Danish Crown

Annual report 2020/21

We show the way towards sustainable food

Danish Crown has taken the reins to lead the way towards a more sustainable future for food. We do so together with our cooperative owners, who rear pigs and cattle which our employees process into tasty meals on dinner tables around the world. To them and to us, sustainability makes environmental sense, and it is also good for business.

The world needs less but better meat that is as sustainable as possible.
At Danish Crown, we work systematically to produce food for the future in a completely climate-neutral way. This is an ambitious goal, but we will achieve it – step by step.

Contents

Feeding the Future

In June 2021, we presented our new business strategy for 2021-26, Feeding the Future, which focuses on how we can feed the global population with sustainable food and add value from farm to fork.

Our business

Danish Crown is a global food company headquartered in Denmark. We are one of the world's largest exporters of pork and organic meat and among the top five producers of beef in Europe. We are owned by 5,620 Danish farmers and receive their pigs and cattle for slaughtering and further processing.

We also slaughter animals from farmers in Sweden, Germany and Poland. We sell fresh and processed meat via our various brands along with a series of by-products to customers in more than 130 countries. Strong customer relations ensure that products deriving from our farmers' livestock are sold at the highest prices on the global markets.

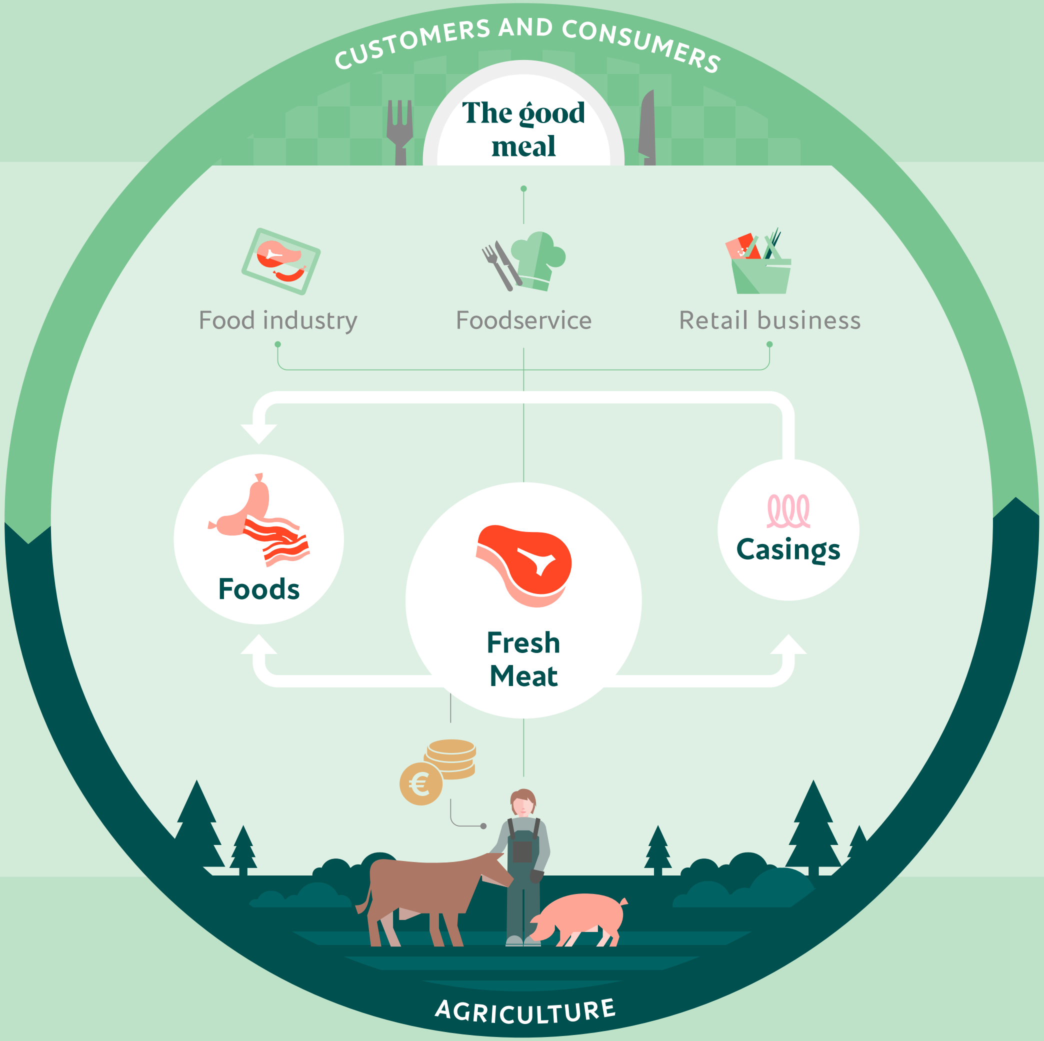
Foundation

Natural resources
Our food production is dependent on having large areas for agriculture, which makes use of the earth's natural resources, especially for the production of feed.

Technology and knowhow
Our production must be driven by ever cleaner technology and the latest knowledge to ensure sustainability, resource efficiency and high levels of food safety.

Qualified workforce
We are dependent on having a qualified workforce to run our business and develop innovative and sustainable food.

Ongoing dialogue with stakeholders
Dialogue with authorities and opinion formers is crucial if we are to secure good operating conditions for our business and make a positive contribution to society.



Value creation

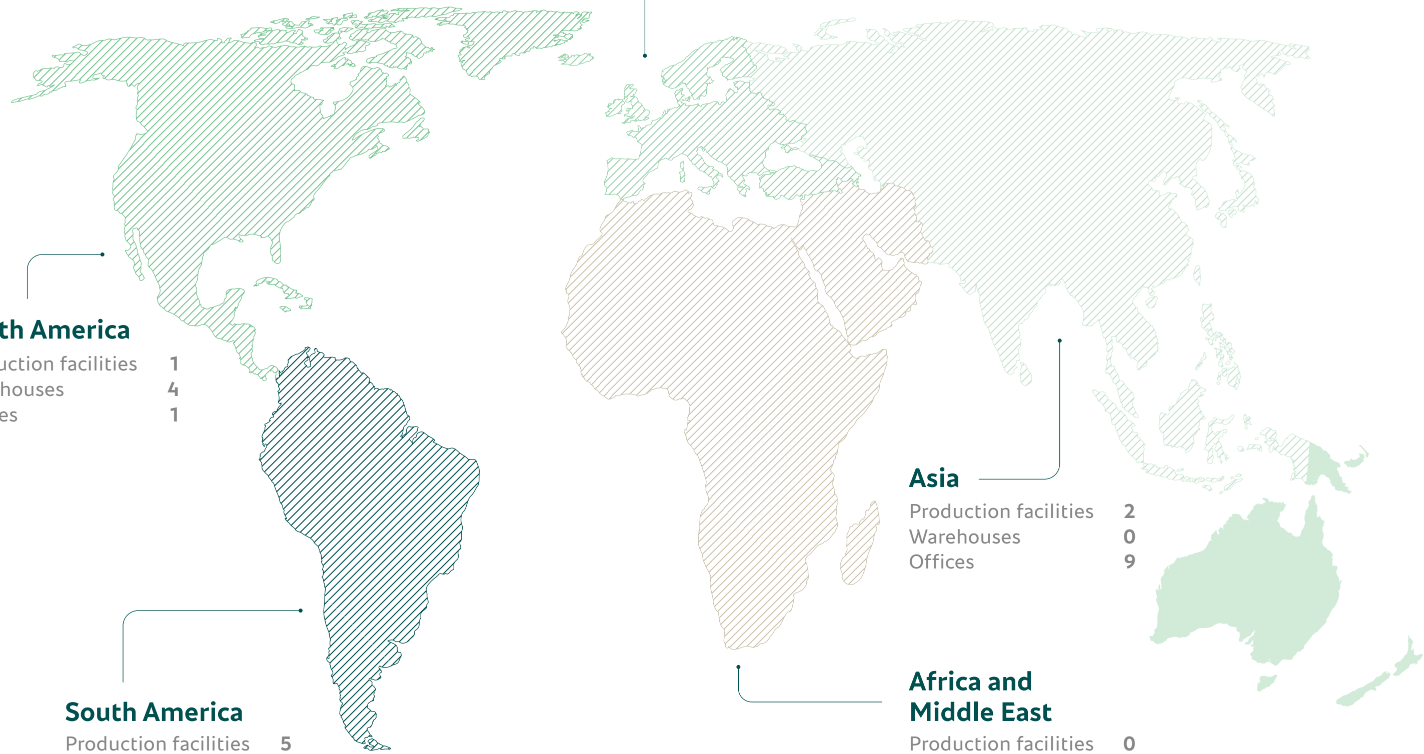
Fair payment for meat
Most of Danish Crown's earnings are paid back to our cooperative owners during the year through regular settlements and annual supplementary payments.

Meals for consumers
By maintaining high levels of supply security and food safety, we ensure millions of high-quality meals for consumers in most parts of the world.

Sustainability from farm to fork
We lead the way towards making food production sustainable and involve our entire value chain in the process.

Local workplaces
We create jobs both directly and indirectly around the world and contribute locally to upgrading the qualifications of our workforce.

Global organisation



Europe

Production facilities	81
Warehouses	36
Offices	24

North America

Production facilities	1
Warehouses	4
Offices	1

South America

Production facilities	5
Warehouses	0
Offices	3

Asia

Production facilities	2
Warehouses	0
Offices	9

Africa and Middle East

Production facilities	0
Warehouses	0
Offices	1

We have a total of 89 production facilities, 40 separate warehouses and 38 offices in 30 countries. The numbers cover own and leased facilities. Most of our approximately 26,600 employees work at the production facilities in Europe.

The largest business unit in Fresh Meat is Danish Crown Pork, which has pig abattoirs in Denmark and Germany and factories in the UK, France and China. Fresh Meat also comprises Danish Crown Beef, which has cattle abattoirs and factories in Denmark and Germany. Our trading business ESS-FOOD, which trades and distributes fresh and frozen food products in large parts of the world, is also a part of Fresh Meat.

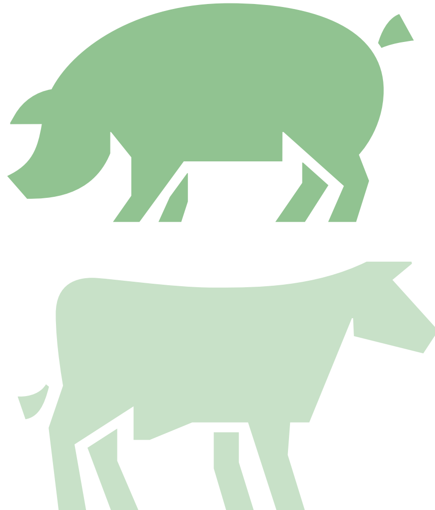
Foods covers Danish Crown Foods, which has factories in Denmark, the Netherlands, Germany and Sweden. Foods also comprises KLS Ugglarps, which has abattoirs and factories in Sweden, and the Polish activities in Sokołów, which slaughters pigs and cattle, processes fresh meat and produces a large number of processed meat products. Also included in Foods is Friland, selling organic beef and pork and Free Range Pork and Free Range Beef.

Casings consists of DAT-Schaub with activities in countries such as Denmark, Germany, Sweden, Poland, the UK, France, Spain, the USA, China and Brazil. DAT-Schaub also has sorting facilities in Portugal and China and heparin factories in Germany and the USA.

Slaughter animals

18.9 million
pigs and sows

0.8 million
cattle



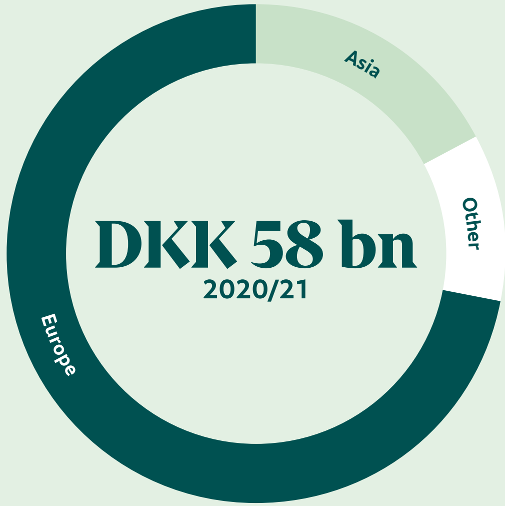
839,500

organic and free-range pigs and cattle as well as pigs raised without antibiotics

Financial highlights

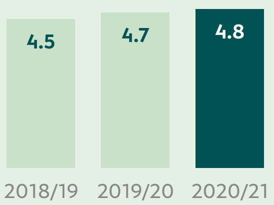
In 2020/21, we achieved and exceeded all of our financial targets in the 4WD strategy, which enable us to pay the highest supplementary payments during the strategy period.

Global revenue

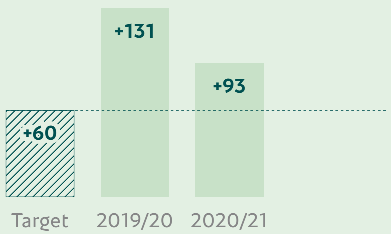


Per cent	DK	SE	PL	UK	Other Europe	Asia	Other
2018/19	10	11	14	9	28	17	11
2019/20	10	10	13	9	26	22	10
2020/21	11	11	12	9	27	18	12

EBIT
(%)

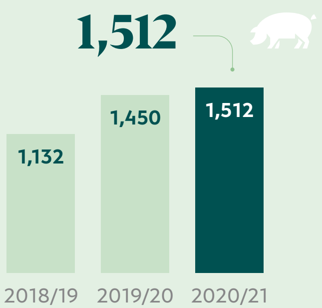


Difference to average EU index*
(DKK per kg)

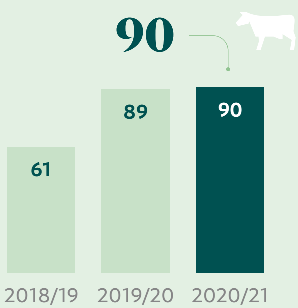


+DKK 0.60 per kg
Target

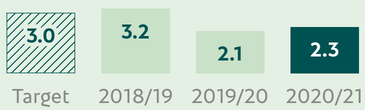
Supplementary payments for pigs
(DKKm)



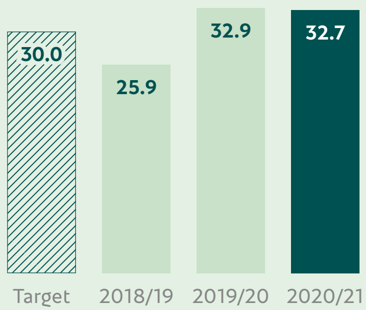
Supplementary payments for cattle
(DKKm)



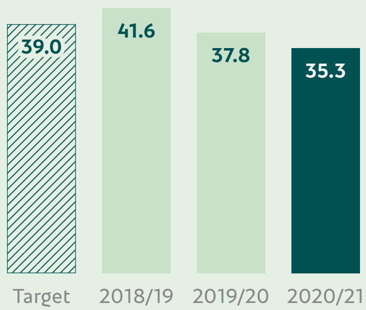
Financial gearing*



Solvency ratio*
(%)



Net working capital*
(days)



*The targets for Difference to average EU index (DKK/kg) and Solvency ratio (%) are minimum targets, and deliverables must be higher than the defined target.
The targets for Financial gearing and Net working capital (days) are maximum targets, and deliverables must be lower than the defined target.

A stronger and more focused business

In the past year, we once again delivered the best settlement prices for our cooperative owners when compared to an average for European countries. While I am pleased with that performance, declining pig prices over the course of the summer and towards the end of the year detract from an otherwise strong result.

When we launched the old strategy in 2016, I said: "The new strategy is to enable Danish Crown to increase future earnings – for the sake of the company's owners. Therefore we want a stronger, more profitable and focused company which, between now and 2021, will be able to pay settlement prices that are an additional DKK 0.60 per kg above the EU index." And that is exactly what the old strategy has delivered. We achieved our strategy target of +DKK 0.60, creating a whole new belief in the future among our cooperative owners.

We have now launched a new strategy, Feeding the Future, in which we cement the target of delivering DKK +0.60. We will invest in the future – at both farms and in production. Our ambition for the next strategy period is to consolidate the position we have built and become less dependent on single markets.

German export restrictions causing ripples throughout the pig sector

COVID-19 and African swine fever have caused great challenges for our entire sector. The outbreak of African swine fever in Germany and the country's resulting export restrictions have also had an impact on the Danish market. Many producers found it difficult to sell their weaners, and many of them opted to keep their pigs in Denmark, which led to more than a seven per cent increase in the number of pigs registered for slaughter with us. It is crucial for our production that the countries which have been hit by an outbreak of African swine fever manage to contain the disease. Since the initial outbreaks, attempts to control the spread of the disease have been unsuccessful, which in turn impacts on exports and, by extension, earnings in the pig sector.

The many challenges brought on by COVID-19 have added pressure on our business to maintain production while at the same time safeguarding our employees. During this extraordinary situation, it has been encouraging to observe how our employees have put in an extra effort to ensure that we were able to maintain a high level of service towards both our cooperative owners in Denmark and our suppliers in Sweden, Germany and Poland.

Beef market turned around

For cattle farmers, the year was the exact opposite to what their colleagues in the pig sector were experiencing. The year started off on a really sluggish note amid continuing lockdowns of the foodservice sector, which in particular had an impact on the market for beef and veal. Towards the end of the year, however, the gradual reopening of society fortunately brought economic recovery and the possibility of increasing settlement to our cattle owner suppliers. It was plain to see that many consumers had been longing to be able to dine out, and the reopening of the foodservice sector has had an impact. Many consumers are opting to buy local products, which has enabled Danish Crown Beef to sell more beef and veal products in the Danish market.

The best owners of Danish Crown

We are constantly working to develop our ownership of Danish Crown, and in the past year we focused on how we can remain the best owners of our jointly controlled company. This has yielded some fruitful discussions and highlighted the active ownership, roles and responsibilities with respect to how we contribute the right leadership and ensure the right capabilities on the Board of Directors and the Board of Representatives.

Meetings with cooperative owners

This year's meeting with our cooperative owners faced a challenge due to the COVID-19 pandemic. Our local district meetings during the winter period were held online with a chat function for asking questions. Likewise, two meetings of the Board of Representatives were held in a TV studio with a Q&A chat function. We encountered no technical issues and were able to hold fruitful meetings.

We must stand out

Our sustainability strategy, which we were one of the first in our sector to launch, has brought us a long way, and our sustainability efforts at the farms add value to climate and society and to our finances. Through sustainability efforts, Danish Crown aims to distinguish itself in the market.

This, in turn, places demands on us as cooperative owners and suppliers to the business, and it means we must do certain things in a different way than we are used to. Our mutual contract with society includes providing good jobs and continuing to reduce the climate footprint of our production from farm to fork as well as being able to supply our products to customers and consumers..

Erik Bredholt, Chairman

Checking into the future

Through the past five years of hard work on our previous strategy, we demonstrated that we can pool our resources to identify a profitable way forward in spite of market volatility and a pandemic. We have improved our competitive strength, consolidated our position as one of the leading food companies in Europe and are able to offer competitive settlement prices to our cooperative owners. We are in a good spot right now, and we must capitalise on this through our new strategy Feeding the Future, which we announced in June 2021.

The focus during our previous strategy period on our four domestic markets Denmark, Sweden, the UK and Poland and on our selected product categories once more helped us to gain market shares and strengthen our brands during the past year. Having performed strongly in the first eight months of 2020/21, our business was challenged towards the end of the year by slowing exports to China and a German market that was completely thrown off course due to African swine fever. This resulted in a sharp decrease in settlement to our pig-producing owners. On the one hand, our business has delivered generally competitive settlement prices for our cooperative owners, while settlement for pigs, on the other hand, have developed negatively due to the market situation, weighing on our owners' financial situation.

Strengthened market position

Our processed and our fresh food segments both came out stronger for the year. In processed food, the COVID-19-related lockdowns affected our sales of bacon and pizza toppings, but we managed to win new customers, which allowed us to generate growth in both categories. The market for canned products also grew strongly during the period. Preferences for local raw materials became more pronounced during the pandemic, resulting in growth in our core markets Denmark, Sweden and Poland. In the UK, Brexit is now a reality, and we are strengthening our organisation for the future. The post-pandemic re-opening of society has led to a gradual increase in demand for and prices of beef, even though volumes have not increased to the same extent.

In Poland, prices are under pressure due to oversupply of products from other European markets that are also hit by the slowdown in China. Our Swedish business holds a strong position, offering a broad range of products from fresh to processed goods. In the year, we strengthened our delicatessen and sausages business through a local acquisition.

DAT-Schaub, a global leader in its field, had another successful year with revenue growing by ten per cent. Post-acquisition, the acquired businesses have developed favourably and are contributing to our earnings improvement. ESS-FOOD was also affected by turbulent markets, African swine fever and COVID-19 lockdowns, but nevertheless delivered strong results, primarily driven by margin improvements in Asia, Europe and Africa.

In the year, we invested another record-high amount of almost DKK 2 billion as part of our strategy to remain a leader when it comes to production automation and technology.

COVID-19

Our employees helped secure the supply of food in a difficult period. While many office employees had to work from home, the main part of our production staff went to work at our factories, where they had to cope with restrictions, increased use of personal protective equipment, distance requirement and many rapid antigen tests. We have taken good care of each other and have successfully maintained a reliable supply of food for people all over the world during a time of crisis.

Our special responsibility

However, to succeed also for the long term, there is no doubt that, as a food producer, we must achieve our ambition of creating a more sustainable future for food. In the world around us – in Denmark and globally – sustainability requirements are becoming more and more demanding. Our climate communication is being challenged. Many people have an opinion about our business. Of course, that is how it should be, but we must also dare to have an opinion – and we do. I am proud of how much we have achieved on our sustainability agenda in such a relatively short period of time. We need to remind ourselves and each other that we are in fact well underway – also thanks to collaboration with external partners. This year, we commissioned comprehensive life cycle assessments of our products, and we signed up for the Science Based Targets initiative throughout our value chain.

Feeding the Future

There is no doubt that we are in a good place, and we must take advantage of that position. Among other things, our Feeding the Future strategy is about us wanting to move Danish Crown even closer to customers and consumers, while maintaining competitive settlement prices for our cooperative owners. We aim to strengthen our sales by pooling our efforts in the markets and creating more value in the individual products. If we can do that, we will also be able to pay our cooperative owners a price for their raw materials that will enable them to continue investing in further reducing the carbon footprint of their farms. Feeding the Future is an ambitious strategy, but we have a strong starting point through the support of our employees, cooperative owners, customers and business partners.

Jais Valeur, Group CEO

Strategy

Follow-up on 4WD | Feeding the Future | We invest in people

In the future, we must be able to feed the global population with sustainable food and add value all along the chain from farm to fork. By investing in new technology, sustainability and innovation, we intend to deliver on our promise to consumers and customers about supplying more sustainable food. This will also enable us to pay a higher price to our owners for their raw materials, so they can continue to invest and thereby reduce the carbon footprint of their farms. Our goal is not to produce more pigs, but rather to create more value from the raw materials supplied by our cooperative owners.

Higher earnings and stronger brands

Our 4WD strategy was focused on our domestic markets. After engaging the four-wheel drive function for five years, we have succeeded in getting closer to our consumers and customers and to deliver higher settlement prices to our cooperative owners.

Despite many challenges, our business has as a whole emerged stronger from the 2016-21 strategy period. First and foremost, we have delivered on our promise to our cooperative owners of obtaining a settlement price above the EU index, although things took a wrong turn initially. In addition, we have strengthened our brands – notably Danish Crown, Tulip and Sokołów – and our customer partnerships.

Through our 4WD strategy, we have overall taken a big step forward. In the past few years, our settlement prices have consistently been higher than those of our competitors. We have made divestments, acquisitions and streamlined our business. We have increased our presence among customers and consumers, conquered market shares in selected product categories and reaped synergies from bringing our group closer together.

Through our 4WD strategy, we focused our efforts on our domestic markets:

- In Denmark, we have seen decent growth in revenue and volumes, and we have managed to retain a strong position in more categories.
- In the Swedish market, we are a leading player in receiving slaughter animals, and we have strengthened and consolidated our position in food processing.
- In Poland, we strengthened our position with the integration of Gzella, which we acquired in 2018. In this market, we hold a strong position in pork and beef and through our own retail stores.
- In the UK market, we decided in 2019 to divest Tulip Ltd, but we still have comprehensive activities with a number of key customers.

Taking stock of the results achieved within the four main areas of the strategy, the following picture emerges:

Delivering DKK+0.60 per kg through a sustainable business

Building a united and well-functioning group

The goal was to convert decentralised business units into a strong group and exploit synergies.
Key results are:

- Major economies of scale in procurement across the group.
- Initial steps in the integration of the value chain for fresh products.
- Setting up a joint business service centre in Poland, which provides services for finance, IT and procurement departments across the group.

Building leading positions in Northern Europe

The goal was to establish Danish Crown as the leading food producer in Northern Europe.
Key results are:

- Danish Crown Foods: Strong revenue growth of four per cent per year, driven by one-third organic growth and two-thirds acquisitive growth
- Persistently strong growth in Sweden of seven per cent per annum and of six percent per annum in Poland driven by organic and acquisitive growth.

