Premium Pork International

Growing in Romania

2018

Annual Report

Premium Pork International A/S

Dannevirkevej 6, 7000 Fredericia

Reg. no. 37 87 50 58

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Annual Report

January 1st – December 31st, 2018

Presented and adopted at the Annual General Meeting on 8th of April 2019.

Chairman of the Annual General Meeting: Bo Holse

Premium Pork International A/S

Annual report 2018

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Company information

The Company	**Premium Pork International A/S** Synergihuset Dannevirkevej 6 DK-7000 Fredericia
Company Reg. no	37 87 50 58
Domicile:	Fredericia
Telephone	+45 64812600
Telefax:	+45 64812601
Web:	www.dchi.dk
E-mail:	ppi@premiumporc.com
Board of Directors	Torben Svejgård (Chairman) Carsten Lind Pedersen Ole Sloth Nielsen Bo Holse Jytte Rosenmaj
Executive Board	Lars Vesten Drescher, CEO Morten Beider, CFO
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab City Tower, Værkmestergade 2 DK - 8000 Aarhus C
Bank	Nordea Danmark A/S Kirkegade 3 DK - 8900 Randers
Lawyer	Gorrissen Federspiel Silkeborgvej 2 DK - 8000 Aarhus C
Subsidiaries	Premium Porc SRL Consinterfin SRL Degaro SRL Premium Porc Feed SRL Agro Investments Moldova SRL Premium Porc Negreni SRL Premium Vet Depot SRL Olsuin SLR Premium Porc Sibiu SRL
Ultimate Parent	DCH International A/S, Dannevirkevej 6, DK-7000 Fredericia

Management's statement of the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Premium Pork International A/S for the financial year 1 January to 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018 and of the results of their operations and cash flows for the financial year 2018.

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

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

Fredericia, 25th of February 2019

Executive Board

Lars Vesten Drescher
CEO

Morten Beider
CFO

Board of Directors

Torben Svejgård
Chairman

Carsten Lind Pedersen

Ole Sloth Nielsen

Bo Holse

Jytte Rosenmaj

Independent auditor's report on the annual report for the period 01.01.2018 - 31.12.2018

Deloitte.

To the Shareholder of Premium Pork International A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Premium Pork International A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31-12-2018, and of the results of their operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the annual report

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

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

Auditor's responsibilities for the audit of the annual report

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

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.

Aarhus, 25.2.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56

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

Consolidated financial highlights

EUR '000	2018	2017	14/7 - 31/12 2016 *)
Profit & Loss			
Total Income	63.857	67.464	33.817
EBITDA	10.614	23.954	12.836
Adjusted EBITDA (excl. fair value adjust. bio assets and Special Items due to ASF)	*13.672*	*24.815*	*10.801*
Operating profit/loss (EBIT)	4.185	18.572	11.157
Net financials	-2.740	-3.398	-1.279
Profit/loss for the period	1.111	12.657	8.167
Balance sheet:			
Total Assets	155.021	149.185	116.279
Investment in property, plant and equipment	15.076	22.256	4.186
Equity	72.128	70.723	56.334
Invested capital	133.535	128.539	101.459
Net Interest-bearing debt	57.707	54.226	81.866
Cash flow:			
Cash flow from operating activities	11.173	11.389	9.599
Cash flow from investing activities	-15.405	-23.833	-3.495
Cash flow from financing activities	4.191	15.755	-2.002
Employees:			
Average number of employees	445	335	308
Production Scope:			
Harvested land, ha	1.720	1.796	1.848
Total Yield (all crops), tons	6.159	7.496	7.226
Average number of sows	16.519	12.503	12.202
Number of pigs produced	511.111	406.702	197.513
Produced pigs per avg. sow	30,9	32,5	32,4
Ratios:			
Gross margin	30,3%	43,9%	44,2%
Ajusted EBITDA margin	21,4%	36,8%	31,9%
EBIT margin	6,6%	27,5%	33,0%
Return on invested capital	3,2%	16,2%	23,8%
Return on equity	1,6%	19,9%	29,0%
Solvency ratio	46,5%	47,4%	48,4%
Current Ratio	142%	140%	165%

***)** The Company was established as a new holding company in July 2016. Consolidated financial highlights prior this can be found in the Annual Report for the Company's parent: DCH International A/S.

Definitions of financial ratios:

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

Management review

Development in the financial year and financial positions

Reduced profit, mainly due to ASF

The total profit for 2018 is EUR 1.1 million, which is EUR 11.5 million less than 2017 and the lowest profit for the Group in more than a decade. The consolidated total income dropped to EUR 63.9 million (-5% compared to 2017). The lower turnover is a result primarily of decreasing prices on the group's main product, pork, combined with lower government grants. The underlining activity pulled in the opposite direction as the production increased 26%.

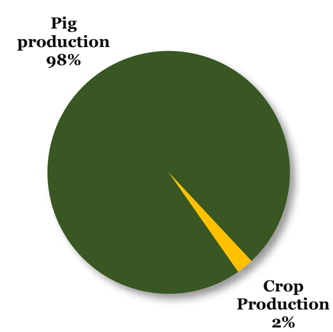
Compared to 2017, the total profit is negatively affected by:

- **The pork prices were 9% lower** compared to 2017, accounting to EUR 5m less turnover.
- **Salary levels in Romania increased significantly.** Starting from 2017 the minimum salaries and hourly rates is increased by more than 30% in Romania led by public salary raises.
- **Start-up of new production facilities (BraSib)** continued in 2018 and has had, like in 2017, an overall negative influence on approx. EUR 1.1m before tax.
- **Multiple outbreaks of African Swine Fever (ASF) in Romania** in the 2nd half of 2018, especially among backyard pig population, severely disrupted our production flow as well as our sales channels. Except for a small rented farm, there were no outbreaks on any of our farms. Despite primarily suffering from indirect losses due to ASF-related restrictions, the total loss is estimated to EUR 5.2m before tax.
- **Fair value adjustment of herd** has had a negative influence on approx. EUR 2.2m compared to EUR 0.9m in 2017.

The total profit did not reach a satisfactory level for the group, yet it can be considered reasonable under the conditions presented above. The liquidity reserves in the Group are, as per 31/12 2018, at a satisfactory level.

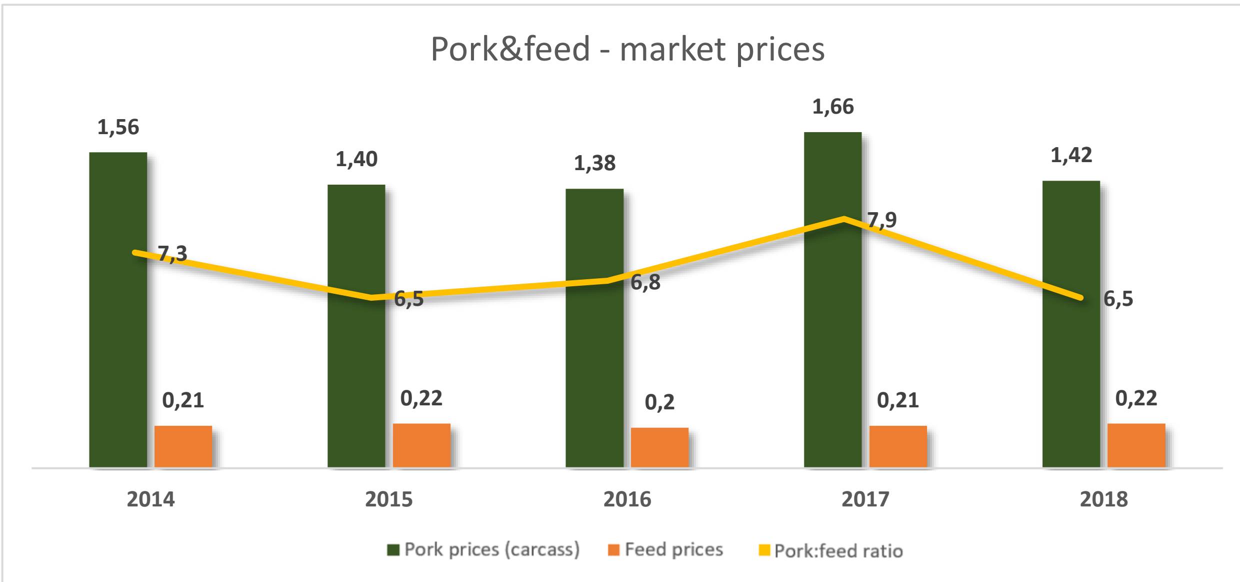
In general, the Group manages two business areas in Romania from which pig production is significantly the largest.

