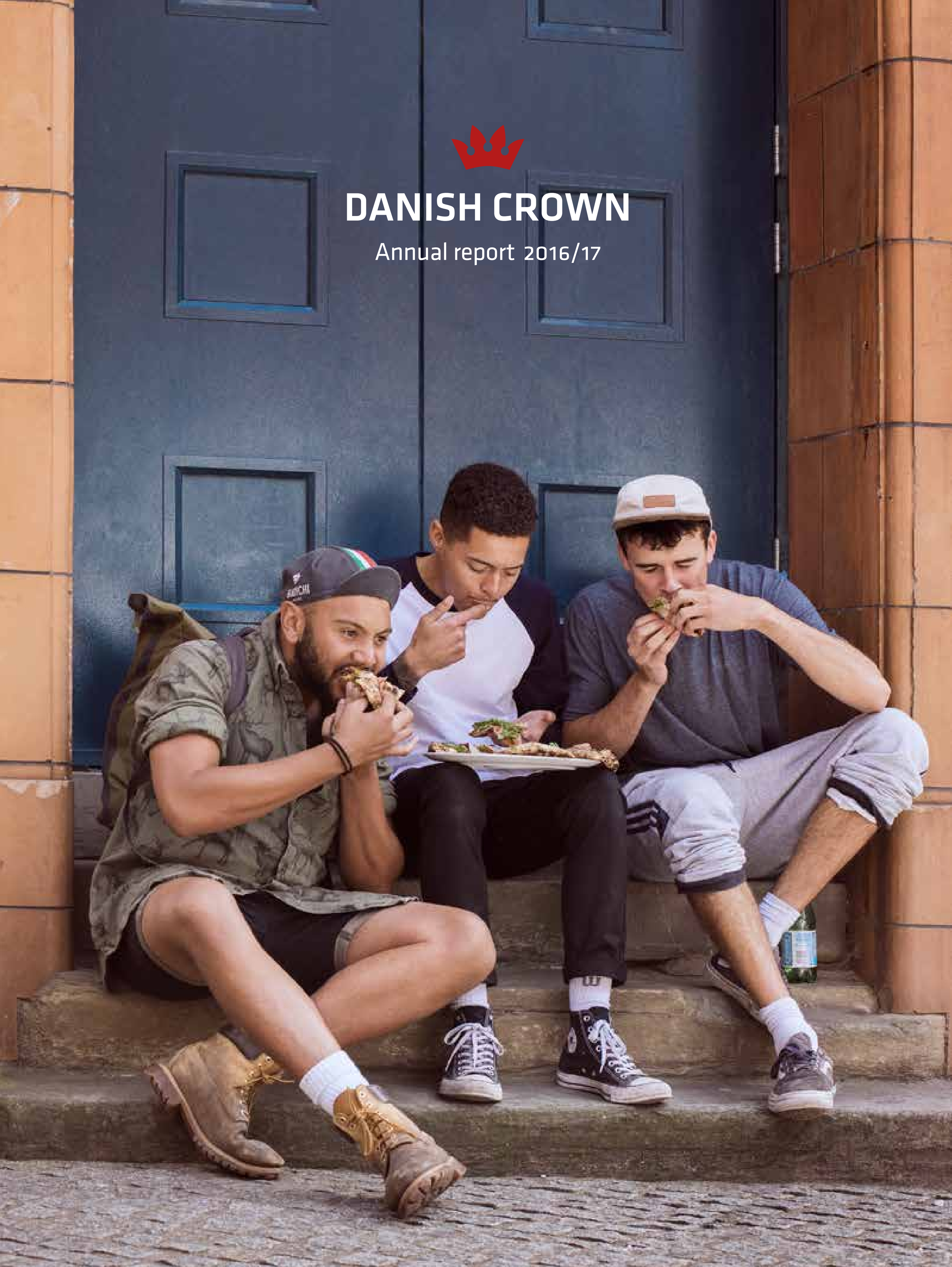
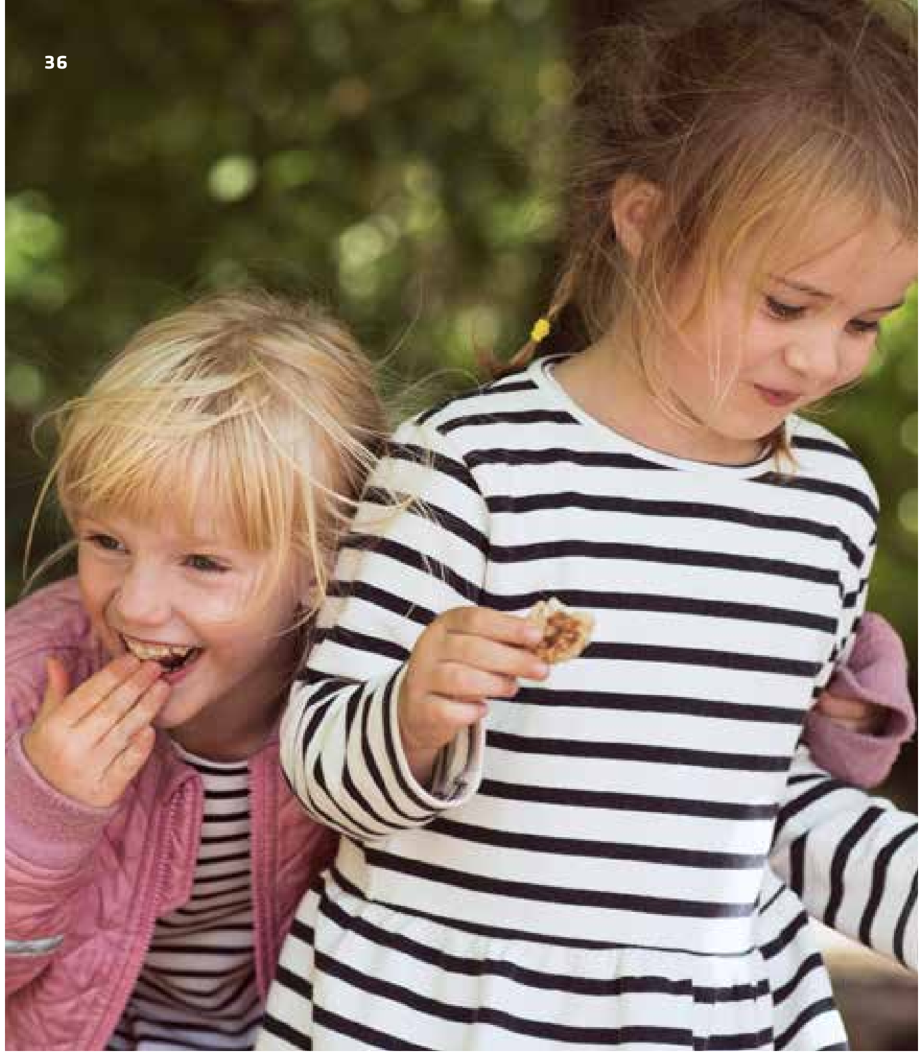
DANISH CROWN

Annual report 2016/17

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THE STEPS TO
A GOOD MEAL

Good quality starts on the farm

For the farmer, care and high animal welfare are crucial. The well-being of pigs and cattle results in better-quality meat and thereby better prices for the farmer – for the benefit of customers and consumers.

At the abattoir, our employees take good care of your food

Highly skilled employees work hard to ensure that consumers can enjoy a good meal. At our modern and technologically advanced abattoirs, we define strict hygiene, animal welfare, quality and working environment standards in cooperation with the food control authorities.

The good meal

Our driving force is happy consumers who appreciate our products when cooking for friends and family, or when ordering food from a menu at a restaurant. At Danish Crown, our success as farmers, butchers and product developers is all about making it easier for consumers to create a good meal. Indicators are that we're doing the right thing. Our meat is in high demand all over the world. Not just because it tastes so good, but also because of our high animal welfare and sustainability standards.

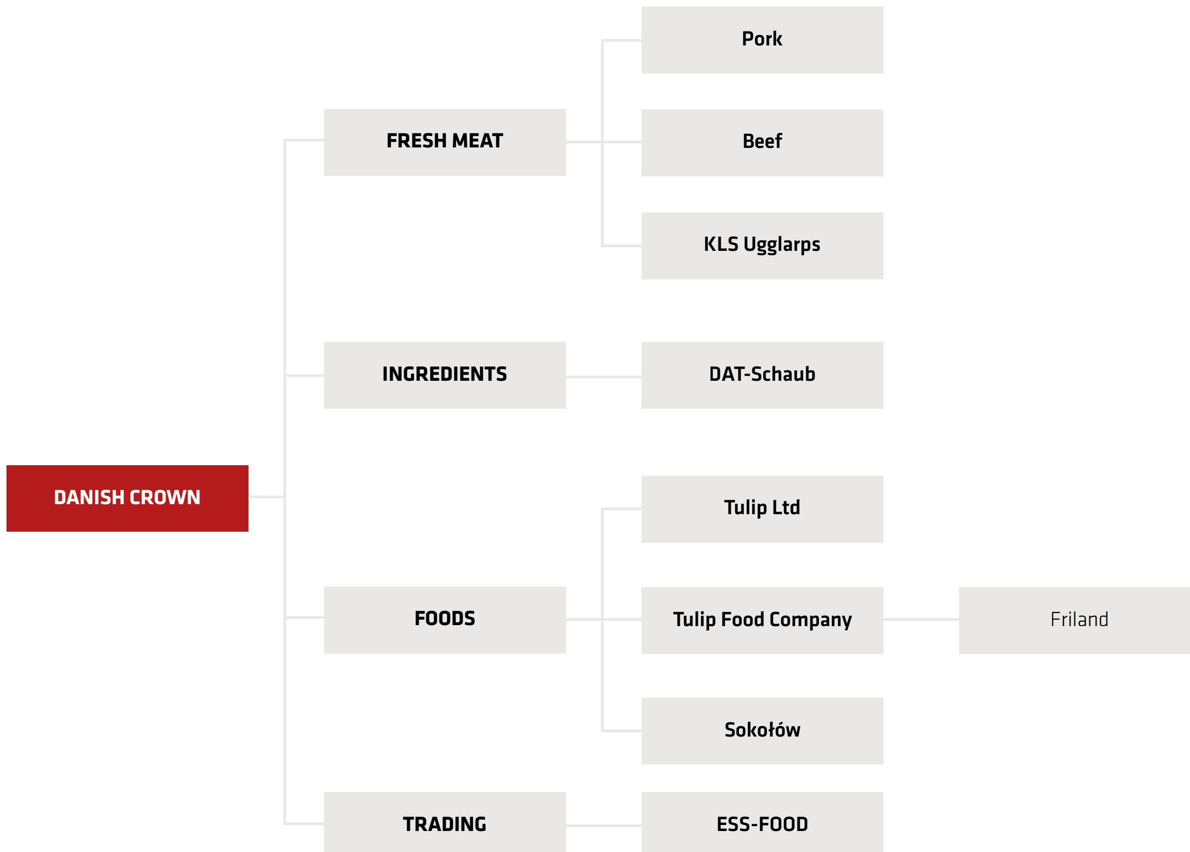
Raw materials are processed for consumers

Steaks, sausages or snacks. Our processing companies create products which are sold in more than 100 countries. To gourmet restaurants, street food outlets and the supermarkets' cold counters. As fresh meat and processed meat products - and as ingredients for the industry.

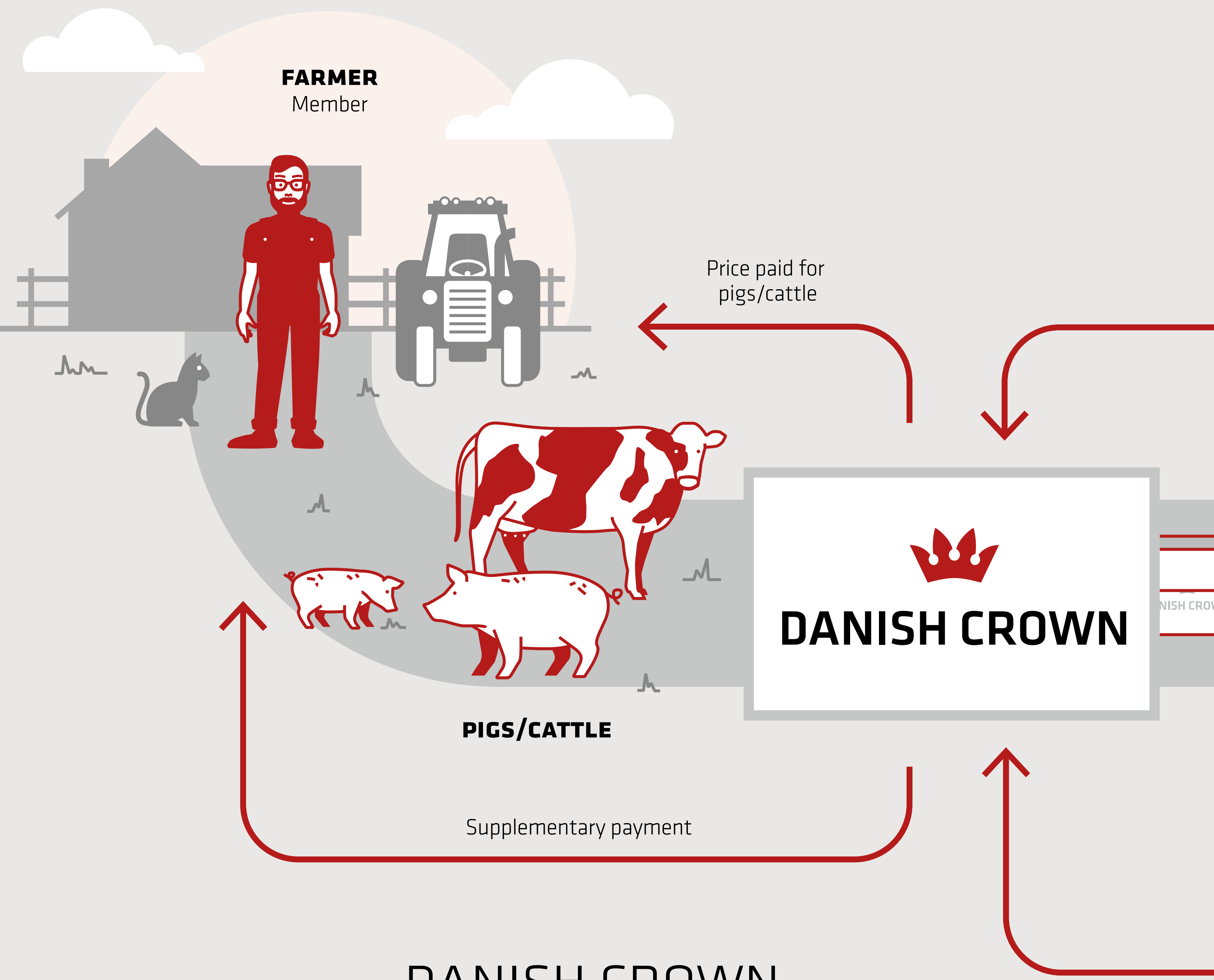
Close partnering with customers

Danish Crown is keen to work in close partnership with retailers, the food-service sector and e-trading platforms. We develop and deliver own-brand products or concepts tailored to the exact requirements of individual customers. Focusing on the customer's needs and in cooperation with the customer, we constantly develop new product solutions.

