HKScan Denmark A/S

CVR No 25 17 75 09

Annual Report for 1.1 – 31.12.2021

Tværmosevej 10
DK-7830 Vinderup

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 6/5 2022

Chairman

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Management's Statement and Auditor's Report

Management's Statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of HKScan Denmark A/S for the financial year 1 January – 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2021.

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

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

Vinderup, 6/5 2022

Executive Board

Jukka Nikkinen EVP, CEO Market Denmark	Michael Jørgensen VP, Operations & Supply Chain Market Denmark

Board of Directors

Markku Suvanto Chairman	Jyrki Paappa	Jukka Nikkinen
Birthe Juul	Ditlev Baunsgaard Employee representative	Ellen Marie Moeskjær Employee representative

Independent Auditor's Report

To the shareholders of HKScan Denmark A/S

Opinion

We have audited the financial statements of HKScan Denmark A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 6/5 2022

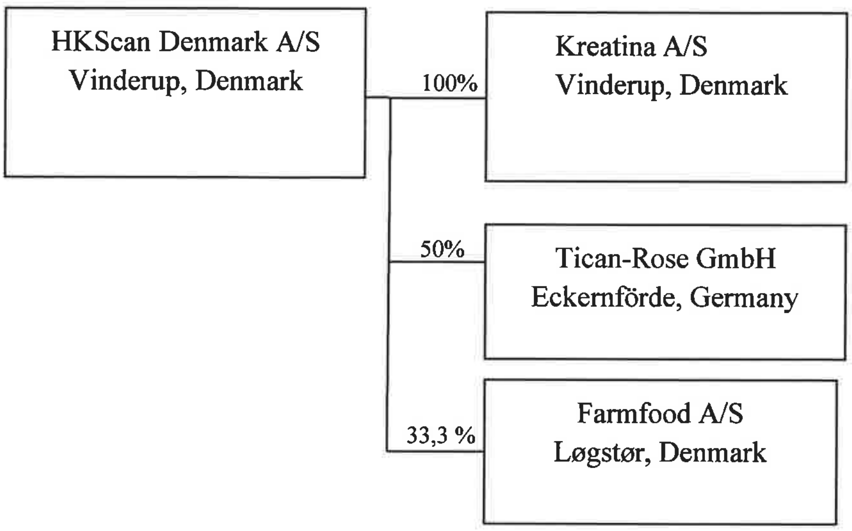
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Friis	Kim R. Mortensen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne32732	mne18513

Company Information

The Company	HKScan Denmark A/S Tværmosevej 10 DK-7830 Vinderup Denmark Telephone: + 45 99 95 95 95 Facsimile: + 45 99 95 95 40 Website: www.rosekylling.dk CVR No 25 17 75 09 Financial period: 1 January – 31 December Financial year: 22nd financial year Municipality of reg. office: Holstebro
Board of Directors	Markku Suvanto Jyrki Paappa Jukka Nikkinen Birthe Juul Ditlev Baunsgaard *(employee elected representative)* Ellen Marie Moeskjær *(employee elected representative)*
Executive Board	Jukka Nikkinen Michael Jørgensen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8000 Aarhus C Denmark

Group Chart


HKScan Denmark A/S
Vinderup, Denmark
100%
Kreatina A/S
Vinderup, Denmark
50%
Tican-Rose GmbH
Eckernförde, Germany
33,3 %
Farmfood A/S
Løgstør, Denmark

Financial Highlights of HKScan Denmark A/S

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

	2021	2020	2019	2018	2017
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	1.285.070	1.278.676	1.242.224	1.287.559	1.273.252
Gross profit/loss	96.638	102.427	49.941	-9.728	-6.245
EBITDA	13.268	26.165	614	2.953	18.995
Profit/loss before financial income and expenses	-11.625	-7.805	-59.237	-74.178	-71.189
Net profit/loss for the year	-27.872	-25.974	-74.165	-84.115	-99.163
Balance sheet					
Investment in property, plant And equipment	31.688	54.716	11.236	17.476	10.481
Balance sheet total	497.080	492.600	435.227	479.495	542.208
Equity	96.626	7.876	33.850	108.015	192.130
Average number of employees	623	620	579	601	616
Ratios					
Gross margin	7,5%	8,0%	4,0%	-0,8%	-0,5%
Profit margin	-0,9%	-0,6%	-4,8%	-5,8%	-5,6%
Return on net assets	-2,3%	-1,6%	-13,6%	-15,5%	-13,1%
Solvency ratio	19,4%	1,6%	7,8%	22,5%	35,4%
Return on equity	-53,3%	-124,5%	-104,6%	-56,0%	-76,3%

