

Premium Pork International

Growing in Romania

Annual Report 2022



Premium Pork International

Dannevirkevej 6, 7000 Fredericia,
Reg. no. 37 87 50 58

Annual Report January 1st – December 31st, 2022

Presented and adopted at the Annual General Meeting on 19th of April 2023.

Chairman of the Annual General Meeting:

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Management's Statement of the Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of Premium Pork International A/S for the financial year 1 January to 31 December 2022.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and cash flows for the financial year 2022.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements.

We recommend the annual report for adoption at the Annual General Meeting.

Fredericia, 24th of February 2023

Executive Board

Lars V. Drescher
CEO

Morten Beider
CFO

Board of Directors

Torben Svejgård
Chairman

Carsten Lind Pedersen
Board Member

Ole Sloth Nielsen
Board Member

Bo Hulse
Board Member

Jytte Rosenmaj
Board Member

Independent auditor's report on the annual report for the period 01.01.2022 - 31.12.2022

Opinion

We have audited the consolidated financial statements and the parent financial statements of Premium Pork International A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022, and of the results of their operations and cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements, or our knowledge obtained in the audit or other-wise appears to be materially misstated.

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

Based on the work we have performed; we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the annual reports

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

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

Auditor's responsibilities for the audit of the annual report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent financial statements.

Independent auditor's report on the annual report for the period 01.01.2022 - 31.12.2022

Auditor's responsibilities for the audit of the annual report (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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, 24th of February 2023

Deloitte

**Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56**

Søren Marquart Alsen
State-Authorised Public Accountant
MNE no.: mne40040

Abdul Wahab Ashraf
State-Authorised Public Accountant
MNE no.: mne46664

Consolidated Financial Highlights

	2022	2021	2020	2019	2018		2022	2021	2020	2019	2018
EUR '000											
Profit & Loss											
Total income	52.216	47.929	66.673	91.591	63.857	Employees:					
EBITDA	9.367	2.364	1.547	29.168	10.614	Average number of employees	333	446	498	471	445
Adjusted EBITDA (excl. fair value adjust. bio assets and Special Items)	3.944	3.474	14.412	20.989	13.672	Production Scope:					
Operating profit/loss (EBIT)	1.407	-6.559	-6.991	21.382	4.185	Harvested land	0	1.619	1.323	1.663	1.720
Net financials	-2.309	-3.614	-3.650	-3.943	-2.740	Total yield (all crops)	0	9.321	3.573	8.377	6.159
Profit/loss for the period	-829	-8.414	-8.912	14.724	1.111	Average number of sows	10.961	13.078	14.313	17.532	16.519
Balance sheet:						Number of pigs produced	324.354	396.841	427.887	568.385	511.111
Total assets	134.990	146.643	164.840	173.523	155.021	Produced pigs per avg. sow	29,6	30,3	29,9	32,4	30,9
Investment in property, plant and equipment	1.148	2.419	8.837	11.764	15.076	Ratios:					
Equity	77.293	75.690	83.886	87.483	72.128	Gross margin	31,8%	18,1%	20,6%	43,6%	30,3%
Invested capital	117.386	115.458	128.187	138.577	133.535	Adjusted EBITDA margin	7,6%	7,2%	21,6%	22,9%	21,4%
Net interest-bearing debt	44.096	42.117	52.621	60.021	57.707	EBIT margin	2,7%	-13,7%	-10,5%	23,3%	6,6%
Cash flow:						Return on invested capital	1,2%	-5,4%	-5,3%	15,7%	3,2%
Cash flow from operating activities	-2.681	6.996	17.865	5.840	11.173	Return on equity	-1,1%	-10,5%	-11,4%	18,4%	1,6%
Cash flow from investing activities	-1.296	1.356	-10.623	-7.662	-15.405	Solvency ratio	57,3%	51,6%	50,9%	50,4%	46,5%
Cash flow from financing activities	-8.209	-2.106	-5.309	2.073	4.191	Current Ratio	121%	117%	122%	166%	142%

Definitions of financial ratios:

Adjusted EBITDA	EBITDA adjusted for price effect on fair value adjustment of biological assets and any special items
Gross margin	Gross profit / Total Income x 100
Adjusted EBITDA margin	Adjusted EBITDA / Total Income x 100
EBIT margin	EBIT / Total Income x 100
Return on invested capital	Net financials / Avg. net interest-bearing debt x 100
Return on equity	Net Profit / Avg. equity x 100
Solvency ratio	Equity / Total assets x 100
Current Ratio	Current assets / current liabilities x 100

Company Information

Premium Pork International A/S

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 Dannevirkevej 6
 DK-7000 Fredericia

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 Domicile: Fredericia

Telephone: +45 64812600
 Telefax: +45 64812601
 Web: www.premiumporc.com
 E-mail: mail@dchi.dk

Board of Directors

Torben Svejgård (chairman)
 Carsten Lind Pedersen
 Ole Sloth Nielsen
 Bo Holse
 Jytte Rosenmaj

Executive Board

Lars Vesten Drescher (CEO)
 Morten Beider (CFO)

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
 City Tower, Værkmestergade 2
 DK - 8000 Aarhus C

Bank

Nordea Danmark A/S
 Kirkegade 3
 DK - 8900 Randers

Lawyer

Gorrissen Federspiel
 Silkeborgvej 2
 DK - 8000 Aarhus C

Subsidiaries

Premium Porc SRL
 Consinterfin SRL
 Degaro SRL
 Premium Porc Feed SRL
 Agro Investments Moldova SRL
 Premium Porc Negreni SRL
 Premium Vet Depot SRL
 Olsuin SRL
 Premium Porc Sibiu SRL
 Premium Pork Commercial SRL

Ultimate Parent

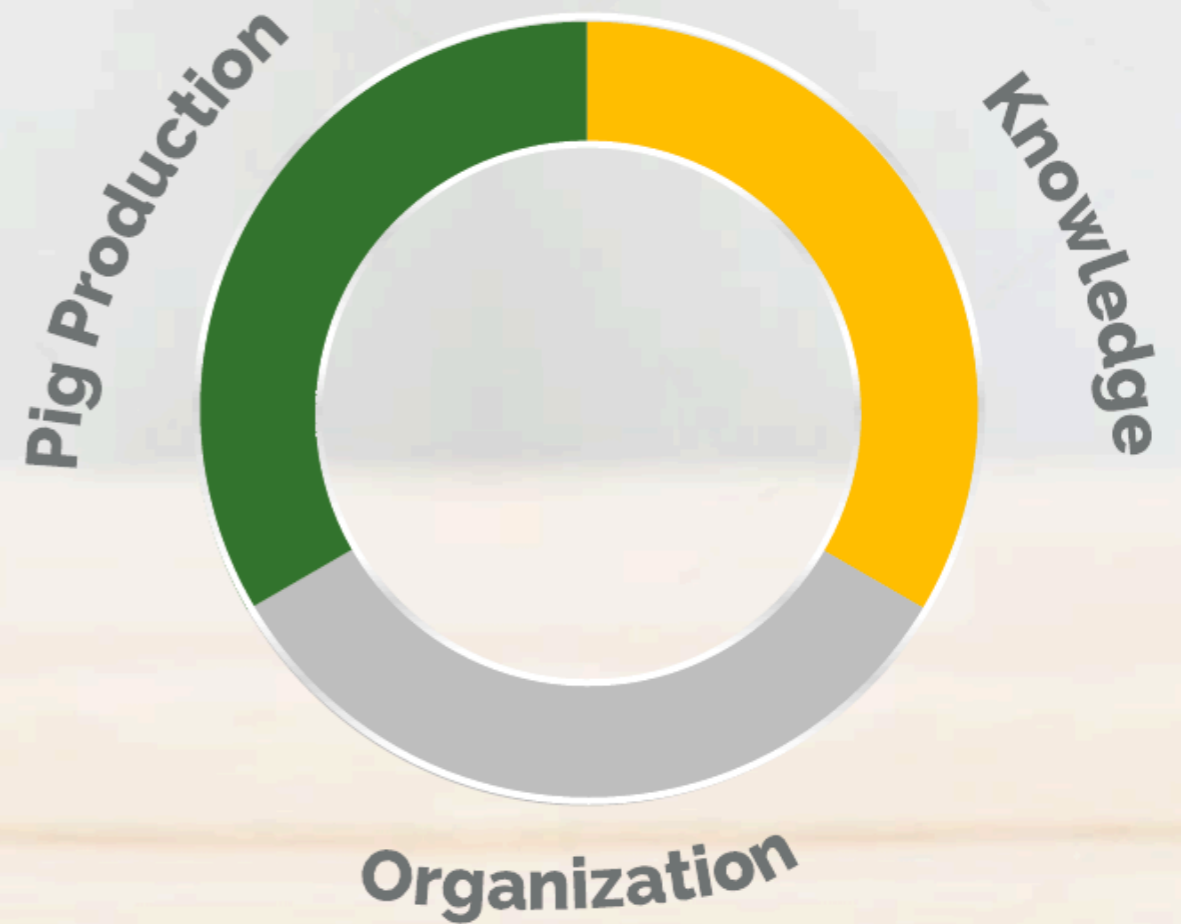
DCH International A/S

About us

Main activity

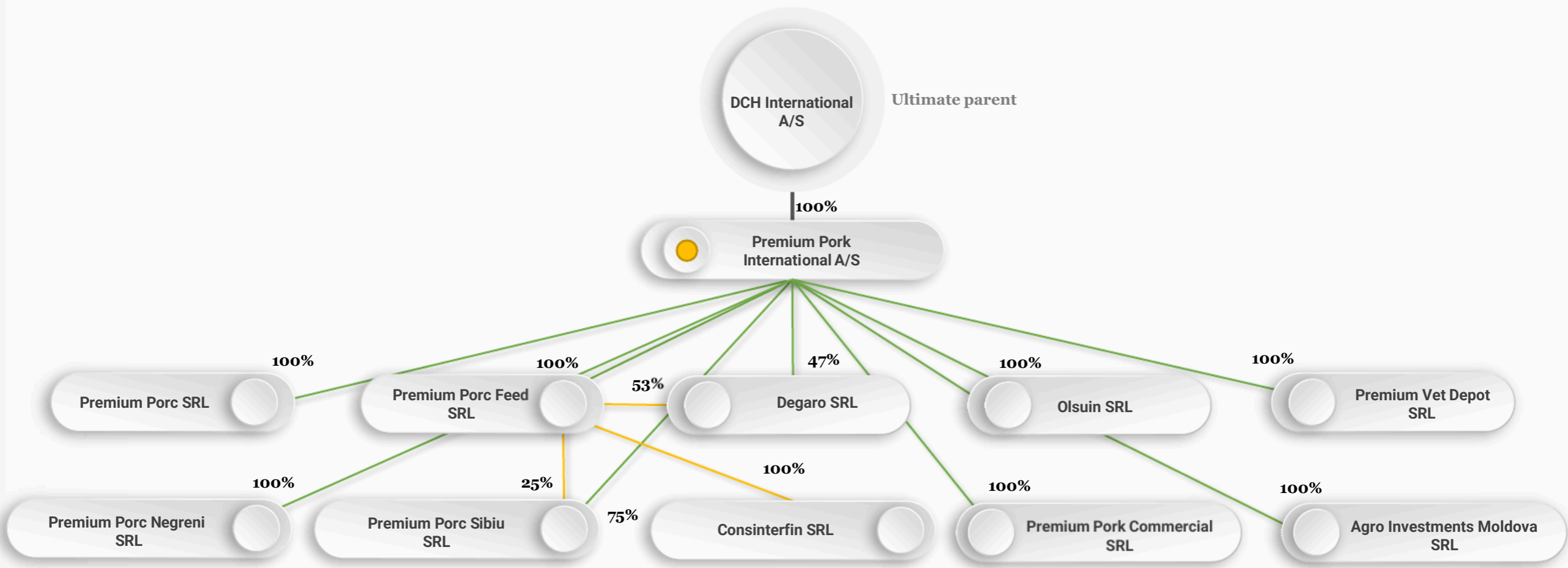
As in previous years the main activity has been to operate pig production, focusing on sales of finishers through subsidiaries in Romania.

