leases	14,15	381,524	366,865
Deposits		127	255
Non-current assets		**775,610**	**793,872**
Inventories	16	45,931	44,210
Trade and other receivables	17	83,989	80,903
Prepayments		1,905	2,438
Cash and cash equivalents		27,574	61,120
Current assets		**159,399**	**188,671**
Total assets		**935,009**	**982,543**
EQUITY AND LIABILITIES			
Share capital		6,610	6,534
Share premium		-	649,185
Retained earnings		325,968	(257,394)
Other components of equity		(3,084)	(659)
Total equity		**329,494**	**397,666**
Loans and borrowings	20	359,041	395,626
Government grants		189	-
Deferred tax liabilities	12	38,269	57,332
Other liabilities		2,399	-
Lease liability, right-of-use assets	19	6,276	-
Non-current liabilities		**406,174**	**452,958**
Loans and borrowings	20	111,068	30,976
Trade payables and other payables	18	85,601	100,943
Government grants		94	-
Lease liability, right-of-use assets	19	2,578	-
Current liabilities		**199,341**	**131,919**
Total liabilities		**605,515**	**584,877**
Total equity and liabilities		**935,009**	**982,543**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY - 31 DECEMBER

DKK thousands	Share capital	Share premium	Trans-lation reserve	Retained earnings	Cash flow hedge	Total equity
2019						
Equity at 1 January	**6,534**	**649,185**	**371**	**(257,765)**	**(659)**	**397,666**
Transfer of share premium to retained earnings	-	(649,185)	-	649,185	-	-
Equity at 1 January	**6,534**	**-**	**371**	**391,420**	**(659)**	**397,666**
Net profit/(loss)	-	-	-	(69,533)	-	(69,533)
Other comprehensive income	-	-	1,074	-	(2,425)	(1,351)
Comprehensive income	-	-	**1,074**	**(69,533)**	**(2,425)**	**(70,884)**
Capital increase	76	-	-	2,547	-	2,623
Proceeds from warrants	-	-	-	433	-	433
Treasury shares [1)]	-	-	-	(344)	-	(344)
Transactions with owners	**76**	**-**	**-**	**2,636**	**-**	**2,712**
Equity at 31 December	**6,610**	-	**1,445**	**324,523**	**(3,084)**	**329,494**

DKK thousands	Share capital	Share premium	Trans-lation reserve	Retained earnings	Cash flow hedge	Total equity
2018						
Equity at 1 January	**6,534**	**649,185**	**(3,462)**	**(128,268)**	**(1,445)**	**522,544**
Net profit/(loss)	-	-	-	(129,434)		(129,434)
Other comprehensive income	-	-	3,833		786	4,619
Comprehensive income			**3,833**	**(129,434)**	**786**	**(124,815)**
Proceeds from warrants	-	-	-	(63)	-	(63)
Equity at 31 December	**6,534**	**649,185**	**371**	**(257,765)**	**(659)**	**397,666**

[1)] During 2019, 54,408 warrants and nominal DKK 13,602 shares were re-acquired form a former management employee.

HAMLET PROTEIN

CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Net profit/(loss) for the year		(69,533)	(129,434)
Depreciation	14,15	32,919	26,926
Amortisation and impairments	13	50,712	130,530
Other non-cash adjustments		10,389	4,861
Changes in trade and other receivables and prepayments		(8,657)	22,411
Changes in inventories		(1,721)	(13,626)
Changes in trade and other payables		(15,014)	19,192
Income tax received /(paid)		277	-
Interest received	10	1,748	436
Interest paid	10	(30,793)	(21,247)
Cash flow from operating activities		**(29,673)**	**40,049**
Proceeds from sale of property, plant and equipment		440	460
Acquisition of property, plant and equipment		(32,022)	(83,102)
Proceeds from sale of intangible assets		337	-
Acquisition of intangible assets		(18,723)	(15,973)
Cash flow from investing activities		**(49,968)**	**(98,615)**
Repayment of lease liabilities		(2,187)	-
Proceeds from lease liabilities		1,373	-
Proceeds from warrants and shares		2,712	(64)
Proceeds from borrowings		44,197	86,699
Cash flow from financing activities		**46,095**	**86,635**
Total cash flow		**(33,546)**	**28,071**
Cash and cash equivalents at 1 January		**61,120**	33,049
Total cash flow		**(33,546)**	28,071
Foreign exchange adjustments		-	-
Cash and cash equivalents at 31 December	22	**27,574**	**61,120**

HAMLET PROTEIN

1. BUSINESS AND BACKGROUND

The consolidated financial statements of New Nutrition Holding ApS (the "Company") for the year ended 31 December 2019 and its subsidiaries (collectively, the Group) were discussed and approved by the management on 24 June 2020.

New Nutrition Holding ApS (the Company or the parent company) is a limited liability company incorporated and domiciled in Denmark. The registered office is located in Horsens.

The Group is principally engaged in the development, production and sale of vegetable protein solutions used in high value-add animal feed for young animals. Information on the Group's structure and on other related party relationships of the Group is provided in Note 26.

2. ADOPTION OF NEW AND REVISED STANDARDS

NEW AND AMMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

2.1. IMPACT OF APPLICATION OF IFRS 16 LEASES

IFRS 16 "Leases" (superseding IAS 17) is effective for the financial year beginning on 1 January 2019. The new standard significantly changes the accounting treatment of leases currently treated as operating leases, in that lessees, with a few exceptions, should recognise all types of leases as right-of-use assets in the statement of financial position and the related lease obligations as liabilities. The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee's income statement. Previously, operating lease cost has been recognised in a single amount within Other operating expenses. Cash flow statement wil be impacted as operating lease payments currently presented as cash flow from operating activities will be reclassified to cash flow from interest and financing activities.

We have adopted IFRS 16 as per 1 January 2019 applying the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures have not been restated.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Lease liabilities are measured using the incremental borrowing rate, rather than the interest rate implicit in the leases since these cannot easily be determined in the contracts.

2. ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

NEW AND AMMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

2.1. IMPACT OF APPLICATION OF IFRS 16 LEASES

The lease liabilities related to the right-of-use-assets are recognised with an amount of DKK 9,668 thousand on 1 January 2019. The liabilities are classified as current and non-current liabilities respectively.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application. The incremental borrowing rate applied is 5% (2018: 6%).

RECONCILIATION OF LEASE OBLIGATION IAS 17 AND LEASE LIABILITIES IFRS 16
DKK thousands

Operating lease commitments as at 31 December 2018	7,562
Effects from discounting	425
Contracts previously not recognized	1,681
Lease liabilities, 1 January 2019	**9,668**

Net profit before tax is negatively affected by DKK 130 thousands as a result of implementation of IFRS 16. EBITDA has increased by DKK 2,646 thousands, as the operating lease payments are no longer disclosed as other external expenses. Depreciations of the right-of-use-assets amount to DKK 2.323 thousand and the interests on the lease lability amount to DKK 453 thousand for 2019.

