



Annual report 2021/22



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Friland continues to prosper in unpredictable times

The world is changing, almost by the hour. This is impacting many companies, including Friland.

Nevertheless, we are pleased that we have once again come through a financial year which has generated growth in revenue and a reasonable profit. That said, we know that it is not enough to ensure sustainable finances for our suppliers, who have been faced with very significant cost increases in all areas of primary production.

If we look back at H1 2021/22, it was characterised by high levels of activity on our markets, with very considerable demand for our products. Since the war in Ukraine, however, both Denmark and the rest of the world have witnessed increasing inflation, increased energy costs and rising interest rates. This has resulted in decreasing disposable income for consumers, which has led to new patterns of consumption. In the last six months in particular, we have had to navigate extremely troubled waters.

Setting the GPS with the right coordinates has been difficult in a situation with such a huge imbalance between supply and demand.

Do we believe that there is still a market for our concepts? Undoubtedly yes! There is definitely a demand for the concepts that Friland produces. After rain comes the sun, but unfortunately, we just don't know when the showers will ease. Many people around the world are probably asking themselves the same question at the moment. We still firmly believe in our strategy. Our focus is to ensure sustainable finances for our suppliers so that we can continue to grow our company and our concepts. That is the be-all and end-all.

Best regards,



Claus Hein, CEO



Impressive revenue in challenging times

If we look back at the latest financial year in Friland, revenue has been very good. It is the first time in Friland's 30-year history that we have posted revenue in excess of 1 billion DKK. If we look at our ongoing settlement, over the 2021/22 financial year we have disbursed additional payments totalling 300 million DKK, which is also a historically high level.

Friland posted very good results for the first half of the past financial year. However, the war in Ukraine and the subsequent economic situation worldwide have meant that both Denmark and the rest of the world are now navigating uncharted waters. Increasing inflation, high energy prices and decreased disposable incomes are putting consumer finances under pressure.

Consumers are continuing to support good animal welfare and organics, but they are buying fewer such products or shopping for them less often. This is the pattern we have seen over the past six months. For our suppliers, the current situation globally is resulting in dramatically increasing costs, in particular for feed and energy. This means that, even though Friland is posting an impressive profit, it does not make enough of a difference because our suppliers' costs have skyrocketed.

Therefore, we are also well aware that our settlements must be balanced with the costs paid by suppliers. We have every faith that this will happen. Friland has some great products, and there are numerous indications that consumers want to buy into these concepts. But, of course, the market always determines the settlement. We know that supply and demand will at some point begin to rebalance, and we hope that it will happen as soon as possible.

Best regards,



Peter Fallesen Ravn
Chairman of Friland A/S's Board of Directors

“
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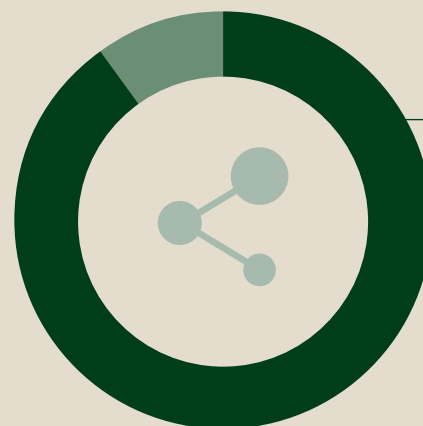


Results of the year



1,059.9 million DKK
998.9 million DKK

● 2021/22 ● 2020/21



90%

FRILAND ORGANIC

● FRILAND ORGANIC 90%
 ● FRILANDSGRIS® 10%

Revenue

Friland posted record revenue of 1,059.9 million DKK for 2021/22. This represents an increase of approx. 6% compared to 2020/21, when revenue totalled 998.9 million DKK. FRILAND ORGANIC accounts for the bulk of sales in Friland with 90% of revenue

stemming from the two organic concepts FRILAND ORGANIC cattle and FRILAND ORGANIC pigs. The share is up from 87% in the 2020/21 financial year. The remaining part of Friland's revenue – approx. 10% – comes from the concept FRILANDSGRIS® which

is at the same level as in 2020/21. Export sales still account for the largest part of Friland's revenue. Revenue in Denmark accounted for approx. 41% of Friland's total revenue. To sales outside Denmark must be added the revenue generated

through sales of non-Danish raw materials – primarily German organic pigs – via Friland in Germany.

