

HKScan Denmark A/S

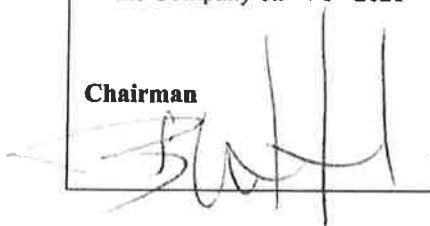
CVR No 25 17 75 09

Annual Report for 1.1 – 31.12.2020

*Tværnøsevej 10
DK-7830 Vinderup*

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 18/5 2021

Chairman

A handwritten signature in black ink, appearing to be 'S. H.', is written over the printed name 'Chairman'.

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Management's Statement and Auditor's Report

Management's Statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of HKScan Denmark A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Vinderup, 18th May 2021

Executive Board



Jukka Nikkinen
EVP, CEO Market Denmark



Michael Jørgensen
VP, Operations & Supply Chain
Market Denmark

Board of Directors




Markku Suvanto
Chairman



Jyrki Paappa



Jukka Nikkinen



Birthe Juul



Ditlev Baunsgaard
Ditlev Baunsgaard
Employee representative



Ellen Marie Moeskjær
Ellen Marie Moeskjær
Employee representative

Independent Auditor's Report

To the shareholders of HKScan Denmark A/S

Opinion

We have audited the financial statements of HKScan Denmark A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 18 May 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Morten Friis
State Authorised
Public Accountant
mne32732



Kim R. Mortensen
State Authorised
Public Accountant
mne18513

Management's Review

Company Information

The Company

HKScan Denmark A/S
Tværmosevej 10
DK-7830 Vinderup
Denmark

Telephone: + 45 99 95 95 95

Facsimile: + 45 99 95 95 40

Website: www.rosekylling.dk

CVR No 25 17 75 09

Financial period: 1 January – 31 December

Financial year: 21th financial year

Municipality of reg. office: Holstebro

Board of Directors

Markku Suvanto
Jyrki Paappa
Jukka Nikkinen
Birthe Juul
Ditlev Baunsgaard (*employee elected representative*)
Ellen Marie Moeskjær (*employee elected representative*)