3. CHANGE IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures.

From 1 January 2019, the Group has adopted the below standards and interpretations. Except for IFRS 16, there was no significant impact on recognition and measurement:

- IFRS 16 ”Leases”;
- Amendments to IFRS 9 “Financial Instruments”: Prepayment Features with Negative Compensation;
- IFRIC 23 “Uncertainty over Income Tax”; and
- Parts of Annual Improvements to IFRS 2015-2017 Cycle.”

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements according to the Danish Financial Statements Act.

The consolidated financial statements are prepared based on the standards and interpretations that are effective as of 31 December 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, that have been measured at fair value.

The consolidated financial statements are presented in DKK, which is the parent company's functional currency and the presentation currency of the Group.

4.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control and until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in the separate statement of profit or loss caption "Special items".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

BUSINESS COMBINATIONS AND GOODWILL

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

FOREIGN CURRENCY TRANSLATIONS

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised in profit or loss as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of New Nutrition Holding ApS (DKK), the statement of profit or loss is translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the statement of profit or loss from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income (OCI) and attributed to a separate translation reserve in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FOREIGN CURRENCY TRANSLATIONS

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the parent or the foreign entity.

REVENUE RECOGNITION

The Group recognises revenue from sale of protein and fiber products.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when the performance obligation is satisfied, i.e. when control of the goods is transfered to the customer. Control of the goods is transferred at a point in time, typically on delivery.

OTHER OPERATING INCOME

Other operating income comprise items of a secondary nature relative to the Group’s core activities, including gains on the sale of certain non-current assets.

RAW MATERIALS AND CONSUMABLES USED

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year’s revenue.

OTHER EXTERNAL EXPENSES

Other external expenses include the year’s expenses relating to the Group’s core activities, including expenses relating to distribution, sale advertising, administration, premises, bad debts, etc.

EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise wages and salaries, pensions, social security costs and other related staff costs.

SPECIAL ITEMS AND NON-RECURRING EXPENSES

Special items and non-recurring expenses include costs related to items not considered a normal part of the Group’s operations and are shown separately in order to give a better view of the Group’s recurring operating profit/loss.

FINANCIAL INCOME AND EXPENSES

Finance income and costs comprise interest income and expense, gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

TAX ON PROFIT/LOSS FOR THE YEAR

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TAX ON PROFIT/LOSS FOR THE YEAR

Current income tax relating to items recognised directly in OCI or equity is recognised in OCI or equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations, in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred tax is provided using the ability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect or taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Subsequent costs, e.g. for replacing part of an item, are recognised in the cost of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The carrying amount of the item is derecognised when replaced and transferred to the income statement. All other costs for common repairs and maintenance are recognised in the income statement when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. The estimated useful life and residual value are determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Buildings	30 years
Plant and machinery	10 - 30 years
Equipment	3 - 10 years

Land is not depreciated

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in Other operating expenses in the year of sale, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

RIGHT-OF-USE ASSETS

The group leases various offices, warehouses and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
RIGHT-OF-USE ASSETS

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTANGIBLE ASSETS

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill is attributable mainly to technical expertise and technological knowhow.

Acquisition-related **brands** are recognised at fair value at the acquisition date. Subsequently, acquired brands with indefinite useful lives are measured at cost less accumulated impairment losses. Brands with finite useful lives are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is usually 12 years.

Acquisition-related **customer relationships** are recognised at fair value at the acquisition date and subsequently at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the acquired portfolio, which is usually 12 years.

Development projects and technology are recognised at fair value at the acquisition date. Subsequently, technology is measured at cost less accumulated amortisation and impairment losses. The cost of development projects includes external costs to consultants and software as well as internal direct costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Group are recognised in the income statement as and when incurred. Amortisation is calculated on a straight-line basis over the estimated useful life, which is usually in the range of 3 to 10 years.

Amortisation methods and useful lives are reassessed at each reporting date and adjusted prospectively, if appropriate.

Intangible assets with an indefinite useful life, i.e. goodwill and brand, are subject to impairment testing at least annually or when circumstances indicate that the carrying amount may be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

If an indication of impairment exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset less anticipated costs of disposal and its value-in-use. The value-in-use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash generating unit (CGU) to which goodwill is allocated. Management believes that the value of the brand supports the Group in its entirety rather than any individual CGU. Accordingly, the brand is tested for impairment at Group level. The impairment test is based on group-wide cash flows adjusted for the Group's total goodwill and other non-current assets.

An impairment loss is recognised in the income statement in a separate line if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTANGIBLE ASSETS

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

In performing the impairment test management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets for the following financial year and estimated discount rates, growth and margin development. In recent years, volatility in risk free interest rates has increased, which generally has increased the estimation uncertainty.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

Financial assets are measured initially at fair value plus, in the case of a financial asset not at fair value through profit of loss, transaction costs that are directly attributable to the acquisition of the financial asset.

For purposes of subsequent measurements, financial assets are classified as financial assets at fair value through profit or loss or financial assets at amortised cost.

Financial assets at fair value through profit or loss are measured at fair value and at end of each reporting period, with any fair value gains or losses recognised in the profit or loss to the extent they are not part of a designated hedging relationship (please see hedge accounting policy).

Financial assets at amortised costs are the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss amount. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

IMPAIRMENT OF FINANCIAL ASSETS

The group recognises a loss allowance for expected credit losses (ECL) on investment in debt instruments that are measured at amortised cost or trade receivables and contract assets. The amount of the expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognision of the respective financial instrument.

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FINANCIAL INSTRUMENTS

IMPAIRMENT OF FINANCIAL ASSETS

The group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit losses experience, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both the current as well as the forecast directions of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all positive default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

FINANCIAL LIABILITIES

All financial liabilities except derivatives are recognised initially at fair value less transaction costs.

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are en integral part of EIR. The EIR amortisation is included as finance cost in the statement of profit and loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer to Note 20.

DERIVATIVES AND HEDGING ACTIVITIES

The Group recognises derivatives at fair value on the date a derivative contract is entered into. Derivative financial instruments are measured at fair value at initial recognition and at each reporting period.

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income, and subsequently reclassified to profit or loss when the hedge item affect profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

For the purpose of hedge accounting, hedges are classified as cash flow hedges. Cash flow hedges hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of the gains or losses on the hedging instrument are accounted for as follow:

- The effective portion of the gains or losses on the hedging instrument is recognised on Other Comprehensive Income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit or loss as finance costs. The group uses foreign exchange contracts as hedges of its exposure to foreign currency risk in forecast transactions. The ineffective portion relating to foreign currency contracts is recognised as finance cost in profit or loss.

- Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance cost is recognised or when a forecast sale occurs. Amounts previously recognised in OCI are transferred to the same item as as the hedged item when the hedged item impacts profit or loss.

INVENTORIES

Inventories are measured at cost in accordance with the first-in/first-out method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

PREPAYMENTS

Prepayments comprise expenses incurred concerning subsequent financial years.

CASH AND CASH EQUIVALENTS

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

EQUITY

Retained earnings is the Group's free reserves, which includes share premium. Share premium comprises amounts above the nominal share capital paid by shareholders of New Nutrition Holding ApS. Share premium includes also cash received from employees from sale of warrants. The share premium reserve is available for distribution.

Translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities.

The reserve for hedges includes the accumulated net change in the fair value of hedging transactions qualifying for cash flow hedge accounting.

On full or partial realisation of a foreign entity where control is lost the foreign exchange adjustments are transferred to the income statement in the same line item as the gain or loss.

In the parent company, reserve for development costs comprises development costs recognised as assets since 1 January 2017 (net of amortisation and tax). The reserve cannot be used to distribute dividend or cover losses.

Common stock warrants: Equity-settled share options are measured at fair value minus consideration received at grant date, and recognized in the income statement under share-based payment over the period in which the final right of the share options vest. The balancing item is recognized directly in equity.

The fair value of the share options granted is estimated by using a pricing model, taking into account the fair market value of the shares in New Nutrition Holding ApS.

STATEMENT OF CASH FLOWS

The statement of cash flows shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented using the indirect method as the profit before tax adjusted for non-cash operating items, changes in working capital, restructuring costs paid, interest received and paid, and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, and of intangible assets, property, plant and equipment and other non-current assets. The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the statement of cash flows from the acquisition date. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the acquisition and disposal of non-controlling interests, raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

The following items involve significant accounting estimates and judgements:

Item	Estimates	Judgements	Note
Deferred tax assets	x		12
Intangible assets		x	13
Impairment tests	x		13

6. REVENUE

DKK thousands	2019	2018
Europe, Middle East and Africa	306,472	350,835
Asia and Pacific	168,907	154,699
North and central America	139,154	105,427
Brasil and South America	1,337	1,234
Total	**615,870**	**612,195**

7. STAFF COSTS

DKK thousands	2019	2018
Wages and salaries	(101,374)	(85,896)
Pension costs (defined contribution plans)	(4,491)	(4,488)
Other social security expenses	(546)	(553)
Other staff expenses	(5,926)	(5,657)
Staff costs classified as assets	2,876	-
Total	**(109,461)**	**(96,594)**

Remuneration of key management personnel:	**2019**	**2018**
Executive board - Wages and salaries 1)	(10,214)	(4,281)
Executive board - Pensions	(1,373)	(531)
Fee to the Board of Directors	(1,972)	(1,773)
Total remuneration	**(13,559)**	**(6,585)**

Average number of employees	130	132

1) The remuneration to the Executive Board in 2019 includes severance settlement to previous member of Management

Management is eligible for bonuses, depending on EBITDA from operations.

8. OTHER OPERATING INCOME

DKK thousands	2019	2018
Government grants	101	96
Sale of raw materials	353	576
Total	**454**	**672**

9. OTHER EXTERNAL EXPENSES

DKK thousands	2019	2018
Fee to statutory auditors		
Statutory audit	(534)	(196)
Other assurance services	(151)	(20)
Tax and VAT advisory	(217)	(220)
Other services	(1,842)	(1,457)
Total	**(2,744)**	**(1,893)**

Research and development costs

The Group's research and development concentrates on the development of products for both new and existing customers. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (2019: DKK 3,948; 2018: DKK 3,633) and recognised in other external expenses.

10. FINANCIAL INCOME AND EXPENSES

DKK thousands	2019	2018
Interest income on cash and cash equivalents	1,420	436
Interest income from related parties	328	-
Foreign exchange gains	-	2,464
Financial income	**1,748**	**2,900**
Interest expense on loans and borrowings	(20,114)	(16,289)
Amortisation of financing fees (non-cash)	(2,894)	(2,999)
Interest on lease liabilities	(453)	-
Other financial expenses	(4,932)	(4,958)
Foreign exchange losses	(2,400)	-
Financial expenses	**(30,793)**	**(24,246)**

11. INCOME TAXES

CONSOLIDATED STATEMENT OF PROFIT/ (LOSS)

DKK thousands	2019	2018
Current income tax charge	215	(415)
Prior year adjustment	(5)	1,718
Deferred tax charge	18,446	10,867
Income tax/ (expenses) in the statement of profit/(loss) reported	**18,656**	**12,170**

CONSOLIDATED STATEMENT OF OCI

DKK thousands	2019	2018
Net gain /(loss) on cash flow hedge	684	(700)
Income tax /(loss) recognised in OCI	**684**	**(700)**

DKK thousands	2019	2018
Calculated tax charge at Denmark's statutory income tax rate of 22%	19,843	31,153
Tax rate deviations in foreign entities, net	162	(127)
Tax impact from permanent differences	(431)	(85)
Tax impact from goodwill impairment	-	(22,000)
Adjustments to prior year	(1,032)	1,718
Deferred tax recognised in OCI	(684)	1,511
Deferred tax not recognised and other adjustments	798	-
Income tax/ (expense) reported	**18,656**	**12,170**
Effective tax rate	**21.2%**	**8.6%**

12. DEFERRED TAX

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DKK thousands	2019	2018
Property, plant and equipment	35,683	30,809
Intangible assets	45,538	51,222
Loans and borrowings	(3,437)	(9,994)
Inventory	(29)	-
Accrued expenses	(753)	-
Losses available for offsetting against future taxable income	(38,733)	(14,705)
Net deferred tax liabilities	**38,269**	**57,332**

CONSOLIDATED INCOME STATEMENT AND OCI

Property, plant and equipment	4,874	(1,404)
Intangible assets	(5,684)	7,371
Loans and borrowings	6,556	8,180
Inventory	(29)	-
Accrued expenses	(753)	-
Losses available for offsetting against future taxable income (expenses)	(23,411)	(1,562)
Deferred tax income (expense)	**(18,447)**	**12,585**

RECONCILIATION OF DEFERRED TAX LIABILITIES

Opening balance	57,332	69,917
Exhange rates	68	-
Deferred tax recognised on equity	(684)	-
Taxable income during the year recognised in profit or loss	(18,447)	(12,585)
Closing balance at 31 December	**38,269**	**57,332**

The Group offsets tax assets and liabilities only if it has a legally enforceable right to do so and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Tax losses related to the US subsidiary have en expiration of 20 years, but are expected to be utilised within the next five years.