Development

The number of animals delivered to Friland in 2021/22 is on a par with 2020/21 with minor differences between the concepts.

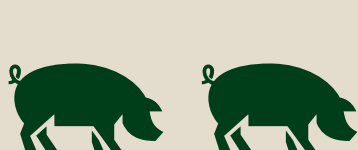


Supplementary payments

As always, it should be stressed that collecting supplementary payments is no criterion of success in itself. However, the Friland business model means that a certain buffer is needed in order to be able to absorb any unforeseen market movements. Suppliers of

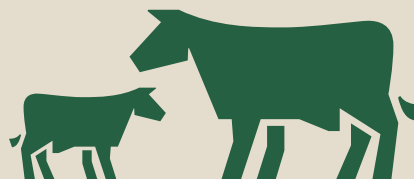
FRILAND ORGANIC pigs receive a supplementary payment of 0.50 DKK per kg of slaughter weight. Suppliers of FRILAND ORGANIC cattle receive a supplementary payment of 0.80 DKK per kg of slaughter weight. Suppliers of FRILANDSGRIS®

receive a supplementary payment of 0.80 DKK per quality-approved kg. In total, Friland paid out 327.5 million DKK in the 2021/22 financial year, which is a new record. These are paid-out supplements including supplementary payments.



**0.50
DKK/KG**

FRILAND ORGANIC
Pigs



**0.80
DKK/KG**

FRILAND ORGANIC
Cattle



**0.80
DKK/KG**

FRILANDSGRIS®



FRILAND ORGANIC PIGS

Strong in export markets

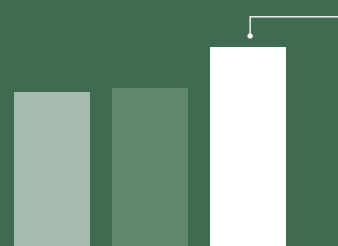


23%
77%

Breakdown of revenue

The export markets continue to drive Friland's sales of organic pork.

- Denmark
- Exports



491 million DKK

Development in revenue

Revenue grew in 2021/22, which is primarily ascribable to growth in our export markets.

- 2021/22
- 2020/21
- 2019/20

491 million DKK
467 million DKK
370 million DKK



FRILAND ORGANIC PIGS

Increased revenue in a difficult market

This year, revenue from sales of FRILAND ORGANIC pigs increased by 24 million DKK – or 5% – and totalled 491 million DKK. The increase in revenue was achieved against a backdrop of difficult market conditions for organic products in recent months. The market started to deteriorate following the breakout of the war in Ukraine and the rise in inflation that followed, and which has led to a fall in demand.

However, Friland's sales of organic pigs are protected by the company's very wide palette of customers and export markets. This partly explains why Friland has been able to increase revenue from the concept. To revenue generated by FRILAND ORGANIC pigs outside Denmark should be added sales based on non-Danish raw materials. Growth has been driven by growth in several export markets, including the North

American market, which is seeing a growth in sales of FRILAND ORGANIC pigs.

In general, Friland sees further potential for developing its business on a number of export markets where organic products and good animal welfare are still in demand. With lower disposable incomes, consumers are spending slightly less on organic pork or buying cheaper cuts.

A total of 263.3 million DKK has been paid out to the group – including supplementary payments of 16.38 DKK per kg compared to 15.69 DKK per kg last year. Inclusive of the price paid by Danish Crown, an average of 26.27 DKK per kg was paid compared to 25.77 DKK per kg last year. The supplementary payments from Danish Crown are in addition to these figures.



FRILAND ORGANIC CATTLE

Cattle exports growing

In 2021/22, Friland's sales of organic cattle were up 17% at 282 million DKK. This represents an increase of more than 40 million DKK compared to last year. The reason is the strong sales of organic beef seen over the year, including strengthened sales on the export markets.