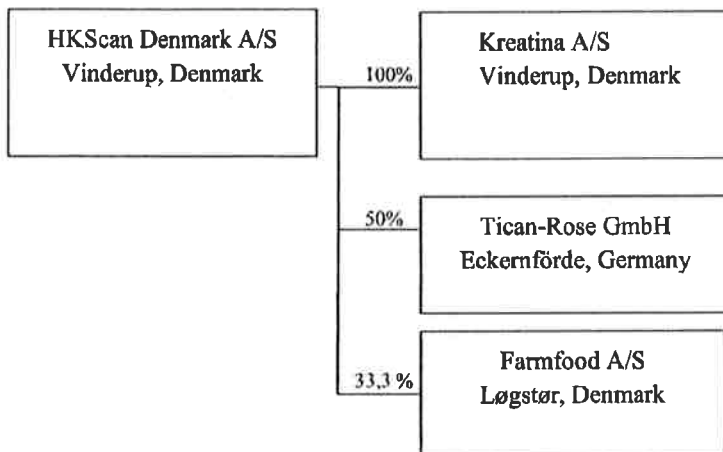
Executive Board

Jukka Nikkinen
Michael Jørgensen

Auditors

EY Godkendt Revisionspartnerselskab
Værkmestergade 25
DK-8000 Aarhus C
Denmark

Group Chart



Financial Highlights of HKScan Denmark A/S

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	1.278.676	1.242.224	1.287.559	1.273.252	1.253.549
Gross profit/loss	102.427	49.941	-9.728	-6.245	-368
EBITDA	26.165	614	2.953	18.995	-1.398
Profit/loss before financial in- come and expenses	-7.805	-59.237	-74.178	-71.189	-70.412
Net profit/loss for the year	-25.974	-74.165	-84.115	-99.163	-102.639
Balance sheet					
Balance sheet total	492.600	435.227	479.495	542.208	625.277
Equity	7.876	33.850	108.015	192.130	67.946
Average number of employees	620	579	601	616	644
Ratios					
Gross margin	8,0%	4,0%	-0,8%	-0,5%	0,0%
Profit margin	-0,6%	-4,8%	-5,8%	-5,6%	-5,6%
Return on net assets	-1,6%	-13,6%	-15,5%	-13,1%	-11,3%
Solvency ratio	1,6%	7,8%	22,5%	35,4%	10,9%
Return on equity	-124,5%	-104,6%	-56,0%	-76,3%	-86,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's review

Market overview

As in previous years, the Company's main activity has comprised slaughtering, processing and sale of poultry products both in Denmark and in the export markets.

Development in the year

The past year and follow-up on development expectations from last year

The results for the year show a loss before tax of DKK 26,0 million, which however represent an improvement of DKK 48,2 million documenting that the strategy launched in summer 2019 to resolve the company's financial and operational crisis is progressing as planned, resulting in strong profit improvement despite the Covid-19 pandemic and outbreak of Avian flu.

EBITDA carries one-time special items of DKK 31,0 million for 2020, taking the reported EBITDA of DKK - 5,5 million to a comparable EBITDA of DKK 25,5 million for the year. This stems from a general positive development, with an increase in Net sales of DKK 36,5 million (2,9%) following a strong year in Danish and Swedish retail with focus on fresh and ready-to-use poultry products. Foodservice have been negatively impacted of the restrictions following the outbreak of covid-19 and towards the end of the year Export outside EU stopped following the outbreak of avian flu.

Overall gross profit increased to DKK 68,0 million stemming from the Net sales development with a significant change in the sales mix - more fresh than frozen as well as introduction of fried products, new customers, slightly lower raw material prices, efficiency improvement in both Vinderup and Skovsgaard and an overall very tight cost control.

EBIT improved from previous year with DKK 51,4 million. As a result of the good financial development a reversal of prior period impairments have impacted profits positively with DKK 30,6 million is included in 2020. Depreciation has consequently been lowered during the year.

The trend in the Result is considered strong and satisfactory, however the overall negative result is unsatisfactory.

Capital resources

Current loans and credit facilities are considered adequate to cover the Company's operations and planned investments. The Financial Statements show that a significant part of the Company's financing has been raised as intercompany loans from the Parent Company.

The Parent Company will support the Company's activities and has issued a Letter of Financial Support to enable HKScan Denmark A/S to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event in the period of 1 January to 31 December 2021.

Subsequent events

In November 2020 the first outbreak of Avian Flu was detected in Denmark, closing the opportunity for export outside EU for a three-month period (minimum). Since more outbreaks have been detected, latest in March 2021 and consequently export outside EU is expected to open as from Q3 2021. This have already had negative impact on Net sales and Net result in 2020 (6 weeks period) and is expected to have similar negative impact on Net sales and earnings during Q1 and Q2 2021, and hence negative impact on the expected 2021 result.

No further events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Review

Special risks

Operating and market risks

The Company's most material operating risks relate to the development in market prices on the global market, including fluctuations in exchange rates, and incidence of poultry disease both in Denmark and abroad, which also constitutes a general business risk.

The supply of raw materials, which is in all material respects based on multiannual contracts with producers is sensitive to the market-oriented settlement price.

Foreign exchange risks

A material export share implies that results, cash flows and equity are affected by the development of the exchange rate of especially SEK, USD and GBP. It is the Company's policy to hedge against commercial foreign exchange exposure. The Company does not enter foreign exchange positions for speculative purposes. Hedging mainly takes place by means of forward exchange contracts.

Interest rate risks

The Company's interest-bearing debt are generally raised with a floating interest rate.

Credit risks

The Company's credit risks relate primarily to financial assets recognised in the balance sheet. The Company does not have any material risks relating to a single customer or business partner. According to the Company's policy for assuming credit risks, all customers are credit rated regularly.