13. INTANGIBLE ASSETS

DKK thousands	Goodwill 3)	Technology	Customer relation-ships	Brand	Development projects and acquired intangibles under construction 2)	Completed development projects and acquired intangibles 1)	Total
2019							
Cost at 1 January	254,563	179,666	114,300	35,900	17,726	23,223	**625,378**
Foreign exchange adjustments	-	-	-	-	-	-	**-**
Reclassifications	-	(5,566)	-	-	(8,123)	18,000	**4,311**
Additions	-	-	-		13,418	5,305	**18,723**
Disposals	-	-	-	-	(16,363)	(429)	**(16,792)**
Cost at 31 December	**254,563**	**174,100**	**114,300**	**35,900**	**6,658**	**46,099**	**631,620**
Amortisation and impairment losses at 1 January	(100,000)	(50,764)	(32,841)	(9,836)	-	(5,185)	**(198,626)**
Foreign exchange adjustments	-	-	-	-	-	-	**-**
Amortisation	-	(14,508)	(9,350)	(2,992)	-	(4,661)	**(31,511)**
Impairment losses	-	-	-	-	(16,363)	(2,746)	**(19,109)**
Disposals	-	-	-	-	16,363	-	**16,363**
Reclassifications	-	3,064	-	-	-	(7,842)	**(4,778)**
Amortisation and impairment losses at 31 December	**(100,000)**	**(62,208)**	**(42,191)**	**(12,828)**	**0.00**	**(20,434)**	**(237,661)**
Carrying amount at 31 December	**154,563**	**111,892**	**72,109**	**23,072**	**6,658**	**25,665**	**393,959**
2018							
Cost at 1 January	254,563	178,984	114,300	35,900	-	4,385	**588,132**
Foreign exchange adjustments	-	(342)	-	-	-	438	**96**
Reclassifications	-	-	-	-	6,270	14,908	**21,178**
Additions	-	1,024	-	-	11,456	3,492	**15,972**
Disposals	-	-	-	-	-	-	**-**
Cost at 31 December	**254,563**	**179,666**	**114,300**	**35,900**	**17,726**	**23,223**	**625,378**
Amortisation and impairment losses at 1 January	-	(35,304)	(23,491)	(6,844)	-	(2,452)	**(68,091)**
Foreign exchange adjustments	-	(2)	-	-	-	(2)	**(4)**
Amortisation	-	(15,458)	(9,350)	(2,992)	-	(2,731)	**(30,531)**
Impairment losses	(100,000)	-	-	-	-	-	**(100,000)**
Disposals	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	-	**-**
Amortisation and impairment losses at 31 December	**(100,000)**	**(50,764)**	**(32,841)**	**(9,836)**	**-**	**(5,185)**	**(198,626)**
Carrying amount at 31 December	**154,563**	**128,902**	**81,459**	**26,064**	**17,726**	**18,038**	**426,752**

Except for goodwill, all other intangible assets have finite useful lives and are amortised according to the Group's accounting policies. Goodwill is tested for impariment annually.

1) New legislation is underway in many countries regulating the use of antibiotics and zinc in animal feed. Development projects completed in 2019 mainly relate to new or improved products aimed at piglet and poultry production with antibiotic- and zinc free feed. The capitalized cost relate to external analysis and tests.
The new legislation is expected to generate significant demand for such products, and impairment tests of the book value based on expected cash flows generated from anticipated sales in the years 2021, 2022 and 2023 (approved by management) has concluded that the expected future benefits from these projects exceed the book value.

13. INTANGIBLE ASSETS *(CONTINUED)*

[2] The above-mentioned new legislation also generates new documentation requirements of Hamlet Protein's existing and new products relative to this particular legislation. Part of the ongoing development projects relate to the creation of such documentation in various countries.
Estimated cost to complete of these projects is approximately DKK 2 mio. and completion is anticipated during 2020 and 2021. Being a prerequisite for the continued sales on these markets it has been concluded that the expected future benefits from these projects exceeds the book value.

However, impairment tests have also been conducted on projects, which have indicated a need for impairment. The projects in question relate to new products for calves and to new production technology where the estimated future benefit is lower than the book value.

Finally ongoing projects relate to the development of a new ERP system. The capitalized cost of these projects mainly consist of purchased equipment but to a smaller extent also of internal IT specialist hours captured through own time recording system. Due to a change in strategy, it has been decided not to complete the implementation at this point in time. Consequently, all capitalized cost relating to the ERP system has been written off.

[3]The recoverable amount is determined on the basis of value-in-use. The value-in-use is established using certain key assumptions as decribed below. The key assumptions are revenue growth, operating profit before depreciation, amortisation and special items (EBITDA) and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. Revenue growth and operating margin assumptions applied in the short to medium term (forecasting period of five years) are based on management's expectations regarding the growth and operational development considering all relevant factors including past experience and external sources of information where possible and relevant.

Terminal growth rates do not exceed the expected long-term average growth rate including inflation for the countries in which the Group operates.

The **discount rates**, which are calculated net of tax, are generally based on 10-year government bonds. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity.

A **target ratio** of 18/82 (2018: 18/82) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.0% (2018: 6.0%).

Uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium is added to the discount rates to reflect the specific risk associated with CGU.

13. INTANGIBLE ASSETS *(CONTINUED)*

CARRYING AMOUNTS AND KEY ASSUMPTIONS

The carrying amount of goodwill and the key assumptions used in the impairment testing as per 31 December are presented below.

DKK million	2019	2018
Carrying amount	155	155
Long-term growth in revenue	2.0%	2.0%
Applied discount rate, net of tax	8.3%	9.1%
Applied discount rate, pre-tax	8.4%	11,6%

CARRYING AMOUNTS AND KEY ASSUMPTIONS

Further, the impairment test is based on the assumption that resent years' sales growth in North America will accelerate in the coming 2-4 years and hereafter approaching the long-term growth assumption. The expected sales growth in North America is driven by the general shift away from animal based proteins towards vegetable based antibiotic free animal feed. In Asia sales is expected to resume strong growth after a period of contraction caused by African Swine Fever. The accelerated sales growth in Asia is especially driven by China where resent years' transformation of the pig farming industry from backyards to large industrial units is expected to be accelerated for environmental and disease control reasons (African Swine Fever). In addition China is moving towards antibiotic free animal diets, which will increase demand for quality vegetable based protein like Hamlet Protein. Along with increased capacity utilisation, our net earnings are expected to increase at a higher rate than sales over the same period.

14. PROPERTY, PLANT AND EQUIPMENT

DKK thousands	Land and buildings	Plant and equipment	Other equipment	Construction in progres	Total
2019					
Cost at 1 January	75,021	327,212	9,086	73,387	**484,706**
Foreign exchange adjustments	913	7,444	81	1	**8,439**
Reclassifications	4,009	68,637	-	(72,178)	**468**
Additions	3	24,786	629	5,231	**30,649**
Disposals	-	-	(440)	-	**(440)**
Cost at 31 December	**79,946**	**428,079**	**9,356**	**6,441**	**523,822**
Amortisation and impairment losses at 1 January	(12,159)	(99,463)	(6,219)	-	**(117,841)**
Foreign exchange adjustments	(207)	(2,332)	(46)	-	**(2,585)**
Depreciation	(4,182)	(25,023)	(1,391)	-	**(30,596)**
Impairment losses	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Reclassifications	-	-	-	-	**-**
Amortisation and impairment losses at 31 December	**(16,548)**	**(126,818)**	**(7,656)**	-	**(151,022)**
Carrying amount at 31 December	**63,398**	**301,261**	**1,700**	**6,441**	**372,800**
2018					
Cost at 1 January	73,065	303,664	8,903	25,838	**411,470**
Foreign exchange adjustments	1,797	10,568	595	189	**13,149**
Reclassifications	-	-	-	(21,940)	**(21,940)**
Additions	158	12,980	558	69,300	**82,996**
Disposals	-	-	(970)	-	**(970)**
Cost at 31 December	**75,021**	**327,212**	**9,086**	**73,387**	**484,705**
Amortisation and impairment losses at 1 January	(8,150)	(73,314)	(4,823)	-	**(86,287)**
Foreign exchange adjustments	(67)	(5,076)	(101)	-	**(5,244)**
Depreciation	(3,942)	(21,073)	(1,911)	-	**(26,926)**
Impairment losses	-	-	-	-	**-**
Disposals	-	-	616	-	**616**
Reclassifications	-	-	-	-	**-**
Amortisation and impairment losses at 31 December	**(12,159)**	**(99,463)**	**- 6,219**	**-**	**(117,840)**
Carrying amount at 31 December	**62,862**	**227,749**	**2,867**	**73,387**	**366,865**