Over the past year, beef has commanded high prices, but rising inflation has at the same time meant that consumers have had less money to spend. For organic beef, this means that the core consumer is buying slightly smaller volumes of organic products, while the most expensive cuts are under pressure. This has also been the case for sales of organic cattle in Friland.

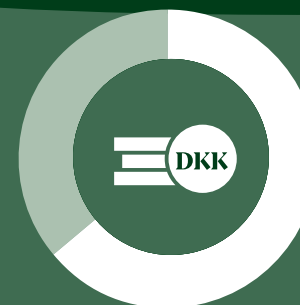
We have successfully grown export sales of the concept, but this area is, of course, also impacted by rising inflation. And this has a bearing on consumers' patterns of consumption. Sales to the export markets have increased so that they now account for 36% of sales of FRILAND ORGANIC cattle.

A total of 39.1 million DKK was paid out to the group – including supplementary payments and other supplements, which is equivalent to 5.94 DKK per kg compared to 8.04 DKK per kg last year. Inclusive of the settlement paid by Danish Crown, an average of 33.50 DKK per kg was paid compared to 26.26 DKK per kg last year. Any supplementary payments from Danish Crown are in addition to these figures.



FRILAND ORGANIC CATTLE

Continued growth in sales to export markets

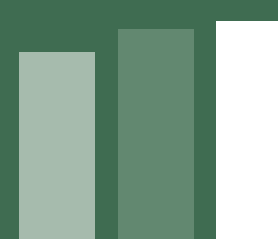


64%
36%

Breakdown by markets

Most of the organic beef is sold on the Danish market, but exports increased in 2021/22.

- Denmark
- Exports



282 million DKK

Development in revenue

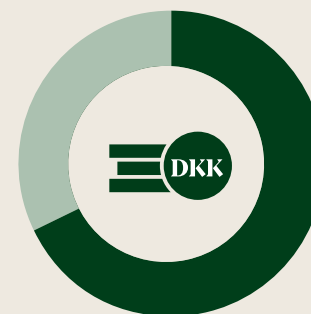
Sales of organic beef by Friland are at a record high.

- 2021/22 282 million DKK
- 2020/21 241 million DKK
- 2019/20 231 million DKK



FRILANDSGRIS®

Exports of FRILANDSGRIS® are up

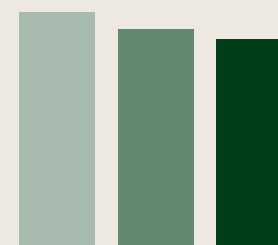


68%
32%

Breakdown by markets

Exports of FRILANDSGRIS increased in 2021/22, and are sold on several markets.

- Denmark
- Exports



**82 million
DKK**

Development in revenue

There has been a decrease in revenue from the FRILANDSGRIS® concept, among other things due to a decrease in supplier numbers.

- 2021/22
- 2020/21
- 2019/20

82 million DKK
85 million DKK
88 million DKK



FRILANDSGRIS®

Fewer suppliers impacts revenue

In 2021/22, sales of FRILANDSGRIS® were impacted by the fact that several suppliers have stopped operating. A smaller number of suppliers also means that fewer pigs were delivered during the year, which in turn contributed to lower revenue. Revenue in 2021/22 totalled 82 DKK million compared to 85 DKK million last year, which is a decrease of 3%.

In 2022, the FRILANDSGRIS® concept has celebrated its 30th anniversary – the concept was the start of what we know today as Friland, when a group of pioneering and visionary farmers decided to keep their pigs outdoors. The anniversary was marked with a number of campaigns in cooperation with the Danish Animal Welfare Society and the supermarket chain MENY.

Sales of the concept are also being affected by the economic slowdown in society and rising inflation, which means that consumers are buying smaller or cheaper cuts. On the other hand, FRILANDSGRIS® has seen a growth in sales on the export markets, where there is a particularly strong demand for good animal welfare from Friland. So, even though the

export markets have also been hit by the global economic situation, Friland has grown its sales of FRILANDSGRIS® in several markets.

In Denmark, FRILANDSGRIS® is sold in MENY stores across the country, and Friland is working closely with MENY to increase awareness and the visibility of the concept. Friland is also working closely with 7-eleven, which sells FRILANDSGRIS® sausages in their Danish stores. Last but not least, a number of several foodservice customers and butchers also buy FRILANDSGRIS®.