The group manages all activities related to pig production, having all required production divisions: reproduction and genetics, maternity and finisher barns. As secondary activities, the group has its own feed production divisions as well as manure management.



Corporate Structure

(As is from December 31st, 2022)



Note: All subsidiaries are 100% controlled and are all 100% owned directly or indirectly by Premium Pork International A/S.

Development in the financial year and financial positions

Challenges caused by market conditions over-shadowed challenges with African Swine Fever (ASF)

The year show, without fair value adjustment, a **loss** before tax of approx. EUR 7.1m. But show with the positive fair value adjustment of herds of EUR 6.2m, a **loss** of EUR 0.9m compared to EUR 10.2m loss in 2021.

The consolidated total income, without fair value adjustment, was EUR 46.0m in 2022 (-4% compared to 2021). With fair value adjustment total income is up EUR 4.3m (9%) from 2021.

Besides the positive impact on the herd valuation, higher pig prices have also a direct positive financial impact of EUR 10.4m as the sales price increased 43% compared to last year (from 1.32 to 1.90 EUR per kg).

Unfortunately, the positive impact from pig prices is mostly used to offset higher feed prices having a significant negative impact of EUR 6.3m as the feed prices increased by 35%. Adding increased costs of EUR 1.7m due to price increases on energy, reduces the combined net-improvement in the overall profitability to EUR 2.4m.

On top of this, several farms are temporarily closed due to outbreaks of ASF in 2021. As a result, the production capacity has only been utilized in average with approx. 55% in 2022 and the production volume in weight was reduced by 29% compared to 2021.

The equity increased EUR 1.6m (+2%) compared to yearend 2021 as a combination of the limited loss and a capital increase of EUR 2.0m. The equity is EUR 77.3m and the solvency ratio is 57%. Also, the Group's liquidity reserves are, as per 31/12 2022, at a satisfactory level, EUR 8.9 million.

Overall assessment

The result is not satisfactory as operations continue to be negatively influenced by the ASF outbreaks in 2021, implications of the presence of ASF in general and the unsatisfactory price ratio between pigs and feed.

Four highlights impacting 2022:

- **The very low price-ratio from 2021 continued** – despite average pork prices up 43%. The continuously high feed prices kept the price-ratio of only 5.5. An improvement from 5.1 last year but still far from the long-term average of 6.5 to 7.0.
- **Positive fair value adjustment of EUR 6.2m.** The increased sales prices had a positive influence on the herd value end of the period on approx. EUR 6.2m.
- **Covid and Ukraine War support of €2.2m.** As a compensation for the industry's negative impact caused by the pandemic and subsequent the Ukraine wars impact on cereal prices, €2.2m was granted in total.
- **Net losses of approx. EUR 4.7m due to ASF** as several farms were closed and Premium Porc farm returning to production after the ASF outbreaks in 2021. The outbreaks will continue to negatively impact the results well into 2023.

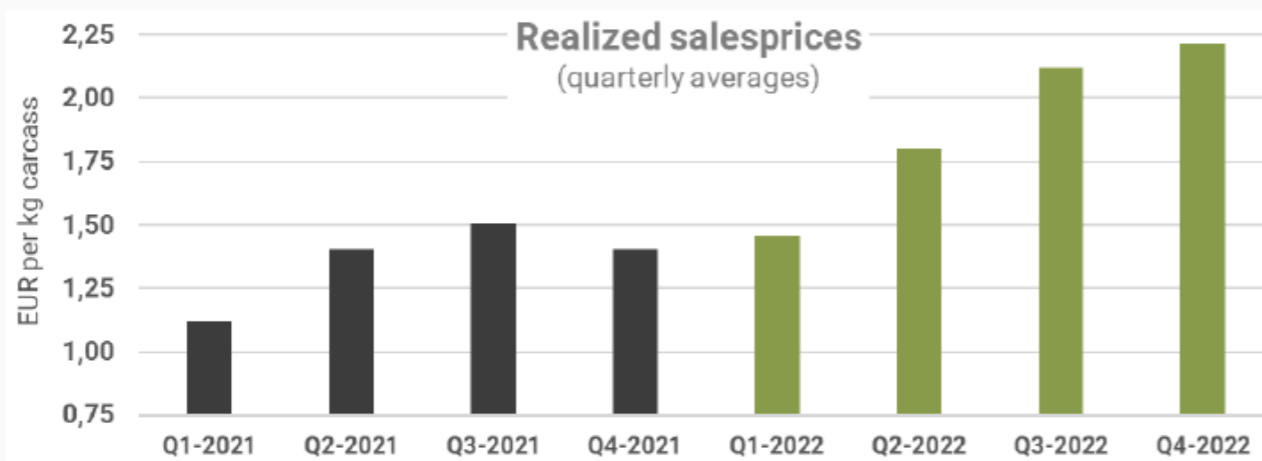
	Consolidated total		Pig production		Crop Production	
	2022	2021	2022	2021	2022	2021
EUR '000						
Total income	52.216	47.929	49.122	46.264	55	2.301
Total income without fair value adjust. biological assets	46.015	47.922	42.921	46.256	55	2.301
EBITDA	9.367	2.364	7.114	-2.148	39	4.441
EBITDA excl. fair value adjust. biological assets and excl. Special Items	3.944	3.474	1.691	-1.344	39	4.441
EBIT	1.407	-6.559	-845	-10.374	39	3.743
Profit before tax	-902	-10.173	-3.186	-13.919	39	3.628

Up to 2021, the Group managed two business areas in Romania: Pig production and Crop production. The latter, representing approx. 5% of the Groups turnover, was divested in 2021.

High feed prices followed by record high pork prices

Pork prices 43% up compared to last year

The average prices for slaughter pigs improved from the very low level realized in 2021 and reached in second half a historical high level! Pork prices started 2022 at a very low level but improved from mid-February. Prices have been struggling to consistently keeping the upward trend, but our sales price was anyhow 60% up end of the year compared to beginning of the year. We expect even higher prices during 2023.



The demand for pork remains under pressure as in 2021 but the significantly higher costs have started a dramatic reduction in the European pig production adjusting the supply downwards. The full impact of this reduction is yet to be realized supporting higher prices in the coming period as supply continue to be reduced.

Costs exploding have changed the breakeven level and the average realized pig price is not enough to generate the profitability it used to. The unsatisfactory price level is even more visible on the weaner market with prices improving less than for slaughter pigs although the trend was very positive end of the year.

Feed prices 35% up from the already high 2021 level

Average feed prices were 35% higher in 2022 compared to the average from last year. A high price level was expected based on the price level for second half of 2021, but additional price increases after the Ukrainian war started, added to the upward trend. The war was a key factor in maintaining the prices on a high level also for new harvest contrary to our expectations beginning of the year.

Cereal prices are currently at the highest level we have registered in the company's history. Until harvest 2020, feed prices were relatively stable for several years. This trend is certainly changed. The average price of raw materials consumed in December 2022 is 60% higher as compared to the same month in 2019.

We don't expect a return to 2019 prices, but we do believe that the cereal prices peaked in 2022. We expect the price of raw materials to gradually decline during 2023 although still at a high level compared to "old" price levels.

The price level gradually improves

Although the price ratio between pork and feed of 5.5 for 2022 is only slightly higher than the record low realized last year, the higher price levels have a big positive impact. The improved price level represents an increased profit before tax of EUR 4.2m in 2022 compared to the same production with 2021 prices. But compared to a 5-year average of the prices prior 2021 we could have generated EUR 2.5m more in profit.

The fluctuations in commodity prices underline the industry's high exposure to the global price ratio of meat and cereals.

Herd valuation increased by EUR 6.2m due to improved pig prices

The market prices of biological assets (the pig herd), have followed the fluctuations in the pork prices. Consequently, the value of biological assets are increased by EUR 6.2m compared to the equivalent, if prices of 31.12.2021 were to be used.

Pork and feed prices in Romania

		2016	2017	2018	2019	2020	2021	2022
Pork Prices (carcass)	EUR/kg	1,38	1,66	1,42	1,63	1,52	1,32	1,90
Feed Prices	EUR/kg	0,20	0,21	0,22	0,23	0,24	0,26	0,35
Exchange ratio pork:feed		6,8	7,9	6,5	7,1	6,4	5,1	5,5

Note: The table show realized prices from the subsidiaries in Romania as an annual average after ASF related discounts.



Production temporarily reduced due to ASF

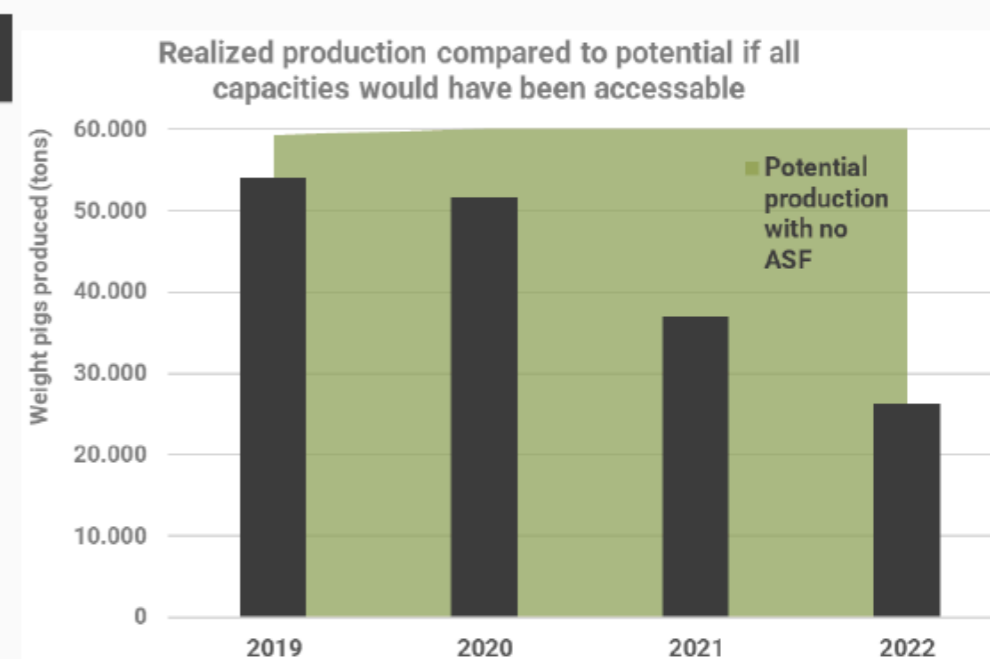
Pig production reduced to less than 50% of full capacity

The overall production capacity, measured in number of sows, registered a 20% increase compared to YE 2021 as a result of the repopulation of Premium Porc farm during the year. This increase indicate the production again is on an upward trend with 2022 representing a production low with 18% less pigs produced compered to 2021 and 43% down compared to pre-ASF numbers in 2019. The decline is primarily caused by Olsuin farm being culled in September 2021 and secondly Premium Porc farm in process of being repopulated after culling in January 2021. Both farms were culled due to ASF-outbreaks.