Statutory statement of corporate social responsibility and environmental responsibility

For reporting on corporate responsibility, including human rights, environmental issues, climate issues, social and employee conditions and anticorruption, HKScan Denmark A/S refers to its parent company, HKScan Oyj's, statement on corporate responsibility, which can be accessed at

<https://www.hkscan.com/globalassets/hkscan.com/annual-report-2020---vuosikertomus-2020/pdf/hkscanannualreport2020.pdf>

A summary of the policies stated in HKScan Oyj CSR from the annual report of 2020 is outlined below.

Policies for corporate social responsibility

Corporate responsibility is an integral part of HKScan's From Farm to Fork strategy. HKScan's corporate responsibility work focuses on four main areas: Economic responsibility, Social responsibility, Animal health and welfare and Environment.

Policies for environmental responsibility

HKScan assumes responsibility for the environment throughout the value chain and continuously decreases the environmental impacts of its processes. HKScan manages its operations so that guidelines, regulations and requirements for environmental permits are fulfilled. HKScan's aim is for its environmental work to align also with the goals of society. This is ensured, e.g., through collaboration with authorities. The company sets environment-related requirements also for its suppliers as part of HKScan's Supplier Guidelines.

More information about corporate social responsibility and environmental responsibility may be obtained at Parent Company homepage www.hkscan.com.

Composition of the Board of Directors

The members elected at the general meeting are mainly recruited among the Company's Executive Board and the Executive Board of the Parent Company. The gender representation thus depends on the gender representation in the relevant positions from time to time.

Employee representatives on the Board of Directors are elected among all employees. The representation of female members on the Board of Directors is presently 33% (2019: 33%).

In the long run, HKScan Denmark A/S intends to achieve a more equal gender representation on the Board of Directors. HKScan Denmark A/S' goal is that the underrepresented gender in the Board of Directors is at least 33%.

Currently the ratio of female executives in management team is 42% (2019: 28%). HKScan Denmark A/S will continue to strive for an equal gender representation among management. HKScan Denmark A/S will through recruitment internally and externally attempt to increase the ratio of the underrepresented gender in the management in the next 12-24 months.

Expectations for the year ahead

The initiatives outlined the strategy plan from spring 2019 have proven to significantly lift the financial performance during 2020 and the route outlined is expected to continue. The Covid-19 pandemic and avian flu disease had caused and continue to cause an exceptionally challenging market situation, which has slowed down profit improvement despite our strong progress.

Investments into further cooking and frying capacity and ability in Skovsgaard will also contribute positively to the expected financial performance for 2021.

The outbreak of Avian flu first time in November 2020 and latest in March 2021, is prohibiting export outside of EU for a three-month period (minimum) after latest outbreak. This will have negative impact on Net sales and earnings during Q1 and Q2 2021, and hence negative impact on the expected full year result.

Financial Statements

Income statement 1 January – 31 December

	Note	2020 DKK '000	2019 DKK '000
Revenue	3	1.278.676	1.242.224
Production costs	2,8,16	-1.176.378	-1.193.666
Other operating income		129	1.383
Gross profit/loss		102.427	49.941
Distribution costs		-63.348	-64.051
Administrative expenses	1,8,15	-46.884	-45.127
Profit/loss before financial income and expenses		-7.805	-59.237
Income from investments in associates		2.629	1.319
Financial income	5	4.728	2.258
Financial expenses	6	-25.526	-18.505
Profit/loss before tax		-25.974	-74.165
Corporation tax	7	0	0
Net profit/loss for the year	20	-25.974	-74.165

