ANNUAL REPORT 2023/24

ESS-FOOD A/S
Vesterbrogade 4 A, 2., 1620 Copenhagen V
CVR no. 73 59 93 18

Approved at the general meeting on 29 November 2024

Frederik Ørnekoll Kristoffersen
Chair of the meeting

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STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

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

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

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

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

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

Copenhagen, 21 November 2024
Executive Management

Morten Jørn Holm CEO	Henrik Knage Nielsen CFO

Board of Directors

Niels Duedahl Chair	Andreas Møballe	Casper Albæk

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ESS-FOOD A/S

Opinion

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

We have audited the Financial Statements of ESS-FOOD A/S for the financial year 1 October 2023 to 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Hellerup, 21 November 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Tue Stensgård Sørensen State Authorised Public Accountant mne32200	Mette Buskbjerg Gade State Authorised Public Accountant mne47828

MANAGEMENT'S REVIEW

Company information

Company details	ESS-FOOD A/S Vesterbrogade 4 A, 2. 1620 København V Website: www.ess-food.com E-mail: ess-food@ess-food.com Phone: +45 4346 9000 CVR no.: 73 59 93 18 Established: 2 April 1984 Financial year: 1 October – 30 September Municipality: Copenhagen
Board of Directors	Niels Duedahl, Chair Andreas Møballe Casper Albæk
Executive Management	Morten Jørn Holm, CEO Henrik Knage Nielsen, CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial highlights

DKKt	2023/24	2022/23	2021/22	2020/21	2019/20
Revenue	6,098,928	5,767,584	5,282,418	4,497,740	4,471,227
Operating profit	69,597	67,134	66,746	68,746	54,814
Result from financial items	-30,215	-27,607	-13,753	-13,920	-57,134
Profit for the year	30,296	30,853	41,916	41,818	-11,515
Balance sheet total	979,767	945,392	947,137	712,264	508,995
Investments in property, plant and equipment	0	0	121	0	322
Equity	144,461	140,339	136,720	124,464	85,462
Average number of employees	143	144	142	134	138
Key figures					
EBIT margin	1.1%	1.2%	1.3%	1.5%	1.2%
Return on equity	21.3%	22.3%	32.1%	39.8%	-12.7%
Solvency ratio	14.7%	14.8%	14.4%	17.5%	16.8%

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

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

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

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

MANAGEMENT'S REVIEW

Business review

The firm's primary activity is global trade of food products.

Financial review

In the financial year 2023/24, the revenue amounted to DKK 6,099 million against DKK 5,768 million last year. The revenue is higher than the expectation for 2023/24.

Generally, global market conditions for trading within meat proteins has been rather volatile and turbulent during this financial year.

As far as the global pork market is concerned, there has been a continued significant presence of African swine fever in several different global regions. In China production of pigs has continued to recover from African swine fever, and the number of pigs for the domestic market has increased significantly in recent years, why the need for import of pork meat has decreased.

Furthermore, the reduction in the numbers of pigs in the EU, has challenged trading conditions.

Inflation and relatively high interest rates also meant, that trading with meat proteins became more difficult.

Despite the unusual conditions of the market, a satisfactory result was still achieved through a dedicated effort from the employees and a strong focus on finding the right markets and partners and not least which trades we wanted to facilitate.

The EBIT result amounted to DKK 69.6 million against DKK 67.1 million last year and thus the EBIT result is slightly above last year and higher than the expectation for 2023/24.

Outlook

The expectations for the coming financial year are positive. This despite an outlook where we will continue to see African swine fever, and likely outbreaks of bird flu. Also, the ongoing war in Ukraine as well as the situation in Israel/the Middle East is likely to continue to affect trading conditions negatively.

Activity and EBIT result is expected to be on the same level as the current year.

Special risks

Currency risk

Due to trading with customers worldwide, the company is exposed to various currencies. To mitigate these currency risks, the company has a fixed policy for hedging. The hedging policy includes, among other things, the use of forward contracts.

Interest rate risk

The company's interest-bearing debt has variable interest rates. No interest rate instruments have been used to hedge interest rate risks.

MANAGEMENT'S REVIEW

Statement on corporate social responsibility

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

Report on the gender composition of Management

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

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

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

The company's target figure for the proportion of underrepresented gender on the Board of Directors is 40%. The proportion of underrepresented gender on the board currently amounts to nil in three, or 0%, which do not meet the set target figure nor the recommended target figure from the Danish Business Authority. In 2023/24, the board's focus was on business operation, therefore no actions were taken to improve diversity on management levels.

In 2023/24, the proportion of underrepresented gender-managers in upper management in ESS-FOOD has been reduced from 37% to 36%, and is thus below the group's increased set target of 40%. Going forward, ESS-FOOD will continue to actively contribute to achieving the group's target for the proportion of underrepresented gender in the upper management level, by implementing the actions set out in the Diversity, Equity and Inclusion Policy.