The production in kg is even more impacted due to also Venturelli farm (a wean-to-finish site) was culled in February 2022. As a result of the capacity missing in H1, we had to sell more pigs as weaners instead of fattening them. The shift in the sales mix towards a bigger portion of the pigs being sold as weaner is furthermore driven by the unsatisfactory price ratio as it supports reducing the sales weight.

Restart of Premium Porc farm is negatively affecting the overall productivity, measured in produced pigs/sow due to the herd being new and not back on full potential yet. This farm is in the table below excluded from the calculation of produced pigs underlining that the other farms performed on a slightly better efficiency level as in 2021.

Facts about the pig production		2019	2020	2021	2022	Diff. Y22 over Y21
Number of sows end of year	heads	17.744	17.956	9.449	11.308	20%
Out of whichs sows to be culled	heads	5.557	3.203	0	0	
Weaned piglets per avg. sow	heads	34,6	34,3	32,5	33,8	4%
Produced pigs per avg. sow *)	heads	32,4	30,6	30,3	31,7	5%
Sold slaughterpigs	heads	441.030	423.981	291.477	199.332	-32%
Sold weaners (net)	heads	102.871	-3.457	60.054	95.574	59%
Produced pigs total	heads	568.385	427.887	396.841	324.354	-18%
Weight produced pigs **)	tons	53.936	51.689	36.954	26.289	-29%



Notes: *) Produced pigs per sow for 2020 are excluding restart of Olsuin and for 2022 excluding restart of Premium Porc. **) Weight of pigs culled due to ASF included in 2020, 2021 and 2022.

Romania supports pig welfare

We have applied for and received grants to improve animal welfare in pig production, based on the Romanian support scheme. The grant we applied for in the year has been recognized in total income of EUR 3.1m. This represents 95% of the total amount applied for. Payment is expected during 1st half of 2023.

In 2022 we have received payments of EUR 4.4m for animal welfare support, for which we applied for in 2021. This represents EUR 0.3m more than allocated by the end of 2021. In total, grants for improved animal welfare of EUR 3.4m are registered in 2022.

The subsidy amount is far from a net gain, as we could reduce the costs related to meeting the requirements for the subsidy in case it ceases to exist.

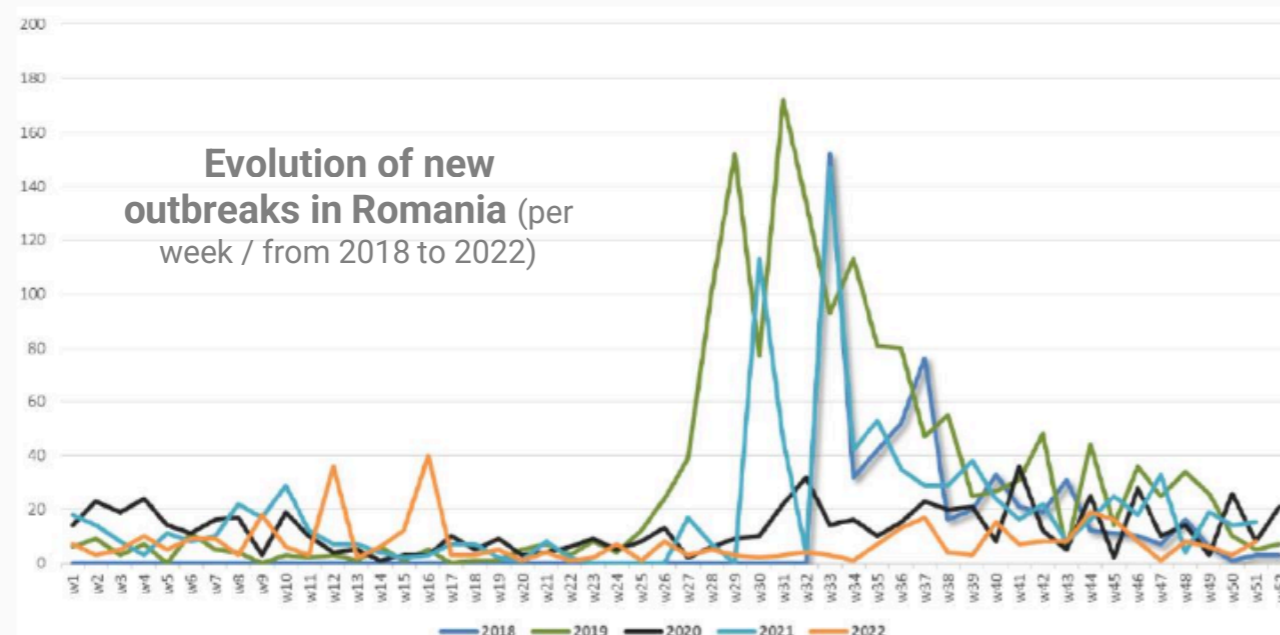


Business affected by African Swine Fever (ASF) in Romania

ASF – evolution and indirect losses

Since the beginning of June 2018, more than 5,700 outbreaks of African Swine Fever (ASF) are registered at national level. The entire Romania has been considered affected since 2019 and continues to register a significant number of outbreaks.

The biosecurity in all our farms remains at a very high level, well exceeding industry standards according to international experts. Nevertheless, we experience huge indirect impact on our operations, due to the measures taken by the authorities in order to control and eradicate the virus.



Surveillance/protection zones caused by ASF outbreaks in areas close to our farms continued impacting our production flows negatively, due to restrictions on moving animals in and out of the blocked farms. The zonings usually lasts from 4 weeks up to 14 weeks. 2022 was a remarkable quiet year with only a few zonings affecting us in Q1 and none the rest of the year.

We work, in close collaboration with the authorities, towards lifting the zonings as soon as procedures and disease control allow. We are often able to continue the production unaffected in the blocked farms, if the zonings are lifted in 4-6 weeks, due to the measures we have taken to adjust our production flow.

Direct losses caused by ASF outbreaks in our farms

Following the seven outbreaks in our farms in 2021 the production is significantly downsized until the farms can be restarted again. Obviously, our goal is to avoid additional outbreaks. Although 2022, as described in the Annual Report 2021, started with a new outbreak in Venturelli in February we believe our upgraded biosecurity set-up will support our efforts in avoiding additional outbreaks.

Venturelli farm is a wean-to-finish operation, and all 20,000 pigs were culled. The immediate financial impact was small due to low profitability on short term and alternative production capacities available in the Group. The compensation from the State for the culled herd at market value is received.

All farms with outbreaks in 2021 are again ready for production after finalization of the disinfection and reauthorization process. A few of the farms is back in operation but decision to fully restart all farms awaits market prices to improve.

After deducting the compensations from the state, the net loss for the Group caused by the ASF outbreaks in 2021 and 2022 amount for the year to approx. EUR 4.3m originating primarily by the Premium Porc restart and secondly by the non covered costs originating from the farms closed by the outbreaks in H2 2021.

Farms closed will continue to generate losses throughout 2023.

Total losses of EUR 4.7m in 2022 due to ASF

On top of the direct losses due to ASF outbreaks, the accumulated indirect losses we have registered, caused by ASF in Romania, add up to approx. €0.4m in 2022 (€1.2m in 2021). The indirect losses caused by the restrictions due to ASF outbreaks is not compensated by the authorities. These indirect losses can be split in the following components:

1. Lower sale prices due to special handling of pigs from ASF areas and, in many cases, thermal treatment of the pigs from restriction zones;
2. Lost production in finishers farms not being supplied with weaners due to surveillance/protection zones;
3. Special items: Extra costs to compensate for disrupted production flows. This category includes extra feed and a variety of additional costs for veterinarians, consultants etc.

We are determined and focused on our strategy to be the company who masters the art of producing pigs in an ASF environment.



Litigations for relocation of Negreni farm

A group of citizens in Negreni village brought charges in 2016 claiming our farm should be relocated. Their claim is based on a Government Order from 2014 stipulating that distances from farm operations to the neighboring houses should be minimum 1,500m.

Our advisors, as well as the authorities that have assessed and validated our production and building permits, agree that this Order was meant to cover future constructions only and not farms and houses established decades before the Order was issued. Despite this, we lost in two consecutive local court hearings in 2018 and we are demanded to relocate the farm. The Ministry issuing the Order has in 2020 confirmed our understanding.

The case is contradicting in many ways with the legal framework covering our production permits. The enforceability of the verdict is anyhow seen as practically impossible as all production permits are valid, and the production can continue despite the verdict.

Seventeen new, similar claims were received during the last two years. The new claims are either from the same citizens as the original claims or from citizens connected to the original claimants. All cases has been at least a first-tier trial with a satisfactory result for us as the cases are dismissed. They are subsequential appealed by the counterpart. Most of the appeals are won by us as well and decisions are final. The remaining appeals is waiting for trial in the coming months.

We are also investigating other options for dealing with this case.

We have no intentions for relocating the farm and continue disputing the ruling and fight the new claims received. The management and our legal advisors have initiated several actions for annulment and estimate that we have a strong case for preventing the ruling being carried out. Based on this, we have chosen not to make any provisions as we don't expect to encounter any losses due to this case.

The case is described in detail in Note 2.





Corporate Social Responsibility

We care - Responsibility and sustainability as our guiding principles

This statement has been prepared in accordance with the Financial Statement Act §99a, §99b and §99d.

Our CSR strategy reflects the emphasis we, Premium Pork International A/S, put on our operations being responsible and sustainable, and is built upon the pillars of animal welfare, environment, human and labor rights, local communities, corporate governance and anti-corruption. Our CSR report is public and can be read in full at our company's website:

www.premiumporc.com



We put much effort in reducing the environmental impact of manure from our production. This by applying the manure as natural fertilizer in various ways and, at the same time, exploring new means to use it. To prevent release of greenhouse gasses, and reduce odors in general, the manure is stored in sealed lagoons.

Seeking to develop and support the local communities in which we operate, we have formed sponsorships with local schools and hospitals in Romania. Here, we focus our initiatives on the pillars of education, health, environment and local values.

We aim for the highest standard of animal welfare within our industry by complying to established procedures for pig production as well as biosecurity. These procedures are based on Danish practice, EU standards and further supplemented by the additional measures required by the Romanian national program for animal welfare.

Our guiding principles of sustainability and responsibility is reflected in our continuous drive to minimize the impact of our business, and by providing improvements today and for generations to come.

