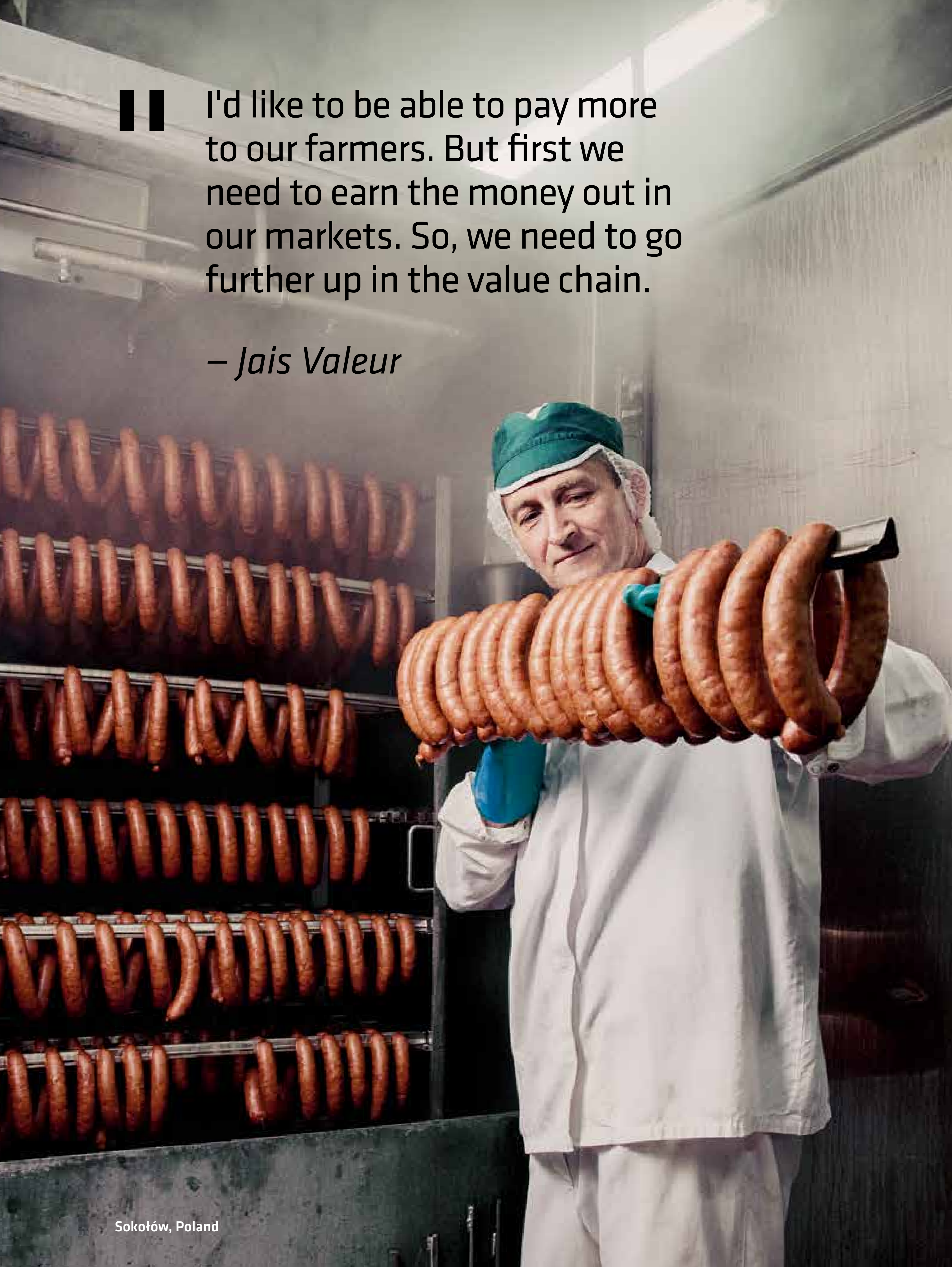
DANISH CROWN

It's all about food

Annual report 2015/16

> I'd like to be able to pay more to our farmers. But first we need to earn the money out in our markets. So, we need to go further up in the value chain.
>
> *– Jais Valeur*



Sokołów, Poland

Contents

Danish Crown
– this is how we create value

Danish Crown is an international meat-processing company with a leading market position in northern Europe and global sales. We are a cooperatively held company owned by 7,600 Danish pig and cattle suppliers, who also supply our raw materials.

By always listening to our customers and understanding their needs – and through organic growth, exports, mergers and acquisitions – we have, since the first cooperative slaughterhouse was established in 1887, achieved a unique position.

Danish Crown is a market leader in Denmark, Sweden, Poland and the UK, has significant exports to China and Japan – and has market access to a total of 136 countries.

Based on supplies of pork, veal and beef, 26,000 employees work every day to produce premium products and high-quality foods for consumers all over the world. Our focus is on processing and producing products which in every way meet the needs and wishes of consumers and of our business customers.

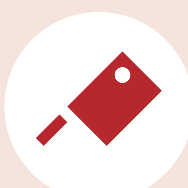
We are Europe's largest pork business, one of the world's largest pork exporters, Denmark's largest beef business, Europe's largest supplier of organic meat, Europe's largest meat-processing company and the leading global supplier of natural casings.

By constantly focusing on consumers and on what makes a good culinary experience, we create maximum value for our owners and our future. This is what we mean by "Dansk landbrug – kød i verdensklasse", meaning "Danish agriculture – world-class meat", as emblazoned on our transport vehicles. And that is why our international slogan reads "It's all about food".

Value chain

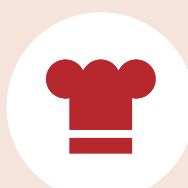
Farmer

The good quality of our products starts on the farm and at the slaughterhouse. Care and respect for the animals and nature are crucial for ensuring that we can produce high-quality products and create value for our customers and for consumers – and at the end of the day for our owners.



Slaughterhouse

We operate some of the world's most modern and technologically advanced slaughterhouses. The requirements regarding hygiene, animal welfare, quality, logistics and the working environment are high – and inspectors from the independent food authorities are looking over our shoulders all the time.

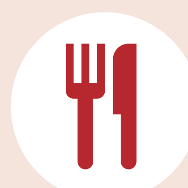


Food processing

Based on our raw materials, we create products of the same high quality as the ones prepared by consumers in their own kitchens. Our products are sold all over the world. To the finest gourmet restaurants and to supermarket cold counters. As fresh meat and processed meat. And as ingredients for the industry.

Sales

Danish Crown is keen to work in close partnership with the retail business and the foodservice sector, and often does so. Whether talking about fresh meat or processed products, about our own branded products or concepts produced as private-label products for specific customers, then cooperation, customer focus and innovation always come first.



Consumer

Our products are enjoyed and appreciated by consumers all over the world. It is food we produce, and food we sell to consumers worldwide. In supermarkets, in restaurants, at hotels, in canteens and at hot-dog stands, our products must stand out through their quality and value.

Business units

- **Danish Crown**
  - **Fresh Meat**
    - Pork
      - Pork B2B
      - B2C
        - Friland
      - Danish Crown Fleisch
      - KLS Ugglarps
    - Beef
      - Scan-Hide
  - **Ingredients**
    - DAT-Schaub
    - Ingredients
  - **Foods**
    - Tulip Ltd
    - Tulip Food Company
    - Sokołów
    - Plumrose USA
  - **Trading**
    - ESS-FOOD

Products

2015/16 in figures

Revenue in DKKbn

60

DKK

Share of revenue

Fresh Meat

54%

Foods

40%

6%

Ingredients

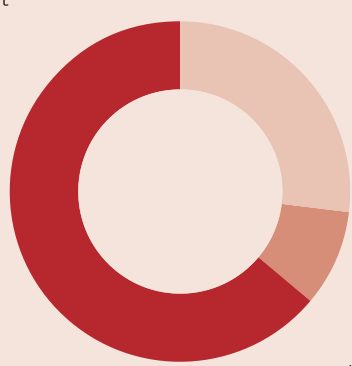
Share of EBIT

Fresh Meat

64%

Foods

27%



9%

Ingredients

Cooperative members

No. of cooperative members in the Danish Crown Group

7,605

Employees

No. of employees in the Danish Crown Group

25,977

Delivery: Pigs and sows

Pigs and sows per year in millions

22

Delivery: Cattle

Cattle per year in millions

0.7

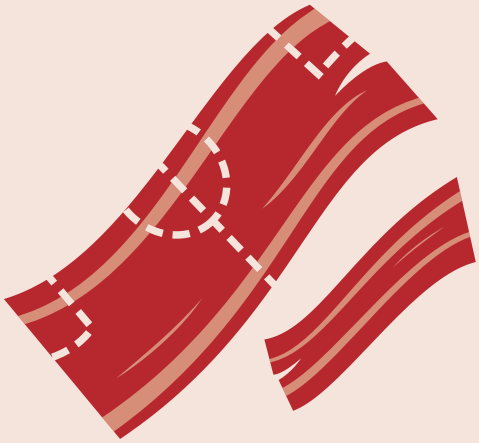
Processing

Processed products in thousands of tonnes

928

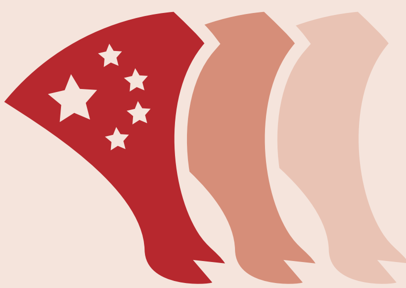
More than 900 million slices of bacon from Tulip Food Company

The many slices of bacon would cover a total area corresponding to **1,300 soccer fields**



75 million pig's trotters to China

That is more than twice as many as the **33 million pig's trotters** shipped to China in 2012



4,000 kilometres of Pork Meat Snack Sticks from Sokołów

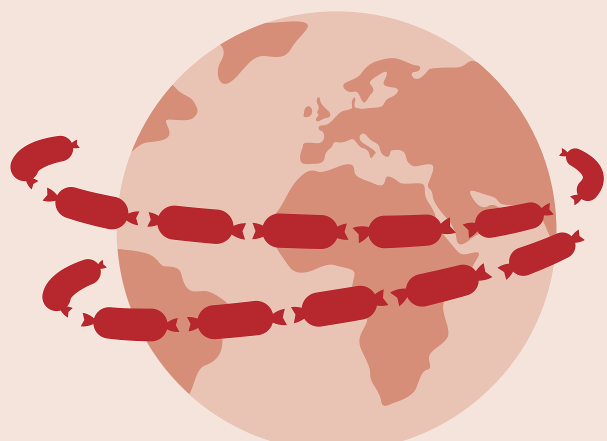
Laid out in a straight line, the snack sticks would cover the distance from Randers to Rome and back

10 million litres of Mou soup

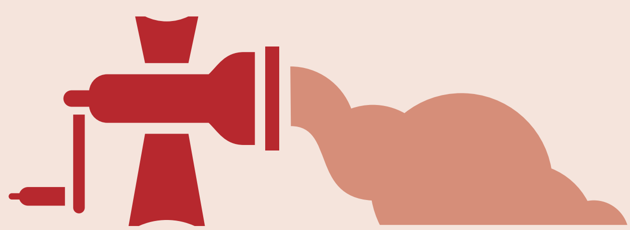
Enough soup to fill the Olympic swimming pool in Rio almost **three times**

1.4 million kilometres of hog casings produced by DAT-Schaub in a year

This is enough to reach around the globe at the Equator **35 times**



Minced beef corresponding to 150 million beefburgers



Group financial highlights

Revenue in DKKm

60,038

Total assets in DKKm

25,257

Financial gearing

2.9

Supplementary payments in Danish øre per kg

Pigs

+100

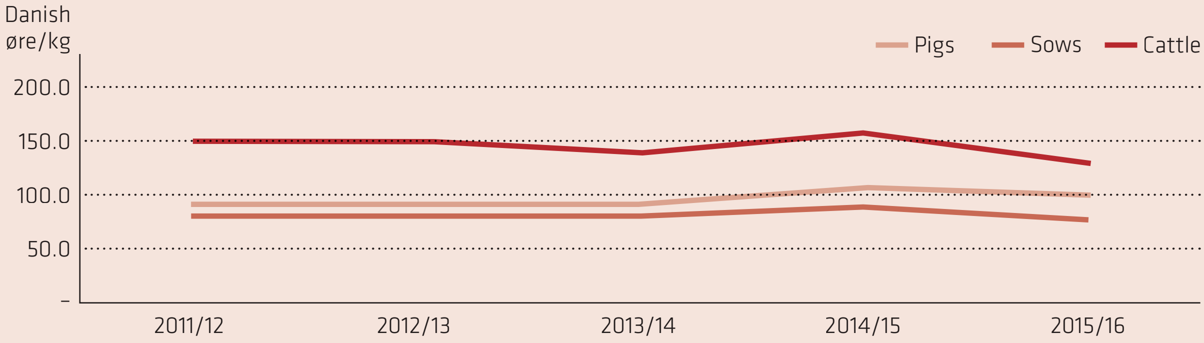
Sows

+80

Cattle

+130

Supplementary payments



DKKm	2011/12	2012/13	2013/14	2014/15	2015/16
Income statement					
Revenue	56,462	58,164	58,029	59,556	**60,038**
Operating profit before special items (EBIT)	2,270	2,098	2,178	2,471	**2,167**
Operating profit after special items	2,270	2,098	2,162	2,403	**2,068**
Net financials	-335	-334	-304	-269	**-234**
Net profit for the year	1,732	1,583	1,656	1,821	**1,639**
EBIT in %	4.0	3.6	3.8	4.1	**3.6**
Balance sheet					
Total assets	25,522	24,725	27,015	26,779	**25,257**
Investments in intangible assets	34	19	68	46	**69**
Investments in property, plant and equipment	1,323	1,536	1,282	1,448	**1,038**
Equity	5,797	5,962	6,423	7,172	**6,897**
Solvency ratio	22.7%	24.1%	23.8%	26.8%	**27.3%**
Net interest-bearing debt	12,480	11,948	13,138	12,039	**10,562**
Financial gearing	3.5	3.5	3.7	3.0	**2.9**
Interest cover	8.4	8.9	9.8	11.6	**12.4**
Cash flows from operating and investing activities					
Cash flows from operating and investing activities	1,240	2,117	329	2,908	**2,750**
No. of employees					
Average no. of full-time employees	24,066	23,034	23,764	25,873	**26,276**
Supplementary payments, DKK per kg					
Supplementary payments, pigs	0.90	0.90	0.90	1.05	**1.00**
Supplementary payments, sows	0.80	0.80	0.80	0.90	**0.80**
Supplementary payments, cattle	1.50	1.50	1.40	1.55	**1.30**
Supplies from members weighed in (million kg)					
Pigs	1,242.2	1,195.1	1,185.7	1,200.7	**1,155.4**
Sows	57.8	57.3	54.7	55.9	**50.9**
Cattle	73.0	71.9	76.8	73.6	**76.2**
No. of cooperative members					
No. of cooperative members	9,031	8,552	8,278	8,020	**7,605**

"It is clear that Danish Crown builds on a strong foundation and can be developed further in close interaction with our customers, a market-oriented management with an international outlook and our owners.

– Erik Bredholt

Chairman's report

The development and success of Danish Crown is closely linked to the situation faced by our 7,600 cooperative members in Denmark.

Our primary task is to pay competitive prices for the pigs and cattle supplied for slaughter by our cooperative members, while at the same time operating a business selling both fresh meat and processed products that is strong enough to trigger solid supplementary payments to our owners.

This is value creation in its purest form for the owners of a cooperative: competitive pig and cattle prices and satisfactory supplementary payments once the results for the year are known.

The general situation for Danish farmers is quite complex at the moment. Some are doing well, while others are struggling with large debts. Some farmers are forced to leave the profession, and most are continuously challenged by non-optimal framework conditions in the form of high taxes and strict environmental regulations.

Especially the slaughter pig producers are facing a major challenge: The livestock facility capacity in Denmark has been declining steadily since the financial crisis in 2008 as the financing of new livestock facilities and the refurbishment of existing buildings have become increasingly difficult. In these years, many old livestock buildings are taken out of operation, resulting in a significant decrease in pig production and ultimately creating major problems for the slaughterhouses.

Throughout the year, the Government of Denmark and the Danish Parliament have focused strongly on improving conditions for the Danish agricultural sector, for both slaughter pig and cattle farmers. There has been a large and politically broad understanding from the members of the Danish Parliament that a decreasing slaughter pig production is a major problem – not only for farmers and agricultural businesses, but for Denmark in general.

The problem has yet to be solved, but it is encouraging to see that grants running into triple-digit millions of Danish kroner are expected to be made available for new livestock facilities – and that applications for 500,000 new pigsties are currently being processed.

We need each and every one of these new livestock buildings. A massive demand for and massive imports of pork in China have driven European slaughter pig prices to levels which very few people would have thought possible at the beginning of the year.

With a strong demand for pork in the Asian markets in particular, we have been able to pay a price which, in the last few months of the year, has resulted in reasonable earnings for producers of slaughter pigs. The slaughter pig price in Denmark is still higher than the slaughter pig price in Germany, but slightly lower than last year due to the challenges faced by the group in the UK market. Supplementary payments for the year total DKK 1,196 million against DKK 1,311 million last year, corresponding to supplementary payments for pigs of DKK 1.00/kg, which is still DKK 0.11/kg higher than the German slaughter pig price.

The cattle suppliers have not experienced the same favourable market situation as the slaughter pig suppliers. The production of beef in Denmark is closely linked to the milk market, and the release of milk quotas earlier in the year resulted in a decrease in the number of cattle slaughterings while milk production increased. At the same time, the prices of beef and veal have been relatively stable during the year and have not been able to compensate for the milk producers' declining earnings following the decrease in milk prices.

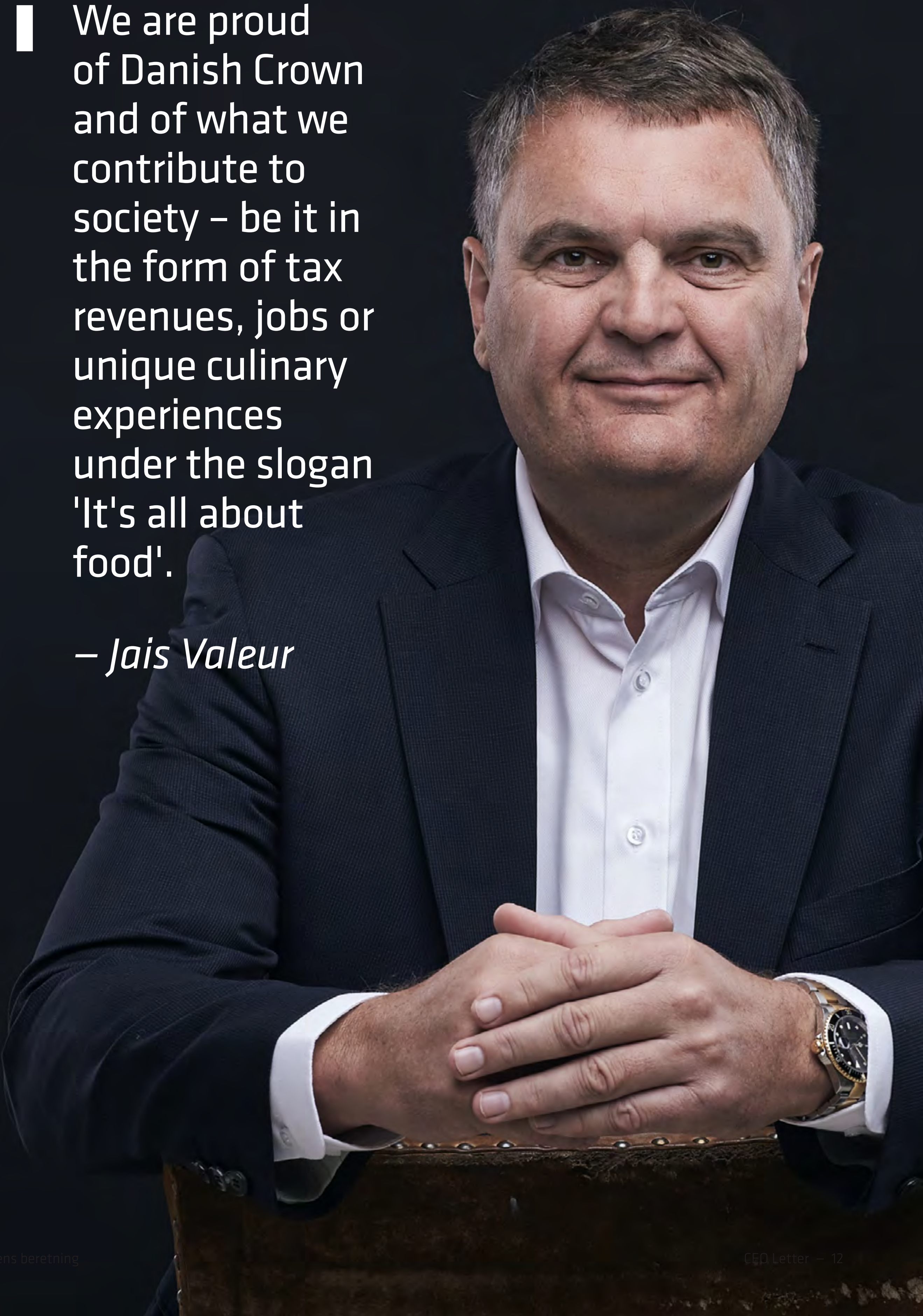
Supplementary payments for cattle will be significantly lower than last year. Supplementary payments for the year total DKK 99 million against DKK 114 million last year, corresponding to supplementary payments for cattle of DKK 1.30/kg. This is despite unchanged earnings in the Beef division. The explanation being that the cattle share of earnings from joint activities is lower than last year.

This year's strategy work, which is mentioned elsewhere in this annual report, has been encouraging, seen from the owners' perspective. The Board of Directors and the Board of Representatives have played a very active role in this work, thereby confirming the active ownership model that is characteristic of a cooperative. It is clear that Danish Crown builds on a strong foundation and can be developed further in close interaction with our customers, a market-oriented management with an international outlook and our owners.

Kind regards,

Erik Bredholt
Chairman, Danish Crown

> We are proud of Danish Crown and of what we contribute to society – be it in the form of tax revenues, jobs or unique culinary experiences under the slogan 'It's all about food'.
>
> *– Jais Valeur*



Group CEO's report

Whether seen from an internal or an external perspective, Danish Crown is a well-managed and well-invested business with a strong a commercial mindset.

We fully proved this in the course of the year. We quickly saw the new opportunities emerging in China, where the appetite for pork, especially more expensive and more processed products, is growing rapidly. This is a direct effect of the positive economic development taking place and the resulting increase in purchasing power.

At the same time, China's own production of pigs has been declining in the past year, leading to a significant increase in demand and imported products. For many pig-exporting countries, including Denmark, this has been a unique opportunity, which has helped push up prices and compensate for the loss of the Russian market, which was previously similarly important.

The process shows how important global trading and politics are for Danish Crown and our owners. As a company, we can suddenly lose important sales opportunities and earnings if political disputes, trade barriers or uncertainty about future trade agreements get in the way. Danish Crown has been well-positioned to make the most of the favourable market situation in Asia, particularly in China, not least thanks to our good relations and the organisation's strong ability to meet demand.

Also in Denmark, pork gained in popularity to play a new and strengthened role in gastronomy. More than ever before, trend-setting chefs and food experts are putting meat matured while hanging and special cuts on the menu, often with Danish Crown as the leading supplier.

As regards our cattle, we really succeeded in putting Danish Veal on the culinary agenda as a distinctive consumer product. Our slaughterhouse in Holsted, Denmark, is still Europe's most modern cattle slaughterhouse and helps ensuring our continued competitiveness and growth as a cattle slaughterhouse business in Denmark.

In a number of markets, Danish Crown has performed strongly in the field of processed products. Tulip Food Company performed particularly well in the export markets, and our Polish subsidiary Sokołów also had a good year based on the strong position of its brand in the domestic market.

In another of Danish Crown's main markets, the UK, development has been disappointing as communicated by the company more times during the year. More factors impacted our earnings in the UK negatively. Competition between the UK retail chains has been increasingly fierce, and a referendum on the UK's future relations with the EU led to a decision to leave the EU. However, it should be mentioned that the internal challenges facing Tulip Ltd in the form of decreasing productivity and poorer performance also contributed to the decrease in earnings.

Another challenge faced by the group's processing companies during the year was an increase in raw material prices which, in the slaughter pig area alone, totalled 20 per cent. This is beneficial to the company's owners and suppliers of animals as it entails a higher payment per kg to farmers. However, increasing raw material prices also pose a challenge as the processed products will be more expensive to produce, all other factors aside. Price increases on this scale cannot be passed through to consumer prices without impacting our sales negatively.