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

Management's review

Market overview

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

Development in the year

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

The result for the year shows a loss before tax of DKK -27,9 million, following a full year with avian flu related restrictions on sales outside the EU, which have had a clear negative impact on our revenue and earnings. Our strategy has progressed as planned, with continued focus on strengthening our market position in Denmark and Sweden with fresh and ready-to-eat poultry products.

Throughout the year prices for feed, as well as for other production inputs, both on farms and in HKScan's own operations, have increased significantly – leading to increasing costs. The situation has resulted in higher raw material prices and hence created a pressure for higher consumer prices.

Overall Gross Profit decreased with DKK 5,8 million, despite an increase in Net sales with DKK 6,4 million driven by sales mix - more fresh than frozen as well as fried products and new customers, primarily with retail in Denmark and Sweden. The higher cost on raw material, packaging material and especially energy prices has not been fully offset with efficiency improvements, hence earning wise eroding the positive Net Sales development.

EBIT slightly lower than previous year with DKK 3,8 million, stemming from the lower gross margin and savings on administrative expenses. Net Result of DKK -27,9 million is DKK 1,9 million lower than 2020 and is considered satisfactory given a year with Avian flu and cost increases above and beyond past years, however the overall negative result is unsatisfactory.

The revenue and result are at the expected level announced last year.

Capital resources

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

The Parent Company will support the Company's activities and has issued a Letter of Financial Support to enable HKScan Denmark A/S to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event in the period of 1 January to 31 December 2022.

In 2021 the parent company, HKScan Finland Oyj, has provided HKScan Denmark A/S with a capital grant amounting to DKK 111.584K (reduced debt).

Subsequent events

In November 2020 the first outbreak of Avian flu was detected in Denmark, restricting export outside EU, and throughout 2021 there have been several outbreaks, with the latest at January 7th 2022. Consequently, export outside EU is not expected to open until earliest Q2 2022. These many incidents have had a negative impact on Net sales and Net result in 2021, and this is expected to continue during Q1-Q2 2022.

The outbreak of the war in Ukraine has led to disturbance in the marketplace with increasing prices to balance supply and demand on several items such as wheat, soy, energy and packaging material. Sales prices have been increased to cover for the increasing costs.

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

Review

Special risks

Operating and market risks

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

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

Energy prices, especially electricity and gas, have increased significantly during 2021 and have continued to increase into 2022. Our production uses primarily electricity, hence continuous increase in prices constitutes a general business risk.

Foreign exchange risks

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

Interest rate risks

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

Credit risks

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

Statutory statement of corporate social responsibility and environmental responsibility

For reporting on corporate responsibility, including human rights, environmental issues, climate issues, social and employee conditions and anticorruption, HKScan Denmark A/S refers to its parent company, HKScan Oyj's, statement on corporate responsibility, please see *"Annual and Responsibility report" (page 19-49),* which can be accessed at

https://www.hkscan.com/en/investors-information/annual-and-responsibility-report-2021/

A summary of the policies stated in HKScan Oyj CSR from the annual report of 2021 is outlined below.

Policies for corporate social responsibility

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

Policies for environmental responsibility

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

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

Data ethics

The use of data across HKScan Denmark for fact-based decisions is a prerequisite to deliver an attractive product to customers and running an efficient operation. Data is considered an asset in running HKScan Denmark, and consequently we work with data in a data-ethically sound way in terms of confidentiality and accessibility, described on our Group Data Privacy Policy, which reaches beyond the laws and regulation in this area. The policy is available at the parent company homepage www.hkscan.com.