	2023/24
Board of Directors	
Total number of members	3
Underrepresented gender, %	0%
Target figure, %	40%
Year for achievement of target figure	2030
Upper management	
Total number of members	11
Underrepresented gender, %	36%
Target figure, %	40%
Year for achievement of target figure	2030

Statement on data ethics policy

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

INCOME STATEMENT
1 October - 30 September

DKKt	Note	2023/24	2022/23
Revenue	1	6,098,928	5,767,584
Production costs		-5,877,189	-5,554,686
Gross profit		**221,739**	**212,898**
Distribution costs	3,4	-98,981	-96,124
Administration costs	2,3,4	-53,161	-49,640
Operating profit (EBIT)		**69,597**	**67,134**
Income from investments in subsidiaries	11	-1,629	549
Financial income	5	14,028	9,496
Financial costs	6	-42,614	-37,652
Profit before tax		**39,382**	**39,527**
Tax on profit for the year	7	-9,086	-8,674
Profit for the year		**30,296**	**30,853**

BALANCE SHEET – ASSETS
30 September

DKKt	Note	30.09.2024	30.09.2023
Other fixtures and fittings, tools and equipment	9	67	99
Lease assets	10	4,989	4,059
Property, plant and equipment		**5,056**	**4,158**
Equity investments in subsidiaries	11	4,441	6,296
Investments		**4,441**	**6,296**
Fixed assets		**9,497**	**10,454**
Inventories		**23,032**	**18,203**
Trade receivables		916,398	818,771
Receivables from group enterprises		7,604	75,565
Receivables from participating interests		0	138
Deferred tax assets	12	6,931	6,296
Other receivables		15,477	15,411
Receivables		**946,410**	**916,181**
Cash		828	554
Non-fixed assets		**970,270**	**934,938**
Total assets		**979,767**	**945,392**

BALANCE SHEET – EQUITY AND LIABILITIES
30 September

DKKt	Note	30.09.2024	30.09.2023
Share capital	13	7,000	7,000
Retained earnings		112,461	108,339
Proposed dividend		25,000	25,000
Equity		**144,461**	**140,339**
Other provisions	14	22,716	22,928
Provisions		**22,716**	**22,928**
Bank debt	15	36,118	32,736
Lease debt	15	1,087	1,259
Non-current liabilities		**37,205**	**33,995**
Lease debt	15	3,798	2,693
Trade payables		336,915	303,503
Payables to group enterprises		369,424	347,935
Payables to participating interests		0	247
Corporation tax payable		9,718	9,400
Other payables		55,530	84,352
Current liabilities		**775,385**	**748,130**
Total liabilities other than provisions		**812,590**	**782,125**
Total equity and liabilities		**979,767**	**945,392**

Proposed distribution of profit	8
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STATEMENT OF CHANGES IN EQUITY
30 September

DKKt	Share capital	Retained earnings	Proposed dividend	Total
Equity at 01.10.2023	7,000	108,339	25,000	140,339
Paid out dividends	0	0	-25,000	-25,000
Foreign currency translation adjustments	0	-1,174	0	-1,174
Profit for the year	0	5,296	25,000	30,296
Equity at 30.09.2024	**7,000**	**112,461**	**25,000**	**144,461**

NOTES

Note 1 Revenue

DKKt	2023/24	2022/23
Revenue distributed by markets		
Denmark	75,264	48,546
Other EU-countries	1,541,501	1,392,450
Other European countries	150,574	194,572
Other countries	4,331,589	4,132,016
	6,098,928	**5,767,584**
Revenue distributed by activities		
Pork	3,823,717	3,708,989
Beef	288,731	263,247
Others	1,986,480	1,795,348
	6,098,928	**5,767,584**

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

In accordance with section 96(3) of the Danish Financial Statements Act, the company has not disclosed the fee for the auditor elected at the general meeting, as the company's financial statements are fully consolidated into the financial statements of Leverandørselskabet Danish Crown AmbA.

Note 3 Staff costs

DKKt	2023/24	2022/23
Salaries and wages	87,530	85,408
Pensions	5,941	5,514
Other social security costs	2,473	2,576
	95,944	**93,498**
Staff cost are distributed as follows:		
Distribution costs	79,330	77,186
Administration costs	16,614	16,312
	95,944	**93,498**
Of which:		
Remuneration for the Board of Directors	385	
Remuneration for the Executive Management	6,127	
	6,512	**5,604**
Average no. of employees	143	144

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

The management is covered by a short-term bonus program based on annual performance. Additionally, certain members of the management are covered by a long-term bonus program based on long-term value-creation targets at the group level.