Becoming a value-creating partner for our customers

The goal was to create growth in the markets offering the greatest potential.
Key results are:

- Our value-generating, differentiated positions in Asia and the USA have been refined and consolidated.
- Our sustainability initiatives have helped generate value for our customers.
- DAT-Schaub has strengthened its global position.

Creating a consumer-driven food company

The goal was to consolidate the market for our prioritised European and international categories.
Key results are:

- Bacon (Europe): Recurrent growth of ten per cent* per annum and industry consolidation.
- Canned products (international): Stable growth and category growth of as much as 40 per cent in 2019/20 due to COVID-19.
- Pizza toppings: Strong annual growth of 13 per cent* driven by focus on largest customers.

* measured during the period 2017/18-2020/21, for which valid data are available.

Intensifying competition and green transition

The new strategy period from 2021-26 will be characterised by intensified competition, volatile markets and consumers setting a new agenda. It will be crucial that we can deliver on the green transition.

Feeding the Future
In June 2021, we launched our new strategy for 2021-26. The +DKK 0.60 target will stay in place for the next five years.

Work commences on an overall five-year strategy for the Danish Crown Group.

In November 2016, we launched our 4WD strategy with a target of delivering +DKK 0.60 per kg.

Intensifying competition
Over the past six to seven years, there has been a boom in the production of pork in Spain and in the USA, while it is decreasing in Germany and stagnant in Denmark. This underlines the need for us to create more value in our products all the way from farm to fork, that we utilise the benefits from being cooperatively held and that we continue the green transition.

Consumers setting a new agenda
The starting point for the next five-year period is marked by two opposing trends. On the one hand, global meat consumption is on the rise – driven especially by population growth and the increasing prosperity in less developed economies.
On the other hand, meat consumption is stagnant – especially in western countries, and we are seeing emerging signs of a shift to other meat proteins (from beef to poultry, while pork consumption is relatively stable) and to plant-based proteins.

Moreover, consumers are increasingly demanding convenience food to make their working day easier. The sale of plant-based food is also booming and is expected in future to win a share of the market from animal proteins, especially in the western hemisphere.

Green transition
Our planet is threatened by climate change, and agriculture and food production combined account for 14.5 per cent of global CO_2 emissions. Consequently, agriculture plays a key role in feeding a growing global population while at the same time reducing greenhouse gas emissions. In this respect, there is a need to identify new solutions all the way from farm to fork.

At the same time, it will be crucial for food producers to live up to consumer, customer and society expectations of sustainability and traceability throughout the production chain. It will also require new investment in technology and sustainability at farms and in production processes.

Feeding the Future 2021-26

Growth in Danish Crown is not to come from slaughtering more animals. In the Feeding the Future strategy, our focus will be on reducing the carbon footprint of meat and in that way enhance the value of our products.

In the future, we must be able to feed the global population with sustainable food and add value all along the chain from farm to fork.

By investing in new technology, sustainability and innovation, we aim to deliver on our promise to consumers and customers about supplying more sustainable food. In this way, we will also be able to pay a higher price to our owners for their raw materials that will enable them to continue investing and thereby reduce the carbon footprint on their farms. Briefly said, we need to start a positive, upward spiral.

Our goal is not to produce more pigs, but rather to create more value from the raw materials supplied by our cooperative owners. In the period until 2026, Danish Crown's goal will be to maintain the supply of pigs at the current level.

When it comes to sustainability, Danish agriculture already holds a leading position in an international context. New billion-kroner investments in innovation will enable Danish Crown to maintain and expand a position, where the group's products are recognised for their sustainability and can be priced accordingly.

For Danish Crown, the strong focus on sustainability is an opportunity to become even more relevant to customers and consumers. We are owned by Danish farmers, and that ownership is a unique opportunity for us to drive the green transition and increase the added value of our products all the way from farm to fork.

Feeding the Future

Recurring investments

Based on greater differentiation with respect to innovation and sustainability, Danish Crown will be able to obtain higher prices, which in turn will enable us to invest further in innovation and sustainability.

Sustainable high-quality food

We will listen carefully to our customers and consumers to position and brand Danish Crown as a supplier of sustainable high-quality food in key categories around the world.

Maintaining a sustainable production level for Danish pigs at the current level of 10-13 million

Our goal is not to be biggest, but to supply the best and most valuable products.

Adding much more value to our products

We aim to boost demand in our markets by increasing farm-to-fork sustainability, enhancing focus on innovation and branding more of our products.

Smart and efficient supply chain

A stable supply of pigs combined with the spreading our intra-group best practice enables us to reduce our costs by DKK 1 billion while delivering high-quality sustainable food.

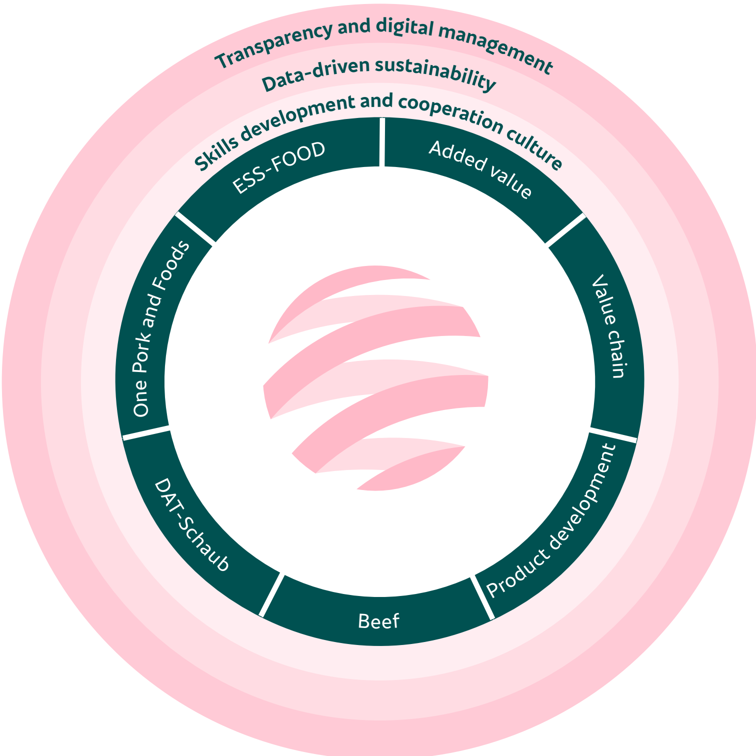
Making substantial investments in sustainability, the value chain and innovation from farm to fork

We will invest DKK 4-5 billion in agriculture and DKK 11-12 billion within Danish Crown.

High settlement price

The ten building blocks of Feeding the Future

The success of our Feeding the Future strategy is founded on ten building blocks, which are well-defined activities that we must complete. To create more value from our products, we must all, employees and owners alike, make both a combined and individual effort.



Skills development and cooperation culture

We must build a company in which we always help and support each other. We must promote a market-driven culture, increase employee curiosity and support adaptability and flexibility.

We must invest in employee development and well-being, including regularly upgrading employee skills through improved feedback, practical training, education and career development.

We must make employee diversity a strength and build strong teams with the right mix of high-level skills.

Data-driven sustainability

Our goal is to become the industry's most transparent business when it comes to sustainability. To that end, we are conducting a comprehensive life cycle assessment of our products. To ensure that our sustainability initiatives are data-driven, we are introducing Science Based Targets in the area. Moreover, we intend to make three selected production facilities climate neutral (net-zero emissions) within 12 months. These efforts will set the example for how we can accomplish our ambition to reduce our CO_2 emissions by 50 per cent by 2030 and achieve our long-term goal of full climate neutrality by 2050. See our Sustainability report 2020/21 for further information.

Transparency and digital management

We have updated our finance strategy, which will further accelerate standardisation and effectiveness in our finance function. That will help increase transparency in our performance, provide a better overview and improved controls, while also facilitating a more systematic way of measuring compliance improvements. In addition, transparency and improved access to data is to make it easier for us to make comparisons across our business units, and we will establish joint models in areas such as performance and costs. By harmonising master data, we will also make it easier to create transparency across the whole group. We must constantly develop our digitalisation process, including improving our data quality, transparency and user friendliness.

More value in pig production from farm to fork

Danish farmers have a long-standing tradition for continuously adapting to customer and consumer demands. By investing in farm-to-fork innovation, we aim to build a position where sustainability will drive the incremental value of the group's products. Also, we work together with our cooperative owners to take measures to increase the share of more processed products and in that way strengthen our competitive edge over other large pig-producing countries. We must consistently create favourable opportunities in the Asian markets, and not least in China and Japan, where demand is strong for our quality products offering a high degree of food safety.

In Europe, we aim to enhance the value of the individual pork products such as bacon and ham.

We must also ensure closer integration between Danish Crown's owners and the abattoirs to create incremental value. For example, we will continue supporting our cooperative owners with digitalisation, including the use of feeding data, slaughter animal weight gain and sustainability.

Together with our cooperative owners, we intend to grow the share of value-added products.

Value chain improved by DKK 1 billion

During the strategy period, we will continue to create ongoing improvements throughout the group. We must implement a strategy for automation and technology. Furthermore, we must optimise the use of our production capacity and ensure that we harvest synergies across our business units to the highest possible degree.

We target total savings of DKK 1 billion. Of this amount, most will be gained in group procurement and logistics, especially by improved harvesting of synergies and economies of scale throughout the group.

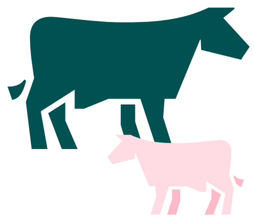
At the same time, we will launch a process to improve planning between sales and operations to more effectively align our production with forecasts of market demand. Our target as a group is to obtain the best possible price, enhance production efficiency and reduce our inventories.

We must gain a foothold in plant-based products and be able to offer consumers and customers a broader range of proteins.

New growth pockets and scalable solutions

We must retain and consolidate our strong positions in Denmark, Sweden, the UK and Poland, whenever possible. This task lies with Danish Crown, KLS Ugglarps and Sokołów. We must increase our selection of convenience food and expand our presence in this field. These solutions may be based on animal or vegetable proteins, or a mixture thereof. We must gain a foothold in plant-based products and be able to offer consumers and customers a broader range of proteins. We must also consolidate and strengthen our position within the three global product categories: bacon, toppings and canned products. We must strengthen our collaboration with pan-European Quick Service Restaurant customers and help them identify more sustainable solutions for their restaurants.

Beef



Danish Crown Beef must strengthen strategic categories and expand local area presence with local concepts that match market and customer needs.

Increased value creation in local production

A strong and stable basis of raw materials is paramount for Danish Crown Beef. Consequently, our strategic categories must be strengthened, and the payment per kg paid to the cooperative owners must reflect market prices. We must work on product concepts and build brands that cater to the needs of consumers and customers. Scan-Hide must retain its focus on value creation, for example through the unique sales potential of the SPOOR brand.

DAT-Schaub

Activities targeting the pharmaceutical industry must be expanded though increased bais of raw-materials.

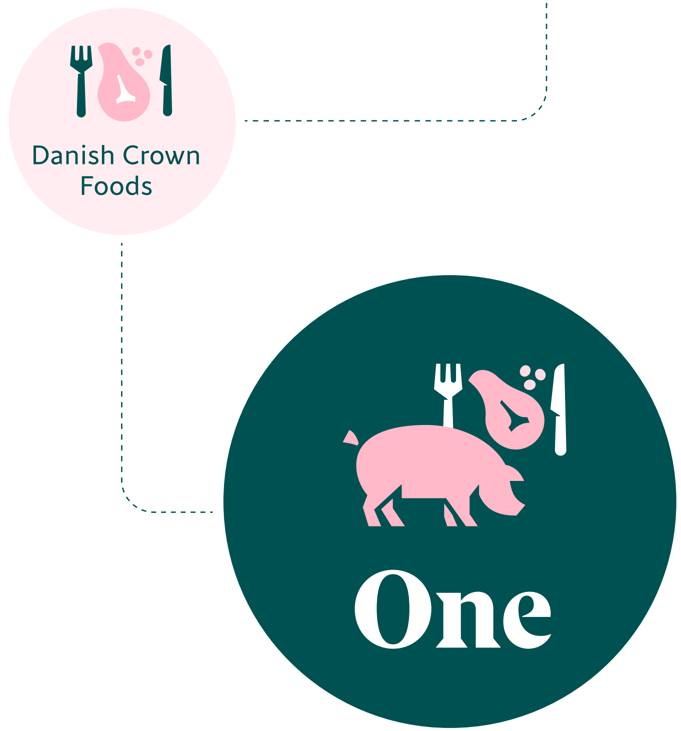
Expanded supply of raw materials and continuing growth

DAT-Schaub must focus on maintaining its core business of natural casings, supported by a strong presence in the market for sheep and artificial casings. DAT-Schaub must expand its position in the global market and increase its basis of raw materials through mergers and acquisitions in selected areas. In addition, the company will scale up its activities targeting the pharmaceutical industry by expanding its basis of raw materials. Over the past five years, the company has grown its revenue by 43 per cent, primarily through acquisitions. With a view to integrating the new businesses even better, DAT-Schaub will in the coming years also focus on spreading best practice within procurement, production and sales.

One Pork and Foods

Integrating two business units

For organisational purposes, the two business units Danish Crown Pork and Danish Crown Foods will be combined from 1 October 2021. The purpose of this is to integrate the overall value chain from farm to fork in order to drive more value from our own raw materials. We are creating an organisation with three main function areas: Operations, Categories and Commercial.



ESS-FOOD

Growth across markets

As the company's frontrunner in emerging markets, ESS-FOOD plays a key part in identifying new opportunities. Our focus is on increasing organic growth in the most attractive markets and on optimising efforts towards customers in the retail business and foodservice. Overall, these initiatives are expected to lift earnings by 36 per cent during the strategy period. ESS-FOOD will expand its operations in the principal markets in Asia, the Middle East, Africa, Latin America and Europe.

ESS-FOOD must continue to build new global positions.

We invest in people

Feeding the Future succeeding in practice will depend on our employees. A new HR strategy highlights how Danish Crown has to better equip all employees and managers for the future.

The three lighthouses of the HR strategy

Grow the capabilities of tomorrow

Developing a capability-driven company that sets the industry pace for change and the upper bar for leadership.

Good jobs for everyone

Offering good jobs for everyone with a diverse and inclusive culture and thereby strengthen the attractiveness of Danish Crown.

Supporting business growth and profitability

Support operational efficiency within the business offering globally consolidated processes and tools and fuelling a strong culture.

As Danish Crown works to realise its Feeding the Future strategy in the coming years, it will be vital that all our approximately 26,600 managers and employees are ready to perform their share of this joint task.

Our business needs to move even closer to customers and consumers. The interplay between the units across the group has to be strengthened. And our entire global production has to be run as efficiently as possible. This all places a huge demand on how Danish Crown functions as a workplace.

A new HR strategy that runs to 2026 highlights the need across the entire group to systematically strengthen a number of competences that will become increasingly important going forward. These include operational optimisation, commercialisation, digitalisation and business integration.

The HR strategy builds on many years of successfully ensuring quality and a systematic approach to everything connected with human resources in the company. It does not mark a change of direction, but our efforts will be significantly ramped up in some areas.

Focus on employees in production
One of the areas being prioritised in the coming years is boosting the skills of our hourly paid workers. Employees in Denmark are interested, and the industry has now agreed on the principles for further training. Our ambition is that at least 80 per cent of hourly paid employees undergo a competence assessment and subsequently receive a relevant offer for further training. Initially, the concept will be developed and tested in Denmark, but the intention is to expand and include our hourly paid employees in other countries, where the concept is just as important.

Production workers in Germany have also seen their conditions changed. Due to a change in the legislation, around 2,000 contract workers have become permanently employed at Danish Crown. Permanent employment means Danish Crown works to ensure decent conditions for these employees, also with regard to housing and transport. Danish Crown was already focused on this prior to the change in the law, and we view them being directly employed by Danish Crown as a strength.

The Netherlands, Poland and Sweden continue to use employment agencies in some areas, and Danish Crown will now actively assess whether transitioning to a more permanent form of employment is possible.

In Poland, Sokołów was again awarded ‘Solid Employer of the Year’ in 2020. The honour is awarded to companies that live up to high standards in their HR efforts, personnel policies and social responsibility in the broad sense. The recognition in part reflects Sokołów's ongoing focus on strengthening HR, so the company can attract new employees in a highly competitive environment.

Leadership and career paths
Danish Crown has also initiated an ambitious leadership development programme which, despite a delay because of COVID-19, we expect all our managers will complete by the end of 2022. Our new business strategy makes it even more imperative that our managers can lead change, act commercially and adopt a group-wide approach.

Gender diversity on boards and in management

Management level	Percentage of women as of October 2021	Gender diversity target 2025	Gender diversity target 2030
Board of Directors Leverandørselskabet Danish Crown AmbA	0%		10%
Board of Directors Danish Crown A/S	20%		30%
Executive Vice Presidents	0%	12.5%	35%
Senior Vice Presidents	8%	16%	35%
Vice President	20%	30%	35%

Indeed, the ability to spot opportunities and work across units are some of the things that should bind the entire group even closer together going forward. Hence, the internal recruitment of managers across the organisation will now be addressed more systematically. After many years working to develop new management talent, Danish Crown now has a stronger pipeline of internal candidates to most types of management positions.

Career paths at Danish Crown must generally be made more visible and attractive – for example for skilled specialists who are keen to take on new challenges without having to climb the traditional career ladder.

A strong sense of community
The value of a well-functioning organisation was made very apparent during the COVID-19 crisis when, apart from a few isolated shutdowns, we managed to keep the vast majority of production facilities running efficiently under difficult circumstances. Over the many months, we learned the hard way the value of acting quickly, building a strong team and establishing clear lines of command.

But we would never have succeeded without all our dedicated employees who went to work every day, stood shoulder to shoulder, and underwent constant testing. As a symbolic recognition of these efforts, all employees have received a small present, such as a gift card to a restaurant or the like.

An attractive workplace for all
Danish Crown is very much a multi-ethnic company. We have at least ten different nationalities employed at many of our production facilities and more than 100 for the group as a whole. We are proud of being a global workplace, and we are keen to reflect the diversity that is found among our customers and consumers. We are also working towards increasing diversity among our senior management over time, but we are still some way from achieving that ambition.

Our work is driven by our experience that diverse and inclusive organisations create better results. And this applies not only to ethnic diversity, but also in relation to gender and social background. To further accelerate our plans for better gender distribution, particularly in the upper layer of management, we signed up in August 2021 to the Confederation of Danish Industry's strategy and target for gender distribution. While gender is far from being the only form of diversity, a more equal distribution of the sexes at the workplace is an important step on the road. We have a goal that we as a workplace should reflect the society around us, consumers and our customers.

We view a diverse workforce as a competitive advantage. Diversity and inclusion ensure we are aligned with our customers' and consumers' expectations and make us more innovative, productive and even more attractive as a workplace and as an employer. All our staff have a responsibility to treat others with dignity, fairness, respect and honesty, and we tolerate no form of discrimination. All employees have the right to fair and equal treatment.

To achieve the targets we have set, we have adjusted our recruitment system so it can provide an overview of the proportion of female candidates – all the way from applicants to the final interview. When a position is to be filled, we always endeavour to have a woman among the final three candidates. The next step is to implement an IT tool that ensures job ads use inclusive language. This will help us reduce unconscious biases and the use of stereotypical language and thus better promote diversity when recruiting.

Danish Crown will soon have even better data on the current level of diversity across the whole group. That will enable us to target our efforts. Solid data will also increase our understanding of what specifically is needed and what is possible to do in order to strengthen our diversity.

The battle for all types of talent is set to increase around the world in the coming years. That is why Danish Crown under the heading 'Better Food. Brighter Future' is promising future employees that with us they can use and develop their talent in exciting ways for a good cause – while at the same time being part of a strong community where they will be listened to and taken seriously.

We have already spread our message – both broadly as well as directly to some of the particularly important target groups: young people, technical specialists and business profiles. The task in the coming years will be to adjust and activate our message in the many different local settings where we are competing for the employees of the future.

Governance

Corporate governance | Decency and responsibility

Our cooperative owners are constantly working to develop their ownership of Danish Crown, and in the past year the Board of Directors has focused on how the cooperative owners can remain the best owners of our jointly controlled company. This has yielded some fruitful discussions and highlighted the active ownership as well as roles and responsibilities. As a global food company, we assume responsibility for the impact of our operations on the world and communities we are a part of.

Active cooperative ownership is a strength

A new ownership strategy confirms that Danish Crown is best run in close cooperation with our 5,620 farmers who own our business.

Cooperative ownership is Danish Crown's heritage. For 134 years, the operation of our business has built on the fundamental principles of the cooperative movement: That the interests of every individual farmer are best served in a joint, professionally run company. And that each farmer has one vote in the company – regardless of the size of the farm.

In connection with the new ownership strategy adopted by Danish Crown in November 2020, a thorough analysis was carried out of the benefits and drawbacks of cooperative ownership compared with other potential ownership types. The clear conclusion is that cooperative ownership is still the right ownership model for Danish Crown.

The farmers exercise their ownership in the districts through elections to the Board of Representatives, from which members are elected to the Board of Directors of Leverandørselskabet Danish Crown AmbA. The ownership is also exercised through representation on the Board of Directors of Danish Crown A/S and through ongoing dialogue with the Danish Crown management.

The cooperative ownership will also be a key strength in the coming years when Danish Crown will be realising the Feeding the Future strategy, which, among other things, includes comprehensive investments both at the farms and in production.

Dual governance structure

Cooperative ownership means that Danish Crown has a two-tier governance structure.

- **A cooperative management** in Leverandørselskabet Danish Crown AmbA, which owns Danish Crown A/S.
- **A company management** in charge of running and developing Danish Crown A/S.

The figure on the next page illustrates the main features of the governance structure.

Corporate governance principles

Being a cooperative, Danish Crown is not formally obliged to comply with the recommendations on corporate governance. Nevertheless, Danish Crown has opted to act transparently and in accordance with these recommendations – with a few exceptions, which are especially due to the special circumstances of a cooperative:

- As the company is not listed on the stock exchange, the publication of quarterly reports is not deemed to be necessary. The company publishes half-year reports.
- For historical reasons, and as laid down in Leverandørselskabet Danish Crown AmbA's articles of association, cooperative owners wishing to exercise their influence at the meetings of the Board of Representatives must attend such meetings in person or by written proxy.
- The remuneration and remuneration policy for the Board of Directors and the Executive Board are not disclosed, nor does the company's Board of Directors meet the recommendations with regard to independence, the disclosure of owner's shares and participation in meetings. This is due to our close relationship with our owners, who are also suppliers to the company, and to Leverandørselskabet Danish Crown AmbA's special status as a cooperative and the election procedures that follow therefrom.

The revised recommendations of the Danish Committee on Corporate Governance, which apply from 1 January 2021 for listed companies and for 2021/22 for Danish Crown, will be assessed over the course of the next year and are subsequently expected to be incorporated in Danish Crown's policies and practice.

Learn more about our ownership strategy on danishcrown.com/owner-strategy.

The cooperative ownership builds on three pillars which strengthen both the farmers and Danish Crown as a business:

Active ownership

Danish Crown exists for its current and continuing cooperative owners. The cooperative owners are committed owners who actively take responsibility for their jointly owned company. Their co-influence on the development of our business helps ensure broad support for strategic decisions.

Capital for investments

The ownership strengthens the understanding that the necessary capital to invest in the future must be in place – both at the farms and in the company as a whole.

Stable supplies

The cooperative owners have both a right and a duty to supply their slaughter animals to Danish Crown, who in turn undertakes to create value and provide the cooperative owners with simple, fair and competitive settlement prices.

Danish Crown's governance structure

Cooperative owners

Leverandørselskabet Danish Crown AmbA is owned by 5,620 Danish farmers.

Board of Representatives

The supreme authority is the Board of Representatives, which consists of up to 90 members elected by and among the company's cooperative owners as well as 15 observers elected by the employees.

Board of Directors

The Board of Directors of Leverandørselskabet Danish Crown AmbA is responsible for all matters relating to the cooperative owners, including procurement and reselling of the farmers' supplies. Furthermore, as the owner of Danish Group Group, Leverandørselskabet Danish Crown AmbA is responsible for matters relating to capital, ownership and strategy.

The Board of Directors, whose members are elected for terms of two years, currently consists of ten members and one observer, all elected by and among the members of the Board of Representatives. The Board of Directors held 17 meetings in the 2020/21 financial year.

During the financial year, district meetings and meetings of the Board of Representatives are held, at which the cooperative owners are informed about important matters regarding the company's strategy, operation and current status, including information about quarterly and annual reporting.

Board of Directors

The Board of Directors of Danish Crown A/S is responsible for following up on, sparring with and controlling of operations, development, management and financial affairs. The Board of Directors elects a chairman and a vice-chairman who do not participate in the day-to-day management.

The Board of Directors currently consists of six members elected by the general shareholders' meeting (elected for one year at a time), three employee representatives (elected for four years at a time) and four external, independent members by the general shareholders' meeting (elected for one year at a time), who each contributes relevant high-level expertise and experience. The Board of Directors held eight meetings in the 2020/21 financial year.