OUR BUSINESS UNITS



OUR BRANDS



DANISH CROWN **BUSINESS MODEL**

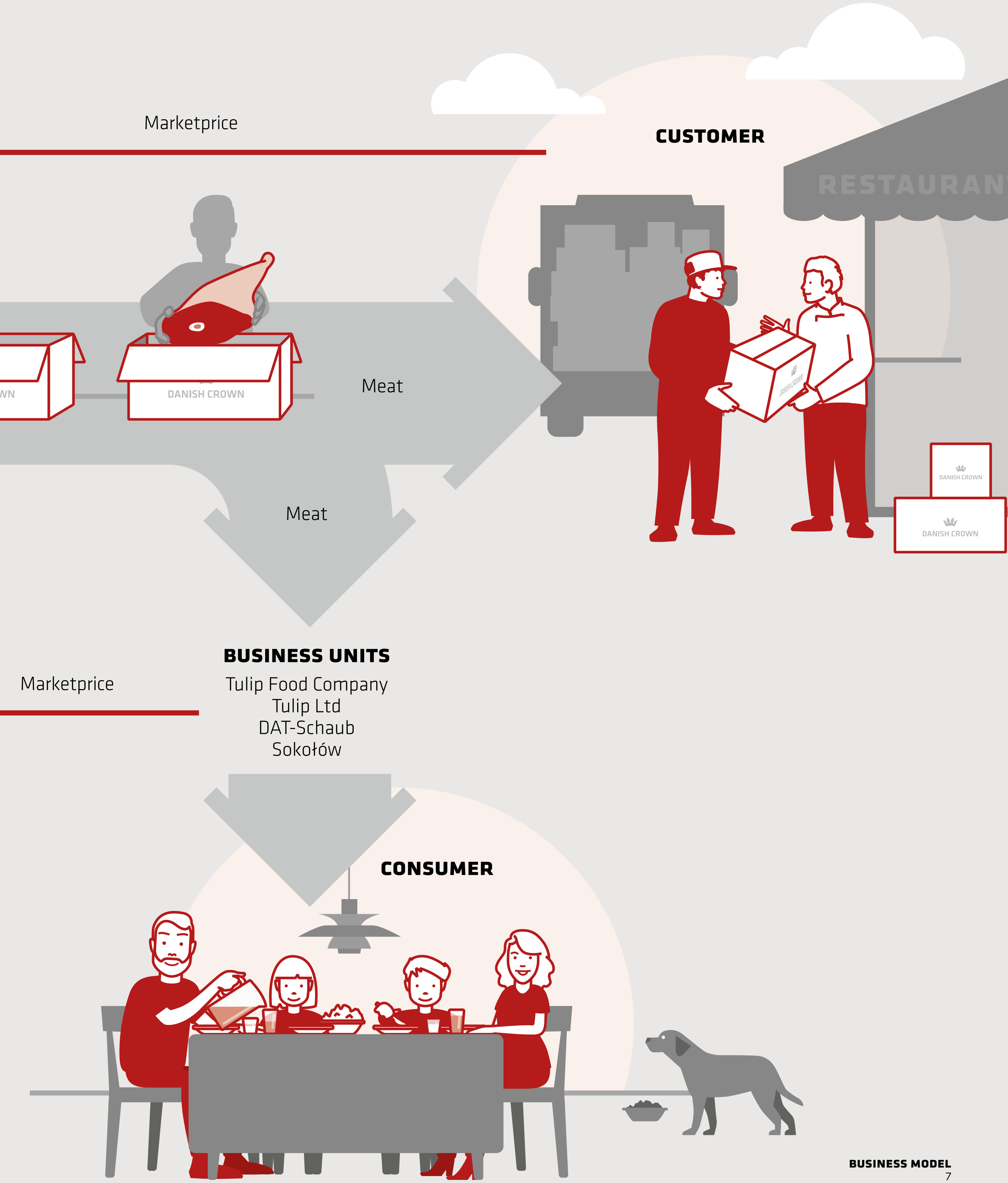
Danish Crown is a global food company originating from Denmark. The company is a cooperative society with limited liability, 100 per cent owned by the Danish farmers who supply pigs and cattle to the company.

Danish Crown slaughters the animals supplied by its cooperative members, and sells the meat to customers in Denmark and in more than 130 other countries worldwide. A large proportion of the meat is used as raw materials by Danish Crown's own business units: Tulip Food Company, DAT-Schaub, Tulip Ltd and Sokołów.

The price paid to the farmers for their animals on a current basis reflects the market price of meat at all times.

The business units process the raw materials into products such as bacon, cold cuts, salami, pizza toppings, snacks, sausages, soups, ready meals and canned products and sell them in local markets or in the global market.

Following the closing of the accounts at the end of the year, the profit from the sale of meat and processed products is paid out to the suppliers in Denmark who are cooperative members and thereby owners of Danish Crown.


Marketprice
CUSTOMER
RESTAURANT
DANISH CROWN
Meat
Meat
DANISH CROWN
DANISH CROWN
BUSINESS UNITS
Tulip Food Company
Tulip Ltd
DAT-Schaub
Sokołów
Marketprice
CONSUMER

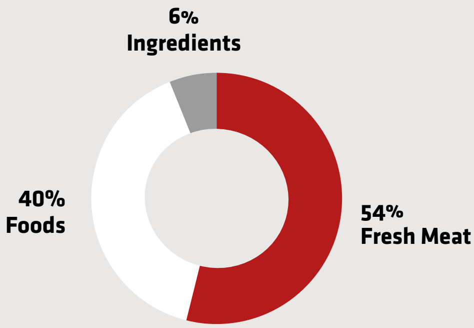
62 billion

Revenue in DKK

7,166

Cooperative members

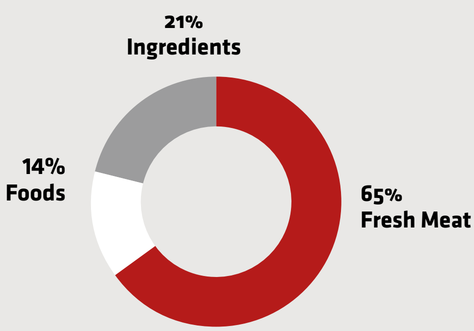
5,118	2,106	932
Cattle suppliers	Pig suppliers	Sow suppliers



Share of revenue

21 million

Delivery: pigs and sows



Share of EBIT

0.7 million

Delivery: cattle

940,000

Processed products in tonnes

25,307

Employees

GROUP FINANCIAL KEY FIGURES

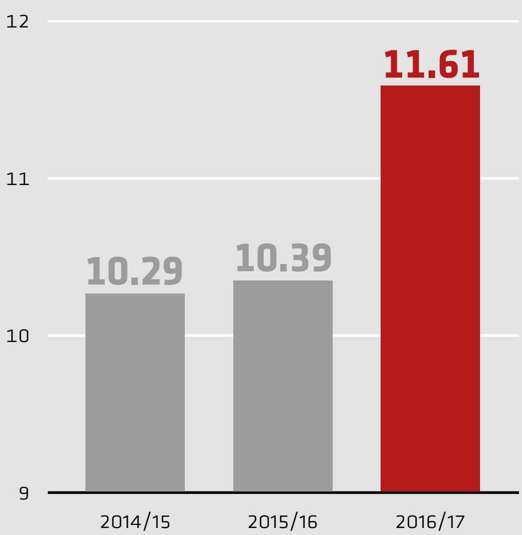
DKKm	2016/17	2015/16	2014/15	2013/14	2012/13
Income statement					
Revenue	**62,024**	60,038	59,556	58,029	58,164
Operating profit before special items (EBIT)	**1,923**	2,167	2,471	2,178	2,098
Operating profit after special items	**2,449**	2,068	2,403	2,162	2,098
Net financials	**-225**	-234	-269	-304	-334
Net profit for the year	**2,022**	1,639	1,821	1,656	1,583
EBIT in %	**3.1**	3.6	4.1	3.8	3.6
Balance sheet					
Total assets	**24,433**	25,257	26,779	27,015	24,725
Investments in intangible assets	**74**	47	46	68	19
Investments in property, plant and equipment	**928**	1,038	1,448	1,282	1,536
Equity	**7,611**	6,897	7,172	6,423	5,962
Solvency ratio	**31.2%**	27.3%	26.8%	23.8%	24.1%
Net interest-bearing debt	**9,229**	10,562	12,039	13,138	11,948
Financial gearing	**2.8**	2.9	3.0	3.7	3.5
Interest cover	**11.3**	12.4	11.6	9.8	8.9
Cash flows from operating and investing activities					
Cash flows from operating and investing activities	**1,937**	2,750	2,908	329	2,117
No. of employees					
Average no. of full-time employees	**25,956**	26,276	25,873	23,764	23,034
Supplementary payments, DKK per kg					
Supplementary payments, pigs	**0.95**	1.00	1.05	0.90	0.90
Supplementary payments, sows	**0.80**	0.80	0.90	0.80	0.80
Supplementary payments, cattle	**1.30**	1.30	1.55	1.40	1.50
Total disbursement, DKKm					
Supplementary payments, pigs	**1,050**	1,155	1,261	1,067	1,075
Supplementary payments, sows	**37**	41	50	44	46
Supplementary payments, cattle	**100**	99	114	107	108
Extraordinary disbursement according to section 22.3.2 in the articles of association	**250**	0	0	0	0
Total disbursement	**1,437**	1,295	1,425	1,218	1,229
Supplies from members weighed in (million kg)					
Pigs	**1,104.9**	1,155.4	1,200.7	1,185.7	1,195.1
Sows	**46.6**	50.9	55.9	54.7	57.3
Cattle	**77.3**	76.2	73.6	76.8	71.9
No. of cooperative members					
No. of cooperative members	**7,166**	7,605	8,020	8,278	8,552

HIGHLIGHTS 2016/17

HEARTS FOR ANIMAL WELFARE

In May, a new labelling scheme for fresh pork was launched in Denmark. Meat tray labels with one, two or three hearts represent different levels of animal welfare and help consumers choose the right number of hearts and price to suit their preference and purse.

Development in payment of pork* to the farmer
Price per kg in DKK



* "Correction 2"

PROTEIN ON THE GO

During the year, Tulip Food Company launched several new products for consumers on the go. One of these products, a meat-based protein bar, is a completely new concept in the market.

INCREASING PIG PRICES

A growing global demand for pork has resulted in higher payment per kg for pork in the past three years. This has meant that Danish pig producers have been able to generate a reel profit from their operations – for the first time in ten years.

600,000

NEW COOPERATIVE MEMBERS

In the past year, Danish Crown has welcomed a large number of new owners, who together will supply more than 600,000 slaughter pigs to our abattoirs in Denmark in the first year alone. The new cooperative members will thus help improve capacity utilisation at Danish Crown's abattoirs.

STRONGER ON **BEEF**

In January, Danish Crown acquired the German abattoir Teterower Fleisch, and in so doing became the fifth-largest beef producer in Europe. Almost 20 per cent of the cattle slaughtered at this abattoir in Mecklenburg-Vorpommern in northern Germany are organic.

OPEN **SESAME**

The Chinese market has opened up new and exciting opportunities in the past year. In August, Danish Crown signed an agreement to sell pork in China's largest webshop, Alibaba. A brand new factory south of Shanghai will support future growth in China.

DIVESTMENT OF PLUMROSE

The divestment of Plumrose, Danish Crown's US company, has created more financial leeway. It will lead to a strengthening of Danish Crown's activities in our important markets and the flexibility needed to further consolidate the industry.

STRONGER IN THE UK

The acquisition of Easey Holdings Ltd in the UK is strengthening Danish Crown's future in the UK market. Easey Holdings Ltd is known for its high animal welfare standards, and an advantage of the acquisition is that Danish Crown now has access to more slaughter pigs in the UK domestic market. The acquisition is conditional upon approval by the competition authorities.

In Shanghai, three generations of the Li family have just sat down to enjoy dinner together. The meat is from Danish Crown and was ordered online at Yiguo.com. The Li family are like many others in China who choose to save time by shopping online, and instead spend more time with the people who matter most.

REPORTS

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"In the coming years, the global demand for high-quality meat, food safety and animal welfare is set to increase. These are some of the things that many Danish farmers do best."

A POSITIVE TURNING POINT FOR THE OWNERS AND THE GROUP

At the end of the financial year, I am pleased to note that 2016/17 was a good year for the benefit of our owners. On the other hand, it is of course not satisfactory that we suffered a slight setback to our strategic commitment of paying an extra 0.60 DKK to our suppliers compared to the European settlement price in 2021. However, I am confident that our target is within reach.

Thanks to a strong, global demand for pork, prices increased throughout the year. For the first time in almost ten years, Danish pig producers have actually been able to generate a profit from all their hard work – work which is key to delivering high-quality meat for consumers all over the world.

The Beef division is ending the year on a high note. The ambition of creating further growth in the beef business has got off to a good start, and sales are going well thanks to our innovative product development in close cooperation with customers.

In the coming years, the global demand for high-quality meat, food safety and animal welfare is set to increase. These are some of the things that many Danish farmers do best. With their strong and innovative agricultural traditions, Danish farmers are well-positioned when it comes to listening to consumer wishes and meeting this demand.

At the same time, we are pleased to see that the Danish farmers have experienced improved framework conditions in the past year, i.a. the phasing-out of the PSO tax has been started by the politicians. This significantly increases the chances of maintaining the production of slaughter pigs in Denmark. It looks as if both the improved regulatory framework and the growing optimism in the agricultural sector have already resulted in an increase in the number of pigs supplied to Danish abattoirs.

Moreover, it is satisfactory that the group's own growth plan for its suppliers, which was initiated in spring 2017, also seems to be producing the desired results in that a large number of suppliers with a strong belief in the future have started to build new or renovate existing livestock facilities for slaughter pigs. In the long term, we expect this to contribute to an increase in the number of slaughterings in Denmark.

While we are pleased with the increasing prices of fresh meat, we must at the same time acknowledge that the high raw material prices are affecting the group's processing companies. Under our agreements with retail and food-service customers, it takes time for the price increases to take full effect. Despite the due diligence and major efforts of our companies, we have to admit that it has not been possible to raise prices sufficiently for our processing companies to recoup the increased costs on our bottom line.

The divestment of our US company, Plumrose, in May, brought in considerable proceeds, and we have quite extraordinarily decided to distribute 250 million DKK of these proceeds to our owners on top of the supplementary payment.

All in all, I am positive about the future. My optimism is based on the fact that the number of pigs supplied for slaughter in the past year has increased by more than 600,000, which means that we can look forward to significantly better capacity utilisation at our Danish abattoirs.

We start the new financial year with a positive outlook for the group as a whole. Our management and organisation are in place, our 4WD strategy defines clear objectives and priorities, and with new market opportunities – especially in Asia – we are geared up to pay a competitive price to our owners, offer interesting jobs to our employees and deliver a solid contribution to developing the society and communities we are part of.

Best regards,

Erik Bredholt

Erik Bredholt
Chairman, Danish Crown

OUR FOUNDATION IS IN PLACE FOR THE FUTURE

Change. If I had to come up with a headline for the year, it would be change. Everywhere I look in our company, I see signs of positive change.

"All things considered, we can look back on a satisfactory year for the group. We have laid a strong foundation for the new financial year."

At the beginning of the financial year, we launched our new 4WD strategy, a five-year plan which will transform Danish Crown from a group of abattoirs and processing companies into one united group that can put its global resources and competencies to even better use. During the year, we have laid the foundation for realising our strategic targets within four focus areas and for meeting the ambitious target of paying our suppliers 0.60 DKK more per kg than our competing neighbouring markets in 2021.

Looking at our various markets, I am pleased to note a growing optimism for our business in the UK. That said, there are still challenges in the UK market, where Tulip Ltd is posting a loss for the year. The uncertainty about Brexit, intense price competition among the retail chains and our need to strengthen Tulip Ltd's brand are some of the most pressing issues we are facing. But we have reached a turning point. The past few months have brought positive results, and we are completely confident that the positive development will continue, as also reflected in the acquisition of Easey Holdings Ltd. The acquisition means access to more pigs, especially more outdoor-bred pigs, as well as a stronger anchoring of Danish Crown in this important market at a time characterised by a number of unresolved questions of both economic and political nature.

The challenges in the UK market have meant a slight setback to our strategic commitment of paying an extra 0.60 DKK per kg to our owners compared to the average European settlement price in 2021. In the coming year, we expect to get back on track in our pursuit of this long-term target.

In Denmark, sales of pork have been stagnant, and we have therefore been focusing on revitalising our brands and our products. Among other things, we have together with our partners introduced a new animal welfare label for pigs, "Hjertegrisen", and we have increased the production of slaughter pigs reared entirely without the use of antibiotics. Both initiatives are examples of our serious commitment to delivering the animal welfare and healthy products demanded by consumers.

In Sweden, we remain market-leading for both pork and beef. The acquisition of Charkprodukter i Billesholm AB is a step forward to bringing us closer to consumers in the Swedish market. Developments in our Polish activities have also been stable, which supports our ambition of doubling revenue in Poland over the next four years.

In the US, Plumrose was divested in May as part of a plan to refocus the group on our four strong domestic markets.