HAMLET PROTEIN

15. RIGHT-OF-USE ASSETS

DKK thousands	Cars	Land and buildings	Plant and equipment	Total
2019				
Adoption of IFRS 16	1,842	6,825	1,001	**9,668**
Foreign exchange adjustments	6	-	-	**6**
Reclassifications	-	-	-	**-**
Additions	1,373	-	-	**1,373**
Disposals	-	-	-	**-**
Cost at 31 December	**3,221**	**6,825**	**1,001**	**11,047**
Amortisation and impairment losses at 1 January				
Foreign exchange adjustments	-	-	-	**-**
Depreciation	(1,080)	(993)	(250)	**(2,323)**
Impairment losses	-	-	-	**0**
Disposals	-	-	-	**0**
Reclassifications	-	-	-	**0**
Amortisation and impairment losses at 31 December	**(1,080)**	**(993)**	**(250)**	**(2,323)**
Carrying amount at 31 December	**2,141**	**5,832**	**751**	**8,724**

LEASE-RELATED COSTS RECOGNISED IN THE INCOME STATEMENT

DKK thousands	2019
Depreciation of right-of-use assets	2,323
Interest expense on lease liabilities	434
Total	**2,757**

16. INVENTORIES

DKK thousands	2019	2018
Raw materials and consumables	13,626	13,044
Finished goods	32,305	31,166
Total	**45,931**	**44,210**

17. TRADE RECEIVABLES AND CREDIT RISK

	2019	2018
Trade receivables	63,408	70,545
Loss allowance	-	-
Trade receivables, net	**63,408**	**70,545**
Other receivables	15,763	5,867
Other receivables, net	**15,763**	**5,867**
Receivables from related parties	4,818	4,491
Receivables from related parties, net	**4,818**	**4,491**
Total receivables	**83,989**	**80,903**

EXPOSURE TO CREDIT RISK

We assess the Group's exposure to credit risk as low. The Group's customer portfolio is diversified in terms of geography and customer size. The Group is not exposed to credit risk related to significant individual customers.

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions.

Outstanding customer receivables are followed up upon a regular basis and provisions are made for bad debt on a monthly basis. The calculation is based on actual historical data. The maximum exposure to credit risk at the reporting data is the carrying amount of each class of financial assets.

The Group considers the concentration of risk with respect to trade receivables low, as its customers are located in several jurisdictions and operate in largely independent markets.

Trade receivables are non-interest bearing and fall generally due on 30-45 days term.

17. TRADE RECEIVABLES AND CREDIT RISK (CONTINUED)

EXPOSURE TO CREDIT RISK

At 31 December, the aging analysis of trade receivables is as follows:

DKK thousands	Gross	Loss allowance	Carrying amount
2019			
Not past due	52,540	-	52,540
Past due 1 to 30 days	8,761	-	8,761
Past due 31 to 60 days	475	-	475
Past due 61 to 90 days	1,116	-	1,116
More than 90days	516	-	516
Total	**63,408**	**-**	**63,408**
2018			
Not past due	60,508	-	60,508
Past due 1 to 30 days	7,251	-	7,251
Past due 31 to 60 days	848	-	848
Past due 61 to 90 days	1,464	-	1,464
More than 90 days	474	-	474
Total	**70,545**	**-**	**70,545**

The Group uses credit loss insurance to reduce the risk of loss of trade receivables.

Credit loss in the Group over the past three years have been insignificant and there are no forward looking information indicating any changes to this fact in the future. On that basis, expected credit losses related to trade receivables are considered insignificant.

18. TRADE PAYABLES AND OTHER PAYABLES

DKK thousands	2019	2018
Trade payables	55,901	89,263
Other payables	29,700	11,680
Total	85,601	**100,943**

Trade payables are non-interest bearing and are normally settled on 8 to 30 day term.

19. LEASE LIABILITY, RIGHT-OF-USE ASSETS

Undiscounted lease payments are listed below.

DKK thousands	**Less than 1 year**	**Between 1 - 5 years**	**More than 5 years**	**Total**
2019				
Cars	1,194	1,035	-	2,229
Land and building	1,165	3,535	2,410	7,110
Plant and equipment	276	552	-	828
Total	**2,635**	**5,122**	**2,410**	**10,167**

At 31 December 2019, the Group is committed to DKK thousand 736 for short-term leases.

DKK thousands	2019
Current	2,578
Non-current	6,276
Total	**8,854**

20. INTEREST BEARING LOANS AND BORROWINGS

The Group has taken out the following interest-bearing loans and borrowings.

	Nominal interest rate	Currency	Maturity	2019 Carrying amount	2018 Carrying amount
Facility A	3.75%		2021	27,820	41,560
	4.69%	DKK			
	4.39%	EUR			
Facility B	5.88%	USD	2022	240,089	239,325
Facility C	4.00%	DKK	2021	123,000	119,669
Revolving credit facility	LIBOR +3.5%	DKK	2021	70,026	15,199
Mortgage debt A	1.23% - 1.93%	DKK	2018 - 2020	1,701	2,752
Mortgage debt B	3.00%	DKK	2027	7,473	8,098
Total				**470,109**	**426,603**
Non-current				359,041	395,627
Current				111,068	30,976
Total				**470,109**	**426,603**

At 31 December 2019, capitalised borrowing costs amount to DKK 6,291 thousand (2018: DKK 8,688 thousand) and are amortised until the expiry date of the loans. Amortisation in 2019 amounts to DKK 2,894 (2018: DKK 2,999 thouand).

The debt facilities A, B and C as well as the revolving credit facility are subject to usual covenants, which include leverage, interest coverage ratios and investment amounts. All such covenants were in compliance during the year ending at 31 December 2019.

21. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS AT AMORTISED COST

DKK thousands	2019	2018
Trade and other receivables	85,601	80,903
Prepayments	1,905	2,438
Cash and short term deposits	27,574	61,120
Total	**115,080**	**144,461**

FINANCIAL LIABILITIES AT AMORTISED COST

DKK thousands	2019	2018
Loans and borrowings	470,109	426,603
Trade payables	55,901	89,263
Other payables	29,700	11,692
Total	**555,710**	**527,558**

FINANCIAL LIABILITIES AT FAIR VALUE

DKK thousands	2019	2018
Derivative financial instruments	(3,571)	1,217
Total	**(3,571)**	**1,217**

FAIR VALUES

Financial instruments measured at fair value are limited to derivative instruments. As described below, the fair value of derivatives is based on marked data and valuation techniques (Level 2). The financial instruments are measured at fair value on recurring basis.

