



**Danish Crown**

**HALF-YEAR REPORT 2020/21**

**Leverandørselskabet Danish Crown AmbA**

**CVR no. 21 64 39 39**

## **MANAGEMENT'S REVIEW**

Danish Crown is one of the world's leading food processing companies with special focus on production and sale of sustainable meat products.

The first half-year of 2020/21 was characterised by a volatile world pig market. Despite a continued strong demand from the Asian markets and especially China, the pig price decreased in first quarter because Germany was excluded from export to China due to the outbreak of African swine fever in eastern Germany, which led to oversupply of the European markets. In addition, a number of markets have in different ways been negatively affected by the global COVID-19 infection. The price did not start increasing again until January and by the end of March it was on par with August/September last year. With our strength on the Asian markets, Danish Crown has managed well in this market and has been able to pay a competitive price for slaughter pigs to Danish Crown's owners. This despite the periodically closure of the Chinese market to imports of products from a few of Danish Crown's Danish and German abattoirs.

Heparin is a raw material for the pharmaceuticals industry and the prices on the world heparin market remained on a reasonable level, primarily due to a continued low supply of pigs in especially China and thereby of the volume of raw material used for the production of heparin. However, the supply of pigs in China has increased over the half-year.

On the cattle market, we also saw a significant price decrease, which did not start improving until February. The prices have been under pressure, primarily due to the outbreak of COVID-19 in Southern Europe, where the majority of the most expensive parts is sold, as well as a heavily weakened foodservice market throughout Europe due to the lockdowns related to COVID-19.

The decreasing meat prices have also placed downward pressure on the prices of processed products. Due to COVID-19, the processing companies' market has moved from Foodservice to Retail because far more consumers prepared meals in their own kitchens.

## **NET PROFIT FOR THE FIRST HALF-YEAR 2020/21**

Compared to last year, revenue has decreased by 9 percent despite a 3 percent increase of volume due to decreasing sales prices on the world market as well as declining exchange rates, especially USD which is an important currency for Danish Crown.

The COVID-19 challenges in the distribution, especially in connection with the temporary closures of exports to China, as well as the worldwide increase of freight rates have resulted in a 7 percent increase of distribution costs compared to last year. However, the increase is covered by an equivalently increased gross margin.

The many COVID-19 measures, e.g. test and increased cleaning in both the production and administration, have increased the companies' costs. Moreover, we have continued our strategic initiatives within sales, production and sustainability in order for the company to come out stronger from the COVID-19 pandemic.

The decreasing earnings compared to last year must be seen in the light of the additional costs paid in the half-year. Especially Pork and Beef have been negatively affected by price decrease and additional COVID-19 measures, while the group's other companies have performed well and have managed to increase earnings.

The group's net financing costs have decreased, primarily due to lower capital tie-up in net working capital. This is partly a result of targeted efforts to reduce net working capital and partly the lower price level for the company's products.

Net profit for the first half-year 2020/21 amounts to DKK 1,335 million against DKK 1,391 million last year. The management considers the result satisfactory given the many market related challenges experienced during the half-year.

For the second half-year 2020/21, earnings are anticipated to be lower than in the first half-year, primarily due to an anticipation of a slow opening of the markets after the COVID-19 outbreak.

## **BALANCE SHEET**

The balance sheet total is reduced by DKK 0.6 billion since the end of first half-year 2019/20, primarily due to reduction of net working capital, while we on the other hand have invested an additional amount of DKK 450 million in our facilities.

Compared to last half-year, solvency is increased by 1.5 percent point to 30 percent by the end of first half-year 2020/21.

The group's debt leverage by the end of the half-year is 2.6 x EBITDA, which is marginally lower than for same period last year where it was 2.7. The decrease can primarily be ascribed to the low capital tie-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 2020 - 31 March 2021.

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 2021 and of the results of the group's and company's activities and the group's cash flows for the period 1 October 2020 - 31 March 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, the half-year report, the company's financial position and the financial position as a whole of the enterprises included in the consolidated financial statements.