In August, we entered into a partnership agreement with China's largest e-trading platform, Alibaba, which means that we can now sell our products directly to Chinese consumers. Danish Crown's exports already account for 20 per cent of Denmark's total exports to China, and the agreement with Alibaba opens a new sales channel for us through which we can also sell processed products and fresh meat such as pulled pork and pork chops. The year also brought new opportunities in the Japanese market, especially within processed products for the foodservice segment. With our high quality and food safety standards, we are strongly positioned for further growth in Japan.

During the year, our innovation activities gathered further momentum, and it is particularly positive that we are getting better at sharing knowledge and new solutions across the company. One example is the development of a number of snack foods which we have launched in more markets.

Beef has its own ambitious growth strategy, and as an important part of this strategy, we acquired Teterower Fleisch in January, following which we are the fifth-largest cattle abattoir company in Europe. Beef prices were stable during the year, and sales of an ever-broader range of products in the Danish market have helped create positive growth in the Beef division.

DAT-Schaub, a leading global supplier of casings for sausages and salamis, has returned record financial results in the current financial year.

All things considered, we can therefore look back on a satisfactory year for the group. Having laid a strong foundation for the new financial year, it is now full speed ahead with our 4WD strategy. A foundation which I am convinced that our many highly skilled and committed employees will make the most of.

Best regards,

Jais Valeur
Group CEO

Stopping for a bite at a café in Manchester to enjoy a ham and cheese sandwich. In the UK, more people eat out, and one in three eats out more than once or twice a week. Therefore, we work with our customers to develop new meal solutions for people on the go.

Don Iszatt, Manchester, UK.

STRATEGY

2

FULL SPEED AHEAD WITH OUR NEW **4WD** STRATEGY

Danish Crown is currently implementing one of the biggest change processes for many years. The 4WD strategy sets out clear growth targets, strengthens our focus on the world around us and brings the group together to pursue a common path.

Fifteen to twenty years ago, Danish Crown grew through a number of mergers and acquisitions in the Danish meat industry. The mergers were followed by a number of international investments intended to consolidate the group's position. In the wake of all these acquisitions, the group's primary focus over the past ten years has been on improving its competitiveness through cost savings, streamlining of processes and moving workplaces abroad.

Today, our situation is such that we can allow ourselves to look ahead, set ambitious targets and concentrate on maximising the company's considerable potential. This is the thrust of the 4WD strategy, which was launched at the beginning of the financial year. The strategy strengthens our focus on customers, consumers and the world around us, and it will help us to create a more coherent business which can deliver growth – for our cooperative members, our employees, our customers and the group's bottom line.

0.60 DKK more

The 4WD strategy covers a five-year period up until 2021. The strategy is based on four focus areas, which are all interrelated, and which are all equally important for the group's success.

Throughout the organisation, there is a solid belief in and support for the strategy, and everyone is working together to meet the strategy's overall goal of paying the owners 0.60 DKK more per kg than the European average in 2021.

Closer to customers and consumers

Achieving the strategy's targets requires a major effort from the entire organisation, and will also require considerable determination to do things in new ways. We all need to pull together to create more value for our customers through launching new products and new ways of cooperating. We must understand the requirements and wishes of modern consumers, and we must constantly ask ourselves how we can make consumers' lives easier and meet their expectations for healthy, relevant and sustainable products.

In light of these ambitions, we need to take a completely new approach. We must look beyond our role as a supplier of raw materials, where we already enjoy a strong position, and add new dimensions to the company by becoming increasingly global and by being driven to a greater extent by the requirements and wishes of both consumers and the market. If we succeed in this, it represents an important step forward in the value chain, and we can thus create more value for our owners.

One year into the strategy period, we have already made progress within product innovation and new types of partnerships, and over the next four years we must make even bigger strides.

Leading today and tomorrow

4WD is about growth and development – both in areas where we already have a forte, and in others where we have ambitions to strengthen our position.

We have defined Denmark, Sweden, Poland and the UK as our four domestic markets. In different ways, we are already market-leading in each of these markets, and we must build on this with targeted development plans for each market.

In selected categories, we can go beyond our domestic markets, and position ourselves as a global market leader.

We are strong within bacon, pizza toppings, snacks and canned products, and we want to use these positions of strength globally to meet consumer wishes for products that make their busy daily lives easier and healthier. The four categories constitute an important element in our strategic growth ambitions.

We also intend to take advantage of all the opportunities which Asia holds. We are building a new factory in Shanghai, which once completed will produce processed products for the Chinese market using Danish meat. Also, further opportunities have arisen this year for selling more products to the Japanese market.

One united group

Our size is a strength that we must become even better at using in future. Therefore, one of our strategic focus areas involve ensuring greater coherence in the group's internal processes and functions.

Group procurement is one of the areas with great potential, and our aim is to save 500 million DKK per year on procurement in 2021. We are well on the way to realising this target by putting procurements out to international tenders and building a common IT system; both these initiatives will result in significant economies of scale.

We also need to create greater coherence within HR. Here, one of the tasks is to streamline the way in which we manage the company, and make it easier for employees to fully exploit their potential. Accordingly, we will be offering new development opportunities and safe and healthy workplaces, and work to improve the company's image as a workplace so as to be able to attract and retain competent employees.

Ready for future growth and earnings

For more than ten years, our focus has been on streamlining the company, and we now have an extremely competitive starting point for the future. As one united group with global potential, and which is closer to the markets and to consumers, we therefore have every opportunity to deliver renewed growth and earnings.

4WD sets out the direction for the coming years, and the group's 25,300 employees are, in close cooperation with our owners and the outside world, ready to realise the strategic target of paying 0.60 DKK more per kg. ●

THE 4WD STRATEGY COMPRISES FOUR MAIN ELEMENTS, SETTING OUT THAT DANISH CROWN MUST BE

A LEADING PLAYER IN NORTHERN EUROPE
A strong no. 1 and 2 in the domestic markets Denmark, Sweden, Poland and the UK.

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.

A CONSUMER-DRIVEN FOOD COMPANY
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.

ONE UNITED GROUP
Focused and simplified workflows, group procurement and the optimisation of production and central support functions are to strengthen our bottom line.

ONE UNITED GROUP

SAVINGS, CULTURE AND **PEPPER**

For Lars Feldskou, the target is simple: Save 500 million DKK before 2021. However, achieving this target calls for much more than just cost savings, says Danish Crown's Senior Vice President for Group Procurement. Most of all, it's about changing the culture.

"In our 4WD strategy, procurement is one example that 'Act as one' – in other words procuring goods and services as one united company – has a direct impact on the group's bottom line," says he. "By creating greater transparency about what we buy and from whom, we can use our procurement volume and international networks more effectively when trading with suppliers."

For example, Lars' team worked with DAT-Schaub in France to reduce spending on pepper by almost 2.5 million DKK as part of a group tender. Following on from this project, the company managed to cut its spending on garlic by an additional 2.2 million DKK through a close dialogue with the rest of the group, thereby capitalising on the knowledge possessed by colleagues at other locations.

"This year, we have been focusing on sharing knowledge and information across the group. For example, we're in the process of implementing an IT system which will support our reporting and sharing of information," says Lars. "This means that we will no longer have 20 different shoe suppliers, or situations where one supplier is in contact with three different buyers in the Danish Crown Group at the same time."

The strategy track 'Act as one' makes procurement a key priority, and Lars also points out that streamlining procurement is very much about changing the culture in the group.

"The business units are responsible for their own results," he explains. "4WD is motivating the units to work together to create even better results."

A VALUE-CREATING PARTNER FOR OUR CUSTOMERS

BACON **WITH BENEFITS**

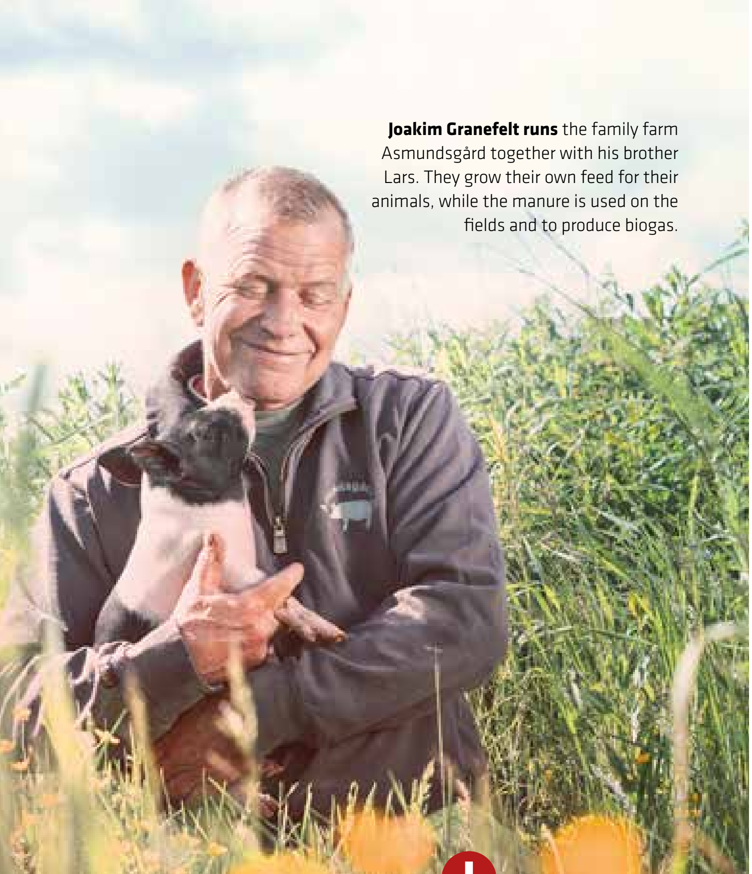
In 2016, McDonald's named Tulip Ltd as its 'Supplier of the Year' in the UK. The award was the result of a four-year project which saw Tulip Ltd's factory in Bodmin working closely with McDonald's to optimise its bacon deliveries.

"The changes mean that we are now supplying bacon refrigerated rather than frozen, we have extended the bacon's shelf-life, and we are packing it in a new way, making it easier for McDonald's staff. In this way, we have helped McDonald's cut the time it takes to prepare the food by a couple of seconds, which is all-important in a fast-food context," says Steve Francis, CEO of Tulip Ltd.

Over a period, Tulip Ltd has invested more than 45 million DKK in the optimisation project. New and modern equipment has been installed, and the Bodmin factory has built an exact copy of a McDonald's kitchen so that the products can be tested on an ongoing basis and developed further to ensure that they work in the best possible way.

"The partnership shows how we can have a positive impact on the customer experience at McDonald's," says Steve. "Our partnership is really best practice."

Tulip Ltd has supplied bacon to McDonald's for more than 30 years. The bacon is delivered to all 1,200 McDonald's restaurants in the UK, which together serve three million customers a day.



Joakim Granefelt runs the family farm Asmundsgård together with his brother Lars. They grow their own feed for their animals, while the manure is used on the fields and to produce biogas.

A LEADING PLAYER IN NORTHERN EUROPE

CLOSER TO **LOCAL CONSUMERS**

Consumers around the world want to know where their food comes from and how it is produced. This is also true in Danish Crown's domestic markets, particularly in Sweden.

Swedish consumers have a preference for and confidence in their local farmers, and are willing to pay more for meat which comes from Swedish livestock. Therefore, in the past year KLS Ugglarps has taken steps to meet consumer wishes of being able to buy more meat from animals born and reared in Sweden.

"We have been working closely with a Swedish retail chain to offer meat products which are not just Swedish, but which are even more local," says Jonas Tunestål, CEO at KLS Ugglarps. "Pork produced at our abattoir in Kalmar now carries the 'Smålandskött' (Småland meat) label to show that it comes from the local area."

The new label is part of a large labelling programme in the supermarkets, which is designed to make it easier for consumers to see which products have been produced locally. As a result of the increased focus, KLS Ugglarps has seen a twofold increase in sales of Smålandskött-labelled products in south-east Sweden.

A CONSUMER-DRIVEN FOOD COMPANY

EVOLUTION, NOT REVOLUTION

Sometimes, little things make all the difference. This was very much the case with the new and more user-friendly packaging launched by Beef in the spring.

The changes are small, yet practical. Instead of meat trays with sharp corners, which could puncture shopping bags and other product packaging, the new trays are more oval in shape with rounded corners. At the same time, the packaging is much easier to open, so you no longer need a knife to make a hole in the film. Finally, the meat trays are even easier to stack, so they do not take up as much space in the rubbish bin.

"New ideas do not always have to be revolutionary," says Claus Hein, Vice President, Sales Nordic at Beef. "In fact, even small things can make a big difference for consumers, like when we change the packaging or the way in which consumers can handle it."

"The new tray for beef is a good example of how we listen to consumers in connection with innovation," says Claus. "When asked, consumers tell us that price and quality are not the only things they think about when deciding what to buy from the cold counter at the supermarket. The fact that the product is easy to handle is becoming increasingly important. Our task is to make life easier for consumers, and thus encourage them to buy our products again and again."

ACT AS ONE:
IT'S ALL ABOUT CULTURE

"Culture eats strategy for breakfast." Andreas Friis, Senior Vice President, Group HR, often reminds himself about this. This is also one of the main reasons why management culture is one of the most important prerequisites for the success of the 4WD strategy.

The changes which Danish Crown is currently undergoing are quite extensive. HR is one area which is very affected by the changes.

The largest change has been turning HR into a strategic management discipline, thus involving HR in defining our group-wide culture.

One of the first focus areas has been creating a set of common management principles, which in future will guide decisions and clearly define leadership in Danish Crown. At the same time, the management principles underpin the focus of the 4WD strategy on 'Act as one', which was one of the main themes at our group-wide management meeting in summer 2017.

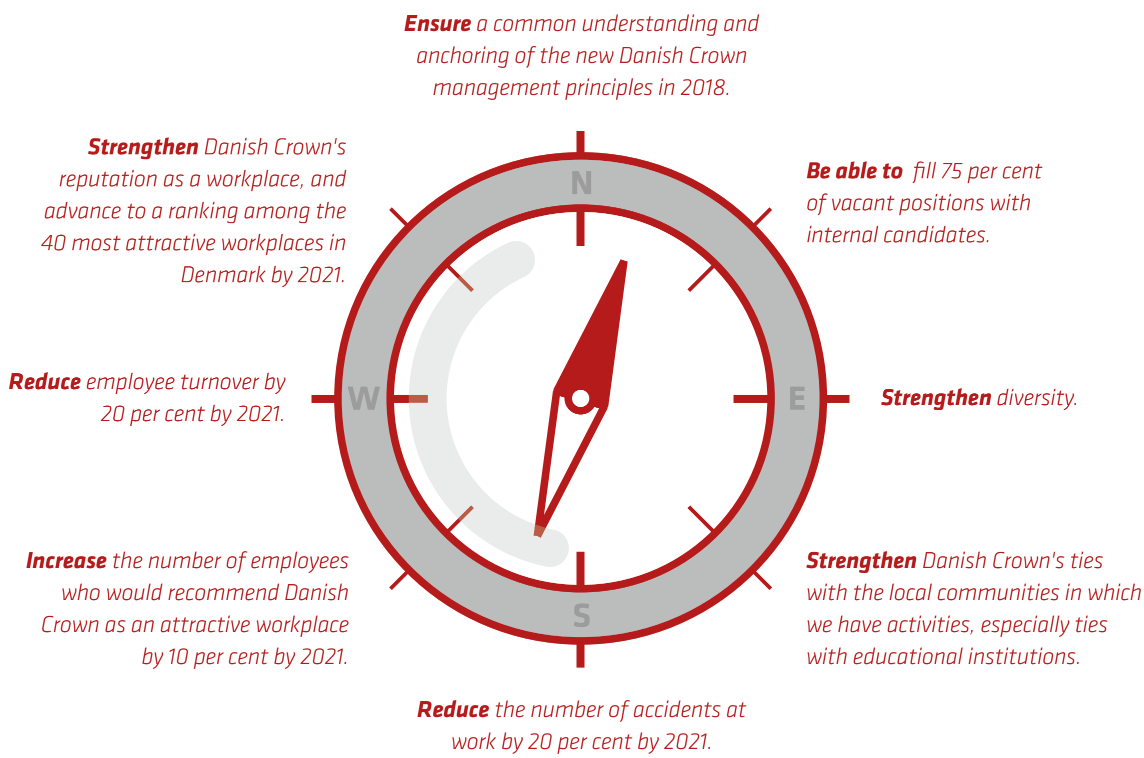
A basic framework for the management principles has now been agreed. The new principles will be launched in Q4 2017, and will mark the start of a number of activities.