Board committees

The Audit Committee monitors the company's accounting and auditing matters and reports significant accounting practices and estimates to the Board of Directors prior to the approval of the annual report. The need for an internal audit is assessed on an ongoing basis, but this is not considered relevant at present.
Chairman: Jesper V. Christensen

The Nomination and Remuneration Committee prepares an annual evaluation for the Board of Directors on the composition of and the filling of positions for the company's boards of directors, committees and the Executive Board as well as their remunerations.*
Chairman: Erik Bredholt

Executive Board

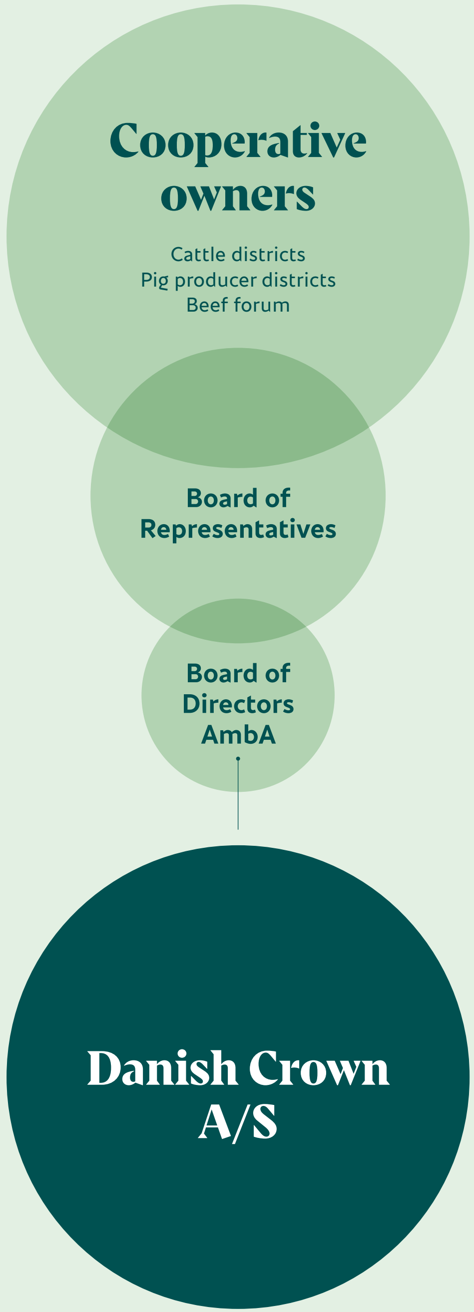
The Executive Board of Danish Crown A/S is responsible for the day-to-day management of the company. As Group CEO, Jais Valeur is in charge of the strategic and group coordination of the business units. The other members of the Executive Board are Group COO Preben Sunke and Group CFO Thomas Ahle. All members of the Executive Board work closely with, but independently of, the Board of Directors, which has laid down tasks and segregation of responsibilities in formal instructions to the Executive Board.

Business activities

The business management of Danish Crown is organised in operational divisions. Business committees ensure close coordination between the individual business units, the group management and the group functions.

Information about the board members is provided on page 45 and on danishcrown.com/organization.

* A separate Nomination and Compensation Committee will be set up in 2021/22, reporting to the Board of Directors of Leverandørselskabet Danish Crown AmbA



Decency and responsibility

As a global food company, we assume responsibility for the impact of our operations on the world and communities we are a part of. Guidelines and policies help us in our efforts.

Code of Conduct

With our Code of Conduct, we undertake to observe a set of clear and common principles for Danish Crown's conduct as a business. Such clear and defined principles of responsibility are important for maintaining confidence in Danish Crown as a global business.

We continuously get new employees, customers and business partners and cannot take it for granted that they all know or share the principles and values that form the foundation on which we operate as a business. Thus, we have to articulate our values – loud and clear. We do that by way of our Code of Conduct, which is comprised of eight rules. Read more about our Code of Conduct on danishcrown.com/code-of-conduct.

Obviously, writing down the rules is not enough. We must actively disseminate awareness of our rules and how employees should act if they experience conduct that is contrary to our rules. As a general rule, employees should notify their immediate superior. However, we have also established an independently operated whistleblower portal where all stakeholders in confidence can report violations of legislation or incidents conflicting with our Code of Conduct.

Transparency important for confidence
To maintain confidence in Danish Crown as a business, it must be obvious to our employees, cooperative owners and surroundings that we act with integrity and transparency in all our business operations.

In our in-house training, we focus on areas such as competition legislation, protection of personal data, zero tolerance with respect to offensive behaviour and corruption. With respect to corruption, we have made it clear to all employees that Danish Crown does not tolerate corruption of any kind anywhere in the world. The senior management of our group has stated that anti-corruption is a priority, and all business managers have received material to support them in implementing the policy in their business areas.

Confidence is also the cornerstone of the dialogue we have with each other and with the world around us. We must listen to and learn from each other to be able to take our stakeholders' views into consideration when we formulate our opinions and make decisions.

Towards our employees, we are responsible for providing good jobs for everyone. We believe that the diversity of our workforce makes us a more creative, productive and attractive workplace.

Whistleblower scheme

Danish Crown has established a whistleblower scheme for the reporting of illegal, unethical or inappropriate conduct in relation to our business.

The whistleblower scheme is to make our employees feel safe saying no if they see something that he/she finds to be improper and if, for some reasons, it is impossible to discuss the matter with the immediate superior.

In addition to our employees, the portal represents a safe channel for board members, customers, suppliers and business partners to report their suspicions of criminal or unethical issues with respect to all group companies.

Instruction videos showing how to report an issue are available throughout the group in nine languages, while the whistleblower portal is accessible for employees and other stakeholders in 28 different languages.

Financial reporting and internal control

The company's internal control system is continually extended with a view to ensuring fair and reliable financial reporting. A number of policies, standards and internal controls have already been defined for financial reporting processes. Going forward, the standardisation of even more financial processes will support the efficiency and transparency ambition. The Board of Directors and the Audit Committee monitor the internal control processes and continuously consider specific events or risks that could affect the company's financial affairs.

Code of Practice

In our Code of Practice, we define binding rules for our cooperative owners in terms of:
- Food safety
- Ethics and animal welfare
- Meat quality
- Labour rights
- Sustainability

We integrate environmental, social and ethical considerations in all our business activities and throughout our value chain. With our Code of Practice, we define the legally binding requirements that our pig and sow suppliers must meet to supply animals to Danish Crown.

With their signatures, all of our existing pig and sow suppliers have confirmed that they live up to our Code of Practice, and new cooperative owners and suppliers must do the same.

The Code of Practice also reflects Danish Crown's commitment to the UN Global Compact and is based on compliance with applicable national legislation and international rules and regulations, as well as recognised international standards and agreements.

Food safety
Live slaughter animals are Danish Crown's primary raw material, and it is essential that our raw materials meet a number of criteria in terms of both food safety and quality. This is the prerequisite for enabling Danish Crown to supply quality products that meet the desired food safety standards. To that end, suppliers must comply with a number of conditions, including EU requirements as regards information concerning origin, health status and veterinary conditions.

Ethics and animal welfare
The individual supplier must ensure that all animals delivered to Danish Crown are treated responsibly and that their basic needs are met. Animal welfare must be based on the recommended Five Freedoms set out by UK-based Farm Animal Welfare Council:
- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury and disease
- Freedom to express normal and natural behaviour
- Freedom from fear and distress

Meat quality
Danish Crown prioritises meat quality, because it is the prerequisite for producing high-quality products based on our raw materials.

Labour rights
The individual supplier must support and respect human rights and ensure that they are not complicit in human rights abuse. This includes areas like pay and housing conditions as well as working hours.

Sustainability
Our cooperative owners are among the world's most resource-efficient pig producers. This gives us a strong starting point for our further sustainability efforts at the farms. Danish Crown has launched a sustainability certification programme to highlight both new and already achieved targets in the areas of the environment, climate, animal welfare and the use of antibiotics. In the climate area, our overall goal is to reduce our carbon footprint throughout the value chain from farm to fork by 50 per cent by 2030 and to be climate-neutral by 2050.

Diets should be balanced and combine plant-based food with sustainably produced meat of high quality.

Our sustainability strategy

Meat is a natural component and an important source of protein of many people's diet all over the world. However, meat production also contributes to the increasing greenhouse gas emissions and this is a fundamental challenge for all meat producers, including Danish Crown. We share a responsibility for managing this type of key risks associated with adverse impacts on people and the environment in our value chain.

We believe consumers should eat less but better meat. Diets should be balanced and combine plant-based food with sustainably produced meat of high quality. That is a key contribution to mitigating the climate impact of food production.

As part of Danish Crown's strategy for a sustainable future for food, we assume responsibility for all stages of the meat production process. We have defined five key focus areas which support selected Sustainable Development Goals.
- Feeding the world
- Sustainable farming
- Sustainable food production
- Good jobs for everyone
- Together with customers and consumers

We translate the strategy into practice by working systematically and persistently at two levels. Partly by taking the lead and, across the value chain, seeking to drive developments throughout the industry in a sustainable direction. Partly by incorporating and anchoring the principles for sustainability and responsible business conduct in our own business.

Business

We strengthened our business in the year, in the markets for fresh meat, for processed products and within Casings. During the pandemic, consumers in our principal markets Denmark, Sweden and Poland tended to increasingly select locally produced food.

Business areas

Agriculture

...is primary production and thus our owner deliveries and purchases of slaughter animals on commercial terms in Northern Europe. Agriculture leads the way and ensures good animal welfare, healthy livestock and works towards sustainable agriculture.

Critical because it ensures supplies for the overall value chain.

Primary focus areas
Animal welfare, sustainability, traceability and resource utilisation.

Production
Denmark.

Fresh Meat

...is slaughtering of pigs and cattle as well as deboning and processing of meat, which is sold as fresh meat worldwide.

Critical because it is the principal sales channel for our cooperative owners.

Primary focus areas
Food safety, competitive strength, quality, sustainability and efficiency.

Production
Denmark, Germany, Poland, the UK, France and China.

Foods

... is processing of fresh meat into good food, such as cold cuts and ready meals, for customers and consumers around the world.

Critical because processing helps ensure added value for our products and because it is the direct link to the consumers.

Primary focus areas
Innovation, food safety, competitive strength, quality and sustainability.

Production
Denmark, Sweden, Germany, Poland and the Netherlands.

Casings

...is among the leading players in sourcing, production, marketing and distribution of natural and artificial casings for food production.

Critical because it helps to ensure full utilisation of the raw materials from the slaughter animals.

Primary focus areas
Access to raw materials, competitive strength and quality.

Production
Denmark, Sweden, Germany, Poland, the UK, France, Spain, Portugal, China, the USA and South America.

Digital solutions improve farming operations

The farmer's operating data are used to improve the finances and the climate.

Innovation and product development in food production begin even at the farm. In recent years, we have really seen innovative thinking and development of product concepts which have made or are making their way onto the consumers' plates. In addition, new and experienced cooperative owners of Danish Crown are connected in a mentoring scheme to exchange knowledge about digital solutions and farming. The value deriving from the implementation of digital tools in production is becoming ever more apparent, and interest is growing.

In Sweden and Denmark, we have worked on new initiatives not least in our beef business both in terms of sustainability and food quality. In partnership with feed producers, we worked on developing new feed solutions to reduce methane gas emission from animals and thus make feed more sustainable. In Denmark, we are together with other food companies and Aarhus University for example participating in the research project 'No-Methane' to identify a feed additive which can reduce methane emission from the cows' stomachs by 50-70 per cent. In Sweden, practical testing at farms was initiated in collaboration with customers and scientists to investigate the impact and side effects of the methane-reducing products on meat texture and taste.

In Danish Crown Beef, the foundation for a new premium heifer concept is now in place, for the benefit of Danish cattle producers. The concept is based on the decision of dairy farmers to discontinue putting down calves at birth, which has led to an added inflow of calves to Danish abattoirs. Through a collaboration between Danish Crown, SEGES and private players, we have developed a solution in which the farmer crossbreeds dairy cattle with beef cattle to achieve the beef tenderness requested by customers and consumers. The first of these products are expected to reach the supermarkets in January 2023.

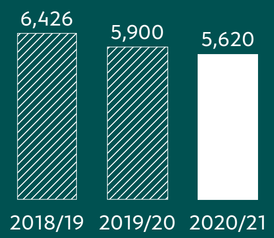
Agriculture

Agriculture is primary production and thus our owner deliveries and purchases of slaughter animals on commercial terms in Northern Europe. Agriculture leads the way and ensures good animal welfare, healthy livestock and works towards sustainable agriculture.

2018/19	19,694
2019/20	18,822
2020/21	19,737

No. of animals for slaughter
(pigs, sows, cattle), million

Overall, we saw an increase in the number of slaughter pigs in Denmark, Sweden, Germany and Poland, while the number of slaughter cattle decreased – except for Germany where we saw a slight increase.



No. of cooperative owners

As for the past many years, we continue to see a decrease in the number of cooperative owners, indicating a trend that farms are becoming fewer, but bigger in size.

No. of cooperative owners receiving advice
(pigs and sows), %

Based on feed utilisation alone, we can see that the price per pig has improved by about DKK 25 since the launch of our advisory services in 2014.

Recent years' improvements of pig producers' financial performance have boosted the appetite for renovating and constructing new pig buildings.

For pig producers, growing demand for pigs during the first three quarters of the year improved their financial performance.

For pig producers, growing demand for pigs during the first three quarters of the year improved their financial performance. This made it possible for our cooperative owners to service the debt on their farms, at the same time strengthening our value chain. During the period October 2019 to September 2021, Danish pig cooperative owners thus experienced settlement which was higher than the EU average. This, combined with a weaner market which has been under pressure since the summer of 2020, means that more of the Danish pig producers have strategic plans to ensure sales of their weaners. Overall, this has boosted the appetite among Danish farmers to renovate their pig buildings and to construct new ones.

An outbreak of African swine fever in Germany put a temporary stop to exports from Germany to China and a number of other Asian markets. This resulted in a decrease in prices of Danish weaners shipped to Germany, and during the autumn and winter months, we experienced pressure from farmers who wanted to become cooperative owners of Danish Crown. As pig production capacity was fully utilised, we implemented a temporary stop to the admission of new cooperative owners and set up a waiting list. We also imposed quotas on the supply of extra pigs.

Towards the end of the financial year, the pig settlement had dropped due to market developments in Germany and China. Compared with the increasing feed prices over the summer period, the Danish cooperative owners' earnings were significantly reduced.

In Poland, pig production remains challenged by the wide spread of African swine fever, with outbreaks not only among wild boars, but increasingly also among domestic pig herds. Poland has now been divided into zones in relation to the spread of the disease, and two-thirds of the country is registered as ASF-infected. Our company in Poland works on biosecurity plans at farm level in order to reduce infection risk.

In terms of our cattle activities in Poland, supplies of slaughter animals were reduced from 225,000 to about 194,000 due to the turbulent market situation.

Digital tools will also be implemented in Sweden and Poland

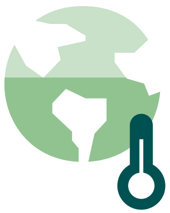
A dashboard developed for farmers provides an overview and the option to regularly compare own production figures against a benchmark relevant to the individual farmer. The dashboard is frequently used by our advisers and our Danish cooperative owners. Due to the benefits the dashboard has had for production, it is now being implemented in Sweden, and later also in Poland. The dashboard shows the pig's weight gain day by day. The target is for the weight gain monitoring to add DKK 0.01-0.02 per kg of meat for the farmer. This year, the system was used for 62 percent of our Danish slaughter pigs. Our next target is ongoing monitoring of feed consumption, which has already been implemented on the first 250 herds.

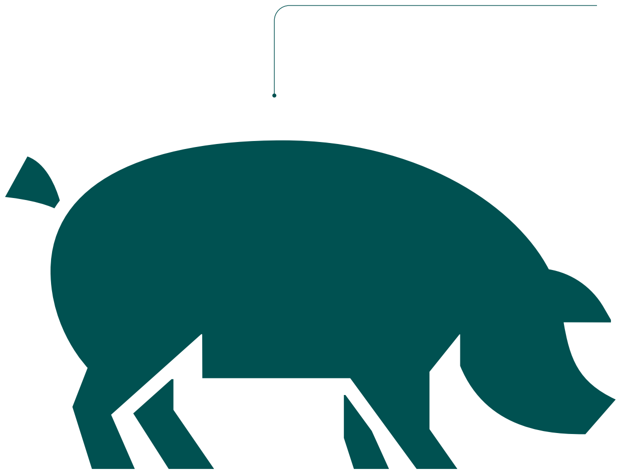
A dashboard developed for farmers provides an overview and the option to regularly compare own production figures against a benchmark relevant to the individual farmer.

The demand for organic pigs and free-range pigs increased during the year.

The Climate Track

The Climate Track is a part of our sustainability programme, where the farmer defines three-year targets for reducing the farm's carbon footprint and improving a number of other areas relating to the environment, animal welfare and social responsibility. In addition, the farmers in the programme commit jointly to reducing their total carbon footprint by 50 per cent by 2030.





100 %
climate-controlled Danish pigs

We work closely with the feed industry on exchanging data to make further improvements on and to document our sustainable development. We expect this collaboration to accelerate further in the coming year.

Farm sustainability
By the end of 2020, 100 per cent of our pigs in Denmark were climate-controlled and comprised by our sustainability programme, the Climate Track. As part of the sustainability programme, the farmer defines three-year targets for reducing the farm's carbon footprint and improving a number of other areas relating to the environment, animal welfare and social responsibility. Every farmer defines a baseline for CO_2 emissions per pig raised, which allows him/her to assess performance against their own targets. The certification is carried out by an independent agency based on Danish Crown's standard.

Higher demand for organic pigs
The demand for organic pigs and free-range pigs increased during the year. Following approval by the US Department of Agriculture (USDA), demand really took off in the US market, resulting in better settlement prices per kg paid to organic pig producers.

In addition, we saw increased demand for more animal welfare, which fits in well with both Free Range Pigs and Free Range Beef. This is apparent in markets in which Friland operates, both in Denmark and Europe as well as outside Europe. Revenue from the concepts Free Range Pigs and Free Range Beef has decreased slightly in the current year due to lockdowns in the foodservice sector, both in Denmark and abroad. However, as many countries and markets demand more animal welfare, we hope to see an increase in revenue again in the coming years.

Securing food supply

A flexible supply chain is essential in a global pork market that is strongly affected by further outbreaks of African swine fever in Europe and by COVID-19 lockdowns, and it helps ensure a good payment for Danish slaughter animals.

As in the year before, 2020/21 brought unexpected conditions in the global market for fresh meat.

The pork market
In autumn 2020, the global pork market was once again affected by renewed COVID-19 lockdowns in many parts of the world, and it became more difficult to maintain stable production due to outbreaks of infection among employees. For the affected abattoirs around the world, the main consequence was that their products could not be sold in the Chinese market during a period after the outbreaks.

In Denmark, our abattoirs in Horsens, Sæby and Ringsted were periodically fully or partly closed down due to COVID-19 outbreaks among the employees, and our German abattoir in Essen faced the same challenge. The Danish abattoirs reopened for exports to China in December.

As Germany also experienced an outbreak of African swine fever, German pork could no longer be exported to a number of countries, China in particular. This was also the case in Poland, where African swine fever continued to spread. The situation resulted in excess supply to the European pork market.

Over the year, the world market price was pushed lower by weaker demand from a number of large markets and excess supply of pigs. Demand in the Chinese market decreased especially during the second half year, and several European abattoirs sent their products to the already oversupplied European market.

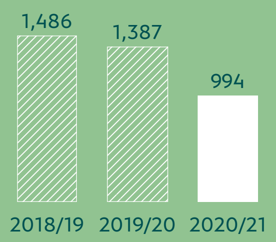
Fresh Meat

Fresh Meat is the business units Danish Crown Pork, Danish Crown Beef and the trading activities of ESS-FOOD, all of which sell products worldwide.

Revenue
DKKm

2018/19	31,703
2019/20	34,388
2020/21	31,593

Decreasing pork prices resulted in lower revenue in Fresh Meat, while beef prices increased during the year.



Operating profit
DKKm

Very challenging market conditions for pork, among other things due to temporary ban on exports to China from a number of markets and COVID-19 outbreaks, have resulted in lower earnings.

No. of employees

An increase in slaughtering meant more jobs in the business units in 2020/21 – primarily in Denmark and Germany. In Germany contract workers, who previously worked through sub-contractors, were made permanent employees of Danish Crown.

In addition to China, Thailand, Taiwan, the Philippines and Australia were also good markets for Danish pork over the year.

We must continue to work to make high-quality products and obtain more value from the pigs we have.

In the German market, abattoirs tried to maintain their capacity utilisation, as a result of which prices of slaughter animals did not reflect market conditions, and many German abattoirs, including our own, experienced a period of poor financial performance.

Thanks to our highly flexible supply chain, we overcame the challenges and ensured that our products found their way to the markets paying the highest prices. After our Danish abattoirs reopened, we were once again ready to accommodate the strong demand from the Asian markets, where Thailand, Taiwan, the Philippines and Australia have also been good markets for Danish pork.

Despite the market challenges, we were able to provide Danish farmers with a payment for their slaughter animals at a decent level compared with our European competitors.

Developments during the past year reassure us that we must work to continuously make high-quality products and in that way obtain more value from

Pure Pork

In 2020/21, we launched meat from pigs raised without the use of antibiotics in Italian supermarkets under the Danish Crown brand and named Pure Pork. We will pursue this success in other markets with market-adapted products.

the pigs we have and ensure that the demand for our pigs is among the highest in the markets. Having already worked on this for several years, we will continue the efforts as part of our new strategy.

We will continue our efforts to make the production of slaughter animals more sustainable, while ensuring that consumers have more sustainable products to choose from.

In 2020/21, we launched meat from pigs raised without the use of antibiotics in Italian supermarkets under the Danish Crown brand and named Pure Pork. We will pursue this success in other markets with market-adapted products.

The beef market
The beef market was adversely affected by COVID-19 lockdowns in the first half of the year, but fortunately it showed strong momentum in the second half year. Especially the reopening of markets in Southern Europe led to increasing prices on Danish slaughter animals.

We spent the year working with concepts aimed at securing a higher quality of products and in that way more value in 'Dansk Kødkvæg' (Danish Cattle) and Danish heifers and calves. We launched 'Premium Kvier' (premium heifers), which is to compete with imported high-quality beef, and the 'Dansk Kalv' label with two hearts (Danish state quality label), which is beef from calves produced under higher animal welfare standards than usual.

Moreover, Danish supermarkets have been selling new products such as gin-marinated schnitzel from the 'Dansk Kalv' label and Burger Boost with beef brisket. The latter has successfully been marketed in TikTok videos – a new marketing channel for us.

In Scan-Hide, our company which processes and sells cattle hides, we have also dedicated many resources to product development. This has resulted in the launch of SPOOR, a concept for the leather industry allowing customers to trace the specific piece of leather to the farmer who has reared the animal from which the hide derives.

We believe this new way of ensuring traceability and transparency will receive a warm welcome by consumers.

We were unable to fully avoid the spread of COVID-19 among our cattle abattoir employees during the year. In February 2021, our cattle abattoir in Husum, Germany, was thus shut down for three weeks to avoid further infection among production workers. At the other production facilities, we navigated the period without major production disruption.

At all our German abattoirs and processing facilities, we made an effort in the first quarter to offer permanent employment to all the approximately 2,000 employees, who had previously worked for us through a sub-contractor. All parties involved have made a strong effort to find good solutions to this large task.

Our trading activities
Our trading activities in ESS-FOOD were of course also affected by the highly volatile market conditions, where several European abattoirs have started selling their products directly in the export markets and not through the traditional traders. Fortunately, ESS-FOOD has utilised its long-standing experience from the international trading market to complete successful transactions and has successfully increased its revenue despite slightly decreasing volumes.

Prepared for Feeding the Future
Overall, 2020/21 was a year of many challenges to the Fresh Meat business, both in Danish Crown Pork and Danish Crown Beef. However, for both business segments we spent the year preparing for the reality that awaits when we have left the COVID-19 pandemic behind us and will execute our new strategy Feeding the Future.

During the COVID-19 pandemic, production has in some cases been fully shut down to avoid the spread of infection among our employees.

Strong platform for future growth

Despite another year of volatile market conditions and COVID-19 lockdowns, our Foods business emerged stronger from the year, with focus on more sustainable food and constant innovation providing a strong platform for future growth.

As in the preceding year, 2020/21 brought highly volatile conditions in our three core markets – Denmark, Sweden and Poland.

Sales were first and foremost affected by continuing and varying degrees of COVID-19 lockdowns. In all countries, the foodservice segment was shut down or operated at a reduced pace until the end of May, when we started to see the effects of the reopening. Thanks to ongoing dialogue with our customers, we were ready to supply products once they were allowed to reopen.

On the other hand, we prioritised other areas of our business.

Our category bets

Our main categories bacon and toppings were both affected by low sales in the foodservice segment, but as we managed to attract large new international customers and launch new products, we achieved growth in both categories. This was achieved despite challenging conditions in the UK market due to Brexit. In addition, we recorded an increase in sales of canned products in the global markets, among other things because consumers wanted to secure a sufficient amount of safe food during the COVID-19 lockdowns.

The Polish market

In the Polish market, we focused on our own retail stores, partly by opening new stores and partly by launching new activities in the stores such as convection ovens and smoking chambers for the production of fresh fried and smoked products. However, store revenue also decreased due to COVID-19 restrictions in relation to the number of customers allowed in the stores.