HKScan Denmark for Data privacy and governance centers around 7 principles

- Lawfulness, fairness and transparency – all data are processed in a lawful, fair and transparent manner
- Purpose limitation - clearly specified and documented purposes
- Data minimization - Process Personal Data in accordance with the principle of data minimization
- Accuracy of Personal data – ensure that Personal Data Processed by HKScan is accurate complete
- Storage limitation - Personal Data shall not be stored for a longer period than is necessary
- Integrity and confidentiality (i.e. security of Personal Data)
- Accountability - when acting as a Data Controller, HKScan shall always be able to demonstrate its compliance with the principles for Processing Personal Data

The Board of Directors conduct minimum once a year a follow up and make necessary adjustments to the policy.

Suppliers and other business partners who, in the performance of their services, come into contact or hold our internal data, have all entered into a Data Processing Agreement, complying with above.

Composition of the Board of Directors

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

Employee representatives on the Board of Directors are elected among all employees.
The representation of female members on the Board of Directors is presently 25% (2020: 25%), and as there were no changes in the Board of Directors during 2021.

In the long run, HKScan Denmark A/S intends to achieve a more equal gender representation on the Board of Directors. HKScan Denmark A/S' goal is that the underrepresented gender in the Board of Directors is at least 33% latest in 2025.

Currently the ratio of female executives in management team is 42% (2020: 42%). HKScan Denmark A/S will continue to strive for an equal gender representation among management.
HKScan Denmark A/S will through recruitment internally and externally attempt to balance the representation of both genders in the management.

Expectations for the year ahead

During 2021 a renewal of the strategy plan has taken place, outlining direction and ambition for the coming years. The significant lift in the financial performance since 2020 is planned to continue, although covid-19 pandemic and avian flu disease have caused a "slow down" in the profit improvements. The continued incidents of avian flu will continue to cause an exceptionally challenging market situation, and combined with continuously increasing feed and energy prices, will overall slowdown profit improvement despite our strong progress in delivering on the strategy plan.

Investments into cooking and frying capacity and ability in Skovsgaard during 2020 and 2021, have already contributed positively to the financial performance, and is expected to continue in 2022.

In 2022 Net sales as well as result are expected to experience a slightly positive development compared to 2021.

Financial Statements

Income statement 1 January – 31 December

	Note	2021 DKK '000	2020 DKK '000
Revenue	3	**1.285.070**	**1.278.676**
Production costs	2,4,9	-1.188.432	-1.176.378
Other operating income		0	129
Gross profit/loss		**96.638**	**102.427**
Distribution costs	4	-63.689	-63.348
Administrative expenses	4,8,9,16	-44.574	-46.884
Profit/loss before financial income and expenses		**-11.625**	**-7.805**
Income from investments in associates		2.693	2.629
Financial income	5	2.067	4.728
Financial expenses	6	-21.007	-25.526
Profit/loss before tax		**-27.872**	**-25.974**
Corporation tax	7	0	0
Net profit/loss for the year	19	**-27.872**	**-25.974**

Balance Sheet at 31 December

Assets

	Note	2021	2020
		DKK '000	DKK '000
Software and licenses		145	56
Completed development projects		2.361	3.117
Intangible assets	8	**2.506**	**3.173**
Land and buildings		85.863	94.055
Plant and machinery		94.946	84.543
Other fixtures and fittings, tools and equipment		284	393
Property, plant and equipment in progress		14.533	9.758
Property, plant and equipment	9	**195.626**	**188.749**
Investment in subsidiaries		0	0
Investments in associates		35.092	32.399
Other securities		769	769
Fixed asset investments	10	**35.861**	**33.168**
Fixed assets total		**233.993**	**225.090**
Inventories	11	**138.287**	**152.824**
Trade receivables		105.220	80.899
Receivables from affiliates		173	13
Receivables from associates		4.280	3.269
Other receivables		14.037	30.320
Prepayments		979	0
Receivables		**124.689**	**114.501**
Cash at bank and in hand		**111**	**186**
Current assets total		**263.087**	**267.511**
Total assets		**497.080**	**492.601**

Balance Sheet at 31 December

Liabilities and equity

	Note	2021	2020
		DKK '000	DKK '000
Share capital	12	10.250	10.250
Reserve for fair value adjustment re. financial contracts		5.038	0
Reserve for net revaluation under the equity method		2.693	0
Reserve for development costs		2.361	2.431
Retained earnings		76.284	-4.805
Total equity		**96.626**	**7.876**
Other provisions		0	400
Provisions		**0**	**400**
Payables to group enterprises		236.070	297.653
Other payables		25.498	25.396
Non-current liabilities other than provisions	14	**261.568**	**323.049**
Trade payables		81.460	65.795
Payables to group enterprises		13.582	17.535
Other payables		43.844	77.945
Current liabilities		**138.886**	**161.275**
Total liabilities		**400.454**	**484.325**
Total liabilities and equity		**497.080**	**492.601**