	Consolidated total		Pig production Romania		Crop production Romania	
EUR '000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total income	63,857	67,464	62,466	65,484	1,405	1,972
EBITDA w o fair value adjust. Biological assets	12,739	24,815	11,947	23,525	654	1,165
EBIT	4,185	18,572	3,641	17,553	406	895
Interim profit beore tax	**1,444**	**15,175**	**1,041**	**14,376**	**272**	**681**



Pork prices are 9% lower, as compared to 2017

The pork prices in Romania, as well as in Europe, reached a below average level. Increased production, in most of the pig producing countries, combined with a slightly lower demand from China maintains the prices lower than expected. The 9% price decrease registered in Romania is a smaller drop than on most markets, proving again the competitiveness of the Romanian market.



Feed prices have been very stable at a level equivalent to previous years. This combined with the realized pork selling prices have generated an exchange ratio between pork and feed of 6.5. This lower price ratio, as compared to 2017, led to a decrease in profit before tax of EUR 6.5m in 2018. The fluctuations in commodity prices underline the industry's high exposure to the global price ratio of meat and cereals.

Tendency of market prices in Romania		**2014**	**2015**	**2016**	**2017**	**2018**
Pork Prices (carcass)	EUR/kg	1,56	1,40	1,38	1,66	1,42
Feed Prices	EUR/kg	0,21	0,22	0,20	0,21	0,22
Exchange ratio pork:feed		**7,3**	**6,5**	**6,8**	**7,9**	**6,5**

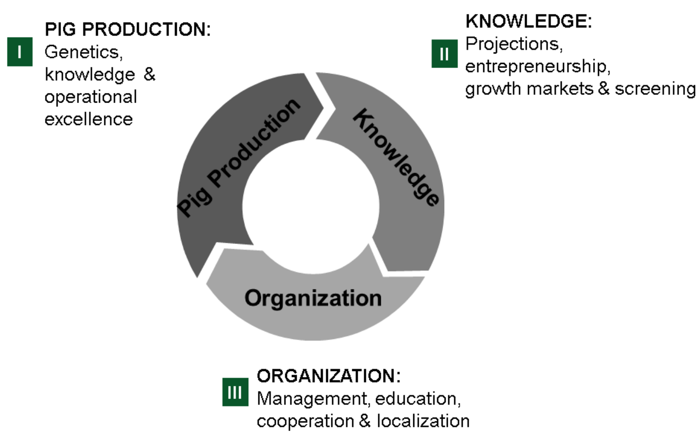
Note: *The table show realized prices from the subsidiaries in Romania as an annual average.*

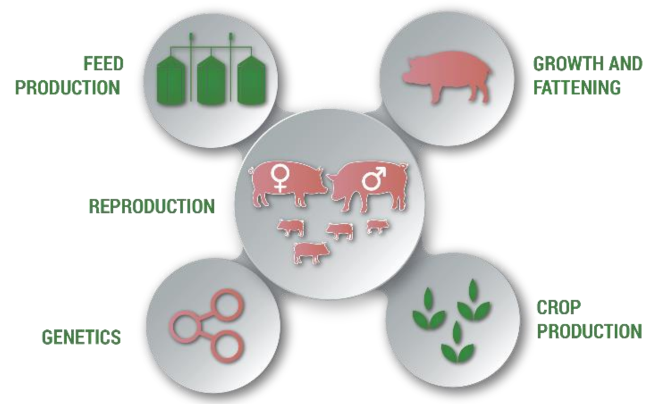
Company overview

Main activity

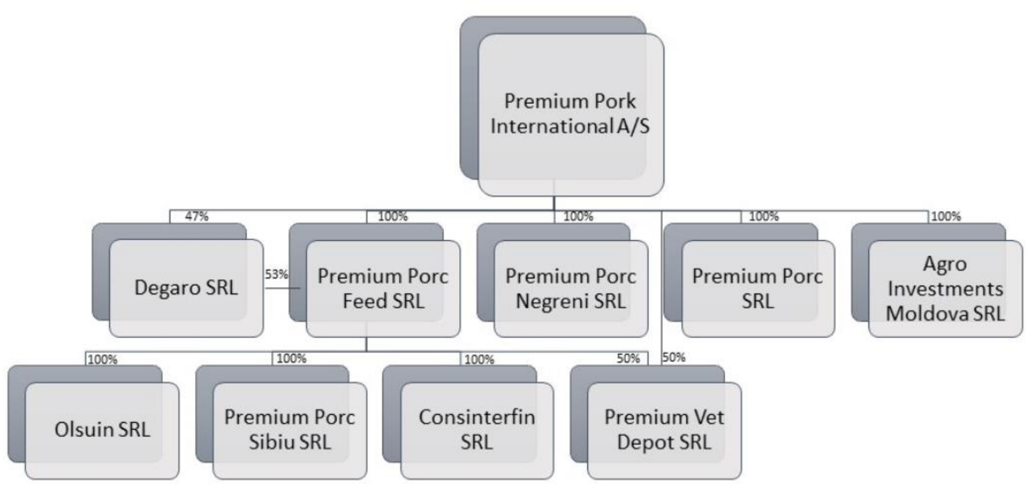
As in previous years the main activity has been to operate pig production, focusing on sales of finishers through subsidiaries in Romania. The group manages all activities related to pig production, having all required production divisions: reproduction and genetics, maternity and finisher barns. As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

Core competencies





Corporate Structure (As is from December 31st, 2018:)



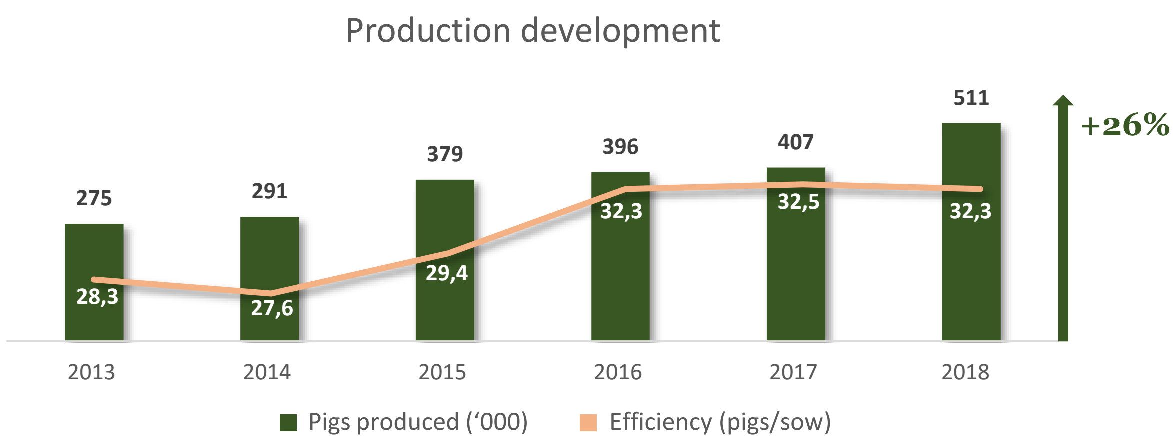
Note: All subsidiaries are **100% controlled** and are all **100% owned directly or indirectly** by Premium Pork International A/S.