A total of 25.1 million DKK has been paid out to the group – including supplementary payments of 4.62 DKK per kg compared to 4.21 DKK per kg last year. Inclusive of the price paid by Danish Crown, an average of 13.65 DKK per kg was paid compared to 13.45 DKK per kg last year. Any supplementary payments from Danish Crown are in addition to these figures.



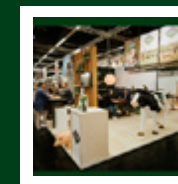
Key marketing activities in Friland in 2022



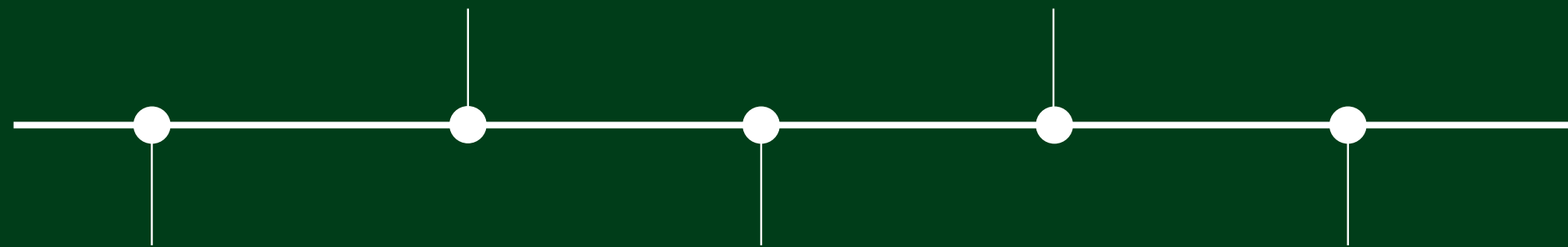
FRILANDSGRIS®
30th anniversary
Spring



Open farm event
Sowfari, Spring



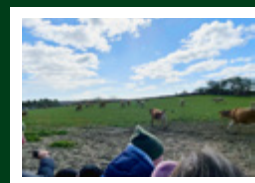
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FRI campaign
FRILAND ORGANIC
PIG + CATTLE
Winter