AMORTISED COSTS

The carrying amount of the Group's financial instruments, measured at cost, are reasonable approximations of fair value, except for interest-bearing loans and borrowings.

DKK thousands	2019	2018
Loans and borrowings	476,400	434,944

VALUATION TECHNIQUES

Management has assessed that cash, trade receivables, trade payables, bank overdraft and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of other financial instruments:

21. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

VALUATION TECHNIQUES

Derivative financial instruments with various counterparties are principally financial institutions with investment grade credit ratings. The applied valuation techniques are discounted cash flows models, which incorporated various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Fair values of the Group's interest-bearing borrowing and loans are determined by using the discounted cash flow (DCF) method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period (level 2). The own non-performance risk at 31 December 2019 was assessed to be

22. NOTE TO THE CASH FLOW STATEMENT

CASH AND SHORT TERM DEPOSITS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

DKK thousands	2019	2018
Cash and cash deposits	**27,574**	**61,120**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 31 December 2019, the Group's undrawn committed borrowing facilities totalled DKK 32,549 thousand (2018: DKK 121,741 thousand)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

DKK thousands	2019	2018
Bank loans 1 January	426,603	339,903
Financing cash flows	44,197	86,699
Lease liabilities, right-of-use assets	8,854	-
Total liabilities from financing activities 31 December	**479,654**	**426,603**

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's risk management policy has been established by the Board of Directors and includes guidelines and rules related to identification and measurement of risks, mandates, limits and hedging activities. The Group is primarily exposed to risks related to commodity prices, foreign currencies, interest rates credit, financing and liquidity.

The purpose of the risk management policies are to manage and reduce risks as a consequence of the Group's operations, investments and financing related to its ordinary activities. Hence, it is the Group's policy not to speculate in financial instruments.

The CFO is responsible for meeting the requirements and reports regularly – or if any breaches have been identified - to the Board. The Board updates and approves the policy once a year, or more often if circumstances require. The management of financial risks is centralised to group finance.

Below, each material risk is described in terms of risk type, risk management policies and activies and the impact on the financial statements.

COMMODITY PRICE RISK

Due to its ordinary activities the Group is exposed to price changes in Soy. When entering into a sales contract an offsetting purchase contract or inventory is matched in order to obtain a stable margin. Volumes and timing of delivery is matched on a one to one basis. If an open net position is identified before a transaction the Group enters into forward contracts with physical delivery only.

The group is also exposed to price changes in gas, which is used in the production. In order to reduce price sensitivities the group enters into fixed price contracts with physical delivery.

FOREIGN CURRENCY RISK

Foreign currency risk arises when transactions or financing is obtained in a currency other than the functional currency of a group entity. The Group is predominantly exposed to foreign currency risks in USD from sales, purchases and financing activities. The Group evaluates the net exposure in USD on a weekly basis and enters into forward contracts (buy USD / sell EUR) if the exposure exceeds allowed thresholds of USD 2,000 thousand for long positions and DKK 2,000 thousand for short positions. At 31 December 2019 and 2018, the Group's exposure exceeded the risk limits why the group entered into forward contracts. Since the EUR and DKK currencies are pegged, the Group hedges into EUR and not DKK.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is sensitive to changes in the USD exchange rate. A reasonably possible change in the USD exchange rate of 100 basis points with all other variables held constant, would have a not immaterial impact on the profit before tax and the pre-tax equity.

The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

CASH FLOW HEDGE ACCCOUNTING

For hedge accounting relationships related to currency risk, the hedged item highly probable purchases of soy in USD. The hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item. The currency component is determined as the change in present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows

At 31 December 2019, the Group had entered into FX forward contracts with a notional of DKK 65,000 thousand (2018: DKK 63,500 thousand). The vast majority of the hedges mature during the first quarter of 2020 and thus unrealised fair value movements are recycled to profit and loss.

The potential sources of hedge ineffectiveness relate to credit risk, forward points and basis risk. However, no ineffectiveness is recognised in the statement of profit or loss was since it is assessed immaterial.

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group evaluates the net exposure on a frequent basis and when conducting finance activities. According to the limits set by the board, two thirds of the floating rate exposure should be hedged and up to three years using interest rate swaps (pay fixed / receive floating). At 31 December 2019 and 2018, the Group's exposure exceeded the risk limits why the group entered into interest rate swaps.

INTEREST RATE SENSITIVITY ANALYSIS

The Group is sensitive to changes in the interest rates. A reasonably possible change in the interest rate of 100 basis points, with all other variables held constant, would only have a limited impact on profit before tax. The impact on pre-tax equity would be less immaterial.

The impact on the Group's profit before tax is due to changes in floating rate assets and liabilities including received interest from derivatives recognised 31 December, why financing activities during the year is excluded. The impact on the Group's pre-tax equity is due to changes in the fair value of interest rate derivatives designated as cash flow hedges.

CASH FLOW HEDGE ACCCOUNTING

The Group enters into pay fixed / receive floating interest rate swaps in order to reduce the variability in future interest payments. There is an economic relationship between the hedged item and hedging instruments since terms of the interest rate swap match the terms of the floating rate loan (i.e. notional amount, maturity, payment dates, reset dates etc.). The group designates the benchmark interest rate component only.

The main source of hedge ineffectiveness relates to credit risk.

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

At 31 December 2019, the Group had entered into interest rate swaps with a notional of [DKK 244,000 thousand (2018: DKK 300,500 thousand)]. The interest rate swaps mature by the end of 2021.

The potential sources of hedge ineffectiveness relates to credit risk. However, no ineffectiveness is recognised in the statement of profit or loss was since it is assessed immaterial.

24. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management aims, e.g. at ensuring that it meets financial covenants related to the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call loans and borrowings.

The Group manages its capital structure and makes adjustments in the light of change in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt includes interest-bearing loans and borrowings, trade payables, less cash.

DKK thousands	**2019**	**2018**
Interest bearing loans and borrowings	470,109	426,602
Trade and other payables	85,601	100,943
Less cash	(27,574)	(61,120)
Net debt	**528,136**	**466,425**
Equity	329,494	398,385
Total capital and net debt	**857,630**	**864,810**
Gearing ratio	**0.62**	**0.54**

25. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENCIES

The parent is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.

PLEDGES AND COLLATERAL

Surityship (indemnity) toward the bank amounted at DKK 486 million at year end 2019.

A mortgage of USD 2,000 thousand secured upon the Group's properties was initially provided as collateral for borrowings with Ohio Department of Development. The remaining outstanding borrowings as of December 31, 2019 amounted to USD 1,166.64 thousand and the carrying amount of mortgaged properties amounted to USD 4,187.08 thousand.

A collateral for commitments with banks, the following have been deposited:

- Owner's mortgage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Group's property Saturnvej 51, Horsens, Denmark
- Movable property owner's mortgage of DKK 22,000 thousand secured by letter of indemnity on the Group's machinery.

The carrying amount of mortgaged properties amounted to DKK 31,500 thousand.