The year has been extremely busy for everyone in the company. A lot of hard work has been put in at all levels, both in the day-to-day operations and in formulating the new strategy, which is described in detail elsewhere in this annual report. We owe special thanks to our employees for their loyal efforts and always positive approach to the challenges.

After my first year as Group CEO of Danish Crown, I would like to thank our employees, customers and owners for a fantastic welcome, for our constructive cooperation and for an, at times, outspoken, but always rewarding debate on what is the right thing to do for our company.

We are proud of Danish Crown and of what we contribute to society – be it in the form of tax revenues, jobs or unique culinary experiences under the slogan 'It's all about food'.

Kind regards,

Jais Valeur
Group CEO

Danish Crown's new strategy for the period up to 2021 is called

4WD FORWARD

Short for "Four-Wheel-Drive". Lots of the vehicles which make things happen and which drive business forward in the countryside are indeed 4WD.

On his first working day after taking up the position of Danish Crown's new Group CEO, Jais Valeur announced a thorough work process to formulate a new strategy. What he envisaged was a strategy which would transform the company from a rear-wheel driven car maneuvering well and safely on well-trodden paths, into a four-wheel drive turbomachine, being all-terrain and capable of steering in any direction we want.

The strategy features several new elements:

- Danish Crown is to have a clearer market focus. The group will maintain its focus on northern Europe as its domestic market.
- The group will to a greater extent focus on and invest in China, where we plan to get closer to the Chinese consumers based on Danish raw materials.
- Also in Sweden and Poland, investments are planned to increase market shares, particularly in the field of processed foods.

- The keywords for the next five years are focus, value creation and growth. We believe that by having a sharp focus on consumers, on processing and on simplifying our complex organisation, we can create scope for growth and at the same time pay competitive prices to our owners and ensure competitive returns, predicts Jais Valeur.

The overall group strategy is based on detailed financial targets and action plans for the individual business units. All members of Danish Crown's global top management team have clearly defined areas of responsibility and targets which they must meet and which are used to measure their performance. This also applies to Jais Valeur.

- With this plan, by the end of the strategy period our owners will experience a not insignificant increase in settlement prices compared to our neighbouring countries. At the same time, value creation in the company will improve. It is important to strengthen our competitiveness to ensure our owners – and thereby to guarantee the future supply of slaughter animals. No doubts, these are ambitious targets. But in a 4WD, you can go wherever you want. It's simply a question of moving forward, says Jais Valeur.

The 4WD strategy consists of four key elements and makes it clear what Danish Crown is to be:

A leading player in northern Europe

A strong no. 1 and 2 in the domestic markets Denmark, Sweden, Poland and the UK.

A consumer-driven meat business

Strong consumer positions, more processing, more global actions within categories, a larger share of the foodservice market, more specialised production and stronger innovation and branding.

A value-creating partner for our customers

We will work closely with our customers to develop solutions that create closer partnerships and greater value in the value chain as a whole.

Act as one

Focused and simplified workflows, centralised group purchase, optimisation of production and central support functions are to strengthen the company's bottom line and thus help finance investments that can stabilise the declining slaughter pig production in Denmark.

People create value

Michael Nielsen, a farmer in Slangerup, Denmark, produces conventional Antonius pigs as well as organic pigs to Friland. In this way, he wants to meet the different needs of consumers while at the same time influencing developments within Danish slaughter pig production.

Sometimes it makes sense to bet on two horses. Or, in farmer Michael Nielsen's case, two pigs. The 52 years old pig producer at the farm Tilsbæk near Slangerup is convinced that he is doing exactly the right thing by supplementing his conventional rearing of Antonius welfare pigs with organic pigs, outdoor breed.

- We started producing the organic pigs in June this year, and expect to be able to deliver the first animals to Friland in January. In my opinion, the future lies in organics, and as it is my ambition to help set the agenda for Danish slaughter pig production, going into organic farming is an obvious step for me. At the same time, we must respond to those consumers, who – with the growing focus on animal welfare – still want meat from conventional pigs. Consequently, I will continue to produce Antonius pigs, says Michael Nielsen.

Standing in the field of his rented farm three kilometres outside Tilsbæk, watching his organic pigs rooting around in the soil in the late summer sun, he can see both advantages and disadvantages of conventional and organic production.

Facts

Wide range – Danish Crown's suppliers base their production on a wide range of different concepts and brands

Cattle

- Danish Veal
- Danish Cattle
- Young bulls under two years
- Heifers, bullocks and cows
- Friland Limosine
- Friland Beef
- Organic cattle

Pigs

- Antonius
- Bornholmergrisen (pigs reared on the Danish isle Bornholm)
- UK pigs
- ABF pigs (rearing without use of antibiotics)
- Free Range Pigs
- Organic pigs
- Pigs living in the forest
- Field pigs Pigs living outdoors all year around
- Entire males
- All-in/all-out with advice
- EU heavy weight pigs

- We tend to assign many human qualities to pigs. From this point of view, organic pigs living outdoors would seem to have a wonderful life. However, mortality is higher among organic weaners than conventional weaners, whose life in the pig buildings can be optimised through ventilation and special feed mixes, explains Michael Nielsen.

Commenting on the lower feed consumption of conventional pigs, he also notices that it is easier to exploit the manure from these animals compared to the manure from organic pigs living outdoors.

- In the pig buildings, we can collect the manure and spread it exactly when and where the crops need it and when they can fully absorb it, says Michael Nielsen.

He is one of two cooperative members who supply both conventional and organic animals to Danish Crown.

Strength through diversity

The Danish Crown Group receives slaughter pigs and cattle produced according to a wide range of different concepts.

According to Vagner Bøge, Vice President, Coop. Supply, this diversity is Danish Crown's strength.

- Value creation starts with the individual cooperative members, who are free to choose what sort of production they want, and who each play an important role to Danish Crown. No matter which kinds of animal they supply, states Vagner Bøge.

Back at Tilsbæk, Michael Nielsen agrees. Consumers' demand for more animal welfare – including loose housing systems in the pig buildings – will increase.

- Skilled as they are, Danish farmers should turn this to their advantage by producing high-quality slaughter pigs, says Michael Nielsen.

Michael Nielsen is convinced that he is spot on by supplementing his conventional rearing of Antonius pigs with organic pigs, which he will start supplying to Friland in January

Financial review

Results for 2015/16
For the first time, group revenue reached DKK 60 billion. Particularly in the second half, selling prices for the group's main products showed an upward trend, while a decrease in foreign exchange rates, primarily GBP and PLN, offset the price increases. The group's revenue increased heavily in China, Japan and Sweden, while it decreased in the UK.

The gross margin ratio level was maintained despite strong competition, particularly in the group's retail markets. This is partly due to a constant focus on production optimisation with a view to reducing the site cost levels. Developments varied between the markets. While developments in Germany, the US and, to some extent, Denmark were positive, developments in the UK showed a negative trend.

Increased sales to China and Japan, among others, led to a slight increase in distribution costs. Administrative expenses increased, partly due to increased actions within business development and IT use.

Group earnings were challenged in the UK market, and plans have been initiated to restore the earnings level. In this connection, impairment of approx. DKK 100 million has been made in respect of assets no longer in operation. The impairment has been expensed under special items.

The acquisition of the remaining shares in SPF Danmark A/S as at 17 June 2016 resulted in a decrease in the results for associates due to the consolidation of the company as of this date.

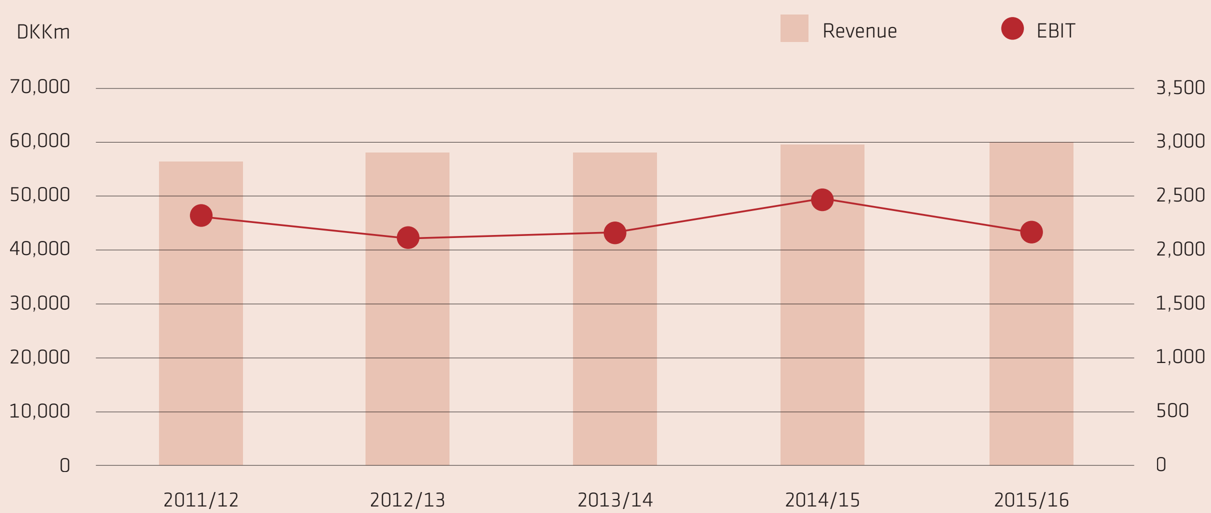
Again in 2015/16, net finance costs were reduced as a consequence of a reduction in the group's net interest-bearing debt as well as lower interest rates.

Tax on profit for the year (measured in per cent) decreased, partly as a result of the reduction of the UK tax rate leading to an adjustment of deferred tax of DKK 36 million, and partly as a result of the utilisation of tax assets not previously capitalised.

Net profit for the year totalled DKK 1.6 billion, which is deemed to be satisfactory, particularly in light of the group's challenges in the UK market. This is a true testament to the strength of the group and its broad range of activities as lower earnings in the UK were offset by increased earnings in other markets.

Assets
The balance sheet total was reduced by DKK 1.5 billion, of which DKK 0.6 billion relates to decreases in the GBP, PLN and SEK exchange rates.

REVENUE AND EBIT



Net investments for the year were DKK 0.5 billion lower than depreciation and amortisation for the year.

More than half of the year's investments concerned streamlining of the group's processing facilities. In Fresh Meat, approximately two thirds of the investments were made in the Danish slaughterhouses, while the rest related to the slaughterhouses in Germany and Sweden.

The group has again this year reduced its net working capital – over and above what can be explained by a decrease in foreign exchange rates. This is first and foremost a result of a reduction of the group's inventories during the year, particularly the inventories of Danish pork and the inventories of hog and lamb casings.

Reducing the group's net working capital will continue to be a focus area in 2016/17.

Equity

The group's equity totalled DKK 6.9 billion at the end of 2015/16. At the end of the year, equity was negatively impacted by foreign currency translation adjustments of approx. DKK 294 million and negatively impacted by an increase in pension obligations (after tax) in the UK of DKK 216 million.

At the end of 2015/16, the solvency ratio amounted to 27.3 per cent against 26.8 per cent last year. The increase is attributable to the declining balance sheet total.

Liabilities

The group's net interest-bearing debt decreased by DKK 1.5 billion during 2015/16 and now amounts to DKK 11 billion. DKK 0.3 billion is attributable to a decrease in foreign exchange rates, while the rest of the improvement is a genuine reduction.

The group target to reduce the financial gearing to less than 3.0 was reached during the year, with the gearing amounting to 2.9 at the end of the year.

The group's financing structure is mainly based on credits with a maturity of more than one year. Consequently, 88 per cent of the interest-bearing debt is long-term debt, which is on par with last year. The share of interest-bearing debt due after more than five years from the balance sheet date now amounts to 56 per cent against 34 per cent last year.

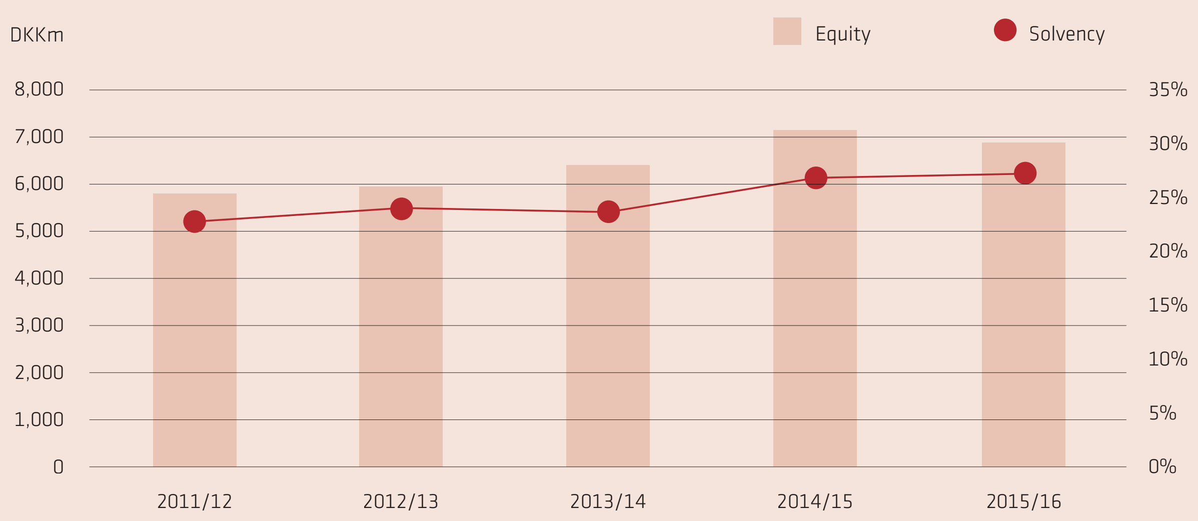
Fixed-rate loans account for approx. 30 per cent of total loans, which is unchanged compared to the end of 2014/15.

A change in the market rate of 1 percentage point is estimated to impact the total annual finance costs with DKK 77 million, all other factors aside.

Cash flow statement

Cash flows for the year were positively impacted by the good results as well as the actions to reduce net working capital. In addition, investments made in the year were lower than depreciation and amortisation for the year.

EQUITY AND SOLVENCY



A broadly based and international business

The group's main business areas are:

- Fresh Meat, comprising Pork and Beef
- Foods, comprising the group's four processing companies
- Ingredients, comprising primarily DAT-Schaub
- Other companies, comprising ESS-FOOD, SPF-Danmark and a number of associates

Fresh Meat

The main companies in Fresh Meat are
- Pork B2B
- Pork B2C (Friland)
- KLS Ugglarps
- Danish Crown Fleisch
- Beef
- Scan-Hide

Within both pork and beef, Danish Crown enjoys broadly based market access with domestic markets and strong sales in northern Europe as well as a strong position in third countries – especially in Asia, which benefited the company in 2015/16 as the European markets – in the first half in particular – were characterised by excess supply and consequently low prices.

Prices of beef and veal have been under pressure from an increasing supply in the EU compared with the year before. However, a growing demand for Danish beef – and Danish organic beef in particular – has contributed to mitigating the decline in prices. Innovation with increased processing targeted at consumers – both in the retail and foodservice sectors – have contributed to growing sales of beef. Successes with high-quality products for restaurants are being combined with new products like chilli con carne for the street food market, which is expected to grow in the coming years.

The German market, where Danish Crown sells about 20 per cent of its beef products, has been volatile, while the markets in southern Europe continue to be characterised by financial crises and low levels of demand. Furthermore, in these markets Poland has captured significant market shares in the period following the financial crisis. Increased sales in the growing markets in Asia, the Middle East and Africa have compensated for the weaker market for Danish beef. In addition, increased possibilities for processing and sales of by-products have created new market opportunities.

A continuing excess supply of pork in Europe, but also in the world market, has led to a decrease in prices – especially in the first half year. As a result, in January 2016, the EU introduced private storage aid for pork. Danish Crown made only limited use of the scheme and therefore benefitted from the positive sentiment in the market in the pre-summer period. At the same time, Danish Crown's broad market access opened up good alternative sales potentials compared with other northern European slaughterhouses.

2015/16 brought drastic changes to the market situation in China, accounting for 50 per cent of the world's consumption of pork and for 50 per cent of the world's pig production. A decline in the Chinese domestic production combined with a significant increase in demand over the winter and spring of 2016 resulted in attractive sales opportunities – not only for the products traditionally sold to China (trotters, heads and hog stomachs), but also slightly more expensive cuts like hams, necks, shoulders, foreends and belly roasts. The significant changes in exports to China together with a satisfactory barbecue season in Europe meant that demand increased more than supply, resulting in a better balance between supply and demand. This led to price increases – also in Europe.

Despite a slow-down in demand towards the end of the year, the Chinese market is still the group's largest single market volume-wise and is expected to hold further growth potential. Danish Crown is well known in China for the quality and safety of its products.

Competition remains fierce in the Danish retail market, and considerable efforts have been made to pass the increasing raw material prices seen in the last half of the year on to consumer prices. Ongoing product and concept development is being undertaken with a view to increasing sales based on the needs of individual retail chains and consumers.

Famous chefs and the restaurant sector as a whole are increasingly discovering the many and versatile ways of using pork. Together with the focused efforts of the group, this is increasing consumer awareness of the products. This applies not least to special products such as Free Range Pigs, organic pigs and Duroc pigs. The demand for organic products is outstripping supply, resulting in higher prices. This is expected to lead to more farmers seeing the advantage of converting their farms to organic production.

In the Swedish market, the acquisition of Dalsjöfors has strengthened the group's market position, while at the same time paving the way for a number of synergies that will strengthen the competitiveness of KLS Ugglarps. Also in the Swedish market, the group is becoming increasingly focused on more highly processed and consumer-oriented products. It is positive also that sales of Danish pork to the Swedish retail market are growing again.

In 2015/16, Fresh Meat slaughtered 17.8 million slaughter pigs and 0.5 million cattle at the group's facilities in Denmark, Germany and Sweden. Pig slaughterings are on par with last year, while the number of cattle slaughtered increased by 14 per cent.

The increase in cattle slaughterings is distributed between all of Beef's plant. In Sweden, the acquisition of Dalsjöfors is also contributing growth.

In relation to pig slaughterings, the acquisition of Dalsjöfors has meant that KLS Ugglarps is now the market leader in the Swedish market. A strong position, which is expected to improve the company's competitiveness in the market. In the German market, Danish Crown Fleisch increased slaughterings to benefit from the favourable market situation in China through increased sales. However, the supply of slaughter pigs to Pork is still primarily based on the slaughtering of Danish animals in Denmark. A total of 13.9 million pigs were slaughtered in Denmark in 2015/16, corresponding to 75 per cent of the Danish supply of slaughter pigs.

Also in 2015/16, Denmark experienced a significant increase in exports of weaners, and consequently a decline in the supply of slaughter pigs. This development is expected to continue into 2016/17. Targeted efforts are therefore needed to improve conditions for slaughter pig producers in Denmark.

Fresh Meat is consistently focusing on a number of initiatives aimed at strengthening the profitability of slaughter pig production in Denmark, with the aim of increasing supplies to Danish slaughterhouses. One example is the advisory services offered by our Coop. Supply, the purpose of which is to help the group's Danish suppliers identify the potential for operational improvements in pig production.

In Denmark, both slaughter pig and cattle suppliers are continuously being motivated to maintain or increase their production of slaughter animals for the benefit of both the company and the individual cooperative members. For both slaughter pig and cattle suppliers, different contribution options for financing of new establishments and new buildings exist; also, slaughter pig suppliers have the option of obtaining a seven-year contribution margin guarantee in connection with the building of new livestock facilities.

All slaughterhouses are strongly focused on production optimisation, and across the various facilities and countries, efforts are being made to create strong and efficient production units.

Since the takeover of Dalsjöfors, the transfer and optimisation of production between the Swedish facilities has required considerable work.

In Denmark, all deliveries to the Danish retail market are now made from the fresh meat terminal in Kolding, while the declining supply of slaughter pigs has led to capacity reductions at the group's other Danish facilities.

Fresh Meat *(continued)*

The transfer of all Danish cattle slaughterings to the two sites in Holsted and Aalborg has resulted in efficiency increases and strengthened competitiveness.

Following an expansion of the cold store capacity at the German cattle slaughterhouse, it has been possible to increase deboning activities and at the same time mature a greater proportion of the meat, thus increasing the addition of value.

FRESH MEAT	2015/16	2014/15
Sales, '000 tonnes	**2,252**	2,196
Revenue, DKKm	**32,183**	30,724
Operating profit before special items (EBIT), DKKm	**1,427**	1,204
Operating profit before special items (EBIT), %	**4.4**	3.9

Foods

The division consists of four companies:
- Tulip Ltd (UK)
- Tulip Food Company (Denmark)
- Sokołów (Poland)
- Plumrose (US)

Foods is Europe's leading supplier of processed meat products. The division offers a very broad product range comprising cold cuts, bacon, sausages, meal components (e.g. meatballs and slow-cooked products), soups, salami, snacks and canned products, among other things.

The primary markets are the UK, Poland, Denmark, the US, Sweden and Germany, but products are sold in more than 100 countries. The four companies operate in different markets and, in 2015/16, they experienced very different market conditions. Total sales have increased compared to last year, while earnings have decreased, primarily due to the challenges in the UK market.

Tulip Food Company's sales of canned products to a number of international markets have seen satisfactory growth and a significant improvement in earnings. The same applies to sales of bacon to a number of European markets. For both categories, sales of Tulip-branded products are up, further contributing to good earnings.

In both the Danish and the German markets – which are the largest markets for Tulip's retail business – competition has been fierce and characterised by price pressure. Tulip Food Company has, through focused efforts, succeeded in maintaining both volumes and earnings in these markets. The increasing raw material prices seen in the last few months of 2015/16 are being passed on to the market. Passing on the price increases will continue in 2016/17, even though fierce competition is presenting challenges.

In the Polish market, Sokołów is again posting strong sales and earnings. Sokołów-branded products account for 40 per cent of the Polish company's sales. The brand and the Polish market are both important for the group, and deemed to hold considerable potential for further growth. During the year, Sokołów has run an extraordinary marketing campaign aimed at growing sales of its products and softening the fierce price competition which characterises the Polish market. The price competition is driven by the discount chains, and makes it particularly difficult for small retail chains and local shops to operate a profitable business. The discount chains are increasingly mounting the pressure on suppliers to cut prices. This has further hindered the efforts to pass on the increases in raw material prices, which are also evident for Polish raw materials, to the market.

In the UK market, the retail chains have faced extremely fierce competition from the discount chains, which are seeing strong growth. This has resulted in strong pressure on suppliers to cut their prices, including Tulip Ltd, and thereby a large need for fast and substantial efficiency improvements in production so as to be able to lower prices. At the same time, increases in raw material prices in the UK over the summer put further pressure on earnings for food producers.

A turnaround of the UK company has been initiated under a new management. The focus will be on restoring customer confidence in Tulip Ltd, on optimising and increasing efficiency at the production facilities and on tailoring the company's product portfolio to the market conditions and consumers. As a historically strong local business, Tulip Ltd has a solid foundation on which to build. At the same time, the group's many strong competencies and substantial knowledge base – especially as regards production and products – can contribute to restoring earnings in the UK company.

In June, a referendum was held on the UK's continued membership of the EU, the so-called Brexit vote. As a result of the vote, the UK will be leaving the EU within the next few years. The decision to leave the EU has given rise to economic uncertainty in the UK, which is expected to persist until the final model for the British exit from the EU has been negotiated. For Danish Crown, the UK is a large and important market, but thanks to the healthy balance between locally produced and imported products, Danish Crown is able to await developments in the near term before making any decisions about the future. The UK is thus expected to continue being a significant market for the Danish Crown Group.

In the US market, raw material prices have stabilised after a couple of years characterised by considerable fluctuations, among other things as a result of the PED virus. However, the US retail market is also characterised by price competition. As a minor market player, Plumrose has managed to maintain the status quo, while at the same time working to develop its cooperation with some of the customers experiencing growth in the US market.

In all markets, growth is being seen for products in the 'street food', 'food to go' and 'out of home' categories. Food products that are easy to prepare in small restaurant kitchens and on street food stalls, or which require no preparation at all so they can just be wrapped and eaten by consumers on-the-go. Foods enjoys a strong position in these categories and expects to see further growth in sales of these products. The need for fast innovation and a fast go-to-market strategy is particularly pressing in these categories. Foods has been focusing on both elements for many years, and a strong culture for this has thus been developed.

Salami snacks are an example of a successful new product type. The product was originally developed for the Polish market, but has subsequently been adapted to other European markets, where it has been launched successfully. More and more variants of snacks are being launched in the Polish market. Different variants of chilli sausages have also been a great success in the Danish market. In the Swedish market, a Taco set has been introduced, where the meat is sold together with tortillas and salsa.