Randers, 20 May 2021

### **Executive board:**

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Jais Valeur  
Group CEO

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Preben Sunke  
Group COO

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Thomas Ahle  
Group CFO

<b>Summarised income statement, half-year 2020/21</b>	<b>2020/21 mDKK</b>	<b>2019/20 mDKK</b>
<b>Revenue</b>	<b>28.937</b>	<b>31.834</b>
Production costs	-23.918	-26.979
<b>Gross profit</b>	<b>5.019</b>	<b>4.855</b>
Distribution costs	-2.385	-2.236
Administrative expenses	-1.048	-928
Other operating income	9	10
Other operating expenses	-5	-11
Income from equity investments in associates and joint ventures	63	61
<b>Operating profit after special items (EBIT)</b>	<b>1.653</b>	<b>1.750</b>
Financial income	76	72
Financial expenses	-148	-174
<b>Profit before tax</b>	<b>1.580</b>	<b>1.648</b>
Tax on profit for the half year	-246	-256
<b>Net profit for the period</b>	<b>1.335</b>	<b>1.391</b>
<b>Summarised statement of comprehensive income, half-year 2020/21</b>	<b>2020/21 mDKK</b>	<b>2019/20 mDKK</b>
<b>Net profit for the period</b>	<b>1.335</b>	<b>1.391</b>
Items which may subsequently be transferred to the income statement	6	-100
Items which cannot be transferred to the income statement	0	0
<b>Other comprehensive income from continued operations</b>	<b>6</b>	<b>-100</b>
Other comprehensive income from discontinued operations	0	58
<b>Comprehensive income for the period</b>	<b>1.341</b>	<b>1.349</b>

<b>Summarised balance sheet 31 March 2021</b>	<b>31.03.2021 mDKK</b>	<b>30.09.2020 mDKK</b>	<b>31.03.2020 mDKK</b>
Goodwill	3.038	2.890	2.924
Software	93	114	97
Acquired patents, trademarks and similar rights	476	657	693
<b>Intangible assets</b>	<b>3.607</b>	<b>3.661</b>	<b>3.714</b>
Land and buildings	4.024	3.913	3.956
Plant and machinery	2.836	3.001	2.684
Other fixtures, fittings, tools and equipment	259	236	217
Property, plant and equipment in progress and prepayments	1.105	804	1.029
Right-of-use assets	576	547	468
<b>Property, plant and equipment</b>	<b>8.800</b>	<b>8.501</b>	<b>8.354</b>
Equity investments in associates and joint ventures	373	298	341
Other securities and equity investments	9	10	11
<b>Financial assets</b>	<b>382</b>	<b>308</b>	<b>352</b>
Biological assets	2	2	2
Deferred tax assets	159	175	164
<b>Non-current assets</b>	<b>12.950</b>	<b>12.647</b>	<b>12.586</b>
Inventories	4.964	4.610	5.321
Biological assets	25	24	33
Trade receivables	5.849	5.524	6.585
Receivables from and prepayments to cooperative members	131	242	178
Receivables from associates	33	19	23
Other receivables	883	757	825
Prepayments	142	90	152
<b>Receivables</b>	<b>7.038</b>	<b>6.632</b>	<b>7.763</b>
Other securities and equity investments	45	45	6
Cash	195	515	128
<b>Current assets</b>	<b>12.267</b>	<b>11.826</b>	<b>13.251</b>
<b>Total assets</b>	<b>25.217</b>	<b>24.473</b>	<b>25.837</b>

<b>Summarised balance sheet 31 March 2021</b>	<b>31.03.2021 mDKK</b>	<b>30.09.2020 mDKK</b>	<b>31.03.2020 mDKK</b>
Contributed capital	1.312	1.380	1.392
Personal subordinated accounts	448	462	346
Other reserves and retained earnings	5.796	6.213	5.629
<b>Equity (including minority interests)</b>	<b>7.556</b>	<b>8.055</b>	<b>7.367</b>
Pension obligations	51	44	51
Deferred tax liabilities	258	257	245
Other provisions	171	150	140
Mortgage debt	3.298	3.321	3.051
Other debt, Issued bonds	4.032	3.982	4.092
Credit institutions	1.893	167	2.523
Other credit institutions	483	906	1.327
Lease commitments	430	371	419
Other payables	4	4	4
<b>Non-current liabilities</b>	<b>10.620</b>	<b>9.202</b>	<b>11.852</b>
Other provisions	98	131	71
Mortgage debt	67	187	284
Credit institutions	380	266	437
Other credit institutions	448	448	1
Lease commitments	113	143	97
Trade payables	3.350	3.472	3.371
Payables to associates	62	57	60
Income tax payable	246	154	158
Other payables	2.233	2.308	2.050
Deferred income	44	50	46
Liabilities related to discontinued operations	0	0	43
<b>Current liabilities</b>	<b>7.041</b>	<b>7.216</b>	<b>6.618</b>
<b>Liabilities</b>	<b>17.661</b>	<b>16.418</b>	<b>18.470</b>
<b>Total equity and liabilities</b>	<b>25.217</b>	<b>24.473</b>	<b>25.837</b>