Staff	4
Provision for deferred tax	13
Contingent assets, liabilities and other financial obligations	16
Fee to auditors appointed at the general meeting	16
Derivative instruments	17
Related parties	18
Distribution of Profit/loss	19
Accounting Policies	20

Statement of Changes in Equity

	Share capital	Reserve for fair-value adjustment re. financial contracts	Reserve for net revaluation under the equity method	Reserve for development cost	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2020	10.250	0	14.022	1.374	8.204	33.850
Transferred to reserves	0	0	2.629	1.057	-29.660	-25.974
Net profit/loss for the year	0	0	-16.651	0	16.651	0
Equity at 31 December 2020	**10.250**	**0**	**0**	**2.431**	**-4.805**	**7.876**
Equity at 1 January 2021	10.250	0	0	2.431	-4.805	7.876
Grants from parent company (tax fee)	0	0	0	0	111.584	111.584
Net profit/loss for the year	0	0	2.693	-70	-30.495	-27.872
Value adjustment for the year	0	5.038	0	0	0	5.038
Equity at 31 December 2020	**10.250**	**5.038**	**2.693**	**2.361**	**76.284**	**96.626**

Notes to the Annual Report

	2021 DKK '000	2020 DKK '000

1 Going concern

The Parent Company will support the Company's activities and has issued a Letter of Financial Support to enable HKScan Denmark A/S to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event in the period of 1 January to 31 December 2022.

2 Special items

	2021	2020
Legal dispute and settlement	0	-5.366
Pending matter related to energy taxes	-0	-25.674
	0	**-31.040**
Impairment valuation	0	30.600
Net effect of special items and reversal of impairment	**0**	**-440**

Legal dispute and settlement included in the Income Statement in the item Administrative expenses and the energy tax case is included in production costs for 2020.

3 Revenue

Geographical segments

	2021	2020
Domestic market	799.637	759.514
EU	444.177	401.920
Other countries	41.256	117.242
	1.285.070	**1.278.676**

4 Staff

Wages and salaries	251.962	246.184
Pensions	18.771	18.564
Other social security expenses	6.449	5.871
	277.182	**270.619**
Which have been expensed as follows:		
Production costs	245.421	240.092
Distribution costs	14.849	13.858
Administrative costs	16.912	16.669
	277.182	**270.619**
Including remuneration to the Executive Board and the Board of Directors:		
Executive Board and Board of Directors	**5.305**	**4.267**
Average number of employees	**623**	**620**

5 Financial income

Exchange adjustments	2.053	4.714
Other financial income	14	14
	2.067	**4.728**

6 Financial expenses

Interest paid to group enterprises	17.155	18.761
Exchange adjustments	1.961	5.504
Other financial expenses	1.891	1.261
	21.007	**25.526**

7 Corporation tax

Deferred tax for the year	0	0
Corporation tax	0	0
Total tax for the year	**0**	**0**

8 **Intangible assets**	2021 DKK '000 Software and licenses	2020 DKK '000 Completed development projects
Cost at 1 January 2021	230	4.436
Additions of the year	145	125
Cost at 31 December 2021	375	4.561
Depreciation and impairment losses at 1 January 2021	174	1.320
Depreciation and impairment losses for the year	56	880
Depreciation and impairment losses at 31 January 2021	230	2.200
Carrying amount at 31 December 2021	**145**	**2.361**
Depreciated over	5-6 years	5-6 years

The R&D costs amounted to DKK 2.506K and represent the Danish part of IT group projects.