In other market segments, Foods' innovation is also being driven by consumer insights and customer needs. This applies, for example, to the convenience/slow-cooked product categories, where consumers can save time in the kitchen without compromising on quality or taste. Foods has also seen a continued demand for products that live up to health and nutritional requirements (e.g. reduced salt and fat content). In 2016, meatballs with 30 per cent vegetables and bacon with 75 per cent less fat were thus launched as well as nitrite-free bacon.

Moreover, Foods is meeting the ever-increasing demand for efficiency improvements in production, both through optimisations of its day-to-day operations, but also by investing in new and more efficient production facilities. Furthermore, investments are continuously being made to meet the ever stricter product quality and food safety requirements.

FOODS	**2015/16**	**2014/15**
Sales, '000 tonnes	**928**	940
Revenue, DKKm	**23,672**	24,949
Operating profit before special items (EBIT), DKKm	**598**	1,051
Operating profit before special items (EBIT), %	**2.5**	4.2

Ingredients

The division consists of:
- DAT-Schaub
- Ingredients

DAT-Schaub
The market for hog casings and hog stomachs grew in 2015/16, in terms of revenue as well as earnings. Large volumes of hog stomachs have been sold at attractive prices, especially in the Chinese market.

DAT-Schaub enjoys a strong market position as a supplier of hog casings, but some of DAT-Schaub's hog casings business is based on Danish pigs, which means that the declining production of slaughter pigs in Denmark is expected to present a challenge in the near term, assuming the trend continues. Moreover, in 2015/16 Danish Crown took over Tican's ownership stake in DAT-Schaub. As a result, Tican and DAT-Schaub terminated their cooperation in the Danish raw materials market. DAT-Schaub is seeking to make up for this decrease by focusing on growth in other markets.

The biggest challenges in 2015/16 were, however, encountered in the market for lamb casings; here, the prices in the world market were low and falling throughout the year, which led to fierce competition.

Thus, it has been difficult to generate satisfactory earnings from products where there is a natural delay between sourcing and selling. Lamb casings are supplied from New Zealand in the spring, but due to the processing time cannot be ready for selling in the same season as sales start in April/May. This development has, in particular, impacted earnings in DAT-Schaub's American company DCW Casing, which has a high share of sales in the lamb casings market.

Earnings for the year are thus negatively impacted both by weak earnings from products sold and by the write-down of lamb casings inventories.

The market for artificial casings is growing, and is expected to continue to grow in the coming years. DAT-Schaub has realised satisfactory growth in sales in the French and Polish markets. In France, solid growth was also realised in sales of blends from DAT-Schaub's facilities in northern France.

Ingredients
In 2015/16, Ingredients focused on developing and selling new and existing products based on by-products from Pork, Beef and DAT-Schaub. For the existing products, efforts are being devoted to finding new customers and to optimising earnings for the companies. The development of new products with a view to improving by-product use takes time, and new products cannot be expected to generate positive earnings from day one. The company is expected to start up production of protein hydrolysates for various feed and food applications in 2016/17.

INGREDIENTS	**2015/16**	**2014/15**
Sales, '000 tonnes	**323**	295
Revenue, DKKm	**3,824**	3,704
Operating profit before special items (EBIT), DKKm	**212**	261
Operating profit before special items (EBIT), %	**5.6**	7.0

Our employees – our most important asset

The group's most important asset is its 26,000 employees, who individually and collectively contribute to creating value in the group.

The group devotes considerable efforts to ensuring the professional and personal development of its employees – both to enable them to respond to the ever-increasing calls in the market for development of the group's products and processes, and to ensure that they retain their motivation and dedication as employees in the group. This increases both the market value of the individual employee, and the market value of the group as a whole.

In the past year, an international HR director, Andreas Friis, has been appointed to be in charge of group-wide and global employee development. In addition to getting to know the group and its employees, since taking up his new position Andreas has been working with the rest of the organisation to outline the group's HR strategy for the next five years. Increased globalisation and an increased focus on cooperation across the group will be key elements of the strategy, together with a strong focus on attracting and developing talent.

Food businesses traditionally have a majority of male employees. This is also true of the Danish Crown Group. This means that special measures are needed to increase the share of women in management. As part of the strategy plan, Danish Crown will therefore prepare new objectives and action plans in support of the efforts to increase the share of women at management levels below the Board of Directors.


Tulip Ltd, UK

DAT-Schaub, China

Danish Crown is an international workplace with employees in many countries and with many different nationalities working at the various sites. Over the years, the production units have been particularly successful at building highly efficient workplaces based on cooperation between different nationalities and between employees speaking different languages. For example, in 2015/16 the Danish slaughterhouses took in 80 refugees, either as trainees or in actual jobs.

Communication across cultures and languages requires continuous and special efforts on the part of both managers and employees. This was evident during a labour conflict at the Danish slaughterhouse in Horsens in May 2016. The conflict lasted for more than a week, primarily because the management and the employee representatives were unable to identify and address the root causes of the conflict. The parties agree that there are lessons to be learnt from this conflict.

The group has for several years been committed to improving the dialogue with the employees based, among other things, on the CHECK survey which measures employee satisfaction in the group. The survey is used as a management tool to ensure that all employees have a good and stimulating job and thrive at work. Originally, the survey covered only salaried employees, but it has now been extended to also include the group's hourly paid employees – initially only at its Danish production facilities. This year, the CHECK survey has been extended to include the salaried employees at the group's Polish company. Over the next few years, the survey is expected to be extended to cover all the group's employees.

There is no doubt that the group's employees are of key importance to the company's ability to create added value for the owners. The group will therefore continue to focus strongly on developing its employees – not only as individuals, but especially when it comes to their interpersonal skills and the potential for cooperation across business units and countries – with a view to creating added value for the owners.

Ownership

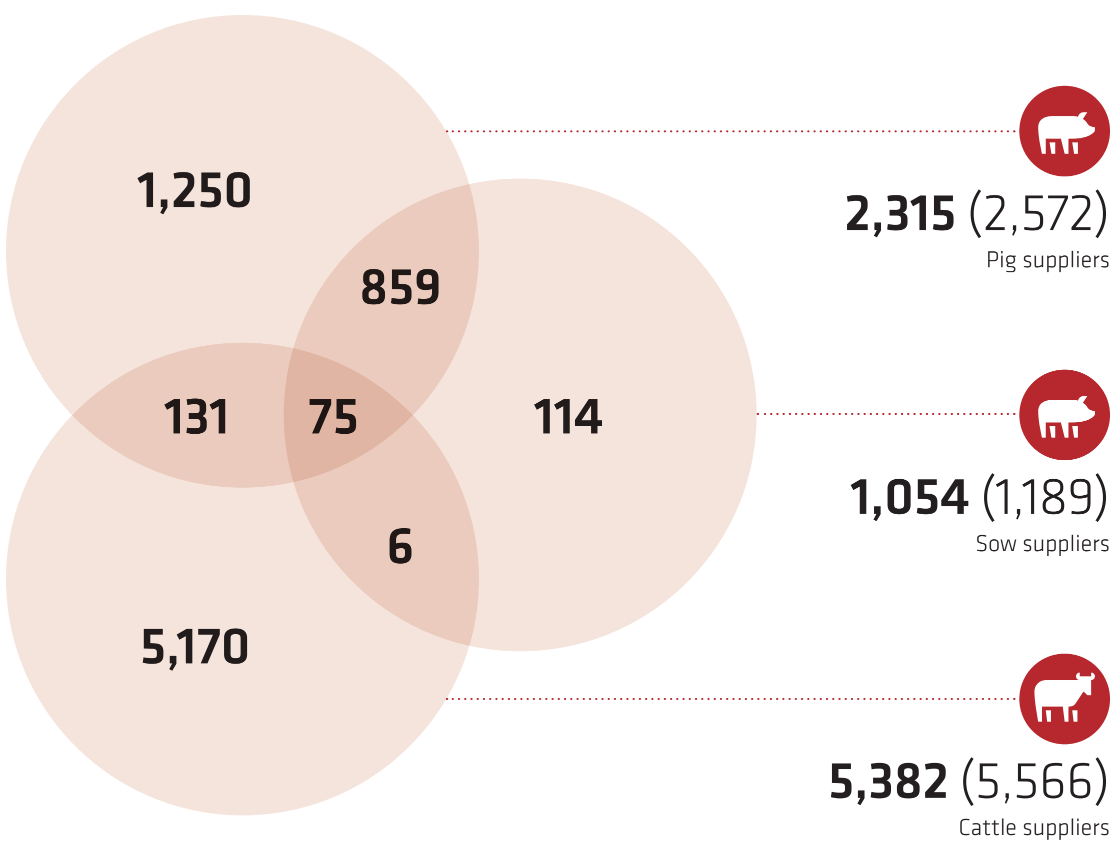
The Danish Crown Group is owned by Danish pig and cattle suppliers, who are cooperative members of Leverandørselskabet Danish Crown AmbA.

The structural development in Danish pig and cattle production is still towards increasingly larger farms, and this has reduced the number of cooperative members in recent years. In addition, decreasing milk prices have resulted in the discontinuation of production by large numbers of cooperative members supplying cattle. Moreover, increased exports of weaners are leading to the closure of pig farms in Denmark.

In 2015/16, the number of cooperative members decreased from 8,020 at the end of 2014/15 to 7,605 at the end of 2015/16. There has been a decreasing trend for a number of years, but relatively speaking this year's decrease is the largest seen so far. This development is expected to continue unless extraordinary measures are employed to improve the framework conditions for Danish farmers, allowing the production of slaughter animals in Denmark to take place on conditions comparable to those applying in our neighbouring countries, in particular in Germany and Poland.

Distribution of cooperative members 2015/16 (2014/15)

7,605 (8,020)
Cooperative members



Food processing creates value

For Tulip Food Company, innovation and development are crucial to winning and maintaining market shares.

Tomorrow's recipes are developed in Vejle, Denmark. It is cuddled in a small pocket behind the Tulip facility from where canned meat is shipped to more than 100 markets worldwide. The place is called the Inventorium – taste the sensation. Invent something – that is exactly what the team does. They invent, innovate, taste and adjust. New variants, new directions and new processed meat products that will help us realise our ambition of making life easier for consumers – thereby creating value through food processing.

This is where our successful pulled pork product was developed, and many other products have followed. For example the GØL Cheddar & Chili frankfurters, which were named product-of-the-year by the magazine for the Danish retail business. Or the coming product Tulip Natural Bacon, with no added nitrites or E numbers. And Tulip Spread, which is a new range of spreadable meats.

New market shares

However, this is also where new versions of Tulip's good old meatballs are born, and where the latest Tulip meatball was refined and perfected not that long ago. A meatball which has been developed on the basis of deep insights into today's consumer trends and launched to win new market shares – a meatball which, paradoxically, contains 30 per cent vegetables.

- In our busy daily lives, there isn't much time to be creative in the kitchen, and that is basically what we are trying to do something about at the Inventorium. We have sold millions and millions of the classic Tulip meatballs for a number of years now, and we are constantly adapting new products to both markets and consumers. For example, we have developed 'Friland' meatballs, organic meatballs for the Swedish market and köfte made from beef. We are now launching a new variant made with a 30 per cent mix of very finely chopped and barely visible parsnip, cauliflower and onion. We are seeing a growing trend for healthier products, and Danish households are increasingly introducing meat-free days – opting for a so-called flexitarian lifestyle. This is a trend we must take seriously, and it was against this background that we developed the new meatball with vegetables, and which we have high hopes for, says Lisbeth Bisgaard Thomsen, Senior Manager at Tulip Food Company's Inventorium.

New favourites

Tulip's innovation activities are all about creating new products, but also about renewing existing products to spark consumer interest. A task, which can be just as difficult.

At the Inventorium, where the recipes are refined and tested before being scaled up and put into production at the facilities, only skilled butchers and chefs are allowed to stir the pots. Everyone does what they can to create value through food processing.

- We are constantly trying to help make life a little bit easier for consumers, which is why we spend our days putting ourselves in our consumers' shoes and concocting new dishes. We are passionate about what we do and proud of it, and we go to great lengths to ensure that the very first meatball, salami or bacon slice is perfect. We strive to make it just as good as if it was homemade – because in fact it is. We just have a bigger kitchen, says Lisbeth Bisgaard Thomsen with a smile.

Peter Johansen is product developer in Tulip Food Company – and the man behind the recipe of the new meatballs with 30 per cent vegetables

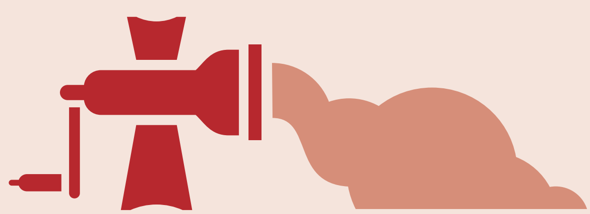
What is food processing?

In the Danish Crown Group, we slaughter, cut and pack tonnes of meat every day. However, food processing accounts for an ever-growing part of our activities – but what does this actually mean?

It depends which company is responsible for processing the pork or beef into more or less ready-to-eat products. Traditionally, we process fresh meat by frying, boiling, smoking or in some other way preparing it before using it for e.g. barbecue sausages, liver pâté, sliced roastbeef and other cold cuts.

However, due to consumers' ever-growing appetite for convenience foods which allow us to quickly put food on the table for our families, despite our extremely busy daily lives, the concept can be said to be evolving. Pre-shaped beefburgers and diced pork for an easy wok dish mean that consumers only have to spend a short time in the kitchen, and this is a sign that the meat has moved a step up the value chain and can thus be sold at a higher price.

Bonus info
The traditional perception for processing is seen from the fact that a sausage maker is also referred to as a meat processor.



Corporate responsibility

The Danish Crown Group is a global meat-processing company and among the largest in its field. As such we recognise the impact of our global activities – on the animals in our care, on our own workforce, on the environment and on the communities in which we operate, and we recognise our responsibility for seeking to make that impact positive.

One of the ways we do this is through our Code of Conduct, a set of clear, simple principles that guide our day-to-day actions as we strive to improve and build a sustainable business and to take it into the future – we call this 'Growing Responsibly'.

Danish Crown's Code of Conduct must ensure that the company lives up to internationally recognised principles for corporate social responsibility (CSR).

Danish Crown joined the UN Global Compact in 2011, and our CSR Code of Conduct is therefore inclusive of the ten principles of the UN Global Compact in the areas of human rights, labour, the environment and anti-corruption. Our Code of Conduct serves as an important tool for integrating these principles into our daily working routines across the group companies.

Ten principles of the UN Global Compact

Human rights

1. The business should support and respect the protection of internationally proclaimed human rights.

2. The business should make sure that it is not complicit in human rights abuses.

Labour

3. The business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. The business should support the elimination of all forms of forced and compulsory labour.

5. The business should support the effective abolition of child labour.

6. The business should support the elimination of discrimination in respect of employment and occupation.

Environment

7. The business should support a precautionary approach to environmental challenges.

8. The business should undertake initiatives to promote greater environmental responsibility.

9. The business should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. The business should work against corruption in all its forms, including extortion and bribery.

How CSR relates to our business

Business strategy
In our global organisation, CSR is part of our business strategy, overseen by the Group Executive Board, and is the designated responsibility of management throughout our business operations. This year, we have improved our management of the CSR process by reviewing our ambitions and defining the principles set out in our Code of Conduct, based around six overarching themes as seen below.

An inclusive target-setting model
We have decided to move away from the central setting of targets to a more inclusive model, whereby a central expert steering group sets the direction, while the individual business units define their own specific actions and targets to improve their operations, in line with group policy.

The new approach is designed to ensure a local sense of ownership in all parts of the business.

Our review process
We monitor progress at three levels. Initially a quarterly review is made of action plans and key performance indicators for each business unit. An expert CSR Group Steering Committee then reviews the progress made under each of our six themes and makes recommendations for further actions. Finally, our Group Executive Board, including the group's top management (Group CEO and Group CFO), reviews overall progress, consults with stakeholders and ensures that the plan is an integral part of how our business operates.

Next year, we plan to build on the progress made by standardising processes across our business units and through the benchmarking of performance.

Code of Conduct

Year at a glance

Below is an extract from our corporate responsibility report, in which we report on our adherence to our Corporate Responsibility Code of Conduct. We have detailed the commitments made in our Code of Conduct which will be finalised during 2017.

Responsible business

Commitments

We conduct our business lawfully and with integrity, respecting internationally proclaimed human rights.

We map our supply chain to highlight any sustainability hotspots for further action.

We ensure transparency in our business conduct and communications.

Progress

Ethical sourcing policy within Tulip Ltd, monitoring our supply chains to prevent labour exploitation.

Embedding our global procurement policy.

People

Commitments

We create workplaces where people feel valued and give their best.

We proactively ensure the health, safety and wellbeing of our people.

We strive to create a workplace that reflects society and its diversity.

Progress

Health and wellbeing programmes for staff "Equipped for Life" and "Commit to Fit".

Innovation projects to improve the health and safety of staff.

Communities

Commitments

We are a positive partner in society.

We are respectful of and collaborate with the communities we work within.

We focus our charitable efforts on three areas: food poverty, education and supporting the local communities in which we operate.

Progress

Continued support for charitable organisations.

Continuing donations of surplus food to food charities.

Supporting the teaching of Danish children about cooking and healthy eating.

We are satisfied with what we have achieved, while we acknowledge that there are opportunities for improvement in the years to come.

Our 2015/16 Corporate Responsibility Report contains more information on progress. The report can be found on the Danish Crown website http://www.danishcrown.com/Danish-Crown/CSR.aspx. The report also serves as our annual Communication on Progress to the UN Global Compact. In addition, it meets our legal obligation for CSR disclosure under section 99a of the Danish Financial Statements Act.

Responsible agriculture

Commitments

We support research and innovation which seeks to improve animal welfare.

We work closely with our farmers, and we support sustainable farming practices.

Progress

New animal welfare policy in the UK defines our commitment to driving up animal welfare standards.

Continuing work to ensure the responsible use of antibiotics in farming.

Actively promoting the food and farming industry among young people.

Products

Commitments

We seek positive solutions to reducing the salt, sugar and fat content in our products.

We consider life-cycle sustainability and waste at the product development stage.

We work with our customers and suppliers to develop improved sustainable packaging solutions.

Progress

Launch of a number of products focusing on healthier living through reduced fat and salt content.

Introduction of life-cycle sustainability factors in the new product development process in the UK.

Focus on packaging solutions to reduce food waste in households.

Enviroment

Commitments

We put all waste to positive use by maximising the re-use, recycling and recovery of materials.

We actively measure, monitor and target reductions in water and energy consumption.

We motivate, train and involve our staff in continuous improvement projects.

Progress

Group-wide energy audit to identify opportunities for improvement.

Solar panels produce energy for sites in the UK.

Water-saving project, focusing on 30 per cent reduction in water use by factories.

Internationalisation creates value

Chinese demand for pork exploded in the spring. This resulted in higher prices – and growing optimism among farmers.

In the fields around Langå, Denmark, the slaughter pig producer Einer Svane is busy sowing winter barley. He is in a good mood, and it's not just because the sun is shining. After more than two years with pressure on slaughter pig prices, the market finally started to turn at the beginning of May, and in just 10 weeks, the payment paid to farmers for slaughter pigs increased by almost DKK 2 per kg.

- Immediately prices start to rise, I feel much calmer about everything, and the work is more fun, says Einer Svane.

The long-awaited increase in slaughter pig prices was primarily driven by massive demand from China. A growth in exports was expected. There were indications as early as mid-2015 of a decline in the Chinese pig population after figures were published showing a significant decrease in the number of gestating sows. During the autumn and winter, sales to China gradually started to pick up, but everything pointed towards a slow-down after the Chinese New Year in February.

- It came as a big surprise to all of us. We expected to see decreasing levels of activity, and then the market literally exploded. The demand for pork in China has far exceeded our expectations. The price of Chinese pigs increased dramatically, which kick-started imports of meat from Europe, explains Niels Knudsen, Vice President ESS-FOOD, who is responsible for sales of Danish Crown's products in the Chinese market.

An increase of almost DKK 2 per kg makes a real difference for Einer Svane. This year, more than 35,000 pigs will be born at his farm near Langå. About 10,000 of them will be sent for slaughter, while the rest will be sold to other farms nearby that produce slaughter pigs.

- Achieving a good result is still hard work. We are constantly having to find ways of cutting costs, so it's all about workmanship and about doing a good job in the pig buildings, but it's great to see that we can again make a penny on the pigs, says Einer Svane.

For the first six months of 2016, Danish pork exports to China and Hong Kong grew by over 66,000 tonnes, or the equivalent of almost 800,000 Danish pigs with a slaughter weight of 84 kg.

- Suddenly, pork was selling like hot cakes. Orders came from our regular customers with whom we had traded for many years. But also from a group of state-owned companies that had never previously bought imported pork. At the same time, we were surprised by the strong demand from western China, which had been a fairly undeveloped market for us, as this is where most of China's domestic pig production is based. I reckon that we could probably have sold five times as much as we did last spring, says Niels Knudsen.

While meat from Chinese pigs is largely sold to Chinese housewives from market stalls, the imported meat is usually processed to a greater or lesser extent for the retail trade.

- In China, pork is almost exclusively traded as half carcasses, but now the large players within retail packaging and food processing have become aware of the advantages in being able to purchase 10,000 foreends without being left with 10,000 middles and 10,000 hams which also have to be sold. Going forward, I am therefore confident that we will be seeing good exports of large cuts to the Chinese market, says Niels Knudsen.

In Langå, Einer Svane hopes that Niels Knudsen will be proved right.

- We need a longer period with stable earnings to restore our finances. Fortunately, many people are beginning to realise that the agricultural sector makes a significant contribution to the balance of payments and keeps a lot of people in work, so I'm optimistic about the future.

China restored optimism
As soon as the slaughter pig prices go up, our mind is put at rest and work gets a little more fun, says Einer Svane (left)

Risk management

As a global meat-processing company engaged in production and sales on several continents, Danish Crown is exposed to a number of industry-related risks.

These risks are associated with security of supply, food safety, market access and public regulation, among other things. In addition, the group is exposed to insurable and institutional risks as well as financial risks associated with the group's global presence. The diversity of Danish Crown Group's activities, covering a large part of the value chain from farm to fork, means that the group is well protected against individual risks.

Danish Crown manages the risks of the group centrally at group level as well as decentrally in its subsidiaries. Risk management is coordinated across the group's companies and through the general management structure.

Strategic risks

Consumer demand
Declining levels of economic activity or permanent changes in consumer eating habits may affect the demand for the group's products, both among the group's direct customers and among consumers. The group is continuously engaged in innovation and product adaptation just as the ongoing exploration of growth markets helps mitigate the effect of economic crises in one or more countries.

The group's overall product portfolio covers both fresh products, retail fresh meat products and processed products sold to industrial customers and retail chains. Via its broad product portfolio and, in particular, its extensive market access, the Danish Crown Group is able to respond to persistent changes in consumer demand.

Competitor activity
The group operates in a highly competitive market where the competition can quickly change and the preference for the group's products be affected by global trends.

The group counters these risks by working closely with a number of customers at a global level, while at the same time focusing on developing and tailoring its products to regional markets and the individual customer. The spreading of the group's overall customer portfolio, geographically and segment-wise, means that Danish Crown as a whole is less exposed to fluctuations in commercial potential.

Commercial risks

Market access
Given its high veterinary standards, the Danish Crown Group has access to a number of strategically important local, regional and overseas markets. Access barriers can be divided into veterinary factors, political factors and product-specific customer requirements.

The Danish Crown Group's slaughterhouses are dependent on the regions from which it purchases live animals maintaining their status as being free of infectious livestock diseases. A major outbreak of livestock diseases in one of these regions will probably lead to a periodic ban on imports from a number of vital markets. A number of national measures have been adopted to ensure – to the widest possible extent – that livestock diseases are quickly contained and not spread regionally or across borders. The protection against infection has proved extremely effective and is a key precondition for the group's broadly based market access. In the unlikely event of signs of a disease outbreak in one of the regions in which the group has slaughtering activities, emergency plans have been established in cooperation with the authorities. The purpose of these emergency plans is to rapidly and effectively locate the source of any disease outbreaks and mitigate the consequences.

In December 2015, preventive isolation of the Danish Crown slaughterhouse in Herning, Denmark, was effected in close cooperation with the Danish Veterinary and Food Administration. The step was deemed necessary after a pig had died during transport from the farm to the slaughterhouse, without it being possible to establish the cause. During the period of isolation, the Danish Veterinary and Food Administration conducted a number of inspections at the slaughterhouse and of related herds and soon cancelled the isolation. These inspections are part of the Danish Veterinary and Food Administration's normal procedures in cases of a suspected outbreak of classical swine fever. There have been no outbreaks of classical swine fever in Denmark since 1933.

In August 2016, an increasing number of African swine fever (ASF) outbreaks in domesticated pig herds were found in eastern Poland. In all instances, the herds were killed and destroyed. In addition, the Polish authorities have carried out epidemiological tests to identify the source of the outbreaks. The Polish authorities have implemented the above-mentioned national contingency plans in order to reduce the risk of spreading, and developments are monitored closely by the European Commission. The European Commission's commitment to prevention is supported by an appropriation of EUR 2.3 million in 2014 to combat the spreading of ASF in Europe.