Another big change in the year has been the introduction of a new title structure for the group. The purpose of the new title structure was to clearly define levels of responsibility, while at the same time clarifying career opportunities and paths for employees. It is important to establish uniform structures which can ensure that all managers have the skills and resources needed to make a personal success of their job and help the group realise its strategic targets.

In the wake of the new title structure, there are plans to clarify how the goals of the group, the individual business

THE WAY **FORWARD**

New tools, processes and development opportunities will serve as a compass for Danish Crown's employees on the road to the ultimate goal in the 4WD strategy: paying our owners 0.60 DKK per kg more than the European average for pork. The group has launched specific initiatives that will contribute to realising this target. The aim of the initiatives are to:



units and the individual employees are aligned, and to work with continuous feedback on targets between managers and employees. In this way, we want to ensure a more hands-on and structured approach to management.

In the coming months, and once the areas of responsibility and management principles are all in place, management training will be offered to managers. It is a strategic target that 75 per cent of vacant positions can be filled by internal candidates in future. This is more easily achieved when everyone works according to the same development and management principles.

A major challenge for the group is to promote Danish Crown's reputation as an attractive workplace. In an analysis of Danish students' attitude to various companies conducted by Universum in 2016, Danish Crown was ranked number 100 on the list of Denmark's most attractive workplaces.

Danish Crown is one of Denmark's ten largest companies, makes a solid contribution to the Danish economy and has a global organisation, and our reputation as a workplace should reflect this. ●

The smoke from the barbecue and the smell of meat create a special atmosphere at this event organised by Danish Crown's Polish company Sokołów. A group of young food bloggers are tasting new barbecue products and discussing the joy of cooking outdoors.

Mariusz Lewandowski, Caroline Zakrzewska and Magda Kruszona, Warsaw, Poland.

BUSINESS UNITS

3

PRODUCTS FOR THE WHOLE WORLD

The group's core business areas are:

FRESH MEAT **FOODS** **INGREDIENTS**

FRESH MEAT

THE MAIN COMPANIES IN FRESH MEAT ARE: PORK, BEEF AND KLS UGGLARPS

In 2016/17, growing demand and declining European production resulted in increasing prices for pork and a stable price level for beef, which has been very good news for farmers producing slaughter animals.

There has been strong demand for beef and veal throughout Europe, driven in particular by the foodservice segment, while the traditional retail business and discount segments have stagnated and are characterised by intense competition for market shares. The 4WD strategy's focus on attractive cuts targeted at specific customers has contributed to the success in the markets. At the same time, the southern European beef markets have regained some of their strength after the financial crisis as a result of increased purchasing power. In non-EU markets, competition has been fiercer, among other things as a result of the decreasing USD exchange rate.

Beef has increased its presence in the German market through the acquisition of Teterower Fleisch's activities situated in the German federal state of Mecklenburg-Vorpommern. Thanks to its cooperation with local organic beef producers, the company is a significant player in the value chain for organic meat in Germany.

Following the takeover in April 2017, we have been busy integrating Teterower Fleisch into the existing German organisation. The strengthened position has boosted the business and the level of cooperation, especially with German customers regarding local quality products, which are gaining higher prices due to consumer preferences for locally sourced products.

The acquisition of the new activities has also contributed to increasing growth in Scan-Hide, which processes the hides from the abattoirs. In the past year, Scan-Hide has seen a decrease in prices, primarily due to the decreasing USD exchange rate.

In Denmark, high milk prices have caused a decline in the supply of animals for slaughter. However, Beef has managed to increase the number of slaughterings, and thus its share of slaughterings in Denmark from 65 to 67 per cent. Likewise, the degree of processing has increased throughout the year, which is contributing to the addition of value.

In early 2016/17, the market for pork was affected by strong demand from the Chinese market. Combined with slightly declining production in Europe, this resulted in higher sales prices and thus higher raw material prices,

Pig producer Peder Rasmussen sees his new pig building as an investment in a sustainable future.

which persisted throughout the year, although prices were negatively affected by unfavourable exchange rate impacts towards the end of the year. Pork's European competitors, all based in large domestic markets, have benefited from the high price levels in their local markets, while Pork's sales in a number of global markets has suffered.

During the year, demand in China declined, while production in the US increased – and this resulted in increasing US exports, also to the Asian markets. In addition, decreasing exchange rates for the three main currencies GBP, USD and JPY led to challenges.

Despite a more subdued level of demand, the Chinese market is still the group's largest single market in terms of volume. We are convinced that the market holds further growth potential, as Danish Crown is known in China for its quality and food safety.

In August 2017, the company thus launched a cooperation agreement with Alibaba, the Chinese online marketplace for food, which has close to half a billion users each year. This is a unique opportunity to get close to the Chinese consumers, who buy more food online than their European counterparts. →

PIG BUILDINGS FOR A **SUSTAINABLE FUTURE**

Peder Rasmussen's new silver-grey pig building stands out in the undulating landscape near Lystrup, Denmark, and attracts considerable interest from passers-by. And with good reason.

"This pig building rests on a fundamental belief in the future," says Peder, who has been a pig producer for the past 30 years. "We finished the building in July, and by early September we are already producing to full capacity."

The new pig building is now at the heart of Peder's production. With space for 5,000 slaughter pigs, the new building is a prototype for energy savings, fewer odours and a better indoor climate for both pigs and employees. For Peder, the new pig building is also good business – an investment in a sustainable future.

"Until last year, we produced 16,500 weaners a year, of which 10,000 were exported," he explains. "The remaining 6,500 were reared in our three buildings for slaughter pigs."

Thanks to the clever way in which he is using the new building and one of the old buildings, he now has capacity for 1,700 more weaners and 13,400 more slaughter pigs a year.

"I'm now producing 20,000 slaughter pigs a year here in Denmark," he says. "And when I look at the figures, it makes sense."

The calculation includes everything from construction costs, of which the EU's rural development programme provided 4.25 million DKK, to the increasing payments per kg this year and in the future.

"It's all about gearing my farm for the future," he says. "And it's a question of being in the top 25 per cent of farmers. When Danish Crown delivers on the new strategy, then this project will make good financial sense."

Peder Rasmussen's new pig building is a prototype for energy savings, fewer odours and a better indoor climate for both pigs and employees.

In accordance with the 4WD strategy, we have also started construction of a new factory in Pinghu near Shanghai for processing Danish pork which will be sold on the Chinese market. The aim is for production to include both fresh retail products and more processed products such as sausages, toppings etc. The factory is expected to be ready for production at the beginning of 2019.

Efforts are also being made to get closer to our German customers by establishing a joint group sales office in Flensburg, Germany, which will be staffed by employees from both Pork and Beef as well as the trading company ESS-FOOD.

The Swedish market has been characterised by fierce competition for slaughter animals. KLS Ugglarps is one of the large players in the market and has performed well – among other things as a result of its strong cooperation with customers and its increased focus on processed products. As part of the 4WD strategy, KLS Ugglarps took over the activities in Charkprodukter i Billesholm AB at the beginning of the year. In addition, the integration of Dalsjöfors, which was acquired in 2015/16, is still ongoing, and has contributed to the positive financial results.

Pork's supply of slaughter pigs is still primarily based on the slaughtering of Danish animals in Denmark. Also in 2016/17, Denmark saw rapid growth in exports of weaners, and subsequently a decline in the number of pigs for slaughter. The Danish Government's modernisation subsidy and the growth package announced by Danish Crown are expected to result in an increasing slaughter pig production – and thus increased supplies for Danish abattoirs. As a result, new production workers have already been recruited, and several new investments have been made – among other things in a new plant for smoking bacon in Blans, Denmark. Together with a number of LEAN projects, the initiatives are expected to reduce costs per unit at the abattoirs. Efforts have also been made at the German abattoir to cut costs per unit. Our strategic commitment to ensure improvements is absolutely necessary for the abattoirs to remain competitive.

At our Danish abattoirs, efficiency was challenged this year by a number of strikes following the adoption of a new three-year collective agreement. Subsequently, both employees and management have made further efforts to improve their cooperation, benefiting both parties.

Overall, and despite the challenging markets, the year is deemed to have been a satisfactory one both for the company's owners, who have been paid good prices for their slaughter animals, and for the company, which has posted good financial results within Fresh Meat. ●

FRESH MEAT	**2016/17**	**2015/16**
Sales, '000 tonnes	2,232	2,178
Revenue (DKKm)	33,022	29,706
Operating profit before special items (EBIT), DKKm	1,313	1,373
Operating profit before special items (EBIT), in %	4.0	4.6
No. of employees (average)	7,969	7,770

FOODS

THE MAIN COMPANIES IN FOODS ARE: SOKOŁÓW, TULIP LTD AND TULIP FOOD COMPANY

Foods is Europe's leading supplier of processed meat products. Its extensive product range comprises cold cuts, bacon, sausages, meal components (e.g. meatballs and slow-cooked products), soups, salami, snacks and canned products etc.

Foods' primary markets are the UK, Poland, Denmark, Sweden and Germany, but its products are sold in more than 100 countries. The Foods companies operate in different markets; while Tulip Ltd and Sokołów focus primarily on their local markets in the UK and Poland, respectively, Tulip Food Company has besides sales to the Danish market also significant exports to a large number of non-European countries.

Common to all the markets, however, is that raw material prices have been increasing, which has been putting pressure on earnings and sales compared to last year.

In the Polish market, Sokołów has increased both sales and revenue. It has managed to do so in a market characterised by rapidly increasing raw material prices, fierce competition in the retail market and the closure of a number of export markets as a result of the outbreak of African swine fever in Poland.

Developments in the Polish market are characterised by greater consolidation in the retail sector. In particular, the growth of discount supermarket chains is putting pressure on prices, and making it harder to pass on increases in raw material prices to the sales prices.

Sokołów has to some extent countered this through the launch of several new and innovative products and through increased product processing. The company's strong brand in the market is also helping to maintain earnings.

At the same time, the company has been strongly focused on keeping costs down. However, maintaining the Sokołów brand is still a high priority, as it is considered an investment in future earnings.

Furthermore, a number of investments have been made in new production equipment in Poland – among other things with a view to being able to support group-wide strategy projects, for example within snacks and barbecue products. Investments are also being made in convenience food products, including products which do not contain meat.

In the UK market, Tulip Ltd has succeeded with its comprehensive turn-around plan launched in 2015/16 with the aim of regaining customer trust and restoring earnings in the company, among other things through improving productivity at the company's factories. The plan has even been implemented faster than expected.

By focusing on good customer service and a high level of supply security, we have managed to regain the trust of many of our major customers. More large new tenders have been won, and we have managed to retain customers when submitting other important tenders. At the same time, it has helped the company to introduce the necessary price increases as a result of steadily increasing raw material prices on the UK market. However, the retail market remains fiercely competitive, with increased revenue for discount shops and decreasing meat consumption.

To counter the ever-growing price competition in the discount chains, efforts are being made to involve large customers in partnerships with a focus on increased animal welfare and improved food quality. As part of this strategy, at the end of 2016/17 the company acquired Easey Holdings Ltd, a producer of English free-range – or outdoor-bred – pigs. The transaction is to ensure →

the supply of pigs which have been produced to high animal welfare standards. The acquisition is awaiting approval by the UK competition authorities.

At the company's production facilities, the employees have been working inexhaustibly out to improve productivity and yield – among other things by strengthening the management of the production lines and focusing on core processes. At the same time, the planning and sales teams have worked together to improve the sales value of the whole pig – in particular the many special pigs slaughtered at UK abattoirs.

All this has helped Tulip Ltd end the year with positive earnings on a weekly basis. However, it has not been enough to offset the many weeks with losses.

The new foundation provides a good starting point for growth in the UK in the years to come – one of the group's main markets; also, the company will contribute to several of the group-wide product projects.

Following the UK's decision to leave the EU within the next few years, the GBP value has decreased significantly against the other European currencies, resulting in increased inflation in the UK market. Other than that, the Brexit decision has not yet had any significant impacts.

For Danish Crown, the UK is a big and important market with a good balance between locally produced goods and imported products. We expect the UK to continue to remain an important market for the group, and we are therefore monitoring the political developments very closely.

During the year, Tulip Food Company has taken over the sale of fresh pork on the Danish market from Pork. The company has also acquired a Swedish retail factory and Friland, which handles the sale of organic products and products from FRILANDSGRISEN® in both the Danish market and the export markets. Furthermore, as part of the 4WD strategy, the company has grown its business through investments in Top Food, Slagter Munch (a gourmet butcher) and Tjæreborg Leverpostej (a liver pâté maker). This has increased the scope of the business by 60 per cent, obviously placing a considerable burden on the organisation. The platform for working with the strategy's ambitious targets has now been established, and can form the basis for future growth.

In terms of market developments, 2016/17 was a challenging year for the company due to the rapidly increasing raw material prices, unfavourable developments in exchange rates and a disappointing barbecue season. This has led to lower sales and lower earnings compared to last year's particularly good financial results. Despite the negative exchange rate developments, the international markets for canned foods have still contributed positively to earnings, while the foodservice sector in the Danish market has also seen good growth.

The biggest market challenge has been passing on the rapidly increasing raw material prices to the sales prices. With a highly competitive retail market, this can only be done through hard work. Many resources have been devoted to this work during the year, and the results are beginning to show. However, it is not sufficiently to compensate for all the months with price-related imbalances.

The company's innovation activities are focused very much on healthy eating, animal welfare and convenience. Thus, MOU Organic soups and GØL sausages made of FRILANDSGRISEN® have been very successful in the market. In addition, a new Danish animal welfare label for fresh pork has got off to a good start and won large market shares. Efforts are being made to expand the label to the other markets, to ensure that the whole pig is utilised to a greater extent, which will lead to a fair payment for the owners' additional costs associated with higher animal welfare.

FOODS*	**2016/17**	**2015/16**
Sales, '000 tonnes	940	1,019
Revenue (DKKm)	24,534	26,848
Operating profit before special items (EBIT), DKKm	282	655
Operating profit before special items (EBIT), in %	1.2	2.4
No. of employees (average)	15,961	16,067

* Plumrose was divested in May 2017 which affects the comparison between the years.

Across the companies, strategic initiatives are being implemented for bacon, snacks, canned products and pepperoni/pizza toppings. The companies are engaged in joint innovation and investment projects, and in the long term they will be working together also on sales and marketing initiatives – with due consideration being given to the conditions in the local markets.

Also in other market segments, Foods' innovation is being driven by consumer insights and customer needs. This applies, for example, to the convenience/slow-cooked product categories, which allow consumers to save time in the kitchen without compromising on taste or quality. Foods has also seen a continued demand for products that live up to particular health and nutritional requirements (e.g. reduced salt and fat content).

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 plants. Furthermore, investments are continuously being made to meet the ever-stricter product quality and food safety requirements. ●

SNACK AS ONE

Tulip Food Company is working closely with Sokołów to achieve a leading position in the snacks category, which is expected to boom in the coming years. Under the 4WD strategy, snacks are defined as one of the four focus areas in the group, which is intended to create a leading position in the category in three out of the four domestic markets, i.e. in Denmark, Sweden and Poland.

Eating habits are changing, and it is becoming increasingly common to eat smaller meals or snacks during the day. Consumption patterns resemble each other across the markets, and new snack products are therefore being developed for launch on several markets. Among other things, this is happening through dedicated innovation workshops and extensive cooperation across the organisation.

In both Denmark and Sweden, Tulip Food Company has successfully launched snack products produced by Sokołów. The product range comprises small salami sticks, salami chips and small salami snacks, for example suitable for tapas, and further launches are in the pipeline, for example of a protein bar concept with three variants, and we are also working to launch a range of jerky snacks. Expectations are high for the protein bars in particular, as it is a brand new category of products in today's market.

In the space of just 18 months, Tulip Food Company has won a 20 per cent market share for the 'ölkorv' sausage category in Sweden with snack products under the GØL brand.

Food blogger tests the taste. A new range of snack products has been launched in Sweden, Denmark and Poland. In Poland, the snacks were presented to a group of food bloggers – this is Kamila Tokarska, a blogger from Warsaw, Poland.