Production overview

Production increased by 26%

The production capacity, measured in herd of sows, increased with 39% due to the start-up of the new sow farm in Braila county. This expansion resulted in a 26% increase of total number of pigs produced and in an increase in the commercial herd, that has not materialized in increased sales yet. The total number of sold pigs increased approx. with 12%.

Productivity, measured on produced pigs/sow per year, is maintained relatively on the same level as in the previous years. Start-up of new production facilities temporarily influence the efficiency improvements negatively. But disturbance of the production flow due to ASF (see below) has had an even bigger negative impact. Considering this, maintaining the high efficiency level is well within what can be expected.



Facts about the pig production		2016	2017	2018	Diff. '17 to '18
Number of sows end of year	heads	12.269	12.510	17.427	39%
Weaned piglets per avg. sow	heads	34,0	34,2	34,1	0%
Produced pigs per avg. sow ***)**	heads	32,3	32,5	32,3	-1%
Sold slaughterpigs	heads	383.936	396.445	393.712	-1%
Sold weaners	heads	14.743	6.900	59.096	756%
Produced pigs total	heads	395.318	406.702	511.111	26%
Weight produced pigs	tons	40.275	44.593	48.779	9%

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

The production highly affected by African Swine Fever in Romania

Romania has registered a significant number of outbreaks of African Swine Fever (ASF) since the beginning of June 2018. We have increased the biosecurity to a very high level on all our farms, well exceeding industry standards. Except for one outbreak in a small rented farm, none of our farms have been infected. Nevertheless, the indirect impact on our operations has been huge due to the measures taken by the authorities in order to control and eradicate the virus. Several of our farms, including all our sow farms, are located in areas with transport and market restrictions, due to those measures, thus preventing us from maintaining our normal production flow.

The accumulated losses registered by our group, caused by ASF in Romania are estimated to approx. €5.2m.

The outbreak in the rented farm represents only a very small fraction of this loss. In case of herds getting infected the authorities order the herd to be culled and compensated by the authorities. Our own farms are additionally secured from a financial perspective, through insurance.

The impact caused by restriction zones are not compensated neither by the authorities nor by the insurance. These indirect losses can be split the following components:

1. Lower sale prices due to special handling of pigs from ASF areas and, in some cases, thermal treatment of the pigs from restriction zones;
2. Lost production potential due to selling weaners from restriction zones instead of fattening them for slaughter on our farms located in non-ASF areas
3. Special items: Extra costs to compensate for disrupted production flows. This category includes extra feed, rental of additional barns, extra work and a variety of additional costs for veterinarians, consultants etc.

EUR -5.2m by end of 2018

Romania supports pig welfare

We have applied for and received grants to improve animal welfare in pig production, based on the Romanian support scheme. The grant we applied for in the year has been recognized in total income by EUR 5.1m. This represents 80% of the total amount applied for, given the risk assessment on the payment. Payment is expected at the end of the 1st quarter of 2019. The amount applied for in 2018 is approx. half of the equivalent of 2017, due to a significant reduction in the support scheme.

In 2018 we have received payments of EUR 11.0m for animal welfare support, comprising of mainly 2017 and partly 2016. This represents EUR 2.8m more than allocated by the end of 2017. In total, payments for welfare subsidies of EUR 8.0m are booked in 2018.

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

EUR 8.0m booked in 2018

Revised herd valuation

The market prices of biological assets, primarily the pig herd, have followed the fluctuations in the pork prices. The market values showed the usually seasonal pattern with a high level during the summer, but below the levels registered in 2017 throughout the year. Consequently, biological assets are decreased by EUR 2.2m compared to the equivalent, if prices of 31.12.2017 were to be used. EUR 0.7m of the total decrease is caused by ASF-restriction zones applicable on specific farms. The adjustment is in line with international accounting principles, which are considered to provide a more accurate description of the company activities and financial position.

Sales patterns changed due to ASF

Sales of slaughter pigs are still characterized by many small slaughter houses with different level of financial capabilities. In 2018 we registered a few losses and made provisions on debtors among customers for EUR 0.5m. The ability to pay from a customer previously set aside on, has developed satisfactory and what's left of the previous years' provision have been reversed.

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

Yields very low due to drought

Crop production was heavily influenced by a dry and hot summer with very little rain. The yields are below budget for all crops, with especially low yields for the spring crops, corn and sunflower. Unfortunately, as the drought continued throughout the fall and affected the establishment of the winter crops, the outlook for 2019 is expected to be negatively affected.

Overall, 2018 was a challenging year for production due to both ASF as well as launching the new farms.

Although impacted, production and efficiency were maintained within reasonable expectations.

Production management was performed to the best extent possible, in the given conditions.

Property overview

Over EUR 16m invested in 2018 - BraSib project almost completed

Overall, the investments in 2018 reached approximately EUR 16.5m including the reproduction herd. The BraSib project received the biggest amount, reaching approx. EUR 11.9m out of the total investments. The remaining BraSib budget, approx. EUR 3.0m, will be invested in H1 2019, primarily in the new feed factory in Sibiu county. Among other projects, of higher relevance are also the ongoing construction of the new site for the crop division and the acquisition of farm machinery and manure management equipment. All investments are in line with budget and time schedule.

EUR 0.4m profit from sales of farmland

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

Properties revalued by EUR 0.6m

A valuation review has been performed on the properties owned by the subsidiary Consinterfin SRL. The valuation reviews are the basis for property tax payments and resulted in a total financial revaluation of EUR 0.6 mil. The revaluation after tax is allocated to other comprehensive income included in the equity and has no impact on the result for the year.

Litigations overview

Litigations for repayment of grants

The pending cases of claims for recovery of various grants with a total of EUR 1,592k have been reduced from three cases to one since the two minor cases have been ruled in favor of the company after two court rulings. The larger dispute has been appointed to a higher court from the start and was addressed starting with December 2015. An unfavorable ruling for the company was given in February 2016. Our Romanian lawyers and legal advisors assessed that we still have a good legal position. As such, the court decision was appealed at the Supreme Court. The Supreme Court decided in our favor in January 2019 to return the case for retrial at the first court.

For that reason, we have chosen not to expense the amount. During 2017 we did pay the amount to the tax authorities in order to avoid pledge on the tangible assets although we consider the amount paid as a receivable.

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

Litigations for relocation of Negreni farm

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

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

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

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

Based on this, we have chosen not to make any provisions as we don't expect to encounter any losses due to this case. The case is described in detail in Note 2.

Organization overview

Organizational investments

After structuring and expanding the organization in recent years, the company has reached a very good competence profile to improve the production results and expand the company even further. Focus is still on employee development, education and, in general, on improving competencies within all organizational levels. For that reason, considerable expenses are each year allocated for this purpose which is considered to bring value to the company both in the short- as well as in the long run.

The activities of the Romanian subsidiaries are administered by the local management team, with the aim of releasing resources for continuous corporate growth.

Corporate Social Responsibility

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

CSR is a focus area for Premium Pork International A/S and has due to this launched a policy for this area. The main pillars of our CSR action and policies regard: animal welfare, environment, human and labour rights, anti-corruption and community development. The complete CSR report is public and can be downloaded at the company's website: www.dchi.dk

We strive constantly to better care for the environment in everything we do and recognize the need to protect natural resources for the benefit of future generations.

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

In Romania sponsorships are concluded with local schools and hospitals, and the Group continuously participates on behalf of other projects that improve the living conditions in the surrounding villages.

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

Policy for the under-represented gender

Board of Directors:

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

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

Other management levels:

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

We will continue to maintain focus on people development and on conducting business responsibly, with respect towards our employees, animal welfare, the environment and the local communities!

Anticipated development

Anticipated development

The pork market is expected to improve in 2019. The average price for 2019 is expected to be 4-7 % higher than 2018. Three factors, demand from China, ASF development in Europe as well as Brexit, make the predictions for the development of the European market for pork more uncertain than ever. Although worst case can lead to lower pork prices than expected, we do see the upsides as being more likely, especially based on China's increasing demand due to the shutdown of production following the huge challenges China has with ASF.