<b>Summarised statement of changes in equity 31 March 2021</b>	<b>Contributed capital mDKK</b>	<b>Personal subordinated accounts mDKK</b>	<b>Reserve for foreign currency translation adjustments mDKK</b>	<b>Reserve for value adjustments of hedging instruments mDKK</b>	<b>Retained earnings mDKK</b>	<b>Total mDKK</b>	<b>Attributable to minority interests mDKK</b>	<b>Total equity mDKK</b>
<b>Equity 01.10.2019</b>	<b>1.462</b>	<b>354</b>	<b>-304</b>	<b>69</b>	<b>5.485</b>	<b>7.066</b>	<b>295</b>	<b>7.361</b>
Net profit for the half year					1.350	1.350	40	1.391
Total other comprehensive income after tax			-61	31		-30	-12	-42
Payment of contributed capital, net	-70	-8				-78		-78
Supplementary payments disbursed					-1.258	-1.258		-1.258
Dividend to minority interests						0	-6	-6
<b>Equity 31.03.2020</b>	<b>1.392</b>	<b>346</b>	<b>-365</b>	<b>100</b>	<b>5.577</b>	<b>7.050</b>	<b>317</b>	<b>7.368</b>
Net profit for the half year		112			610	722	42	764
Total other comprehensive income after tax			-5	-14	-3	-22	-12	-34
Payment of contributed capital, net	-12	4				-8		-8
Dividend to minority interests						0	-35	-35
Dilution of non-controlling interests					5	5	-5	0
<b>Equity 30.09.2020</b>	<b>1.380</b>	<b>462</b>	<b>-370</b>	<b>86</b>	<b>6.189</b>	<b>7.747</b>	<b>307</b>	<b>8.055</b>
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 non-controlling interests					-92	-92	-25	-117
<b>Equity 31.03.2021</b>	<b>1.312</b>	<b>448</b>	<b>-382</b>	<b>80</b>	<b>5.772</b>	<b>7.230</b>	<b>325</b>	<b>7.556</b>



<b>Summarised cash flow statement, half-year 2021/21</b>	<b>2020/21 mDKK</b>	<b>2019/20 mDKK</b>
<b>Operating profit before special items (EBIT before specific items)</b>	1.653	1.750
Change in net working capital	-971	-444
Other adjustments	309	272
<b>Cash flows from operating activities</b>	<b>991</b>	<b>1.578</b>
<b>Cash flows from investing activities</b>	<b>-960</b>	<b>-662</b>
<b>Cash flows from financing activities</b>	<b>-351</b>	<b>-3.361</b>
<b>Cash flows from discontinued operations</b>	<b>0</b>	<b>2.445</b>
<b>Change in cash and cash equivalents</b>	<b>-320</b>	<b>-1</b>
Cash and cash equivalents as at 30 September 2020	515	129
<b>Cash and cash equivalents as at 31 March 2021</b>	<b>195</b>	<b>128</b>

## **NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The half-year report for 2020/21 includes a summarised consolidated financial statement for Leverandørselskabet Danish Crown AmbA and its subsidiaries.

The half-year report for first half-year 2020/21 is presented according to the same accounting principles and with the same significant accounting estimates as the annual report 2019/20 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 30 and 1, respectively, in the Annual Report 2019/20.

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 seen higher at the end of the first half-year than at the end of the second half-year since inventories are built up for sales in the peak season.