INGREDIENTS

THE MAIN COMPANIES IN INGREDIENTS ARE: DAT-SCHAUB AND INGREDIENTS

The market for hog casings developed positively in 2016/17. DAT-Schaub has been very successful at passing on increasing raw material prices to sales prices, and both revenue and earnings have developed positively. This is particularly true in Germany, France and the US.

The market for stomachs and intestines from pigs has, on the other hand, not developed as positively, and the company has been faced with declining prices.

DAT-Schaub enjoys a strong market position within hog casings, with raw materials coming from both the US and Europe. However, some of DAT-Schaub's hog casings business is based on Danish pigs, which means that the declining production of slaughter pigs has resulted in lower supplies of Danish raw materials.

Moreover, the cooperation with Tican has ceased, further compounding the decline in the supply of raw materials in Denmark.

As a result, DAT-Schaub has focused on substituting Danish raw materials with raw materials from other countries, including Spain and the UK, where the company has won contracts for raw material supplies from abattoirs outside the group. In Spain, a joint venture has been established with a local casings producer with a view to processing casings from a newly established Spanish abattoir.

To ensure sales, we are working continuously to expand the portfolio of raw materials, in existing as well as new markets. As relations between abattoirs and casings' producers are often long-standing, this is likely to be a long haul.

In 2016/17, the market for sheep casings stabilised compared to the decreasing sales potential and prices seen in 2015/16. This has resulted in stable but low revenue and earnings for sheep casings. Towards the end of the year, both sales and prices increased, which bodes well for the new year.

The market for artificial casings is growing, and is expected to continue growing in the years to come. DAT-Schaub has realised satisfactory sales growth 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.

Also in 2016/17, Ingredients has been 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 optimising the companies' earnings.

FOR THE BEST, **BY THE BEST**

Every year, DAT-Schaub processes 1.4 million km of natural casings from pigs. Equating to 35 times the circumference of the Earth. Fortunately for consumers, all these natural casings are not used for wrapping around the Earth, but for making some of the world's best sausages.

In the US, DAT-Schaub's natural casings are used to produce the high-quality Genoa Salami. In Italy, south of Modena, air-dried Salame Felino, also known as the Ferrari of salamis, is hand-made with natural casings from DAT-Schaub. France is also famous for its salami production, including the gourmet sausage Saucisson Sec. Last year, 25 million of these delicious sausages were made, all wrapped in natural casings from DAT-Schaub.

Yin Kong (right) and Fang Wu (left) work at DAT-Schaub's factory Yancheng Lianyi Casing Products in Yancheng, China.

Hand-made high-quality Italian salamis are made with casings from DAT-Schaub.

In 2016/17, the company started test and trial production of protein hydrolysates for various feed and food applications. The preliminary results have been positive. The development work will continue in the coming years before products are ready for use and sale.

In continuation of the 4WD strategy announcement that greater efforts will be devoted to Ingredients, in January 2017 the company employed a new CEO who will focus the strategy and resources in Ingredients with a view to growing the area profitably. ●

INGREDIENTS	**2016/17**	**2015/16**
Sales, '000 tonnes	312	323
Revenue (DKKm)	3,992	3,824
Operating profit before special items (EBIT), DKKm	424	212
Operating profit before special items (EBIT), in %	10.6	5.6
No. of employees (average)	1,713	1,768

The call of a sun-drenched playground is simply too strong for these children to want to sit down for lunch. They are on a day out from their local kindergarten in Copenhagen, Denmark, and all the activities make them hungry. So it's just great that they can grab a meatball as they tumble, climb and play their day away.

Vega and Selma, Denmark.

GOVERNANCE

4

FINANCIAL REVIEW

A SOLID AND FINANCIALLY STRONG COMPANY

The trend of increasing sales prices of the company's products seen in 2015/16 continued in 2016/17 and led to increased revenue despite unchanged sales, as the revenue of the businesses acquired during the year largely matched the reduction resulting from the divestment of Plumrose.

Rapidly increasing raw material prices and fierce competition in the company's domestic retail markets put the gross margin ratio under pressure, which the continuous streamlining of production processes was not able to compensate for.

The turn-around plan launched in 2015/16 to restore earnings in Tulip Ltd has started showing positive results on a weekly basis at the end of the year. However, this has not been enough to offset the continuous losses at the beginning of the year. Considerable resources have been invested in the implementation of the plan. These costs have been expensed as administrative expenses.

Overall, the company's earnings before special items (EBIT) decreased by 0.2 billion DKK, of which just under half can be attributed to Tulip Ltd. The other Foods companies also saw a decline in earnings, primarily due to rapidly increasing raw material prices, while the Ingredients business improved its earnings considerably within hog and lamb casings.

The gain on the divestment of Plumrose totalled 0.5 billion DKK, which has been recognised as special items.

Furthermore, the proceeds from the divestment contribute to the reduction of net finance costs also seen in 2016/17. Another part of the reduction is due to continued low interest rate levels.

Net profit amounted to 2.0 billion DKK and is considered satisfactory and on par with expectations, particularly in light of the fierce competition in the retail markets and the company's challenges in the UK market.

Assets

Total assets were reduced by 0.9 billion DKK, of which -0.3 billion DKK relates to the divestment and acquisition of businesses and -0.2 billion DKK relates to decreases in the GBP and USD foreign exchange rates.

Net investments in plant for the year were 0.3 billion DKK lower than depreciations for the year. More than half of the year's investments concerned streamlining of the company's processing facilities in Denmark, Poland and the UK. In Fresh Meat, approximately two thirds of the investments were made in the Danish abattoirs, while the rest related to the abattoirs in Germany and Sweden.

The acquisition of Easey Holdings Ltd is awaiting approval by the UK competition authorities. Until then, the purchase price is recognised as other securities.

The company's net working capital was reduced during the year, among other things as a result of the divestment of Plumrose and declining foreign exchange rates. The reduced net working capital was largely levelled off by increasing prices of the company's products, which led the company's net working capital to increase.

Reducing the company's net working capital will continue to be a focus area in 2017/18.

Equity

The company's equity totalled 7.6 billion DKK at the end of 2016/17. At year-end, equity was negatively impacted by foreign currency translation adjustments of 59 million DKK and positively by a decrease in the UK pension obligations (after tax) of 124 million DKK.

At the end of 2016/17, the solvency ratio increased to 31.2 per cent from 27.3 per cent last year. The increase is attributable to the declining total assets. The solvency ratio will decrease when the gain from the divestment of Plumrose of 250 million DKK is disbursed along with the supplementary payments.

Liabilities

The company's net interest-bearing debt was reduced by 1 billion DKK during the year and now amounts to 9 billion DKK – primarily as a result of the divestment of Plumrose. Consequently, the financial gearing was reduced to 2.8.

The company's financing structure is based mainly on credits with a maturity of more than one year. Eighty per cent of the interest-bearing debt is long-term debt against 88 per cent last year. The share of interest-bearing debt falling due after more than five years from the balance sheet date now amounts to 45 per cent against 56 per cent last year.

Fixed-rate loans account for approx. 35 per cent of total loans, which is unchanged compared to the end of 2015/16.

A change in the market rate of 1 percentage point is estimated to have a 63 million DKK impact on total annual finance costs, all other factors aside.

Cash flow statement

Cash flows from operating activities for the year amounted to 2.6 billion DKK, which is a decline of 1 billion DKK compared to last year. The decline is caused by increased capital tie-ups in inventories and receivables, which is attributable to increases in raw material prices and the selling prices of the company's products.

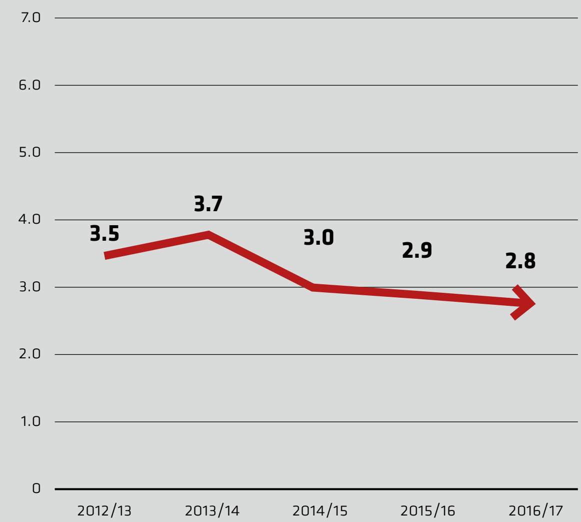
Cash flows from investments include the selling price relating to the divestment of Plumrose and the purchase prices relating to the acquisitions for the year, including the acquisition of Easey Holdings Ltd, totalling 0.2 billion DKK (positive). Net investments in property, plant and equipment for the year were lower than last year due to timing differences in the investment programme.

Development in the coming year

Operating profit (EBIT) is expected to increase, while net profit is expected to be on par with this year. ●

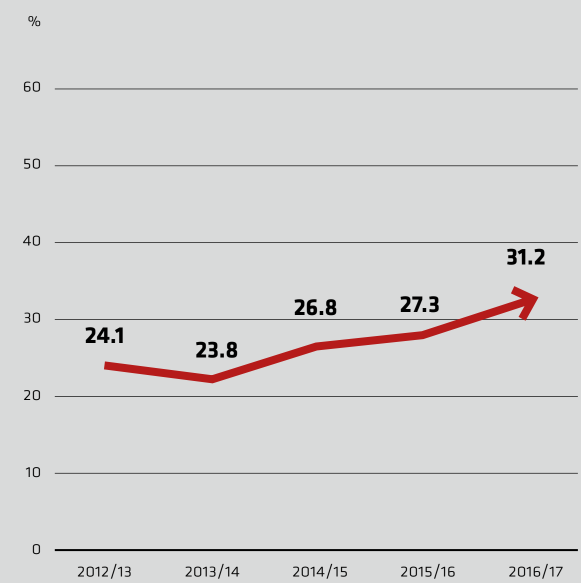
FINANCIAL GEARING

Interest-bearing debt compared to ordinary earnings before depreciations, interests and tax



SOLVENCY RATIO

Solvency ratio compared to total assets



SUSTAINABILITY
STRATEGY AND RESPONSIBILITY

In the past year, Danish Crown has prepared a corporate strategy for sustainability. The strategy presents a strengthened and renewed focus on our corporate social responsibility and the role we want to play in this area. In the next few years, we will unfold the strategy into concrete targets and initiatives, and we look forward to doing so in cooperation with our stakeholders.

For decades, Danish Crown has been working systematically with CSR within a wide range of areas. As a cooperative owned by farmers, the values and traditions of good farming practices and modern food production are deeply ingrained in our DNA, with food safety, the environment, animal welfare and the working environment as our primary focus areas. We have therefore prepared a new strategy which will help us to steer Danish Crown in a sustainable direction based on the UN Sustainable Development Goals. We call our strategy 'Feeding the world'.

The next step will be to define targets and actions within the five tracks defined in the strategy and monitor our efforts on the basis of the indicators in the Global Reporting Initiative. The strategy emphasises a desire and willingness to enter into dialogue with our stakeholders, and to contribute actively to the constructive and sustainable development of our company and our business in close cooperation with our surroundings.

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

PURPOSE: We will earn customers' and consumers' confidence and preference with healthy, safe and responsible products and via dialogue.

8 DECENT WORK AND ECONOMIC GROWTH

PURPOSE: We will attract and retain people with good jobs and opportunities for everyone.

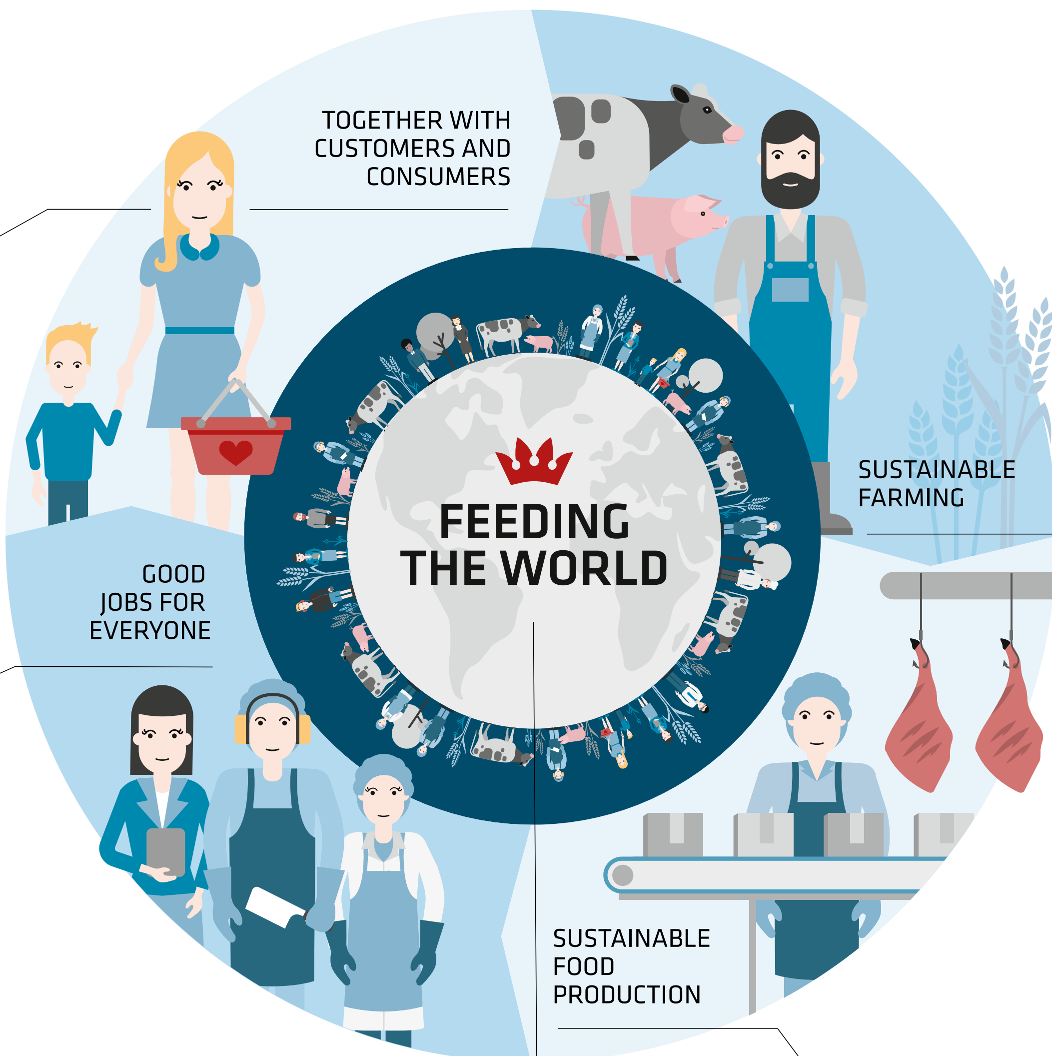
FEEDING THE WORLD

The global food supply is under pressure. Demographic developments, which are already leading to changes in consumption patterns, and significant climate changes are creating an unprecedented pressure on the Earth's natural resources. As a food producer and supplier of meat to the global market, we are naturally very aware of this development. We want to play an active role in addressing some of the major challenges associated with food production – and not least meat production.

We know that there are still many dilemmas to solve, and we know that we cannot do so alone.

We are therefore inviting both internal and external stakeholders to work with us to address these challenges and realise the potential in our value chain.

We are ready to explore new paths in our efforts to ensure quality food products for consumers based on sustainable processes, and which at the same time create value for the 7,200 farmers that own Danish Crown, and for the thousands of families whose livelihoods are closely associated with our company.



2 ZERO HUNGER

13 CLIMATE ACTION

15 LIFE ON LAND

PURPOSE: We will build a strong future for our farmers.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

PURPOSE: We will operate a sustainable, efficient and high-performing food production.

2 ZERO HUNGER

17 PARTNERSHIPS FOR THE GOALS

PURPOSE: We will find a way to feed the world with sustainable meat and protein solutions.