As collateral for commitments with banks, the following has been deposited:

- Letter of indemnity on movables of DKK 12,000 thousand and chattel mortgage registered to the owner of DKK 22,000 thousand secured upon machinery and fixtures and fittings, etc.

The carrying amount of assets provided as collateral amounted to DKK 32,549 thousand (2018: DKK 102,432 thousands)

26. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below:

Company name	Principal activities	Place of incorporation	Equity interest
New Nutrition ApS	Subholding and selected group activities	Horsens, Denmark	100%
HAMLET PROTEIN A/S	Production, distribution and selected group activities	Horsens, Denmark	100%
HAMLET PROTEIN Inc.	Production and distribution	Ohio, USA	100%
Hamlet Trading Co. Ltd.	Sales and distribution	Qindao, China	100%
Hamlet Protein GmbH	Sales and distribution	Barmsted, Germany	100%

26. RELATED PARTY DISCLOSURES (CONTINUED)

The direct parent company and ultimate ownership of New Nutrition Holding ApS is New Nutrition Holding S.a.r.l.

Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB have a 50/50 controlling interest.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD MANAGEMENT

	2019		2018	
DKK thousands	**Board of directors**	**Executive board**	**Board of directors**	**Executive board**
Wages and salaries including pensions	1,971	11,587	1,773	4,812
Total remuneration	**1,971**	**11,587**	**1,773**	**4,812**

COMMON STOCK WARRANTS

The Company has issued 673,616 common stock warrants to management and directors of the Group of which 302,368 were issued during 2019 (none issued in 2018). 54,408 common stock warrants were repurchased during 2019, and as at 31 December 2019 616,008 common stock warrants were outstanding. None of the common stock warrants are exercisable at this date. The warrants were issued at fair market value and therefore no compensation expense is recognised. The warrants give the holders the right (without pre-emption right for the Company's existing shareholders) to subscribe for up to 616,008 shares in the Company with a par value of one Danish Krone.

The common stock warrants can be exercised either (i) at a change of control of the Group or an IPO or (ii) in the period from 30 August 2025 to 30 September 2025 if a change of control of the Group or an IPO has not occurred before then. The Company's share capital may be increased in order to make it possible for the holders of the warrants to exercise the warrants.

TRANSACTIONS WITH RELATED PARTIES

No transactions have been entered into during the year. The following transactions were entered into with related parties last year:

	2019		2018	
DKK thousands	**Sales to related parties**	**Services purchased from related parties**	**Sales to related parties**	**Services purchased from related parties**
Broad Street Principal Investment (part of GS group), USA	-	-	-	312
Altor Fund manager AB, Sweden	-	-	-	208
Vawda Associates, GB	-	-	-	202
Total	**-**	**-**	**-**	**722**

At 31 December 2019, there is a receivable of DKK 4,818 thousand from New Nutrition Holding S.a.r.l. The loan carries an interest of 7.2% p.a.

27. ISSUED CAPITAL AND RESERVES

The share capital consist of 6,610,000 shares of DKK 1.00 each. Each share carries 1 vote. The shares are fully paid in. Premium paid-in over nominal share capital is recorded into the share premium reserve, but available for distribution under Danish law.

	2019	2018	2017
Nominal shares begining of year	6,534	6,534	6,534
Additions	76	-	-
Nominal shares end of year	**6,610**	**6,534**	**6,534**

28. SUBSEQUENT EVENTS

After the closing of the financial year 2019, the global economy has been impacted by Covid-19 virus pandemic (Corona). Many industries are directly or indirectly affected, but so far the animal feed sector continues and has proven to be very resilient. The food service industry has been seriously affected and demand for meat types predominantly served in restaurants has dropped, while demand for meat types predominantly consumed at home have increased. Hamlet Protein supplies an important feed ingredient to young animals across species and geographies, and demand at time of publishing of annual report has been stable. Our main challenge relates to potential supply chain interruptions, but so far no mayor disruptions have occurred. International freight rates have increased, and availability of containers is limited at times, but the additional cost is normally shared with our customers.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on the Group's financial position.

29. NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group at 31 December 2019. In addition, IASB has published certain new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2019.

The Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT OF THE PARENT COMPANY

1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Other external expenses		(181)	(105)
Operating profit/(loss)		**(181)**	**(105)**
Share of profit/(loss) from subsidiaries net of tax using equity method		(69,422)	(129,467)
Financial income	6	51	8
Financial expense	6	(10)	(10)
Profit/ (loss) before tax		**(69,562)**	**(129,574)**
Income tax/(expense)	7	29	140
Net profit/(loss)		**(69,533)**	**(129,434)**
Attributable to			
Owners of New Nutrion Holding ApS		(69,533)	(129,434)
Net profit/(loss)		**(69,533)**	**(129,434)**

STATEMENT OF COMPREHENSIVE INCOME OF THE PARENT COMPANY
1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Net profit/(loss)		**(69,533)**	**(129,434)**
Other comprehensive income to be reclassified subsequently to profit or loss			
Net gain/(loss) on cash flow hedge in subsidiaries		(2,425)	786
Exchange differences on translation of foreign operations		1,074	3,833
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(1,351)**	**4,619**
Total comprehensive profit/(loss)		**(70,884)**	**(124,815)**
Attributable to:			
Shareholders of New Nutrition Holding ApS		**(70,884)**	**(124,815)**

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

AT 31 DECEMBER

DKK thousands	Note	2019	2018
ASSETS			
Investments in subsidiaries	8	324,754	395,527
Deferred tax assets		390	359
Non-current assets		**325,144**	**395,886**
Other receivables		4,280	69
Cash and cash equivalents		302	1,904
Current assets		**4,582**	**1,973**
Total assets		**329,726**	**397,859**
EQUITY AND LIABILITIES			
Share capital		6,610	6,534
Share premium		-	649,185
Retained earnings		322,884	(258,053)
Total equity		**329,494**	**397,666**
Trade and other payables		232	193
Current liabilities		**232**	**193**
Total equity and liabilities		**329,726**	**397,859**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

1 JANUARY - 31 DECEMBER

DKK thousands	Share capital	Share premium	Retained earnings	Total equity
2019				
Equity at 1 January	**6,534**	**649,185**	**(258,053)**	**397,666**
Transfer of share premium to retained earnings	-	(649,185)	649,185	-
Equity 1 January	**6,534**	**-**	**391,132**	**397,666**
Net profit	-	-	(69,533)	(69,533)
Other comprehensive income	-	-	(1,351)	(1,351)
Comprehensive income	**-**	**-**	**(70,884)**	**(70,884)**
Capital increase	76	-	2,547	2,623
Proceeds from warrants	-	-	433	433
Treasury shares [1)]	-	-	(344)	(344)
Transactions with owners	**76**	**-**	**2,636**	**2,712**
Equity at 31 December	**6,610**	**-**	**322,884**	**329,494**

DKK thousands	Share capital	Share premium	Retained earnings	Total equity
2018				
Equity at 1 January	**6,534**	**649,185**	**(133,175)**	**522,544**
Net profit	-	-	(129,434)	(129,434)
Other comprehensive income	-	-	**4,619**	4,619
Comprehensive income	-	-	**(124,815)**	**(124,815)**
Proceeds from warrants	-	-	(63)	(63)
Equity at 31 December	**6,534**	**649,185**	**(258,053)**	**397,666**

[1)] During 2019, 54,408 warrants and nominal DKK 13,602 shares were re-acquired form a former management employee.

