



Danish Crown

HALF-YEAR REPORT 2021/22

Leverandørselskabet Danish Crown AmbA

CVR no. 21 64 39 39

MANAGEMENT'S REVIEW

Danish Crown is one of the world's leading food companies who works determinedly towards sustainability in both production and sale of meat products.

The highly volatile market conditions which characterised the global pig market in 2020/21 continued in the first half-year of 2021/22. Oversupplied European markets and weak demand from the large Chinese market led to decreasing pig prices. In February, the demand went up again resulting in rapidly increasing prices. This especially applied for the German pigs and not to the same extent for the Danish pigs. Therefore, the pig quotation - Danish Crown's payment to our owners - did not increase with the same pace as the price of pigs in the other countries.

However, at the same time, the good sales conditions continued for DAT-Schaub that processes by-products from pigs into food ingredients and raw materials for the pharmaceutical industry.

On the other hand, the prices of cattle continued the increase from 2020/21. The cattle quotation was on average DKK 6 per kg higher compared to the same period in 2020/21 - equivalent to 29%. Demand has been good just as there has only been competition from meat from overseas markets to a limited extent.

The processing companies had to adjust to the very volatile meat markets and are working on passing the increasing raw material prices on to the sales prices of the products. In addition, they still see demand having shifted from Foodservice to Retail due to the COVID-19 pandemic as consumers are increasingly doing the cooking themselves rather than eating out - a trend in decline given the reopening of a number of European markets.

The company's target and work in relation to sustainability and green transition proceed as planned and during the first half-year, the company has launched a series of plant-based products on the Danish market among other things.

In the first half-year of 2021/22, we have acquired Charkuterifabriken in Sweden as well as the remaining shares of In Foods in Denmark.

NET PROFIT FOR THE FIRST HALF-YEAR 2021/22

Compared to last year, revenue has increased by a little below 4% with unchanged volumes. Approx. DKK 0.3 billion of the DKK 1 billion increase can be ascribed to acquired companies.

In the first half-year, we have experienced considerable externally driven increases on more of our large cost items; both energy- and transport costs have increased significantly. At the same time, in the first half-year we have borne additional costs in the production for handling COVID-19 challenges. This is reflected in a decreasing gross margin as well as increased distribution costs.

In the first half-year, the group's net financing costs have increased compared to last year primarily due to increased capital tied up in net working capital. This is among other things ascribable to the increasing prices on the company's products which have been seen in the last part of the half-year.

Net profit for the first half-year of 2021/22 amounts to DKK 1,107 million against DKK 1,335 million last year. The management considers the result satisfactory given the significant increase in inflation seen in the last part of the half-year.

For the second half-year of 2021/22, earnings are expected to be on par with earnings from the first half-year. This is primarily due to an expectation of almost full reopening of the markets following the COVID-19 pandemic – however counterbalanced by increased costs due to global inflation.

BALANCE SHEET

The balance sheet total is increased by DKK 1.9 billion since the end of the last financial year and by DKK 2.2 billion since the end of the first half-year of 2020/21. Hereof DKK 0.6 billion derives from acquired companies.

Moreover, in the first half-year of 2021/22, we have invested DKK 0.7 billion in non-current assets - hereof more than half of these in Denmark.

Compared to last year, net working capital has increased by DKK 0.5 billion partly due to increased prices on the company's products and partly due to strong sales in March.

By the end of March 2022, the solvency ratio has decreased by 2 percentage point to 28% compared to the of March 2021 which is driven by the increased balance sheet.

By the end of the half-year, the group's debt leverage is 2.9 x EBITDA compared to 2.6 at the same time last year. The increase can primarily be ascribed to higher capital tied up in net working capital.

STATEMENT BY THE EXECUTIVE BOARD

Today, the Executive Board has considered and adopted the half-year report for Leverandørselskabet Danish Crown AmbA for the financial period 1 October 2021 - 31 March 2022.

The half-year report has not been audited or reviewed by the company's auditors elected by the Board of Representatives.

In our opinion, the half-year report gives a true and fair view of the group's and company's assets, liabilities and financial position at 31 March 2022 and of the results of the group's and company's activities and the group's cash flows for the period 1 October 2021 - 31 March 2022.

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, the half-year result, the company's financial position and the financial position as a whole of the enterprises included in the consolidated financial statements.

Randers, 19 May 2022

Executive board:

Jais Valeur
Group CEO

Thomas Ahle
Group CFO

Summarised income statement, half-year 2021/22	2021/22 mDKK	2020/21 mDKK
Revenue	29.972	28.934
Production costs	-25.040	-23.957
Gross profit	4.932	4.977
Distribution costs	-2.613	-2.420
Administrative expenses	-992	-967
Other operating income	24	9
Other operating expenses	-6	-9
Income from equity investments in associates and joint ventures	51	63
Operating profit after special items (EBIT)	1.396	1.653
Financial income	57	76
Financial expenses	-137	-148
Profit before tax	1.316	1.581
Tax on profit for the half-year	-209	-246
Net profit for the period	1.107	1.335
Summarised income statement, half-year 2021/22	2021/22 mDKK	2020/21 mDKK
Net profit for the period	1.107	1.335
Items which may subsequently be transferred to the income statement	61	6
Other comprehensive income	61	6
Comprehensive income for the period	1.168	1.341