NOTES

Note 4 Depreciation, amortisation and impairment

DKKt	2023/24	2022/23
Depreciation of property, plan and equipment	32	74
Depreciation of lease assets	4,768	4,583
	4,800	**4,657**
Depreciation and impairment are distributed as follows:		
Distribution costs	1,871	1,793
Administration costs	2,929	2,864
	4,800	**4,657**

Note 5 Financial income

DKKt	2023/24	2022/23
Group enterprises	13,998	9,453
Other interest	30	43
	14,028	**9,496**

Note 6 Financial costs

DKKt	2023/24	2022/23
Group enterprises	39,588	34,933
Interest, lease debt	118	100
Other interest	2,908	2,619
	42,614	**37,652**

Note 7 Tax on profit for the year

DKKt	2023/24	2022/23
Current tax	9,718	9,400
Change in deferred tax	-635	-730
Adjustment concerning previous years	3	4
	9,086	**8,674**

NOTES

Note 8 Proposed distribution of profit

DKKt	2023/24	2022/23
Proposed dividend	25,000	25,000
Retained earnings	5,296	5,853
	30,296	**30,853**

Note 9 Property, plant and equipment

DKKt	Other fixtures and fittings, tools and equipment
Cost at 01.10.2023	1,436
Cost at 30.09.2024	**1,436**
Depreciation and impairment at 01.10.2023	-1,337
Depreciation and impairment for the year	-32
Depreciation and impairment at 30.09.2024	**-1,369**
Carrying amount at 30.09.2024	**67**

Note 10 Lease assets

DKKt	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 01.10.2023	13,150	3,472	16,622
Additions	4,411	1,458	5,869
Disposals	-834	-549	-1,383
Cost at 30.09.2024	**16,727**	**4,381**	**21,108**
Depreciation and impairment at 01.10.2023	-10,827	-1,736	-12,563
Depreciation and impairment for the year	-3,524	-1,244	-4,768
Depreciation and impairment on sold assets	663	549	1,212
Depreciation and impairment at 30.09.2024	**-13,688**	**-2,431**	**-16,119**
Carrying amount at 30.09.2024	**3,039**	**1,950**	**4,989**

Lease debt is disclosed in note 15.

NOTES

Note 11 Investments

DKKt	Equity investments in subsidiaries
Cost at 01.10.2023	37,373
Cost at 30.09.2024	**37,373**
Value adjustments at 01.10.2023	-31,077
Foreign currency translation adjustments	-1,174
Share of net profit	-1,629
Investments with negative equity value transferred to provisions for liabilities	948
Value adjustments at 30.09.2024	**-32,932**
Carrying amount at 30.09.2024	**4,441**

Equity investments in subsidiaries includes:

Name	Domicile	Ownership-%
Overberg Food Distributors Proprietary Ltd.	South Africa	100
ESS-FOOD, Brazil Ltda.	Brazil	100
ESSFU Food (Shanghai) Company Ltd.	China	80

Note 12 Deferred tax assets

DKKt	2023/24	2022/23
Property, plant and equipment	987	-124
Non-fixed assets	-626	84
Current liabilities	-7,292	-6,256
	-6,931	**-6,296**
Movements of the year		
Deferred tax at 01.10.2023	-6,296	-5,526
Changes in respect of previous years	0	-40
Recognised in the income statement	-635	-730
Deferred tax at 30.09.2024	**-6,931**	**-6,296**

Note 13 Share capital

The share capital consists of 7,000 shares with a nominal value of DKK 1,000 each, totalling DKK 7,000 thousand. No shares have any special rights. There have been no changes in the share capital over the past five years.

NOTES

Note 14 Other provisions

DKKt	2023/24	2022/23
Provisions regarding subsidiaries	13,573	13,062
Other provisions	9,143	9,866
	22,716	**22,928**

Note 15 Non-current liabilities

DKKt	Within 1 year	Between 1 and 5 years	After 5 years	Total
Bank debt	0	36,118	0	36,118
Lease debt	3,798	1,087	0	4,885
	3,798	**37,205**	**0**	**41,003**

Note 16 Financial instruments

As part of securing recognised and unrecognised transactions, the company uses hedging instruments such as forward exchange contracts.

Recognised transactions
Hedging of recognised transactions primarily includes receivables and payables.

DKKt	Receivables	Sales orders	Liabilities	Hereof hedged by foward contracts	Herof hedged by loan and bank overdrafts	Net position
EUR	202,537	180,710	-406,936	0	-40,189	16,500
GBP	0	0	-5,810	0	-6,235	425
JPY	841	1,684	0	0	0	2,525
SEK	0	5,881	-221	0	6,210	-550
USD	676,238	567,093	-696,523	0	540,447	6,361
Other	36,447	32,834	-8,731	6,195	52,365	1,990
	916,063	**788,202**	**-1,118,221**	**6,195**	**552,598**	**27,251**

Expected transactions
The company hedges expected currency risks related to sales of goods over a shorter time horizon using forward exchange contracts.