Consequently, the group's slaughterhouses in countries and regions not affected by a livestock disease outbreak are able to continue production. Similarly, it is possible to continue production at the group's processing facilities by sourcing raw materials externally.

Public regulation
Globally, food production is tightly regulated throughout the entire value chain. Such regulations serve several purposes, the most prominent being the need to meet the demands for food safety, environmental protection and support of the operating economy of the primary producers. Regulatory changes can significantly impact Danish Crown's access to markets and raw materials.

To counter these risks, Danish Crown is a member of several Danish and foreign trade organisations and engages in continuous dialogue with political organisations and authorities. Cooperation with the trade organisations enables Danish Crown to closely monitor political developments and new initiatives.

Operational risks

Stoppages
The group's production facilities are vulnerable to unforeseen events that may cause production stoppages, e.g. fires, long-term interruptions to water and electricity supplies as well as breakdowns of the integrated IT systems. A number of measures and plans have been put in place to reduce the consequences of any major and long-term unforeseen events.

The production and subsequent delivery of slaughter pigs and cattle by farmers take place on a continuous basis. Concurrent and long-term production stoppages at national slaughterhouses can lead to space problems on the farms. Also, the group's trade with customers is based on contracts for the delivery of certain quantities on certain dates. Consequently, it is crucial that the Danish Crown Group as a whole is able to ensure the continuous slaughtering and processing of raw materials without long-term stoppages. In the 2015/16 financial year, none of the group's facilities were affected by long-term production stoppages due to IT breakdowns or the interruption of electricity, gas or water supplies.

Plumrose, the US

Danish Crown's production structure with many slaughterhouses and processing facilities makes it possible to adjust capacity both upwards and downwards. Furthermore, the vast majority of the Danish Crown Group's products can be produced at more than one facility.

Capacity utilisation and inventory levels
The Danish Crown Group maintains its competitiveness through high capacity utilisation at production facilities with a high degree of automation, among other things. Capacity is thus continuously being adjusted via investments, structural adjustments and acquisitions with a view to maintaining and improving the group's overall competitiveness.

The desire to maintain a high level of capacity utilisation combined with timing differences between the supply of raw materials and the optimum selling time leads to varying inventory levels. By freezing finished products, it is possible both to uphold the high quality standards and sell the products at the desired market price.

Food safety
As a food-producing business, Danish Crown depends on the trust that customers and consumers have in our products. Food safety is therefore a high priority and forms an integral part of the group's quality programmes.

Food safety is regulated by law supplemented with a number of international food safety standards. The Danish Crown Group is subject to and complies with applicable hygiene and food safety requirements – both in the countries where the group has production activities and in the countries to which the group sells its products. Danish Crown supplies the customers and countries in the world with the highest food safety standards. For this reason, it is necessary to ensure that the group generally meets the highest food safety, hygiene and health standards.

Food safety and hygiene are checked daily and continuously being optimised. Checks are based on Danish Crown's own internal control procedures, daily inspections by the authorities and external audits. Food safety is thus integrated into all processes and all documentation, and into all supply chain activities, comprising supplier selection, product development, production, distribution and sales.

The above factors combined with the group's continuous production processes contribute to reducing the risk of product recalls due to food safety failures.

In 2015/16, there was only one product recall resulting in the triggering of the group's product recall insurance. The case concerns a batch of canned products which was withdrawn from the Korean market.

Financial risks

Managing financial risks
The Danish Crown Group is exposed to market risks in the form of changes in foreign exchange rates and interest rate levels as well as credit and liquidity risks. Danish Crown A/S manages the group's financial risks centrally and coordinates the group's liquidity management and capital reserves. The group adheres to a financial policy approved by the Board of Directors, according to which the group pursues a low-risk profile, which means that currency, interest rate and credit risks arise only as a result of commercial activities. The financial policy also stipulates that no active speculation in financial instruments or assets may take place.

The group's use of derivative financial instruments is regulated through a set of rules approved by the Board of Directors and related internal business procedures, among other things, stipulating thresholds and the types of derivative financial instruments that may be used.

Insurable risks
The group has taken out insurance against all significant insurable risks to the extent that this is deemed to be financially expedient. The group's ongoing risk management and insight into insurable risks enables a relatively high degree of self-financing of insurance claims, which means that frequency claims can be removed from the insurance markets. Consequently, only large-claim scenarios are insured, which allows the group to take out broader coverages and increase the sums insured.

Due to the capital tie-up and the many administrative tasks associated with having its own insurance company, in 2015/16 Danish Crown decided to discontinue the activities of Danish Crown Insurance. Going forward, the management of insurable risks will be coordinated group-wide through Danish Crown Group Risk Management.

Like other companies, the Danish Crown Group is exposed to the risk of extensive negative publicity in the social media. For now, the group has not taken out insurance against this. Be it noted, however, that the corporate communications department has set up a contingency plan to address any consequences in this respect. The contingency plan has been approved by the relevant trade organisations.

Currency risks
The group's currency risks are primarily hedged by matching incoming and outgoing payments in the same currency. The difference between incoming and outgoing payments in the same currency constitutes a currency risk, which is normally hedged by drawing on currency overdraft facilities or by means of forward exchange transactions. It is group policy to hedge the group's net currency exposure on an ongoing basis.

Interest rate risks
The group aims to ensure a reasonable balance between the group's exposure to variable and fixed interest rates. The interest rate risk is constituted by the annual change in the financial cash flow entailed by a 1 percentage point change in interest rate levels. Significant changes to the mix of variable and fixed interest rates are approved by the Board of Directors.

Liquidity risks
In connection with the raising of loans etc., the group aims to ensure the greatest possible flexibility through the spreading of loans in terms of maturity, renegotiation dates and contracting parties, taking pricing etc. into account. The group's strategy is to have a predominance of long-term commitments to ensure financial stability. The group's strategy is also to have enough cash resources to be able to make the necessary arrangements in the event of unforeseen fluctuations in the outflow of cash.

Credit risks
The group's primary credit risk concerns trade receivables. A credit check is carried out for each individual customer, and based on an overall assessment of the customer's credit rating and geographical location, a decision is made concerning the use of credit insurance, letters of credit, prepayments or open-credit terms. Agreements on derivative financial instruments with a nominal value exceeding DKK 100 million are generally only concluded with recognised insurance or credit institutions with an A-level Standard & Poors credit rating as a minimum.

Good food creates value

Danish Crown's ripening rooms supply premium high-value meat products to some of Denmark's best restaurants and chefs.

You can't say whether dry-aged meat or kobe beef is the best in the world – they are each good in their own ways. But they are both superior products and completely out of this world, says an enthusiastic chef Francis Cardenau.

He is visiting Danish Crown's ripening room in Holsted, Denmark, where thousands of Danish beef strip loin cuts are drying and ripening for a unique flavour and tenderness. The ripening room supplies strip loin cuts, for example, to the MASH restaurant chain, where the famous chef Cardenau is one of the owners. At MASH, diners are served the very best beef, and very willing to pay as much as or more than DKK 350 for a steak. Here, the Danish dry-aged meat from Danish Crown has become a favourite with guests, says Francis Cardenau.

What is dry-aged meat and meat matured while hanging?

Dry-aged meat is beef hung or placed on a rack to dry. The meat is selected from the best strip loins from the slaughterhouses in Aalborg and Holsted, and sent to the ripening room in Holsted. The meat is placed on racks and ripened – or aged – for anything between 60 and 90 days. During the aging process, moisture evaporates from the meat, intensifying the flavour. It is just like cheese or red wine, which is stored in order to improve the taste. The ripened meat feels dry to the touch because it is less moist.

In addition, as part of the ripening process, the natural enzymes break down the connective tissue in the meat, and as a result, the meat becomes very tender. The same principles apply to Danish Crown's pork which is matured while hanging in the Gold Room in Kolding and supplied to several of the best-known gourmet restaurants in Denmark.

- A few years ago, Uruguayan and American meat were the most popular, but this has changed. Half the steaks we sell now are Danish dry-aged meat. Danish meat is enjoying a revival, and it is entirely due to the meat's outstanding quality, he explains.

Specially selected

The meat for MASH is hand-picked from the best strip loins from the slaughterhouses in Holsted and Aalborg, Denmark. The meat is then placed on shelves in a controlled environment in the ripening room, where it is zealously looked after by Danish Crown employee Karsten Knudsen. Every day, he keeps an eye on the strip loins, checking that everything is as it should be. Each week, he is responsible for selecting the 170 strip loins that Danish Crown supplies to MASH.

- I look at whether the meat has the right structure and the right fat marbling. The marbling has to be as pronounced as possible to ensure the best tenderness and flavour in the prepared steaks, explains Karsten Knudsen while showing Francis Cardenau around the impressive meat temple.

His commitment receives considerable praise from Francis Cardenau.

- Karsten plays a key role in ensuring a consistently high meat quality. Being able to dry-age meat on this scale here in Holsted is a real art, he says.

More ripening rooms

Danish Crown actually has several ripening rooms in Denmark. Danish Crown in Kolding has its Gold Room, which supplies beef and pork matured while hanging to the finest restaurants in Denmark such as Noma, Geranium and Kong Hans Kælder.

In the ripening room in Holsted, carefully selected beef cuts are ripened and the process is zealously tended by Karsten Knudsen (right). After this, the cuts are delivered to top restaurants such as MASH headed by Francis Cardenau (left)

Corporate governance

Value creation for the company and its stakeholders is in focus in the Danish Crown Group's corporate governance process, which is also to ensure that the company is managed and controlled in a responsible manner.

The Danish Crown Group's primary parent is a cooperative, while Danish Crown A/S, the parent of the company's business units, is incorporated as a public limited company.

Corporate governance in Leverandørselskabet Danish Crown AmbA focuses primarily on the interaction with the company's owners and suppliers (cooperative members) and on the cooperative's overall objective of selling member deliveries in the best possible way and creating value for the cooperative members in the short and long term. The company is managed with reference to its Articles of Association and accepted Danish cooperative principles.

Corporate governance in Danish Crown A/S focuses on optimising the value creation from the group's Danish and foreign business activities. The purpose is to generate the largest possible return for the owners in the short and long term and to increase the value of the group. The management also focuses on developing positive relations with the company's customers, employees, suppliers and other stakeholders.

As a cooperative, Danish Crown is not obliged to comply with corporate governance rules and guidelines for listed companies. Danish Crown has decided to follow the main part of the Recommendations on Corporate Governance laid down by the Danish Committee on Corporate Governance, while taking into account the group's special ownership structure. Danish Crown has considered the recommendations and described how Danish Crown follows the recommendations in its Statement on Corporate Governance. In the few areas where the recommendations have not been followed, Danish Crown has stated the reasons for not following them.

The most important areas of non-compliance are:

- The group is not listed on the stock exchange, so the publication of quarterly reports is not deemed to be necessary. The group publishes half-year reports.
- The Board of Directors of the group does not meet the recommendations with regard to composition, independence, age, election period and the disclosure of remuneration and remuneration policy. This is due to the group's close relationship with its owners who are also suppliers to the group, and to Leverandørselskabet Danish Crown AmbA's special status as a cooperative with the resulting election procedures.
- The group does not publish terms of reference and other information about the management committees as these are deemed to be of an internal nature.
- For historical reasons and according to Leverandørselskabet Danish Crown AmbA's Articles of Association, cooperative members wishing to exercise their influence at the meetings of the Board of Representatives must attend such meetings in person.

Board of Representatives

The Board of Representatives is the supreme governing body of Leverandørselskabet Danish Crown AmbA and consists of up to 90 representatives elected by and among the company's cooperative members for a period of two years at a time. Meetings are held within the electoral districts established with a view to informing the cooperative members about the company's affairs, including the presentation of the annual report. In addition, the group engages in regular dialogue with the cooperative members, primarily via electronic weekly newsletters.

The Board of Representatives held five meetings in 2015/16. The Board of Representatives receives general information about the current state of the company and quarterly reports with financial statements and comments on the group's business activities, which are elaborated on at the meetings.

The Board of Representatives receives information about or adopts, based on a recommendation from the Board of Directors, matters of significance to the group, including its strategy plan, capital structure, annual report, distribution of profit and amendments to the Articles of Association.

Board of Directors and Executive Board getting down to work – from left
Asger Krogsgaard, Jesper Lok, Erik Bredholt and Jais Valeur

Board of Directors of Leverandørselskabet Danish Crown AmbA
The Board of Directors of Leverandørselskabet Danish Crown AmbA is in charge of the overall management of the company and elects a chairman and a vice-chairman once a year. The Board of Directors consists of up to 12 members and one observer.

Ten members are elected at regional and national electoral meetings among the members of the Board of Representatives. In addition, the Board of Representatives may elect two members to the Board of Directors who are not cooperative members or employees of the company. Members of the Board of Directors are elected for two years at a time. At the end of 2015/16, the Board of Directors consisted of ten elected members and one observer. The tasks of the Board of Directors are described in further detail in the Board of Directors' rules of procedure and in the annual plan for the work of the Board of Directors.

The Board of Directors held 11 meetings in 2015/16. The Board of Directors recommends candidates to the Board of Directors of Danish Crown A/S to the general meeting of the latter. Moreover, it lays down the overall earnings and strategy requirements for Leverandørselskabet Danish Crown AmbA and the group in general. Furthermore, the Board of Directors considers strategic initiatives of importance to the entire group as well as all matters relating to the cooperative members.

As the group's operating activities are managed by Danish Crown A/S, relevant board committees are organised under the Board of Directors of this company, just as several other corporate governance tasks are handled by the Board of Directors of Danish Crown A/S.

Board of Directors of Danish Crown A/S
The Board of Directors of Danish Crown A/S is in charge of the overall management of the company and elects a chairman and a vice-chairman once a year. The Board of Directors of Danish Crown A/S consists of six to 15 members. At the end of 2015/16, the Board of Directors consisted of 13 members, of whom ten members have been elected by Leverandørselskabet Danish Crown AmbA as the only shareholder, and three members have been elected by the group's employees. Four of the ten members elected by Leverandørselskabet Danish Crown AmbA are independent, while six members have been elected among the members of the Board of Directors of Leverandørselskabet Danish Crown AmbA. Members of the Board of Directors are elected for one year at a time.

The tasks of the Board of Directors are described in more detail in the Board of Directors' rules of procedure and in the annual plan for the work of the Board of Directors. The Executive Board reports regularly to the Board of Directors on the company's financial position through monthly and quarterly reports. Moreover, budgets, major investments, important strategic initiatives, strategy plans and annual reports are presented to the Board of Directors for adoption. The company's business risks are regularly assessed and reported on, and the Board of Directors considers the company's risk management and control systems on an annual basis. The work of the Board of Directors, including its cooperation with the Executive Board, is assessed on a regular basis.

The Board of Directors held 11 meetings in 2015/16. The Board of Directors holds meetings with the company's auditors in connection with the presentation of the annual report and the auditors' records.

The Board of Directors has set up an audit committee with the primary aim of monitoring the processes relating to the group's financial reporting, internal control and risk management processes and well as monitoring the external statutory audit. In addition, the audit committee meets once a year with the auditors without the Executive Board being present.

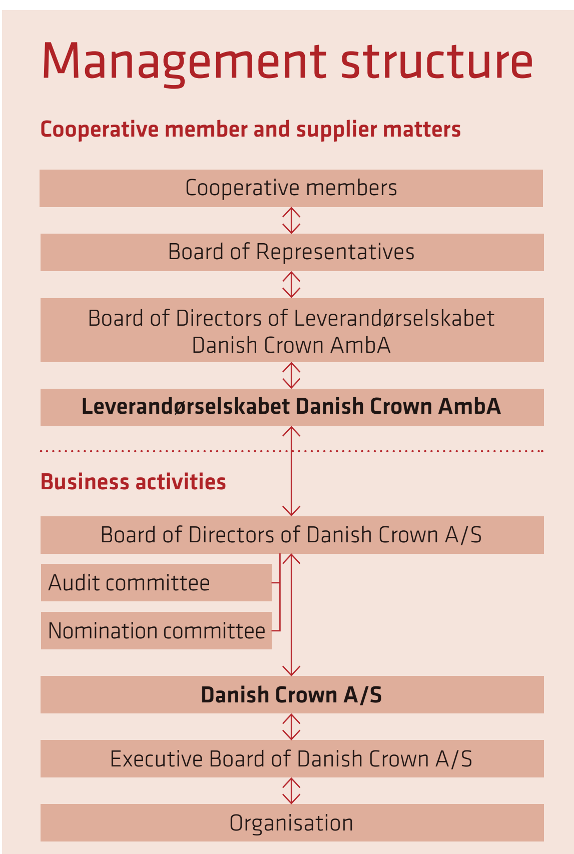
Furthermore, the Board of Directors has set up a nomination committee which prepares recommendations for the Board of Directors on candidates for the different boards of directors and committees of the group as well as their remuneration. Remuneration policies and the remuneration structure for the group's management are adopted by all members of the Board of Directors, while decisions regarding the remuneration of the Executive Board are made by the chairman and vice-chairman of the Board of Directors.

Finally, the Board of Directors has set up two sub-committees for the more in-depth consideration of certain business aspects of Pork and Beef, respectively.

Executive Board of Danish Crown A/S
The Executive Board of Danish Crown A/S consists of Jais Valeur (Group CEO) and Preben Sunke (Group CFO). The tasks and responsibilities of the Executive Board are laid down in an Executive Board manual prepared by the Board of Directors.

Boards of directors and executive boards of subsidiaries
The boards of directors and executive boards of the various subsidiaries have been composed to meet individual requirements, but with a general focus on precise reporting lines and the decentralised and market-based delegation of responsibilities for results and development such that group-level coordination is primarily at strategic level. All transactions between the group's business units are conducted on an arm's length basis.

In the large companies, the boards of directors and executive boards are composed of members of the Board of Directors and Executive Board of Danish Crown A/S and independent board members possessing expertise within the various business areas.



Diversity in management
At the end of 2015/16, the group adopted new targets for the proportion of women on the boards of directors of Danish Crown A/S and Leverandørselskabet Danish Crown AmbA, respectively.

The target for Danish Crown A/S is 20 per cent by 2020. Year-end 2015/16, the proportion of women was 10 per cent. The target for Leverandørselskabet Danish Crown AmbA is 10 per cent by 2020. Year-end 2015/16, there were no women on the Board of Directors. The target must be seen in light of the composition of the Board of Representatives, from which members of the Board of Directors are recruited. The proportion of women on the Board of Representatives is currently 3.3 per cent.

In addition, it is group policy to increase diversity in management. The group has introduced initiatives to increase the share of women at other management levels in the group, the target being 25 per cent. The share of women in management is currently 27 per cent compared to 28 per cent in 2014/15. Efforts in 2015/16 were primarily focused on recruitment and training. In connection with the recently initiated strategy work, the group expects to set new targets and to prepare action plans to support these targets.

Reporting and internal control
The group's financial reporting processes are designed to ensure uniform and reliable financial reporting for the group. The processes are based on fundamental principles of a simple organisational structure with a division of responsibilities and clear reporting lines.

The Board of Directors is responsible for monitoring the group's internal control and risk management processes as well as the group's financial reporting. The Executive Board is responsible for implementing the processes and has established a number of financial reporting policies and procedures to be followed by the group's units. The more important policies and procedures include a treasury policy, an IT and insurance policy as well as accounting and reporting instructions. Furthermore, during 2015/16 a tax policy was adopted as well as an IT security policy, which is currently being implemented.

The Board of Directors has decided not to set up a central whistleblower scheme or an internal audit function, but continuously monitors developments to ascertain the need for such a scheme or function.

The consolidated financial statements are audited by independent auditors appointed by the Board of Representatives.

Executive Board

GROUP CEO

Jais Valeur

Appointed: 2016

Member of the boards of:

Royal Unibrew A/S

Foss A/S

Member of the following professional body:

Permanent Committee on Business Policies of Confederation of Danish Industry

GROUP CFO

Preben Sunke

Appointed: 2002

Member of the boards of:

Santa Fe Group (Vice-chairman)

Skandia Kalk Holding ApS

Member of the following professional bodies:

Energy and Climate Policy Committee of Confederation of Danish Industry (Chairman)

Employers' Association of Danish Abattoirs (Chairman)

Board of Representatives of Nykredit

Board of Directors

CHAIRMAN

Erik Bredholt * 1) 2) 3) 4)
Appointed: 2001

Member of the boards of:
Industriens Pensionsforsikring A/S
Livland Holding A/S

Member of the following professional bodies:
Danish Bacon and Meat Council
Company Board, Danish Agriculture & Food Council
Danish Pig Meat Industry, Danish Agriculture & Food Council
Central Board of Confederation of Danish Industry
Employers' Association of Danish Abattoirs (Vice-chairman)
Danish Pig Levy Fund
Labour Market Policy Committee of Danish Industry

VICE-CHAIRMAN

Asger Krogsgaard * 1) 2) 3) 4)
Appointed: 2003

Member of the boards of:
Agroinvest A/S (Vice-chairman)
Norma og Frode S. Jacobsens Fond

Member of the following professional bodies:
Danish Bacon and Meat Council (Chairman)
Chairmanship, Danish Agriculture & Food Council (Vice-chairman)
Company Board, Danish Agriculture & Food Council (Chairman)
Danish Pig Meat Industry, Danish Agriculture & Food Council (Chairman)
Primary Sector Board, Danish Agriculture & Food Council
Danish Pig Levy Fund (Chairman)
Fund for strengthening agriculture and food industry development

VICE-CHAIRMAN

Jesper Lok 2) 4)
Appointed: 2013

Member of the boards of:
Inchcape Shipping Services
ESVAGT A/S (Chairman)
J. Lauritzen A/S (Chairman)
Danmarks Skibskredit A/S (Vice-chairman)

BOARD MEMBER

Peder Philipp * 1) 2) 4)
Appointed: 1996

Member of the board of:
Fonden Ribe Vikingecenter

Member of the following professional bodies:
Danish Livestock and Meat Board (Vice-chairman)
Company Board, Danish Agriculture & Food Council
SEGES, Diary and Cattle Farming (Chairman)
Primary Sector Board, Danish Agriculture & Food Council
SEGES
Danish Cattle Levy Fund (Chairman)
RYK-Fund for Handling of Registration and Milk Yield Recording

BOARD MEMBER

Erik Larsen * 1) 2) 3) 4)
Appointed: 1996

Member of the boards of:
OK a.m.b.a.
Sparekassen Sjælland-Fyn A/S

Member of the following professional bodies:
Primary Sector Board, Danish Agriculture & Food Council
SEGES, Danish Pig Research Centre (Chairman)
SEGES
Veterinary Committee, Danish Agriculture & Food Council

BOARD MEMBER

Peter Fallesen Ravn * 1) 2)
Appointed: 2008

** Independent farmer in privately owned company or corporate form and is also a cooperative member.*
1) Member of the Board of Directors of Leverandørselskabet Danish Crown AmbA
2) Member of the Board of Directors of Danish Crown A/S
3) Member of the audit committee.
4) Member of the nomination committee.