In the Polish retail market, we experienced increasing price pressures because many European raw materials were sold in Europe due to African swine

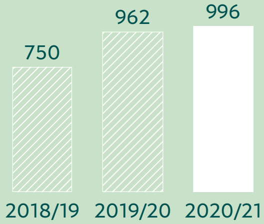
Foods

Foods comprises the business units Sokołów, producing in Poland, and KLS Ugglarps, producing in Sweden – both of which primarily sell their products locally – as well as Danish Crown Foods with production operations in Northern Europe and worldwide sales, but also extensive sales of fresh products in the Danish market.

2018/19	20,740
2019/20	21,964
2020/21	21,822

Revenue
DKKm

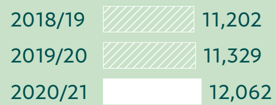
While the price of the goods decreased, volumes sold increased by almost the same margin, so that revenue for the year only decreased marginally.



Operating profit
DKKm

We managed to increase earnings in a year characterised by many additional costs for the handling of COVID-19.

No. of employees



Continuing volume growth resulted in more jobs in the business units in 2020/21 – distributed on all production countries. In Germany contract workers, who previously worked through sub-contractors, were made permanent employees of Danish Crown.

Sokołów is a strong Polish brand

In the year, Sokołów was highlighted as the most valuable Polish food brand. This gives us a strong platform for future growth.

fever, which triggers a ban on exports to a number of countries outside Europe – China in particular.

The fact that we still have a very strong brand in the Polish market was highlighted when a large Polish newspaper recognised Sokołów as the most valuable Polish food brand. This gives us a strong platform for future growth.

The good development continued in the Danish market, and notably in the retail segment, which experienced growth at the expense of the foodservice market. We recorded strong sales of our branded products such as Tulip, GØL, Steff Houlberg, Mou and 'Den Grønne Slagter'. We also had a good barbecue season from early June, with sales of our sausages setting new records. In connection with the UEFA Euro football tournament, we successfully launched 'Huttelihut Grillpølsen' with a football imprinted directly on the sausages.

The Swedish market
We also managed to create strong growth in the Swedish retail market. The traditional preference for Swedish meat among Swedish consumers persists. However, this was to some extent challenged by cheap foreign raw materials, which caused some price pressures in the market.

The canning market
In the international markets, we enjoyed good success especially in the first six months with our canned products, which sold well in overseas markets. During the year, we also made an agreement with a national distributor in the North American market.

Development and innovation
Common to all markets is that we are seeing a small decrease in consumption of meat proteins because of changed consumer preferences. Also in that light, we are satisfied with developments in our three markets. We are constantly working to accommodate the changed eating patterns by continuously developing new and exciting high-quality products and thereby support consumers wishing to eat less but higher quality meat, and we are constantly developing products with alternative proteins such as Veggie Bacon and Veggie Pålæg (cold cuts) and a number of other meat-free products.

The football sausage

We also had a good barbecue season from early June, with sales of our sausages setting new records. In connection with the UEFA Euro football tournament, we successfully launched 'Huttelihut Grillpølsen' with a football imprinted directly on the sausages.

A higher number of consumers in overseas markets opted to buy canned products during the COVID-19 pandemic.

In our standard range of products, we are also constantly working to make our products more sustainable and based on raw materials from farms with a high degree of animal welfare.

Both in Poland and in Denmark, our quality products are sold in our webshops, although still only in modest volumes.

Climate Controlled Pig
In August 2020, Danish Crown launched a climate-controlled pig concept, which involves meat from farms which have defined a CO_2 reduction target for their farms. In May 2021, our Climate Controlled Pig campaign was attacked by a number of NGOs, which have filed a climate lawsuit against Danish Crown for misleading consumers. Moreover, a complaint against the campaign has been made to the Danish Consumer Ombudsman. Danish Crown actively participates in the work together with authorities and other food producers to agree on a code of good climate communication as we believe it is important to have clear and understandable guidelines both for the consumers and the businesses.

Investments in supply chains
Our supply chains were also challenged in the year. In our production facilities, our many production workers handled the COVID-19 challenges very successfully, securing the supply of food to the markets. We made special initiatives which involved increased hygiene and regular testing, and we avoided major outbreaks of infection at our factories, which was very much owing to the great effort by our employees.

We have seen similar extensive efforts in other parts of our value chain, with procurement, logistics, distribution and administrative staff all making a great effort to ensure that our products would reach customers in due time.

More veggie products in the pipeline

Veggie Bacon is a 100 per cent plant-based product offered to consumers prioritising a vegan or vegetarian diet, or who merely wish to eat less meat.

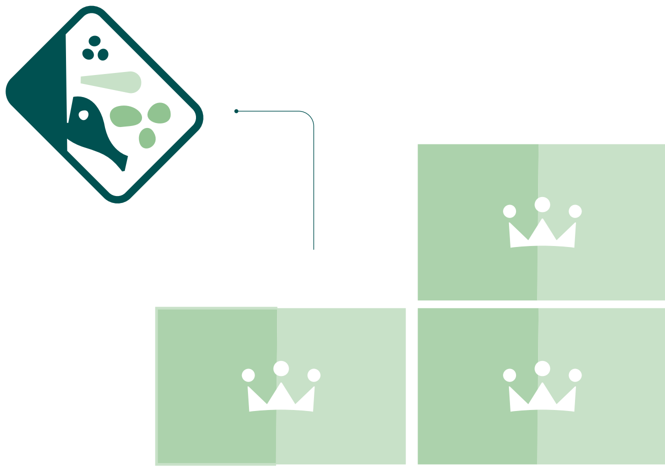
We are constantly working to reduce our environmental impact. We have opted to focus on three main areas:

At the same time, we are taking action to reduce our environmental impact. During the year, we invested a triple-digit million-kroner amount in projects dedicated to improving the working environment and reducing the group's carbon footprint and environmental impact in general. In addition, we have opted to focus on three main areas: CO_2 emissions, packaging materials and food waste. We consider these areas when we look at new investments or reinvestments, and we are constantly working to improve our production and packaging processes with a view to reducing our overall environmental impact.

In Germany, we made another large investment to expand our production capacity for ham for pizzas at our factory in Dinklage. In recent years, Danish Crown has conquered market share on the European market for pizza toppings, especially with respect to pepperoni, and we are now increasing our capacity and product ranges. The new production facility has enabled us to increase our market shares in the toppings market also in the ham category with an almost fully automated and very modern factory.

Strong platform for future growth
Overall, we are satisfied with our performance during the past year, and we are on a strong platform for future growth – both within the main categories of bacon and toppings and in our three principal markets of Denmark, Sweden and Poland.

CO_2 emissions



Packaging materials

Food waste

Consolidated market position

Through organic growth, DAT-Schaub lifted its revenue to a record high level.

Our DAT-Schaub business developed very positively in the year, recording strong earnings. Like our other businesses, DAT-Schaub has been affected by the COVID-19 pandemic and the outbreak of African swine fever in Germany and Poland – primarily in the form of logistical challenges, but access to raw materials from pigs has also been under pressure due to slaughter volume fluctuations. With due care and diligence, we have avoided extensive spread of infection among our employees at our production facilities in Denmark and abroad.

The market for hog casings developed steadily in 2020/21 and saw stable prices of raw materials and finished products over the year, providing a foundation for strengthened earnings despite fewer raw materials. Decreasing volumes of raw materials at our suppliers makes it even more important that we increase the value creation of our raw materials. Together with existing and new suppliers, we are constantly working to increase value creation. DAT-Schaub enjoys a strong market position within hog casings based on raw materials from both North and South America as well as from Europe. In 2020/21, we have maintained a high share of raw materials deriving from markets outside Denmark so that Danish raw materials only account for about 15 per cent of the raw materials that the company have at their disposal.

In 2020/21, we obtained full ownership of the South American companies in which we acquired ownership positions in 2017/18. These companies contributed higher revenue and earnings again in 2020/21. Strong developments during the past three years driven by the local management combined with successful integration in the rest of DAT-Schaub's activities made full ownership with an unchanged local management the next logical step.

In 2020/21, the market for sheep casings developed favourably with increasing prices of finished products. This situation lead to rising sales and earnings from sheep casings.

In 2020/21, DAT-Schaub increased its production and sales of raw heparin from the facility in Iowa, the USA. By ensuring a stabilised supply of mucosa, we have consolidated our position as an important supplier to the global pharmaceutical industry within the production of anticoagulant medicines. We lifted both revenue and earnings in this segment during the past year. We expect this segment may continue to develop favourably. Overall, DAT-Schaub had a very satisfactory year.

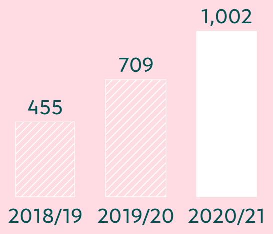
Casings

Casings comprises DAT-Schaub, which is one of the leading companies within the sourcing, processing and sales of natural casings. The company also trades in artificial casings and packaging and it also produces and sells ingredients and raw heparin.

Revenue
DKKm

2018/19	4,063
2019/20	4,442
2020/21	4,872

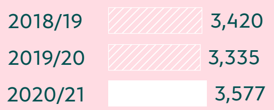
Once again, revenue set a new record with increased revenue from all of the company's product groups.



Operating profit
DKKm

In terms of earnings, Casings had a record year. All products contributed positively to the earnings growth.

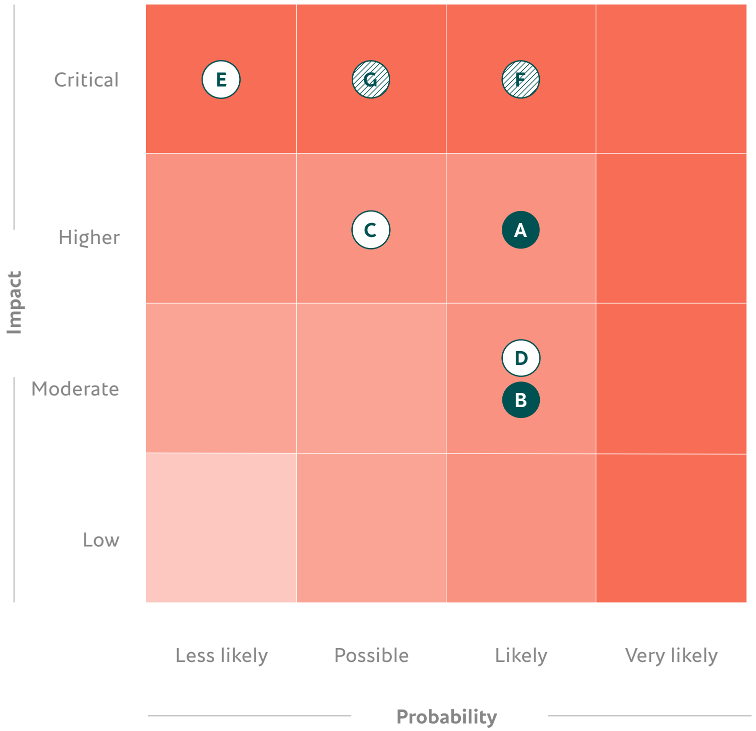
No. of employees



The increased revenue and earnings have created more jobs in Casings.

Risk management

We consistently focus on the group's strategic, commercial and operational targets and, by extension, also on events that could constitute obstacles to meeting these targets. Each year, we make an overall assessment of identified risks compared with existing and scheduled mitigating measures.



- A Consumer demand
- B Availability of resources
- C Pandemics
- D Market access
- E African swine fever (ASF) in Denmark
- F IT security
- G Food safety

Net exposure of the company's principal risks, evaluated in relation to the probability of their occurrence and impact on the company's reputation and/or financial performance.

Strategic

A Consumer demand

Description: In some consumer segments, we see a gradual change in consumption patterns for meat and meat products, primarily related to the global sustainability agenda.

Meat production is associated with the emission of greenhouse gases, and consumer demand, particularly in the western hemisphere, is expected to move increasingly towards climate-friendly products.

Management: Danish Crown has launched a number of sustainability initiatives throughout its value chain to contiuously reduce greenhouse gas emissions.

All Danish suppliers of slaughter pigs are climate-certified, and the goal is for all suppliers of slaughter animals to be certified by 2024.

Other initiatives are regularly launched with a view to creating sustainable production of meat products.

To accommodate consumer demand for climate-friendly alternatives to meat, Danish Crown has concurrently started to develop plant-based products.

Note:
The risk evaluation scale has been revised compared with 2019/20 to harmonise the approach across the organisation.

B Availability of resources

Description: Abattoirs and processing units both rely on adequate supplies of pigs and cattle.

During the past year, supplies of slaughter pigs for Danish abattoirs have increased, triggering a need to increase the slaughtering capacity at Danish plants.

In Poland and Sweden, supplies of slaughter pigs have been marginally bigger than last year. Germany, on the other hand, experienced lower supplies of slaughter pigs resulting in periods of idle slaughter capacity.

In our production units, we rely on the availability of labour. The shortage of labour became more apparent in 2020/21 in all our markets, and the shortage will require an effort in the coming year.

Management: Danish Crown can supplement own raw materials with procured raw materials and thereby cope with fluctuations in the supply of slaughter animals. We endeavour to improve the financial results from both slaughtering and processing to stabilise the financial situation of the suppliers and ensure that it remains attractive to supply slaughter animals to Danish Crown.

We must remain focused on training and attracting new employees. Increasing automation is to reduce the physically demanding work and create good jobs.

Commercial

C

Pandemics

Description: The principal risk attaches to the spread of COVID-19 among our employees, as such outbreaks can lead to the closing down of plants for short or long periods of time. Since livestock production is a continuous process, the closing down of plants may have serious consequences for the entire value chain.

The COVID-19 pandemic has significantly affected consumer patterns and, by extension, Danish Crown's sales. The lockdown of society has resulted in lower sales to the foodservice sector, whereas retail business revenue has increased.

Management: When COVID-19 broke out, Danish Crown immediately implemented a number of procedures aimed at protecting employees and maintaining production. These procedures have proved effective, and we have only experienced small and isolated outbreaks of COVID-19 at our plants.

Danish Crown's products gather people whether they eat at home or eat out, and our supply chain has proven flexible and capable of transitioning production and sales between various sales channels.

D

Market access

Description: Danish Crown is one of the world's largest exporters of meat and meat products, and is therefore dependent on open markets and general support for international trade institutions.

COVID-19 has periodically given rise to a stop for exports to China for some of Danish Crown's abattoirs.

Management: Generally, support from the world's large nations to institutions such as the World Trade Organization has improved. Preferences for locally produced food reflect climate considerations rather than domestic market protectionism.

Danish Crown has access to many markets, which gives us great flexibility and the possibility of handling temporary restrictions even in important markets. With respect to Brexit, a sensible free trade agreement is now in place. For a long period, Danish Crown has been preparing for an increase in administrative procedures in connection with its UK operations, and the start-up phase has been satisfactory.

E

African swine fever (ASF) in Denmark

Description: The contagious disease ASF continues to represent a substantial risk in Denmark. Experience shows that the disease is difficult to control and that it quickly spreads to large rural areas with a risk of infecting groups of domestic pigs. If one single case of infection is found in domestic pigs or wild boars in a production country, access to important overseas markets will be lost.

There are currently outbreaks of ASF in Poland and Germany, where Danish Crown slaughters pigs, and both countries are therefore challenged by a stop of exports to non-EU markets.

Sweden has not had any cases of ASF, but has a substantial number of wild boars. However, the commercial risk is mitigated by the fact that production of pigs is primarily sold to the domestic market.

Management: In Denmark, through constructive collaboration with the authorities, the industry has taken many preventive measures to prevent ASF from entering the country. Wild boar fences have been erected along the Danish-German border, and the number of wild boars has been significantly reduced.

In Germany, four regional states in the eastern part have identified many ASF cases in wild boars.

Operational

F

IT security

Description: The company's operations rely on well-functioning IT systems in our production and administration. Unauthorised access or a breakdown can have serious consequences for our production and for the protection of critical and confidential data and of our brand. There has been a sharp increase in the number of cyberattacks, which make high demands on IT security.

Management: In 2020/21, we continued to sharpen our focus on IT security, adding additional resources to the area. Through the Information Security Board, the senior management regularly considers the level of threat and takes mitigating measures. One of the most important target areas has been the separation of networks, systems and access rights to minimise the risk of the spreading and consequences of a cyberattack.

G

Food safety

Description: Food safety is a prerequisite for our existence. It is a basic requirement from our customers and consumers and enables us to access important export markets. A single breach of our food safety standards could cause disease among consumers and have major commercial implications.

Management: Our entire business, including all our production facilities, have implemented quality and food safety systems tailored to meet specific needs and requirements.

Our systems are generally subject to third-party certification according to the Global Food Safety Initiative's approved standards.

Financial reporting

Group financial highlights | Financial review | Executive Board and Board of Directors

In a cooperatively held business, success is measured on the ability to create value for the farmers. Most of Danish Crown's earnings are paid to the cooperative owners through continuous settlements for their slaughter animals and annual supplementary payments based on the profits of the business.

Group financial highlights

DKKm	2016/17	2017/18*	2018/19	2019/20	2020/21
Income statement					
Revenue	62,024	53,551	56,506	60,794	58,287
Operating profit before special items (EBIT)	1,923	2,091	2,522	2,860	2,818
EBIT %	3.1%	3.9%	4.5%	4.7%	4.8%
Operating profit after special items	2,449	2,394	2,522	2,718	2,818
Net financials	-225	-198	-232	-185	-161
Net profit for the year from continuing operations	2,022	1,952	1,953	2,141	2,255
Net profit for the year from discontinued operations	0	-591	-785	14	0
Balance sheet					
Total assets	24,433	27,980	28,443	24,473	25,539
Invested capital	16,840	20,184	18,262	17,044	18,391
– Of which net working capital	5,090	6,330	6,618	4,981	5,850
Return on invested capital (ROAIC)	11.2%	11.3%	13.1%	16.2%	15.9%
Equity	7,611	7,540	7,361	8,055	8,363
Solvency ratio	31.2%	26.9%	25.9%	32.9%	32.7%
Net interest-bearing debt	9,229	12,643	11,847	8,989	10,028
Financial gearing	2.8	4.1	3.2	2.1	2.3
Interest cover	11.1	13.0	13.7	18.6	21.8
Cash flow statement					
Cash flows from operating and investing activities	1,937	-1,219	954	3,506	1,137
–Of which investment in property plant and equipment	928	1,081	1,398	1,494	1,718

DKKm	2016/17	2017/18	2018/19	2019/20	2020/21
Supplementary payments, DKK/kg					
Supplementary payments, pigs	0.95	0.80	1.05	1.35	1.30
Supplementary payments, sows	0.80	0.70	0.90	1.20	1.10
Supplementary payments, cattle	1.30	0.95	0.80	1.25	1.30
Total supplementary payments, DKKm					
Supplementary payments, pigs	1,050	922	1,132	1,450	1,512
Supplementary payments, sows	37	31	38	45	48
Supplementary payments, cattle	100	75	61	89	90
Total supplementary payments	**1,187**	**1,028**	**1,231**	**1,584**	**1,650**
Disbursement according to articles 22.2 d and 22.3.2 of the articles of association	250	42	27	34	22
Total disbursement	**1,437**	**1,070**	**1,258**	**1,618**	**1.672**
Supplies from cooperative owners weighted in, million kg					
Pigs	1,104.9	1,152.0	1,078.4	1,074.4	1,162.6
Sows	46.6	44.7	41.6	37.7	44.0
Cattle	77.3	79.2	76.1	70.9	69.3
No. of cooperative owners					
No. of cooperative owners	7,166	6,830	6,426	5,900	5,620
No. of employees					
Average no. of full-time employees	25,956	21,769	23,052	22,996	25,918

* 2017/18 figures have been restated with respect to the income statement and cash flow statement. Tulip Ltd is considered a discontinued activity and is reported under a separate line.

Strong financial performance despite decreasing prices on the company's products

The year was characterised by difficult market conditions, but Danish Crown achieved a strong financial result.

Despite of a highly volatile raw materials market and many market challenges relating to COVID-19 infections, African swine fever in many countries and sharply reduced demand from the large Chinese pork market in 2020/21, we achieved a strong profit of DKK 2.3 billion, which provides a foundation for record-high total supplementary payments to the Danish farmers, who own the company.

Although we have sold increasing volumes driven, among other things, by more kilos supplied by our cooperative owners, we recorded a 4 per cent decrease in revenue. This should be seen against the background of significantly decreasing prices on the global pork market. On a positive note, however, we achieved an increase in revenue both in Danish Crown Beef with increasing selling prices, in KLS Ugglarps with strong sales in the Swedish market and in the global businesses in Danish Crown Foods and DAT-Schaub. Again this year, we saw weak revenue in the foodservice market because of COVID-19 lockdowns in many parts of the world, while, on the other hand, we increased our revenue to the retail business.

We managed to ensure a gross margin that can cover the increasing distribution costs and administrative expenses we have incurred for, among other things, higher freight and storage costs, for special initiatives to limit COVID-19 infections, for the consequences of outbreaks of infection at our facilities and for a number of other market-specific cost increases such as the hiring of the many German employees, who have previously worked for us via employment with sub-contractors. We have also continued our investments in securing a better foundation for the future development of our business by developing a new strategy for the next five years, programmes to ensure more effective production processes in the coming years – and not least the foundation for our future sustainability efforts.

The strong gross margin is attributable, among other things, to increased sales of processed products, and we have also increased our sales to the pharmaceutical industry.

The result of our investments in associates also improved substantially.

The net financials (adjusted for foreign currency translation adjustment) were reduced by 23 per cent because of a lower level of interest rates on our debt. One of the reasons was the full-year effect of last year's remortgaging of mortgage loans.

Overall, we realised a strong profit after tax of DKK 2.3 billion, which is an increase of DKK 0.1 billion relative to last year.

Among other things, we have invested in our strategic bacon initiatives in the year.

Assets
Our total assets increased by DKK 1.1 billion, primarily as a result of increased working capital from the very low level at the beginning of the financial year.

Our investments in the year amounted to DKK 1.7 billion, which was DKK 0.3 billion more than the depreciation for the year. To this should be added leased assets of DKK 0.2 billion, so that total investments amount to just below DKK 2 billion. Among other things, we have invested in our strategic bacon and pizza toppings initiatives, but we also invested a substantial amount in our abattoirs. We have invested more than DKK 0.5 billion in the Danish facilities and have also made triple-digit million-kroner investments in our facilities in Poland and Germany.

Equity
At the end of 2020/21, our equity amounted to DKK 8.4 billion, which is an increase compared to last year because of this year's strong financial results.

At the end of 2020/21, the solvency ratio stood at 33 per cent, which was unchanged from last year.

Pursuant to our articles of association, in coming years it will be possible for a number of years to make payments from cooperative owner's accounts to the cooperative owners based on a recommendation from the Board of Directors and adoption by the Board of Representatives. It is assessed that the solvency ratio supports such partial payments in the coming year.

Liabilities
During the year, net interest-bearing debt increased by DKK 1 billion to DKK 10 billion. The financial gearing increased from 2.1 to 2.3, which is still a satisfactory level and well below our long-term target of 3.0. As such, there is a good basis for the strategic investments we are planning for the coming years.

Our financing structure is based mainly on credits with a maturity of more than one year. 77 per cent of our interest-bearing debt is long-term, against 89 per cent last year. The difference is primarily due to the coming year's repayments on one of our bond loans.

The share of interest-bearing debt falling due after more than five years from the balance sheet date is now 25 per cent against 43 per cent last year. Fixed-rate loans now account for about 41 per cent of total borrowings, against 53 per cent at the end of 2019/20.

Cash flow statement
Cash flows from operating activities for the year amounted to DKK 2.8 billion. While the contribution from the company's earnings were on par with last year, working capital developed negatively during the year. This was partly because we decided to pay holiday allowances to the holiday fund in Denmark in the amount of around DKK 0.4 billion, while DKK 0.7 billion was due to higher debtors towards the end of the year.

We increased our investments in property plant and equipment by DKK 0.2 billion in the year, as a result of which total cash flows from investments now amount to DKK 1.7 billion.

In the year, we paid a total of DKK 2 billion to our cooperative owners and to the non-controlling owners of our company.

The total liquidity outflow was financed partly by the raising of debt in the amount of DKK 0.6 billion and partly by reducing cash and cash equivalents by DKK 0.3 billion.

Outlook for 2021/22
For the upcoming year, we expect the operating profit (EBIT) and net profit to be on par with 2020/21.

Strong balance sheet provides a foundation for our future strategic investments.

We have also continued our investments in securing a better foundation for the future development of our business by developing a new strategy for the next five years, programmes to ensure more effective production processes in the coming years – and not least the foundation for our future sustainability efforts.

Executive Board and Board of Directors

From left to right. Front row: Thomas Ahle, Erik Bredholt, Camilla Sylvest, Jais Valeur, Jesper V. Christensen, Preben Sunke, Ulrik Bremholm and Kurt Høj.
Middle row: Asger Krogsgaard, Kim Tovgaard, Mads Nipper, Thomas Kjær, Karsten Willumsen, Camilla Harder Hartvig, Jørgen Larsen and Brian Vestergaard.
Rear row: Peter Fallesen Ravn, Knud Jørgen Lei, Michael Nielsen, Palle Joest Andersen and Søren Bonde.