The expansion of the production through the BraSib project, was, as noted, completed during 2018. 2019 will be the first year with full production capacity and will have a positive impact as compared to 2018.

We expect ASF restrictions also to impact our production flow negatively in 2019 – but significant improvements are expected!

It's of a high importance for our industry that the ASF situation is being controlled. We support the actions of the authorities and the need to maintain the restrictions for a longer period. Although we, in Romania, do notice more clarity in the procedures from the authorities as well as a better control of the ASF in general, we do expect that ASF will be present in Romania for several years to come.

During 2H 2018 we had to modify our production flow due to ASF with the negative impact on our financial results already described. The measures taken in 2018 prepared us for the future and made our production flow more resilient towards the restrictions zones we'll meet also in 2019. We expect the negative financial impact for 2019 to be much lower than in 2018.

Subsidies for animal welfare continue

The new program for improving animal welfare was approved in 2018 covering 2019 and 2020 as well. Even if the new program is significantly reduced in financial value, we still see it as an important factor for the future development of the industry in Romania as well as for the Group. We find it of great importance that the program is now approved for an extended period, in order to avoid uncertainties and have a proper horizon for planning.

We expect a higher profit in 2019 but still negatively impacted by ASF

As stated above we believe pork prices will improve in 2019 and restrictions due to ASF eventually will have less financial impact. The profit for 2019 is expected to reach a more reasonable level compared to 2018 although not close to 2017.

Consolidated Financial Statements

Contents

Consolidated Income Statement

	Note	2018 EUR '000	2017 EUR '000
Revenue	3	57.585	58.509
Grants and other income	4	8.398	9.815
Value adjustment, biological assets	5	-2.125	-861
Total Income		**63.857**	**67.464**
Direct costs		-30.368	-25.236
Other external costs		-14.127	-12.592
Gross profit		**19.362**	**29.636**
Staff expenses	6	-7.815	-5.681
Special items	7	-933	0
Depreciation	8	-6.429	-5.382
Operating profit (EBIT)		**4.185**	**18.572**
Financial income	9	5	1
Financial expenses	10	-2.745	-3.399
Profit before tax		**1.444**	**15.175**
Tax on profit for the year	11	-334	-2.517
Net profit for the year		**1.111**	**12.657**
Distribution of profit for the year:			
Group Shareholders		1.111	12.657
Distributed		**1.111**	**12.657**

Consolidated Statement of Comprehensive Income

	2018 **EUR '000**	2017 EUR '000
Net profit for the year	1.111	12.657
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments of foreign enterprises	49	-453
Hedge accounting	-234	22
Items that may not be reclassified subsequently to profit or loss		
Revaluation of land, buildings, leasehold improvements and plant and machinery	479	2.161
Total comprehensive income	**1.405**	**14.388**
Distribution of total comprehensive income		
Group shareholders	1.405	14.388
	1.405	**14.388**

Consolidated Statement of Financial Position

Assets	Note	31/12 2018 EUR '000	31/12 2017 EUR '000
Acquired rights	12	310	404
Intangible fixed assets in total		**310**	**404**
Land and buildings	13	62.850	57.325
Plant and machinery	13	18.284	15.485
Operating equipment	13	3.051	2.517
Property, plant and equipment in progress	13	9.269	9.563
Property, plant and equipment		**93.454**	**84.890**
Non-current investments	15	72	623
Fixed asset investments		**72**	**623**
Biological assets, Breeding herd	14	8.485	7.631
Biological assets		**8.485**	**7.631**
Non-current assets		**102.321**	**93.548**
Biological assets, Commercial herd	14	12.595	11.609
Biological assets, Crop production	14	509	676
Inventories	16	5.569	8.932
Biological assets and inventories		**18.673**	**21.217**
Trade receivables	17	7.853	7.015
Other receivables	17	11.928	13.904
Receivables shareholder	21	210	0
Prepayments		2.652	1.755
Receivables		**22.643**	**22.674**
Assets classified as held for sale	18	967	1.282
Cash and cash equivalents		10.419	10.465
Total current assets		**52.701**	**55.637**
Total Assets		**155.021**	**149.185**

Consolidated Statement of Financial Position

Equity and liabilities	Note	31/12 2018 EUR '000	31/12 2017 EUR '000
Share Capital	19	690	690
Reserve for exchange adjustments		0	-1.159
Asset revaluation surplus		5.550	5.071
Retained earnings		65.888	66.121
Equity		**72.128**	**70.723**
Provision for deferred tax	20	1.949	2.708
Credit institutions	21	37.949	28.514
Shareholder loan	21	3.500	4.700
Deferred income	22	1.874	2.095
Other non-current liabilities	21	349	546
Long-term liabilities		**45.621**	**38.563**
Short term portion, credit institutions	21	27.084	28.987
Trade payables		8.234	7.668
Interest bearing payables to shareholders	21	0	1.944
Other liabilities	23	1.867	1.232
Short-term liabilities		**37.186**	**39.831**
Liabilities associated with assets held for sale	18	86	68
Total liabilities		**82.893**	**78.462**
Total Equity and Liabilities		**155.021**	**149.185**

Consolidated Statement of Changes in Equity

EUR '000	Share Capital	Asset revaluation surplus	Reserve for exchange adjustment	Retained earnings	Total Equity
Equity at January 1, 2017	**690**	**2.910**	**-706**	**53.441**	**56.334**
Net profit/loss for the year	0	0	0	12.657	12.657
Other comprehensive income	0	2.161	-453	22	1.731
Comprehensive income for the year 2017	**0**	**2.161**	**-453**	**12.680**	**14.388**
Transfer other reserves to retained earnings	0	0	0	0	0
Equity December 31, 2017	**690**	**5.071**	**-1.159**	**66.120**	**70.723**
Net profit/loss for the year	0	0	0	1.111	1.111
Other comprehensive income	0	479	49	-234	295
Comprehensive income for the year 2018	**0**	**479**	**49**	**877**	**1.405**
Transfer other reserves to retained earnings	0	0	1.110	-1.110	0
Equity December 31, 2018	**690**	**5.550**	**0**	**65.887**	**72.128**

Consolidated Cash Flow Statement

	Note	2018 EUR '000	2017 EUR '000
Operating profit/loss (EBIT)		4.185	18.572
Adjustment for non-cash items:			
Depreciations		6.802	6.023
Value adjustment, biological assets	5	2.125	861
Change in commercial herd	14	-2.601	-1.551
Change in inventories incl. crops in progress		3.535	-3.331
Change in receivables		222	-5.740
Change in trade payables etc.		880	1.796
Cash flow from operations before financial items		15.147	16.630
Financial income received	9	5	1
Financial expenses paid		-2.745	-1.983
Corporation taxes paid		-1.023	-3.258
Cash flow from operating activities		**11.384**	**11.389**
Acquisition of intangible assets	12	-32	-443
Sale of intangible assets	12	0	37
Acquisitions of property, plant and equipment	13	-15.076	-22.256
Sale of property, plant and equipment	13	188	469
Acquisition of investments	15	0	-473
Sale of investments	15	551	0
Net disposal of assets held for sale	18	333	215
Acquisition of biological assets	14	-1.369	-1.382
Cash flow from investing activities		**-15.405**	**-23.833**
Proceeds from borrowings	21	15.030	20.659
Repayment of borrowings	21	-11.049	-4.904
Cash flow from financing activities		**3.981**	**15.755**
Change in cash and cash equivalents		**-41**	**3.311**
Cash and cash equivalents, start year		10.465	7.266
Exchange adjustments, begining cash		-6	-112
Cash and cash equivalents at December 31		**10.419**	**10.465**
Un-utilised short term facilities		4.064	6.545
Liquidity available at December 31		**14.482**	**17.010**

Notes to the Consolidated Financial Statements

Note 1: Significant accounting estimates and assessments in the group accounting policies

Impact of new accounting standards

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRS') issued by the International Accounting Standards Board (IASB) and IFRS endorsed by the European Union effective on or after 1 January 2018, it has been assessed that the application of these new IFRS have not had a material impact on the Consolidated Financial Statements in 2018, and the Group does not anticipate any significant impact on future periods from the adoption of these new IFRS.