Policy for the under-represented gender

Board of Directors:

The current gender balance in the board is: 1 woman and 4 men. The target regarding diversity at Board of Directors level was that at least one of the board members should be of the under-represented gender. According to regulations, the company are required to set a target figure for the underrepresented gender on the board. We have a target number of min. 25% women on the board by the end of 2025.

The company's board members are elected by the shareholders at the Annual General Meeting. Taking the specifics of the industry into account, it is unlikely that the proportion of the under-represented gender in the board will increase further over the coming years. The shareholders are aware of the company's wishes to honor diversity and equal gender representation and will be aware of this in the future constitutions of the Board, to the extent the recruitment base supports this possibility.

Other management levels:

Due to the limited number of employees in Denmark, the company is not required to establish a policy for other management levels. Nevertheless, through its internal policies and practices, the group assures a fair selection process, open towards all genders as well as personal circumstances, and the selection is performed strictly on criteria related to expertise and reflection of company values.

Statement of Data Ethics Policy

We adopted the Policy of Data Ethics in 2022. The policy establishes the overall guidelines and principles for how data ethics is considered and reflects the Group's commitment to manage data responsibly based on principles of honesty, transparency, and accountability.

As a company, we primarily processes data relating to human resources, shareholders interactions, customer and supplier contact. The group controls that data is collected for explicit and legitimate purposes and processed legally and fairly, including that data processing only comprises the data necessary to realize the purpose of the processing.

Any violation of the policy on data ethics or the Group's internal procedures may be reported by employees through the groups whistleblowing system. No reports were filed in 2022.

The policy on data ethics is approved by the board of directors annually and revised on an ongoing basis.



Anticipated development

Pork prices expected to improve

Although at a slower pace, ASF continues to challenge the industry in EU as affected countries continue to discover new cases besides new countries being added to the list. But the market balance in EU is adjusted to the situation with the lack of export out of EU from the affected countries. Unless ASF spreads to one of the big export countries we don't expect ASF to affect the market balance in 2023.

The demand in Europe for pork meat never fully recovered to the pre-Covid levels partial due to the inflation impacting consumer behavior. But in Romania, the demand for locally produced pork is stronger than ever due to a very low self supply.

Predicting the supply evolution seem to be on firmer grounds indicating that a lower demand will be more than off-set by lower supplies. European pork producers, as well as their colleagues across the globe, is negatively affected by the high production costs in general and the high feed costs in particularly.

A significant drop in slaughtering in Europe has already in 2022 reduced the supply and this trend continues. The latest herd counts in EU, document a significant reduction and indicates further reductions of the production in 2023 as the impact of the reduced breeding stock kicks in. All in all, we expect the average pig price for 2023 to exceed 2 EUR per kg.

... but feed prices remains high

We initially expected the grain prices to drop to a more "normal" level from harvest 2022 but the Ukrainian war's huge impact on the grain market tipped the balance and the prices for the 2022 harvest exceeded 2021 prices! The current market prices indicates harvest prices 2023 at a lower level supporting why we expect similar average feed prices as realized in 2022.

The price level expected to improve during 2023

As we for 2023 expect higher pig prices and unchanged average feed prices compared to 2022, the price level is expected, gradually to improve.

Support program for animal welfare continue

A new program for improving animal welfare similar to the previous program is established starting with 2023. Continuation of support to the industry is an important factor for Romania to reestablish a reasonable degree of national self-supply.

ASF restrictions expected to continue disrupting our production flow

Despite the level of production flow disruptions caused by farms entering protection/surveillance zones has been remarkable low in 2022, future incidents are considered unavoidable. But hopefully at an even lower level than in 2022. In financial planning, we include a reserve to cover the negative impact caused by such situations.

We do expect that ASF will be present in Romania for several years to come, but as both backyard production and the wild boar population is naturally decreasing over time, further accelerated by ASF, the risk is expected to gradually decrease within the following years.

Production temporarily downsized – focus on preparing to return in operation

The strategy is to gradually resume production and again become profitable. The production in 2023, with already initiated expansions, is expected 25% up from 2022. The production in 2023 will still be approx. 30% lower than in 2019 (the most recent year without outbreaks) without additional repopulation of farms initiated.

The actual decisions to repopulate will be based on updated assessments and improved visibility of market and cash flow. The affected farms will, while closed, generate losses due to fixed costs and depreciation. The closed farms will, until actual repopulation is decided, represent a reserve production capacity to mitigate disruptions caused by ASF.

Investments strictly limited also for 2023

Considering the ASF situation, and the focus on having all farms back in production, investments projects will only be implemented based on a high degree of necessity. Our priority to protect our farms within the Group remains. This by introducing additional biosecurity measures and strengthening the existing measures even more.

Profitability expected to return in 2023

As stated above, we believe pork prices will increase further in 2023 and the price ratio again to reach a profitable level. But the temporarily downsized production have a severe negative impact. Based on our price expectations, and a continuous calm ASF situation, we expect the adjusted EBITDA (excluded for fair value adjustment of the herd) to reach EUR 9-11m. Herd valuation is expected to have a positive although small positive impact in 2023.

We remain focused on our cash flow in 2023. The starting point is strong, and the cash base is expected to remain on a satisfactory level throughout the year.

Income Statement

Consolidated Income Statement

	EUR '000	2022	2021
	<u>Note</u>		
Revenue	3	40.360	43.248
Grants and other income	4	5.655	4.674
Value adjustment, biological assets	5	6.201	8
Total Income		52.216	47.929
Direct costs		-25.061	-26.147
Other external costs		-10.554	-13.107
Gross profit		16.602	8.676
Staff expenses	6	-6.456	-9.059
Special items	7	-778	-1.117
Other Income	8	0	3.864
Depreciation	9	-7.960	-8.923
Operating profit (EBIT)		1.407	-6.559
Financial income	10	75	24
Financial expenses	11	-2.385	-3.638
Profit before tax		-902	-10.173
Tax on profit for the year	12	73	1.759
Net profit for the year		-829	-8.414
Distribution of profit for the year:			
Group Shareholders		-829	-8.414
Distributed		-829	-8.414

Consolidated Statement of Comprehensive Income

	EUR '000	2022	2021
Net profit for the year		-829	-8.414
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments of foreign enterprises		-13	22
Fair value adjustment of hedging instruments		468	171
Tax on hedging instruments		-75	-27
Items that may not be reclassified subsequently to profit or loss			
Revaluation of land, buildings, leasehold improvements and plant and machinery		0	0
Total comprehensive income		-448	-8.249
Distribution of total comprehensive income			
Group shareholders		-448	-8.249
		-448	-8.249

Balance Sheet

Consolidated Statement of Financial Position

	EUR '000	31/12 2022	31/12 2021
Assets	Note		
Acquired rights	13	476	596
Intangible fixed assets in total		476	596
Land and buildings	14	68.926	72.106
Plant and machinery	14	14.839	17.070
Operating equipment	14	872	524
Right of use assets	14	2.601	3.717
Property, plant and equipment in progress	14	836	1.972
Property, plant and equipment		88.074	95.389
Non-current investments	16	82	78
Fixed asset investments		82	78
Biological assets, Breeding herd	15	7.461	4.926
Biological assets		7.461	4.926
Total non-current assets		96.093	100.988
Biological assets, Commercial herd	15	10.089	5.957
Inventories	17	9.898	6.994
Biological assets and inventories		19.987	12.951
Trade receivables	18	4.330	4.272
Other receivables	18	6.886	8.365
Prepayments		1.012	1.150
Receivables		12.227	13.787
Assets classified as held for sale	19	403	448
Cash and cash equivalents		6.280	18.468
Total current assets		38.897	45.654
Total Assets		134.990	146.643

	EUR '000	31/12 2022	31/12 2021
Equity and Liabilities	Note		
Share Capital	20	710	690
Asset revaluation surplus		10.827	10.827
Retained earnings		65.757	64.173
Equity		77.293	75.690
Provision for deferred tax	21	-169	245
Credit institutions	22	20.309	24.113
Lease liabilities	22	1.012	1.922
Subordinated shareholder loan	22	2.500	3.500
Deferred income	23	1.981	2.258
Other non-current liabilities	22	12	49
Long-term liabilities		25.645	32.087
Short term portion, credit institutions, leasing and other non-current	22	26.517	31.601
Trade payables		3.024	2.753
Interest bearing payables to shareholders	22	1.038	1.323
Other liabilities	24	1.472	3.188
Short-term liabilities		32.051	38.865
Total liabilities		57.696	70.953
Total Equity and Liabilities		134.990	146.643

Consolidated Statement of Changes in Equity

EUR '000	Share Capital	Asset revaluation surplus	Cash flow hedging reserve	Reserve for exchange adjustment	Retained earnings	Total Equity
Equity at January 1, 2021	690	10.827	0	0	72.369	83.886
Reclassified (transfer from retained earnings)	0	0	-355	750	-395	0
Reclassified Equity at January 1, 2021	690	10.827	-355	750	71.974	83.886
Share based payments	0	0	0	0	53	53
Net profit/loss for the year	0	0	0	0	-8.414	-8.414
Other comprehensive income	0	0	143	22	0	165
Comprehensive income for the year 2021	0	0	143	22	-8.361	-8.196
Transfer other reserves to retained earnings	0	0	0	0	0	0
Equity December 31, 2021	690	10.827	-212	772	63.613	75.690
Share based payments	0	0	0	0	52	52
Net profit/loss for the year	0	0	0	0	-829	-829
Other comprehensive income	0	0	393	-13	0	380
Comprehensive income for the year 2022	0	0	393	-13	-777	-397
Increase share capital	20	0	0	0	1.980	2.000
Transfer other reserves to retained earnings	0	0	0	0	0	0
Equity December 31, 2022	710	10.827	182	758	64.817	77.293

Consolidated Cash Flow Statement

	EUR '000	2022	2021
	<u>Note</u>		
Operating profit/loss (EBIT)		1.407	-6.559
Adjustment for non-cash items:			
Depreciations		8.103	8.801
Provisions		52	53
Value adjust., biological assets	5	-6.201	-8
Change in commercial herd	15	-73	5.524
Change in inventories		-2.905	853
Change in receivables		1.214	7.692
Change in trade payables etc.		-1.589	-6.492
Cash flow from operations before financial items		8	9.864
Financial income received	10	75	24
Financial expenses paid		-2.290	-2.416
Corporation taxes paid		-474	-475
Cash flow from operating activities		-2.681	6.996
Acquisition of intangible assets	13	-37	-517
Sale of intangible assets	13	1	0
Acquisitions of property, plant and equipment	14	-1.148	-2.419
Sale of property, plant and equipment	14	238	1.354
Acquisition of investments	16	-4	0
Sale of investments	16	0	5
Investment subsidies received	23	1	394
Net disposal of assets held for sale	19	46	64
Acquisition of biological assets	15	-392	2.474
Cash flow from investing activities		-1.296	1.356

	EUR '000	2022	2021
	<u>Note</u>		
Proceeds from borrowings	22	515	7.725
Repayment of borrowings	22	-10.724	-9.831
Capital increase		2.000	0
Cash flow from financing activities		-8.209	-2.106
Change in cash and cash equivalents		-12.186	6.247
Cash and cash equivalents, start		18.468	12.324
Exchange adjustments, beginning cash		-2	-103
Cash and cash equivalents at December 31		6.280	18.468
Un-utilised short term facilities		2.643	327
Liquidity available at December 31		8.923	18.795

Note 1: Summary of significant accounting policies and estimates

Significant accounting estimates and assessments in the group accounting policies

Revaluation of fair value of property, plant and equipment

The Group's land, buildings, plant and machinery are revaluated at fair value. Revaluation of property, plant and equipment is recognized in fair value using either a market-based approach or a replacement cost approach. Results of the revaluation based on the replacement cost approach were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any.