MATERIALITY ANALYSIS:
FOCUS ON THE AREAS WHERE WE HAVE THE BIGGEST IMPACT

FEEDING THE WORLD

- Meat and climate
- Meat in future diet
- Alternative proteins
- Future farming
- Sustainable feed
- Bio security

SUSTAINABLE FARMING

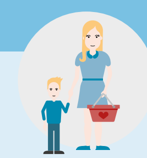
- Farmer's finances
- Animal welfare
- Veterinary safety
- Antibiotics
- Weaner supply and quality

SUSTAINABLE FOOD PRODUCTION

- Supply chain ethics
- Food waste
- Packaging
- Food miles
- Circular economy
- Green ambition

GOOD JOBS FOR EVERYONE

- Working environment
- Social integration
- Employee attraction
- Employer relation



TOGETHER WITH CUSTOMERS AND CONSUMERS

- Healthy products
- Sustainable assortment
- Innovation and co-creation
- Appetite for meat

During the year, we engaged in a comprehensive dialogue process throughout the group and with external stakeholders to identify the most important CSR issues for the individual business units and for the group as a whole. The 25 issues deemed to be the most important both for Danish Crown and our stakeholders have been grouped into five main tracks in the group's new sustainability strategy.

'Feeding the world' is about the basic global challenges facing our business. 'Sustainable farming' looks at the challenges which relate to the farming part of our value chain. 'Sustainable food production', 'Good jobs for everyone' and 'Together with customers and consumers' concern some of the most important challenges and opportunities in Danish Crown's core business.

OUR CSR PLATFORM

GOALS	STRATEGY AND PURPOSE	CSR POLICY AND EFFORT	DOCUMENTATION	REPORTING
UN Sustainable Development Goals	Feeding the world	UN Global Compact UN Guiding Principles on Business and Human Rights	Will be inspired by the Global Reporting Initiative	Annual report CSR report

DANISH CROWN'S CSR POLICY

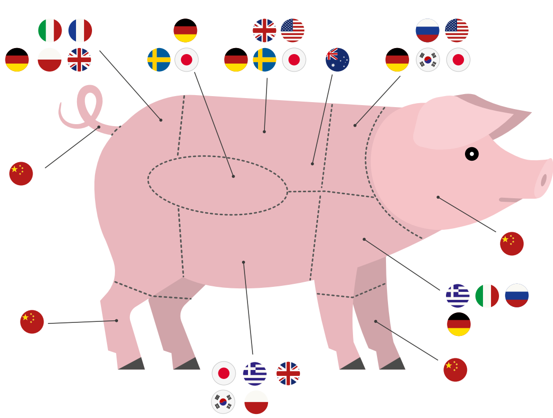
During 2016/17, the group has developed a new CSR policy, which has been approved by the Executive Board and the Supervisory Board. The policy outlines the overarching purpose of Danish Crown's CSR efforts: As a large food company, Danish Crown's corporate social responsibility is considerable. Throughout the group, we strive to live up to this responsibility by managing the business in a way which takes account of both our financial and our sustainability performance by integrating social, environmental and ethical concerns in our production and processes. We are committed to managing our business sustainably by delivering a high level of food safety and product quality and by limiting our resource consumption. Furthermore, we have made a commitment to continually work with sustainability throughout our value chain in dialogue with our stakeholders. Danish Crown is a signatory to the UN Global Compact and fully supports the UN's principles on human rights. Through our Code of Conduct for suppliers, we ensure that the principles are enforced within the company and in our trading with others.

WORKING ENVIRONMENT LESS DISCOMFORT, IMPROVED QUALITY OF LIFE

Working at an abattoir is hard work. It involves heavy lifting and repetitive strain work. At Danish Crown, we want to take the lead when it comes to developing the physical working environment and preventing injuries and reduced life quality. We have therefore launched a large development project in Denmark. In 2016/17, we mapped the problems relating to the physical working environment through a questionnaire among employees at our Danish abattoirs. Based on the results, the occupational health and safety organisations at the abattoirs have now started to prepare local action plans. "Also at our deboning facility in France, measures are already being implemented. Here, the lines stop every other hour and all employees do stretching exercises as a way of preventing injuries. As a result, the employees feel less tired and suffer fewer pains," explains Morten Pedersen, Director, Global Health & Safety, Group Risk Management.

CIRCULAR ECONOMY: NOTHING IS WASTED

A pig is normally cut up into 30-150 pieces and sold all over the world. In the past year, Pork alone has had exports to 74 countries. Ensuring that all parts of the animals are sold every single day of the year – and even at the best possible price – is therefore an extremely complex process.



ANIMAL WELFARE: EUROPEAN AWARD FOR FRILAND

This year's European Corporate4Animals Award went to Friland in recognition of the company's efforts over the past 25 years to ensure better animal welfare in the production of FRILANDSGRIS® and FRILAND organic pigs. The award is presented by Eurogroup for Animals, the European association of animal welfare organisations. "Animal welfare is high on the agenda both for our Friland farmers and for everybody else working for and with Friland. The award is a pat on the back for the special efforts which we put into animal welfare on a daily basis, and we are very proud to receive it," says Friland CEO Henrik Biilmann. Each year, the Corporate4Animals Award showcases a company that has made a special effort to improve animal welfare in Europe.

This is a summary of Danish Crown's statutory report on corporate social responsibility under section 99a of the Danish Financial Statements Act. This report also constitutes the group's annual communication on progress for the UN Global Compact.

For more information, visit our website:
www.danishcrown.com/CSR-report ●

RISK MANAGEMENT

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

In Danish Crown, we are working proactively to manage risks with a view to ensuring a continued positive development of the company and protecting our employees, assets and reputation. The risks are associated with security of supply and food safety, market access and public regulation, among other things. In addition, the company is exposed to insurable and institutional risks as well as financial risks associated with the group's global presence. The diversity of all the company's activities, covering a large part of the value chain from farm to fork, means that we are well-protected against individual risks. We manage the risks of the group centrally at group level as well as decentrally in its business units. Risk management is coordinated across the group's companies 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 company's direct customers and among consumers. We are 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.

Our 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 company is able to respond to persistent changes in consumer demand.

Competitor activity

We operate in a highly competitive market where the competition can quickly change, and the preference for the company products can be affected by global trends. We counter these risks by working closely with a number of customers at a global level, while at the same time focusing on developing and tailoring our products to regional markets and the individual customer. The spreading of the company'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, Danish Crown 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.

Our abattoir companies are dependent on the herds from which it purchases live animals maintaining their status as being free of infectious livestock diseases. A number of national measures have been established and are being maintained to mitigate the consequences of any outbreak of livestock diseases to the widest possible extent. In connection with disease outbreaks in 2016/17, emergency plans were established in cooperation with the local authorities.

The purpose of these emergency plans is to rapidly and effectively locate the source of any disease outbreaks and mitigate the consequences.

In 2016 and 2017, an increasing number of African swine fever (ASF) outbreaks were seen in wild boars and domesticated pig herds in Eastern Europe as the infection spread to the Czech Republic in June 2017 and Romania in August 2017. In all instances, the wild boars and domesticated pig herds will be put down and destroyed. In addition, the local authorities carry out epidemiological tests to identify the source of the outbreaks. Furthermore, national emergency plans are being implemented in order to contain the outbreaks, and developments are monitored closely by the European Commission.

In all the affected countries, protection and surveillance zones have been established in the outbreak areas, and restrictions have been imposed on imports and exports of pigs, pork products and hunting trophies. In Denmark, quarantine periods have been implemented together with safety washes of vehicles used for pig transports coming from regions with ASF outbreaks to reduce the risk of infections spreading to Danish herds. There have been no outbreaks of classical swine fever in Denmark since 1933.

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 our 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 us to closely monitor political developments and new initiatives.

Reputation

A reputation crisis can have serious consequences in the form of loss of sales, loss of talent or closer monitoring by the authorities. Therefore, we are constantly monitoring the media, social media, agendas of stakeholder organisations etc. to be able to respond quickly and proactively to relevant issues. External benchmarks and reputation measurements are used to identify potential risks and continuously strengthen the robustness of the company's reputation. Furthermore, we apply issues management and maintain crisis preparedness to be able to quickly address any issues. Finally, CSR risk assessments are made as part of our CSR activities.

OPERATIONAL RISKS

Stoppages

The company's production facilities are vulnerable to unforeseen events that may cause production stoppages, e.g. fires, long-term interruptions to water or electricity supplies as well as breakdowns of the integrated IT systems or strikes. 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 abattoirs can lead to space problems on the farms. Also, the company's trade with customers is based on contracts for the delivery of certain quantities on certain dates. Consequently, it is crucial that we are able to ensure the continuous slaughtering and processing of raw materials without long-term stoppages. In 2016/17, 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. However, short-term strikes did at times interrupt production.

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

Capacity utilisation and inventory levels

Danish Crown 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 our 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. →

All food safety checks have been digitised and are carried out by means of tablets.

Food safety

As a food-producing company, 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 company's quality programmes. Food safety is regulated by law supplemented with a number of international food safety standards.

The company is subject to and complies with applicable hygiene and food safety requirements – both in the countries where we have production activities and in the countries to which we sell our 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 company 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 our 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 company's continuous production processes contribute to reducing the risk of product recalls due to food safety failures.

We maintain crisis preparedness and crisis communications plans, which can be implemented immediately to inform about the risks of a certain product.

In September 2016, we had to recall a large batch of canned products from the South Korean market. The matter did not have any health impacts as the products were recalled in due time. Apart from this, no other product recalls in 2016/17 resulted in the triggering of the group's product recall insurance.

FINANCIAL RISKS

Managing financial risks

The company 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. Group Treasury manages the group's financial risks centrally and coordinates liquidity management and capital reserves. The company adheres to a financial policy approved by the Supervisory Board, 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 company's use of derivative financial instruments is regulated through a set of rules approved by the Supervisory Board and related internal business procedures, among other things stipulating thresholds and the types of derivative financial instruments that may be used.

Insurable risks

The company has taken out insurance against all significant insurable risks to the extent that this is deemed to be financially expedient. The 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, allowing the company to take out broader coverages and increase the sums insured.

Currency risks

The company'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 our policy to hedge net currency exposure on an ongoing basis.

Interest rate risks

We aim to ensure a reasonable balance between the company'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 Supervisory Board.

Liquidity risks

In connection with the raising of loans etc., we aim 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 company strategy is to have a predominance of long-term commitments to ensure financial stability. The 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 company'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 100 million DKK are generally only concluded with recognised insurance or credit institutions with an A-level Standard & Poors credit rating as a minimum. ●

Group CEO Jais Valeur and Chairman of the Supervisory Board Erik Bredholt in front of Danish Crown's head office in Randers, Denmark.

CORPORATE GOVERNANCE

Value creation for the company and its stakeholders is the focus of Danish Crown'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 highest possible earnings 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 and to live up to the requirements made by the surrounding environment.

As a cooperative, Danish Crown is not obliged to comply with corporate governance rules and guidelines for listed companies. We have decided to follow most of the recommendations on Corporate Governance laid down by the Danish Committee on Corporate Governance, while taking into account the company's special ownership structure. We have considered the recommendations and described how Danish Crown follows the recommendations in its Statement on Corporate Governance. In the few areas where the recommendations are not followed, the reason for the non-compliance is stated.

The most important areas where Danish Crown does not follow the recommendations are:

- ➔ The company is not listed on the stock exchange, and therefore the publication of quarterly reports is not deemed to be necessary. The group publishes half-year reports.
- ➔ The company's Supervisory Board 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 our close relationship with our owners who are also suppliers to the company, and to Leverandørselskabet Danish Crown AmbA's special status as a cooperative with the resulting election procedures.
- ➔ The company 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 Board of Representatives engages in regular dialogue with the cooperative members, primarily via electronic weekly newsletters.

The Board of Representatives held five meetings in 2016/17. The Board of Representatives receives general information about the current state of the company and quarterly reports with financial statements and comments on the company'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 Supervisory Board, matters of significance to the company, including ➔

its strategy plan, capital structure, annual report, distribution of profit and amendments to the articles of association. In addition, the company holds district meetings twice a year in order to engage in dialogue with all cooperative members.

Supervisory Board of Leverandørselskabet Danish Crown AmbA

The Supervisory Board 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 Supervisory Board 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 independent members to the Supervisory Board who are not cooperative members or employees of the company. Members of the Supervisory Board are elected for two years at a time. At the end of 2016/17, the Supervisor Board consisted of ten elected members and one observer. The tasks of the Supervisory Board are described in further detail in the Supervisory Board's rules of procedure and in the annual plan for the work of the Supervisory Board.

The Supervisory Board held 12 meetings in 2016/17. The Supervisory Board recommends candidates to the Supervisory Board 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 Supervisory Board 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 Supervisory Board of this company, which also handles several other corporate governance tasks.

Supervisory Board of Danish Crown A/S

The Supervisory Board 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. It consists of 6 to 15 members. At the end of 2016/17, the Supervisory Board 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 company'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 Supervisory Board of Leverandørselskabet Danish Crown AmbA. Members of the Supervisory Board are elected for one year at a time.

The tasks of the Supervisory Board are described in more detail in the Supervisory Board's rules of procedure and in the annual plan for the work of the Supervisory Board. The Executive Board reports regularly to the Supervisory Board 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 Supervisory Board for adoption. The company's business risks are regularly assessed and reported on, and the Supervisory Board considers the company's risk management and control systems on an annual basis. The work of the Supervisory Board, including its cooperation with the Executive Board, is assessed on a regular basis.

The Supervisory Board held 11 meetings in 2016/17. The Supervisory Board holds meetings with the company's auditors in connection with the presentation of the annual report and the auditors' records.

The Supervisory Board 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 as 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. The chairman of the Audit Committee is an independent member of the Supervisory Board. In 2016/17, Jesper V. Christensen was elected new chairman.

Furthermore, the Supervisory Board has set up a Nomination and Remuneration Committee which prepares recommendations for the Supervisory Board on candidates for the various supervisory boards 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 Supervisory Board, while decisions regarding the remuneration of the Executive Board are made by the chairman and vice-chairman of the Supervisory Board. Finally, the Supervisory Board 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 Supervisory Board.

Supervisory boards and executive boards of other companies

The supervisory boards and executive boards of the various other companies 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.

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

Financial reporting and internal control

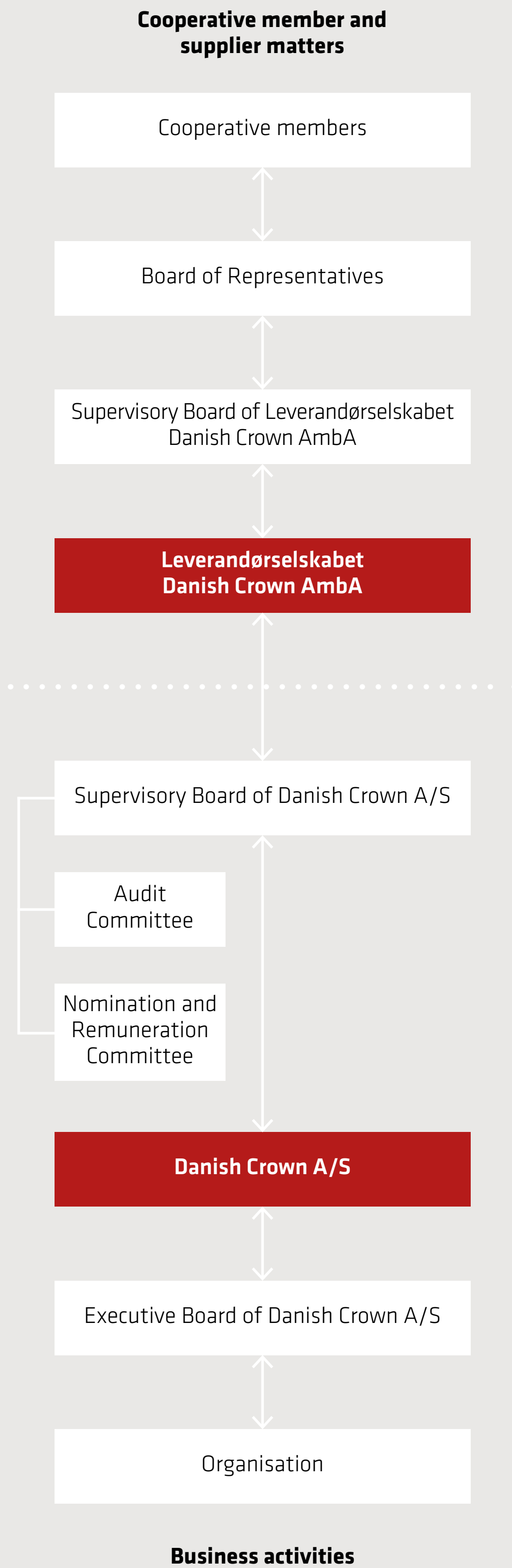
The group's financial reporting processes are designed to ensure uniform and reliable financial reporting. The processes are based on fundamental principles of a simple organisational structure with a division of responsibilities and clear reporting lines.