Eco day
Spring



New design of FRILAND ORGANIC
Packs of pork and beef

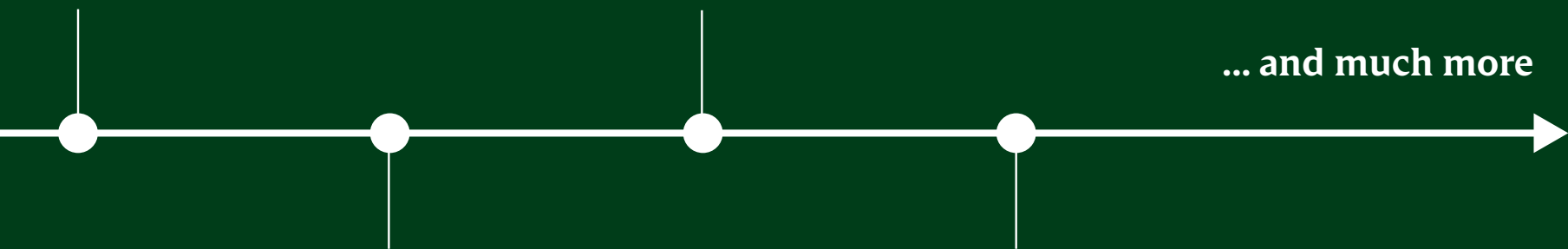




BioFach 2022
Summer



Christmas campaign for FRILANDSGRIS®
Autumn/winter



... and much more

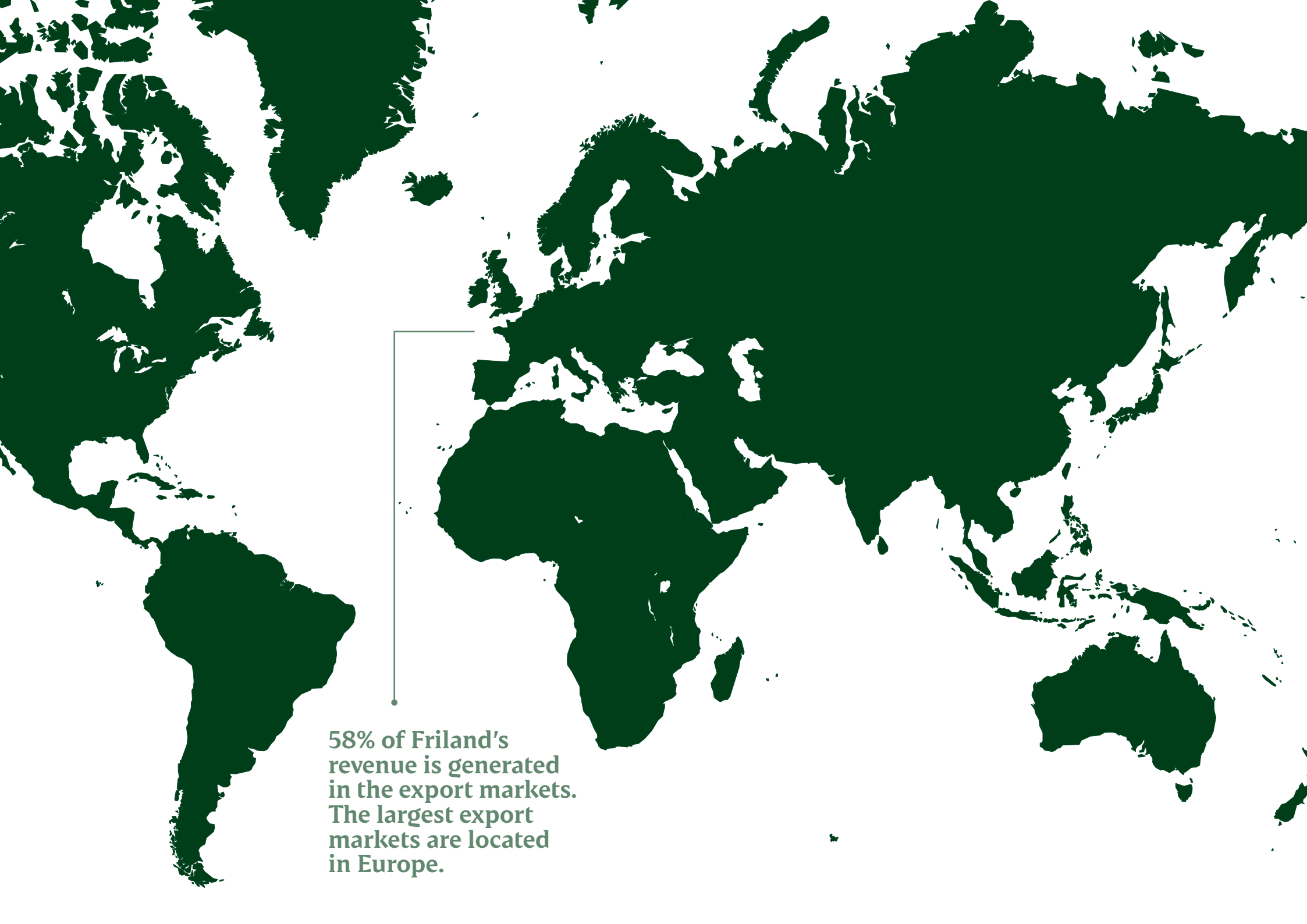
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Food Festival 2022
Autumn



FRI campaign Christmas FRILAND ORGANIC
Winter



58% of Friland's revenue is generated in the export markets. The largest export markets are located in Europe.

Export markets in Friland

It is very important that Friland has a strong position and a strong brand on the Danish market. Friland wants to maintain its position on the Danish market, and ideally develop it over time. Sales to export markets are also integral to Friland's business, and the company's three concepts enjoy strong positions in a large number of markets. Therefore, Friland is constantly working to service these markets and secure the right position for itself.

– Even though the global situation is very unpredictable at the moment and changing almost daily, we've succeeded in maintaining and developing our export markets. Friland's concepts stand out for their unique quality, which is in demand in many markets, and we must constantly work to explore this potential even more. We know from the North American market that opportunities exist for expanding our position, says Friland CEO Claus Hein.