BOARD MEMBER

Søren Bach 2)
Appointed: 2010

Member of the boards of:
Skagenfood A/S (Chairman)
EL:CON Gruppen A/S
Message A/S (Chairman)
Vega Salmon A/S (Chairman)

BOARD MEMBER

Majken Schultz 2)
Professor, Ph. D.
Appointed: 2013

Member of the boards of:
Realdania
Danske Spil A/S
Bang & Olufsen A/S

BOARD MEMBER

Jeff Olsen Gravenhorst 2) 3)
Group CEO, ISS A/S
Appointed: 2009

Member of the boards of:
ISS Global A/S (Chairman)
ISS World Services A/S (Chairman)
Rambøll Gruppen A/S (Chairman)
NETS A/S (Vice-chairman)

Member of the following professional body:
Permanent Committee on Business Policies of
Confederation of Danish Industry

BOARD MEMBER

Niels Daugaard Buhl * 1)
Appointed: 2006

Member of the following professional body:
Veterinary Committee, Danish Agriculture &
Food Council

BOARD MEMBER

Cay Wulff Sørensen * 1)
Appointed: 2009

Member of the following professional body:
Danish Pig Meat Industry, Danish Agriculture &
Food Council

BOARD MEMBER

Palle Joest Andersen * 1) 2)
Appointed: 2009

Member of the board of:
AKV Langholt AmbA

Member of the following professional bodies:
SEGES, Danish Pig Research Centre
Danish Pig Meat Industry, Danish Agriculture &
Food Council
Board of Representatives of Nordjyske Bank

BOARD MEMBER

Knud Jørgen Lei * 1)
Appointed: 2013

Member of the board of:
Timis Agro ApS

Member of the following professional body:
Danish Pig Levy Fund

BOARD MEMBER

Søren Bonde * 1)
Appointed: 2013

Member of the following professional body:
SEGES, Danish Pig Research Centre

OBSERVER

Karsten Willumsen * 1)
Appointed: 2013

Member of the boards of:
Hedens Ejendomsselskab A/S
Heden & fjorden i/s (Vice-chairman)

Member of the following professional bodies:
Danish Cattle Levy Fund
Danish Livestock and Meat Board (Vice-chairman)
SEGES, Diary and Cattle Farming
Herning-Ikast Landboforening (Chairman)
RYK-Fund for Handling of Registration and Milk
Yield Recording

BOARD MEMBER

Mogens Birch 2)
Appointed: 2011 (elected by the employees)

BOARD MEMBER

Paul Sejer 2)
Appointed: 2015 (elected by the employees)

BOARD MEMBER

Torben Lyngsø 2)
Appointed: 2009 (elected by the employees)

Financial statements

INCOME STATEMENT 1 October 2015 - 30 September 2016

DKKm	Note	GROUP 2015/16	GROUP 2014/15
Revenue	2	**60,038**	**59,556**
Production costs	3, 4	-51,924	-51,227
Gross profit		**8,114**	**8,329**
Distribution costs	3, 4	-4,310	-4,254
Administrative expenses	3, 4, 5	-1,721	-1,721
Other operating income		32	32
Other operating expenses		-5	-8
Income from equity investments in associates and joint ventures	12	57	93
Operating profit before special items (EBIT)		**2,167**	**2,471**
Special items	6	-99	-68
Operating profit after special items		**2,068**	**2,403**
Financial income	7	64	82
Financial expenses	8	-298	-351
Profit before tax		**1,834**	**2,134**
Tax on profit for the year	9	-195	-313
Net profit for the year		**1,639**	**1,821**
Distribution of net profit for the year			
Cooperative members of the parent		1,620	1,774
Minority interests		19	47
		1,639	**1,821**

STATEMENT OF COMPREHENSIVE INCOME 1 October 2015 - 30 September 2016

DKKm	Note	GROUP 2015/16	GROUP 2014/15
Net profit for the year		**1,639**	**1,821**
Items which may subsequently be transferred to the income statement:			
Foreign currency translation adjustment of foreign enterprises		-294	180
Share of other comprehensive income in associates and joint ventures	12	1	0
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows		15	8
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows		-7	4
Hedging of net investments in subsidiaries		47	-62
Tax on other comprehensive income		-1	-7
Transferred to the income statement		2	0
Items which cannot be transferred to the income statement:			
Actuarial gains/losses on defined-benefit plans etc.	17	-260	-7
Tax on other comprehensive income	9	44	1
Other comprehensive income		**-453**	**117**
Comprehensive income		**1,186**	**1,938**
Distribution of comprehensive income			
Cooperative members of the parent		1,167	1,871
Minority interests		19	67
		1,186	**1,938**

BALANCE SHEET – ASSETS 30 September 2016

		GROUP	
DKKm	**Note**	**30.09.2016**	**30.09.2015**
Intangible assets	10	2,686	2,828
Property, plant and equipment	11	9,748	10,564
Equity investments in associates and joint ventures	12	242	347
Other securities and equity investments	13	10	9
Biological assets	14	69	88
Deferred tax assets	18	388	440
Non-current assets		**13,143**	**14,276**
Inventories	15	4,181	4,560
Biological assets	14	213	274
Trade receivables	16	6,240	6,435
Receivables from and prepayments to cooperative members		479	389
Receivables from associates		48	8
Other receivables		613	454
Prepayments		121	140
Other securities and equity investments	13	88	139
Cash		131	104
Current assets		**12,114**	**12,503**
Total assets		**25,257**	**26,779**

BALANCE SHEET – EQUITY AND LIABILITIES 30 September 2016

		GROUP	
DKKm	**Note**	**30.09.2016**	**30.09.2015**
Member's accounts	24	1,568	1,572
Personal subordinated accounts	24	215	113
Other reserves		-65	173
Retained earnings		4,950	5,112
Equity owned by cooperative members of the parent		**6,668**	**6,970**
Equity owned by minority interests		229	202
Equity		**6,897**	**7,172**
Pension obligations	17	376	189
Deferred tax liabilities	18	264	392
Other provisions	19	119	187
Loans and borrowings	20	9,921	11,017
Other payables		19	0
Non-current liabilities		**10,699**	**11,785**
Other provisions	19	119	117
Loans and borrowings	20	1,339	1,654
Trade payables		3,942	3,718
Payables to associates		44	47
Income tax payable		79	170
Other payables		2,097	2,054
Deferred income		41	62
Current liabilities		**7,661**	**7,822**
Liabilities		**18,360**	**19,607**
Total equity and liabilities		**25,257**	**26,779**
Operating lease commitments	21		
Contingent liabilities	22		
Security	23		
Rights and liabilities of the cooperative members	24		
Financial risks and financial instruments	26		

STATEMENT OF CHANGES IN EQUITY 30 September 2016

DKKm	Member's accounts	Personal sub-ordinated accounts	Reserve for foreign currency translation adjustments	Reserve for value adjustment of hedging instruments	Retained earnings	Total	Equity owned by minority interests	Total equity
Equity as at 28 September 2014	**1,505**	**0**	**97**	**-27**	**4,675**	**6,250**	**173**	**6,423**
Net profit for the year	**0**	**113**	**0**	**0**	**1,661**	**1,774**	**47**	**1,821**
Foreign currency translation adjustment of foreign enterprises	0	0	163	0	0	**163**	17	**180**
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	8	0	**8**	0	**8**
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	4	0	**4**	0	**4**
Hedging of net investments in subsidiaries	0	0	0	-65	0	**-65**	3	**-62**
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	-7	**-7**	0	**-7**
Tax on other comprehensive income	0	0	-19	12	1	**-6**	0	**-6**
Total other comprehensive income	**0**	**0**	**144**	**-41**	**-6**	**97**	**20**	**117**
Comprehensive income for the year	**0**	**113**	**144**	**-41**	**1,655**	**1,871**	**67**	**1,938**
Payment of contributed capital, net	67	0	0	0	0	**67**	0	**67**
Supplementary payments disbursed	0	0	0	0	-1,218	**-1,218**	-38	**-1,256**
Equity as at 30 September 2015	**1,572**	**113**	**241**	**-68**	**5,112**	**6,970**	**202**	**7,172**
Net profit for the year	**0**	**102**	**0**	**0**	**1,518**	**1,620**	**19**	**1,639**
Foreign currency translation adjustment of foreign enterprises	0	0	-294	0	0	**-294**	0	**-294**
Share of other comprehensive income in associates and joint ventures	0	0	0	0	1	**1**	-1	**0**
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	15	0	**15**	0	**15**
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-7	0	**-7**	1	**-6**
Hedging of net investments in subsidiaries	0	0	0	47	0	**47**	0	**47**
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	-260	**-260**	0	**-260**
Tax on other comprehensive income	0	0	11	-12	44	**43**	0	**43**
Transferred to the income statement	0	0	2	0	0	**2**	0	**2**
Total other comprehensive income	**0**	**0**	**-281**	**43**	**-215**	**-453**	**0**	**-453**
Comprehensive income for the year	**0**	**102**	**-281**	**43**	**1,303**	**1,167**	**19**	**1,186**
Payment of contributed capital, net	-4	0	0	0	0	**-4**	0	**-4**
Supplementary payments disbursed	0	0	0	0	-1,425	**-1,425**	-25	**-1,450**
Dilution of minority interests	0	0	0	0	-40	**-40**	33	**-7**
Equity as at 30 September 2016	**1,568**	**215**	**-40**	**-25**	**4,950**	**6,668**	**229**	**6,897**

CASH FLOW STATEMENT 1 October 2015 - 30 September 2016

DKKm	Note	GROUP 2015/16	GROUP 2014/15
Operating profit before special items		**2,167**	**2,471**
Depreciation, amortisation, impairment losses and write-downs	4	1,452	1,550
Income from associates		-57	-93
Change in provisions		37	-78
Change in net working capital	25	560	689
Operating cash flows		**4,159**	**4,539**
Financial income received	7	36	82
Financial expenses paid	8	-279	-351
Income tax paid		-292	-224
Cash flows from operating activities		**3,624**	**4,046**
Purchase etc. of intangible assets	10	-47	-45
Sale of intangible assets		3	0
Purchase etc. of property, plant and equipment and biological assets	11, 14	-1,091	-1,518
Sale of property, plant and equipment		211	165
Purchase of other securities and equity investments		-18	0
Sale of other securities and equity investments		111	156
Acquisition of businesses		-160	0
Dividend received	12	117	104
Cash flows from investing activities		**-874**	**-1,138**
Disbursement of supplementary payments and dividend for minorities		-1,450	-1,256
Payment from minorities (net)		-37	0
Proceeds from borrowings		2,364	272
Repayment of borrowings		-3,596	-2,020
Payment of contributed capital, net		-4	68
Cash flows from financing activities		**-2,723**	**-2,936**
Change in cash and cash equivalents		**27**	**-28**
Cash and cash equivalents as at 30 September 2015		104	132
Cash and cash equivalents as at 30 September 2016	**25**	**131**	**104**

Group, notes

Notes

1 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS AS WELL AS SIGNIFICANT ACCOUNTING POLICIES

When preparing the annual report in accordance with the group's accounting policies, the management is required to make estimates and assumptions that affect the assets and liabilities recognised, including information on any contingent assets and liabilities included.

The management's estimates are based on historical experience and other assumptions which are deemed relevant at the time. These estimates and assumptions form the basis for the recognised carrying amounts of assets and liabilities and the related effects recognised in the income statement. The actual results may deviate from such estimates and assumptions.

The management considers the following estimates and assessments as well as related accounting policies significant to the preparation of the consolidated financial statements.

Production costs
Production costs comprise direct and indirect costs incurred to earn revenue. Production costs include costs of raw materials, including purchases from cooperative members, consumables, production staff as well as depreciation of production facilities. The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Property, plant and equipment
The management makes accounting estimates concerning the method of depreciation, useful lives and residual values, and these are reassessed on an annual basis.

In addition, separate assessments are made of the need for impairment in connection with capacity adjustments, closure of facilities or any other situations where there is an indication of a need for impairment as a result of changed production or market conditions.

In 2015/16, non-current assets decommissioned in connection with the reorganisation of production processes in the UK were impaired by DKK 99 million.

In 2014/15, impairments of DKK 42 million were made in respect of the slaughter lines which were closed down in Ringsted due to the decline in supplies. The related facilities were impaired to the expected selling prices, which are insignificant.

Impairment test
At least once a year, the group tests goodwill and intangible assets with indeterminable useful lives for impairment. A further description of the basis of accounting estimates can be found in note 10.

Inventories
When assessing the net realisable value of inventories of fresh/frozen meat and casings, the management makes an estimate of the expected development in market prices. Price developments in the world market may be affected by the group's access to major markets.

In 2015/16, world market prices for lamb casings have been declining, resulting in a write-down of the inventory of lamb casings.

Deferred tax liabilities and tax assets
Deferred tax assets are recognised if it is likely that future taxable income will be generated which will make it possible to use the timing differences or tax losses to be carried forward. The group's deferred tax assets primarily relate to future depreciation and amortisation for tax purposes of property, plant and equipment and intangible assets, respectively.

In this connection, the management makes an estimate of the coming years' earnings based on budgets and strategy forecasts in the legal entities to which the tax assets relate.

As a result of higher uncertainty as to the future earnings of loss-making units, impairments have been made of the majority of the tax assets related to tax losses to be carried forward.

Notes

2 REVENUE

DKKm	2015/16	2014/15
Distribution by market:		
Denmark	5,296	5,470
International	54,742	54,086
	60,038	**59,556**
Distribution by sector:		
Pork	22,867	22,328
Beef	3,625	3,552
Ingredients – DAT-Schaub	3,397	3,319
Foods	23,033	24,290
Other companies	7,116	6,067
	60,038	**59,556**

3 STAFF COSTS

Salaries and wages	6,618	6,527
Defined-contribution plans	368	362
Defined-benefit plans	6	8
Other social security costs	721	697
	7,713	**7,594**
Staff costs are distributed as follows:		
Production costs	6,019	5,924
Distribution costs	660	671
Administrative expenses	1,034	989
Special items	0	10
	7,713	**7,594**
Of which:		
Remuneration for the parent's Board of Directors	7	7
Remuneration for the parent's Board of Representatives	1	3
Remuneration for the parent's Executive Board	51	46
	59	**56**
Average no. of employees	26,276	25,873

4 DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES AND WRITE-DOWNS

Amortisation of intangible assets	69	69
Depreciation of property, plant and equipment and biological assets	1,368	1,438
Impairment of property, plant and equipment	99	49
Foreign currency translation adjustments	34	0
Gains and losses on the disposal of non-current assets	-19	-6
	1,551	**1,550**
Depreciation, amortisation, impairment losses and write-downs are distributed as follows:		
Production costs	1,310	1,371
Distribution costs	55	61
Administrative expenses	87	73
Special items	99	45
	1,551	**1,550**

Notes

5 FEES TO THE PARENT'S AUDITORS APPOINTED BY THE BOARD OF REPRESENTATIVES

DKKm	2015/16	2014/15
Deloitte:		
Statutory audit	7	8
Tax advice	2	3
Other services	1	2
	10	**13**

6 SPECIAL ITEMS

	2015/16	2014/15
Special items, expenses:		
Merger costs (relating to administrative expenses)	0	-13
Impairment of plant (relating to production costs)	-99	-45
Severance payment (relating to production costs)	0	-10
	-99	**-68**

7 FINANCIAL INCOME

	2015/16	2014/15
Interest, cash etc.	36	53
Interest and dividend on other securities and equity investments	0	1
Foreign currency exchange gains and losses, net	20	28
Fair value adjustment of derivative financial instruments concluded in order to hedge the fair value of financial instruments	35	32
Fair value adjustment of hedged financial instruments	-35	-32
Fair value adjustment transferred from equity concerning hedging of future cash flows	8	0
	64	**82**

8 FINANCIAL EXPENSES

	2015/16	2014/15
Interest, credit institutions etc.	279	339
Foreign currency exchange gains and losses, net	19	8
Fair value adjustment transferred from equity concerning hedging of future cash flows	0	4
	298	**351**

Finance costs of DKK 0 million have been recognised in the cost of property, plant and equipment under construction in the financial year (2014/15: DKK 0 million).

Notes

9 TAX ON PROFIT FOR THE YEAR

DKKm	2015/16	2014/15
Current tax	172	249
Change in deferred tax	47	12
Change in deferred tax resulting from a change in the tax rate	-33	1
Adjustment concerning previous years, current tax	17	-15
Adjustment concerning previous years, deferred tax	-15	10
Impairment of tax assets and reversal of previous impairment of tax assets	-8	42
	180	**299**
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	15	14
Tax on profit for the year	**195**	**313**
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	394	480
Effect of differences in tax rates for foreign enterprises	19	5
Change in deferred tax resulting from a change in the tax rate	-33	1
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	15	14
Tax base of profit in cooperatively taxed enterprises	-218	-239
Tax base of non-taxable income	-17	-20
Tax base of non-deductible costs	41	35
Adjustment concerning previous years, current tax	17	-15
Adjustment concerning previous years, deferred tax	-15	10
Impairment of tax assets and reversal of previous impairment of tax assets	-8	42
	195	**313**
Effective tax rate (%)	**10.6**	**14.7**
Foreign currency translation adjustment of foreign enterprises	-11	19
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	3	2
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	-1	1
Hedging of net investments in subsidiaries	10	-15
Actuarial gains/losses on defined-benefit plans etc.	-44	-1
Tax on other comprehensive income	**-43**	**6**

Notes

10 INTANGIBLE ASSETS

DKKm	Goodwill	Software	Acquired trade-marks etc.	Total
Cost as at 1 October 2015	2,320	486	880	3,686
Foreign currency translation adjustments	-132	-1	-7	-140
Addition in connection with acquisitions	19	1	2	22
Addition	0	46	1	47
Disposal	0	-13	0	-13
Cost as at 30 September 2016	**2,207**	**519**	**876**	**3,602**
Amortisation and impairment losses as at 1 October 2015	0	378	480	858
Foreign currency translation adjustments	0	-1	0	-1
Amortisation and impairment losses for the year	0	41	28	69
Amortisation of and impairment losses on disposal for the year	0	-10	0	-10
Amortisation and impairment losses as at 30 September 2016	**0**	**408**	**508**	**916**
Carrying amount as at 30 September 2016	**2,207**	**111**	**368**	**2,686**
Cost as at 29 September 2014	2,251	448	882	3,581
Foreign currency translation adjustments	69	1	-2	68
Addition	0	45	0	45
Disposal	0	-8	0	-8
Cost as at 30 September 2015	**2,320**	**486**	**880**	**3,686**
Amortisation and impairment losses as at 29 September 2014	0	349	450	799
Foreign currency translation adjustments	0	0	-1	-1
Amortisation and impairment losses for the year	0	38	31	69
Amortisation of and impairment losses on disposal for the year	0	-9	0	-9
Amortisation and impairment losses as at 30 September 2015	**0**	**378**	**480**	**858**
Carrying amount as at 30 September 2015	**2,320**	**108**	**400**	**2,828**

Except for goodwill with an indeterminable useful life, all other intangible assets are considered to have determinable useful lives over which the assets are amortised.

Impairment test of goodwill

Goodwill resulting from company acquisitions etc. is distributed on the date of acquisition on the cash-generating units which are expected to obtain economic benefits from the business combination. The carrying amount of goodwill before impairment is distributed on the cash-generating units as follows:

DKKm	30.09.2016	30.09.2015
Tulip Ltd	619	723
Sokołów S.A.	505	515
DAT-Schaub A/S	383	383
KLS Ugglarps AB	75	74
Tulip Food Company A/S	171	171
Danish Crown Group	454	454
	2,207	**2,320**

Notes

10 INTANGIBLE ASSETS (CONTINUED)

Goodwill is tested for impairment at least once a year or more frequently if there are indications of impairment. The annual impairment test is made at the end of the financial year and has not resulted in any impairment of goodwill in the financial year. The recoverable amount for the individual cash-generating units to which the goodwill amounts have been allocated is calculated on the basis of calculations of the units' value in use.

The cash-generating units' value in use is calculated using the cash flows stated in the companies' budgets and strategy plans for the next five financial years. For financial years following the budget and strategy periods (terminal period), cash flows in the most recent strategy period have been extrapolated, adjusted for expected growth rates for the specific markets.

The most important uncertainties in this regard are related to the determination of discount rates and growth rates as well as the uncertainties and risks reflected in the budget and strategy figures.

The fixed discount rates reflect market assessments of the timing value of money, expressed as a risk-free interest rate and the specific risks which are associated with the individual cash-generating unit.

Discount rates are generally determined on an 'after tax' basis based on the estimated weighted average cost of capital (WACC).

The growth rates used are based on the forecasts and strategy plans of the individual companies as well as on expectations for discount rates, interest and inflation levels. The growth rates used do not exceed the expected average long-term growth rate for the markets in question.

The most important budget assumptions are based on expectations for the organic growth in tonnage in the markets in which the companies primarily operate, the possibility of moving up in the value chain (new and more processed products) and the development in raw material prices for the principal products (pork and beef as well as by-products). For Tulip Ltd, Sokołów and KLS Ugglarps, such expectations cover the UK, Polish and Swedish markets, while the assessment for DAT-Schaub and Tulip Food Company covers a number of global primary markets. The estimates of growth and the relationship between selling and raw material prices in the budget and strategy periods are based on historical experience and expectations for future growth and market conditions.

The most significant parameters used to calculate the recoverable amounts are as follows:

	Growth factor in the terminal period (%)		Risk-free interest rate, 10-year swap interest rate (%)		WACC after tax (%)		WACC before tax (%)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Tulip Ltd	1.0	2.0	1.3	2.3	4.6	5.6	4.9	6.2
Sokołów S.A.	1.0	1.7	2.4	2.9	5.6	6.2	6.0	6.7
DAT-Schaub A/S	1.0	2.0	0.8	1.6	4.0	5.0	4.3	5.4
KLS Ugglarps AB	1.0	1.0	1.0	1.7	4.4	5.0	4.7	5.6
Tulip Food Company A/S	1.0	1.0	0.8	1.6	4.0	5.0	4.3	5.4
Danish Crown Group	1.0	0.0	0.8	1.6	4.0	5.0	4.3	5.4

Notes

11 PROPERTY, PLANT AND EQUIPMENT

DKKm	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Plant under construction	Total
Cost as at 1 October 2015	12,606	11,829	1,165	611	26,211
Foreign currency translation adjustments	-331	-465	-43	-60	-899
Completion of plant under construction	230	363	35	-628	0
Addition in connection with acquisitions	56	120	1	9	186
Addition	118	294	59	567	1,038
Disposal	-371	-648	-187	-1	-1,207
Cost as at 30 September 2016	**12,308**	**11,493**	**1,030**	**498**	**25,329**
Depreciation and impairment losses as at 1 October 2015	6,881	7,871	895	0	15,647
Foreign currency translation adjustments	-126	-333	-38	0	-497
Depreciation and impairment losses for the year	495	882	108	0	1,485
Depreciation of and impairment losses on disposal for the year	-290	-586	-178	0	-1,054
Depreciation and impairment losses as at 30 September 2016	**6,960**	**7,834**	**787**	**0**	**15,581**
Carrying amount as at 30 September 2016	**5,348**	**3,659**	**243**	**498**	**9,748**
Of which assets held under finance leases	60	26	4	0	90
Of which recognised interest expenses	53	0	0	0	53

Cost as at 29 September 2014	12,563	11,341	1,193	555	25,652
Foreign currency translation adjustments	178	215	14	14	421
Completion of plant under construction	257	544	46	-847	0
Addition	148	350	61	889	1,448
Disposal	-540	-621	-149	0	-1,310
Cost as at 30 September 2015	**12,606**	**11,829**	**1,165**	**611**	**26,211**
Depreciation and impairment losses as at 29 September 2014	6,848	7,433	905	0	15,186
Foreign currency translation adjustments	61	136	11	0	208
Depreciation and impairment losses for the year	480	874	118	0	1,472
Depreciation of and impairment losses on disposal for the year	-508	-572	-139	0	-1,219
Depreciation and impairment losses as at 30 September 2015	**6,881**	**7,871**	**895**	**0**	**15,647**
Carrying amount as at 30 September 2015	**5,725**	**3,958**	**270**	**611**	**10,564**
Of which assets held under finance leases	64	10	4	0	78
Of which recognised interest expenses	57	0	0	0	57

Notes

12 EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

DKKm	Associates 30.09.2016	Associates 30.09.2015	Joint ventures 30.09.2016	Joint ventures 30.09.2015
Cost as at 1 October 2015	232	229	3	0
Foreign currency translation adjustments	0	0	-1	0
Addition	1	3	17	3
Disposal	-69	0	0	0
Cost as at 30 September 2016	**164**	**232**	**19**	**3**
Value adjustments as at 1 October 2015	112	118	0	0
Foreign currency translation adjustments	-1	6	0	0
Share of profit	61	92	-4	1
Share of other comprehensive income	1	0	0	0
Distribution during the year	-117	-104	0	-1
Addition	0	0	0	0
Disposal	7	0	0	0
Value adjustments as at 30 September 2016	**63**	**112**	**-4**	**0**
Carrying amount as at 30 September 2016	**227**	**344**	**15**	**3**

Trunet Packaging Service Ltd's financial year runs from 1 November to 31 October. The financial year of Daka Danmark A/S, Agri-Nordcold A/S and WestCrown GmbH runs from 1 January to 31 December.

For the purposes of recognition in Danish Crown's consolidated financial statements, financial statements are prepared in accordance with the Danish Crown Group's accounting policies for periods corresponding to the Danish Crown Group's accounting periods.