Depreciation and impairment of intangible assets are expensed in the following items:		
Production costs	0	0
Distribution costs	0	0
Administrative expenses	936	689
	936	**689**

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK '000	DKK '000	DKK '000	DKK '000
9 Property, plant and equipment				
Cost at 1 January 2021	341.186	868.555	19.135	9.758
Additions for the year	0	0	0	31.688
Disposals for the year	0	-822	0	0
Transfers for the year	0	26.913	0	-26.913
Cost at 31 December 2021	341.186	894.646	19.135	14.533
Depreciation and impairment losses at 1 January 2021	247.130	784.012	18.742	0
Depreciation and impairment losses for the year	8.193	15.631	134	0
Reversal of depreciation and impairment of sold assets	0	57	-25	0
Depreciation and impairment losses at 31 December 2021	255.323	799.700	18.851	0
Carrying amount at 31 December 2021	**85.863**	**94.946**	**284**	**14.533**
Depreciated over	20-25 years	5-15 years	3-10 years	-

	2021	2020
	DKK '000	DKK '000
9 Property, plant and equipment (continued)		
Depreciation and impairment of property, plant and equipment are expensed in the following items:		
Production costs	23.824	2.549
Distribution costs	0	0
Administrative expenses	134	132
	23.958	**2.681**

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

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

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

Impairment test

In the financial year 2021 an impairment test has been carried out on fixed assets to assess possible reversal of previous write-downs.

The recoverable value is based on the capital value as determined by the use of expected net cash flows based on budgets for the years 2021-2024 and terminal value approved by management and with a WACC of 9.23 %. EBITDA for 2022 is expected to be DKK 26.1 million.

The gross margin for the budgeting period is fixed at the same level as in the 2021 budget. The same gross margin has been applied for the following 3 years. The weighted average growth rate used to project future net cash flows after 2024 is 0.5 %, as well as the development of fixed costs. The impairment test is based on continued operation - value in use method.

The recoverable value exceeds the carrying amount by DKK 0.

Sensitivity analysis

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

	2021	2020
	DKK '000	DKK '000
10 Fixed asset investments		
Investments in subsidiaries		
Cost at 1 January	0	0
Disposals of the year	0	0
Cost at 31 December	0	0
Revaluation at 1 January	0	0
Net profit/loss for the year	0	0
Disposal	0	0
Revaluation at 31 December	0	0
Carrying amount at 31 December	**0**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share Capital	Votes and ownership	Result of 2021
Kreatina A/S	Holstebro, Denmark	DKK 3,000k	100%	-1,483

	2021	2020
	DKK '000	DKK '000

10 Fixed asset investments (continued)

Investments in associates

	2021	2020
Cost at 1 January	15.748	15.748
Additions of the year	0	0
Disposals of the year	0	0
Cost at 31 December	15.748	15.748
Value adjustments at 1 January	16.651	14.022
Adjustments former years	0	0
Net profit/loss for the year	2.693	2.629
Dividends for the year	0	0
Disposals for the year	0	0
Value adjustments at 31 December	19.344	16.651
Carrying amount at 31 December 2021	**35.092**	**32.399**

Investments in associates are specified as follows:

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

	2021	2020
	DKK '000	DKK '000

Other securities and investments

	2021	2020
Cost at 1 January	769	769
Additions for the year	0	0
Cost at 31 December	769	769
Carrying amount at 31 December	**769**	**769**

Notes to the Annual Report

	2021	2020
	DKK '000	DKK '000

11 Inventories

	2021 DKK '000	2020 DKK '000
Raw materials and consumables	17.257	13.939
Work in progress	5.995	5.604
Finished goods and goods for resale	115.035	133.281
	138.287	**152.824**

12 Equity

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

Development in share capital:
2012: The share capital was increased by a nominal amount of DKK 50,000
2011: The share capital was increased by a nominal amount of DKK 100,000

	2021	2020
	DKK '000	DKK '000

13 Provision for deferred tax

	2021 DKK '000	2020 DKK '000
Property, plant and equipment	-84.047	-76.740
Other	-5.650	-5.895
Tax loss	-19.873	-18.918
Write-down	109.570	101.553
	0	**0**
Tax asset	**0**	**0**

Notes to the Annual Report

14 Long-term debt

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

The debt falls due for payment as specified below:

	2021	2020
	DKK '000	DKK '000
Payables to group enterprises		
Between 1 and 5 years	236.070	297.653
Long-term part	236.070	297.653
Within 1 year	16.323	17.535
	252.393	**315.188**
Other payables		
Between 1 and 5 years	25.498	25.396
Long-term part	25.498	25.396
Within 1 year	0	0
	25.498	**25.396**

15 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease commitments under operating leases. Total future lease payments:		
Within 1 year	7.211	10.405
Between 1 and 5 years	8.662	10.918
After 5 years	231	312
	16.104	**21.635**

The total cash outflow for leases in 2021 was DKK 11.585k, which includes redemption of principal and interest payments.