Balance Sheet at 31 December

Assets

	Note	2020 DKK '000	2019 DKK '000
Software and licenses		56	113
Completed development projects		3.117	1.838
Intangible assets	8	3.173	1.951
Land and buildings		94.055	69.178
Plant and machinery		84.543	56.648
Other fixtures and fittings, tools and equipment		393	525
Property, plant and equipment in progress		9.758	11.170
Property, plant and equipment	9	188.749	137.521
Investments in associates		32.399	29.770
Other securities		769	769
Fixed asset investments	10	33.168	30.539
Fixed assets total		225.090	170.011
Inventories	11	152.824	131.882
Trade receivables		80.899	112.659
Receivables from affiliates		13	3.807
Receivables from associates		3.269	3.641
Other receivables		30.320	9.944
Prepayments		0	3.143
Receivables		114.501	133.194
Cash at bank and in hand		186	140
Current assets total		267.511	265.216
Total assets		492.601	435.227

Balance Sheet at 31 December

Liabilities and equity

	Note	2020 DKK '000	2019 DKK '000
Share capital	12	10.250	10.250
Reserve for net revaluation under the equity method		0	14.022
Reserve for development costs		2.431	1.374
Retained earnings		-4.805	8.204
Total equity		7.876	33.850
Other provisions		400	400
Provisions		400	400
Payables to group enterprises		297.653	241.653
Other payables		25.396	8.600
Non-current liabilities other than provisions	14	323.049	250.253
Trade payables		65.795	71.033
Payables to group enterprises		17.535	17.109
Other payables		77.945	62.582
Current liabilities		161.275	150.724
Total liabilities		484.325	400.977
Total liabilities and equity		492.601	435.227
Staff	4		
Provision for deferred tax	13		
Contingent assets, liabilities and other financial obligations	15		
Fee to auditors appointed at the general meeting	16		
Derivative instruments	17		
Related parties	18		
Distribution of Profit/loss	19		
Accounting Policies	20		

Statement of Changes In Equity

	Share capital	Reserve for re- valua- tion	Reserve for net revalua- tion un- der the equity method	Re- serve for de- vel- op- ment cost	Re- tained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2019	10.250	21.772	12.703	1.876	61.414	108.015
Transferred to re- serves	0	-21.772	0	-502	22.274	0
Net profit/loss for the year	0	0	1.319	0	-75.484	-74.165
Equity at 31 De- cember 2019	10.250	0	14.022	1.374	8.204	33.850
Equity at 1 January 2020	10.250	0	14.022	1.374	8.204	33.850
Net profit/loss for the year	0	0	2.629	1.057	-29.660	-25.974
Transferred to reserves	0	0	-16.651	0	16.651	0
Equity at 31 De- cember 2020	10.250	0	0	2.431	-4.805	7.876

Notes to the Annual Report

	2020 DKK '000	2019 DKK '000
1 Going concern		
<p>The Parent Company will support the Company's activities and has issued a Letter of Financial Support to enable HKScan Denmark A/S to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event in the period of 1 January to 31 December 2021.</p>		
2 Special items		
Legal dispute and settlement	-5.366	0
Pending matter related to energy taxes	-25.674	0
	-31.040	0
Impairment valuation	30.600	0
Net effect of special items and reversal of impairment	-440	0
<p>Legal dispute and settlement included in the Income Statement in the item Administrative expenses and the energy tax case is included in production costs. See further description regarding the pending matter related to energy taxes in note 2.</p>		
3 Revenue		
Geographical segments		
Domestic market	759.514	677.518
EU	401.920	401.978
Other countries	117.242	162.728
	1.278.676	1.242.224
4 Staff		
Wages and salaries	246.184	222.885
Pensions	18.564	16.752
Other social security expenses	5.871	7.951
	270.619	247.588
<p>Which have been expensed as follows:</p>		

Production costs	240.092	218.027
Distribution costs	13.858	13.531
Administrative costs	16.669	16.030
	270.619	247.588
Including remuneration to the Executive Board and the Board of Directors:		
Executive Board and Board of Directors	4.267	4.281
Average number of employees	620	579
5 Financial income		
Exchange adjustments	4.714	2.219
Other financial income	14	39
	<u>4.728</u>	<u>2.258</u>
6 Financial expenses		
Interest paid to group enterprises	18.761	14.967
Exchange adjustments	5.504	2.182
Other financial expenses	1.261	1.356
	<u>25.526</u>	<u>18.505</u>