New IFRS standards issued

IFRS 9

IASB has issued and the EU has adopted IFRS 9 'Financial Instruments' which is effective for annual periods beginning on or after 1 January 2019. IFRS 9 forms part of IASB's project to replace IAS 39, and with this new standard, classification and measurement of financial instruments as well as hedging requirements will be changed. Premium Pork International has implemented the standard for the financial year 2018, and the implementation did not have any material impact on the consolidated financial statements. Similarly, the implementation did not have any material impact on the impairment or classification of financial assets.

IFRS 15 Revenue from Contracts with Customers

The standard establishes a single comprehensive framework for revenue recognition. The implementation of IFRS 15 has not had any material effect on the income statement or balance sheet and the related key ratios in the consolidated financial statements.

The standard was implemented using the modified retrospective method. The group made use of the relief from restating comparative figures and applied IFRS 15 only to contracts that were not completed as of January 1, 2018.

IFRS 16 Leases

IASB has issued IFRS 16 'Leasing' with effective date 1 January 2019. The standard will change accounting for leases, as it is to require capitalization of the Group's operational lease contracts. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of EUR 1.7 million.

A preliminary assessment indicates that EUR 0.5m of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognize a right-of-use asset of EUR 474k and a corresponding lease liability in respect of all these leases. The impact on profit or loss is to decrease Other expenses by EUR 211k, to increase depreciation by EUR 191k and to increase interest expense by EUR 20k.

The preliminary assessment indicates that EUR 1.2m of these arrangements relate to short-term leases and leases of low-value assets.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to increase the cash generated by operating activities by EUR 191k and to increase net cash used in financing activities by the same amount.

Revaluation of fair value of property, plant and equipment

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

The revaluation process is based on qualified independent appraisers done according with International Valuation Standard 300. This standard considers as basis for evaluation IAS36 and IFRS13. Valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach. The valuation process and results for measurement are reviewed and approved by the Group's Management and by the Audit Committee at least once every year.

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

The total fair value of land, buildings, plant and machinery amounted to EUR 81.1 million at December 31st, 2018 (EUR 72.8 million at December 31st, 2017).

Fair value of biological assets

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

Biological assets are measured at fair value less selling costs.

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

Commercial herd:
Slaughter pigs (Finishers) above 50 kg are valued based on average sales prices for November-December on the local market less costs for reaching desired sales weight on approx. 110 kg. Finishers between 25-50 kg are valued as weaners with additions for added weight.

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

The valuation of piglets is based on official Danish quotes.

For herds in ASF-surveillance at the end of the year, the current sales prices for pigs sold for thermal treatment is used to determine the fair value.

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

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

Note 2 Contingent liabilities
Repayment claim Premium Porc SRL ("APIA case"):

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

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

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

Relocation of Negreni farm (Negreni neighbor cases):

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

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

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

Our legal advisors are preparing the necessary steps in order to make an extraordinary appeal of Mehediniti Tribunals decision. It's our advisors' opinion that we have several strong arguments for either having the decision annulled or revised.

As a secondary measure we filed in October 2018 a request for annulment of Order No. 119/2014. A trial date is set for February 2019. We believe we have good grounds to obtain the annulment of this Order, which could re-open the lost case.

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

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

	2018	2017
	EUR '000	EUR '000
3 Revenue		
Business areas:		
Pig production	56.605	56.889
Crop production	993	1.614
Other	758	838
	58.356	**59.341**
Intra-group trade between the business areas	*-772*	*-832*
	57.585	**58.509**
Geography:		
Romania	**57.585**	**58.509**
4 Grants and other income		
Animal Welfare Payments	7.990	9.507
EU hectare support	408	309
	8.398	**9.815**
5 Value adjustment, biological assets		
Value adjustments pigs	-2.129	-911
Value adjustments crop production	3	50
	-2.125	**-861**
6 Staff expenses		
Wages and salaries	7.471	5.270
Pension costs	9	101
Social contribution & other staff expenses	335	310
	7.815	**5.681**
Wages & salaries capitalized under fixed assets	0	0
	7.815	**5.681**
Remuneration to the Executive Board	499	512
Remuneration to the Board of Directors	0	0
Average number of employees	*445*	*335*

	2018	2017
	EUR '000	EUR '000
7 Special Items		
Costs incurred in connection with ASF restriction zones:		
Costs related to establish extra barn capacities in zones	131	0
Costs related to operation of blocked farms	560	0
Costs related to replace weaners zones	157	0
Costs related to handling and authority requirements	85	0
	933	**0**

Special Items is non recurrent costs related to restrictions imposed by the Authorities when our farms is placed in different ASF zones.

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

	2018	2017
Direct costs	608	0
Other external costs	192	0
Staff expenses	132	0
	933	**0**
8 Depreciation		
Intangible assets	126	108
Buildings	3.141	2.505
Plant and equipment	2.920	2.711
Vehicles and other machinery	835	698
Investment subsidy amortization	-220	-270
Loss or gain on asset sales	-373	-371
	6.429	**5.382**
9 Financial Income		
Interest financial institutions	5	1
	5	**1**
10 Financial Expenses		
Interest bank debt	1.592	1.295
Calculated interest leasing commitments	100	97
Interest shareholders loans	465	493
Other financial expenses	329	99
Exchange rate adjustment	260	1.416
	2.745	**3.399**

	2018 EUR '000	2017 EUR '000
11 Income Taxes		
Current tax	569	2.690
Tax Comprehensive Income	-91	-412
Adjustment of deferred tax	-143	238
	334	**2.517**
Tax on profit for the year is specified as follows:		
Calculated 22% tax on profit for the year before tax:	318	3.338
Tax effect of:		
Differences in tax rates in Romania (16%) compared with Denmark	-87	-910
Non-taxable income and expenses	103	89
	334	**2.517**
Effective tax rate for the year	23%	17%

12 Intangible assets

EUR '000	Acquired rights
Cost at January 1, 2017	300
Additions for the year	443
Disposals for the year	-37
Cost at December 31, 2017	**706**
Amortisation at January 1, 2017	194
Amortisation for the year	108
Amortisation at December 31, 2017	**302**
Carrying amount at December 31, 2017	**404**
Cost at January 1, 2018	706
Additions for the year	32
Disposals for the year	0
Cost at December 31, 2018	**738**
Amortisation at January 1, 2018	302
Amortisation for the year	126
Amortisation at December 31, 2018	**428**
Carrying amount at December 31, 2018	**310**

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

13 Tangible assets

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Property, plant and equipment in progress
Cost at January 1, 2017	49.237	25.785	3.740	2.482
Additions for the year	10.621	3.513	1.041	12.110
Disposals for the year	-368	-177	-318	-5.028
Cost at December 31, 2017	**59.490**	**29.121**	**4.463**	**9.563**
Apraisal at January 1, 2017	6.217	0	0	0
Apraisal increases	2.513	0	0	0
Apraisal increases at December 31, 2017	**8.730**	**0**	**0**	**0**
Amortisation at January 1, 2017	8.389	11.051	1.515	0
Amortisation for the year	2.505	2.711	698	0
Reversed depreciation on disposal	0	-126	-267	0
Amortisation at December 31, 2017	**10.894**	**13.636**	**1.946**	**0**
Carrying amount at December 31, 2017	**57.325**	**15.485**	**2.517**	**9.563**
Land which is not depreciated	4.380			
Assets under finance lease	208	1.538	1.163	0
Assets provided as security for debt	57.325	15.485	2.517	0

Revaluation of fair value of property, plant and equipment

The Group's land and buildings and plant and machinery are revaluated at fair value as described in note 1. The revaluation process is based on qualified independent appraisers, and valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

Revaluations are in the subsidiaries carried out every third year to ensure the carrying amounts does not differ materially from that which would be determined using fair value at the end of the reporting period. A valuation review has been performed in 2017 on the properties owned by Degaro SRL and Premium Porc Feed SRL. The valuation reviews resulted in a total financial revaluation of EUR 2.5m.