Securities with a carrying amount of DKK 200k have been provided as security for restoration obligations towards the Danish Coastal Authority.

Contingent liabilities

The Company has provided a bank guarantee of DKK 30,000k as a producer guarantee, running until 31.12.2023.

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

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

The Danish tax authorities have conducted an audit of energy taxes covering the period 2011-2020. The Danish tax authorities have on 23 December 2020 issued their decision, according to which the company should repay past refunds of energy taxes in the pending matter (amounts to DKK 24,7 million). It cannot be excluded that in addition to the currently pending matter, the company could separately be imposed penal sanctions as a result of the tax audit. HKScan Denmark A/S has appealed the decision issued and paid the amount in question to the Danish tax authorities.

16 Fee to auditors appointed at the general meeting

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

17 Derivative instruments

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

2021

As of 31 December 2021, the Company entered into the following forward contracts to hedge sales:

Currency	Contract Value (DKK 1.000)	Market Value (DKK 1.000)
SEK/DKK	46.000	302
EUR/DKK	2.973	-1
	48.973	**301**

2020

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

Currency	Contract Value (DKK 1.000)	Market Value (DKK 1.000)
SEK/DKK	47.150	-864
	47.150	**-864**

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

18 Related parties

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

The Group's subsidiaries and associates are considered related parties.

We have had the following transactions with related parties:	(DKK 1.000)
Sale to Group Company	782
Purchase from Group Company	24.498
Management fee to Parent Company	19.218
Interest to Parent Company	17.155
Purchase of immaterial assets (software)	124
Purchase of machinery from Parent Company	0
Sale of machinery to Parent Company	0
Loans from Parent Company	249.652

Consolidated Financial Statements

19 Distribution of Profit/loss

Reserve for net revaluation under the equity method	2.693	2.629
Reserve for development cost	-70	1.057
Retained earnings	-30.495	-29.660
	-27.872	**-25.974**

20 Accounting Policies

Basis of Preparation

The Annual Report of HKScan Denmark A/S ("Company") for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C. The Financial Statements have been prepared under the same accounting policies as the previous year.

In accordance with section 112 of the Danish Financial Statements Act, consolidated financial statements have not been prepared as the Company is included in the HKScan Corporation ("Parent Company"). The Consolidated Financial Statements may be obtained at the Parent Company.

According to section 86.4 of the Danish Financial Statements Act, no cash flow statement is prepared for HKScan Denmark A/S as HKScan Denmark A/S is included in the Financial Statements of HKScan Corporation which include a consolidated cash flow statement.

The Annual Report for 2021 is presented in DKK thousands.

The accounting policies applied remain unchanged from previous years.

Leases

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

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

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

Translation policies

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

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

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

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

Derivative financial instruments

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

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

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

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

Segment reporting

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

Income Statement

Revenue

IAS 11 / IAS 18 is chosen as interpretation for revenue recognition.
Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that the general criteria have been met, including that delivery and transfer of risk have been made to the buyer by year end and the amount can be reliably measured and is expected to be received. Revenue is recognised exclusive of VAT and duties and net of discounts relating to sales.

Production costs

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

Distribution expenses

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

Administrative expenses

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

Other operating income and expenses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

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

Balance Sheet

Intangible assets

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

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

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

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

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

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

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

Asset investments

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

Inventories

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses in the period of production are not recognised.

Receivables

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

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Reserves

Reserve for net revaluation according to the equity method

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

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

The reserve may not be recognized at a negative amount.

Reserve for development projects

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

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

Reserve for fair value adjustment of derivative financial instruments

The reserve for fair value adjustment of derivative financial instruments comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The hedging reserve does not represent a limitation under company law and may therefore be negative.

Provisions

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Liabilities

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

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

Financial ratios

Explanation of ratios

Gross margin = $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Profit margin = $\frac{\text{Profit before financials x 100}}{\text{Revenue}}$

Return on net assets = $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

Solvency ratio = $\frac{\text{Equity at year end x 100}}{\text{Total assets}}$

Return on equity = $\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$