Friland's exports are spread across many markets, several of which saw growth in the 2021/22 financial year. Friland has sales to a number of European countries such as Germany, France, Italy and the Netherlands, while exports out of Europe are destined for the USA, New Zealand and several countries in Asia and the Baltics.

– We have good access to many markets, and through our cooperation with the rest of the Danish Crown Group, we're in contact with new potential customers. Like many other companies, we've seen a decline on some of our markets as a result of the global economic situation, yet we're finding that the demand for organic products and high animal welfare standards remains healthy, says Martin Rosenstand Bak Thomsen, Sales Director, Rest of the world, at Friland.

Friland's German sales office, which is located in Kiel, reports that the German and neighbouring markets have in recent months been impacted by increasing inflation and a decline in demand.

– It was expected that customers would change their purchasing patterns and that demand would be reined in. Customers are trading down, and are keen to economise. That said, both in Germany and in other markets, we're still seeing a lot of interest in good animal welfare and organics, says Marian Mohrmann, Managing Director and Senior Sales Manager at Friland's German office.

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Friland's concepts stand out for their unique quality, which is in demand in many markets, and we must constantly work to explore this potential even more.

— Claus Hein, CEO

Friland's new strategy is well underway

In summer 2021, Friland launched its strategy 'Pioneering better food together'. Two key elements in the strategy are strategic partnerships and even closer cooperation with Friland's suppliers.

More than a year ago, Friland CEO Claus Hein presented the main elements in the strategy 'Pioneering better food together', which sets the direction for Friland towards 2026.

In the strategy, even closer cooperation with the 'Fri' farmers and increased growth will carry Friland forward, and Friland is following this plan, even though the current situation worldwide means that it will probably take a little longer to fully realise the overall goal. Both Friland and the company's suppliers are being challenged by external factors such as increasing prices in a wide range of areas.

A particular focus area during the strategy period is working with strategic partnerships, which will help

to increase revenue, while making the cooperation with customers more robust and ensure a stable settlement for suppliers.

– Our ambition is to grow revenue by 25-40% during the strategy period. We're working on it, and everyone at Friland firmly believes that we're moving in the right direction. Like other companies, we've also experienced bumps in the road over the past year. Here, we must ensure the right balance between supply and demand if we are to deliver on our goals, says Claus Hein.

A key aspect of Friland's strategy involves closer cooperation with its suppliers, which will bring Friland even closer to them – and develop the cooperation with the 'Fri' farmers. One of the first steps has been asking suppliers how and where our cooperation can be developed further. Efforts to fulfil the suppliers' wishes are now underway.

– Together with Coop. Supply at Danish Crown, in the coming years we will launch more initiatives so that Friland's suppliers experience increased cooperation with the company. In our view, this is a key element

in moving forward even further, just as it is absolutely crucial for our suppliers, says Peter Fallesen Ravn, Chairman of Friland's Board of Directors.

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A key aspect of Friland's strategy involves increased support for its suppliers, which will bring Friland even closer to them – and develop Friland's cooperation with the 'Fri' farmers.
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Friland's five strategic pillars



Sustainability spearhead



Danish Crown



Strategic customer partnerships



Danish Crown



Enhanced farm Cooperation




Danish Crown






Enhanced farm Cooperation



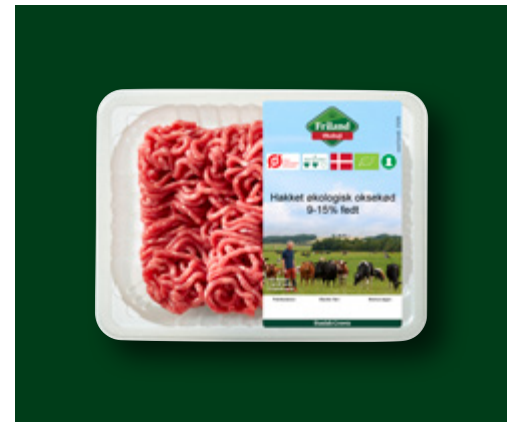
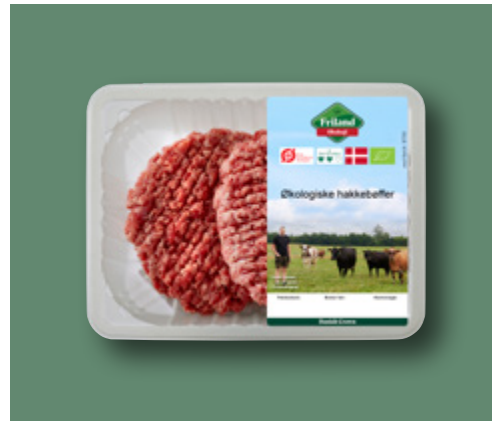
Danish Crown