The revaluation process is based on qualified independent appraisers done according with International Valuation Standard 300. This standard considers as basis for evaluation IAS36 and IFRS13. Valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

The valuation process are reviewed and approved by the Group's Management and by the Audit Committee every year. Results for measurement are reviewed and approved whenever revaluations are performed.

In the subsidiaries, revaluations are performed every fifth year after a rotation principle to ensure the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting period. This procedure has been used for many years with only limited value adjustments registered. This year none of the entities performed a valuation.

The total fair value of land, buildings, plant and machinery amounted to EUR 86.6 million at December 31st, 2022 (EUR 91.6 million at December 31st, 2021).

Fair value of biological assets

Biological assets are recognized when the Group controls the assets and it is probable that future economic benefits associated with the asset will flow to the Group and the cost for fair value of the asset can be measured reliably.

Biological assets are measured at fair value less selling costs.

Value adjustments of biological assets are recognized in profit or loss for the period of which they relate.

Commercial herd:

Slaughter pigs (Finishers) above 50 kg are valued based on average sales prices for November-December on the local market less costs for reaching desired sales weight of approx. 107 kg. Finishers between 25-50 kg are valued as weaners with additions for added weight.

The fair value of weaners is based on official Danish and German quotes plus a mark-up to reflect the Romanian market conditions. The Danish and German quotes are used as there isn't an official quotation for the Romanian market. The Group's experience from historical sales as well as purchases is that prices on the Romanian market are strongly correlated to the German and Danish quotations plus a mark-up reflecting the lack of weaners for sale in Romania. The mark-up is according to the Group's recent weaner sales contracts.

The valuation of piglets is based on official Danish quotes.

Breeding herd:

Breeding herd (boars, sows and young females) are valued based on official quotes, based on criteria such as genetics, costs and expected piglets.

Note 2: Contingent liabilities

Relocation of Negreni farm: (Negreni neighbor cases)

Five citizens from Negreni village filed, in November 2016, a claim against Premium Porc Negreni SRL with the objective of relocating the Negreni-farm as well as receiving compensation for moral damages. Their claim is based on Government Order no. 119/2014 stipulating that distances from farm operations to the neighboring houses should be minimum 1,500m. The Negreni farm, build in 1981, is currently located at few hundred meters from the nearest houses, all of them being built after the farm.

In first court, in March 2018, the judge ruled that the farm should be relocated in order to respect the mandatory distance provided by Order 119 and denied the claimants compensation for moral damages. Premium Porc Negreni SRL appealed the ruling in June 2018. In second court, in December 2018, the Mehedinti Tribunal rejected our appeal and upheld the decision from the first court.

The Government's objective, in 2014 when Order 119 was issued, was to prevent construction of new farms within less than 1,500 m from private houses for the future. And vice versa. This understanding of the Government's Order also is confirmed by all authorities and is reflected in the fact that all production and functioning permits are regularly renewed despite the distance being less than 1,500 m.

To further substantiate our understanding of the Order we've in 2020 received a response from the Ministry of Health confirming that our understanding is correct.

As a mean to re-open the lost case we filed in October 2018 a request for annulment of Order No. 119/2014. The court dismissed our claim in 2019 which unfortunately was upheld by High Court in 2022 definitely closing this option.

Fighting enforcement procedures is ongoing. Court hearings continues in 2022 so far with a final decision in our favor resulting in an obligation for the main claimant to repay us €40k in previously paid penalties. As per penalties, 4 of 5 of claims against enforcement procedures have been upheld by the Court and initial penalties annulled. The second round of enforcement procedures determined the Court to set lower penalties.

We have since September 2019 up to now received, fourteen new similar claims from other citizens with connections to the original claimants as well as three new claims from one of the original claimant and his wife. Also, a new claim from the son of the main claimant was received in November 2019, having as object, to meet the distance between his house and the lagoons. All the new cases have been trialed and dismissed (13 at second tier and definitive). We expect the remaining cases appealed by the claimants to be settled in 2023 with a definitive win as well.

We are also investigating other options for dealing with this case.

The current ruling for relocation doesn't cancel the production permits. According to our legal advisors, since the ruling is to "move" the farm and not to close it, it will be difficult or impossible for the claimants to stop our production in the farm. Relocation of the farm is impossible to carry out in practice and calculation of the potential worst-case loss is impossible to assess with a reasonable certainty. The potential worst-case loss caused by the unlikely outcome that the farm will have to be closed and removed is substantial.

Based on the management and the company's legal advisor's opinion that the relocation ruling never will be carried out, no provisions for relocation of the farm nor other provisions are stated in the financial statements.

Notes to the Income Statement

Note	EUR '000	2022	2021
3 Revenue			
Business areas:			
Pig production		39.520	41.883
Crop production		0	2.001
Other		840	697
		40.360	44.580
Intra-group trade between the business areas		0	-1.332
		40.360	43.248
Geography:			
Romania		40.360	43.248
4 Grants and other income			
Animal Welfare Payments		3.401	4.373
EU hectare support		55	300
Other grants		2.199	0
		5.655	4.674
5 Value adjustment, biological assets			
Value adjustments pigs		6.201	8
		6.201	8
6 Staff expenses			
Wages and salaries		6.325	8.362
Pension costs		4	9
Social contribution & other staff expenses		694	635
Wages closed farms (Special Items)		-619	0
		6.405	9.006
Share based payments for management team		52	53
		6.456	9.059
Remuneration to the Executive Board		474	496
Remuneration to the Board of Directors		82	74
Average number of employees		333	446

Note	EUR '000	2022	2021
7 Special Items			
Costs incurred in connection with ASF restriction zones:			
Costs related to operation of blocked farms		3	256
Costs related to handling and authority requirements		15	49
Net costs related to ASF outbreaks:			
Compensation for culled herd (revenues)		-3.008	-12.066
Value culled herds		1.278	9.652
Costs related to culling, disinfection and quarantine		2.491	3.226
		778	1.117

Special Items are: 1) non recurrent costs related to restrictions imposed by the Authorities when our farms is placed in different ASF zones and 2) costs caused by infection of ASF leading to the herd being culled. We refer to the detailed decription in the management review.

If the special items had been recognized in operating profit before special items, they would have been included in the following items:

Revenue pig production	1.554	1.603
Direct costs	-3	-256
Other external costs	-1.710	-2.464
Staff expenses	-619	0
	-778	-1.117

Notes to Income Statement and Intangible Assets

Note	EUR '000	2022	2021
8 Other Income			
Gain on sale of crop activities		0	-3.864
		0	-3.864
9 Depreciation			
Intangible assets		155	173
Buildings		3.872	3.873
Plant and equipment		3.753	4.100
Vehicles and other machinery		600	822
Investment subsidy amortization		-277	-167
Loss or gain on asset sales		-143	123
		7.960	8.923
10 Financial Income			
Interest financial institutions		75	24
		75	24
11 Financial Expenses			
Interest bank debt		1.271	1.400
Calculated interest leasing commitments		84	105
Interest shareholders loans		176	234
Other financial expenses		758	678
Exchange rate adjustment		94	1.222
		2.385	3.638

Note	EUR '000	2022	2021
12 Income Taxes			
Current tax		-411	-3.243
Tax Comprehensive Income		0	0
Adjustment of deferred tax		338	1.484
		-73	-1.759
Tax on profit for the year is specified as follows:			
Calculated 16% tax on profit for the year before tax:		-144	-1.628
Tax effect of:			
Differences in tax rates in Denmark (22%) compared with Romania		-54	-610
Non-taxable income and expenses		125	479
		-73	-1.759
Effective tax rate for the year		8%	17%
13 Intangible assets			
Acquired rights			
Cost at January 1		1.472	955
Additions for the year		37	517
Disposals for the year		-3	0
		1.507	1.472
Cost at December 31		1.507	1.472
Amortisation at January 1		877	703
Amortisation for the year		155	173
Reversed depreciation on disposal		-2	0
		1.031	877
Amortisation at December 31		1.031	877
Carrying amount at December 31		476	596

The Group has acquired and implemented several software systems used in daily operations. The value of the acquired rights are based on costs for licenses and implementations of those software systems.

Notes to Financial Position

14 Tangible assets

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Right of use assets	Property, plant and equipment in progress
Cost at January 1, 2021	81.891	44.730	6.791	0	3.008
Reclassification/transfer	-312	-2.765	-3.917	6.994	0
Additions for the year	1.321	766	648	1.370	1.432
Disposals for the year	-1.142	-398	-1.222	-1.412	-2.468
Cost at December 31, 2021	81.757	42.333	2.300	6.952	1.972
Appraisal at January 1, 2021	15.582	0	0	0	0
Appraisal increases at December 31, 2021	15.582	0	0	0	0
Amortisation at January 1, 2021	21.518	23.419	3.947	0	0
Reclassification/transfer	-93	-894	-1.766	2.752	0
Amortisation for the year	3.811	3.045	585	1.353	0
Reversed depreciation on disposal	-3	-308	-990	-871	0
Amortisation at December 31, 2021	25.234	25.263	1.776	3.235	0
Carrying amount at December 31, 2021	72.106	17.070	524	3.717	1.972
Out of which land not depreciated	4.541				
Right-of-use assets by category	502	1.220	1.995		
Assets provided as security for debt	72.106	17.070	524		

Revaluation of fair value of property, plant and equipment

The Group's land and buildings and plant and machinery are revaluated at fair value as described in note 1. The revaluation process is based on qualified independent appraisers, and valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

Revaluations are in the subsidiaries carried out in a rotation principle to ensure the carrying amounts does not differ materially from what would be determined using fair value at the end of the reporting period. No valuation review has been performed in 2021.

Notes to Financial Position

14 Tangible assets continued

EUR '000	Land and buildings	Plant and Machinery	Operating equipment	Right of use assets	Property, plant and equipment in progress
Cost at January 1, 2022	81.757	42.333	2.300	6.952	1.972
Additions for the year	701	1.556	755	64	173
Disposals for the year	-91	-13	-149	-1.467	-1.309
Cost at December 31, 2022	82.368	43.876	2.906	5.549	836
Apraisal at January 1, 2022	15.582	0	0		0
Apraisal increases at December 31, 2022	15.582	0	0	0	0
Amortisation at January 1, 2022	25.234	25.263	1.777	3.235	0
Amortisation for the year	3.801	3.018	371	1.035	0
Reversed depreciation on disposal	-11	757	-113	-1.323	0
Amortisation at December 31, 2022	29.024	29.037	2.034	2.947	0
Carrying amount at December 31, 2022	68.926	14.839	872	2.601	836
Out of which land not depreciated	4.459				
Right-of-use assets by category	383	986	1.233		
Assets provided as security for debt	68.926	14.839	872		

If Land and buildings were measured using cost model, the carrying amounts would be:

Net carrying amount Land and Buildings without revaluations, 2021	56.524
Net carrying amount Land and Buildings without revaluations, 2022	53.344

Revaluation of fair value of property, plant and equipment

The Group's land and buildings and plant and machinery are revaluated at fair value as described in note 1. The revaluation process is based on qualified independent appraisers, and valuation techniques are the market and replacement cost approach. The replacement cost approach is only used in cases where there was no possibility to use the market approach.