The Group had end of 2017 contractual obligations related to Property, plant and equipment in progress on EUR 6.5m.

13 Tangible assets continued

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Property, plant and equipment in progress
Cost at January 1, 2018	59.490	29.121	4.463	9.563
Additions for the year	8.265	5.715	1.390	12.090
Disposals for the year	-178	-287	-105	-12.384
Cost at December 31, 2018	**67.576**	**34.549**	**5.749**	**9.269**
Apraisal at January 1, 2018	8.730	0	0	0
Apraisal increases	570	0	0	0
Apraisal increases at December 31, 2018	**9.300**	**0**	**0**	**0**
Amortisation at January 1, 2018	10.894	13.636	1.946	0
Amortisation for the year	3.141	2.920	835	0
Reversed depreciation on disposal	-9	-291	-82	0
Amortisation at December 31, 2018	**14.027**	**16.265**	**2.698**	**0**
Carrying amount at December 31, 2018	**62.850**	**18.284**	**3.051**	**9.269**
Land which is not depreciated	4.454			
Assets under finance lease	120	889	1.866	0
Assets provided as security for debt	62.850	18.284	3.051	0

Revaluation of fair value of property, plant and equipment

The Group's land and buildings and plant and machinery are revaluated at fair value as described in note 1. The revaluation process is based on qualified independent appraisers, and valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

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

Contractual obligations related to Property, plant and equipment in progress is end of 2018 EUR 1.4m.

Net Carrying amounts without revaluations:

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

Net carrying amount Land and Buildings without revaluations, 2017	47.763
Net carrying amount Land and Buildings without revaluations, 2018	53.550

14 Biological assets

Commercial and breeding herd	**Commercial herd** EUR '000	**Breeding herd** EUR '000	**Total herd** EUR '000
Carrying amount at January 1, 2017	**10.818**	**6.399**	**17.217**
Movements 2017:			
Gains/losses from fair value changes	-760	-151	-911
Additions from production	54.347	903	55.250
Additions from purchases	1.986	1.218	3.204
Disposals from sales	-54.140	-1.381	-55.520
Transfers between groups	-642	642	0
Carrying amount at December 31, 2017	**11.609**	**7.631**	**19.239**
Year-end stock (heads)	*187.205*	*21.650*	*208.855*
Finishers, weaners & sows sold during year (heads)	*378.747*	*7.368*	*386.115*
Biological assets provided as security ('000 EUR)	11.609	7.631	19.239
Movements 2018:			
Gains/losses from fair value changes	-1.614	-514	-2.129
Additions from production	53.742	1.657	55.399
Additions from purchases	1.408	161	1.569
Disposals from sales	-51.710	-1.289	-52.999
Transfers between groups	-839	839	0
Carrying amount at December 31, 2018	**12.595**	**8.485**	**21.080**
Year-end stock (heads)	*231.766*	*23.377*	*255.143*
Finishers, weaners & sows sold during year (heads)	*484.716*	*7.794*	*492.509*
Biological assets provided as security ('000 EUR)	12.595	8.485	21.080

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

Reference is made to note 1 for further details of fair value measurement of biological assets.

14 Biological assets (continued)

Crop production - work in progress	**2018 EUR '000**	2017 EUR '000
Carrying amount at begining	**676**	**467**
Gains/losses from fair value changes	3	50
Additions (field expenses) for the year	959	1.576
Disposals from harvesting	-1.129	-1.405
Exchange adjustments	-1	-12
Carrying amount at December 31	**509**	**676**
Total number of harvested hectares during year	*1.720*	*1.796*
Number of cultivated hectares end of year	*950*	*1.271*

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

All biological assets are measured at fair value. All of these fair values are placed at level 3 in the fair value hierarchy as significant estimates are applied – please refer to note 1. The Groups financial department is responsible for performing the valuation of fair value measurements including level 3 fair values of biological assets. Valuation model includes market inputs from official prices and actual own sales prices on local market. The valuation process and results for measurement are reviewed and approved by Group Management and the Audit Committee at least once every year.

	2018 EUR '000	2017 EUR '000
15 Non-current investments		
Deposits / other financial assets	72	623
Cost at December 31	**72**	**623**
16 Inventories		
Rawmaterials for feed	3.066	6.489
Other Consumables	1.764	1.760
Finished goods (Agriculture produce, feed a.o.)	738	684
Total inventories	**5.569**	**8.932**
Cost of sales recognized in profit or loss (feed)	30.977	25.236
Inventories provided as security ('000 EUR)	5.569	8.932

No write-down has been made on inventories.

	2018 EUR '000	2017 EUR '000
17 Receiveables		
Trade receiveables	9.060	7.700
Bad debt provision	-1.207	-686
Trade receiveables, net	**7.853**	**7.015**
Receiveable from public grants	5.624	8.569
Other receiveables	6.849	5.968
Bad debt provision	-545	-633
Other receiveables, net	**11.928**	**13.904**
Write down, beginning of year	1.318	1.216
Exchange adjustments	-1	-31
Additions for the year	527	298
Disposals for the year	-93	-165
Write-down at December 31	**1.752**	**1.318**
18 Assets held for sale		
Land and buildings	967	1.282
Other liabilities	-86	-68
Cost at December 31	**881**	**1.214**

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

19 Share Capital

The share capital comprises the following share classes:

	2018	2017
A-shares:		
Number beginning	690.000	690.000
Capital increase	0	0
Number at December 31	**690.000**	**690.000**

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

20 Provision for deferred taxes

	2018	2017
Provision at begining of year	2.708	2.323
Adjustment for the year	-235	-174
Adjustment on equity	-524	559
Provision for deferred tax December 31	**1.949**	**2.708**

21 Interest bearing debt

EUR '000	Payable after 5 years	Payable between 2 and 5 years	Payable within 1 year	**Total**
Debt at December 31, 2017				
Credit institutions, non-current:	4.868	23.646	5.819	**34.333**
Other non-current debt:	0	546	147	**693**
Subordinated loans	0	4.700	400	**5.100**
Other payables to shareholder	0	0	1.544	**1.544**
Credit institutions, current:	0	0	23.021	**23.021**
	4.868	**28.892**	**30.931**	**64.691**
Debt at December 31, 2018				
Credit institutions, non-current:	10.640	27.308	6.925	**44.874**
Other non-current debt:	0	349	197	**546**
Subordinated loans	0	3.500	0	**3.500**
Other payables to shareholder	0	0	-210	**-210**
Credit institutions, current:	0	0	19.962	**19.962**
	10.640	**31.158**	**26.874**	**68.672**

Cash flow from financing activities

			Non-cash changes		
	1/1 2018	**Cash flows**	**Foreign exchange movement**	**Fair value changes**	**31/12 2018**
Credit institutions, non-current:	34.333	10.541	0	0	44.874
Other non-current debt:	693	-146	-1	0	546
Subordinated loans	5.100	-1.600	0	0	3.500
Other payables to shareholder	1.544	-1.754	0	0	-210
Credit institutions, current:	23.021	-3.053	-6	0	19.962
Total liabilities from financing activities	**64.691**	**3.988**	**-7**	**0**	**68.672**

22 Deferred Income

	2018 EUR '000	2017 EUR '000
Investments subsidies beginning	2.095	2.365
New investment subsidies received	0	0
Amortization of investments subsidies	-220	-270
	1.875	**2.095**

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

23 Other liabilities

	2018	2017
Employee related payables	440	219
Other payables	1.427	1.013
	1.867	**1.232**

Note 24: Financial risks

Capital management

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

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

Total capital comprises equity and subordinate loan capital from the Parent company; as shown in the consolidated balance sheet.