Notes to the Annual Report

	2020 DKK '000	2019 DKK '000
7 Corporation tax		
Deferred tax for the year	0	0
Adjustment of tax, previous years	0	0
Corporation tax	0	0
Total tax for the year	0	0
8 Intangible assets		
	Software and li- censes	Completed develop- ment pro- jects
Cost at 1 January 2020	230	2.525
Additions of the year	0	1.911
Cost at 31 December 2020	230	4.436
Depreciation and impairment losses at 1 January 2020	117	687
Depreciation and impairment losses for the year	57	633
Depreciation and impairment losses at 31 January 2020	174	1.320
Carrying amount at 31 December 2019	56	3.116
Depreciated over	5 years	5 years

The R&D costs amounted DKK 3.654K and represent the Danish part of IT group projects.

Depreciation and impairment of intangible assets are expensed in the following items:

Production costs	0	0
Distribution costs	0	0
Administrative expenses	689	558
	689	558

Notes to the Annual Report

	Land and buildings	Plant and machinery	Other fix- tures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK '000	DKK '000	DKK '000	DKK '000
9 Property, plant and equip- ment				
Cost at 1 January 2020	340.967	813.049	19.135	11.170
Additions for the year	219	857	0	53.640
Disposals for the year	0	-403	0	0
Reclassification	0	0	0	0
Transfers for the year	0	55.052	0	-55.052
Cost at 31 December 2020	<u>341.186</u>	<u>868.555</u>	<u>19.135</u>	<u>9.758</u>
Depreciation and impairment losses at 1 January 2020	271.789	756.401	18.610	0
Reversal of impairment	-30.600	0	0	0
Depreciation and impairment losses for the year	5.942	27.208	132	0
Reclassification of deprecia- tion and impairment losses	0	0	0	0
Reversal of depreciation and impairment of sold assets	0	403	0	0
Depreciation and impairment losses at 31 December 2020	<u>247.130</u>	<u>784.012</u>	<u>18.742</u>	<u>0</u>
Carrying amount at 31 De- cember 2020	<u>94.055</u>	<u>84.543</u>	<u>393</u>	<u>9.758</u>
Depreciated over	<u>20-25 years</u>	<u>5-15 years</u>	<u>3-10 years</u>	<u>-</u>

Notes to the Annual Report

	2020	2019
	DKK '000	DKK '000

9 Property, plant and equipment (continued)

Depreciation and impairment of property, plant and equipment are expensed in the following items:

Production costs	2.549	58.823
Distribution costs	0	0
Administrative expenses	132	469
	<u>2.681</u>	<u>59.292</u>

The calculation of the carrying amount of some assets and liabilities requires estimation of the way in which future events will affect the value of such assets and liabilities at the balance sheet date. Such an estimate which is material to the financial reporting is made by e.g. performing an impairment test of the Company's assets.

The impairment test is based on the future current operating income from the business. The calculation of the current operating income includes income and expenses recognised in the Company's budgets and forecasts. It is also based on a required return determined on the basis of e.g. the interest-rate level of the risk-free interest rate.

The impairment test performed has led to a reversal of DKK 30,6 million being recognised in the fixed assets and P&L.

The estimates made are based on assumptions that Management considers reasonable, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and contingencies or unexpected circumstances may arise. The Company is moreover exposed to risks and uncertainties that may result in the actual performance deviating from these estimates.

Impairment test

In the financial year 2020 an impairment test have been carried out on fixed assets to assess possible reversal of previous write-downs.

The recoverable value is based on the capital value as determined by the use of expected net cash flows based on budgets for the years 2021-2024 and terminal value approved by management and with a WACC of 9.23 %. EBITDA for 2021 is expected to be DKK 41.3 million.

The gross margin for the budgeting period is fixed at the same level as in the 2021 budget. The same gross margin has been applied for the following 3 years. The weighted average growth rate

used to project future net cash flows after 2024 is 0.5 %, as well as the development of fixed costs. The impairment test is based on continued operation - value in use method.