The Supervisory Board is responsible for monitoring the group's internal control and risk management processes as well as the 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 tax policy, a treasury policy, an insurance policy and an IT policy (including an IT security policy) as well as accounting and reporting instructions.

The Supervisory Board 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. ●

MANAGEMENT STRUCTURE



DIVERSITY

As a company, Danish Crown is one of the most diverse and socially inclusive companies in the Danish and European labour markets.

Our diversity agenda is a strategic priority, which is about ensuring that as an organisation we benefit from the positive effects of having a diverse workforce in terms of educational background, gender and nationality as well as cultural affiliation.

Danish Crown's results as a diverse and inclusive company have, among other things, been achieved through a number of targeted processes and initiatives which have successfully helped people who have been outside the labour market for an extended period to return to the labour market as valued Danish Crown employees. Similarly, as a company we have succeeded in helping refugees find work, and we have won considerable political recognition for our focused efforts. This has been done in close cooperation with the relevant local authorities and job centres. As a result, a total of more than 79 different nationalities are represented in our workforce, while we are working to further improve gender diversity across our employee groups.

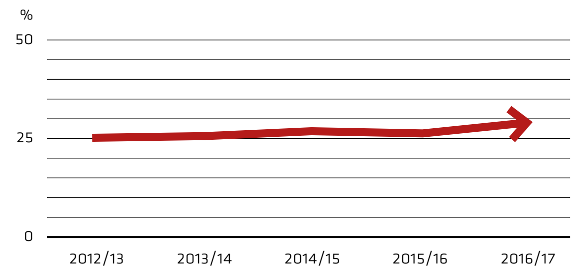
Our focus on strengthening diversity in the company will continue. In the next few years, Danish Crown will focus even more on ensuring that the diversity that exists at employee level is also reflected in our entire governance structure – up to and including senior management level. A number of initiatives have therefore already been launched to support this work.

The company is currently transforming the Danish part of the organisation with a view to making it more global. Among other things, we are offering to assess our employees' English language skills, followed by an offer of English lessons, if required. The purpose of this is to better be able to ensure cooperation between employees from our various business units – but also to build and have access to a more diverse international pool of talents who can help develop our business in our 4WD strategy.

In the coming years, the group is increasing its focus on human resource development with the aim of attracting and retaining as diverse a talent base as possible – through targeted competency development.

A clear recruitment policy has also been defined requiring that both genders must be represented among the top three candidates for a job.

The graph below shows that the share of women in management positions in the company has been slightly increasing in recent years.



The group has strengthened its HR organisation in the past year. This will help to ensure that the necessary initiatives are implemented in the local business units and across the group.

The ratio of men and women on the supervisory boards of Leverandørselskabet Danish Crown AmbA, Danish Crown A/S, Tulip Food Company A/S, DAT-Schaub A/S, ESS-FOOD A/S, Scan-Hide A.m.b.a. and SPF-Danmark A/S, which are covered by section 99b of the Danish Financial Statements Act, shows that these efforts are necessary as only three out of the seven companies meet the locally defined targets. There are no women on the Supervisory Board of Leverandørselskabet Danish Crown AmbA, which does not live up to the target of 10 per cent female representation. For several of the companies, the real challenge is the gender balance among Danish Crown's owners. The targets for 2021 have not been met in the past year either because no board members have been replaced, or because it has unfortunately not been possible to attract candidates with the right skills.

During the year, Danish Crown has decided to participate in the new 'Gender Diversity Roundtable Denmark' initiative. The purpose is to identify actionable steps to advance gender diversity in management teams in Denmark. We are one of 15 members of the roundtable, established on the initiative of UN Women Nordic Office and the Boston Consulting Group. The members of the roundtable come from the private sector, the Danish universities as well as a wide range of societal member organisations. ●

EXECUTIVE BOARD AND SUPERVISORY BOARD

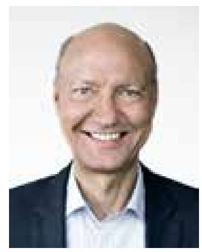
EXECUTIVE BOARD

GROUP CEO

Jais Valeur
Appointed: 2016

Member of the boards of:
Royal Unibrew A/S
Foss A/S

Member of the following professional bodies:
Permanent Committee on Business Policies of Confederation of Danish Industry
Disruption Council – Partnership for Denmark's Future



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

SUPERVISORY BOARD

CHAIRMAN

Erik Bredholt [*] [1] [2] [3] [4]
Appointed: 2001

Member of the boards of:
Industriens Pensionsforsikring A/S
Livlande 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
Employers' Association of Danish Abattoirs (Vice-chairman)
Danish Pig Levy Fund
Central Board of Confederation of Danish Industry

VICE-CHAIRMAN

Asger Krogsgaard [*] [1] [2] [3] [4]
Appointed: 2003

Member of the board of:
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)
ICC Danmark (Chairman)

VICE-CHAIRMAN

Jesper Teddy Lok [2] [4]
CEO of Allianceplus Holding A/S
Appointed: 2013

Member of the boards of:
J. Lauritzen A/S (Chairman)
ESVAGT A/S (Chairman)
Allianceplus A/S (Chairman)
Dagrofa ApS (Chairman)
PostNord Danmark

MEMBERS OF THE SUPERVISORY BOARD

Peder Philipp [* 1) 2) 3) 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
Danish Cattle Levy Fund (Chairman)

Erik Larsen [* 1) 2) 4)]
Appointed: 1996

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

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

Peter Fallesen Ravn [* 1) 2)]
Appointed: 2008

Member of the following professional body:
Coordination Group for Organic Pork

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

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

Jesper V. Christensen [2) 3)]
EVP and CFO of Danfoss A/S
Appointed: 2016

Member of the boards of:
Danfoss International A/S
Danfoss Power Electronics A/S
Sondex Holding A/S
Danfoss Power Solutions Inc.

Member of the following professional bodies:
Central Board of Confederation of Danish Industry
Manufacturing industry, Confederation of Danish Industry

Mads Nipper [2)]
Group President, CEO of Grundfos Holding A/S
Appointed: 2016

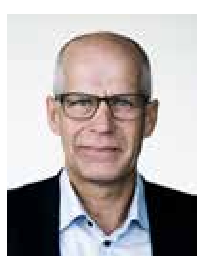
Member of the board of:
Bang & Olufsen A/S

Member of the following professional bodies:
Central Board of Confederation of Danish Industry
Permanent Committee on Business Policies of Confederation of Danish Industry
The Board of Representatives of Design School Kolding

Knud Jørgen Lei [* 1)]
Appointed: 2013

Member of the board of:
Timis Agro ApS

Member of the following professional body:
Danish Pig Levy Fund



Søren Bonde [* 1)]
Appointed: 2013

Member of the board of:
NGF Nature Energy Trekanten A/S

Member of the following professional bodies:
Danish Agriculture & Food Council, Pig Production
Danish Pig Meat Industry, Danish Agriculture & Food Council (observer)

MEMBERS OF THE SUPERVISOR BOARD (CONTINUED)

Niels Daugaard Buhl [* 1)]
Appointed: 2006

Member of the board of:
JS Bolig A/S

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

Cay Wulff Sørensen [* 1)]
Appointed: 2009

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

Palle Joest Andersen [* 1) 2) 4)]
Appointed: 2009

Member of board of:
AKV Langholt AmbA

Member of the following professional bodies:
Company Board, Danish Agriculture & Food Council
Danish Agriculture & Food Council, Pig Production
Danish Pig Meat Industry, Danish Agriculture & Food Council

Kim Tovgaard Nielsen [2)]
Appointed: 2017 (elected by the employees)

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

Hans Jørgen Frank [2)]
Appointed: 2017 (elected by the employees)

OBSERVER

Karsten Willumsen [* 1)]
Appointed: 2013

Member of boards of:
RYK-Fund for Handling of Registration and Milk Yield Recording (Vice-chairman)

Member of the following professional bodies:
Danish Cattle Levy Fund
Danish Livestock and Meat Board
Danish Agriculture & Food Council, Dairy & Cattle Farming
Herning-Ikast Landboforening (Chairman)

* Independent farmer in privately owned company or corporate form and also a cooperative member
1) Member of the Supervisory Board of Leverandørselskabet Danish Crown AmbA
2) Member of the Supervisory Board of Danish Crown A/S
3) Member of the Audit Committee
4) Member of the Nomination and Remuneration Committee

5

FINANCIAL STATEMENTS

Income statement 1 October 2016 - 30 September 2017

DKKm	Note	Group 2016/17	Group 2015/16
Revenue	2	**62,024**	**60,038**
Production costs	3, 4	-54,232	-51,924
Gross profit		**7,792**	**8,114**
Distribution costs	3, 4	-4,159	-4,310
Administrative expenses	3, 4, 5	-1,774	-1,721
Other operating income		18	32
Other operating expenses		-14	-5
Income from equity investments in associates and joint ventures	12	60	57
Operating profit before special items (EBIT)		**1,923**	**2,167**
Special items	6	526	-99
Operating profit after special items		**2,449**	**2,068**
Financial income	7	74	64
Financial expenses	8	-299	-298
Profit before tax		**2,224**	**1,834**
Tax on profit for the year	9	-202	-195
Net profit for the year		**2,022**	**1,639**
Distribution of net profit for the year			
Cooperative members of the parent		1,950	1,620
Minority interests		72	19
		2,022	**1,639**

Statement of comprehensive income 1 October 2016 - 30 September 2017

DKKm	Note	2016/17	2015/16
Net profit for the year		**2,022**	**1,639**
Items which are subsequently transferred to the income statement:			
Foreign currency translation adjustment of foreign enterprises		-59	-294
Share of other comprehensive income in associates and joint ventures	12	1	1
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows		18	15
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows		-11	-7
Hedging of net investments in foreign enterprises		3	47
Tax on other comprehensive income		1	-1
Transferred to the income statement, special items		-53	2
Items which are not transferred to the income statement:			
Actuarial gains/losses on defined-benefit plans etc.	17	149	-260
Tax on other comprehensive income	9	-25	44
Other comprehensive income		**24**	**-453**
Comprehensive income		**2,046**	**1,186**
Distribution of comprehensive income			
Cooperative members of the parent		1,985	1,167
Minority interests		61	19
		2,046	**1,186**

Balance sheet — assets 30 September 2017

		Group	
DKKm	**Note**	**30.09.2017**	**30.09.2016**
Intangible assets	10	2,728	2,686
Property, plant and equipment	11	8,757	9,748
Equity investments in associates and joint ventures	12	266	242
Other securities and equity investments	13	347	10
Biological assets	14	68	69
Deferred tax assets	18	378	388
Non-current assets		**12,544**	**13,143**
Inventories	15	4,027	4,181
Biological assets	14	219	213
Trade receivables	16	6,282	6,240
Receivables from and prepayments to cooperative members		434	479
Receivables from associates		42	48
Other receivables		617	613
Prepayments		128	121
Other securities and equity investments	13	41	88
Cash		99	131
Current assets		**11,889**	**12,114**
Total assets		**24,433**	**25,257**

Balance sheet – equity and liabilities 30 September 2017

DKKm	Note	Group 30.09.2017	Group 30.09.2016
Member's accounts	26	1,560	1,568
Personal subordinated accounts	26	270	215
Other reserves		-155	-65
Retained earnings		5,679	4,950
Equity owned by cooperative members of the parent		**7,354**	**6,668**
Equity owned by minority interests		257	229
Equity		**7,611**	**6,897**
Pension obligations	17	190	376
Deferred tax liabilities	18	262	264
Other provisions	19	116	119
Loans and borrowings	20	7,850	9,921
Other payables		5	19
Non-current liabilities		**8,423**	**10,699**
Other provisions	19	226	119
Loans and borrowings	20	1,953	1,339
Trade payables		3,742	3,942
Payables to associates		42	44
Income tax payable		87	79
Other payables		2,306	2,097
Deferred income		43	41
Current liabilities		**8,399**	**7,661**
Liabilities		**16,822**	**18,360**
Total equity and liabilities		**24,433**	**25,257**

Operating lease commitments	21
Acquisition of businesses	22
Divestment of businesses	23
Contingent liabilities	24
Security	25
Rights and liabilities of the cooperative members	26
Financial risks and financial instruments	28
Related parties	29
Events occurring after the balance sheet date	30

Statement of changes in equity 30 September 2017

DKKm	Member's accounts	Personal subordinated 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 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 foreign enterprises	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**
Net profit for the year	**0**	**55**	**0**	**0**	**1,895**	**1,950**	**72**	**2,022**
Foreign currency translation adjustment of foreign enterprises	0	0	-47	0	0	**-47**	-12	**-59**
Share of other comprehensive income in associates and joint ventures	0	0	0	0	1	**1**	0	**1**
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	18	0	**18**	0	**18**
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-12	0	**-12**	1	**-11**
Hedging of net investments in foreign enterprises	0	0	0	3	0	**3**	0	**3**
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	149	**149**	0	**149**
Tax on other comprehensive income	0	0	3	-2	-25	**-24**	0	**-24**
Transferred to the income statement	0	0	-139	86	0	**-53**	0	**-53**
Total other comprehensive income	**0**	**0**	**-183**	**93**	**125**	**35**	**11**	**24**
Comprehensive income for the year	**0**	**55**	**-183**	**93**	**2,020**	**1,985**	**61**	**2,046**
Payment of contributed capital, net	-8	0	0	0	0	**-8**	0	**-8**
Supplementary payments disbursed	0	0	0	0	-1,295	**-1,295**	-28	**-1,323**
Dilution of minority interests	0	0	0	0	4	**4**	-5	**-1**
Equity as at 30 September 2017	**1,560**	**270**	**-223**	**68**	**5,679**	**7,354**	**257**	**7,611**

Cash flow statement 1 October 2016 - 30 September 2017

DKKm	Note	Group 2016/17	Group 2015/16
Operating profit before special items (EBIT)		**1,923**	**2,167**
Depreciation, amortisation, impairment losses and write-downs	4	1,387	1,452
Income from associates		-60	-57
Change in provisions		-167	37
Change in net working capital	27	-94	560
Operating cash flows		**2,989**	**4,159**
Financial income received	7	33	36
Financial expenses paid	8	-284	-279
Income tax paid		-208	-292
Cash flows from operating activities		**2,530**	**3,624**
Purchase of intangible assets	10	-74	-47
Sale of intangible assets		1	3
Purchase of property, plant and equipment and biological assets	11, 14	-986	-1,091
Sale of property, plant and equipment		124	211
Purchase of other securities and equity investments		-339	-18
Sale of other securities and equity investments		56	111
Acquisition of businesses	22	-246	-160
Divestment of businesses	23	840	0
Dividend received	12	31	117
Cash flows from investing activities		**-593**	**-874**
Disbursement of supplementary payments		-1,295	-1,425
Disbursement to minority shareholders		-28	-92
Payment from minority shareholders		0	30
Proceeds from borrowings		399	2,364
Repayment of borrowings		-1,037	-3,596
Contributed capital received		203	209
Disbursement of contributed capital		-211	-213
Cash flows from financing activities		**-1,969**	**-2,723**
Change in cash and cash equivalents		**-32**	**27**
Cash and cash equivalents as at 30 September 2016		131	104
Cash and cash equivalents as at 30 September 2017	27	**99**	**131**

GROUP, NOTES

Notes

1 Significant accounting estimates and assessments

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 significant to the preparation of the consolidated financial statements.

Production costs
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 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 2016/17, no need for impairment of the group's property, plant and equipment was identified. In 2015/16, non-current assets decommissioned in connection with the reorganisation of production processes were impaired by 99 million DKK.

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.

No significant write-down of inventories was made in 2016/17. In 2015/16, world market prices for lamb casings were declining, resulting in a write-down of the inventory of lamb casings.

Reference is made to note 15 for a specification of inventories.

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, write-downs have been made of the majority of the tax assets related to tax losses to be carried forward.