Notes

13 OTHER SECURITIES AND EQUITY INVESTMENTS

DKKm	30.09.2016	30.09.2015
Listed bonds	88	139
Unlisted shares	10	9
	98	**148**
Securities are recognised in the balance sheet as follows:		
Non-current assets	10	9
Current assets	88	139
	98	**148**

14 BIOLOGICAL ASSETS

Non-current assets		
Cost as at 1 October 2015	99	105
Foreign currency translation adjustments	-14	6
Addition	53	70
Disposal	-58	-82
Cost as at 30 September 2016	**80**	**99**
Depreciation and impairment losses as at 1 October 2015	11	9
Foreign currency translation adjustments	-1	1
Depreciation for the year	14	15
Depreciation of and impairment losses on disposal for the year	-13	-14
Value adjustments as at 30 September 2016	**11**	**11**
Carrying amount as at 30 September 2016	**69**	**88**
No. of sows and boars as at 30 September 2016	42,373	42,291
Current assets		
Slaughter pigs	211	267
Crops	0	5
Land holdings	2	2
Carrying amount as at 30 September 2016	**213**	**274**
No. of slaughter pigs as at 30 September 2016	376,445	395,205
Kg produced ('000) during the year	71,432	71,380

Notes

15 INVENTORIES

DKKm	30.09.2016	30.09.2015
Raw materials and consumables	762	932
Work in progress	569	605
Finished goods and goods for resale	2,850	3,023
	4,181	**4,560**
Cost of sales	45,979	45,459
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	17	76

16 TRADE RECEIVABLES

Trade receivables (gross)	**6,310**	**6,506**
Write-down for bad debts as at 1 October 2015	-71	-95
Foreign currency translation adjustments	1	0
Realised losses for the year	11	21
Reversed provisions	21	44
Provisions for bad debts for the year	-32	-41
Write-down for bad debts as at 30 September 2016	**-70**	**-71**
Trade receivables (net)	**6,240**	**6,435**

Receivables are written down directly if the value, based on an individual assessment of the individual debtors' solvency, is reduced, for example as a result of suspension of payments, bankruptcy and the like. Write-downs are made at the calculated net realisable value. The carrying amount of receivables written down to the net realisable value based on an individual assessment comes to DKK 58 million (30.09.2015: DKK 58 million).

Trade receivables (gross) can be specified as follows:		
Not due	5,472	5,566
Due within 30 days	656	714
Due between 30 and 90 days	91	117
Due after 90 days	91	109
	6,310	**6,506**
Receivables due, but not written down, comprise:		
Due within 30 days	645	689
Due between 30 and 90 days	83	102
Due after 90 days	37	50
	765	**841**

During the financial year, no interest income in respect of receivables written down has been recognised as income (2014/15: DKK 0 million).

Notes

17 PENSION PLANS

The group has concluded pension agreements with many of its employees.

The pension agreements comprise defined-contribution plans and defined-benefit plans.

Under the defined-contribution plans, the group makes regular, defined contributions to independent pension providers. The group is not obliged to make additional contributions.

Under the defined-benefit plans, the company is obliged to pay a defined benefit at retirement, depending on, e.g., the employee's seniority. The company thus incurs a risk in relation to the future development in interest rates, inflation, mortality etc. as regards the amount to be paid to the employee. The provision comprises defined-benefit plans in the UK and in Denmark.

The obligation concerning defined-benefit plans is calculated annually by means of an actuarial specification based on assumptions about future developments in interest rates, inflation and average life expectancy, among other things.

The defined-benefit plans in the UK are managed by independent pension providers, which invest the contributions made in order to cover the obligations. The plans are closed, which means that no new employees will enter the plans and no new contributions are made. The plans entitle the employees to life-long pension benefits and benefits in the event of death before retirement.

The defined-benefit plan in Denmark is not covered by regular contributions and comprises pensions for retired employees and their surviving relatives.

Defined-contribution plans DKKm	**2015/16**	**2014/15**
Contributions to defined-contribution plans recognised in the income statement	368	362
Defined-benefit plans		
Net interest expenses	5	7
Administrative expenses	1	1
Recognised in the income statement under staff costs	**6**	**8**
Remeasurement of defined-benefit plans		
Return on pension assets	-137	19
Actuarial gains/losses on changes in demographic assumptions	0	-1
Actuarial gains/losses on changes in financial assumptions	399	-11
Actuarial gains/losses on adjustments based on experience	-2	0
Recognised in other comprehensive income	**260**	**7**
Recognised in comprehensive income	**266**	**15**
The pension obligation recognised in the balance sheet can be specified as follows		
Present value of hedged pension obligation	1,501	1,307
Present value of unhedged pension obligation	42	44
	1,543	**1,351**
Fair value of the assets underlying the pension plans	-1,167	-1,162
Net obligation recognised in the balance sheet	**376**	**189**

The group expects to contribute a total of DKK 34 million to the plans during the coming financial year.

Notes

17 PENSION PLANS (CONTINUED)

DKKm	30.09.2016	30.09.2015
Defined-benefit plans (continued)		
Changes in pension obligations for the year can be specified as follows:		
Present value of pension obligations as at 1 October 2015	1,351	1,297
Foreign currency translation adjustments	-192	69
Interest on pension obligation	46	51
Actuarial gains and losses:		
Actuarial gains/losses on changes in demographic assumptions	0	-1
Actuarial gains/losses on changes in financial assumptions	399	-11
Actuarial gains/losses on adjustments based on experience	-2	0
Pension benefits paid	-59	-54
Present value of pension obligations as at 30 September 2016	**1,543**	**1,351**
Changes in the assets underlying the pension plans for the year can be specified as follows:		
Fair value of the assets underlying the pension plans as at 1 October 2015	1,162	1,078
Foreign currency translation adjustments	-170	64
Interest on the assets underlying the pension plans	41	44
Return on the assets underlying the pension plans	137	-19
Employer contributions	53	45
Administrative expenses	-1	-1
Pension benefits paid	-55	-49
Fair value of the assets underlying the pension plans as at 30 September 2016	**1,167**	**1,162**
Accumulated actuarial gains and losses included in other comprehensive income	-581	-321
The UK pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.19%	3.73%
Average remaining life expectancy at retirement for existing pension recipients:		
Men aged 65 years	22.2 years	22.1 years
Women aged 65 years	24.8 years	24.7 years
Average remaining life expectancy at retirement for current employees:		
Men aged 45 years	23.6 years	23.5 years
Women aged 45 years	26.3 years	26.3 years
Future pension increases	1.85%	1.70%
Inflation, consumer index	1.96%	1.80%
The Danish pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.30%	2.30%
Future pension increases	2.00%	2.00%

The most recent actuarial statements of the UK pension obligations were calculated on 30 September 2016 by Scottish Widows Plc, Buck Consultants Ltd and Aviva Group.

Notes

17 PENSION PLANS (CONTINUED)

DKKm	30.09.2016	30.09.2015
Defined-benefit plans (continued)		
The assets underlying the pension plans measured at fair value comprise:		
Cash and cash equivalents	10	13
Shares, listed		
UK shares	420	415
Other shares	397	272
Bonds		
UK government bonds	165	218
UK government-indexed bonds	143	208
Other	16	16
Real property	4	6
Insurance policy	12	14
	1,167	**1,162**

None of the assets underlying the pension plans are related to the consolidated enterprises in the form of, e.g., treasury shares, rental properties or loans.

The pension plans are exposed to a number of actuarial risks, such as investment risks, interest rate risks, inflation risks and longevity risks.

Investment risks

The present value of the UK plans is calculated using a discount rate corresponding to the interest rate on investment grade corporate bonds. If the return on the assets underlying the plan is below this level, the plan will yield a loss. Due to the long-term nature of the obligation, a relatively large share of the pension assets is invested in shares (70 per cent).

Interest rate risks

A decline in the interest rate on UK corporate bonds or Danish government bonds, respectively, will reduce the discount rate and thus increase the pension obligation. For the UK plans, however, this will partially be offset by an increase in the return on the plans' bond investments.

Inflation risks

A significant part of the pension benefits paid under the plans in the UK and Denmark is indexed. An increase in inflation rates will entail an increase in the pension obligation.

Longevity risks

The present value of the pension plans' obligations is calculated on the basis of a best estimate of the participants' mortality during and after their employment. An increase in the participants' life expectancy will increase the plans' obligations.

Sensitivity analyses

Considerable actuarial assumptions for determining the pension obligation comprise the discount rate and expected inflation. The sensitivity analysis below is calculated based on probable changes in the respective assumptions existing at the end of the financial year, while maintaining all other variables. If the discount rate was 0.25 percentage points higher, the pension obligation would decrease by DKK 67 million. If inflation was 0.25 percentage points higher, the pension obligation would increase by DKK 62 million.

The present value in the above sensitivity analysis is calculated using the project unit credit method at the end of the financial period in the same way as the calculation of the pension obligation recognised in the balance sheet. The sensitivity analysis does not necessarily reflect the actual changes in the obligation as it is unlikely that changes in one assumption will occur separately from changes in other assumptions.

Trustees in the UK plans continuously assess and adjust the plans' expected pension payments, investment returns and investment policy and ensure that the plans' funding complies with UK legislation and the plans' Articles of Association and conditions.

The average duration of the pension obligation as at 30 September 2016 is 18 years for the plans in the UK and 10 years for the plans in Denmark.

Notes

18 DEFERRED TAX

DKKm	30.09.2016	30.09.2015
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	388	440
Deferred tax liabilities	-264	-392
	124	**48**

2015/16 DKKm	Deferred tax as at 1 October 2015	Exchange rate adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Addition in connection with acquisition	Change in tax rate	Deferred tax as at 30 September 2016
Intangible assets	79	2	0	-24	0	0	0	57
Property, plant and equipment	2	32	-34	38	0	-8	38	68
Financial assets	2	0	0	0	0	0	0	2
Current assets	55	0	-10	-14	0	-1	0	30
Non-current liabilities	62	-2	32	-38	44	0	-7	91
Current liabilities	-63	3	5	11	-1	-2	3	-44
Tax losses to be carried forward	198	0	-29	-20	0	0	0	149
Retaxation balance in respect of losses in foreign subsidiaries under Danish joint taxation	-6	0	0	0	0	0	0	-6
	329	**35**	**-36**	**-47**	**43**	**-11**	**34**	**347**
Adjustment concerning utilisation of tax asset not previously recognised	12	0	-11	0	0	0	0	1
Impairment of tax assets and reversal of previous impairment of tax assets	-293	0	62	8	0	0	-1	-224
	48	**35**	**15**	**-39**	**43**	**-11**	**33**	**124**

2014/15 DKKm	Deferred tax as at 29 September 2014	Exchange rate adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Addition in connection with acquisition	Change in tax rate	Deferred tax as at 30 September 2015
Intangible assets	98	-2	0	-17	0	0	0	79
Property, plant and equipment	-4	-30	9	30	0	0	-3	2
Financial assets	1	0	0	1	0	0	0	2
Current assets	82	0	-30	3	0	0	0	55
Non-current liabilities	75	2	0	-13	-2	0	0	62
Current liabilities	-79	-1	28	-11	0	0	0	-63
Tax losses to be carried forward	206	12	-17	-5	0	0	2	198
Retaxation balance in respect of losses in foreign subsidiaries under Danish joint taxation	-6	0	0	0	0	0	0	-6
	373	**-19**	**-10**	**-12**	**-2**	**0**	**-1**	**329**
Adjustment concerning utilisation of tax asset not previously recognised	13	0	-1	0	0	0	0	12
Impairment of tax assets and reversal of previous impairment of tax assets	-253	1	31	-72	0	0	0	-293
	133	**-18**	**20**	**-84**	**-2**	**0**	**-1**	**48**

Deferred tax assets and deferred tax are set off in the balance sheet when a legal right of set-off exists, and the deferred tax asset and deferred tax concern the same legal tax unit/consolidation.

Notes

18 DEFERRED TAX (CONTINUED)

DKKm	30.09.2016	30.09.2015
Tax value of non-recognised deferred tax assets	**224**	**293**
The expiry dates of tax losses to be carried forward can be specified as follows:		
No expiry date	211	449
2016	1	0
2017	0	1
2018	1	0
After 2021	239	232
	452	**682**

The tax base of tax losses amounting to DKK 64 million (2014/15: DKK 112 million) has not been recognised as it has not been deemed sufficiently probable that the losses will be utilised within a foreseeable future.

19 OTHER PROVISIONS

DKKm	Insurance provisions	Restructuring costs	Other provisions	Total
Other provisions as at 1 October 2015	85	30	189	304
Foreign currency translation adjustments	0	0	-1	-1
Utilised during the year	-76	-15	-18	-109
Reversal of unutilised provision	-10	-7	-3	-20
Discounting (reduction of term to maturity)	1	0	0	1
Provisions for the year	0	4	59	63
Other provisions as at 30 September 2016	**0**	**12**	**226**	**238**
Other provisions as at 29 September 2014	97	33	169	299
Foreign currency translation adjustments	0	0	4	4
Utilised during the year	-13	-11	-22	-46
Reversal of unutilised provision	-13	-1	-15	-29
Discounting (reduction of term to maturity)	1	0	0	1
Provisions for the year	13	9	53	75
Other provisions as at 30 September 2015	**85**	**30**	**189**	**304**

DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Other provisions can be specified by maturity as follows:				
30.09.2016	**119**	**96**	**23**	**238**
30.09.2015	**117**	**132**	**55**	**304**

Insurance provisions amount to DKK 0 million (30.09.2015: DKK 85 million) and primarily comprise provisions for occupational injuries as well as general public and product liability.

Restructuring provisions and other provisions total DKK 238 million (30.09.2015: DKK 219 million) and comprise provisions for severance payments for dismissed employees, foreign tax claims and costs incurred in connection with court cases and complaints. The provisions have been made based on the latest information available. The group believes that the risk in the individual areas has been fully provided for and that it will not require additional provisions.

Notes

20 LOANS AND BORROWINGS

Loans can be specified by maturity as follows:

30.09.2016 DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Mortgage debt	124	532	3,368	4,024
Other debt, issued bonds	0	750	2,745	3,495
Other credit institutions	54	604	151	809
Bank debt	1,143	1,719	0	2,862
Finance lease commitments	18	33	19	70
	1,339	**3,638**	**6,283**	**11,260**
30.09.2015				
Subordinate loans	2	0	54	56
Mortgage debt	116	410	3,242	3,768
Other debt, issued bonds	0	750	799	1,549
Other credit institutions	448	1,284	215	1,947
Bank debt	1,075	4,204	0	5,279
Finance lease commitments	13	32	27	72
	1,654	**6,680**	**4,337**	**12,671**

Other debt, issued bonds includes bond loans of DKK 750 million issued on First North in Denmark and private placement loans in the US (USPP loans) of DKK 2,745 million.

	2015/16		2014/15	
Lease commitments DKKm	Minimum lease payments	Carrying amount	Minimum lease payments	Carrying amount
Finance lease commitments	69	66	72	72
Amortisation premiums for future expensing	2		4	
	71		**76**	

21 OPERATING LEASE COMMITMENTS

DKKm	30.09.2016	30.09.2015
Total future minimum lease payments in respect of non-cancellable leases (operating equipment and rent) comprise:		
Within 1 year of the balance sheet date	141	139
Between 1 and 5 years of the balance sheet date	242	238
After 5 years of the balance sheet date	34	17
	417	**394**
Minimum lease payments recognised in net profit for the year	217	194

Notes

22 CONTINGENT LIABILITIES

DKKm	30.09.2016	30.09.2015
Other guarantees	26	30
Contractual obligations in respect of property, plant and equipment	104	77

The group is involved in some court cases and disputes. The management is of the opinion that the outcome of these will not have any significant impact on the group's financial position.

23 SECURITY

	30.09.2016	30.09.2015
The following assets have been provided as security for mortgage debt and other long-term debt:		
Nominal mortgage secured on land, buildings and production facilities etc.	4,311	3,761
Carrying amount of the above-mentioned assets	2,995	3,031

24 RIGHTS AND LIABILITIES OF THE COOPERATIVE MEMBERS

The rights of the cooperative members of Leverandørselskabet Danish Crown AmbA are set out in the company's Articles of Association. The individual cooperative members elect representatives to the company's supreme governing body, the Board of Representatives. Among the members of the Board of Representatives, members are elected to the company's Board of Directors. It is the Board of Representatives which, in due consideration of the company's Articles of Association, decides on the Board of Directors' recommendation for the annual supplementary payments out of the net profit for the year. In accordance with the Articles of Association, the individual cooperative member accumulates a balance in a member's account which corresponds to the company's contributed capital. In addition, equity in the form of personal subordinated accounts is accumulated as part of the Board of Representatives' distribution of the net profit for the year.

Disbursements from member's accounts and personal subordinated accounts are made in accordance with the relevant provisions of the Articles of Association and are adopted annually by the Board of Representatives in connection with the approval of the annual report and the adoption of appropriation. According to the Articles of Association, disbursements from member's accounts and personal subordinated accounts can only be made if deemed proper with regard to the company's creditors.

The cooperative members are personally, jointly and severally liable for the liabilities of the parent. The liability of each cooperative member is calculated on the basis of the supplies made by such member and cannot exceed DKK 25,000.

No. of cooperative members DKKm	**30.09.2016**	**30.09.2015**
No. of cooperative members as at 1 October 2015	8,020	8,278
Net reduction	-415	-258
No. of cooperative members as at 30 September 2016	**7,605**	**8,020**
Total liability	190	201
Proposed supplementary payments for the cooperative members	1,295	1,425

25 SPECIFICATIONS TO THE CASH FLOW STATEMENT

	2015/16	2014/15
Change in net working capital:		
Change in inventories	352	-101
Change in receivables	96	439
Change in other provisions	-66	-15
Change in trade payables and other payables	178	366
	560	**689**
Cash and cash equivalents		
Cash and bank deposits, see balance sheet	131	104
	131	**104**

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

DKKm	30.09.2016	30.09.2015
Categories of financial instruments in accordance with IAS 39		
Other securities and equity investments	98	148
Financial assets measured at fair value via the net profit for the year	**98**	**148**
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	0	38
Derivative financial instruments concluded in order to hedge future cash flows	14	1
Financial assets used as hedging instruments	**14**	**39**
Trade receivables	6,240	6,435
Receivables from and prepayments to cooperative members	479	389
Receivables from associates	48	8
Other receivables	599	415
Cash	131	104
Loans and receivables	**7,497**	**7,351**
Derivative financial instruments included in the trading portfolio	0	4
Other liabilities	39	74
Financial liabilities measured at fair value via the net profit for the year	**39**	**78**
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	83	2
Derivative financial instruments concluded in order to hedge future cash flows	15	23
Financial liabilities used as hedging instruments	**98**	**25**
Subordinate loans	0	56
Mortgage debt	4,024	3,768
Other debt, issued bonds	3,495	1,549
Other credit institutions	809	1,947
Bank debt	2,862	5,279
Finance lease commitments	70	72
Trade payables	3,942	3,718
Payables to associates	44	47
Other payables	1,998	2,025
Financial liabilities measured at amortised cost	**17,244**	**18,461**

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Currency risks in respect of assets and liabilities and future cash flows
The currency policy of the group is to hedge the group's net currency exposure on an ongoing basis. The company has a general risk in respect of currency cash flows due to the uncertainty associated with the DKK value of the future cash flow.

The commercial risk is therefore calculated as follows:
Commercial risk = cash and cash equivalents and securities
+ receivables and expected sales
+ trade payables and other payables

Expected sales are calculated as follows:
Expected sales = sales orders concluded
+ specific expected sales in the short term

As part of the hedging of recognised and non-recognised transactions, the group uses hedging instruments in the form of forward exchange contracts, currency loans and currency overdraft facilities. The hedging of recognised assets and liabilities primarily comprises cash and cash equivalents, securities, receivables and financial liabilities.

As at the balance sheet date, the fair value of the group's derivative financial instruments concluded in order to hedge recognised financial assets and liabilities amounted to DKK -82 million (30.09.2015: DKK 36 million). The fair value of the derivative financial instruments has been recognised under other payables/other receivables and has been set off against the foreign currency translation adjustments of the hedged assets and liabilities in the statement of comprehensive income.

DKKm	Cash and cash equivalents and securities	Receivables and expected sales	Trade payables and other payables	Commercial risk	Of which hedged by forward exchange contracts	Of which hedged by loans and overdraft facilities	Unhedged net position
EUR	4	1,831	-848	987	12	-1,068	-69
GBP	2	660	-65	597	-1,124	510	-17
JPY	0	1,587	-1	1,586	-1,362	-225	-1
SEK	0	152	-8	144	0	-121	23
USD	8	2,677	-874	1,811	-1,090	-528	193
Other currencies	10	385	-47	348	-4	-316	28
30.09.2016	**24**	**7,292**	**-1,843**	**5,473**	**-3,568**	**-1,748**	**157**
EUR	2	1,677	-746	933	-48	-1,432	-547
GBP	5	752	-63	694	-1,028	511	177
JPY	0	1,151	-1	1,150	-950	-192	8
SEK	0	129	-5	124	7	-125	6
USD	3	2,385	-767	1,621	-1,114	-468	39
Other currencies	10	447	-77	380	36	-369	47
30.09.2015	**20**	**6,541**	**-1,659**	**4,902**	**-3,097**	**-2,075**	**-270**

The hedging of expected future cash flows is treated as a cash flow hedge, meaning that the fair value adjustment of the hedging instruments used is recognised in other comprehensive income. The value adjustment of hedging instruments used for the specific expected sales in the short term is calculated on the basis of the value of such sales.

The hedging of sales orders concluded is treated as a fair value hedge, meaning that the fair value adjustment of the hedged orders and the hedging instruments used is recognised in the income statement.

If the group has concluded foreign currency hedging agreements which do not fulfil the criteria for hedge accounting, such agreements are treated as trading portfolios, recognising fair value adjustments continuously in the income statement.

Open forward exchange contracts as at the balance sheet date have a time to maturity of up to 12 months and can be specified as described on page 75 where agreements on the sale of currency are stated with a positive contractual value.

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

	Hedging of future cash flows		Fair value hedging		Non-fulfilment of hedging criteria	
DKKm	Contractual value	Fair value adjustment recognised in equity	Contractual value	Fair value	Contractual value	Fair value
Forward exchange contracts EUR	0	0	-11	0	0	0
Forward exchange contracts GBP	221	15	902	6	0	0
Forward exchange contracts JPY	148	-2	1,205	-78	9	-2
Forward exchange contracts SEK	0	0	0	0	0	0
Forward exchange contracts USD	113	0	971	-10	6	0
Forward exchange contracts, other	0	0	4	0	0	0
30.09.2016	**482**	**13**	**3,071**	**-82**	**15**	**-2**
Forward exchange contracts EUR	0	0	0	0	47	0
Forward exchange contracts GBP	215	4	802	20	11	0
Forward exchange contracts JPY	104	-1	755	3	90	-1
Forward exchange contracts SEK	0	0	0	0	-7	0
Forward exchange contracts USD	255	5	846	13	24	8
Forward exchange contracts, other	0	0	-3	0	-28	-2
30.09.2015	**574**	**8**	**2,400**	**36**	**137**	**5**

Hedging of net investments in foreign subsidiaries

The Danish Crown Group has a number of investments in foreign subsidiaries where the conversion of equity to DKK is exposed to currency risks. The group hedges some of this currency risk by raising loans in the relevant currency. This applies to net investments in EUR, USD and GBP.

The change in the fair value of these financial instruments (debt instruments) used to hedge the currency risk concerning investments in foreign currency is recognised in other comprehensive income. To the extent that the fair value adjustment does not exceed the value adjustment of the investment, adjustments of these financial instruments are recognised in other comprehensive income; otherwise the fair value adjustment is recognised in the income statement.

As at the balance sheet date, DKK 37 million (30.09.2015: DKK -51 million) has been recognised in other comprehensive income concerning the fair value adjustment of instruments for hedging of net investments and loans classified as additions to net investments. There have been no inefficiencies in the present or previous financial year.

As at the balance sheet date, the fair value of the accumulating foreign currency translation adjustments of instruments for hedging net investments amounts to DKK -25 million (30.09.2015: DKK -62 million).

Currency sensitivity analysis

The group's most important currency exposure with regard to sales concerns GBP, JPY, EUR and USD. Exchange rate fluctuations in respect of these currencies will not impact the group's results significantly as commercial currency positions are hedged in accordance with the group's risk policy, meaning that sales and net positions in the balance sheet are hedged. The table below shows the effect it would have had on equity as regards equity investments if the exchange rate of the most important currencies carrying a risk of significant exchange rate fluctuations had been 10 per cent lower than the exchange rate actually applied.

The stated effect includes the effect of concluded foreign currency hedging transactions. If the exchange rate had been 10 per cent higher than the actual exchange rate, this would have had an equally positive effect on equity.

Equity's sensitivity to exchange rate fluctuations	DKKm	30.09.2016	30.09.2015
Effect if USD exchange rate was 10 per cent lower than actual exchange rate		-17	-7
Effect if GBP exchange rate was 10 per cent lower than actual exchange rate		-68	-124
Effect if SEK exchange rate was 10 per cent lower than actual exchange rate		-40	-57
Effect if PLN exchange rate was 10 per cent lower than actual exchange rate		-216	-213

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Embedded derivative financial instruments

The group has performed a systematic review of contracts which may contain conditions which make the contract or parts of it a derivative financial instrument. The review did not give rise to any recognition of derivative financial instruments.