Revaluations are in the subsidiaries carried out in a rotation principle to ensure the carrying amounts does not differ materially from what would be determined using fair value at the end of the reporting period. No valuation review has been performed in 2022.

The Group had end of 2022 no contractual obligations related to Property, plant and equipment in progress (2021: EUR 0.4m).

Notes to Financial Position

15 Biological assets

	Commercial herd	Breeding herd	Total herd
Commercial and breeding herd			
Carrying amount at January 1, 2021	11.317	7.558	18.874
Movements 2021:			
Gains/losses f. fair value changes	165	-157	8
Additions from production	38.502	2.050	40.551
Additions from purchases	0	128	128
Disposals from sales	-43.468	-5.210	-48.677
Transfers between groups	-558	558	0
Carrying amount December 31, 2021	5.957	4.926	10.884
Year-end stock (heads)	115.732	14.555	130.287
Finishers, weaners & sows sold (heads)	478.818	7.893	486.711
Biological assets provided as security	5.957	4.926	10.884
Movements 2022:			
Gains/losses f. fair value changes	4.059	2.142	6.201
Additions from production	39.733	566	40.299
Additions from purchases	0	242	242
Disposals from sales	-38.998	-1.079	-40.077
Transfers between groups	-662	662	0
Carrying amount December 31, 2022	10.089	7.460	17.550
Year-end stock (heads)	121.180	14.637	135.817
Finishers, weaners & sows sold (heads)	294.906	4.194	299.100
Biological assets provided as security	10.089	7.460	17.550

Gain on changes in fair value comprises changes as a consequence of biological growth and price changes. Disposals from sales and transfer amounts are calculated using the fair value per unit from previous period. Transfers between groups' covers pigs transferred to own breeding as young females.

Reference is made to note 1 for further details of fair value measurement of biological assets.

All biological assets are measured at fair value. All of these fair values are placed at level 3 in the fair value hierarchy as significant estimates are applied – please refer to note 1. The Groups financial department is responsible for performing the valuation of fair value measurements including level 3 fair values of biological assets. Valuation model includes market inputs from official prices and actual own sales prices on local market. The valuation process and results for measurement are reviewed and approved by Group Management and the Audit Committee at least once every year.



Notes to Financial Position

Note	EUR '000	2022	2021
16 Non-current investments			
Deposits / other financial assets		82	78
Cost at December 31		82	78
17 Inventories			
Rawmaterials for feed		7.675	4.717
Other Consumables		1.454	1.597
Finished goods (feed a.o.)		770	680
Total inventories		9.898	6.994
Cost of sales recognized in profit or loss (feed)		25.061	26.147
Inventories provided as security		9.898	6.994
No write-down has been made on inventories.			
18 Receivables			
Trade receivables		4.887	4.981
Bad debt provision		-557	-709
Trade receivables, net		4.330	4.272
Receiveable from public grants		4.279	5.015
Other receivables		-239	3.545
Bad debt provision		-163	-195
Other receivables, net		6.886	8.365
Write down, beginning of year		905	1.192
Exchange adjustments		1	-20
Additions for the year		134	61
Disposals for the year		-319	-329
Write-down at December 31		720	905

Note	EUR '000	2022	2021
19 Assets held for sale			
Land and buildings		403	448
Other liabilities		0	0
Cost at December 31		403	448
Assets held for sale is related to a agricultural land development project spread out over Galati County in Romania. The land has never been part of the Group's operation and a sale will not impact future earnings neither the future development of the Group.			
20 Share Capital			
The share capital comprises the following share classes:			
A-shares:			
Number beginning		690.000	690.000
Capital increase		20.000	0
Number at December 31		710.000	690.000
Each share has a value of EUR 1. No shares carry any special rights.			
21 Provision for deferred taxes			
Provision at begining of year		245	2.418
Adjustment for the year recognized in profit or loss		338	1.484
Adjustment on equity		-752	-3.657
Provision for deferred tax December 31		-169	245

Deferred tax relates to tangible assets.

Notes to Consolidated Financial Statements

22 Interest bearing debt

EUR '000	Payable			Total
	Payable after 5 years	between 2 and 5 years	Payable within 1 year	
Debt at December 31, 2021				
Credit institutions, non-current:	4.665	19.448	4.296	28.409
Leasing debt:	0	1.922	1.294	3.215
Other non-current debt:	0	49	286	334
Subordinated loan to shareholder:	0	3.500	0	3.500
Other payables to shareholder:	0	0	1.323	1.323
Credit institutions, current:	0	0	25.726	25.726
	4.665	24.918	32.924	62.507
Debt at December 31, 2022				
Credit institutions, non-current:	0	20.309	3.654	23.963
Leasing debt:	0	1.011	969	1.980
Other non-current debt:	0	12	56	68
Subordinated loan to shareholder:	0	2.500	0	2.500
Other payables to shareholder:	0	0	1.038	1.038
Credit institutions, current:	0	0	21.839	21.839
	0	23.832	27.556	51.388

Cash flow from financing activities

EUR '000	Non-cash changes				31/12 2021
	1/1 2021	Cash flows	Foreign exchange movement	Fair value changes	
Credit institutions, non-current:	34.083	-5.626	-48	0	28.409
Leasing debt:	3.794	-579	0	0	3.215
Other non-current debt:	634	-289	-10	0	334
Subordinated loans	3.500	0	0	0	3.500
Other payables to shareholder	1.256	67	0	0	1.323
Credit institutions, current:	21.677	4.123	-74	0	25.726
Total liabilities from fin. activities	64.945	-2.305	-132	0	62.507

Cash flow from financing activities

EUR '000	Non-cash changes				31/12 2022
	1/1 2022	Cash flows	Foreign exchange movement	Fair value changes	
Credit institutions, non-current:	28.409	-4.398	-48	0	23.963
Leasing debt:	3.215	-1.236	0	0	1.980
Other non-current debt:	334	-266	0	0	68
Subordinated loans	3.500	-1.000	0	0	2.500
Other payables to shareholder	1.323	-284	0	0	1.038
Credit institutions, current:	25.726	-3.887	0	0	21.839
Total liabilities from fin. activities	62.507	-11.071	-48	0	51.388

Note

23 Deferred Income

	2022	2021
Investments subsidies beginning	2.258	2.031
New investment subsidies received	1	394
Amortization of investments subsidies	-277	-167
	1.981	2.258

Deferred income primarily relates to grants for the construction of feedmills and biosecurity barriers on farms in Romania. Grants are recognised as income concurrently with the underlying fixed assets being depreciated.

24 Other liabilities

Employee related payables	482	244
Other payables	990	2.945
	1.472	3.188

Market Risk

Note 25: Financial risks

Market risk

The Group's credit facilities are floating-rate credits, which exposes the Group to interest rate fluctuations. According to Group policy, all financing of working capital and investments in fixed assets are made on floating-rate terms. An interest hedging of approx. 15 % of the debt (EUR 7.5m) has been concluded via the same banks providing the underlying long-term facility. The interest hedge fixes the interest to approx. 3.5% including margins for the next 2 years. The positive market values of the interest hedge, EUR 0.2m, is included in Other liabilities (note 24). Additional 7 % of the Group's debt is with fixed interest rate.

Activities abroad, earnings, cash flows and equity are not materially affected by currency risks, as the foreign activities are predominantly transacting in their functional currency (RON). Similarly, the external financing is denominated in EUR, which is the functional currency of the parent entity and the presentation currency for the Group, except for financing locally, which is in the functional currency of the subsidiary. Hence, there is no currency risks related to external financing either. Consequently, material currency risks for the Group are limited to translation risks related to foreign subsidiaries.

The Group does not engage in speculative currency positions. Introduction of the EUR as functional currency of the consolidated financial statements has contributed to reducing the overall impact of exchange rates.

Exchange rate adjustments of investments in foreign subsidiaries being independent entities are recognized in other comprehensive income. Exchange rate risks related to investments are normally not hedged, as the company's management is of the opinion that a current foreign currency hedging would not be the optimal solution with a view to the overall risk and costs.

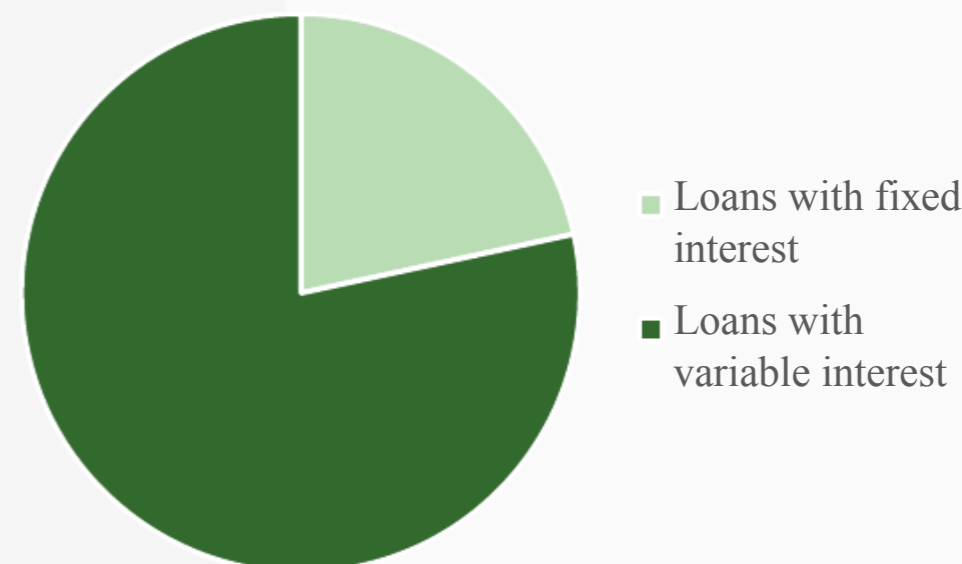
The Group is exposed to interest rate risks, as loans are primarily with variable interests except for the smaller part with fixed interests described above. A reasonable possible change in interest rates at 31.12.2022 would not have any material effect on income statement or equity.

The Group is highly exposed to global and EU development in sales prices of pork as well as raw materials for feed (grain and protein). The most significant effect on the Group's earnings is attributable to changes in the price of pig meat and price changes relating to pig feed, which makes up 2/3 of the pig production costs. The Group observes these developments closely.

A change of the pig meat price of 10% will, on an isolated basis, affect profit for the year before tax by approximately EUR 3.8 million (2021: approx. EUR 4.0 million). A 10% change in the feed price will, on an isolated basis, affect profit for the year before tax by approximately EUR 2.5 million (2021: approx. EUR 2.6 million).