Market risk

The Group's credit facilities are floating-rate credits, which exposes the Group to interest rate fluctuations. According to Group policy, all financing of working capital and investments in fixed assets are made on floating-rate terms. An interest hedging of approx. 18 % of the debt has been concluded via the same banks providing the underlying long-term facility. The interest hedge fixes the interest for 5 year on 50% of the new investment loan covering BraSib project. Additional 5 % of the debt is with fixed interest rate.

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

	Total outstanding ('000 EUR)		Interest binding period in Months	Avg. effective interest in %
Loans with fixed interest	**2017**	**2018**		
EUR	7.086	15.290	12-72	3-6%
RON	693	546	up to 36	0%
DKK	0	0		
	7.779	**15.836**		
Loans with variable interest				
EUR	49.725	45.649	1-6	3%
RON	6.844	6.844	1-6	3%
DKK	343	343	1	4%
	56.912	**52.836**		

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

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

The Group is exposed to interest rate risks, as loans are primarily with variable interests except for the smaller part with fixed interests described above. A reasonable possible change in interest rates at 31.12.2018 would not have any material effect on income statement or equity.

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

A change of the pig meat price of 10% will, on an isolated basis, affect profit for the year before tax by approximately EUR 5.2 million (2017: approx. EUR 5.5 million). A 10% change in the feed price will, on an isolated basis, affect profit for the year before tax by approximately EUR 2.9 million (2017: approx. EUR 2.5 million).

Credit risk

The Group is exposed to credit risks on receivables. The Group positively wants to minimize its credit risks, which mainly relates to sales transactions. Credit insurance is taken out in advance on more than 90% of the normal sales of slaughter pigs. Due to changes in the sales (thermal treatment and weaner sales) caused by ASF trade restrictions the credit exposure is significantly increased. Credit insurance covers only approx. 50% of the total receivables end of 2018.

Outstanding receivables are followed-up upon on a current basis in accordance with Group procedures. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

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

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

Maturity analysis for debt is stated in Note 21, to which reference is made. The maturity analysis is disclosed according to category and class broken down on maturity period. All amounts are excluding future interest payments.

EUR '000	Due above 5 years	Due Between 2 and 5 years	Due within 1 year	**Total Carrying amount**
Receivables at December 31, 2017				
Trade receivables	0	19	6.363	**6.382**
Other receivables	0	0	14.537	**14.537**
Prepayments	168	771	816	**1.755**
	168	**790**	**21.716**	**22.674**
Receivables at December 31, 2018				
Trade receivables	0	0	7.853	**7.853**
Other receivables	0	0	11.928	**11.928**
Prepayments	0	1.467	1.185	**2.652**
	0	**1.467**	**20.966**	**22.433**

Note 25: Contingent Obligations

The Group has obligations on future rental of office space, production buildings, farmland and future leases of vehicles for a total of EUR 1.7m by December 31, 2018 (EUR 0.7m at December 31, 2017).

Obligation of repayment regarding SOP subvention in the Romanian subsidiaries of EUR 1.7m; in case the operation of feedmill owned by the subsidiary Degaro SRL ceases prior March 2019.

Note 26: Related Parties and ownership

Controlling Interest	Base for influence
DCH International A/S, Dannevirkevej 6, 7000 Fredericia	Parent Company

DCH International A/S's shareholders are legal and natural persons, and no individual shareholder exercises control of the Group's activities.

Other related parties

Lars V. Drescher	CEO
Morten Beider	CFO
Torben Svejgaard	Chairman of the Board of Directors
Carsten Lind Pedersen	Member of the Board of Directors
Ole Sloth Nielsen	Member of the Board of Directors
Jytte Rosenmaj	Member of the Board of Directors
Bo Holse	Member of the Board of Directors

Transactions	2018 EUR '000	2017 EUR '000
The Group has obtained a subordinate loan from the Parent Company:		
Outstanding amount at Year-end:	3.500	5.100
Interest for the year amounts to:	294	327
Other interest bearing debt and intercompany amounts from the Parent Company:		
Outstanding amount at Year-end:	-210	1.544
Financial expenses for the year amounts to:	171	398
The Group has leased equipment and received management and other services from the Parent Company:		
Salaries and other expenses amounts to:	289	529
The Group has provided services for the Parent Company:	-13	-17

Remuneration of the Executive Board and the Board of Directors is specified in note 6.

Intercompany transactions have been eliminated in accordance with the accounting policies. All transactions have taken place on arm's length basis.

27 Fees paid to auditors appointed by the General Assembly

	2018	2017
Fees for statutory audits	80	78
Other Services	53	141
	133	**219**

Audit fee are recognized as administrative costs

Note 28: Post balance sheet events

There have been no significant post balance sheet events.

Note 29: Accounting Policies

Classification

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

Recognition and measurement

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

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

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

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

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

Consolidated financial statement

The annual report include Premium Pork International A/S (Parent) and the enterprises (group enterprises) that are controlled by the Parent, see group chart on page 8. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

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

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

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

Business Combinations

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

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

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

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

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

Foreign currency translation

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

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

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

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

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

The Group used the following exchange rates for the translation into EUR at 31 December 2018:

RON: Income statement 2017: exchange rate: 4.653 (income statement 2017: 4.568)

DKK: Income statement 2017: exchange rate: 7.453 (income statement 2017: 7.445)

Derivative financial instruments

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

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

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

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

Income statement

Revenue

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

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

Fair value adjustment biological assets

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

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

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

Other external expenses

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

Staff costs

Staff costs comprise salaries and wages, social security costs, pension contributions, etc. for the Company's staff.

Amortization, depreciation and impairment losses

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

Financial income and expenses

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

Tax

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

Balance Sheet

Intangible assets

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

Property, plant and equipment

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

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

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

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

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

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

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

Biological assets

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

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

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

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

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

Investments in subsidiaries

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

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

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

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

Inventories

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

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

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

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

Receivables

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

Prepayments

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

Lease commitments

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

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

Other financial liabilities

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

Deferred income

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

Cash

Cash comprises bank deposits.

Deferred tax

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

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

Income tax receivable or payable

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

Cash flow statement

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

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

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

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

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

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

Parent Financial Statements

Contents

Parent Income Statement

	Note	2018 EUR '000	2017 EUR '000
Revenue	**30**	**1.496**	**1.611**
Other external costs		-526	-588
Gross profit		**970**	**1.023**
Staff Expenses	32	-892	-1.094
Depreciation		0	0
Operating profit (EBIT)		**78**	**-71**
Income from investments in subsidiaries		1.138	12.733
Financial income	33	363	398
Financial expenses	34	-475	-423
Profit before tax		**1.103**	**12.636**
Tax on profit for the year	35	8	22
Net profit for the year		**1.111**	**12.657**
Distribution of profit for the year:			
Group Shareholders		1.111	12.657
Distributed		**1.111**	**12.657**

Parent Statement of Comprehensive Income

	2018 EUR '000	2017 EUR '000
Net profit for the year	1.111	12.657
Items that may be reclassified subsequently to profit or loss		
Exchange adjustments of foreign enterprises	49	-453
Hedge accounting	-234	22
Items that may not be reclassified subsequently to profit or loss		
Value adjustments in subsidiaries	479	2.161
Total comprehensive income	**1.405**	**14.388**

Parent Statement of Financial Position

		31/12 2018	31/12 2017
Assets	**Note**	**EUR '000**	EUR '000
Operating equipment		0	0
Property, plant and equipment		**0**	**0**
Investments in subsidiaries	36	72.451	71.021
Loan to subsidiaries	37	3.500	5.100
Other non-current investments		7	4
Fixed asset investments		**75.958**	**76.125**
Non-current assets		**75.958**	**76.125**
Receiveables from group companies	37	628	1.231
Other receiveables		28	35
Deferred tax assets		29	22
Receiveables		**684**	**1.288**
Cash and cash equivalents		**9**	**335**
Current assets		**694**	**1.623**
Total Assets		**76.652**	**77.747**
Equity and liabilities	**Note**	**EUR '000**	EUR '000
Share capital	19	690	690
Reserve for net revaluation according to the equity method		26.556	25.124
Retained earnings		44.882	44.910
Equity		**72.128**	**70.723**
Subordinate loan capital	38	3.500	5.100
Long-term liabilities		**3.500**	**5.100**
Credit institutions		807	622
Trade payables		92	91
Interest bearing payables to group enterprise		0	986
Other payables	39	125	224
Short-term liabilities		**1.024**	**1.924**
Total liabilities		**4.524**	**7.024**
Total Equity and Liabilities		**76.652**	**77.747**