Executive Board

Jais Valeur
Group CEO
Born 1962 | Appointed 2015

Preben Sunke
Group COO
Born 1961 | Appointed 2002

Thomas Ahle
Group CFO
Born 1971 | Appointed 2020

Board of Directors

Erik Bredholt [*,1,2,3,6]
Chairman
Born 1966 | Appointed 2001

Asger Krogsgaard [*,1,2,3,4]
Vice Chairman
Born 1966 | Appointed 2003

Mads Nipper [2,4,7]
Vice Chairman
Group President, CEO
Ørsted A/S
Born 1966 | Appointed 2016

Peter Fallesen Ravn [*,1,2]
Born 1968 | Appointed 2008

Palle Joest Andersen [*,1,2]
Born 1963 | Appointed 2009

Søren Bonde [*,1,2]
Born 1962 | Appointed 2013

Knud Jørgen Lei [*,1]
Born 1967 | Appointed 2013

Karsten Willumsen [*,1,2,3,4]
Born 1974 | Appointed 2013

Jesper V. Christensen [2,5,7]
Executive Vice President,
CFO Danfoss A/S
Born 1969 | Appointed 2016

Ulrik Bremholm [*,1]
Born 1967 | Appointed 2017

Michael Nielsen [*,1]
Born 1964 | Appointed 2017

Camilla Sylvest [2,4,7]
Executive Vice President
Novo Nordisk A/S
Born 1972 | Appointed 2017

Thomas Kjær [*,1]
Born 1981 | Appointed 2019

Camilla Harder Hartvig [2,7]
Senior Vice President, International
Business Alexion Pharmaceuticals Inc
Born 1969 | Appointed 2021

Kurt Høj [2]
Born 1959 | Appointed 2017
(employee representative)

Kim Tovgaard [2]
Born 1975 | Appointed 2017
(employee representative)

Brian Vestergaard [2]
Born 1973 | Appointed 2017
(employee representative)

Jørgen Larsen [*,1]
Observer
Born 1954 | Appointed 2019

* Operates own farm as privately owned company or in corporate form and is also cooperative owner.

1 Board member of Leverandør-selskabet Danish Crown AmbA.

2 Board member of Danish Crown A/S

3 Member of the Audit Committee.

4 Member of the Nomination and Remuneration Committee.

5 Chairman of the Audit Committee.

6 Chairman of the Nomination and Remuneration Committee.

7 Independent board member.

Further information about our Executive Board and Board of Directors is available on danishcrown.com/organization.

Consolidated financial statements

Income statement and statement of comprehensive income | Balance sheet | Statement of changes in equity

Cash flow statement | Notes, group

Income statement

1 October 2020 – 30 September 2021

		Group	
DKKm	**Note**	**2020/21**	**2019/20**
Revenue	2	58,287	60,794
Production costs	3,4	-48,959	-51,980
Gross profit		**9,328**	**8,814**
Distribution costs	3,4	-4.740	-4,423
Administrative expenses	3,4,5	-1,923	-1,640
Other operating income		38	13
Other operating expenses		-11	-12
Income from equity investments in associates and joint ventures	13	126	108
Operating profit before special items (EBIT)		**2,818**	**2,860**
Special items	6	0	-142
Operating profit after special items		**2,818**	**2,718**
Financial income	7	43	48
Financial expenses	8	-204	-233
Profit before tax		**2,657**	**2,533**
Tax on profit for the year	9	-402	-392
Net profit for the year from continuing operations		**2,255**	**2,141**
Net profit for the year from discontinued operations (to be distributed to the cooperative owners of the parent)		0	14
Net profit for the year		**2,255**	**2,155**
Cooperative owners of the parent		2,131	2,073
Non-controlling interests		124	82
Distribution of net profit for the year		**2,255**	**2,155**

Statement of comprehensive income

1 October 2020 – 30 September 2021

		Group	
DKKm	**Note**	**2020/21**	**2019/20**
Net profit for the year		**2,255**	**2,155**
Items subsequently recycled to the income statement:			
Foreign currency translation adjustment of foreign enterprises		17	-215
Hedging of net investments in foreign enterprises		15	63
Fair value adjustments etc. of financial instruments hedging future cash flows		11	7
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement		7	14
Tax on other comprehensive income		-4	-1
Items not recycled to the income statement:			
Actuarial gains/losses on defined benefit plans etc.		0	-3
Tax on other comprehensive income		1	1
Other comprehensive income from continuing operations		**47**	**-134**
Other comprehensive income from discontinued operations		0	58
Other comprehensive income		**47**	**-76**
Comprehensive income		**2,302**	**2,079**
Cooperative owners of the parent		2,171	2,021
Non-controlling interests		131	58
Distribution of comprehensive income		**2,302**	**2,079**
Continuing operations		2,302	2,007
Discontinued operations		0	72
Comprehensive income for the year		**2,302**	**2,079**

Balance sheet – assets
30 September 2021

		Group	
DKKm	**Note**	**30.09.2021**	**30.09.2020**
Intangible assets	10	3,602	3,661
Property, plant and equipment	11	8,537	7,954
Lease assets	12	529	547
Equity investments in associates and joint ventures	13	346	298
Other securities and equity investments	14	8	10
Deferred tax assets	17	147	175
Non-current assets		**13,169**	**12,645**
Inventories	18	4,722	4,610
Biological assets	19	29	26
Trade receivables	20	6,195	5,524
Receivables from and prepayments to cooperative owners		233	242
Receivables from associates		12	19
Other receivables		814	757
Prepayments		117	90
Other securities and equity investments	14	44	45
Cash		204	515
Current assets		**12,370**	**11,828**
Total assets		**25,539**	**24,473**

Balance sheet – equity and liabilities
30 September 2021

		Group	
DKKm	**Note**	**30.09.2021**	**30.09.2020**
Cooperative owner's accounts		1,296	1,380
Owner's accounts		692	462
Other reserves		-257	-284
Retained earnings		6,326	6,190
Equity owned by cooperative owners of the parent		**8,057**	**7,748**
Equity owned by non-controlling interests		306	307
Equity		**8,363**	**8,055**
Pension obligations		40	44
Deferred tax liabilities	17	299	257
Other provisions	16	157	150
Loans	21,22	8,074	8,747
Non-current liabilities		**8,570**	**9,198**
Other provisions	16	132	131
Loans		2,435	1,044
Trade payables		3,568	3,472
Payables to associates		42	57
Income tax payable		160	154
Other payables		2,216	2,312
Deferred income		53	50
Current liabilities		**8,606**	**7,220**
Commitments		**17,176**	**16,418**
Total equity and liabilities		**25,539**	**24,473**

Statement of changes in equity

30 September 2021

DKKm	Cooperative owner's accounts	Owner's accounts	Reserve for foreign currency translation adjustments	Reserve for value adjustment of hedging instruments	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
Equity at 30 September 2019	**1,462**	**354**	**-304**	**69**	**5,485**	**7,066**	**295**	**7,361**
Net profit for the year	**0**	**112**	**0**	**0**	**1,961**	**2,073**	**82**	**2,155**
Foreign currency translation adjustment of foreign enterprises	0	0	-191	0	0	-191	-24	-215
Fair value adjustments etc. of financial instruments hedging future cash flows	0	0	0	7	0	7	0	7
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	0	0	0	14	0	14	0	14
Hedging of net investments in foreign enterprises	0	0	0	63	0	63	0	63
Actuarial gains/losses on defined benefit plans etc.	0	0	0	0	-3	-3	0	-3
Tax on other comprehensive income	0	0	17	-17	0	0	0	0
Recycled to the income statement	0	0	108	-50	0	58	0	58
Total other comprehensive income	**0**	**0**	**-66**	**17**	**-3**	**-52**	**-24**	**-76**
Comprehensive income for the year	**0**	**112**	**-66**	**17**	**1,958**	**2,021**	**58**	**2,079**
Payment of contributed capital	-82	-4	0	0	0	-86	0	-86
Supplementary payments disbursed	0	0	0	0	-1,258	-1,258	-41	-1,299
Dilution of non-controlling interests	0	0	0	0	5	5	-5	0
Equity at 30 September 2020	**1,380**	**462**	**-370**	**86**	**6,190**	**7,748**	**307**	**8,055**
Net profit for the year	**0**	**242**	**0**	**0**	**1,889**	**2,131**	**124**	**2,255**
Foreign currency translation adjustment of foreign enterprises	0	0	10	0	0	10	7	17
Fair value adjustments etc. of financial instruments hedging future cash flows	0	0	0	-1	12	11	0	11
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	0	0	0	7	0	7	0	7
Hedging of net investments in foreign enterprises	0	0	0	15	0	15	0	15
Actuarial gains/losses on defined benefit plans etc.	0	0	0	0	0	0	0	0
Tax on other comprehensive income	0	0	0	-4	1	-3	0	-3
Recycled to the income statement	0	0	0	0	0	0	0	0
Total other comprehensive income	**0**	**0**	**10**	**17**	**13**	**40**	**7**	**47**
Comprehensive income for the year	**0**	**242**	**10**	**17**	**1,902**	**2,171**	**131**	**2,302**
Payment of contributed capital	-84	-12	0	0	0	-96	0	-96
Supplementary payments disbursed	0	0	0	0	-1,618	-1,618	-94	-1,712
Dilution of non-controlling interests	0	0	0	0	-148	-148	-38	-186
Equity at 30 September 2021	**1,296**	**692**	**-360**	**103**	**6,326**	**8,057**	**306**	**8,363**

Cash flow statement

1 October 2020 – 30 September 2021

		Group	
DKKm	**Note**	**2020/21**	**2019/20**
Operating profit before special items (EBIT)		2,818	2,860
Depreciation, amortisation and impairment	4	1,450	1,331
Income from associates	13	-126	-108
Changes in provisions		-8	-83
Change in net working capital	30	-803	1,511
Operating cash flows		**3,331**	**5,511**
Financial income received	7	24	16
Financial expenses paid	8	-195	-209
Income tax paid		-325	-296
Cash flows from operating activities		**2,835**	**5,022**
Purchase etc. of intangible assets	10	-36	-75
Purchase etc. of property, plant and equipment	11,12	-1,718	-1,559
Sale of property, plant and equipment	11,12	37	65
Dividend received from associate	13	98	81
Purchase of other securities and equity investments	14	-5	-30
Sale of other securities and equity investments	14	3	2
Acquisition of businesses	15	-77	0
Cash flows from investing activities		**-1,698**	**-1,516**
Disbursement of supplementary payments		-1,618	-1,258
Disbursement to non-controlling shareholders		-280	-41
Proceeds from borrowings	30	1,674	3,584
Repayment of loans	30	-1,128	-6,276
Payment of contributed capital		-96	-86
Cash flows from financing activities		**-1,448**	**-4,077**
Cash flows from discontinued operations		**0**	**957**
Change in cash and cash equivalents		**-311**	**386**
Cash and cash equivalents at 1 October 2020		515	129
Net cash and cash equivalents at 30 September 2021	30	**204**	**515**

Notes | group

Income statement

Note 1 Significant accounting estimates and judgments

When preparing the annual report in accordance with the group's accounting policies, management is required to make estimates and assumptions that affect the assets and liabilities recognised, including information on any contingent assets and liabilities.

Management's estimates are based on historical experience and other assumptions which are deemed relevant at the time. These estimates and assumptions form the basis for the recognised carrying amounts of assets and liabilities and the related effects recognised in the income statement. Actual results may differ from such estimates and assumptions.

Management considers the following estimates and judgments significant to the preparation of the consolidated financial statements.

Production costs
Costs for the purchase of slaughter animals from the cooperative owners are recognised at current announced pig and cattle prices for the year under production costs. At the year-end closing, the board of representatives of Leverandørselskabet Danish Crown AmbA determines how large a share of the profit for the year to transfer to consolidation purposes and how large a share of the profit to distribute as supplementary payments, which is treated as dividend.

Intangible assets
At least once a year, the group tests goodwill and other intangible assets with indefinite useful lives for impairment. A further description of the basis of accounting estimates can be found in note 10. No impairment was recognised on goodwill.

Property, plant and equipment
Management makes accounting estimates concerning residual values, and these are reassessed on an annual basis. In addition, separate assessments are made of impairment losses in connection with capacity adjustments, closure of facilities or any other situations where there is an indication of impairment as a result of changed production or market conditions. No impairment charges were made on facilities in the year. Last year, an impairment charge of DKK 63 million was made on property, plant and equipment. A specification of fixed assets is provided in note 11.

Inventories
When assessing the net realisable value of inventories of fresh/frozen meat and casings, management estimates the expected development in market prices. Price developments in the world market may be affected by the group's access to major markets. At the end of 2020/21, a write-down of inventories of DKK 74 million was made due to a decrease in the market price of pork. A specification of inventories is provided in note 18.

Deferred tax liabilities and tax assets
Deferred tax assets are recognised if it is probable that taxable income will be available in the future against which temporary differences or tax losses carried forward can be utilised. The group's deferred tax assets primarily relate to future depreciation for tax purposes of property, plant and equipment.

In this connection, management makes an estimate of the coming years' earnings based on budgets and strategy forecasts in the legal entities to which the tax assets relate. In addition, the uncertain tax positions are assessed, and the required provisions are recognised.

As a result of higher uncertainty as to the future earnings of loss-making units, the majority of the tax assets related to tax losses carried forward have been written down.

A specification of deferred tax liabilities and tax assets is provided in note 17.

Note 2 Revenue

Allocation of revenue on business units and sales channels

DKKm	Fresh Meat	Foods	Casings	Total
2020/21				
Industry	20,326	5,162	3,347	28,835
Foodservice	2,846	2,095	38	4,979
Retail	6,470	13,683	182	20,335
Other	1,951	882	1,305	4,138
Total	**31,593**	**21,822**	**4,872**	**58,287**
2019/20				
Industry	21,707	6,125	3,427	31,259
Foodservice	3,875	2,270	50	6,195
Retail	6,567	12,803	180	19,550
Other	2,239	766	785	3,790
Total	**34,388**	**21,964**	**4,442**	**60,794**

Allocation of revenue on business units and markets

DKKm	Fresh Meat	Foods	Casings	Total
2020/21				
Denmark	2,049	3,540	622	6,211
Europe	14,858	17,138	2,422	34,418
Asia	10,195	221	241	10,657
Other	4,491	923	1,587	7,001
Total	**31,593**	**21,822**	**4,872**	**58,287**
2019/20				
Denmark	1,941	3,480	359	5,780
Europe	16,154	17,276	2,107	35,537
Asia	12,582	269	235	13,086
Other	3,711	939	1,741	6,391
Total	**34,388**	**21,964**	**4,442**	**60,794**

Income statement

Note 3 Staff costs

DKKm	2020/21	2019/20
Salaries and wages	7,208	6,184
Pensions	465	420
Other social security costs	736	611
	8,409	**7,215**
Staff costs are distributed as follows:		
Production costs	6,414	5,347
Distribution costs	893	810
Administrative expenses	1,102	1,058
	8,409	**7,215**
Of which:		
Remuneration for the parent's Board of Directors	8	8
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	43	36
	52	**45**
Average no. of employees	25,918	22,996

Remuneration for the Executive Board includes pensions of DKK 0 million (2019/20: DKK 1 million) and provisions for the year for long-term bonuses of DKK 16 million (2019/20: DKK 13 million). The group management consists of the Executive Board. There are no other key members of management.

Note 4 Depreciation, amortisation and impairment

DKKm	2020/21	2019/20
Amortisation of intangible assets:		
Production costs	10	10
Distribution costs	72	72
Administrative expenses	45	44
	127	**126**
Depreciation of property, plant and equipment and lease assets:		
Production costs	1,117	1,034
Distribution costs	116	108
Administrative expenses	83	73
	1,316	**1,215**
Impairment of property, plant and equipment:		
Special items	0	63
	0	**63**
Gain on the disposal of non-current assets	10	28
Loss on the disposal of non-current assets	17	17

Note 5 Fees to the parent's auditors appointed by the Board of Representatives

DKKm	2020/21	2019/20
Statutory audit	8	8
Other assurance engagements	0	0
Tax advice	0	0
Other services	2	3
	10	**11**

Income statement

Note 6 Special items

DKKm	2020/21	2019/20
Special items, expenses:		
Impairment of facility	0	63
Demolition and closure costs	0	79
	0	**142**

Note 7 Financial income

DKKm	2020/21	2019/20
Interest, cash etc.	24	16
Foreign currency gains and losses, net	18	46
Fair value adjustment of derivative financial instruments hedging the fair value of financial instruments	18	-73
Fair value adjustment of hedged financial instruments	-18	73
Fair value adjustment recycled from equity concerning hedges of future cash flows	1	-14
	43	**48**

Note 8 Financial expenses

DKKm	2020/21	2019/20
Interest expenses, credit institutions etc.	183	209
Interest, lease debt	12	15
Foreign currency gains and losses, net	9	9
	204	**233**

Note 9 Tax on profit for the year

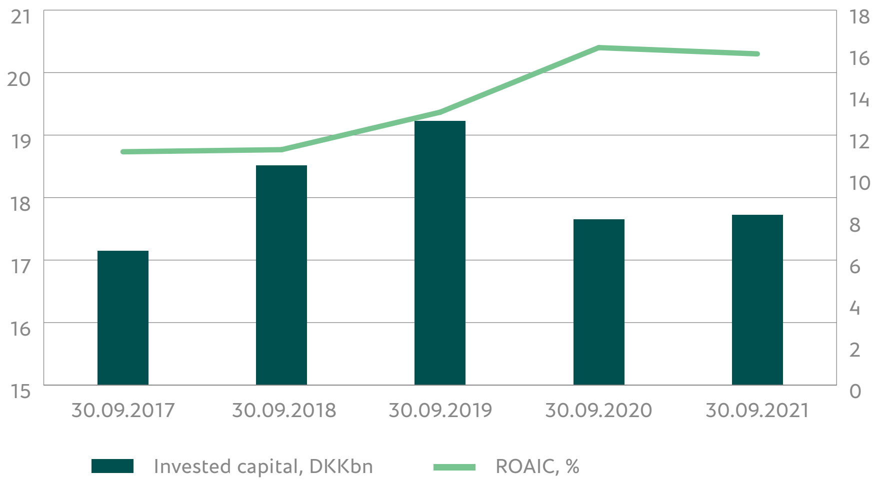
DKKm	2020/21	2019/20
Current tax	395	393
Change in deferred tax	-108	-68
Change in deferred tax resulting from a change in the tax rate	2	-1
Adjustment concerning previous years, current tax	-72	-16
Adjustment concerning previous years, deferred tax	66	26
Write-down of tax assets	101	45
	384	**379**
Tax in cooperatively taxed enterprises and tax on other income not subject to income tax	18	13
Tax on profit for the year	**402**	**392**
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	557	534
Effect of differences in tax rates for foreign enterprises	5	13
Change in deferred tax resulting from a change in the tax rate	2	-1
Tax in cooperatively taxed enterprises and tax on other income not subject to income tax	18	13
Tax base of profit in cooperatively taxed enterprises	-272	-242
Tax base of non-taxable income	-27	-15
Tax base of non-deductible costs	24	35
Adjustment concerning previous years, current tax	-72	-16
Adjustment concerning previous years, deferred tax	66	26
Write-down of tax assets	101	45
	402	**392**
Effective tax rate (%)	**15.9**	**16.2**
Foreign currency translation adjustment of foreign enterprises	0	-17
Fair value adjustments etc. of financial instruments hedging future cash flows	1	1
Fair value adjustments of financial instruments hedging realised cash flows recycled to the income statement	0	3
Hedging of net investments in foreign enterprises	3	14
Actuarial gains/losses on defined benefit plans etc.	-1	-1
Tax on other comprehensive income	**3**	**0**

Invested capital

Calculation of invested capital

DKKm	Note	30.09.2021	30.09.2020
Intangible assets	10	3,602	3,661
Property, plant and equipment	11	8,537	7,954
Lease assets	12	529	547
Equity investments in associates and joint ventures	13	346	298
Other securities and equity investments, long-term	14	8	10
Net working capital		5,850	4,981
Other provisions	16	-289	-281
Pension obligations		-40	-44
Deferred tax, net	17	-152	-82
		18,391	**17,044**
Average invested capital		17,718	17,653
Return on invested capital (ROAIC)		15.9 %	16.2 %

Development in invested capital past 5 years



Note 10 Intangible assets

DKKm	Goodwill	Software	Acquired trademarks etc.	Total
Cost at 1 October 2020	2,890	638	1,315	4,843
Foreign currency translation adjustments	0	1	-8	-7
Additions on acquisition	32	0	6	38
Additions	0	35	1	36
Disposals	0	-16	0	-16
Cost at 30 September 2021	**2,922**	**658**	**1,314**	**4,894**
Amortisation and impairment at 1 October 2020	0	524	658	1,182
Foreign currency translation adjustments	0	0	-3	-3
Amortisation for the year	0	55	72	127
Amortisation of disposals for the year	0	-14	0	-14
Amortisation and impairment at 30 September 2021	**0**	**565**	**727**	**1,292**
Carrying amount at 30 September 2021	**2,922**	**93**	**587**	**3,602**
Cost at 1 October 2019	2,965	586	1,338	4,889
Foreign currency translation adjustments	-75	-2	-22	-99
Additions	0	71	4	75
Disposals	0	-17	-5	-22
Cost at 30 September 2020	**2,890**	**638**	**1,315**	**4,843**
Amortisation and impairment at 1 October 2019	0	489	594	1,083
Foreign currency translation adjustments	0	-2	-8	-10
Amortisation for the year	0	54	72	126
Amortisation of disposals for the year	0	-17	0	-17
Amortisation and impairment at 30 September 2020	**0**	**524**	**658**	**1,182**
Carrying amount at 30 September 2020	**2,890**	**114**	**657**	**3,661**

Except for goodwill with an indefinite useful life, all other intangible assets are considered to have finite useful lives over which the assets are amortised.

Invested capital

Note 10 Intangible assets – continued

Impairment testing of goodwill
Goodwill arising on acquisition etc. at the date of acquisition is allocated to the cash-generating units which are expected to obtain economic benefits from the business combination.

The carrying amount of goodwill is allocated to the cash-generating units as follows:

DKKm	30.09.2021	30.09.2020
Sokołów	657	668
DAT-Schaub	495	468
KLS Ugglarps	112	97
Danish Crown Foods	1,150	1,151
Danish Crown Pork	28	27
Danish Crown Beef	26	26
Danish Crown	454	453
	2,922	**2,890**

Goodwill is tested for impairment at least once a year, or more frequently if there are indications of impairment. The annual impairment test is made at the end of the financial year and has not resulted in any impairment of goodwill in the financial year. The recoverable amount for the individual cash-generating units to which the goodwill amounts have been allocated is calculated on the basis of calculations of the units' net present value.

The cash-generating units' net present value is calculated using the cash flows stated in the companies' budgets and strategy plans for the next five financial years. Account is taken of timing differences in strategy plans. For financial years following the budget and strategy periods (terminal period), cash flows in the most recent strategy period have been extrapolated, adjusted for expected growth rates for the specific markets. The most important uncertainties in this regard are related to the determination of discount rates and growth rates as well as the uncertainties and risks reflected in the budget and strategy figures.

The fixed discount rates reflect market assessments of the time value of money, expressed as a risk-free interest rate, and the specific risks which are associated with the individual cash-generating unit. Discount rates are generally determined on an 'after tax' basis based on the estimated weighted average cost of capital (WACC).

The growth rates used are based on the forecasts and strategy plans of the individual companies as well as on expectations for discount rates, interest and inflation levels. The growth rates used do not exceed the expected average long-term growth rate for the markets in question.

The most important budget assumptions are based on expectations for the organic growth in tonnage in the market(s) in which the companies primarily operate, the possibility of moving up in the value chain (new and more processed products) and the development in raw material prices for the principal products (pork and beef as well as by-products). For Sokołów and KLS Ugglarps, such expectations cover the Polish and Swedish markets, respectively, while the assessment for DAT-Schaub and Danish Crown Foods covers a number of global primary markets. The estimates of growth and the correlation between selling prices and raw material prices in the budget and strategy periods are based on historical experience and expectations for future growth and market conditions. Management assesses that likely changes to the basic assumptions will not result in the recoverable amount of goodwill being lower than the carrying amount.

Parameters used to calculate recoverable amounts

	Growth factor in the terminal period		Risk-free interest rate, 10-year swap interest rate		WACC after tax		WACC before tax	
Per cent	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Sokołów	1.0	1.0	1.9	1.5	5.6	6.6	7.0	8.7
DAT-Schaub	1.0	1.0	0.2	-0.3	4.3	4.6	5.5	5.9
KLS Ugglarps	1.0	1.0	0.4	-0.1	5.3	4.8	6.7	5.7
Danish Crown Foods	1.0	1.0	0.2	-0.3	4.3	4.6	5.5	5.9
Danish Crown Pork	1.0	1.0	0.2	-0.3	4.3	4.6	5.5	5.9
Danish Crown Beef	1.0	1.0	0.2	-0.3	4.3	4.6	5.5	5.9
Danish Crown	1.0	1.0	0.2	-0.3	4.3	4.6	5.5	5.9

Acquired trademarks etc.
Acquired trademarks etc. primarily concern trademarks in Poland with a remaining life of 5-15 years.