Split of total outstanding interest bearing debt

	EUR '000	2021	2022	binding period in months	Avg. effective interest
Loans with fixed interest					
EUR		13.822	11.038	12-48	1-5%
RON		334	68	up to 24	0%
DKK		0	0		
		14.157	11.106		
Loans with variable interest					
EUR		43.856	37.763	1-6	2-3%
RON		4.494	2.500	1-6	2-3%
DKK		0	20	1	4%
		48.350	40.282		



Other Financial Risks

Liquidity risk

The Group ensures adequate cash resources by entering into framework agreements in respect of current overdraft facilities. Existing agreements subject to time limitation are irrevocable on the part of the banks prior to maturity unless there is a breach of the terms of the loans according to the loan agreements.

Maturity analysis for debt is stated in Note 22, to which reference is made. The maturity analysis is disclosed according to category and class broken down on maturity period. All amounts are excluding future interest payments.

Capital management

The objective of the Group's capital management is to ensure the Group's ability to continue as a going concern in order to provide return on the shareholders' investments and establish and maintain an optimal capital structure for the purpose of reducing the costs of borrowed capital and maintain a basis for continued growth in the Group.

The Group's capital management is moreover partly controlled by loan agreements which include specific requirements to the financial performance of the Group.

Total capital comprises equity and subordinate loan capital from the Parent company; as shown in the consolidated balance sheet

Credit risk

The Group is exposed to credit risks on receivables. The Group positively wants to minimize its credit risks, which mainly relates to sales transactions. Credit insurance is taken out in advance on more than 90% of the normal sales of slaughter pigs. Due to changes in the sales (thermal treatment and weaner sales) caused by ASF trade restrictions the credit exposure was significantly increased in 2018 and has gradually improved since although not the pre-ASF level. Credit insurance covers approx. 75% of the total receivable end of 2022 (2021: 85%). Outstanding receivables are followed-up upon on a current basis in accordance with Group procedures.

The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

	EUR '000	Due above 5 years	Due Between 2 and 5 years	Due within 1 year	Total Carrying amount
Receivables at December 31, 2021					
Trade receivables		0	0	4.272	4.272
Other receivables		0	0	8.365	8.365
Prepayments		0	651	499	1.150
		0	651	13.136	13.787
Receivables at December 31, 2022					
Trade receivables		0	0	4.330	4.330
Other receivables		0	0	6.886	6.886
Prepayments		0	460	552	1.012
		0	460	11.767	12.227

Notes to Consolidated Financial Statements

26 Related parties and ownership

Controlling Interest

DCH International A/S, Dannevirkevej 6, 7000 Fredericia

Base for influence

Parent Company

DCH International A/S's shareholders are legal and natural persons, and no individual shareholder exercises control of the Group's activities.

Other related parties

Lars V. Drescher	CEO
Morten Beider	CFO
Torben Svejgaard	Chairman of the Board of Directors
Carsten Lind Pedersen	Member of the Board of Directors
Ole Sloth Nielsen	Member of the Board of Directors
Jytte Rosenmaj	Member of the Board of Directors
Bo Holse	Member of the Board of Directors

Transactions

EUR '000	2022	2021
The Group has obtained a subordinate loan from the Parent Company:		
Outstanding amount at Year-end:	2.500	3.500
Interest for the year amounts to:	80	182
Other interest bearing debt and intercompany amounts from the Parent Company:		
Outstanding amount at Year-end:	1.038	1.323
Financial expenses for the year amounts to:	97	52
The Group has leased equipment and received management and other services from the Parent Company:		
Salaries and other expenses amounts to:	0	12
The Group has provided services for the Parent Company:	0	-64

Remuneration of the Executive Board and the Board of Directors is specified in note 6.

Intercompany transactions have been eliminated in accordance with the accounting policies. All transactions have taken place on arm's length basis.

Note 27: Incentive program for group management

The entity's parent DCH International A/S has granted warrants to members of the entity's management, that will allow them to purchase a number of shares in DCH International A/S at a price agreed in advance.

A total of 2,904,000 warrants have been granted in 2019 & 2020, of which 2,357,800 warrants have vested on December 31, 2022. Of the remaining 546,200 warrants, 422,200 is cancelled due to the participants termination of employment and the rest will vest in installments up and until December 2023 if all the participants in the program remain employed. The participants may exercise their warrants by purchasing shares during a four-week period following the approval of the parent entity's annual report in the years 2023 to 2027, after which the warrants will lapse without any further notice. The agreed exercise price increases from 3.81 DKK per share in 2023 to 4.63 per share in 2027.

The fair value of each option is calculated using an option pricing model taking into account the exercise price of the option, an estimate of the current price of the underlying shares, the life of the option and the risk-free interest rate for the life of the option. As the Group is unlisted, and no market information for comparable listed entities are currently available, the current price of the underlying shares is determined based on the equity per share according to the annual report for 2019. Management believe that this is a reasonable approximation of the current market price for the Group's shares for the purpose of the measurement of the warrants, due to the current market situation and the outbreak of ASF in Romania, and the fact that all tangible assets and biological assets of the group are measured at fair value. In determining the life of the option for the purpose of the measurement, it is assumed that the employees will exercise the option as soon as possible.

The fair value of the warrants granted has been determined to be 0.47 DKK (0.06 EUR) per warrant. The most significant inputs used in the measurement model are the following:

Volatility	25%
Exercise price (in the parent)	4.63 DKK
Risk free interest rate (pro anno)	0.0%
Life of the warrants	84 months

28 Fees paid to auditors appointed by the General Assembly

Fees for statutory audits	99	92
Other Services	76	87
	175	179

Audit fee are recognized as administrative costs

29 Post balance sheet events

There have been no significant post balance sheet events.

Accounting Policies

Note 30: Accounting Policies

Classification

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Consolidated financial statement

The annual report include Premium Pork International A/S (Parent) and the enterprises (group enterprises) that are controlled by the Parent, see group chart on page 10. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The annual report is prepared on the basis of the financial statements of Premium Pork International A/S and its subsidiaries. The annual report is prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognized in full in the annual report.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business Combinations

Newly acquired or newly established enterprises are recognized in the annual report from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognized in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Identifiable intangible assets are recognized separately from goodwill if they are separable or arise from contractual or other legal rights.

Any remaining positive differences between cost and the fair value of assets, liabilities and contingent liabilities acquired are recognized in intangible assets in the balance sheet as goodwill. Goodwill is not amortized but is tested for impairment on an annual basis. Enterprises acquired are recognized in the consolidated financial statements as from the date of obtaining control, whereas enterprises sold are recognized up until the date of surrender of control. Intra-group acquisitions of subsidiaries are made under the pooling of interest's method.

If any remaining difference between cost and the fair value of assets, liabilities and contingent liabilities acquired are negative, the amount is recognized immediately in profit or loss as a bargain purchase gain.

Foreign currency translation

The items recognized in the financial statements of each of the group enterprises are measured at the functional currency used in the primary economic environment in which the individual enterprise operates. The functional currencies of the group enterprises are the following: Romanian Lei (RON) for the Romanian subsidiary and EUR for the parent company in Denmark.

The consolidated financial statements are presented in EUR, which are the functional currency of the parent company and the presentation currency of the Group. On initial recognition, transactions in foreign currencies are translated at the exchange rates at the date of transaction. Exchange differences arising between the transaction date rates and the rates at the date of

payment are recognized in the income statement as financial income and expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the exchange rates at the date at which the receivable or the payable arose or was recognized in the most recent financial statements are recognized in the income statement as financial income and expenses.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss as part of the gain or loss on sale.

Balance sheet items including goodwill relating to consolidated enterprises that do not have EURO as their functional currency are translated into EUR based on the exchange rates at the balance sheet date, whereas the income statements of these enterprises are translated at average rates of exchange. Exchange adjustments arising on the translation of the opening equity at the exchange rates at the balance sheet date and net profit/loss for the year at the exchange rates at the balance sheet are recognized in other comprehensive income over equity under a separate reserve for exchange adjustments.

The Group used the following exchange rates for the translation into EUR on 31 December 2022:

RON:	Income statement 2022: 1 EUR = 4.932 RON (2021: 1 EUR = 4.920 RON)
DKK:	Income statement 2022: 1 EUR = 7.4365 DKK (2021: 1 EUR = 7.4365 DKK)

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognized under other receivables or other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognized asset or a recognized liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting Policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognized in other comprehensive income. When the hedged transactions are realized, the accumulated changes are recognized as part of cost of the relevant financial statement items.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries are classified in other comprehensive income.

Income statement

Revenue

Revenue from sale of products is recognized when the Group has transferred control of products sold to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the determined consideration.

Investment grants are taken to income as actual payment is made when the conditions of payment of grants have been approved by the authorities.

Fair value adjustment biological assets

Fair value adjustments of biological assets include the adjustments of the company's biological assets for the financial year measured at fair value.

Costs of feed, energy and other production costs

Costs of feed, energy and other production costs include the consumption of raw materials and consumables used to achieve net revenue.

Other external expenses

Other external expenses comprise expenses for distribution, sale, administration, premises, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages, social security costs, pension contributions, etc. for the Company's staff.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses relating to intangible and tangible assets comprise amortization, depreciation and impairment losses for the financial year, calculated on the

basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Financial income and expenses

These items comprise interest income and interest expenses, the interest portion of finance lease payments, payables and transactions in foreign currencies, mortgage amortization premium/allowance on mortgage debt, etc. as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

Tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit/loss for the year and recognized directly in equity by the portion attributable to entries directly in equity. Current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance Sheet

Intangible assets

Acquired intellectual property is amortized over the term of the agreement, but over no more than 5 years. Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment and property plant and equipment in progress are measured at cost less accumulated depreciation. Cost comprises the cost of acquisition and expenses directly related to the acquisition and costs for set-up. In case of assets of own construction, cost comprises directly attributable costs of labor, materials, components and sub-suppliers.

The categories land and buildings as well as plant and machinery are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in

profit and loss. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is recognized in retained earnings without passing the income statement. Financial expenses directly attributable to purchases, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group uses the local, effective rate of interest on credit for construction and overdraft facilities for the calculation of expenses for capitalization.

Depreciation of a non-current asset is commenced when it is put into use. 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:

Production buildings	25-40 years
Production plant and machinery	7-15 years
Operating fixtures, tools and vehicles	3-7 years
Land is not depreciated	

The carrying amount of property, plant and equipment is reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by fair-value or depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

Biological assets

Agricultural activity is defined as an activity in which biological transformation of biological assets for sale into agricultural produce or another biological asset takes place. Agricultural produce is defined as a harvested product of the Group's biological assets, and a biological asset is defined as living animals or crops.

The Group has assessed that its biological assets consists of breeding herds of gilts, sows and boars, commercial heard of slaughter pigs and unharvested crops.

On initial recognition and at subsequent reporting dates, biological assets are measured at fair value less estimated costs to sell unless fair value cannot be reliably measured on initial recognition.