Brand as an advantage

Danish Crown



FRILAND ORGANIC with increased focus on products and suppliers

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We want to make Friland more relevant and recognisable for consumers as they decide which packet of pork or beef to put in their shopping trolley.

— Malene Bach, Brand Manager

The marketing of FRILAND ORGANIC has become more product-tactical, and more focused on consumers. This is partly due to the increasing cost of living, which means that it is crucial that the focus of our marketing of FRILAND ORGANIC is shifted to our products, and here our deeply committed suppliers play a key role in the marketing of FRILAND ORGANIC in everything from products to the online 'FRI' campaigns. This is evident, for example, in our campaigns for FRILAND ORGANIC, which to an even greater extent increase awareness of the organic products that consumers can find in their local supermarket. This is happening in an effort to tie the strong Friland

brand and consumers even more closely together. In this context, Friland's suppliers play a central role, as it is very important for consumers to know where the meat comes from. It is imperative that Friland's marketing is transparent for consumers. – We want to create a stronger link between our concepts out on the farms and directly on our product packaging and in campaign materials. This has been a strategic decision. So, we're showing the values inherent in our organic concepts on the packaging to help consumers buy the right products. We call this documented 'Frihed' – or 'Freedom' – says Maria Bast, Marketing Manager at Friland, adding:

– We can see what is top-of-mind for consumers when picking a product from the cold counters. And it's documented animal welfare, freedom and biodiversity. We're really trying to link these organic values with the Friland brand – so that consumers choose our brand. It's not just a question of going for organic meat – it has to be organic meat from Friland. We're making this clear by showing farmers and animals out in the open countryside, says Maria Bast. The new campaign also includes several short films featuring some of Friland's suppliers talking about their work, while at the same time highlighting the products in the films. The same approach is used

in printed ads as well as on the labels on Friland's organic products.

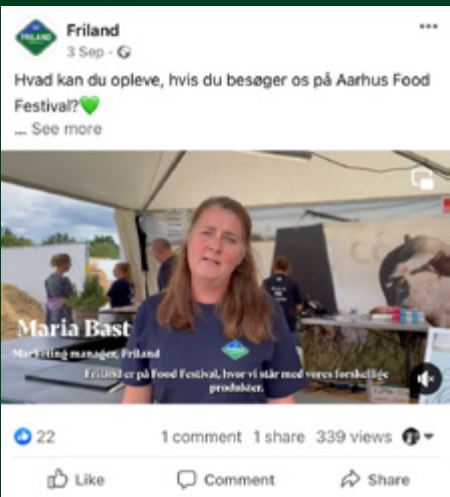
– We want to strengthen organics further even though there are challenges around every corner at the moment. The focal point is our skilled suppliers, who help to ensure transparency while giving consumers an honest picture of life on the farms. The Friland products also play an important role, as we want to make Friland more relevant and recognisable to consumers in the supermarket", says Malene Bach, Brand Manager at Friland.

FRILAND ORGANIC is marketed digitally, on the commercial TV channel TV 2 Zulu as well as on social media and via advertising on websites, just as Friland's own channels also have to tie in with the marketing.

– In 2021 and 2022, Friland has also been able to promote FRILAND ORGANIC at several events and trade fairs. This has been one of the positive effects of the lifting of COVID-19 restrictions. It also means that, after a three-year break, Friland was able to participate in the Food Festival in Aarhus, and at

major trade fairs abroad such as BioFach, SIAL and TuttoFood.