Summarised balance sheet 31 March 2022	31.03.2022 mDKK	30.09.2021 mDKK	31.03.2021 mDKK
Goodwill	3.067	2.922	3.038
Software	107	93	93
Acquired patents, trademarks and similar rights	600	587	476
Intangible assets	3.774	3.602	3.607
Land and buildings	4.321	3.981	4.024
Plant and machinery	3.278	3.135	2.836
Other fixtures, fittings, tools and equipment	238	259	259
Property, plant and equipment in progress and prepayments	936	1.162	1.105
Lease assets	541	529	576
Property, plant and equipment	9.314	9.066	8.800
Equity investments in associates and joint ventures	394	345	373
Other securities and equity investments	9	9	9
Financial assets	403	354	382
Deferred tax assets	138	147	159
Non-current assets	13.629	13.169	12.948
Inventories	5.512	4.722	4.964
Biological assets	32	29	27
Trade receivables	6.667	6.195	5.849
Receivables from- and prepayments to cooperative owners	148	233	131
Receivables from associates	22	12	33
Other receivables	922	814	883
Prepayments	161	117	142
Receivables	7.920	7.371	7.038
Other securities and equity investments	38	44	45
Cash	309	204	195
Current assets	13.811	12.370	12.269
Total assets	27.440	25.539	25.217

Summarised balance sheet 31 March 2022	31.03.2022 mDKK	30.09.2021 mDKK	31.03.2021 mDKK
Cooperative owner's accounts	1.126	1.296	1.312
Owner's accounts	681	692	448
Other reserves and retained earnings	5.850	6.375	5.796
Equity (including minority interests)	7.657	8.363	7.556
Pension obligations	51	40	51
Deferred tax liabilities	313	299	258
Other provisions	171	157	171
Mortgage debt	2.649	3.020	3.298
Other debt, issued bonds	3.531	3.492	4.032
Credit institutions	3.546	389	1.893
Other credit institutions	800	832	483
Lease debt	403	341	430
Non-current liabilities	11.464	8.570	10.616
Other provisions	95	132	98
Mortgage debt	164	179	67
Other debt, issued bonds	570	546	0
Credit institutions	450	1.474	380
Other credit institutions	72	72	448
Lease debt	108	164	113
Trade payables	4.019	3.568	3.350
Payables to associates	58	42	62
Income tax payable	243	160	246
Other payables	2.479	2.216	2.237
Deferred income	61	53	44
Current liabilities	8.319	8.606	7.045
Liabilities	19.783	17.176	17.661
Total equity and liabilities	27.440	25.539	25.217

Summarised statement of changes in equity 31 March 2022	Cooper- ative owner's accounts mDKK	Owner's accounts mDKK	Reserve for foreign currency translation adjustments mDKK	Reserve for value adjustments of hedging instruments mDKK	Retained earnings mDKK	Total mDKK	Attribut- able to minority interests mDKK	Total equity mDKK
Equity 01.10.2020	1.380	462	-370	86	6.190	7.748	307	8.055
Net profit for the half-year					1.269	1.269	66	1.335
Total other comprehensive income after tax			-12	-6	24	6		6
Payment of contributed capital, net	-68	-14				-82		-82
Supplementary payments disbursed					-1.618	-1.618		-1.618
Dividend to minority interests						0	-23	-23
Dilution of minority interests					-92	-92	-25	-117
Equity 31.03.2021	1.312	448	-382	80	5.773	7.231	325	7.556
Net profit for the half-year		242			620	862	58	920
Total other comprehensive income after tax			22	23	-11	34	7	41
Payment of contributed capital, net	-16	2				-14		-14
Dividend to minority interests						0	-71	-71
Dilution of minority interests					-56	-56	-13	-69
Equity 30.09.2021	1.296	692	-360	103	6.326	8.057	306	8.363
Net profit for the half-year					1.058	1.058	49	1.107
Total other comprehensive income after tax			62	8	-22	48	13	61
Payment of contributed capital, net	-170	-11				-181		-181
Supplementary payments disbursed					-1.671	-1.671		-1.671
Dividend to minority interests						0	-22	-22
Equity 31.03.2022	1.126	681	-298	111	5.691	7.311	346	7.657

Summarised cash flow statement, half-year 2021/22	2021/22 mDKK	2020/21 mDKK
Operating profit before special items (EBIT before specific items)	1.396	1.653
Change in net working capital	-596	-973
Other adjustments	412	309
Cash flows from operating activities	1.212	989
Cash flows from investing activities	-853	-958
Cash flows from financing activities	-254	-351
Change in cash and cash equivalents	105	-320
Cash and cash equivalents as at 30 September 2021	204	515
Cash and cash equivalents as at 31 March 2022	309	195

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The half-year report for 2021/22 includes a summarised consolidated financial statement for Leverandørselskabet Danish Crown AmbA and its subsidiaries.

The half-year report for first half-year 2021/22 is presented according to the same accounting principles and with the same significant accounting estimates as in the annual report 2020/21 for Leverandørselskabet Danish Crown AmbA.

The consolidated financial statement of Leverandørselskabet Danish Crown AmbA is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act.

Moreover, reference is made to the description of accounting policies and significant accounting estimates in note 31 and 1, respectively, in the Annual Report 2020/21.

Leverandørselskabet Danish Crown AmbA is a limited liability cooperative domiciled in Denmark.

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

NOTE 2 SEASONAL FLUCTUATIONS

Due to seasonal fluctuations, the group's inventory values are historically higher at the end of the first half-year than at the end of the second half-year as inventories are built up for sales in the peak season.