Accounting Policies

Gains or losses on initial recognition of a biological asset measured at fair value less estimated costs to sell, and subsequent changes in the fair value less estimated costs to sell relating to the biological asset, are recognized in the income statement in the item “Gains/losses on changes in the fair value of biological assets” in the period in which the gain or loss arises.

Biological assets are recognized as current or non-current biological assets depending on the production cycle of the biological asset concerned. Generally, biological assets relating to slaughter pigs and cropping are recognized as current assets. Breeding herds of gilts, sows and boars are recognized as non-current assets.

Investments in subsidiaries

Investments in subsidiaries are recognized and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity value plus or less unamortized positive, or negative goodwill and plus or minus unrealized intra-group profits and losses.

The Parent’s share of the enterprises’ profits or losses after elimination of unrealized intra-group profits and losses and minus or plus amortization of positive or negative goodwill is recognized in the income statement and the net revaluation reserve under the equity.

Upon distribution of profit or loss, net revaluation of subsidiaries is transferred from the reserve for net revaluation to retained earnings under the equity method.

The purchase method is applied in the acquisition of investments in subsidiaries; see above description under annual report.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realizable value. The net realizable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operation with deduction of costs to sell and costs of completion. The net realizable value is determined allowing for marketability, obsolescence and development in expected sales sum.

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 labor as well as directly attributable labor and production costs. These costs also comprise maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process as well

as costs of production management.

Agricultural produce is initially recognized at fair value at the point of harvest less estimated costs to sell, and subsequently in inventories up until the point when it is sold to a third party or is used internally as feed. The fair value of agricultural produce at the point of harvest is measured on the basis of the market prices on the markets on which the agricultural produce is expected to be sold or used as feed.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad debts.

Prepayments

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

Lease commitments

Lease payments, not recognized under IFRS 16, are recognized on a straight-line basis in the profit and loss account over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash

Cash comprises bank deposits.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax receivable or payable

Current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The consolidated cash flow statement and the parent cash flow statement are presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from the acquisition and divestment of enterprises are shown separately under cash flows from investing activities.

Cash flows from acquired enterprises are recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized up to the time of divestment.

Cash flows from operating activities are calculated as operating profit/loss adjusted for non-cash operating items, working capital changes, financial income and expenses and income taxes paid.

Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of enterprises, activities and fixed asset investments as well as acquisition, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the Parent’s share capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank debt.

Parent Income Statement

	EUR '000	2022	2021
	<u>Note</u>		
Revenue	31	1.258	1.405
Other external costs		-523	-671
Gross profit		735	734
Staff Expenses	33	-847	-718
Depreciation		0	0
Operating profit (EBIT)		-113	16
Income from investments in subsidiaries	34	-657	-8.378
Financial income	35	135	200
Financial expenses	36	-228	-247
Profit before tax		-863	-8.409
Tax on profit for the year	37	34	-5
Net profit for the year		-829	-8.414
Distribution of profit for the year:			
Group Shareholders		-829	-8.414
Distributed		-829	-8.414

Parent Statement of Comprehensive Income

	EUR '000	2022	2021
	<u>Note</u>		
Net profit for the year		-829	-8.414
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments of foreign enterprises		-13	22
Hedge accounting		393	143
Items that may not be reclassified subsequently to profit or loss			
Value adjustments in subsidiaries		0	0
Total comprehensive income		-448	-8.249

Parent Statement of Financial Position

	EUR '000	31/12 2022	31/12 2021
Assets	Note		
Investments in subsidiaries	38	77.726	78.002
Loan to subsidiaries	39	2.500	1.500
Other non-current investments		7	7
Fixed asset investments		80.234	79.510
Non-current assets		80.234	79.510
Receiveables group companies	39	482	558
Other receiveables		38	11
Deferred tax assets		51	17
Receiveables		570	586
Cash and cash equivalents		287	280
Current assets		857	865
Total Assets		81.091	80.375

Equity and liabilities

	EUR '000	31/12 2022	31/12 2021
Equity	Note		
Share capital	20	710	690
Reserve for net revaluation according to the equity method		29.836	30.099
Retained earnings		46.748	44.901
Equity		77.293	75.690
Subordinate loan capital	40	2.500	3.500
Long-term liabilities		2.500	3.500
Credit institutions		20	30
Trade payables		85	81
Interest bearing payables to group companies		1.038	1.005
Other payables	41	155	71
Short-term liabilities		1.297	1.185
Total liabilities		3.797	4.685
Total Equity and Liabilities		81.091	80.375

Parent Statement of Changes in Equity

EUR '000	Share Capital	Reserve for net revaluation according to the equity method	Retained earnings	Total Equity
Equity at January 1, 2021	690	38.312	44.884	83.886
Share based payments	0	0	53	53
Net profit/loss for the year	0	-8.378	-36	-8.414
Other comprehensive income	0	165	0	165
Equity at December 31, 2021	690	30.099	44.901	75.690
Increase share capital	20		1.980	2.000
Share based payments	0	0	52	52
Net profit/loss for the year	0	-657	-172	-829
Other comprehensive income	0	393	-13	380
Equity at December 31, 2022	710	29.836	46.748	77.293

Parent Cash Flow Statement

EUR '000	2022	2021
Operating profit/loss (EBIT)	-113	16
Adjustment for non-cash items:		
Provisions	52	53
Change in receivables	50	245
Change in trade and other payables	88	-264
Change in interest bearing payables group	33	42
Cash flow from operations before financial items	111	93
Financial income received	135	200
Financial expenses paid	-228	-247
Corporation taxes paid	0	0
Cash flow from operating activities	18	45
Intangible assets in progress	0	306
Investments in subsidiaries	0	-2.021
Issuance of loans to subsidiaries	-1.000	0
Repayment of loans from subsidiaries	0	2.000
Cash flow from investing activities	-1.000	286
Proceeds from borrowings	0	0
Repayment of borrowings	-1.010	-60
Capital increase	2.000	0
Cash flow from financing activities	990	-60
Change in cash and cash equivalents	8	272
Cash and cash equivalents, start year	280	8
Cash and cash equivalents at December 31	288	280
Un-utilised short term facilities	55	327
Liquidity available at December 31	342	607

Notes to Parent Financial Statements

Note	EUR '000	2022	2021
31 Revenue			
Management services		830	863
Secondment		177	126
Other		250	417
		1.258	1.405
32 Fees paid to auditors appointed by the General Assembly			
Fees for statutory audits		34	26
Other Services		13	13
		48	38
Audit fee are recognized as administrative costs			
33 Staff expenses			
Wages and salaries		795	666
Share based payments		52	53
		847	718
Average number of employees		4	4
Reference is made to note 6 for information about remuneration to the Executive Board and Board of Directors and to note 27 for incentive program for the group management			

Note	EUR '000	2022	2021
34 Income from investments in subsidiaries			
Premium Porc SRL		829	-27
Consinterfin SRL, owned partly by Premium Porc Feed SRL		742	-1.388
Agro Investments Moldova SRL		94	3.045
Premium Porc Negreni SRL		-694	-1.549
Premium Porc Feed SRL		-13	-134
Degaro SRL, owned partly by Premium Porc Feed SRL		590	-2.148
Olsuin SRL, owned partly by Premium Porc Feed SRL		-447	-2.388
Premium Porc Sibiu SRL, owned partly by PP Feed SRL		-1.697	-3.644
Premium Vet Depot SRL		26	39
Premium Pork Commercial SRL		-87	-184
		-657	-8.378
35 Financial Income			
Interest on loans to subsidiaries		134	200
		135	200
36 Financial Expenses			
Interest bank debt		2	5
Interest on loans from shareholders		220	235
Exchange rate adjustment		5	6
		228	247
37 Income Taxes			
Adjustment of deferred tax		-34	5
		-34	5

Notes to Parent Financial Statements

Note	EUR '000	2022	2021
38 Investment in subsidiaries			
Cost beginning of year		47.921	45.901
Additions for the year		0	2.021
Cost end of period		47.921	47.921
Appraisal increases at beginning		30.081	38.294
Result for the period in subsidiaries		-657	-8.378
Exchange adjustments in subsidiaries		-13	22
Appraisal of subsidiaries		0	0
Hedging in subsidiaries		393	143
Appraisal increases at end of period		29.805	30.081
Carrying amount at end of period		77.726	78.002
The carrying amount of investments in subsidiaries specified as follows:	Ownership interest in %		
Premium Porc SRL	100	12.470	11.651
Consinterfin SRL	100	2.482	1.736
Agro Investments Moldova SRL	100	7.749	7.492
Premium Porc Negreni SRL	100	7.639	8.405
Premium Porc Feed SRL	100	23.577	23.509
Degaro SRL	100	22.150	21.706
Olsuin SRL	100	4.196	4.502
Premium Porc Sibiu SRL	100	-1.891	-411
Premium Vet Depot SRL	100	317	290
Premium Pork Commercial SRL	100	-965	-878
		77.726	78.003

All subsidiaries are registered in Romania.

Note	EUR '000	2022	2021
39 Loans and receivables, subsidiaries			
Subordinated loan to Premium Porc Feed SRL		900	900
Subordinated loan to Premium Porc Sibui SRL		600	600
Total loan to subsidiaries subordinated		1.500	1.500
Total receivables from subsidiaries		481	558
Total loans and receivables, subsidiaries		1.981	2.058
40 Subordinate Loan Capital			
Payable after 5 years		500	1.500
Payable between 2 and 5 years		2.000	2.000
Long term debt		2.500	3.500
Short term debt		0	0
		2.500	3.500
The subordinated loan carries an interest on approx. 6% p.a.			
41 Other liabilities			
Employee related payables		124	47
Other payables		32	23
		155	71

Notes to Parent Financial Statements

Note 42: Financial risks

Reference is made to the description of financial risks for the Group in the Notes to the Consolidated Financial Statements. The Parent Company is not considered to be subject to any special financial risks other than those disclosed in the Notes to the Consolidated Financial Statements.

Note 43: Assets charged and securities

Letter of subordination has been issued to banks in respect of loans granted to subsidiaries of EUR 2,500k.

Note 44: Guarantees and other contingent liabilities

The parent has made a corporate guarantee for subsidiaries debt to credit institutions. The guarantee is limited to EUR 46.7m. The actual debt was EUR 46.7m end of year.

The Entity guarantee for the Parent Company's debt to Nordea Denmark if any. The actual debt was EUR 0 end of year.

The Entity participates in a Danish joint taxation arrangement in which DCH International A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2016 for income taxes etc. for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

45 Related parties and ownership

Transactions between the company and the subsidiaries:

EUR '000

The subsidiaries have obtained subordinate loans from the Company:

	2022	2021
Outstanding amount at Year-end:	1.500	1.500
Interest for the year amounts to:	80	182

Other interest bearing debt and intercompany amounts from the Company:

Outstanding amount at Year-end:	481	558
Financial expenses for the year amounts to:	54	18

The subsidiaries have received management and secondment services as long as other services from the Company:

Management and secondment services amounts to:	1.008	925
O. services or invoiced costs from the Company to subsidiaries:	250	417

Reference is made to note 26 (Note to the Consolidated Financial Statements) for details of the Groups transactions with the Parent Company.