DKKt	Concratual value 2023/24	Contractual value 2022/23	Gain and loss recognised in the equity 2023/24	Gain and loss recognised in the equity 2022/23
Forward exchange contracts	6,178	13,401	0	0

NOTES

Note 17 Contingent liabilities

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

The company is jointly and severally liable with other group companies registered together for the total VAT obligation.

Note 18 Related parties

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

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

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

The company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions were carried out during the financial year.

NOTES

Note 19 Accounting policies

Reporting class

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

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

Reporting currency

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

Consolidated financial statements

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

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

Cash flow statement

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

Business combinations

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

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

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

Note 19 Accounting policies (continued)

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

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

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

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates applicable at the balance sheet date. Foreign exchange differences arising between the transaction date's exchange rate and the rate on the payment data, or the balance sheet date rate, are recognised in the income statement under net revenue along with hedging elements.

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

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

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at cost at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value on the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as hedges of the fair value of a recognised asset, a recognised liability or a firm commitment are recognised in the income statement together with changes in the value of the hedged item. Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as effective hedges of future

Note 19 Accounting policies (continued)

transactions are recognised directly in equity. The ineffective part is recognised immediately in the income statement. When the hedged transactions are realised, the cumulative changes are recognised as part of the cost of the transactions in question. Derivative financial instruments which do not qualify for hedge accounting are regarded as trading portfolios and measured at fair value with ongoing recognition of fair value adjustments under net financials in the income statement.

Tax

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

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

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

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

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

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

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

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

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

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Note 19 Accounting policies (continued)

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

Income statement

Revenue

Revenue is recognised in the income statement when transfer of risk to the buyer has taken place. The revenue is recognised less VAT, duties and discounts plus export refunds.

Production cost

Production costs comprises direct and indirect costs incurred to generate revenue. Production cost comprise costs for traded goods, transport and insurance of debtors.

Distribution cost

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

Administration cost

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

Income from investments in subsidiaries

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

Net financials

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

Balance Sheet

Property, plant and equipment

Other fixtures, operating equipment and inventory are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use.

The basis of depreciation is the cost of the asset less the residual value. The residual value is the amount expected to be obtained if the asset was sold today less selling costs if the asset already had the age and was

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Note 19 Accounting policies (continued)

in the condition that the asset is expected to be in at the end of its useful life. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

Other fixtures and fittings, tools and equipment:	5 years

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

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

Lease assets

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

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

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

The expected useful lives for lease assets are as follows:

Buildings:	1-10 years
Other fixtures and fittings, tools and equipment:	1-5 years

Impairment of property, plant and equipment

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

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

Note 19 Accounting policies (continued)

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

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

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

Equity investments in subsidiaries

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

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

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

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

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

Inventories

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

The cost of trading goods comprises the purchase price plus cost of transporting the goods to the place of business.

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

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Note 19 Accounting policies (continued)

Receivables

Receivables comprise trade receivables, intercompany balances and other receivables.

On initial recognition, receivables are measured at amortised cost, which usually corresponds to nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of the simplified expected credit loss model, according to which the expected credit loss over the lifetime of the asset is recognised immediately in the income statement based on a historical loss rate. To this is added any additional write-downs based on knowledge of the underlying customer relations and general market conditions.

Cash and cash equivalents

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

Equity

Reserve for net revaluation according to the equity method

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

Proposed dividends

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

Other provisions

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

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

For goods sold that are subject to a right of return, provisions are made to cover the profit on those goods which are expected to be returned and any costs relating to the returns. For planned restructurings of the group's activities, provisions are made only for liabilities concerning restructurings which had been decided at the balance sheet date.

Other provisions include expected losses from market-related risks as well as provisions related to equity investments include the negative equity in a subsidiary.

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Note 19 Accounting policies (continued)

Lease debt

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

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

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

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

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

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

Other financial liabilities

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

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial costs in the income statement over the loan period.

Fair value measurement

The fair value measurement is based on the primary market. If a primary market does not exist, the most advantageous market is used as the basis. This is the market that maximises the price of the asset or liability, net transaction and/or transportation costs. All assets and liabilities measured at fair value or for which fair value is disclosed, are categorised according to the fair value hierarchy, as described below:

- Quoted prices in an active market for identical instruments (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods according to which all significant inputs are based on observable market data (level 2).
- Valuation methods according to which any significant inputs are not based on observable market data (level 3).

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Note 19 Accounting policies (continued)

Derivatives financial instruments

Forward exchange contracts are valued using generally accepted valuation methods based on relevant observable swap rates and exchange rates.

The fair value of the derivative financial instruments is recognised under other payables/other receivables and set off against the foreign currency translation adjustments of the hedged assets and liabilities in the equity statement.