Invested capital

Note 11 Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Plant under construction	Total
Cost at 01.10.2020	10,738	10,330	956	804	22,828
Foreign currency translation adjustments	8	6	0	-1	13
Completion of plant under construction	155	214	18	-387	0
Additions on acquisition	1	8	0	5	14
Additions	262	616	96	744	1,718
Disposals	-678	-914	-132	-3	-1,727
Cost at 30.09.2021	**10,486**	**10,260**	**938**	**1,162**	**22,846**
Depreciation and impairment at 01.10.2020	6,825	7,329	720	0	14,874
Foreign currency translation adjustments	0	-5	-2	0	-7
Impairment for the year	0	0	0	0	0
Depreciation for the year	340	699	87	0	1,126
Depreciation and impairment on disposals for the year	-660	-898	-126	0	-1,684
Depreciation and impairment at 30.09.2021	**6,505**	**7,125**	**679**	**0**	**14,309**
Carrying amount at 30.09.2021	**3,981**	**3,135**	**259**	**1,162**	**8,537**
Of which recognised interest expenses	38	0	0	0	38
Cost at 01.10.2019	10,494	9,808	892	657	21,851
Transfer to lease assets	-77	-72	-11	0	-160
Foreign currency translation adjustments	-53	-93	-11	-4	-161
Completion of plant under construction	154	94	5	-253	0
Additions	238	657	89	404	1,388
Disposals	-18	-64	-8	0	-90
Cost at 30.09.2020	**10,738**	**10,330**	**956**	**804**	**22,828**
Depreciation and impairment at 01.10.2019	6,540	6,778	656	0	13,974
Transfer to lease assets	-26	-30	-3	0	-59
Foreign currency translation adjustments	-21	-64	-8	0	-93
Impairment for the year	10	52	1	0	63
Depreciation for the year	327	630	80	0	1,037
Depreciation and impairment on disposals for the year	-5	-37	-6	0	-48
Depreciation and impairment at 30.09.2020	**6,825**	**7,329**	**720**	**0**	**14,874**
Carrying amount at 30.09.2020	**3,913**	**3,001**	**236**	**804**	**7,954**
Of which recognised interest expenses	44	5	0	0	49

Finance costs of DKK 0 million were recognised in the cost of property, plant and equipment under construction in the financial year (2019/20: DKK 0 million).

Note 12 Lease assets

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 October 2020	422	190	152	764
Foreign currency translation adjustments	0	2	1	3
Additions on acquisition	13	0	0	13
Additions	79	36	65	180
Disposals	-22	-7	-23	-52
Cost at 30 September 2021	**492**	**221**	**195**	**908**
Depreciation and impairment at 1 October 2020	89	75	53	217
Foreign currency translation adjustments	1	1	0	2
Depreciation for the year	82	43	65	190
Depreciation and impairment on disposals for the year	-5	-7	-18	-30
Depreciation and impairment at 30 September 2021	**167**	**112**	**100**	**379**
Carrying amount at 30 September 2021	**325**	**109**	**95**	**529**
Cost at 1 October 2019	0	0	0	0
Opening balance sheet IFRS 16	274	100	101	475
Transferred from property, plant and equipment	77	72	11	160
Foreign currency translation adjustments	-11	-2	0	-13
Additions	94	28	46	168
Disposals	-12	-8	-6	-26
Cost at 30 September 2020	**422**	**190**	**152**	**764**
Depreciation and impairment at 1 October 2019	0	0	0	0
Transferred from property, plant and equipment	26	30	3	59
Depreciation for the year	69	53	56	178
Depreciation and impairment on disposals for the year	-6	-8	-6	-20
Depreciation and impairment at 30 September 2020	**89**	**75**	**53**	**217**
Carrying amount at 30 September 2020	**333**	**115**	**99**	**547**

Lease liabilities are specified in note 22.

Invested capital

Note 13 Equity investments in associates and joint ventures

DKKm	Associates 30.09.2021	Associates 30.09.2020	Joint ventures 30.09.2021	Joint ventures 30.09.2020
Cost at 1 October	163	167	17	17
Foreign currency translation adjustments	5	-4	0	0
Additions	0	0	0	0
Cost at 30 September	**168**	**163**	**17**	**17**
Value adjustments at 1 October	90	87	28	7
Share of net profit	118	87	8	21
Foreign currency translation adjustments	15	-3	0	0
Distribution during the year	-98	-81	0	0
Value adjustments at 30 September	**125**	**90**	**36**	**28**
Carrying amount at 30 September	**293**	**253**	**53**	**45**

	Associates		Joint ventures	
DKKm	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Statement of comprehensive income				
Revenue	1.580	2,020	1,203	1,421
Net profit for the year	240	209	15	42
Other comprehensive income	3	-14	0	0
Total comprehensive income (100%)	**243**	**195**	**15**	**42**
Dividend received	**98**	**81**	**0**	**0**
Non-current assets	684	681	10	10
Current assets	621	586	132	185
Non-current liabilities	245	243	0	0
Current liabilities	407	458	34	103
Equity (100%)	**653**	**566**	**108**	**92**

The financial year of Daka Danmark A/S, Agri-Norcold A/S, Oriental Sino Limited and WestCrown GmbH runs from 1 January to 31 December.

For consolidation purposes, financial statements are prepared in accordance with Danish Crown's accounting policies for periods corresponding to Danish Crown's accounting periods.

Note 14 Other securities and equity investments

DKKm	30.09.2021	30.09.2020
Unlisted shares	8	10
Listed bonds	44	45
	52	**55**
Securities are recognised in the balance sheet as follows:		
Non-current assets	8	10
Current assets	44	45
	52	**55**

Invested capital

Note 15 Acquisitions

	Principal activity	Acquisition date	Ownership interest acquired %	Voting share acquired %
During the financial year, the group acquired the following companies:				
Ingemar Johansson AB	Food production	14.01.2021	100%	100%
Vicente Gallent S.L.U.	Casings	03.09.2021	100%	100%

The group did not sell any companies in the financial year.
The company made no acquisitions in 2019/20.

Consideration DKKm	2020/21
Intangible assets	6
Property, plant and equipment and lease assets	27
Other non-current assets	0
Non-current assets	**33**
Inventories	42
Trade receivables	43
Other current assets	6
Current assets	**91**
Non-current liabilities	**-28**
Trade payables	-26
Other current liabilities	-14
Current liabilities	**-40**
Net assets acquired	**56**
Goodwill	32
Non-controlling interests	0
Total consideration	**88**
Acquired cash in hand and at bank	-3
Cash consideration	**85**

The acquisitions made in 2020/21 all serve to strengthen the group's primary business area and are important for the group to achieve its strategy of higher added value of its raw materials. In connection with acquisitions made in 2020/21, goodwill totalling DKK 32 million was recognised. Of the capitalised goodwill amount, DKK 0 million is expected to be tax deductible. As described in note 10, it has not been necessary to make an impairment charge of the capitalised goodwill amounts.

The consideration paid in connection with the acquisitions exceeds the fair value of acquired identifiable assets, liabilities and contingent liabilities. This positive difference (goodwill) is primarily based on expected synergies between the activities of the acquired businesses and the group's existing activities, future growth potential and the staff of the businesses. These synergies are not recognised separately from goodwill because they are not separately identifiable.

Of the group's profit for the year, DKK 3 million is attributable to results generated in acquired businesses. Of the group's revenue, DKK 130 million is attributable to acquired businesses.

If the acquired businesses had been acquired effective 1 October 2021, revenue for 2020/21 would have been approximately DKK 321 million, and profit for the year around DKK 9 million in the acquired businesses. Management believes that these pro forma figures reflect the level of earnings in the group after the acquisition of the businesses and that these amounts should therefore be used as a basis for comparison in subsequent financial years.

In the computation of the pro forma revenue and the pro forma profit for the year, the following significant assumptions have been used:

- Depreciation of property, plant and equipment and amortisation of intangible assets was calculated on the basis of the carrying amounts of the acquisition balance sheet rather than the original carrying amounts.
- Financial expenses were calculated on the basis of the group's financing need, credit assessments and debt/equity ratio following the business combinations.

In connection with the acquisition of the activities in the acquired businesses, transaction costs of DKK 2 million were incurred. Transaction costs include adviser fees and legal fees, which are recognised as administrative expenses.

Of the total cash consideration, DKK 77 million was paid in the current financial year and DKK 8 million is expected to be paid within the next year.

Invested capital

Note 16 Other provisions

DKKm	Employee-related	Specific require-ments	Renovation of leasehold premises etc.	Other	Total
Other provisions at 1 October 2020	73	91	30	87	281
Foreign currency translation adjustments	-1	0	0	0	-1
Utilised during the year	-4	-4	-1	-7	-16
Reversal of unutilised provision	-2	-1	0	0	-3
Provisions for the year	17	9	0	2	28
Other provisions at 30 September 2021	**83**	**95**	**29**	**82**	**289**
Other provisions at 1 October 2019	67	54	18	61	200
Foreign currency translation adjustments	-1	0	0	0	-1
Utilised during the year	-3	-2	-14	-1	-20
Reversal of unutilised provision	-1	-4	0	-2	-7
Provisions for the year	11	43	26	29	109
Other provisions at 30 September 2020	**73**	**91**	**30**	**87**	**281**

Other provisions can be specified by maturity as follows:

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
30 September 2021	**132**	**111**	**46**	**289**
30 September 2020	**131**	**103**	**47**	**281**

The provisions were made based on the latest information available. The group believes that the risk in the individual areas has been fully provided for and that it will not require additional provisions.

Note 17 Deferred tax

DKKm	30.09.2021	30.09.2020
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	147	175
Deferred tax liabilities	-299	-257
	-152	**-82**
Tax value of non-recognised deferred tax assets	**450**	**344**
The expiry dates of tax losses to be carried forward can be specified as follows:		
No expiry date	671	283
2021	0	1
2022	1	1
2023	0	0
After 2026	23	6
	695	**291**

The tax value of tax losses amounting to DKK 167 million (2019/20: DKK 71 million) was not recognised as it was not deemed sufficiently probable that the losses will be utilised in the foreseeable future.

Invested capital

Note 17 Deferred tax – continued

2020/21 DKKm	Deferred tax 01.10.2020	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Additions on acquisition	Change in tax rate	Deferred tax 30.09.2021
Intangible assets	-82	1	-5	-8	0	0	0	-94
Property, plant and equipment	154	-3	-75	63	0	-1	-1	137
Financial assets	-2	0	2	0	0	0	0	0
Current assets	71	0	-4	-18	0	0	0	49
Non-current liabilities	-36	0	14	-23	0	0	-1	-46
Current liabilities	88	-1	-5	8	-4	-2	0	84
Tax losses carried forward	68	6	7	86	0	0	0	167
	261	**3**	**-66**	**108**	**-4**	**-3**	**-2**	**297**
Write-down of tax assets	-343	-5	0	-101	0	0	0	-449
	-82	**-2**	**-66**	**7**	**-4**	**-3**	**-2**	**-152**

2019/20 DKKm	Deferred tax 01.10.2019	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Additions on acquisition	Change in tax rate	Deferred tax 30.09.2020
Intangible assets	-68	4	-10	-8	0	0	0	-82
Property, plant and equipment	157	0	-17	13	0	0	1	154
Financial assets	5	0	-5	-2	0	0	0	-2
Current assets	57	-1	1	14	0	0	0	71
Non-current liabilities	-40	0	0	4	1	0	-1	-36
Current liabilities	48	-1	6	35	0	0	0	88
Tax losses carried forward	67	-4	-1	12	0	0	0	74
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	-6
	220	**-2**	**-26**	**68**	**1**	**0**	**0**	**261**
Write-down of tax assets	-303	4	0	-45	0	0	1	-343
	-83	**2**	**-26**	**23**	**1**	**0**	**1**	**-82**

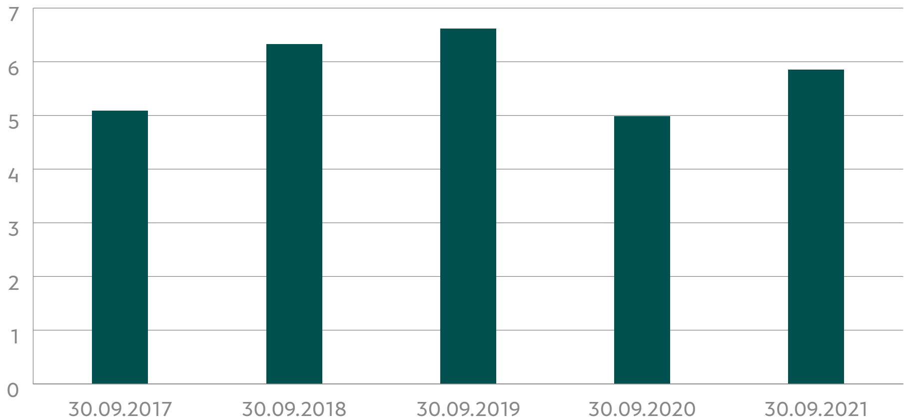
Deferred tax assets and deferred tax are set off in the balance sheet when a legal right of set-off exists, and the deferred tax asset and deferred tax concern the same legal tax unit/consolidation.

Net working capital

Calculation of net working capital

DKKm	Note	30.09.2021	30.09.2020
Inventories	18	4,722	4,610
Biological assets	19	29	26
Trade receivables	20	6,195	5,524
Receivables from associates		12	19
Other receivables		814	757
Prepayments		117	90
Trade payables		-3,568	-3,472
Payables to associates		-42	-57
Income tax payable		-160	-154
Other payables		-2,216	-2,312
Deferred income		-53	-50
		5,850	**4,981**

Development in net working capital past 5 years, DKKbn



Note 18 Inventories

DKKm	30.09.2021	30.09.2020
Raw materials and consumables	663	645
Semi-finished goods	464	415
Finished goods and goods for resale	3,595	3,550
	4,722	**4,610**
Cost of sales	44,148	47,450
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	20	94

Note 19 Biological assets

DKKm	30.09.2021	30.09.2020
Slaughter pigs	23	21
Land holdings	4	3
Other	2	2
	29	**26**
No. of slaughter pigs	16,698	16,070
No. of sows and boars	1,204	1,196
Kg produced ('000) during the year	3,269	2,914

Net working capital

Note 20 Trade receivables

DKKm	30.09.2021	30.09.2020
Trade receivables (gross)	**6,267**	**5,636**
Write-down for bad debts at 1 October	-112	-98
Foreign currency translation adjustments	-2	2
Realised losses for the year	8	11
Reversed provisions	43	5
Provisions for bad debts for the year	-9	-32
Write-down for bad debts at 30 September	**-72**	**-112**
Trade receivables (net)	**6,195**	**5,524**

DKKm	Loss rate	Gross receivables 30.09.2021	Expected loss	Net receivables 30.09.2021	Gross receivables 30.09.2020
Not due	0.1	5,381	5	5,376	4,737
Less than 30 days overdue	0.2	611	1	610	639
Between 30 and 90 days overdue	2.0	124	2	122	68
More than 90 days overdue	25.0	116	29	87	116
		6,232	**37**	**6,195**	**5,560**

The maximum credit risk on receivables more than 30 days overdue, but not written down, is DKK 45 million (30 September 2020: DKK 61 million).

The primary credit risk of the group concerns trade receivables. The payment terms stated in the group's sales contracts with customers are based on the underlying performance obligation and customer relations. The group's payment terms comprise short-term credits averaging approximately 35 days. No sales with significant long payment terms exist.

Customers are credit-rated individually, and based on an overall assessment of the customer's ability to pay and geographical location, a decision is made on the use of credit insurance, letters of credit, prepayments or open credit terms. For customers with outstanding balances exceeding DKK 25 million, credit insurance must be taken out unless the customer has a credit rating of A or higher with a reputable rating agency.

Receivables are written down, partly on the basis of the simplified expected credit loss model, and partly on the basis of an individual assessment of whether the individual debtor's solvency is reduced, for example as a result of suspension of payments or bankruptcy.

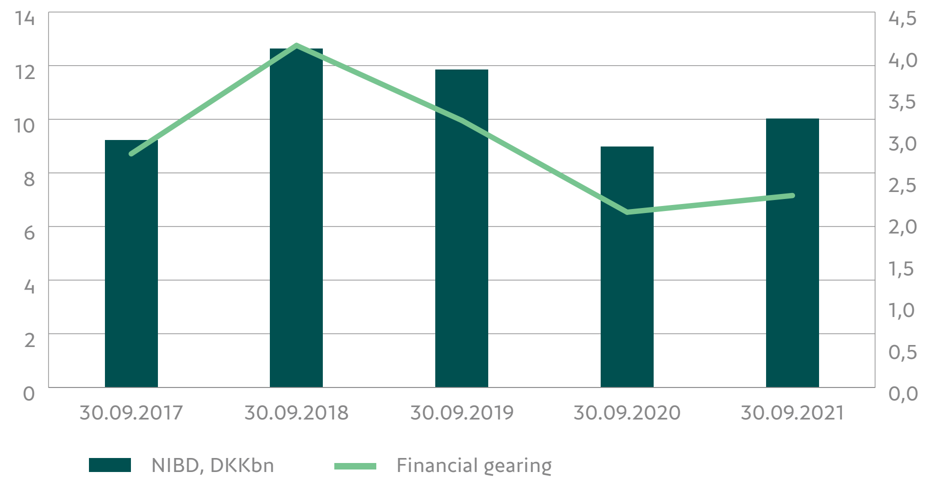
Individual receivables are written down to the calculated net realisable value. The carrying amount of receivables written down to net realisable value based on an individual assessment is DKK 35 million (30 September 2020: DKK 76 million).

Financing

Calculation of financial gearing

DKKm	Note	30.09.2021	30.09.2020
Mortgage debt	21	3,199	3,508
Other debt, issued bonds	21	4,038	3,982
Other credit institutions	21	904	1,354
Bank debt	21	1,863	433
Lease debt	21	505	514
Receivables from and prepayments to cooperative owners		-233	-242
Cash and short-term securities		-248	-560
Net interest-bearing debt (NIBD)		**10,028**	**8,989**
Operating profit before special items (EBIT)		2,818	2,860
Depreciation, amortisation and impairment	4	1,450	1,331
EBITDA		**4,268**	**4,191**
Financial gearing		**2.3**	**2.1**

Development in financial gearing past 5 years



Capital structure
The company's management assesses on an ongoing basis whether the group's capital structure matches the company's and the owners' interests. The overall target is to ensure a capital structure which supports long-term financial growth and, at the same time, maximises the return for the group's stakeholders by optimising the debt-equity ratio. The group's overall strategy is consistent with that of last year.

The group's capital structure includes debt, comprising financial liabilities in the form of mortgage debt, bank debt, finance lease liabilities, receivables from cooperative owners, cash and equity, including cooperative owner's accounts, owner's accounts, other reserves and retained earnings.

Financing

Note 21 Loans

Loans can be specified by maturity as follows:

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
30.09.2021				
Mortgage debt	179	712	2,308	3,199
Other debt, issued bonds	546	3,235	257	4,038
Other credit institutions	72	832	0	904
Bank debt	1,474	389	0	1,863
Lease debt	164	303	38	505
	2,435	**5,471**	**2,603**	**10,509**
30.09.2020				
Mortgage debt	187	750	2,571	3,508
Other debt, issued bonds	0	2,371	1,611	3,982
Other credit institutions	448	906	0	1,354
Bank debt	266	167	0	433
Lease debt	143	322	49	514
	1,044	**4,516**	**4,231**	**9,791**

Note 22 Lease liabilities

DKKm	30.09.2021	30.09.2020
Total undiscounted future minimum lease payments under capitalised non-cancellable leases (operating equipment and rent) break down as follows:		
Within 1 year of the balance sheet date	164	146
Between 1 and 5 years from the balance sheet date	302	313
More than 5 years after the balance sheet date	104	53
	570	**512**

DKKm	2020/21	2019/20
Total future cash flows according to leases concerning variable lease payments, options, residual value guarantees, leases that have not yet come into force, short-term leases and other non-recognised components.	38	30

DKKm	2020/21	2019/20
Total lease expenses recognised in profit for the year		
Expenses relating to short-term leases	25	23
Expenses relating to low-value lease assets which are not part of short-term leases	7	4
Expenses relating to variable lease payments which are not a part of lease liabilities	1	9
	33	**36**

Lease assets are described in note 12.

Financing

Note 23 Financial risks

Financial risks are managed at group level in accordance with the group's treasury policy. The treasury policy is updated once every year and approved by the Board of Directors. There have been no changes to the group's risk exposure or risk management relative to the previous financial year.

The group's principal risks	Note	How the group manages these risks
Currency risks	23.1	Hedged using foreign currency loans and overdrafts and forward exchange contracts.
Interest rate risks	23.2	Hedged using hedging instruments and fixed-rate commitments.
Liquidity risks	23.3	Entering into long-term commitments with a credit facility option.
Credit risks	23.4	Credit insurance and ongoing credit management.

The group hedges commercial risks only and does not engage in derivative financial transactions for speculation purposes. The four following notes provide details of the group's most important financial risks and the group's management thereof.

Note 23.1 Currency risks

Currency risks in respect of assets and liabilities and future cash flows
The group's business activities result in exposure to future exchange rate changes. The group's currency policy is to regularly hedge the commercial risk that exchange rate changes affect future cash flows in Danish kroner.

The commercial risk of exchange rate changes arises as a result of differences in exchange rates from the time of raising of cash and cash equivalents, securities, receivables, trade payables and other payables in foreign currency until these amounts are paid. Moreover, the commercial risk arises as a result of the impact on expected future sales, where expected future sales are sales orders concluded and specific expected sales in the short term.

To hedge recognised and non-recognised transactions, the group uses hedging instruments in the form of foreign currency overdrafts and loans and forward exchange contracts. The hedging of recognised assets and liabilities primarily comprises cash and cash equivalents, securities, receivables and financial liabilities.

At the balance sheet date, the fair value of the group's derivative financial instruments hedging the currency risk regarding recognised financial assets and liabilities were negative at DKK 6 million (30 September 2020: DKK 13 million). 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 statement of comprehensive income.

The hedging of expected future cash flows is treated as a cash flow hedge, meaning that the fair value adjustment of the hedging instruments used is made through other comprehensive income. Fair value adjustment of hedging instruments used to hedge specific expected sales in the short term is calculated on the basis of the value of such sales.

The hedging of sales orders concluded is treated as a fair value hedge, meaning that the fair value adjustment of the hedged orders and the hedging instruments used is made through profit and loss.

If the group has concluded foreign currency hedging agreements which do not qualify as hedge accounting, such agreements are treated as trading portfolios, recognising fair value adjustments continuously through profit and loss.

Open forward exchange contracts at the balance sheet date have a term to maturity of up to 12 months and can be specified as described in the table on page 68 where agreements on the sale of currency are stated with a positive contractual value.

The group has performed a systematic review of contracts which may contain conditions making the contract or parts of it a derivative financial instrument. The review did not give rise to any recognition of derivative financial instruments.

Financing

Note 23.1 Currency risks – continued

Hedging of net investments in foreign subsidiaries
In addition to the commercial currency risk, the Danish Crown Group has a number of investments in foreign subsidiaries and is exposed to exchange rate fluctuations in connection with the translation of these subsidiaries' equity to DKK. The group hedges some of this currency risk by raising loans in the relevant currency. This applies to net investments in EUR, USD, GBP, SEK and PLN.

The change in the foreign currency translation adjustment of these financial instruments (debt instruments) hedging the currency risk concerning investments in foreign currency is recognised in other comprehensive income. To the extent that the fair value adjustment does not exceed the value adjustment of the investment, adjustments of these financial instruments are made through other comprehensive income; otherwise the fair value adjustment is recognised in the income statement.

At the balance sheet date, DKK 12 million (30 September 2020: DKK 49 million) was recognised in other comprehensive income concerning fair value adjustment of instruments to hedge net investments and loans classified as additions to net investments.

There were no ineffective hedges in the present or previous financial years.

At the balance sheet date, the fair value of the cumulative foreign currency translation adjustments of instruments hedging net investments amounted to DKK 113 million (30.09.2020: DKK 151 million).

Currency sensitivity analysis
The group's most important currency exposure with regard to sales concerns GBP, JPY, EUR and USD. Exchange rate fluctuations in respect of these currencies will not impact the group's financial results significantly as commercial currency positions are hedged in accordance with the group's risk policy, meaning that sales and net positions in the balance sheet are hedged.

The table on the right shows the effect it would have had on net profit and equity if the exchange rate of the most important currencies carrying a risk of significant exchange rate fluctuations had been 10 per cent lower than the exchange rate actually applied. If the exchange rate had been 10 per cent higher than the actual exchange rate, this would have had a corresponding positive effect on net profit and equity.

In the preparation of the sensitivity analysis, it is assumed that all hedges are assessed to be 100% effective.