The recoverable value exceeds the carrying amount by DKK 30.6 million, resulting in the reversal of previous years' write-downs by a corresponding amount.

Sensitivity analysis

In the context of the impairment test, expected cash flows have to be estimated for many years into the future, which naturally leads to some uncertainty. The uncertainty is reflected in the selected discount rate. A downward adjustment of expected cash flows has led the Group to consider that a reasonable likely change in key assumptions in the calculation of the recoverable value could lead to a write-down of fixed assets.

	2020 DKK '000	2019 DKK '000
10 Fixed asset investments		
Investments in subsidiaries		
Cost at 1 January 2020	0	0
Disposals of the year	0	0
Cost at 31 December 2020	<u>0</u>	<u>0</u>
Revaluation at 1 January 2020	0	0
Net profit/loss for the year	0	0
Disposal	0	0
Revaluation at 31 January 2020	<u>0</u>	<u>0</u>
Carrying amount at 31 December 2020	<u>0</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share Capital	Votes and ownership
Kreatina A/S	Holstebro, Denmark	DKK 3,000k	100%

Notes to the Annual Report

	2020 DKK '000	2019 DKK '000
10 Fixed asset investments (continued)		
Investments in associates		
Cost at 1 January 2020	15.748	15.748
Additions of the year	0	0
Disposals of the year	0	0
Cost at 31 December 2020	<u>15.748</u>	<u>15.748</u>
Value adjustments at 1 January 2020	14.022	12.703
Adjustments former years	0	0
Net profit/loss for the year	2.629	1.319
Dividends for the year	0	0
Disposals for the year	0	0
Value adjustments at 31 December 2020	<u>16.651</u>	<u>14.022</u>
Carrying amount at 31 December 2020	<u>32.399</u>	<u>29.770</u>

Investments in associates are specified as follows:

Name	Place of registered office	Share Capital	Votes and ownership
Tican-Rose GmbH	Eckernförde, Germany	EUR 51k	50%
Farmfood A/S	Løgstør, Denmark	DKK 30,000k	33%
		2020	2019
		DKK '000	DKK '000

Other securities and investments

Cost at 1 January 2020	769	612
Additions for the year	0	157
Cost at 31 December 2020	<u>769</u>	<u>769</u>
Carrying amount at 31 December 2020	<u>769</u>	<u>769</u>

Notes to the Annual Report

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
11 Inventories		
Raw materials and consumables	13.939	12.873
Work in progress	5.604	6.531
Finished goods and goods for resale	<u>133.281</u>	<u>112.478</u>
	<u>152.824</u>	<u>131.882</u>

12 Equity

The share capital consists of 10,000 shares of a nominal value of DKK 1,000 each, 2,500 shares of a nominal value of DKK 100 each and one share of DKK 200. No shares carry any special rights.

Development in share capital:

2012: The share capital was increased by a nominal amount of DKK 50,000

2011: The share capital was increased by a nominal amount of DKK 100,000

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
13 Provision for deferred tax		
Property, plant and equipment	-76.740	-61.437
Other	-5.895	28
Tax loss	-18.918	-20.687
Write-down	<u>101.553</u>	<u>82.096</u>
	<u>0</u>	<u>0</u>
Tax asset	<u>0</u>	<u>0</u>

Notes to the Annual Report

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
Payables to group enterprises		
Between 1 and 5 years	<u>297.653</u>	<u>241.653</u>
Long-term part	297.653	241.653
Within 1 year	<u>17.535</u>	<u>17.108</u>
	<u>315.188</u>	<u>258.761</u>
Other payables		
Between 1 and 5 years	<u>25.396</u>	<u>8.600</u>
Long-term part	25.396	8.600
Within 1 year	<u>0</u>	<u>0</u>
	<u>25.396</u>	<u>8.600</u>

15 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease commitments under operating leases. Total future lease payments:

Within 1 year	10.405	8.160
Between 1 and 5 years	10.918	12.007
After 5 years	<u>312</u>	<u>79</u>
	<u>21.635</u>	<u>20.246</u>

The total cash outflow for leases in 2020 was DKK 10.133k, which includes redemption of principal and interest payments.