Interest rate risks

The Danish Crown Group has, to a wide extent, interest-bearing financial assets and liabilities and is as such exposed to interest rate risks. As regards the group's financial assets and liabilities, the following contractual repricing or expiry dates can be stated, whichever date is earlier, as interest-bearing assets and liabilities falling due after 1 year are considered to carry a fixed interest rate:

Repricing or expiry date	DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total	Fair value
Bonds		-88	0	0	-88	-88
Bank deposits		-131	0	0	-131	-131
Mortgage debt		3,155	869	0	4,024	4,099
Other debt, issued bonds		1,399	0	2,096	3,495	3,495
Other credit institutions		772	37	0	809	809
Bank debt		2,862	0	0	2,862	2,862
Finance lease commitments		70	0	0	70	68
Interest rate swaps, fixed interest rate		-370	370	0	0	15
30.09.2016		**7,669**	**1,276**	**2,096**	**11,041**	**11,129**
Bonds		0	0	-139	-139	-139
Bank deposits		-104	0	0	-104	-104
Subordinate loans		2	54	0	56	57
Mortgage debt		1,821	1,194	753	3,768	3,902
Other debt, issued bonds		750	0	799	1,549	1,549
Other credit institutions		1,878	69	0	1,947	1,947
Bank debt		5,279	0	0	5,279	5,279
Finance lease commitments		71	1	0	72	72
Interest rate swaps, fixed interest rate		-585	585	0	0	23
30.09.2015		**9,112**	**1,903**	**1,413**	**12,428**	**12,586**

The fair value of mortgage debt, debt to other credit institutions and bank debt has been calculated at the present value of future instalments and interest payments by using the current interest rate curve derived from current market rates (level 2). The fair value of the interest rate swaps outstanding at the balance sheet date which have been concluded in order to hedge interest rate risks on floating-rate loans amounts to DKK -15 million (30.09.2015: DKK -23 million) (level 2).

Other debt, issued bonds, includes bond loans of DKK 750 million. The fair value of these loans is determined on the basis of the latest trading price prior to the closing of the financial year (level 2).

The group's bank deposits are placed in current accounts or fixed-term deposit accounts.

Interest rate fluctuations affect the group's bond portfolios. An increase in interest rate levels of 1 percentage point per year relative to the interest rate level at the balance sheet date would have had a negative effect of DKK 2 million (30.09.2015: negative effect of DKK 2 million) on the group's equity related to capital losses on the group's bond portfolio.

As regards the group's floating-rate bank deposits, mortgage debt and other payables, an increase of 1 percentage point per year relative to the interest rate level at the balance sheet date would have resulted in an increase in the group's interest expenses of DKK 77 million (2014/15: DKK 91 million). A corresponding decrease in interest rate levels would have resulted in a similar reduction in the group's interest expenses.

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risks

The maturities of financial liabilities are specified below, distributed by the time intervals applied in the group's cash management. The specified amounts represent the amounts falling due for payment, including interest etc.

Non-derivative financial liabilities: DKKm	**Within 1 year**	**Between 1 and 5 years**	**After 5 years**	**Total**
Mortgage debt	220	910	5,243	6,373
Other debt, issued bonds	102	1,111	3,066	4,279
Other credit institutions	62	635	167	864
Bank debt	1,361	1,512	0	2,873
Finance lease commitments	19	33	20	72
Trade payables	3,942	0	0	3,942
Other payables	2,086	19	0	2,105
	7,792	**4,220**	**8,496**	**20,508**
Derivative financial instruments:				
Derivative financial instruments included in the trading portfolio	2	0	0	2
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	82	0	0	82
Derivative financial instruments concluded in order to hedge future cash flows	4	11	0	15
30.09.2016	**7,880**	**4,231**	**8,496**	**20,607**
Non-derivative financial liabilities:				
Subordinate loans	3	12	57	72
Mortgage debt	103	283	5,867	6,253
Other debt, issued bonds	802	172	902	1,876
Other credit institutions	467	1,524	9	2,000
Bank debt	1,112	4,182	0	5,294
Finance lease commitments	13	32	27	72
Trade payables	3,718	0	0	3,718
Other payables	2,026	0	0	2,026
	8,244	**6,205**	**6,862**	**21,311**
Derivative financial instruments:				
Derivative financial instruments included in the trading portfolio	4	0	0	4
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	2	0	0	2
Derivative financial instruments concluded in order to hedge future cash flows	10	13	0	23
30.09.2015	**8,260**	**6,218**	**6,862**	**21,340**

Cash resources: DKKm	**30.09.2016**	**30.09.2015**
Cash resources comprise:		
Cash	131	104
Unutilised credit facilities	6,931	6,872
	7,062	**6,976**

Notes

26 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risks
Credit risks are described in note 16 and in the section on risk management in the management's review, to which reference is made.

Optimisation of capital structure
The company's management assesses on an ongoing basis whether the group's capital structure matches the company's and the owners' interests. The overall objective is to ensure a capital structure which supports long-term financial growth and, at the same time, maximises the return for the group's stakeholders by optimising the equity/debt ratio. The group's overall strategy is consistent with that of last year.

The group's capital structure includes debt, comprising financial liabilities in the form of convertible debt certificates, mortgage debt, bank debt, finance lease commitments, receivables from cooperative members, cash and equity, including contributed capital, personal subordinated accounts, other reserves and retained earnings.

Financial gearing
The group aims to have a financial gearing in the order of 3.0, calculated as the ratio between net interest-bearing debt and total EBITDA for the year. The financial gearing as at the balance sheet date is 2.9 (30.09.2015: 3.0).

The financial gearing as at the balance sheet date can be calculated as follows: DKKm	**30.09.2016**	**30.09.2015**
Subordinate loans	0	56
Mortgage debt	4,024	3,768
Other debt, issued bonds	3,495	1,549
Other credit institutions	809	1,947
Bank debt	2,862	5,279
Finance lease commitments	70	72
Receivables from and prepayments to cooperative members	-479	-389
Cash and short-term securities	-219	-243
Net interest-bearing debt	**10,562**	**12,039**
Operating profit before special items (EBIT)	2,167	2,471
Depreciation, amortisation, impairment losses and write-downs	1,452	1,505
EBITDA	**3,619**	**3,976**
Financial gearing	**2.9**	**3.0**

Non-performance of loan agreements
The group has neither during the financial year nor during the year of comparison neglected or failed to fulfil any of its loan agreements.

Methods and conditions for the calculation of fair values
Listed bonds and shares
The portfolio of listed government bonds, listed mortgage credit bonds and shares is valuated at quoted prices and price quotes.

Unlisted shares
Unlisted shares are valuated on the basis of market multiples for a group of comparative listed companies less an estimated factor for trade in an unlisted market. If this is not possible, unlisted shares are valuated at cost.

Derivative financial shares
Forward exchange contracts and interest rate swaps are valuated on the basis of generally accepted valuation methods based on relevant observable swap curves and exchange rates.

Notes

27 RELATED PARTIES

Leverandørselskabet Danish Crown AmbA has no related parties with a controlling influence.

The company's related parties with a significant influence include members of the Board of Directors and the Executive Board as well as members of their families. Related parties also include enterprises in which such persons have significant interests.

Furthermore, related parties include associates, see the group structure, in which the company has a significant influence.

Transactions with related parties
During the financial year, the group has engaged in the following transactions with related parties:

2015/16 DKKm	**Associates and joint ventures**	**Board of Directors of the parent**	**Executive Board of the parent**	**Total**
Sale of goods	359	0	0	359
Purchase of goods	9	121	0	130
Sale of services	1	0	0	1
Purchase of services	274	0	0	274
Salaries and other remuneration	0	7	59	66
Trade receivables	40	1	0	41
Trade payables	35	3	0	38
Dividend received/supplementary payments	10	12	0	22
Member's accounts	0	13	0	13
2014/15				
Sale of goods	43	0	0	43
Purchase of goods	30	103	0	133
Sale of services	2	0	0	2
Purchase of services	268	0	0	268
Salaries and other remuneration	0	7	46	53
Trade receivables	2	1	0	3
Trade payables	37	2	0	39
Dividend received/supplementary payments	26	11	0	37
Member's accounts	0	13	0	13

Transactions have been conducted at arm's length.

No security or guarantees for balances have been furnished as at the balance sheet date. Both receivables and trade payables will be settled in the form of cash payment. No bad debts in respect of related parties have been realised, and no write-downs for bad debts have been made.

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No material events have occurred after the balance sheet date.

Notes

29 ACCOUNTING POLICIES

The 2015/16 consolidated financial statements of Leverandørselskabet Danish Crown AmbA are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act. Leverandørselskabet Danish Crown AmbA is a cooperative society domiciled in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for the group's activities.

The consolidated financial statements are presented on the basis of historical cost, except for derivative financial instruments and financial assets which are recognised at fair value in the income statement and biological assets which are also measured at fair value.

The accounting policies have not been changed relative to last year due to new or changed standards.

Standards and interpretations which have not yet come into effect
At the time of the release of the 2015/16 consolidated financial statements of Leverandørselskabet Danish Crown AmbA, there are a number of new or changed standards and interpretations which have not yet come into effect and which therefore have not been incorporated into the consolidated financial statements. The management estimates that none of these standards etc. will have any significant impact on the consolidated financial statements for the coming financial years.

Consolidated financial statements
The consolidated financial statements comprise Leverandørselskabet Danish Crown AmbA (the parent) and the enterprises (subsidiaries) in which the parent is deemed to have control. The parent is considered to have control in an enterprise in which it has invested if the parent is exposed or entitled to variable returns and is able to affect such returns based on its investment in the enterprise.

Enterprises in which the group, directly or indirectly, holds between 20 per cent and 50 per cent of the voting rights and exercises a significant, but not controlling influence are regarded as associates.

Enterprises in which the group directly or indirectly has joint control are regarded as joint ventures.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Leverandørselskabet Danish Crown AmbA and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. All financial statements used for consolidation are presented in accordance with the accounting policies of the group.

On consolidation, intra-group income and expenses, intra-group balances and dividends as well as gains and losses on transactions between the consolidated enterprises are eliminated.

The tax effect of these eliminations is taken into account.

The items in the financial statements of the subsidiaries are recognised in full in the consolidated financial statements.

Minority interests
On first recognition, minority interests are either measured at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired enterprise. The choice of method is made for each individual transaction. The minority interests are subsequently regulated for their proportionate share of changes in the subsidiary's equity. The comprehensive income is allocated to the minority interests, even if this may cause the minority interest to become negative.

Acquisition of minority interests in a subsidiary and sale of minority interests in a subsidiary which do not entail a lapse of control are treated in the consolidated financial statements as an equity transaction, and the difference between the remuneration and the carrying amount is allocated to the parent's share of equity.

Any liabilities relating to put options allocated to minority shareholders in subsidiaries are recognised as payables at the present value of the amount falling due upon exercise of the option if the group has an obligation to transfer cash and cash equivalents or other assets. The payable is deducted from equity owned by minority interests, and shares of profit or loss are subsequently not transferred to minority interests. On subsequent balance sheet dates, the financial liability is measured again, and any value adjustments are recognised in net financials in the income statement.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition or establishment of such enterprises,

Notes

29 ACCOUNTING POLICIES (CONTINUED)

respectively. The date of acquisition is the date when control is actually taken of the enterprise. Enterprises divested or wound up are recognised in the consolidated income statement until the date of divestment or winding up of such enterprise, respectively. The date of divestment is the date when control of the enterprise actually passes to a third party.

On acquisition of new enterprises where the group obtains a controlling influence in the acquired enterprise, the purchase method is used according to which the assets, liabilities and contingent liabilities of the newly acquired enterprises are measured at fair value on the date of acquisition. Non-current assets which are acquired with the intention to sell them are, however, measured at fair value less expected selling costs. Restructuring costs are only recognised in the acquisition balance sheet if they constitute an obligation for the acquired enterprise. Allowance is made for the tax effect of restatements.

The purchase price for an enterprise consists of the fair value of the price paid for the acquired enterprise. If the final determination of the price is conditional upon one or more future events, such events are recognised at their fair values at the date of acquisition. Costs which are directly attributable to the acquisition of the enterprise are recognised directly in the income statement when they are incurred.

Positive differences (goodwill) between the purchase price of the acquired enterprise, the value of minority interests in the acquired enterprise and the fair value of previously acquired investments on the one hand, and the fair value of the acquired assets, liabilities and contingent liabilities on the other are recognised as an asset under intangible assets and tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, it is impaired to the lower recoverable amount.

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase price, initial recognition takes place on the basis of preliminarily calculated amounts. The preliminarily calculated amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition, provided that new information has come to light regarding matters existing at the date of acquisition which would have affected the calculation of the amounts at the date of acquisition, had such information been known.

Changes in estimates of conditional purchase prices are, as a general rule, recognised directly in the income statement.

In connection with the transition to IFRS, business combinations completed before 30 September 2002 are not restated to the above-mentioned accounting policies. The carrying amount as at 30 September 2002 of goodwill relating to business combinations completed before 30 September 2002 is regarded as the cost of the goodwill.

Gains or losses on the divestment or winding up of subsidiaries and associates

Gains or losses on the divestment or winding up of subsidiaries and associates which entails a lapse of control or significant influence, respectively, are calculated as the difference between the fair value of the sales proceeds or the divestment consideration and the fair value of any remaining equity investments on the one hand, and the carrying amount of the net assets at the date of divestment or winding up, including goodwill, less minority interests (if any) on the other. The gain or loss thus calculated is recognised in the income statement together with the accumulated foreign currency translation adjustments that are recognised in other comprehensive income.

In connection with the divestment of ownership interests in associates and jointly controlled enterprises which are fully or partly paid for by ownership interests in the acquiring company, meaning that significant influence still exists after the transaction, a specific assessment is made of the transaction. If the transaction has commercial substance, i.e. if the divestment significantly affects the future cash flows from the ownership interests in terms of risks, timing and size, the gain or loss is recognised without proportionate elimination.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency of the individual enterprise are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated using the exchange rates applicable at the balance sheet date.

Exchange rate differences arising between the transaction date and the payment date and the balance sheet date, respectively, are recognised in the income statement as net financials.

Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currencies and measured on the basis of historical cost are translated using the exchange rates applicable at the transaction date. Non-monetary items which are revalued to fair value are recognised using the exchange rates applicable at the date of revaluation.

Notes

29 ACCOUNTING POLICIES (CONTINUED)

When recognising enterprises reporting in a functional currency other than Danish kroner (DKK) in the consolidated financial statements, the income statements are translated using average exchange rates unless these deviate significantly from the actual exchange rates applicable at the transaction dates. In the latter case, the actual exchange rates are used. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Goodwill is regarded as belonging to the enterprise acquired and is translated using the exchange rates applicable at the balance sheet date.

Exchange rate differences arising from the translation of the balance sheet items of foreign enterprises at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates using the exchange rates applicable at the balance sheet date are recognised directly in other comprehensive income. Similarly, exchange rate differences arising as a result of changes made directly in the equity of the foreign enterprise are also recognised in other comprehensive income.

Translation adjustments of receivables from or payables to subsidiaries which are considered part of the parent's total investment in the subsidiary in question are recognised in other comprehensive income in the consolidated financial statements.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and meeting the requirements for hedging of the fair value of a recognised asset, a recognised liability or a permanent order are recognised in the income statement together with changes in the value of the hedged item.

Changes in the fair value of derivative financial instruments classified as and meeting the requirements for effective hedging of future transactions are recognised in other comprehensive income. The ineffective part is promptly recognised in the income statement. When the hedged transactions are completed, the accumulated changes are recognised as part of the cost of the transactions in question.

Derivative financial instruments which do not meet the requirements for treatment as hedging instruments are regarded as trading portfolios and measured at fair value with ongoing recognition of fair value adjustments under net financials in the income statement.

True sale and repurchase transactions (repo transactions) involving bonds are recognised as gross figures and measured as loans against security in bonds, unless an agreement on cash settlement has been made with the other party.

Tax
Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit or loss for the year and directly in equity or other comprehensive income with the portion attributable to items directly in equity and other comprehensive income, respectively.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Deferred tax is recognised according to the balance-sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and where the temporary difference ascertained at the time of initial recognition neither affects the carrying amount nor the taxable income.

Deferred tax is recognised on temporary differences related to equity investments in subsidiaries and associates, unless the parent is able to control when the deferred tax is realised and it is likely that the deferred tax will not crystallise as current tax within a foreseeable future.

The deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses to be carried forward, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through offsetting against deferred tax liabilities or as net tax assets for offsetting against future positive

29 ACCOUNTING POLICIES (CONTINUED)

taxable incomes. At each balance sheet date, it is estimated whether it is likely that sufficient taxable income will be generated in future to enable utilisation of the deferred tax asset.

Non-current assets held for sale
Non-current assets and groups of assets held for sale are presented separately as current assets in the balance sheet. Liabilities directly related to the assets in question are presented as current liabilities in the balance sheet.

Non-current assets held for sale are not depreciated but impaired to the lower of fair value less expected selling costs and carrying amount.

Income statement and statement of comprehensive income
Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery has taken place and risk has passed to the buyer. Revenue comprises the invoiced sales plus export refunds.

Revenue is calculated exclusive of VAT and the like, which is charged on behalf of a third party, and discounts.

Production costs
Production costs comprise costs incurred to earn revenue. In production costs, the trading companies include cost of sales and the manufacturing companies include costs relating to raw materials, including purchases from cooperative members, consumables, production staff as well as maintenance, depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the production process. The purchase of slaughter animals from cooperative members is recognised at the current pig and cattle prices for the year and, consequently, does not include any share of supplementary payments, which is treated as dividend.

Distribution costs
Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the distribution process.

Administrative expenses
Administrative expenses comprise costs incurred for the management and administration of the group, including costs for the administrative staff and the management as well as office expenses and depreciation and amortisation of and impairment losses on the property, plant and equipment and intangible assets used in the administration of the group.

Other operating income and operating expenses
Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the group's primary activities.

Government grants
Government grants are recognised when there is reasonable certainty that the conditions for receiving a grant have been met, and the grant will be received.

Government grants received to cover costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement. The grants are offset against the costs incurred.

Government grants related to an asset are deducted from the cost of the asset.

Special items
Special items include significant income and expenses of a special nature in relation to the group's activities, such as basic structural adjustments as well as any related gains and losses on disposals. Special items also include other significant non-recurring amounts, for example accounting profit in connection with the achievement of a controlling influence in a group company.

Net financials
Net financials comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, amortisation premiums/deductions concerning mortgage debt etc. as well as surcharges and allowances under the Danish Tax Prepayment Scheme (*acontoskatteordningen*).

Interest income and interest expenses are accrued on the basis of the principal amount and the effective rate of interest. The effective rate of interest is the discount rate used to discount the expected future payments which are related to the financial asset or the financial liability in order for the present value of these to correspond to the carrying amount of the asset and the liability, respectively.

Dividend from equity investments is recognised when a definitive right to the dividend has been obtained.

Notes

29 ACCOUNTING POLICIES (CONTINUED)

This typically takes place when the general meeting approves the distribution of dividend from the enterprise concerned.

Balance sheet

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between the cost of the enterprise acquired, the value of minority interests in the enterprise acquired and the fair value of previously acquired equity investments on the one hand, and the fair value of the assets, liabilities and contingent liabilities acquired on the other as described in the consolidated financial statements section.

On recognition of goodwill, the goodwill amount is distributed onto those of the group's activities that generate independent payments (cash-generating units). The determination of cash-generating units follows the management structure and internal management control and reporting in the group.

Goodwill is not amortised, but is tested for impairment at least once a year as described below.

Other intangible assets

Intellectual property rights acquired in the form of patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the agreement period. If the actual useful life is shorter than the time to maturity and the agreement period, the asset is amortised over the shorter useful life.

Straight-line amortisation is carried out based on the following assessment of the expected useful lives of the assets:

Software

5 years.

Acquired trademarks

10-20 years.

Intellectual property rights acquired are impaired to a lower recoverable amount, if any, as described in the section on impairment below.

Property, plant and equipment

Land and buildings, plant and machinery as well as other plant, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use. For self-constructed assets, cost comprises costs directly attributable to the construction of the asset, including materials, components, subsuppliers and wages and salaries. For assets held under finance leases, cost is the lower of the asset's fair value and the present value of future lease payments.

Interest expenses on loans for financing the construction of property, plant and equipment are included in cost if they relate to the construction period. Other loan costs are recognised in the income statement.

If the acquisition or use of the asset requires the group to incur costs for the demolition or re-establishment of the asset, the estimated costs of such measures are recognised as a provision and a part of the cost of the asset concerned, respectively.

The basis of depreciation is the cost of the asset less the residual value. The residual value is the expected amount that could be obtained if the asset was sold today less selling costs if the asset already had the age and was in the condition that the asset is expected to be in at the end of its useful life. The cost of a combined asset is split into smaller parts which are depreciated separately if the useful lives differ.

Straight-line amortisation is carried out based on the following assessment of the expected useful lives of the assets:

Land

Is not depreciated.

Buildings

20-40 years.

Special installations

10-20 years.

Plant and machinery

10 years.

Technical plant

5-10 years.

Other plant, tools and equipment

3-5 years.

Depreciation methods, useful lives and residual values are subject to an annual reassessment.

Property, plant and equipment are impaired to the lower of recoverable amount and carrying amount as described in the section on impairment below.

Notes

29 ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets
The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives are reviewed at the balance sheet date to determine if there are any indications of impairment. If this is the case, the recoverable amount of the asset is calculated to determine the need for and scope of impairment.

The recoverable amount of goodwill is calculated annually, whether there are any indications of impairment or not.

If the asset does not generate cash independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit in which the asset is included.

The recoverable amount is calculated as the highest value of the fair value of the asset and the cash-generating unit, respectively, less selling costs and the value in use. When the value in use is calculated, estimated future cash flows are discounted to the present value by using a discount rate which reflects partly the current market assessments of the temporal value of money and partly the special risks which are associated with the asset and the cash-generating unit, respectively, and for which no adjustment has been made in the estimated future cash flows.

If the recoverable amount of the asset and the cash-generating unit is lower than the carrying amount, the carrying amount is impaired to the recoverable amount. For cash-generating units, the impairment is distributed such that goodwill amounts are impaired first and then any remaining impairment need is allocated to the other assets in the unit as the individual asset is not, however, impaired to a value which is lower than its fair value less expected selling costs.

Impairment is recognised in results. In any subsequent reversals of impairment resulting from changes in the conditions for the calculated recoverable amount, the carrying amount of the asset and the cash-generating unit is raised to the corrected recoverable amount, but not to more than the carrying amount which the asset or the cash-generating unit would have had, had there been no impairment. Impairment of goodwill is not reversed.

Equity investments in associates and joint ventures
Equity investments in associates and joint ventures are recognised and measured according to the equity method.

This means that equity investments are measured at the proportionate share of the enterprises' equity value, calculated according to the group's accounting policies less or plus proportionate internal gains and losses and plus the carrying amount of goodwill.

The proportionate share of the enterprises' net profit or loss and elimination of unrealised proportionate internal gains and losses and less any impairment of goodwill is recognised in the income statement. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the other comprehensive income of the group.

Equity investments in associates and joint ventures with a negative carrying amount are measured at DKK 0. Receivables and other non-current financial assets which are regarded as being a part of the overall investment in the associate are impaired by any remaining negative equity value. Trade receivables and other receivables are written down only if they are deemed to be irrecoverable.

A provision is recognised solely to hedge the remaining negative equity value if the group has a legal or actual obligation to hedge the liabilities of the enterprise in question.

The purchase method is used for the acquisition of equity investments in associates and joint ventures as described in the above section on the consolidated financial statements.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value. The cost of goods for resale, raw materials and consumables comprises the purchase price plus landing costs. The cost of manufactured goods and work in progress comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

Variable production overheads comprise indirect materials and labour and are distributed on the basis of estimates of the goods actually produced. Fixed production overheads comprise costs relating to maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the technical plant.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale.

Biological assets
Biological assets, which for the Danish Crown Group means live animals, are measured at fair value if there is an active market, less expected selling costs or cost. Animals producing slaughter animals (sows, boars etc.) are measured at cost less costs relating to the impairment that arises due to the animals' age. As animals producing animals for

Notes

29 ACCOUNTING POLICIES (CONTINUED)

slaughter are not traded, there is no market price.

Receivables
Receivables comprise trade receivables and other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value less write-downs for bad debts.

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

Other securities and equity investments
Securities recognised under current assets comprise mainly listed bonds and equity investments which are measured at fair value (market price) at the balance sheet date. Changes in the fair value are recognised in the income statement under net financials.

Supplementary payments
Supplementary payments are recognised as a payable at the time of adoption at the meeting of the Board of Representatives.

Pension obligations etc.
Under the defined-contribution plans, the company makes regular, defined contributions to independent pension companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

Under the defined-benefit plans, the group is required to pay a defined benefit in connection with the comprised employees retiring, for example a fixed amount or a percentage of their maximum pay.

Under the defined-benefit plans, an actuarial specification is made of the value in use of the future benefits to which the employees have become entitled by way of their previous employment in the group, and which will have to be paid under the plan. The projected unit credit method is used to determine the value in use. The value in use is calculated on the basis of market assumptions of the future development in pay levels, interest rates, inflation, mortality and disability, among other things.