	Effect on net profit		Effect on equity	
DKKm	**30.09.2021**	**30.09.2020**	**30.09.2021**	**30.09.2020**
Effect if EUR exchange rate was 10% lower than actual exchange rate	-10	-13	-10	-13
Effect if GBP exchange rate was 10% lower than actual exchange rate	3	-4	3	-9
Effect if JPY exchange rate was 10% lower than actual exchange rate	0	1	-4	-9
Effect if SEK exchange rate was 10% lower than actual exchange rate	-1	-2	-1	-2
Effect if USD exchange rate was 10% lower than actual exchange rate	-5	-3	-14	-28
Effect if other exchange rates were 10% lower than actual exchange rate	-3	-5	-5	-6

Financing

Note 23.1 Currency risks – continued

DKKm	Cash and cash equivalents and securities	Receivables and expected sales	Trade payables and other payables	Commercial risk	Of which hedged by loans and overdrafts	Of which hedged by forward exchange contracts	Unhedged net position
EUR	2	2,196	-949	1,249	-930	-188	131
GBP	2	703	-19	686	-722	0	-36
JPY	0	755	0	755	-132	-619	4
SEK	0	80	-12	68	-3	-55	10
USD	0	2,853	-600	2,253	-621	-1,562	70
Other currencies	71	533	-112	492	828	-1,278	42
30 September 2021	**75**	**7,120**	**-1,692**	**5,503**	**-1,580**	**-3,702**	**221**
EUR	6	1,807	-931	882	-694	-18	170
GBP	0	578	-27	551	-340	-163	48
JPY	0	1,132	0	1,132	64	-1,206	-10
SEK	0	59	-5	54	164	-194	24
USD	0	3,656	-494	3,162	-201	-2,920	41
Other currencies	27	532	-82	477	1,185	-1,603	59
30 September 2020	**33**	**7,764**	**-1,539**	**6,258**	**178**	**-6,104**	**332**

	Hedging of future cash flows		Fair value hedging		Non-fulfilment of hedging criteria	
DKKm	**Contractual value**	**Fair value adjustment, recognised in equity**	**Contractual value**	**Fair value**	**Contractual value**	**Fair value**
Forward exchange contracts EUR	0	0	186	0	2	0
Forward exchange contracts GBP	0	0	0	0	0	0
Forward exchange contracts JPY	55	0	564	5	0	0
Forward exchange contracts SEK	0	0	55	0	0	0
Forward exchange contracts USD	116	-2	1,449	-20	-3	0
Forward exchange contracts, other	30	0	1,256	9	-8	0
30 September 2021	**201**	**-2**	**3,510**	**-6**	**-9**	**0**
Forward exchange contracts EUR	0	0	0	0	18	0
Forward exchange contracts GBP	63	0	101	1	0	0
Forward exchange contracts JPY	128	0	1,091	16	4	0
Forward exchange contracts SEK	0	0	193	-1	0	0
Forward exchange contracts USD	321	-1	2,595	-8	-6	0
Forward exchange contracts, other	13	0	1,595	5	0	0
30 September 2020	**525**	**-1**	**5,575**	**13**	**16**	**0**

Financing

Note 23.2 Interest rate risks

The Danish Crown Group has, to a wide extent, interest-bearing financial assets and liabilities and is as such exposed to interest rate risk.

We aim to ensure a reasonable balance between the company's exposure to floating and fixed interest rates. Significant changes to the mix of floating and fixed interest rates must be approved by the Board of Directors.

The group can show its financial assets and liabilities broken down by interest-reset or maturity dates, whichever occurs first, as interest-bearing assets and liabilities falling due after one year are considered to carry a fixed interest rate as shown in the table on the right-hand side of this page.

Sensitivity analysis
Interest rate fluctuations affect the group's bond portfolios, floating-rate bank deposits, mortgage debt and other payables. An increase in interest rate levels of 1 percentage point per year relative to the interest rate level at the balance sheet date would have resulted in a decrease in the group's net profit and equity of DKK 48 million (2019/20: DKK 34 million). A corresponding decrease in interest rate levels would have had an equivalent positive effect on the group's net profit and equity.

The group aims to ensure a reasonable balance between the group's exposure to floating and fixed interest rates. The interest rate risk constitutes the annual change in financial cash flows entailed in the event of a 1 percentage point change in interest rates.

The following assumptions were applied when preparing the sensitivity analysis:
– Sensitivities are based on financial assets and liabilities recognised at 30 September 2021. Future instalments, raising of loans, etc. during the course of the year have not been taken into consideration.
– All hedges of floating-rate loans are deemed to be 100% effective.

Fair value of debt
The fair value of mortgage debt, debt to other credit institutions and bank debt has been calculated at the present value of future instalments and interest payments by using the current interest rate curve derived from current market rates (level 2). The fair value of the interest rate swaps outstanding at the balance sheet date hedging interest rate risks on floating-rate loans amounts to DKK -12 million (30 September 2020: DKK -18 million) (level 2).

The group's bank deposits are placed in current accounts or fixed-term deposit accounts.

Sale and repurchase transactions in respect of bonds (repos) entered into concurrently with the raising of bond loans in the same series are classified as derivative financial instruments, with bonds being the underlying assets. At 30 September 2021, such sale and repurchase transactions with a nominal value of DKK 3,393 million (30 September 2020: DKK 3,680 million) have been entered into. The fair value of the derivative financial instruments is immaterial.

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total	Fair value
Bonds	-44	0	0	-44	-44
Bank deposits	-204	0	0	-204	-204
Mortgage debt	2,905	66	228	3,199	3,092
Other debt, issued bonds	2,012	1,769	257	4,038	4,038
Other credit institutions	72	832	0	904	905
Bank debt	1,748	115	0	1,863	1,863
Finance lease liabilities	433	71	1	505	468
Interest rate swaps, fixed rate	-818	818	0	0	12
30.09.2021	**6,104**	**3,671**	**486**	**10,261**	**10,130**
Bonds	-45	0	0	-45	-45
Bank deposits	-515	0	0	-515	-515
Mortgage debt	3,189	66	253	3,508	3,511
Other debt, issued bonds	1,431	1,552	999	3,982	3,982
Other credit institutions	448	906	0	1,354	1,354
Bank debt	292	141	0	433	433
Finance lease liabilities	357	141	16	514	516
Interest rate swaps, fixed rate	-820	817	4	1	18
30.09.2020	**4,337**	**3,623**	**1,272**	**9,232**	**9,254**

Financing

Note 23.3 Liquidity risks

The group is exposed to unforeseen fluctuations in liquidity outflows.

The group's strategy is to have an overweight of long-term commitments to ensure financing stability. The group's strategy is also to have enough cash resources to be able to make the necessary arrangements in the event of unforeseen fluctuations in the outflow of cash. In connection with the raising of loans etc., it is group policy to ensure the greatest possible flexibility through a spreading of the loans in relation to maturity, renegotiation dates and counterparties, taking into account pricing etc.

The maturities of financial liabilities are specified by the time intervals applied in the group's cash management. The amounts specified in the table on the right are the amounts falling due for payment including interest, etc. The table thus shows the amounts which the Danish Crown Group is contractually committed to pay within 1 year, between 1-5 years and after 5 years.

Non-performance of loan agreements
The group has neither during the financial year nor during the year of comparison been in arrears with or defaulted on any of its loan agreements.

DKKm	30.09.2021	30.09.2020
Cash resources comprise:		
Cash	204	515
Unutilised credit facilities	4,612	6,153
	4,816	**6,668**

Undiscounted future contractual cash flows

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities				
Mortgage debt	215	841	2,506	3,562
Other debt, issued bonds	645	3,441	276	4,362
Other credit institutions	81	856	0	937
Bank debt	1,577	286	0	1,863
Finance lease liabilities	172	316	104	592
Trade payables	3,568	0	0	3,568
Other payables	2,181	0	0	2,181
	8,439	**5,740**	**2,886**	**17,065**
Derivative financial instruments				
Derivative financial instruments hedging the fair value of recognised assets and liabilities	21	0	0	21
Derivative financial instruments hedging future cash flows	14	0	0	14
30 September 2021	**8,474**	**5,740**	**2,886**	**17,100**
Non-derivative financial liabilities				
Mortgage debt	11	989	3,421	4,421
Other debt, issued bonds	99	2,590	1,654	4,343
Other credit institutions	461	941	0	1,402
Bank debt	266	167	0	433
Finance lease liabilities	151	315	49	515
Trade payables	3,472	0	0	3,472
Other payables	2,275	5	0	2,280
	6,735	**5,007**	**5,124**	**16,866**
Derivative financial instruments				
Derivative financial instruments hedging the fair value of recognised assets and liabilities	12	0	0	12
Derivative financial instruments hedging future cash flows	20	0	0	20
30 September 2020	**6,767**	**5,007**	**5,124**	**16,898**

Financing

Note 23.4 Credit risks

The primary credit risk of the group concerns trade receivables. See note 20 for additional information on credit risk relating to trade receivables.

Agreements on derivative financial instruments with a nominal value exceeding DKK 100 million are generally only concluded with reputable insurance or credit institutions with a credit rating of A or higher with Standard & Poor's.

Note 24 Categories of financial instruments

DKKm	30.09.2021	30.09.2020
Other securities and equity investments	52	55
Financial assets measured at fair value through profit and loss	**52**	**55**
Derivative financial instruments hedging the fair value of recognised assets and liabilities	15	25
Derivative financial instruments hedging future cash flows	0	3
Financial assets used as hedging instruments	**15**	**28**
Trade receivables	6,195	5,524
Receivables from and prepayments to cooperative owners	233	242
Receivables from associates	12	19
Other receivables	799	729
Cash	204	515
Loans and receivables	**7,443**	**7,029**
Other liabilities	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**
Financial liabilities used as hedging instruments of net investments in foreign subsidiaries	3,305	3,365
Derivative financial instruments hedging the fair value of recognised assets and liabilities	21	12
Derivative financial instruments hedging future cash flows	14	20
Financial liabilities used as hedging instruments	**3,340**	**3,397**
Mortgage debt	3,199	3,508
Other debt, issued bonds	4,038	3,982
Other credit institutions	904	1,354
Bank debt	-1,442	-2,932
Lease liabilities	505	514
Trade payables	3,568	3,472
Payables to associates	42	57
Other payables	2,181	2,280
Financial liabilities measured at amortised cost	**12,995**	**12,235**

Financing

Note 25 Fair value of financial instruments

The fair value of financial liabilities and bank deposits, which are not measured at fair-value, are disclosed in note 23.2. The fair value of receivables, trade payables, payables to associates and other payables is assumed to equal the recognised values.

Fair value hierarchy for financial instruments measured at fair value in the balance sheet
The table on the right shows the classification of financial instruments measured at fair value, distributed according to the fair value hierarchy:

- 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 important inputs are based on observable market data (level 2).
- Valuation methods according to which any important inputs are not based on observable market data (level 3).

Methodology and assumptions for the calculation of fair values
Listed bonds and shares
The portfolio of listed government bonds, mortgage bonds and shares is measured at quoted prices and price quotes.

Unlisted shares
Unlisted shares are measured on the basis of market multiples for a group of comparable listed companies less an estimated factor for trading in an unlisted market. If this is not possible, unlisted shares are measured at cost.

Derivative financial instruments
Forward exchange contracts and interest rate swaps are measured on the basis of generally accepted valuation methods based on relevant observable swap curves and foreign exchange rates.

DKKm	30.09.2021	30.09.2020
The group has a few financial instruments measured at fair value in the balance sheet on the basis of valuation methods according to which any important inputs are not based on observable market data (level 3): Developments in these financial instruments may be illustrated as follows:		
Carrying amount at 1 October	6	8
Purchase	0	1
Sale	0	-3
Carrying amount at 30 September	**6**	**6**
Gain/loss included in net profit for the year for assets held at 30 September	**0**	**0**

DKKm	Level 1	Level 2	Level 3	Total
30.09.2021				
Derivatives included in the trading portfolio	0	0	0	0
Listed bonds	0	0	0	0
Unlisted shares	0	0	6	6
Financial assets measured at fair value through profit and loss	**0**	**0**	**6**	**6**
Financial assets used as hedging instruments	**0**	**15**	**0**	**15**
Other liabilities	0	0	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**	**0**	**0**
Financial liabilities used as hedging instruments	**0**	**35**	**0**	**35**
30.09.2020				
Derivatives included in the trading portfolio	0	0	0	0
Listed bonds	0	0	0	0
Unlisted shares	0	0	6	6
Financial assets measured at fair value through profit and loss	**0**	**0**	**6**	**6**
Financial assets used as hedging instruments	**0**	**28**	**0**	**28**
Other liabilities	0	0	0	0
Financial liabilities measured at fair value through profit and loss	**0**	**0**	**0**	**0**
Financial liabilities used as hedging instruments	**0**	**32**	**0**	**32**

No material transfers were made between level 1 and level 2 in the financial year.

Other notes

Note 26 Contingent liabilities

DKKm	30.09.2021	30.09.2020
Other guarantees	51	26

The group is involved in a few lawsuits and disputes. Management is of the opinion that the outcome of these will not have any significant impact on the group's financial position.

Note 27 Security

DKKm	30.09.2021	30.09.2020
The following assets have been provided as security for mortgage debt and other long-term debt:		
Nominal mortgage secured on land, buildings and production facilities etc.	3,774	3,807
Carrying amount of the above-mentioned assets	3,375	3,442

Note 28 Related parties

Leverandørselskabet Danish Crown AmbA has no related parties exercising control.

The company's related parties exercising significant influence comprise members of the Board of Directors and the Executive Board as well as members of their families.

Related parties also include enterprises in which such persons have significant interests.

Furthermore, related parties include associates, see the group structure, in which the company exercises significant influence.

Related party transactions
During the financial year, the group has engaged in the following related party transactions:

DKKm	Associates and joint ventures	Board of Directors of the parent	Executive Board of the parent	Total
2020/21				
Sale of goods	409	0	0	409
Purchase of goods	13	341	0	354
Sale of services	3	0	0	3
Purchase of services	331	0	0	331
Salaries and other remuneration	0	8	43	51
Trade receivables	12	4	0	16
Trade payables	41	9	0	50
Dividend received/supplementary payments	98	34	0	132
Cooperative owner's accounts and owner's accounts	0	31	0	31
2019/20				
Sale of goods	536	8	0	544
Purchase of goods	29	400	0	429
Sale of services	1	0	0	1
Purchase of services	323	0	0	323
Salaries and other remuneration	0	8	36	44
Trade receivables	40	3	0	43
Trade payables	48	1	0	49
Dividend received/supplementary payments	81	24	0	105
Cooperative owner's accounts and owner's accounts	0	29	0	29

No security or guarantees for balances had been provided at the balance sheet date. Both receivables and trade payables will be settled in cash.

No bad debts in respect of related parties were realised, and no provision for bad debts was made.

Other notes

Note 29 Rights and liabilities of the cooperative owners

The rights of the cooperative owners of Leverandørselskabet Danish Crown AmbA are set out in the company's articles of association. The individual cooperative owners elect representatives to the company's supreme governing body, the Board of Representatives. Members are elected to the company's Board of Directors from among the members of the Board of Representatives.

With due consideration to the company's articles of association the Board of Representatives decides on the Board of Directors' recommendation for the annual supplementary payments out of the net profit for the year. Until 2017, in accordance with the articles of association, the individual cooperative owners accumulated balances in cooperative owner's accounts which are held as the company's contributed capital. This accumulation of cooperative owner's accounts was terminated with effect from 2018. Disbursement from cooperative owner's accounts can be made no earlier than as of the current year. In addition, any distribution of profit for the year to owner's accounts by the Board of Representatives is accumulated as equity.

Disbursements from cooperative owner's accounts and owner's accounts are made in accordance with the relevant provisions of the articles of association and are adopted annually by the Board of Representatives in connection with the approval of the annual report and the adoption of appropriation. According to the articles of association, disbursements from cooperative owner's accounts and owner's accounts can only be made if deemed proper with regard to the company's creditors.

The cooperative owners are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative owner is calculated on the basis of the deliveries made by such owner and cannot exceed DKK 25,000.

No. of cooperative owners	30.09.2021	30.09.2020
No. of cooperative owners at 1 October	5,900	6,426
Net reduction	-280	-526
No. of cooperative owners at 30 September	**5,620**	**5,900**

DKKm	30.09.2021	30.09.2020
Total liability	141	148
Proposed supplementary payments for the cooperative owners (incl. return on cooperative owner's accounts)	1,672	1,618

Note 30 Specifications to the cash flow statement

DKKm	2020/21	2019/20
Change in net working capital:		
Inventories	-112	221
Biological assets	-3	9
Trade receivables	-671	713
Receivables from associates	7	7
Other receivables	-57	34
Prepayments	-27	16
Trade payables	96	88
Payables to associates	-15	-3
Income tax payable	6	81
Other payables	-96	466
Deferred income	3	6
Foreign currency translation adjustments etc.	66	-127
	-803	**1,511**
Cash and cash equivalents		
Cash and bank deposits, see balance sheet	204	515
	204	**515**

DKKm	2020/21	2019/20
Liabilities in respect of financing activities		
Balance at 1 October	9,549	11,991
Loans raised	1,479	3,584
Repayment and servicing of loans	-744	-6,086
Repayment of lease debt	-8	-190
Debt assumed in connection with the acquisition of businesses	13	0
Foreign currency translation adjustments	-13	250
Balance at 30 September	**10,276**	**9,549**

Other notes

Note 31 Accounting policies

The 2020/21 consolidated financial statements of Leverandørselskabet Danish Crown AmbA are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements of class C enterprises, see the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act. Leverandørselskabet Danish Crown AmbA is a cooperative domiciled in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for the group's activities.

The consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets which are recognised at fair value through profit and loss, biological assets which are also measured at fair value as well as net assets concerning discontinued assets which are measured at expected sales prices (net).

The accounting policies are unchanged from last year.

Effects of new or amended IFRS standards
The group has implemented all new standards and interpretations in force in the EU from 1 October 2020. IASB has regularly issued a number of amendments to existing standards and new interpretations. It is Management's assessment that these changes will not have any significant impact on the consolidated financial statements.

Consolidated financial statements
The consolidated financial statements comprise Leverandørselskabet Danish Crown AmbA (the parent) and the enterprises (subsidiaries) in which the parent is deemed to exercise control. The parent is considered to exercise control in an enterprise in which it has invested if the parent is exposed or entitled to variable returns and is able to affect such returns based on its investment in the enterprise.

Enterprises in which the group, directly or indirectly, holds between 20 per cent and 50 per cent of the voting rights and exercises a significant influence, but not control are regarded as associates. Enterprises in which the group directly or indirectly has joint control are regarded as joint ventures.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Leverandørselskabet Danish Crown AmbA and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. All financial statements used for consolidation purposes are presented in accordance with the accounting policies of the group.

On consolidation, intra-group income and expenses, accounts and dividends as well as gains and losses on transactions between the consolidated enterprises are eliminated.

The tax effect of these eliminations is taken into account.

The items in the financial statements of the subsidiaries are recognised in full in the consolidated financial statements.

Non-controlling interests
On initial recognition, non-controlling interests are either measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. The choice of method is made for each individual transaction. The non-controlling interests are subsequently adjusted for their proportionate share of changes in the subsidiary's equity. The comprehensive income is allocated to the non-controlling interests, even if this may cause the non-controlling interest to become negative.

Acquisition of non-controlling interests in a subsidiary and sale of non-controlling interests in a subsidiary which do not entail obtaining or losing control are treated in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is allocated to the parent's share of equity.

Any liabilities relating to put options allocated to non-controlling shareholders in subsidiaries are recognised as liabilities at the present value of the amount falling due upon exercise of the option if the group has an obligation to transfer cash and cash equivalents or other assets. The liability is deducted from equity owned by non-controlling interests, and shares of profit or loss are subsequently not transferred to non-controlling interests. On subsequent balance sheet dates, the financial liability is measured again, and any value adjustments are recognised in net financials in the income statement.

Business combinations
Newly acquired or newly established businesses are recognised in the consolidated 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 group. Businesses divested or wound up are recognised in the consolidated income statement 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 group comes to exercise control over the acquired business, the purchase 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 price paid for the acquired business. If the final determination of the consideration 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.

The excess of the consideration paid for the acquired business, the value of non-controlling interests in the acquired business and the fair value of previously acquired investments over the fair value of the acquired assets, liabilities and contingent liabilities (goodwill) is recognised as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

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. In connection with the transition to IFRS, business combinations completed before 30 September 2002 were not restated to the above-mentioned accounting policy. The carrying amount at 30 September 2002 of goodwill relating to business combinations completed before 30 September 2002 is regarded as the cost of the goodwill.

Gains or losses on the divestment or winding up of subsidiaries and associates
Gains or losses on the divestment or winding up of subsidiaries and associates which entails a loss of control or significant influence, respectively, are calculated as the difference between the fair value of the sales proceeds or the winding-up amount and the fair value of any remaining equity investments on the one hand, and the carrying amount of the net assets at the date of divestment or winding up, including goodwill, less non-controlling interests (if any) on the other. The gain or loss thus calculated

Other notes

Note 31 Accounting policies – continued

is recognised in the income statement together with the accumulated foreign currency translation adjustments that are recognised in other comprehensive income.

In connection with the divestment of ownership interests in associates and jointly controlled enterprises which are fully or partly paid for by ownership interests in the acquiring company, meaning that significant influence still exists after the transaction, a specific assessment is made of the transaction. If the transaction has commercial substance, i.e. if the divestment significantly affects the future cash flows from the ownership interests in terms of risks, timing and size, the gain or loss is recognised without proportionate elimination.

Foreign currency translation
On initial recognition, transactions in currencies other than the functional currency of the individual enterprise 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.

Exchange rate differences arising between the transaction date and the payment date and the balance sheet date, respectively, are recognised in the income statement as net financials.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currencies and measured on the basis of historical cost are translated at the exchange rates applicable at the transaction date. Non-monetary items which are revalued to fair value are recognised at the exchange rates applicable at the date of revaluation.

On recognition in the consolidated 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 in other comprehensive income. Similarly, exchange rate differences arising as a result of changes made directly in the equity of the foreign enterprise are also recognised in other comprehensive income.

Foreign currency translation adjustments of receivables from or payables to subsidiaries which are considered part of the parent's total investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value at 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 permanent order 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 transactions are recognised in other comprehensive income. 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 or other comprehensive income with the portion attributable to transactions directly in equity and other comprehensive income, respectively.

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.

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

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

Non-current assets held for sale
Non-current assets and groups of assets held for sale are presented separately as current assets in the balance sheet. Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet. Non-current assets held for sale are not depreciated but written down to the lower of fair value less expected selling costs and carrying amount.

Income statement and statement of comprehensive income
Revenue
The group's revenue comprises the sale of meat and meat-related products, primarily within three business areas: Fresh Meat, Foods and Casings.

Other notes

Note 31 Accounting policies – continued

The revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation.

Revenue from the sale of goods for resale and finished goods is thus recognised in the income statement when control of the product passes to the customer. The main part of revenue is recognised when the goods are handed over to the carrier. Due to the nature of the products, the volume of returned goods is insignificant.

The revenue recognised is measured at the fair value of the agreed consideration plus export refunds and less VAT, duties and discounts.

Production costs
Production costs comprises cost incurred to generate revenue. Production costs comprise the cost of sales of enterprises engaged in trading, and manufacturing enterprises recognise costs of raw materials, including purchases from cooperative owners, consumables, production staff and maintenance as well as depreciation, amortisation and impairment of property plant and equipment and intangible assets and lease assets recognised under IFRS 16 which are used in the production process. Variable lease payments and low-value lease assets and short-term leases concerning lease assets used in production are also recognised in production cots at the time of payment or on a straight-line basis over the term of the contract. The purchase of slaughter animals from cooperative owners is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Distribution costs
Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation, amortisation of and impairment of property, plant and equipment and intangible assets and lease assets recognised under IFRS 16, which are used in the distribution process. Variable lease payments and low-value lease assets and short-term leases concerning lease assets used for distribution purposes are also recognised in distribution costs at the time of the payment or on a straight-line basis over the term of the contract.

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

Other operating income and expenses
Other operating income and expenses comprise income and expenses of a secondary nature in relation to the group's primary activities.

Government grants
Government grants are recognised when there is reasonable certainty that the conditions for receiving a grant have been met, and the grant will be received.

Government grants received to cover costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement. The grants are offset against the costs incurred.

Government grants related to an asset are recognised under prepayments in the balance sheet and offset against depreciation over the economic life of the asset when the asset is brought into use. If government grants are received relating to an asset which has been written off, the amount will be recognised at the time of receipt.

Special items
Special items include significant income and expenses of a special nature in relation to the group's activities, such as basic structural adjustments as well as any related gains and losses on disposals. Special items also include other significant non-recurring amounts, for example accounting profit in connection with the assumption of control of a group company.

Net financials
Net financials comprise interest income and expenses, the interest element of lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, amortisation premiums/deductions concerning mortgage debt etc. as well as surcharges and allowances under the Danish Tax Prepayment Scheme ("acontoskatteordningen").

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

Dividend from equity investments is recognised when a definitive right to the dividend has been obtained. This typically takes place when the general meeting approves the distribution of dividend from the company concerned.

Balance sheet
Goodwill
On initial recognition, goodwill is recognised and measured as the excess of the cost of the business acquired, the value of non-controlling interests in the business acquired and the fair value of previously acquired equity investments over the fair value of the assets, liabilities and contingent liabilities acquired, as described in the consolidated financial statements section.

On recognition of goodwill, the goodwill amount is distributed among those of the group's activities that generate incoming cash flows (cash-generating units). The determination of cash-generating units follows the management structure and intra-group financial management and reporting in the group. Goodwill is not amortised, but is tested for impairment at least once a year as described below.

Other intangible assets
Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised on a straight-line basis over the remaining term of patent, and licences are amortised over the term of agreement. If the actual useful life is shorter than the term of patent or term of agreement, respectively, the asset is amortised over the shorter useful life.

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

Software
5 years

Acquired trademarks
10-20 years

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

Lease assets
The group leases various assets, including buildings and warehouses, retail premises, lorries, trucks and cars, etc. No leases have been made for investment purposes.

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

The lease asset is recognised at cost corresponding to the present value of the calculated lease liability

Other notes

Note 31 Accounting policies – continued

adjusted for direct costs at inception of the lease and expected re-establishment 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 of lease assets are as follows:

Buildings
20-40 years

Plant and machinery
10 years

Technical plant
5-10 years

Other fixtures and fittings, tools and equipment
3-5 years

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use. For assets constructed in-house, cost comprises costs directly attributable to the construction of the asset, including materials, components, subsuppliers and wages and salaries.