Notes to the Annual Report

The company has pledged land and buildings related to mortgage debt repaid in previous years.

Securities with a carrying amount of DKK 274k have been provided as security for restoration obligations towards the Danish Coastal Authority.

Contingent liabilities

The Company has provided a bank guarantee of DKK 30,000k as a producer guarantee.

The Company is under a contractual obligation to supply waste and by-products from the poultry production to the associate Farmfood A/S for the next two years.

The Company is jointly taxed with the subsidiary Kreatina A/S. The companies in the joint taxation are jointly and separately liable for Danish corporation taxes arising in the jointly taxed group.

The Danish tax authorities have conducted an audit of energy taxes covering the period 2011-2020. The Danish tax authorities have on 23 December 2020 issued their decision, according to which the company should repay past refunds of energy taxes in the pending matter. It cannot be excluded that in addition to the currently pending matter, the company could separately be imposed penal sanctions as a result of the tax audit. HKScan Denmark A/S will appeal the decision issued to it.

16 Fee to auditors appointed at the general meeting

HKScan Denmark A/S is included in the consolidated FS of the parent company, where the fee to auditor elected at the AGM is stated.

Notes to the Annual Report

2020	2019
DKK '000	DKK '000

17 Derivative instruments

The Company uses hedging instruments to hedge recognized and non-recognized transactions.

2020

As of 31 December 2020, the Company entered into the following forward contracts to hedge sales:

Currency	Contract Value (DKK 1.000)	Contract Value (DKK 1.000)
SEK/DKK	47.150	-864
	<u>47.150</u>	<u>-864</u>

2019

As of 31 December 2019, the Company entered into the following forward contracts to hedge sales:

Currency	Contract Value (DKK 1.000)	Contract Value (DKK 1.000)
SEK/DKK	150.800	-1.021
USD/DKK	100	7
	<u>150.900</u>	<u>-1.014</u>

The market value of forward contracts is included under other liabilities and financial expenses.

18 Related parties

Members of the Executive Board and the Board of Directors of HK Scan Denmark A/S are considered related parties.

The Group's associates are considered related parties.

HKScan Denmark A/S reports transactions which are not on regular market terms.

	(DKK)
We have had the following transactions with related parties:	1.000)
Sale to Group Company	151
Purchase from Group Company	23.954
Management fee to Parent company	16.671
Interest to Parent Company	20.270
Purchase of immaterial assets (software)	1.911
Purchase of machinery from Parent company	91
Sale of machinery to Parent company	0
Loans from parent company	297.653

Consolidated Financial Statements

19 Distribution of Profit/loss

Reserve for net revaluation under the equity method	2.629	1.319
Reserve for development cost	1.057	-502
Retained earnings	<u>-29.660</u>	<u>-74.982</u>
	-25.974	-74.165

20 Accounting Policies

Basis of Preparation

The Annual Report of HKScan Denmark A/S ("Company") for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C. The Financial Statements have been prepared under the same accounting policies as the previous year. In accordance with section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared as the Company is included in the HKScan Corporation ("Parent Company"). The Consolidated Financial Statements may be obtained at the Parent Company.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The Annual Report for 2020 is presented in DKK thousands.

The accounting policies applied remain unchanged from previous years.

Basis of consolidation

Consolidated financial statements of HKScan Denmark A/S are not prepared as HKScan Denmark A/S is included in the Financial Statements of HKScan Corporation Group, which comprise Consolidated Financial Statements of the entire Group.

Leases

Leases in respect of property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if measurable. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets acquired under finance leases are depreciated and written down for impairment like the other property, plant and equipment of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Exchange adjustments arising on the translation of the opening equity of separate foreign legal entities and exchange adjustments arising from the translation at average exchange rates of the income statements of separate foreign legal entities are recognised directly in equity. Exchange adjustments arising on the translation of income statements and balance sheets of integrated foreign entities are recognised in financial income and expenses in the income statement.