HAMLET PROTEIN

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

1 JANUARY - 31 DECEMBER

DKK thousands	Note	2019	2018
Net profit/(loss) for the year		(69,533)	(129,434)
Share of profit/(loss) in subsidiaries using the equity method	8	69,422	129,467
Other non-cash adjustments		7	(138)
Changes in working capital		(4,249)	(235)
Income tax paid		(2)	0
Interest received		51	8
Interest paid		(10)	(10)
Cash flow from operating activities		**(4,314)**	**(342)**
Proceeds from sale of property, plant and equipment		-	-
Acquisition of property, plant and equipment		-	-
Acquisition of intangible assets		-	-
Cash flow from investing activities		-	-
Proceeds from warrants and shares		2,712	(64)
Cash flow from financing activities		**2,712**	**(64)**
Total cash flow		**(1,602)**	**(406)**
Cash and cash equivalents at 1 January		1,904	2,310
Total cash flow		(1,602)	(406)
Foreign exchange adjustments		-	-
Cash and cash equivalents at 31 December		**302**	**1,904**

1. CORPORATE INFORMATION

The parent company is incorporated and domiciled in Denmark. The registered office is located in Horsens.

2. ACCOUNTING POLICIES

The parent company financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosures requirements according to Danish Financial Statement Act.

The Company was established on 26 May 2015 and acquired all shares in Hamlet Protein A/S and its subsidiaries on 18 September 2018.

The financial statements are prepared based on the standards and implementations that are effective as of 31 December 2019.

The parent company financial statements are presented in DKK, which is the parent company's functional currency, and all values are rounded to the nearest thousand (DKK '000) except when otherwise stated.

The accounting policies of New Nutrition Holding ApS are the same as for the consolidated financial statements with the additions included in note 3 below. For a description of the accounting policies of the consolidated financial statements, please refer to notes 1 - 5.

3. SUPPLEMENATARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

INVESTMENT IN SUBSIDIARIES

The company's investments in its subsidiaries are accounted for using the equity method.

Under the equity method, investment in subsidiaries are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Company's share of the results of operations of the subsidiary net of tax. Any items recognised in other comprehensive income of those investees are presented as part of the Company's other comprehensive income. In addition, when an item has been recognised directly in the subsidiary's equity, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its subsidiaries are eliminated to the extent of the interest in the subsidiary.

The aggregate of the Company's share of profit or loss of a subsidiary is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss net of tax and non-controlling interest of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Compnay. When necessary, adjustements are made to bring the accounting policies in line with those of the Company.

3. SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY (CONTINUED)

INVESTMENT IN SUBSIDIARIES

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investments in the subsidiaries are impaired. if there is such evidence, the Company calculates the amount of impairment loss as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises such impairment loss as "Share of profit or loss in subsidiaries net of tax using the equity method" in the statement of profit or loss.

4. FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK thousands	2019	2018
Statutory audit	143	44
Other assurance services	-	-
Tax and VAT advisory services	-	-
Other services	-	27
Total	**143**	**71**

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of the Group as defined in 26 to the consolidated financial statements are also considered key management personnel of the parent.

Remuneration to the Board of directors and Executive Group management are disclosed in note 7 and 26 to the consolidated financial statements.

6. FINANCIAL INCOME AND EXPENSES

DKK thousands	2019	2018
Interest income	51	8
Financial income	**51**	**8**
Interest expense	(10)	(10)
Financial expenses	**(10)**	**(10)**

7. INCOME TAXES

PARENT STATEMENT OF PROFIT/ (LOSS)

DKK thousands	2019	2018
Current income tax charge	29	140
Income tax/ (expenses) in the statement of profit/(loss) reported	**29**	**140**

DKK thousands	2019	2018
Calculated tax charge at Denmark's statutory income tax rate of 22%	15,304	(28,506)
Adjustments in respect of losses in subsidiaries net of tax using equity method	(15,273)	28,622
Tax impact from permanent differences	(2)	24
Income tax/ (expense) reported	**29**	**140**

8. INVESTMENTS IN SUBSIDIARIES

DKK thousands	2019	2018
Cost at 1 January	648,419	648,419
Additions	-	-
Disposals	-	-
Cost at 31 December	**648,419**	**648,419**
Value adjustments at 1 January	(252,892)	(128,044)
Loss on ordinary activities net of tax	(69,422)	(129,467)
Foreign currency translation reserve	1,074	3,832
Cash flow hedge reserve, net of tax	(2,425)	787
Value adjustments at 31 December	**(323,665)**	**(252,892)**
Carrying amount	**324,754**	**395,527**

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Investments in subsidiaries are specified as follows:

Company	Registered office	Principal activities	Votes and ownership
New Nutrition ApS	Horsens, Denmark	Subholding and group activities	100%

9. SHARE CAPITAL

Share capital is described in Note 27 of the consolidated financial statements.

10. NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

New standards and interpretations not yet implemented are described in Note 29 of the consolidated financial statements.

11. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

New Nutrition Holding ApS is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liabilities for Danish corporate income taxes, etc.

PLEDGES AND COLLATERAL

Surityship toward the bank amounted at DKK 486 million at year end 2019.

12. FINANCIAL RISKS

The company has only invested in the subsidiary, New Nutrition ApS, and does not have any significant receivables or payables. Risks related to currency, credit and liquidity are monitored and managed at group level. Please refer to Note 23 of the consolidated financial statements for further information of the Group's exposure to such risks.

13. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise shareholder value, which is monitored and managed at Group level. Please refer to Note 23 of the consolidated financial statements for further information on the Group's capital management.

14. RELATED PARTIES AND OWNERSHIP

Related parties and transactions with these are described in Note 26 of the consolidated financial statements. All transactions with the related parties have been entered into on market terms. Remuneration of the Executive Board and the Board of Directors are disclosed in Note 7 of the conolidated financial statement.

At 31 December 2019, there is a receivable of DKK 4,200 thousand from New Nutrition ApS. The loan carries an interest of 3.5% p.a.

Other than above stated, the company does not have any related party transactions.

15. SUBSEQUENT EVENTS

After the closing of the financial year 2019, the global economy has been impacted by Covid-19 virus pandemic (Corona). Many industries are directly or indirectly affected, but so far the animal feed sector continues and has proven to be very resilient. The food service industry has been seriously affected and demand for meat types predominantly served in restaurants has dropped, while demand for meat types predominantly consumed at home have increased. Hamlet Protein supplies an important feed ingredient to young animals across species and geographies, and demand at time of publishing of annual report has been stable. Our main challenge relates to potential supply chain interruptions, but so far no mayor disruptions have occurred. International freight rates have increased, and availability of containers is limited at times, but the additional cost is normally shared with our customers.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on the financial position.