Interest expenses on loans for financing the construction of property, plant and equipment are included in cost if they relate to the construction period. Other borrowing costs are recognised in the income statement.

If the acquisition or use of the asset requires the group to incur costs for the demolition or re-establishment of the asset, the estimated costs of such measures are recognised as a provision and a part of the cost of the asset concerned, respectively.

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

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

Land
is not depreciated

Buildings
20-40 years

Special installations
10-20 years

Plant and machinery
10 years

Technical plant
5-10 years

Other fixtures and fittings, tools and equipment
3-5 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.

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

The recoverable amount of goodwill is calculated annually, whether there are any indications of impairment or not.

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

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

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

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

Equity investments in associates and joint ventures
Equity investments in associates and joint ventures are recognised and measured according to the equity method. This means that equity investments are measured at the proportionate share of the enterprises' equity value, calculated according to the group's accounting policies less or plus proportionate intra-group gains and losses and plus the carrying amount of goodwill.

The proportionate share of the enterprises' net financial results and elimination of unrealised proportionate intra-group gains and losses and less any impairment of goodwill is recognised in the income statement. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the other comprehensive income of the group.

Equity investments in associates and joint ventures with negative carrying amounts are measured at DKK 0. Receivables and other non-current financial assets which are regarded as part of the overall investment in the associate are written down by any remaining negative equity value. Trade receivables and other receivables are written down only if they are deemed to be irrecoverable.

A provision is recognised to cover the remaining negative equity value only if the group has a legal or constructive obligation to cover the liabilities of the enterprise in question.

The purchase method is used for the acquisition of equity investments in associates and joint ventures,

Other notes

Note 31 Accounting policies – continued

as described in the above section on consolidated financial statements.

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

The cost of goods for resale, raw materials and consumables comprises the purchase price plus cost of transporting the goods to the place of business. The cost of manufactured goods and semi-manufactured goods comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

Variable production overheads comprise indirect materials and labour and are distributed on the basis of estimates of the goods actually produced.

Fixed production overheads comprise costs relating to maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the technical plant.

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

Biological assets
Biological assets, which for the Danish Crown Group means live animals, are measured at fair value if there is an active market, less expected selling costs or cost. Animals producing slaughter animals (sows, boars etc.) are measured at cost less costs relating to the impairment that arises due to the aging of the animals. As animals producing animals for slaughter are not traded, they have no market price.

Receivables
Receivables comprise trade receivables and other receivables.

On initial recognition, receivables are measured at fair value and subsequently 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.

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

Other securities and equity investments
Securities recognised under current assets mainly comprise listed bonds and equity investments which are measured at fair value (market price) at the balance sheet date. Changes in fair value are recognised in the income statement under net financials.

Discontinued operations
Assets and liabilities linked to discontinued operations are measured at the lower of carrying amount at the time the assets are put up for sale and fair value less selling costs. Assets and liabilities are reported as separate items in the balance sheet, the results of operations are recognised as a separate item in the income statement and cash flows from operations are recognised as a separate item in the cash flow statement. Comparative figures in the balance sheet are not restated, whereas comparative figures in the income statement and cash flow statement are restated.

Supplementary payments
Supplementary payments are recognised as a liability at the time of adoption at the meeting of the Board of Representatives.

Pension obligations etc.
Under the defined contribution plans, the company makes regular, defined contributions to independent pension companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

Under the defined benefit plans, the group is required to pay a defined benefit in connection with the comprised employees retiring, for example a fixed amount or a percentage of their final pay.

Under defined benefit plans, the net present value of vested future benefits to which the employees are entitled through past service to the group, and which will become payable under the plan, is determined annually using an actuarial valuation method. The projected unit credit method is used to determine the net present value. Net present value is calculated on the basis of market assumptions of the future development in pay levels, interest rates, inflation, mortality and disability, among other things.

The net present value of pension obligations less the fair value of any plan assets is recognised in the balance sheet under pension assets and pension obligations, respectively, depending on whether the net amount constitutes an asset or a liability, see below.

In the event of changes in the assumptions concerning the discount rate, inflation, mortality and disability or differences between the expected and realised return on plan assets, actuarial gains or losses will occur. Such gains and losses are recognised in other comprehensive income.

If the pension plan constitutes a net asset, the asset is recognised only if it equals the present value of any repayments from the plan or reductions in future contributions to the plan.

In the event of changes in the benefits that concern the employees' services in prior periods, a change will occur in the actuarially calculated net present value, which is regarded as past service cost. If the comprised employees are already entitled to the changed benefit, the change is recognised immediately in the income statement. If not, the change is recognised in the income statement over the period in which the changed benefits vest.

Provisions
Provisions are recognised when the group 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 group'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.

Mortgage and bond debt
Mortgage and bond debt is measured at fair value at the time of borrowing less any transaction costs. Mortgage and bond debt is subsequently measured at amortised cost. This means that the difference between the proceeds from the borrowing and the amount which must be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Other notes

Note 31 Accounting policies – continued

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

On initial recognition of the lease liability, 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 liability.

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

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

On subsequent recognition, a lease liability is measured at amortised cost.

Residual value guarantees or re-establishment/dismantling obligations are recognised as provisions.

All lease liabilities are 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 subordinated loans, bank debt, 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 expense in the income statement over the loan period.

Deferred income
Deferred income is income received for subsequent financial years and government grants received in respect of assets recognised over their useful lives. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows concerning operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

The effect on cash flow of acquisition and divestment of businesses is recognised separately under cash flows from investing activities. In the cash flow statement, cash flows relating to acquired businesses are recognised as from the date of acquisition, and cash flows relating to divested businesses are recognised until the date of divestment.

Cash flows from operating activities are presented according to the indirect method and are calculated as the operating profit or loss adjusted for non-cash operating items, changes in working capital as well as financial income, financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of businesses and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes to the parent's capital and costs relating thereto as well as the raising and repayment of loans, repayment of interest-bearing debt and disbursement of supplementary payments. Cash flows from assets held under leases in the form of lease payments made are also recognised.

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.

Segment information
The group is not listed on the stock exchange, and no segment information is disclosed according to IFRS.

In note 2, information is provided on revenue in Denmark and internationally and by business areas, markets and sales channels. However, this does not represent segment information in accordance with IFRS 8.

Definition of ratios

EBIT %	=	Operating profit before special items / Revenue
ROAIC	=	Operating profit before special items (EBIT) / Average invested capital
Solvency ratio	=	Equity / Total assets
Financial gearing	=	Net interest-bearing debt / Profit/loss before depreciation, amortisation, impairment losses, interest, tax and special items (EBITDA)
Interest cover	=	EBITDA + interest income / Interest expenses

Parent financial statements

Income statement | Balance sheet | Statement of changes in equity | Notes, parent
Management's statement and auditor's report | Group structure

Income statement

1 October 2020 – 30 September 2021

		Parent	
DKKm	**Note**	**2020/21**	**2019/20**
Revenue	1	14,939	16,536
Production costs		-13,881	-15,579
Gross profit		**1,058**	**957**
Administrative expenses	2	-55	-50
Operating profit (EBIT)		**1,003**	**907**
Income from equity investments in group enterprises	5	832	740
Income from equity investments in associates	5	0	0
Financial income	3	193	212
Financial expenses		-2	-2
Profit before tax		**2,026**	**1,857**
Tax on profit for the year	4	-13	-14
Net profit for the year		**2,013**	**1,843**

Proposed distribution of profit

DKKm	**2020/21**
Net profit for the year	2,013
Total amount available for distribution	**2,013**
To be distributed as follows:	
Transferred to proposed supplementary payments for the year	
Pig suppliers 1,162,596,188 kg of DKK 1.30	1,512
Sow suppliers 44,039,184 kg of DKK 1.10	48
Cattle suppliers 69,269,857 kg of DKK 1.30	90
Supplementary payments from the year's operations	**1,650**
Return on cooperative owner's accounts in accordance with article 22.2 d of the articles of association	
Pig suppliers	19
Sow suppliers	1
Cattle suppliers	2
Total return on cooperative owner's accounts	**22**
Total proposed disbursement	**1,672**
Transferred to equity	
Transferred to owner's accounts	242
Transferred to other reserves	99
Transferred to equity, total	**341**
Available for distribution, total	**2,013**

Balance sheet – assets
30 September 2021

DKKm	Note	Parent 30.09.2021	Parent 30.09.2020
Non-current assets			
Intangible assets			
Software	6	5	6
Total intangible assets		**5**	**6**
Financial assets			
Equity investments in group enterprises		3,395	3,446
Receivables from group enterprises		2,500	3,150
Equity investments in associates		19	19
Total financial assets	5	**5,914**	**6,615**
Total non-current assets		**5,919**	**6,621**
Current assets			
Receivables			
Receivables from and prepayments to cooperative owners		233	242
Receivables from group enterprises		180	165
Total receivables		**413**	**407**
Cash	8	**756**	**0**
Total current assets		**1,169**	**407**
Total assets		**7,088**	**7,028**

Balance sheet – equity and liabilities
30 September 2021

DKKm	Note	Parent 30.09.2021	Parent 30.09.2020
Equity			
Cooperative owner's accounts		1,296	1,380
Owner's accounts		692	462
Reserve for net revaluation of equity		397	299
Other reserves		2,646	2,753
Proposed supplementary payment for the year		1,672	1,618
Total equity		**6,703**	**6,512**
Provisions			
Other provisions	7	24	24
Total provisions		**24**	**24**
Liabilities			
Non-current liabilities			
Bank debt		0	161
Total non-current liabilities	8	**0**	**161**
Current liabilities			
Trade payables		298	279
Payables to group enterprises		49	40
Income tax payable		11	10
Other payables		3	2
Total current liabilities		**361**	**331**
Total liabilities		**361**	**492**
Total equity and liabilities		**7,088**	**7,028**

Statement of changes in equity

30 September 2021

	Parent					
DKKm	Cooperative owner's accounts	Owner's accounts	Reserve for net revaluation of equity	Other reserves	Proposed supplementary payments etc. for the year	Total
Equity at 30 September 2019	**1,462**	**354**	**0**	**2,886**	**1,258**	**5,960**
Payments and disbursements for the year	-82	-4	0	0	-1,258	-1,344
Foreign currency translation adjustment, foreign enterprises	0	0	-191	0	0	-191
Other adjustments	0	0	81	163	0	244
Net profit for the year	0	112	0	113	1,618	1,843
Transfer	0	0	409	-409	0	0
Equity at 30 September 2020	**1,380**	**462**	**299**	**2,753**	**1,618**	**6,512**
Payments and disbursements for the year	-84	-12	0	0	-1,618	-1,714
Foreign currency translation adjustment, foreign enterprises	0	0	10	0	0	10
Other adjustments	0	0	30	-148	0	-118
Net profit for the year	0	242	0	99	1.672	2,013
Transfer	0	0	58	-58	0	0
Equity at 30 September 2021	**1,296**	**692**	**397**	**2,646**	**1,672**	**6,703**

Notes | parent

Income statement

Note 1 Revenue

DKKm	2020/21	2019/20
Distribution by market:		
Denmark	14,939	16,536
	14,939	**16,536**
Distribution by sector:		
Danish Crown Pork	13,481	15,056
Danish Crown Beef	1,458	1,480
	14,939	**16,536**

Note 2 Staff costs

DKKm	2020/21	2019/20
Salaries and wages	31	28
Pensions	2	1
Other social security costs	1	1
	34	**30**
Staff costs are distributed as follows:		
Administrative expenses	34	30
	34	**30**
Of which:		
Remuneration for the parent's Board of Directors	4	4
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	5	**5**
Average no. of employees	50	41

Note 3 Financial income

DKKm	2020/21	2019/20
Group enterprises	190	208
Other interest	3	4
	193	**212**

Note 4 Tax on profit for the year

DKKm	2020/21	2019/20
Calculated tax on profit for the year	13	14
	13	**14**

Tax on profit for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets and not its income.

Most of the company's profit is paid to the cooperative owners in the form of supplementary payments, which is subject to taxation for the individual cooperative owner.

Invested capital

Note 5 Financial assets

DKKm	Equity investments in group enterprises	Receivables from group enterprises	Equity investments in associates	Total financial assets
Cost at 1 October 2020	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Additions	0	0	0	0
Disposals	0	-650	0	-650
Cost at 30 September 2021	**5,158**	**2,500**	**0**	**7,658**
Value adjustment at 1 October 2020	-1,712	0	19	-1,693
Foreign currency translation adjustments	10	0	0	10
Share of net profit	832	0	0	832
Distribution during the year	-775	0	0	-775
Disposals	0	0	0	0
Other adjustments	-118	0	0	-118
Value adjustment at 30 September 2021	**-1,763**	**0**	**19**	**-1,744**
Carrying amount at 30 September 2021	**3,395**	**2,500**	**19**	**5,914**
Cost at 1 October 2019	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Cost at 30 September 2020	**5,158**	**3,150**	**0**	**8,308**
Value adjustment at 1 October 2019	-2,205	0	19	-2,186
Foreign currency translation adjustments	-191	0	0	-191
Share of net profit	740	0	0	740
Distribution during the year	-300	0	0	-300
Disposals	0	0	0	0
Other adjustments	244	0	0	244
Value adjustments at 30 September 2020	**-1,712**	**0**	**19**	**-1,693**
Carrying amount at 30 September 2020	**3,446**	**3,150**	**19**	**6,615**

An overview of subsidiaries and associates appears from the group structure on page 91.

Note 6 Intangible assets

DKKm	Software
Cost at 1 October 2020	10
Additions	0
Cost at 30 September 2021	**10**
Amortisation and impairment at 1 October 2020	4
Amortisation for the year	1
Amortisation and impairment at 30 September 2021	**5**
Carrying amount at 30 September 2021	**5**
Cost at 1 October 2019	9
Additions	1
Cost at 30 September 2020	**10**
Amortisation and impairment at 1 October 2019	3
Amortisation for the year	1
Amortisation and impairment at 30 September 2020	**4**
Carrying amount at 30 September 2020	**6**

Note 7 Other provisions

DKKm	30.09.2021	30.09.2020
Other provisions at 1 October	24	24
Utilised during the year	0	0
Other provisions at 30 September	**24**	**24**

Other provisions comprise a provision made in respect of a foreign lawsuit. The provision is deemed to cover the company's risk in this regard and is expected to be settled within 1-5 years.

Other notes

Note 8 Cash and bank debt

The company is included in a cash pool arrangement with other consolidated companies with the group's bank.

Note 9 Contingent liabilities etc.

DKKm	30.09.2021	30.09.2020
Guarantees to group enterprises, maximum	14,467	15,904
Guarantees to group enterprises, utilised	9,905	9,254

Note 10 Liabilities of cooperative owners

	30.09.2021	30.09.2020
The cooperative owners are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative owner is calculated on the basis of the deliveries made by such owner and cannot exceed DKK 25,000.		
No. of cooperative owners	5,620	5,900
DKKm		
Total liability	141	148

Note 11 Related parties

Associates and members of the Board of Directors and the Executive Board of Leverandørselskabet Danish Crown AmbA are regarded as related parties.

Since the company is a cooperative, supplies have been received from cooperative owners, including from members of the Board of Directors.

Note 12 Accounting policies

The financial statements of the parent (Leverandørselskabet Danish Crown AmbA) are presented in accordance with the provisions of the Danish Financial Statements Act (årsregnskabsloven) concerning reporting class C enterprises (large).

The financial statements have been presented in accordance with the accounting policies applied last year.

The parent generally applies the same accounting policies for recognition and measurement as the group. Where the parent's accounting policies deviate from those of the group, the policies are described below.

Intra-group business transfers
In connection with intra-group business transfers, the pooling-of-interest method is used, according to which assets and liabilities are transferred at the carrying amounts at the beginning of the financial year. The difference between the consideration paid and the carrying amount of the transferred assets and liabilities is recognised in the equity of the acquiring enterprise.

Comparative figures are restated to reflect the enterprises as if they had been combined for the entire period during which they have been under joint control.

Tax
Tax for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets.

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.

Intangible assets
Goodwill/ goodwill on acquisition is generally amortised over a period of 5 to 10 years; however the amortisation period may be up to 20 years for strategically acquired businesses with a strong market position and a long-term earnings profile if the longer period of amortisation is considered to better reflect the benefit from the relevant resources. Goodwill is not amortised in the consolidated financial statements under IFRS.

Property, plant and equipment
For assets constructed in-house, cost comprises direct and indirect costs relating to materials, components, subsuppliers and labour. Under IFRS, indirect costs may not be recognised for assets constructed in-house.

Property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets to the expected residual value. According to the provisions of IFRS, the residual value must be reassessed on an annual basis. In the financial statements of the parent, the residual value is determined on the date of entry into service and is generally not subsequently adjusted.

Equity investments in group enterprises and associates
Equity investments in group enterprises and associates are measured according to the equity method.

The parent's share of the profits or losses of the enterprises is recognised in the income statement after elimination of unrealised intra-group profits and losses minus or plus amortisation of positive or negative goodwill on acquisition.

Net revaluation of equity investments in group enterprises and associates is taken to reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Cash flow statement
The consolidated financial statements contain a cash flow statement for the group as a whole, and a separate statement for the parent is therefore not included as per the exemption clause in Section 86 of the Danish Financial Statements Act.

Management's statement and auditor's report

Statement by the Board of Directors and the Executive Board on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2020 - 30 September 2021.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act. The management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent's financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position at 30 September 2021 and of the results of the group's and the company's activities and the group's cash flows for the financial year 1 October 2020 - 30 September 2021.

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

We recommend the annual report for adoption by the Board of Representatives.

Randers, 22 November 2021

Executive Board

Jais Valeur
Group CEO

Preben Sunke
Group COO

Thomas Ahle
Group CFO

Board of Directors

Erik Bredholt
Chairman

Asger Krogsgaard
Vice Chairman

Peter Fallesen Ravn
Member of the Board of Directors

Palle Joest Andersen
Member of the Board of Directors

Søren Bonde
Member of the Board of Directors

Knud Jørgen Lei
Member of the Board of Directors

Karsten Willumsen
Member of the Board of Directors

Ulrik Bremholm
Member of the Board of Directors

Michael Nielsen
Member of the Board of Directors

Thomas Kjær
Member of the Board of Directors

Management's statement and auditor's report

Independent auditor's report

To the cooperative owners of Leverandørselskabet Danish Crown AmbA

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 30 September 2021 and of the results of the group's operations and cash flows for the financial year 1 October 2020 to 30 September 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's financial position at 30 September 2021 and of the results of the parent company's operations for the financial year 1 October 2020 to 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the consolidated financial statements and the parent company financial statements of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent company, as well as statement of comprehensive income and cash flow statement for the group ("financial statements").

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

Statement on management's review
Management is responsible for management's review. Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in management's review.

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

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 group's and the parent 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 group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 22 November 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne 23328

Rune Kjeldsen
State Authorised Public Accountant
mne 34160

Group structure

Company name		Direct ownership interest in %
Leverandørselskabet Danish Crown AmbA	**DK**	
Danish Crown A/S	**DK**	**100**
Danish Crown Foods A/S	**DK**	**100**
Slagter Munch ApS	DK	100
Danish Crown Foods Norway AS	NO	100
Danish Crown Foods Germany GmbH **)	DE	100
Danish Crown Foods Oldenburg GmbH **)	DE	100
Danish Crown Foods Sweden AB	SE	100
Pölsemannen AB	SE	100
Danish Crown Foods Italy S.r.L.	IT	100
Danish Crown Foods Japan Ltd.	JP	100
Majesty Inc.	US	100
Danish Crown Foods Netherlands B.V.	NL	100
Danish Crown Foods Haarlem B.V.	NL	100
ESS-FOOD A/S	**DK**	**100**
ESS-FOOD Brazil Servicos de Consultoria Ltda	BR	100
Overberg Food Distributors Proprietary Limited	ZA	100
ESSFU Food (Shanghai) Company Limited	CN	80
Danish Crown Holding GmbH **)	**DE**	**100**
Danish Crown GmbH *), **)	DE	90
Danish Crown Fleisch GmbH **)	DE	100
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	DE	90
Danish Crown Teterower Fleisch GmbH **)	DE	100
SPF-Danmark GmbH **)	DE	100
WestCrown GmbH	DE	50
Friland A/S	**DK**	**100**
Friland Udviklingscenter ApS	DK	100
Center for Frilandsdyr K/S *)	DK	2
Center for Frilandsdyr K/S *)	DK	48
Friland Deutschland GmbH **)	DE	100

Company name		Direct ownership interest in %
DAT-Schaub A/S	**DK**	**100**
DAT-SCHAUB Portugal, Indústria Alimentar, Lda	PT	100
DAT-Schaub USA Inc.	US	100
DAT-Schaub France S.A.S.	FR	100
DAT-Schaub Gallent S.L.U. *)	ES	51
DAT-Schaub Finland Oy	FI	100
Thomeko Eesti OÜ	EE	100
DAT-Schaub AB	SE	100
DAT-Schaub (Deutschland) GmbH	DE	100
Gerhard Küpers GmbH	DE	100
DIF Organveredlung Gerhard Küpers GmbH & Co. KG ***)	DE	100
CKW Pharma-Extrakt Beteili-gungs- und Verwaltungs GmbH	DE	50
CKW Pharma-Extrakt GmbH & Co.KG ***)	DE	50
DAT-Schaub Holdings USA Inc.	US	100
DCW Casing LLC	US	51
DAT-Schaub Polska Sp. z o.o.	PL	100
DAT-Schaub (UK) Ltd	UK	100
Oriental Sino Limited	HK	45
Yancheng Lianyi Casing Products Co. Ltd	CN	73
Jiangsu Chongan Plastic Manufacturing Co. Ltd	CN	59
Yili Lianyi Casing Products Company Limited	CN	100
Yancheng Xinyu Food Products Ltd	CN	73
Yancheng Huawei Food Products Ltd	CN	73
DAT-Schaub Spain Holding S.L.U.	ES	100
Vicente Gallent S.L.U.	ES	100
DAT-Schaub Gallent S.L.U *)	ES	49
Procesadora Insuban SpA.	CL	100
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	BR	100
BRC Tripas - Comercio de Tripas Ltda.	BR	100
Tripas de Colombia S.A.S.	CO	100
Agrimares S.L.	ES	100
CasCom Srl	IT	49
DAT-Schaub Norge AS	NO	100
Shanghai Natural Casing Co., Ltd	CN	51

Company name		Direct ownership interest in %
Sokołów S.A.	**PL**	**100**
Sokołów-Logistyka Sp. Z o.o.	PL	100
Agro Sokołów Sp. Z o.o.	PL	100
Sokołów-Services Sp. Z o.o.	PL	100
Agro Sokołów F1 Sp. Z o.o.	PL	100
Gzella Net Sp. Z o.o.	PL	100
KLS UGGLARPS AB	**SE**	**100**
Charkprodukter i Billesholm AB	SE	100
Ingemar Johansson i Sverige AB	SE	100
Other subsidiaries in Danish Crown A/S		
Scan-Hide A.m.b.a.	**DK**	**97**
Scan-Hide Sweden AB	SE	100
KHI Fastighets AB	SE	100
DC Pork Rønne ApS	**DK**	**100**
SPF-Danmark A/S	**DK**	**100**
Danish Crown USA Inc.	**US**	**100**
Danish Crown UK Limited	**UK**	**100**
Leivers Brothers Ltd	UK	100
Tulip International (UK) Ltd	**UK**	**100**
Danish Crown GmbH *), **)	**DE**	**10**
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	**DE**	**10**
Danish Crown GBS Sp.z.o.o.	**PL**	**100**
Danish Crown S.A.	**CH**	**100**
Danish Crown/Beef Division S.A.	**CH**	**100**
Danish Crown España S.A.	**ES**	**100**
Danish Crown France S.A.S.	**FR**	**100**
Danish Crown Division Porc S.A.S.	FR	100
Danish Crown Japan Co., Ltd	**JP**	**100**
Danish Crown B2B Ltd	**HK**	**100**
Danish Crown (Shanghai) Trading Co. Ltd	CN	100
Danish Crown Korea LLC	**KR**	**100**
Danish Crown (China) Co. Ltd	**CN**	**100**
Danish Crown Food (China) Co. Ltd. Shanghai Branch	CN	100
Danish Crown Foods Jönköping AB	**SE**	**100**

Company name		Direct ownership interest in %
Other associated companies		
Daka Denmark A/S	DK	43
Agri-Norcold A/S	DK	43
Danske Slagterier ◊)	DK	92
Svineslagteriernes Varemærkeselskab ApS ◊)	DK	92

*) Appears several times in the group structure.

**) These enterprises have exercised their right of exemption under Section 264(3) of the German Handelsgesetzbuch (HGB).

**) These enterprises have exercised their right of exemption under Section 264b of the German Handelsgesetzbuch (HGB). The consolidated financial statements are published in Deutsche Bundesanzeiger.

◊) Due to provisions of the articles of association requiring important decisions to be unanimous, the group does not exercise control despite an ownership interest of more than 50 per cent.

The Danish Crown Sustainability report 2020/21 is an integral part of the management's review of the Danish Crown Annual report 2020/21, and this report constitutes our report on corporate responsibility in accordance with section 99a of the Danish Financial Statements Act. Read more on danishcrown.com/sustainability-report.

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