Exchange adjustments of loans in foreign currencies contracted for the hedging of investments in foreign subsidiaries or loans considered to be derived from the investment are recognised directly in equity. If the hedge is not effective, the ineffective portion is reported immediately in net profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are included as prepayments and deferred income, respectively.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions relating to purchases and sales in foreign currencies are recognised in prepayments/deferred income or in retained earnings under equity, respectively. If the expected future transaction results in the recognition of assets or liabilities, amounts deferred in equity are transferred from equity and recognised in the cost of the asset or the liability, respectively. Amounts deferred in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Changes in the fair values of derivative financial instruments applied for the purpose of hedging net investments in separate foreign legal subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is reported immediately in net profit or loss.

Segment reporting

Segment information is presented in respect of the breakdown of revenue on geographical segments. The Company's main activity comprises slaughtering, processing and sale of poultry, which is considered as one segment.

Income Statement

Revenue

IAS 11 / IAS 18 is chosen as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that the general criteria have been met, including that delivery and transfer of risk have been made to the buyer by year end and the amount can be reliably measured and is expected to be received. Revenue is recognised exclusive of VAT and duties and net of discounts relating to sales.

Production costs

Production costs comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the core activities of the Company.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with certain wholly owned Danish and foreign subsidiaries and with Danish fellow subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Intangible assets

Intangible assets comprise acquired intellectual property rights and completed development projects.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an

amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement. The amortisation periods used are 3-7 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land is measured at cost. Land is not depreciated. Other property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use, including setup costs.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	20 - 25 years
Plant and machinery	5 - 15 years
Other fixtures and fittings, tools and equipment	3 - 10 years

Assets costing less than DKK 20,000 are expensed in the year of acquisition.

Gains and losses on sale of fixed assets are recognised in the income statement in production costs, distribution expenses and administrative expenses, respectively.

Impairment of fixed assets

The carrying amounts of both intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by ordinary amortisation and depreciation. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a recoverable amount can be determined.

Head office buildings and other assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method in the Company's Annual Report.

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit after tax for the year of the subsidiaries less goodwill amortisation.

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit after tax for the year of the associates less goodwill amortisation.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated under the accounting policies of the Company with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of any remaining value of positive or negative differences (goodwill or negative goodwill).

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity.

Asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Listed securities are measured at market value. Unlisted securities are measured at the selling price based on calculated value in use.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum less the estimated expenses necessary to make the sale.

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings

and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses in the period of production are not recognised.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined based on an individual assessment of each receivable.

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be distributed for the year is disclosed as a separate equity item.

Reserves

Reserve for net revaluation according to the equity method

Reserve for net revaluation applying the equity method covers net revaluations of equity investments in subsidiaries in relation to cost.

The reserve can be eliminated in case of losses, if investments are realized or changes are made to accounting estimates.

The reserve may not be recognized at a negative amount.

Reserve for development projects

The reserve for development projects comprises recognized development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognized development projects are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

If the recognized development projects are written down, part of the reserve for development projects must be reversed. The reversed portion corresponds to the write-down of the development projects. If a write-down of the development projects is subsequently reversed, the reserve for development projects must be re-established. The reserve for development projects is also reduced by amortization charges. In doing so, the equity reserve will not exceed the amount recognized in the statement of financial position as development projects.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up settling the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured based on the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated based on the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, intended held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred Income

Deferred income includes payments received in respect of income in subsequent years as well as fair value adjustments of derivative financial instruments with a negative fair value.

Cash flow statement

No cash flow statement is prepared for HKScan Denmark A/S as HKScan Denmark A/S is included in the Financial Statements of HKScan Corporation which include a consolidated cash flow statement.

Financial ratios

Explanation of ratios

Gross margin	=	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	=	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on net assets	=	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	=	$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$