FRILANDSGRIS® celebrates big anniversary



In 2022, FRILANDSGRIS® celebrated its 30th anniversary. This has been marked throughout the year, with the Danish Animal Welfare Society and MENY both contributing to the marketing of the concept with its appealing story. In particular, dedicated efforts on the part of retailers have helped boost sales of FRILANDSGRIS® products in the Danish stores.



In addition, Friland and the Danish Animal Welfare Society have scripted special texts to mark the anniversary, while a longer video has also been produced that pays homage to 30 years of constructive cooperation. Furthermore, numerous food demos and tastings with FRILANDSGRIS® have been organised in MENY's stores, and there is also still a lot of focus on certifying MENY's butchers under the FRILANDSGRIS® concept.

– Throughout the year, we've run several

FRILANDSGRIS® campaigns centred on its 30th anniversary. We've received fantastic support from our partners, who have helped to lift the marketing of FRILANDSGRIS® to another level, says Maria Bast, Marketing Manager.

Furthermore, Friland's cooperation with 7-Eleven on branding FRILANDSGRIS® in all the stores where FRILANDSGRIS® sausages are sold is still developing positively.



FRILAND KØDKVÆG discontinued

The FRILAND KØDKVÆG concept was discontinued at the end of 2021/early 2022, and a new concept has been developed – Friland Naturpleje – together with Danish Crown. The new concept builds on many of the elements of FRILAND KØDKVÆG. Together with colleagues at Danish Crown Beef, Friland is assisting with the development of the new concept, which is deemed to hold considerable potential. Among other things, the new concept has a strong focus on biodiversity and animal welfare, which is a perfect match for Friland's basic values and other concepts.



Centre for Free Range Livestock builds on strong projects

Several successful projects which the Centre for Free Range Livestock has worked on in 2022 will continue into 2023. The projects' focus is particularly on the use of grass as pig feed and on the effects of livestock grazing.

In 2022, the Centre for Free Range Livestock has worked on a number of projects involving both cattle and pigs. Several of these projects will continue in the coming year. Simme Eriksen, who heads the centre, is delighted. Among other things, he highlights the two projects focused on pig production – the production concept 'slaughter pigs in open pig buildings' and the project 'ENTRANCE' – which have already been kicked off and will be continued by the centre.

For the 'slaughter pigs in open pig buildings' project, the focus is on helping pig suppliers to optimise production on their farms.



– It's very much about helping farmers to do what they are already doing well even better. It might be feeding, ventilation or management, for example. Two very skilled suppliers are participating in the project, and we're expecting to roll it out to more suppliers in 2023. Within the next couple of years, we're hoping that the consultants can introduce it to even more farmers, says Lene Thomsen, project manager at the Centre for Free Range Livestock, who is responsible for the project.

The project 'ENTRANCE' is, among other things, looking at whether more clover grass can be used in the feed for pigs. The Centre for Free Range Livestock will therefore gather experience from Danish ecologists who are currently working on this, and is also hoping to learn from farmers in Sweden and other countries. – As I see it, it's a completely new approach. We need pig producers to learn how to use fresh grass as roughage, similar to what is being done with cattle, says Simme Eriksen.

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At the Centre for Free Range Livestock, we've always been committed to finding ways of looking after the climate, animal welfare, the environment and biodiversity.

— Simme Eriksen, Head of the Centre for Free Range Livestock

Over the past year, the Centre for Free Range Livestock has worked extensively with agroforestry, and looked at livestock feed, and not least at how cattle use the forest. This project will continue in the coming years.

– I'm convinced that shade will become a more important factor for tomorrow's agriculture. We're seeing more and more summers with both prolonged droughts and cloudbursts, and so we need shade and shelter for our livestock, which is why our experience from the agroforestry project is important, says Simme Eriksen. Biodiversity will also be prioritised by the centre with regard to cattle, as a nature conservation project will look at ways in which grazing livestock can support biodiversity and the natural environment.

– At the Centre for Free Range Livestock, we've always been committed to finding ways of looking after the climate, animal welfare, the environment and biodiversity. Now we're ready to take action, says Simme Eriksen.





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