Parent Statement of Changes in Equity

EUR '000	Share Capital	Reserve for net revaluation according to the equity method	Retained earnings	Total Equity
Contributed at formation January 1, 2017	**690**	**10.660**	**44.985**	**56.334**
Net profit/loss for the year	0	12.733	-76	12.657
O. comprehensive income	0	1.731	0	1.731
Equity at December 31, 2017	**690**	**25.124**	**44.909**	**70.723**
Net profit/loss for the year	0	1.138	-27	1.111
Other comprehensive income	0	295	0	295
Equity at December 31, 2018	**690**	**26.556**	**44.882**	**72.128**

Parent Cash Flow Statement

	Note	2018 EUR '000	2017 EUR '000
Operating profit/loss (EBIT)		78	-71
Adjustment for non-cash items:			
Change in receivables		611	-1.213
Change in trade and other payables		-99	47
Change in interest bearing payables group enterprise		-986	-27
Cash flow from operations before financial items		-395	-1.264
Financial income received		363	398
Financial expenses paid		-475	-427
Corporation taxes paid		0	0
Cash flow from operating activities		**-508**	**-1.293**
Acquisitions of tangible assets		0	0
Issuence of loans to subsidiaries		0	0
Repayment of loans from subsidiaries		1.600	1.400
Payments deposits/other financial assets		-3	-4
Cash flow from investing activities		**1.597**	**1.396**
Proceeds from borrowings		185	622
Repayment of borrowings		-1.600	-400
Cash flow from financing activities		**-1.415**	**222**
Change in cash and cash equivalents		**-326**	**325**
Cash and cash equivalents, start year		335	11
Cash and cash equivalents at December 31		**9**	**335**
Un-utilised short term facilities		64	385
Liquidity available at December 31		**73**	**721**

Notes to the Parent Financial Statements

	2018 EUR '000	2017 EUR '000
30 Revenue		
Management services	855	903
Secondment	299	362
Other	342	346
	1.496	**1.611**
31 Fees paid to auditors appointed by the General Assembly		
Fees for statutory audits	26	22
Other Services	12	12
	38	**34**
Audit fee are recognized as administrative costs		
32 Staff expenses		
Wages and salaries	892	1.094
	892	**1.094**
Average number of employees	*7*	*8*

Reference is made to note 6 for infomation about remuneration to the Executive Board and Board of Directors.

	2018 EUR '000	2017 EUR '000
33 Income from investments in subsidiaries		
Premium Porc SRL	-277	1.524
Consinterfin SRL, owned by Premium Porc Feed SRL	275	2.434
Agro Investments Moldova SRL	254	467
Premium Porc Negreni SRL	2.124	3.346
Premium Porc Feed SRL	169	74
Degaro SRL, owned partly by Premium Porc Feed SRL	989	5.380
Olsuin SRL, owned by Premium Porc Feed SRL	-945	-267
Premium Porc Sibiu SRL, owned by Premium Porc Feed SRL	-1.499	-255
Premium Vet Depot SRL, owned partly by Premium Porc	47	30
	1.138	**12.733**

		2018	2017
		EUR '000	EUR '000
34 Financial Expenses			
Interest bank debt		26	11
Interest on loans from shareholders		438	409
Exchange rate adjustment		12	3
		475	**423**
35 Income Taxes			
Adjustment of deferred tax		-8	-22
		-8	**-22**
36 Investment in subsidiaries			
Cost beginning of year		45.890	45.890
Additions for the year		0	0
Cost end of period		**45.890**	**45.890**
Apraisal increases at beginning		25.132	10.660
Result for the period in subsidiaries		1.138	12.733
Exchange adjustments in subsidiaries		46	-445
Appraisal of subsidiaries		479	2.161
Hedging in subsidiaries		-234	22
Appraisal increases at end of period		**26.561**	**25.132**
Carrying amount at end of period		**72.451**	**71.022**
The carrying amount of investments in subdiaries i specified as follows:	**Ownership interest in %**		
Premium Porc SRL	100	35.298	35.515
Consinterfin SRL	100	2.688	1.997
Agro Investments Moldova SRL	100	4.582	4.367
Premium Porc Negreni SRL	100	10.732	8.626
Premium Porc Feed SRL	100	7.569	7.364
Degaro SRL	100	14.679	13.788
Olsuin SRL	100	-1.288	-396
Premium Porc Sibiu SRL	100	-1.866	-253
Premium Vet Depot SRL	100	57	13
		72.451	**71.021**

All subsidiaries are registered in Romania.

	2018 EUR '000	2017 EUR '000
37 Loans and receiveables, subsidiaries		
Subordinated loan to Premium Porc Feed SRL	2.900	4.500
Subordinated loan to Premium Porc Negreni SRL	600	600
Total loan to subsidiaries subordinated	**3.500**	**5.100**
Other receivables Premium Porc SRL	28	222
Other receivables Agro Investments Moldova SRL	0	69
Other receivables Premium Porc Feed SRL	21	385
Other loans & receivables Premium Porc Negreni SRL	4	215
Other receivables Degaro SRL	2	235
Other receivables Consinterfin SRL	27	104
Other receivables Premium Porc Sibiu SRL	1	0
Other receivables Olsuin SRL	59	0
Total receivables from subsidiaries	**142**	**1.231**
Total loans and receiveables, subsidiaries	**3.642**	**6.331**
38 Subordinate Loan Capital		
Payable after 5 years	2.700	3.100
Payable between 2 and 5 years	800	1.600
Long term debt	**3.500**	**4.700**
Short term debt	0	400
	3.500	**5.100**
The subordinated loan carries an interest on approx. 6% p.a.		
39 Other liabilities		
Employee related payables	122	200
Other payables	3	24
	125	**224**

Note 40: Financial risks

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

Note 41: Assets charged and securities

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

Note 42: Guarantees and other contingent liabilities

The parent has made a corporate guarantee for subsidiaries debt to credit institutions. The guarantee is limited to EUR 71.4m. The actual debt was EUR 60.3m end of year.

The Entity guarantee for the Parent Company's debt to Nordea Denmark if any. The actual debt was EUR 0 end of year.

The Entity participates in a Danish joint taxation arrangement in which DCH International A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2016 for income taxes etc. for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Entity has obligations on future rental of office space for a total of EUR 7k by December 31, 2018 (EUR 7k at December 31, 2017).

Note 43: Related parties

DCH International A/S owns all shares in the Company and thus exercises control based on this.

Details on related parties and ownership are stated in the Notes to the Consolidated Financial Statements, to which reference is made.

Transactions

All transactions have taken place on an arm's length basis.

Transactions between the company and the subsidiaries:	**2018** **EUR '000**	2017 EUR '000
The subsidiaries have obtained subordinate loans from the Company:		
Outstanding amount at Year-end:	3.500	5.100
Interest for the year amounts to:	294	327
Other interest bearing debt and intercompany amounts from the Company:		
Outstanding amount at Year-end:	142	1.231
Financial expenses for the year amounts to:	68	71
The subsidiaries have received management and secondment services as long as other services from the Company:		
Management and secondment services amounts to:	1.154	1.265
O. services or reinvoiced costs from the Company to subsidiaries:	342	346

Reference is made to Note 26 (Note to the Consolidated Financial Statements) for details of the Groups transactions with the Parent Company.

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Growing in Romania

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