The value in use of the pension obligations less the fair value of any assets related to the plan is recognised in the balance sheet under pension assets and pension obligations, respectively, depending on whether the net amount constitutes an asset or a liability, see below.

In the event of changes in the assumptions concerning the discount rate, inflation, mortality and disability or differences between the expected and realised return on pension assets, actuarial gains or losses will occur. Such gains and losses are recognised in other comprehensive income.

If the pension plan constitutes a net asset, the asset is recognised only if it equals the present value of any repayments from the plan or reductions in future contributions to the plan.

In the event of changes in the benefits that concern the employees' previous employment in the group, a change will occur in the actuarially calculated value in use which is regarded as pension costs for previous financial years. If the comprised employees have already obtained a right to the changed benefit, the change is promptly recognised in the income statement. If not, the change is recognised in the income statement over the period in which the employees obtain a right to the changed benefit.

Provisions
Provisions are recognised when the group has a legal or actual obligation resulting from events in the financial year or previous years, and it is likely that fulfilling the obligation will draw on the group's financial resources.

Provisions are measured as the best estimate of the costs necessary to settle the liabilities at the balance sheet date. Provisions falling due more than one year after the balance sheet date are measured at present value.

For goods sold that are subject to a right of return, provisions are made to cover the profit on those goods which are expected to be returned and any costs relating to the returns. For planned restructurings of the group's activities, provisions are made only for obligations concerning restructurings which were decided at the balance sheet date.

Insurance provisions
Insurance provisions comprise claims outstanding provisions, primarily concerning occupational injuries, and constitute the amount which, at the end of the financial year, is provided to cover subsequent payments for insurance events already occurred as well as direct and indirect costs in connection with the settlement of the claims.

Mortgage debt
Mortgage debt is measured at fair value at the time of arrangement of the loan less any transaction costs. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds from the borrowing and the amount which must be repaid is rec-

Notes

29 ACCOUNTING POLICIES (CONTINUED)

ognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Lease commitments
Lease commitments concerning assets held under finance leases are recognised in the balance sheet as debt and measured at the time when the contract is concluded, at the lower of the fair value of the leased asset and the present value of the future lease payments. On initial recognition, lease commitments are measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised as a financial expense in the income statement over the term of the contracts.

Lease payments concerning operating leases are recognised on a straight-line basis in the results over the lease period.

Other financial liabilities
Other financial liabilities comprise a subordinate loan, bank debt, trade payables and other payables to public authorities etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the loan period.

Deferred income
Deferred income under liabilities comprises income received in respect of subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows concerning operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

The effect on cash flow of acquisition and divestment of enterprises is recognised separately under cash flows from investing activities. In the cash flow statement, cash flows relating to acquired enterprises are recognised as from the date of acquisition, and cash flows relating to divested enterprises are recognised until the date of divestment.

Cash flows from operating activities are presented according to the indirect method and are calculated as the operating profit or loss, adjusted for non-cash operating items, changes in working capital as well as financial income, financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment. Furthermore, cash flows from assets held under finance leases are recognised in the form of lease payments made.

Cash flows from financing activities comprise changes to the parent's capital and costs relating thereto as well as the arrangement and repayment of loans, repayment of interest-bearing debt and disbursement of supplementary payments.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less any overdraft facilities that form an integral part of the cash management.

Segment information
The group is not listed on the stock exchange, and no segment information is disclosed according to IFRS.

In note 2, information is provided on revenue in Denmark and internationally and by business sector. However, this does not represent segment information in accordance with IFRS 8.

DEFINITION OF RATIOS

$$\text{EBIT} = \frac{\text{Operating profit before special items}}{\text{Revenue}}$$

$$\text{Solvency ratio} = \frac{\text{Equity}}{\text{Total assets}}$$

$$\text{Financial gearing} = \frac{\text{Net interest-bearing debt}}{\text{Profit/loss before depreciation, amortisation, impairment losses, write-downs, interest, tax and special items (EBITDA)}}$$

$$\text{Interest cover} = \frac{\text{EBITDA + interest income}}{\text{Interest expenses}}$$

Parent

INCOME STATEMENT 1 October 2015 - 30 September 2016

DKKm	Note	PARENT 2015/16	2014/15
Revenue	1	**13,495**	**13,787**
Production costs		-12,791	-13,079
Gross profit		**704**	**708**
Administrative expenses	2	-40	-52
Operating profit (EBIT)		**664**	**656**
Income from equity investments in subsidiaries	5	389	707
Income from equity investments in associates	5	1	5
Financial income	3	272	320
Financial expenses		-1	-2
Profit before tax		**1,325**	**1,686**
Tax on profit for the year	4	-15	-14
Net profit for the year		**1,310**	**1,672**

Proposed distribution of profit	
Net profit for the year	1,310
Total amount available for distribution	**1,310**
To be distributed as follows:	
Transferred to proposed supplementary payments for the year	
Pig suppliers 1,155,438,617 kg of DKK 1.00	1,155
Sow suppliers 50,942,570 kg of DKK 0.80	41
Cattle suppliers 76,156,160 kg of DKK 1.30	99
Total proposed supplementary payments	**1,295**
Transferred to equity	
Transferred to personal subordinated accounts	102
Transferred to net revaluation reserve	0
Transferred to other reserves	-87
Transferred to equity, total	**15**
Available for distribution, total	**1,310**

BALANCE SHEET – ASSETS 30 September 2016

DKKm	Note	PARENT 30.09.2016	PARENT 30.09.2015
Non-current assets			
Intangible assets			
Software		2	0
Total intangible assets		**2**	**0**
Financial assets			
Equity investments in subsidiaries		2,039	2,535
Receivables from subsidiaries		3,150	3,096
Equity investments in associates		20	19
Total financial assets	5	**5,209**	**5,650**
Total non-current assets		**5,211**	**5,650**
Current assets			
Receivables			
Receivables from and prepayments to cooperative members		479	389
Receivables from subsidiaries		136	283
Total receivables		**615**	**672**
Cash		**59**	**0**
Total current assets		**674**	**672**
Total assets		**5,885**	**6,322**

BALANCE SHEET – EQUITY AND LIABILITIES 30 September 2016

DKKm	Note	PARENT 30.09.2016	PARENT 30.09.2015
Equity			
Member's accounts		1,568	1,572
Personal subordinated accounts		215	113
Reserve for net revaluation of equity investments		0	0
Other reserves		2,427	2,699
Proposed supplementary payments for the year		1,295	1,425
Total equity		**5,505**	**5,809**
Provisions			
Other provisions	6	24	31
Total provisions		**24**	**31**
Liabilities			
Non-current liabilities			
Credit institutions		0	150
Total non-current liabilities	7	**0**	**150**
Current liabilities			
Credit institutions		0	53
Trade payables		309	256
Payables to subsidiaries		41	7
Income tax payable		6	11
Other payables		0	5
Total current liabilities		**356**	**332**
Total liabilities		**356**	**482**
Total equity and liabilities		**5,885**	**6,322**
Contingent liabilities etc.	8		
Cooperative members' liability	9		
Related parties	10		

STATEMENT OF CHANGES IN EQUITY 30 September 2016

	PARENT					
DKKm	Member's accounts	Personal subordinated accounts	Reserve for net revaluation of equity investments	Other reserves	Proposed supplementary payments for the year	Total
Equity as at 28 September 2014	**1,505**	**0**	**0**	**2,481**	**1,218**	**5,204**
Payments and disbursements for the year	67	0	0	0	-1,218	-1,151
Foreign currency translation adjustment, foreign enterprises	0	0	128	0	0	128
Other adjustments	0	0	-44	0	0	-44
Net profit for the year	0	113	0	134	1,425	1,672
Transfer	0	0	-84	84	0	0
Equity as at 30 September 2015	**1,572**	**113**	**0**	**2,699**	**1,425**	**5,809**
Payments and disbursements for the year	-4	0	0	0	-1,425	-1,429
Foreign currency translation adjustment, foreign enterprises	0	0	-238	0	0	-238
Other adjustments	0	0	53	0	0	53
Net profit for the year	0	102	0	-87	1,295	1,310
Transfer	0	0	185	-185	0	0
Equity as at 30 September 2016	**1,568**	**215**	**0**	**2,427**	**1,295**	**5,505**

Parent, notes

Notes

1 REVENUE

DKKm	2015/16	2014/15
Distribution by market:		
Denmark	13,495	13,787
	13,495	**13,787**
Distribution by sector:		
Pork	11,866	12,179
Beef	1,629	1,608
	13,495	**13,787**

2 STAFF COSTS

Salaries and wages	22	21
Pensions	1	1
Other social security costs	1	0
	24	**22**
Staff costs are distributed as follows:		
Administrative expenses	24	22
	24	**22**
Of which:		
Remuneration for the parent's Board of Directors	2	2
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	3	**3**
Average no. of employees	40	34

3 FINANCIAL INCOME

Subsidiaries	264	312
Other interest	8	8
	272	**320**

Notes

4	TAX ON PROFIT FOR THE YEAR DKKm	2015/16	2014/15
	Calculated tax on profit for the year	14	13
	Adjustment concerning previous years	1	1
		15	**14**

Tax on profit for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets and not its income.

Most of the company's profit is paid to the cooperative members in the form of supplementary payments, on which the individual cooperative member must pay tax.

5 FINANCIAL ASSETS DKKm	Equity investments in subsidiaries	Receivables from subsidiaries	Equity investments in associates	Total financial assets
Cost as at 1 October 2015	4,758	3,096	0	7,854
Foreign currency translation adjustments	0	0	0	0
Addition	0	54	0	54
Disposal	0	0	0	0
Cost as at 30 September 2016	**4,758**	**3,150**	**0**	**7,908**
Value adjustments as at 1 October 2015	-2,223	0	19	-2,204
Foreign currency translation adjustments	-238	0	0	-238
Share of net profit	389	0	1	390
Distribution during the year	-700	0	0	-700
Disposal	0	0	0	0
Other adjustments	53	0	0	53
Value adjustments as at 30 September 2016	**-2,719**	**0**	**20**	**-2,699**
Carrying amount as at 30 September 2016	**2,039**	**3,150**	**20**	**5,209**
Cost as at 29 September 2014	4,758	3,096	0	7,854
Foreign currency translation adjustments	0	0	0	0
Addition	0	0	0	0
Disposal	0	0	0	0
Cost as at 30 September 2015	**4,758**	**3,096**	**0**	**7,854**
Value adjustments as at 29 September 2014	-3,014	0	14	-3,000
Foreign currency translation adjustments	128	0	0	128
Share of net profit	707	0	5	712
Distribution during the year	0	0	0	0
Disposal	0	0	0	0
Other adjustments	-44	0	0	-44
Value adjustments as at 30 September 2015	**-2,223**	**0**	**19**	**-2,204**
Carrying amount as at 30 September 2015	**2,535**	**3,096**	**19**	**5,650**

Notes

6 OTHER PROVISIONS

DKKm	30.09.2016	30.09.2015
Other provisions as at 1 October 2015	31	13
Utilised during the year	-7	0
Provisions for the year	0	18
Other provisions as at 30 September 2016	**24**	**31**

Other provisions include a provision made in connection with a foreign court case.
The provision is deemed to cover the company's risk and is expected to be settled within 1-2 years.

7 NON-CURRENT LIABILITIES

The loans can be specified by maturity as follows:

30.09.2016 DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Bank debt	0	0	0	0
	0	**0**	**0**	**0**
30.09.2015				
Bank debt	53	150	0	203
	53	**150**	**0**	**203**

8 CONTINGENT LIABILITIES ETC.

DKKm	30.09.2016	30.09.2015
Guarantees to subsidiaries, maximum	16,617	15,844
Guarantees to subsidiaries, utilised	10,517	10,331

9 COOPERATIVE MEMBERS' LIABILITY

The cooperative members are personally, jointly and severally liable for the liabilities of the parent.
The liability of each cooperative member is calculated on the basis of the supplies made by such member and cannot exceed DKK 25,000.

No. of cooperative members	7,605	8,020
Total liability	190	201

10 RELATED PARTIES

Associates and members of the Board of Directors and the Executive Board of Leverandørselskabet Danish Crown AmbA are regarded as related parties.

Since the company is a cooperative, supplies have been received from cooperative members, including members of the Board of Directors.

Notes

11 ACCOUNTING POLICIES

The financial statements of the parent (Leverandørselskabet Danish Crown AmbA) are presented in accordance with the provisions of the Danish Financial Statements Act (*årsregnskabsloven*) concerning the reporting of class C enterprises.

The financial statements have been presented in accordance with the accounting policies applied last year.

The parent generally uses the same accounting policies for recognition and measurement as the group. Those cases where the parent's accounting policies deviate from those of the group are described below.

Intra-group company transfers
In connection with intra-group company transfers, the pooling-of-interest method is used, according to which assets and liabilities are transferred to carrying amounts at the beginning of the financial year. The difference between the price paid and the carrying amount of the transferred assets and liabilities is recognised in the equity of the acquiring enterprise.

The comparative figures have been restated to show the enterprises as if they had been combined for the entire period during which they have been under joint control.

Tax
Tax for the year is calculated on the basis of the cooperative taxation, which is based on the company's assets.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

Intangible assets
Goodwill/consolidated goodwill is generally amortised over a period of 5 to 10 years, however, it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortisation is considered to better reflect the benefit from the relevant resources. Goodwill is not amortised in the consolidated financial statements in accordance with IFRS.

Property, plant and equipment
For self-constructed assets, cost comprises direct and indirect costs relating to materials, components, subsuppliers and labour. Under IFRS, indirect costs cannot be recognised in self-constructed assets.

Depreciation is carried out on a straight-line basis over the useful lives of the assets to the expected residual value. According to the provisions in IFRS, the residual value must be reassessed on an annual basis. In the financial statements of the parent, the residual value is determined on the date of entry into service and is generally not subsequently adjusted.

Equity investments in group enterprises and associates
Equity investments in group enterprises and associates are measured according to the equity method.

The parent's share of the profits or losses of the enterprises is recognised in the income statement after elimination of unrealised intra-group profits and losses minus or plus amortisation of positive, or negative, consolidated goodwill.

Net revaluation of equity investments in subsidiaries and associates is taken to reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Pension obligations
Annual pension costs are recognised in the income statement based on the actuarial estimates and financial outlook at the beginning of the year. Differences between the expected development in pension assets and commitments and the realised values calculated at the end of the year are known as actuarial gains or losses and are also recognised in the income statement. In the consolidated financial statements under IFRS, actuarial gains and losses are recognised in other comprehensive income.

Cash flow statement
The consolidated financial statements contain a cash flow statement for the group as a whole, and a separate statement for the parent is therefore not included as per the exemption clause in Section 86 of the Danish Financial Statements Act.

Management's statement and auditor's report

Statement by the Board of Directors and the Executive Board on the annual report

Today, the Board of Directors and the Executive Board have considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2015 - 30 September 2016.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act. The financial statements of the parent have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2016 and of the results of the group's and the company's activities and the group's cash flows for the financial year 1 October 2015 - 30 September 2016.

We believe that the management's review contains a fair review of the development in the group's and the company's activities and financial affairs, net profit for the year, the company's financial position and the financial position as a whole for the enterprises included in the consolidated financial statements as well as a description of the most important risks and uncertainty factors facing the group and the company.

We recommend the annual report for adoption by the Board of Representatives.

Randers, 22 November 2016

Executive Board

GROUP CEO
Jais Valeur

GROUP CFO
Preben Sunke

Board of Directors

CHAIRMAN
Erik Bredholt

Cay Wulff Sørensen

Palle Joest Andersen

VICE-CHAIRMAN
Asger Krogsgaard

Erik Larsen

Peder Philipp

Knud Jørgen Lei

Peter Fallesen Ravn

Niels Daugaard Buhl

Søren Bonde

Independent auditor's report

To the cooperative members of Leverandørselskabet Danish Crown AmbA

Report on the consolidated financial statements and the financial statements

We have audited the consolidated financial statements and the financial statements of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2015 - 30 September 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the group and for the company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act, and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the financial statements

The management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act and for the preparation and fair presentation of financial statements in accordance with the Danish Financial Statements Act. The management is also responsible for the internal control which it deems necessary for the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the financial statements based on our audit. We conducted our audit in accordance with international auditing standards and additional requirements under Danish auditing legislation. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the consolidated financial statements and the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the consolidated financial statements and the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of consolidated financial statements and financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's assets, liabilities and financial position as at 30 September 2016 and of the results of the group's activities and cash flows for the financial year 1 October 2015 - 30 September 2016 in accordance with International Financial Reporting Standards as adopted by the EU and the disclosure requirements contained in the Danish Financial Statements Act.

We also believe that the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30 September 2016 and of the results of the company's activities for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Statement on the management's review

We have read the management's review as required by the Danish Financial Statements Act. We have not performed any additional procedures other than the audit of the consolidated financial statements and the financial statements.

Against this background, we are of the opinion that the information in the management's review is in accordance with the consolidated financial statements and the financial statements.

Aarhus, 22 November 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CV no. 33963556

Anders Dons
State-Authorised Public Accountant

Thomas Rosquist Andersen
State-Authorised Public Accountant

Group structure

COMPANY NAME		Direct ownership in %
Leverandørselskabet Danish Crown AmbA	**Denmark**	
Danish Crown A/S	**Denmark**	**100**
Tulip Food Company A/S	**Denmark**	**100**
Tulip Norge AS	*Norway*	*100*
*Tulip Food Company GmbH **)*	*Germany*	*100*
*Tulip Fleischwaren Oldenburg GmbH **)*	*Germany*	*100*
Tulip Food Company France S.A.	*France*	*100*
Tulip Food Company AB	*Sweden*	*100*
Pölsemannen AB	*Sweden*	*100*
Tulip Food Company Italiana S.r.L.	*Italy*	*100*
Tulip Food Company Japan Co. Ltd	*Japan*	*100*
Majesty Inc.	*US*	*100*
Tulip Food Service Ltd	*UK*	*100*
Danish Deli Ltd	*UK*	*100*
Tulip International (UK) Ltd	**UK**	**100**
Tulip Ltd	*UK*	*100*
ESS-FOOD Holding A/S	**Denmark**	**100**
ESS-FOOD A/S	*Denmark*	*100*
Carnehansen A/S	*Denmark*	*100*
Dansk Svensk Koedexport s.r.o.	*Czech Republic*	*100*
ESS-FOOD Hong Kong Ltd	*Hong Kong*	*100*
ESS-FOOD (Shanghai) Trading Co. Ltd	*China*	*100*
ESS-FOOD Brazil Servicos de Consultoria Ltda	*Brazil*	*100*
Danish Crown Holding GmbH **)	**Germany**	**100**
*Danish Crown GmbH *), **)*	*Germany*	*90*
*Danish Crown Fleisch GmbH **)*	*Germany*	*100*
Danish Crown Sp.z o.o.	*Poland*	*100*
*Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)*	*Germany*	*90*
WestCrown GmbH	*Germany*	*50*

COMPANY NAME		Direct ownership in %
Friland A/S	**Denmark**	**100**
Friland Udviklingscenter ApS	*Denmark*	*100*
*Udviklingscenter for husdyr på Friland K/S *)*	*Denmark*	*2*
*Udviklingscenter for husdyr på Friland K/S *)*	*Denmark*	*48*
Friland Food AB	*Sweden*	*100*
*Friland J. Hansen GmbH **)*	*Germany*	*100*
Friland Polska Sp. z o.o.	*Poland*	*100*
DAT-Schaub A/S	**Denmark**	**100**
DAT-Schaub (PORTO) S.A.	*Portugal*	*100*
DAT-Schaub USA Inc.	*US*	*100*
DAT-Schaub France S.A.S.	*France*	*100*
Trissal S.A.	*Portugal*	*50*
Arne B. Corneliussen AS	*Norway*	*100*
Oy DAT-Schaub Finland Ab	*Finland*	*100*
Thomeko Oy	*Finland*	*83*
Thomeko Eesti OÛ	*Estonia*	*100*
DAT-Schaub AB	*Sweden*	*100*
DAT-Schaub (Deutschland) GmbH	*Germany*	*100*
Gerhard Küpers GmbH	*Germany*	*100*
*DIF Organveredlung Gerhard Küpers GmbH & Co. KG ***)*	*Germany*	*100*
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	*Germany*	*50*
*CKW Pharma-Extrakt GmbH & Co.KG ***)*	*Germany*	*100*
DAT-Schaub Holdings USA Inc.	*US*	*100*
DCW Casing LLC	*US*	*51*
DAT-Schaub Casings (Australia) Pty Ltd	*Australia*	*100*
DAT-Schaub Polska Sp. z o.o.	*Poland*	*100*
DAT-Schaub (UK) Ltd	*UK*	*100*
Trunet Packing Services Ltd	*UK*	*50*
Oriental Sino Limited	*Hong Kong*	*45*
Yancheng Lianyi Casing Products Co. Ltd	*China*	*73*
Jiangsu Chongan Plastic Manufacturing Co. Ltd	*China*	*59*
Yancheng Xinyu Food Products Ltd	*China*	*73*
Yancheng Huawei Food Products Ltd	*China*	*73*
Waikiwi Casings Ltd	*New Zealand*	*100*

COMPANY NAME		Direct ownership in %
Sokołów S.A.	**Poland**	**100**
Sokołów-Logistyka Sp. Z o.o.	*Poland*	*100*
Agro Sokołów Sp. Z o.o.	*Poland*	*100*
Sokołów-Services Sp. Z o.o.	*Poland*	*100*
Marka Sokołów-Service Sp. Z o.o.	*Poland*	*100*
Agro Sokołów F1 Sp. Z o.o.	*Poland*	*100*
Other subsidiaries in Danish Crown A/S		
Scan-Hide A.m.b.a. *)	Denmark	45
Kontrollhudar International AB	*Sweden*	*100*
KHI Fastighets AB	*Sweden*	*100*
Danish Crown Salg og Service A/S	Denmark	100
DC II A/S	Denmark	100
Antonius A/S	*Denmark*	*100*
Steff Food A/S	*Denmark*	*100*
DC Pork Rønne ApS	Denmark	100
Diet4Life ApS	Denmark	57
Forsikringsselskabet af 01.07.2003 A/S	Denmark	100
SPF-Danmark A/S	Denmark	100
SPF Genetics France SARL	*France*	*100*
Plumrose USA Inc.	US	100
Danish Crown USA Inc.	US	100
Danish Crown UK Limited	UK	100
Danish Crown GmbH *), **)	Germany	10
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	Germany	10
*Scan-Hide A.m.b.a. *)*	*Denmark*	*12*
Danish Crown S.A.	Switzerland	100
Danish Crown/Beef Division S.A.	Switzerland	100
DAK AO	Russia	100
Danish Crown España S.A.	Spain	100
Danish Crown France S.A.S.	France	100
Danish Crown Division Porc S.A.S.	*France*	*100*
SCI E.F. Immobilier Orléans	France	100
SCI RP Bernay	*France*	*85*
DC Trading Co., Ltd	Japan	100
Danish Crown Korea, Liaison Office (branch)	Korea	100
Danish Crown South East Asia Private Ltd	Singapore	100
Danish Crown K-Pack AB	Sweden	100
Danish Crown K-Pack Fastighets AB	*Sweden*	*100*
KLS Ugglarps AB	Sweden	88
*Scan-Hide A.m.b.a. *)*	*Denmark*	*21*
Svenska Köttföretaget AB	*Sweden*	*22*

COMPANY NAME		Direct ownership in %
Associates		
Daka Denmark A/S	Denmark	43
Agri-Norcold A/S	Denmark	43
Danske Slagterier ◊)	Denmark	97
Svineslagteriernes Varemærkeselskab ApS ◊)	Denmark	92

**) Appears several times in the group structure.*

***) The following enterprises, which are included in the consolidated financial statements, have exercised their right of exemption under Section 264(3) of the German Handelsgesetzbuch (HGB): Danish Crown Holding GmbH, Danish Crown GmbH, Danish Crown Fleisch GmbH, Danish Crown Schlachtzentrum Nordfriesland GmbH, Husum, Tulip Food Company GmbH, Tulip Fleischwaren Oldenburg GmbH, Friland J. Hansen GmbH.*

****) The following enterprises, which are included in the consolidated financial statements, have exercised their right of exemption under Section 264b of the German Handelsgesetzbuch (HGB): DIF Organveredlung Gerhard Küpers GmbH & Co. KG, CKW Pharma-Extrakt GmbH & Co.KG. The consolidated financial statements are published in Deutsche Bundesanzeiger.*

◊) Due to changes to the Articles of Association meaning that important decisions have to be unanimous, the group does not have control despite an ownership interest of more than 50 per cent.

Indentation indicates relation to subsidiary
Bold = parents in subgroups
Italics = sub-subsidiaries etc.

> "With a strong demand for pork in the Asian markets in particular, we have been able to pay a price which, in the last few months of the year, has resulted in reasonable earnings for producers of slaughter pigs.
>
> *– Erik Bredholt*

DAT-Schaub, China

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