Reference is made to note 18 for a specification of deferred tax liabilities and tax assets.

2 Revenue

DKKm	2016/17	2015/16
Distribution by market:		
Denmark	5,681	5,296
International	56,343	54,742
	62,024	**60,038**
Distribution by sector:		
Fresh Meat Pork	23,913	22,867
Fresh Meat Beef	4,461	3,625
Ingredients – DAT-Schaub	3,588	3,397
Foods	23,706	23,033
Other companies	6,356	7,116
	62,024	**60,038**

Notes

3 Staff costs

DKKm	2016/17	2015/16
Salaries and wages	6,523	6,618
Defined-contribution plans	383	368
Defined-benefit plans	10	6
Other social security costs	671	721
	7,587	**7,713**
Staff costs are distributed as follows:		
Production costs	5,869	6,019
Distribution costs	750	660
Administrative expenses	968	1,034
	7,587	**7,713**
Of which:		
Remuneration for the parent's Supervisory Board	8	7
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	18	51
	27	**59**
Average no. of employees	25,956	26,276

Remuneration for the management consists of remuneration for members of the Supervisory Board and fixed salaries. In addition, one member of the Executive Board receives a pension benefit corresponding to 8 per cent of the fixed salary. The group management consists of the Executive Board. There are no other key persons in the management.

4 Depreciation, amortisation, impairment losses and write-downs

	2016/17	2015/16
Amortisation of intangible assets:		
Production costs	6	10
Distribution costs	26	31
Administrative expenses	35	28
	67	**69**
Depreciation of property, plant and equipment:		
Production costs	1,229	1,285
Distribution costs	27	24
Administrative expenses	48	59
	1,304	**1,368**
Value adjustment of biological assets:		
Production costs	16	15
	16	**15**
Impairment of property, plant and equipment:		
Special items	0	99
	0	**99**
Gain on the disposal of non-current assets	11	25
Loss on the disposal of non-current assets	13	6

Notes

5 Fee to the parent's auditors appointed by the Board of Representatives

DKKm	2016/17	2015/16
PwC:		
Statutory audit	6	0
Fee for other assurance engagements	0	0
Tax advice	1	0
Other services	22	0
	29	**0**
Deloitte:		
Statutory audit	0	7
Fee for other assurance engagements	0	0
Tax advice	0	2
Other services	0	1
	0	**10**

6 Special items

Special items, income:		
Gain on the divestment of activity (Plumrose)	526	0
	526	**0**
Special items, expenses:		
Impairment of plant (relating to production costs)	0	-99
	0	**-99**
	526	**-99**

7 Financial income

Interest, cash etc.	33	36
Foreign currency exchange gains and losses, net	30	21
Fair value adjustment of derivative financial instruments concluded in order to hedge the fair value of financial instruments	-62	35
Fair value adjustment of hedged financial instruments	62	-35
Fair value adjustment transferred from equity concerning the hedging of future cash flows	11	7
	74	**64**

8 Financial expenses

Interest, credit institutions etc.	284	279
Foreign currency exchange gains and losses, net	15	19
	299	**298**

Finance costs of 0 million DKK have been recognised in the cost of property, plant and equipment under construction in the financial year (2015/16: 0 million DKK).

Notes

9 Tax on profit for the year

DKKm	2016/17	2015/16
Current tax	210	172
Change in deferred tax	-46	47
Change in deferred tax resulting from a change in the tax rate	6	-33
Adjustment concerning previous years, current tax	-14	17
Adjustment concerning previous years, deferred tax	-5	-15
Write-down of tax assets	38	2
Reversal of previous write-down of tax assets	0	-10
	189	**180**
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	13	15
Tax on profit for the year	**202**	**195**
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	477	394
Effect of differences in tax rates for foreign enterprises	52	19
Change in deferred tax resulting from a change in the tax rate	6	-33
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	13	15
Tax base of profit in cooperatively taxed enterprises	-237	-218
Tax base of non-taxable income*	-145	-17
Tax base of non-deductible costs	17	41
Adjustment concerning previous years, current tax	-14	17
Adjustment concerning previous years, deferred tax	-5	-15
Write-down of tax assets	38	2
Reversal of previous write-down of tax assets	0	-10
	202	**195**
Effective tax rate (%)	**9.1**	**10.6**
Foreign currency translation adjustment of foreign enterprises	-3	-11
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	4	3
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	-2	-1
Hedging of net investments in foreign enterprises	0	10
Actuarial gains/losses on defined-benefit plans etc.	25	-44
Tax on other comprehensive income	**24**	**-43**

* The main part the 2016/17 figure relates to non-taxable gain from the divestment of Plumrose.

Notes

10 Intangible assets

DKKm	Goodwill	Software	Acquired trade-marks etc.	Total
Cost as at 1 October 2016	2,207	519	876	3,602
Foreign currency translation adjustments	-31	-2	-1	-34
Addition in connection with acquisitions	76	1	8	85
Addition	0	68	6	74
Disposal in connection with divestments	0	-30	0	-30
Disposal	0	-22	0	-22
Cost as at 30 September 2017	**2,252**	**534**	**889**	**3,675**
Amortisation and impairment losses as at 1 October 2016	0	408	508	916
Foreign currency translation adjustments	0	-1	0	-1
Amortisation for the year	0	42	25	67
Disposal in connection with divestments	0	-14	0	-14
Amortisation of disposal for the year	0	-21	0	-21
Amortisation and impairment losses as at 30 September 2017	**0**	**414**	**533**	**947**
Carrying amount as at 30 September 2017	**2,252**	**120**	**356**	**2,728**
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 for the year	0	41	28	69
Amortisation of 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**

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	30.09.2017	30.09.2016
Tulip Ltd	605	619
Sokołów S.A.	506	505
DAT-Schaub A/S	366	383
KLS Ugglarps AB	95	75
Tulip Food Company A/S	174	171
Pork	48	0
Beef	26	0
Danish Crown	432	454
	2,252	**2,207**

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' net present value.

The cash-generating units' net present value is calculated using the cash flows stated in the companies' budgets and strategy plans for the next five financial years. Account is taken of strategy plans that are shifted in time. 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, respectively, 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.

Losses were realised in Tulip Ltd in 2015/16 and 2016/17, and a turn-around plan has been prepared and implemented. The plan includes a number of initiatives both within sales and production as well as internal processes supporting the business. At the end of 2016/17, the company is ahead of the plan. The effects of the plan have been incorporated in the estimated results used for the impairment test.

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 (%)	
	2016/17	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Tulip Ltd	1.0	1.0	1.0	1.3	5.4	4.6	6.5	4.9
Sokołów S.A.	1.0	1.0	3.2	2.4	7.8	5.6	9.6	6.0
DAT-Schaub A/S	1.0	1.0	0.6	0.8	4.9	4.0	6.3	4.3
KLS Ugglarps AB	1.0	1.0	0.5	1.0	4.7	4.4	6.0	4.7
Tulip Food Company A/S	1.0	1.0	0.6	0.8	4.9	4.0	6.3	4.3
Pork	1.0	-	0.6	-	4.9	-	6.3	-
Beef	1.0	-	0.6	-	4.9	-	6.3	-
Danish Crown	1.0	1.0	0.6	0.8	4.9	4.0	6.3	4.3

Notes

11 Property, plant and equipment

DKKm	Land and building	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Plant under construction	Total
Cost as at 1 October 2016	12,308	11,493	1,030	498	25,329
Foreign currency translation adjustments	-80	-108	-7	-4	-199
Completion of plant under construction	52	238	20	-310	0
Addition in connection with acquisitions	90	80	9	12	191
Addition	170	510	70	178	928
Disposal in connection with divestments	-559	-742	-14	-26	-1,341
Disposal	-350	-358	-116	0	-824
Cost as at 30 September 2017	**11,631**	**11,113**	**992**	**348**	**24,084**
Depreciation and impairment losses as at 1 October 2016	6,960	7,834	787	0	15,581
Foreign currency translation adjustments	-28	-62	-13	0	-103
Disposal in connection with divestments	-260	-450	-12	0	-722
Depreciation and impairment losses for the year	398	817	89	0	1,304
Depreciation of and impairment losses on disposal for the year	-330	-300	-103	0	-733
Depreciation and impairment losses as at 30 September 2017	**6,740**	**7,839**	**748**	**0**	**15,327**
Carrying amount as at 30 September 2017	**4,891**	**3,274**	**244**	**348**	**8,757**
Of which assets held under finance leases	56	22	7	0	85
Of which recognised interest expenses	50	0	0	0	50
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**
Amortisation 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

Notes

12 Equity investments in associates and joint ventures

DKKm	Associates 30.09.2017	Associates 30.09.2016	Joint ventures 30.09.2017	Joint ventures 30.09.2016
Cost as at 1 October 2016	164	232	19	3
Foreign currency translation adjustments	-2	0	0	-1
Addition	0	1	0	17
Disposal	0	-69	-2	0
Cost as at 30 September 2017	**162**	**164**	**17**	**19**
Value adjustments as at 1 October 2016	63	112	-4	0
Foreign currency translation adjustments	-2	-1	0	0
Share of net profit	62	61	-2	-4
Share of other comprehensive income	1	1	0	0
Distribution during the year	-31	-117	0	0
Addition	0	0	0	0
Disposal	0	7	0	0
Value adjustments as at 30 September 2017	**93**	**63**	**-6**	**-4**
Carrying amount as at 30 September 2017	**255**	**227**	**11**	**15**

Daka Danmark A/S's, Agri-Nordcold A/S's, Oriental Sino Limited's and WestCrown GmbH's financial year 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	30.09.2017	30.09.2016
Listed bonds	41	88
Unlisted shares	347	10
	388	**98**
Securities are recognised in the balance sheet as follows:		
Non-current assets	347	10
Current assets	41	88
	388	**98**

14 Biological assets

Non-current assets		
Cost as at 1 October 2016	80	99
Foreign currency translation adjustments	-2	-14
Addition	58	53
Disposal	-56	-58
Cost as at 30 September 2017	**80**	**80**
Value adjustment as at 1 October 2016	-11	-11
Foreign currency translation adjustments	1	1
Adjustment for the year	-16	-14
Adjustment of disposal for the year	14	13
Value adjustments as at 30 September 2017	**-12**	**-11**
Carrying amount as at 30 September 2017	**68**	**69**
No. of sows and boars as at 30 September 2017	45,135	42,373
Current assets		
Slaughter pigs	217	211
Land holdings	2	2
Carrying amount as at 30 September 2017	**219**	**213**
No. of slaughter pigs as at 30 September 2017	399,498	376,445
Kg produced ('000) during the year	67,090	71,432

Notes

15 Inventories

DKKm	30.09.2017	30.09.2016
Raw materials and consumables	654	762
Semi-finished products	534	569
Finished goods and goods for resale	2,839	2,850
	4,027	**4,181**
Cost of sales	48,595	45,979
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	-18	17

16 Trade receivables

	30.09.2017	30.09.2016
Trade receivables (gross)	**6,357**	**6,310**
Write-down for bad debts as at 1 October 2016	-70	-71
Foreign currency translation adjustments	0	1
Realised losses for the year	11	11
Reversed provisions	20	21
Provisions for bad debts for the year	-36	-32
Write-down for bad debts as at 30 September 2017	**-75**	**-70**
Trade receivables (net)	**6,282**	**6,240**

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 111 million DKK (30.09.2016: 58 million DKK).

	30.09.2017	30.09.2016
Trade receivables (gross) can be specified as follows:		
Not due	5,362	5,472
Due within 30 days	822	656
Due between 30 and 90 days	110	91
Due after 90 days	63	91
	6,357	**6,310**
Receivables due, but not written down, comprise:		
Due within 30 days	824	645
Due between 30 and 90 days	96	83
Due after 90 days	9	37
	929	**765**

During the financial year, no interest income in respect of receivables written down has been recognised as income (2015/16: 0 million DKK).

The maximum credit risk on receivables due, but not written down, and more than 30 days overdue is 58 million DKK.

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 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. The plan is closed.

Defined-contribution plans DKKm	**2016/17**	**2015/16**
Contributions to defined-contribution plans recognised in the income statement	383	368
Defined-benefit plans		
Net interest expenses	8	5
Administrative expenses	2	1
Recognised in the income statement under staff costs	**10**	**6**
Remeasurement of defined-benefit plans		
Return on pension assets	-70	-137
Actuarial gains/losses on changes in demographic assumptions	-2	0
Actuarial gains/losses on changes in financial assumptions	-8	399
Actuarial gains/losses on adjustments based on experience	-69	-2
Recognised in other comprehensive income	**-149**	**260**
Recognised in comprehensive income	**-139**	**266**
The pension obligation recognised in the balance sheet can be specified as follows:		
Present value of hedged pension obligation (UK)	1,354	1,501
Present value of unhedged pension obligation (Denmark)	39	42
	1,393	**1,543**
Fair value of the assets underlying the pension plans	-1,203	-1,167
Net obligation recognised in the balance sheet	**190**	**376**

The group expects to contribute a total of 8 million DKK to the plans during the coming financial year.

Notes

17 Pension plans (continued)

DKKm	30.09.2017	30.09.2016
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 2016	1,543	1,351
Foreign currency translation adjustments	-37	-192
Interest on pension obligation	33	46
Actuarial gains and losses:		
Actuarial gains/losses on changes in demographic assumptions	-2	0
Actuarial gains/losses on changes in financial assumptions	-8	399
Actuarial gains/losses on adjustments based on experience	-69	-2
Pension benefits paid	-67	-59
Present value of pension obligations as at 30 September 2017	**1,393**	**1,543**
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 2016	1,167	1,162
Foreign currency translation adjustments	-29	-170
Interest on the assets underlying the pension plans	25	41
Return on the assets underlying the pension plans	70	137
Employer contributions	34	53
Administrative expenses	-2	-1
Pension benefits paid	-62	-55
Fair value of the assets underlying the pension plans as at 30 September 2017	**1,203**	**1,167**
Accumulated actuarial gains and losses included in other comprehensive income	-432	-581
The UK pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.60%	2.19%
Average remaining life expectancy at retirement for existing pension recipients:		
Men aged 65 years	22.6 years	22.2 years
Women aged 65 years	24.8 years	24.8 years
Average remaining life expectancy at retirement for current employees:		
Men aged 45 years	24.3 years	23.6 years
Women aged 45 years	26.4 years	26.3 years
Future pension increases	2.10%	1.85%
Inflation, consumer index	2.30%	1.96%
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	2.10%	2.00%

The most recent actuarial statements of the UK pension obligations were calculated on 30 September 2017 by Scottish Widows Plc, Conduent HR Services and Aviva Group.

Notes

17 Pension plans (continued)

DKKm	30.09.2017	30.09.2016
Defined-benefit plans (continued)		
The assets underlying the pension plans measured at fair value comprise:		
Cash and cash equivalents	121	10
Shares, listed		
UK shares	377	420
Other shares	391	397
Bonds		
UK government bonds	140	165
UK government-indexed bonds	150	143
Other	4	16
Real property	8	4
Insurance policy	12	12
	1,203	**1,167**

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 (64 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 62 million DKK (2015/16: 67 million DKK). If inflation was 0.25 percentage points higher, the pension obligation would increase by 58 million DKK (2015/16: 62 million DKK). If the discount rate and inflation were 0.25 percentage points lower, the obligation would increase by 66 million DKK (2015/16: 55 million DKK) and decrease by 55 million DKK (2015/16: 59 million DKK), respectively.

The present value in the above sensitivity analysis is calculated using the project unit credit method at the end of the accounting 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 2017 is 18 years for the plans in the UK and 10 years for the plans in Denmark.

Notes

18 Deferred tax

DKKm	30.09.2017	30.09.2016
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	378	388
Deferred tax liabilities	-262	-264
	116	**124**

2016/17 DKKm	Deferred tax as at 1 October 2016	Exchange rate adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other compre-hensive income	Addition in connection with acquisition	Disposal on divestment	Change in tax rate	Deferred tax as at 30 September 2017
Intangible assets	57	1	0	-29	0	0	-2	0	27
Property, plant and equipment	68	10	-37	69	0	-10	89	-7	182
Financial assets	2	0	-1	0	0	1	0	0	2
Current assets	30	0	13	-12	0	0	-2	0	29
Non-current liabilities	91	-2	-32	-18	-25	0	0	1	15
Current liabilities	-44	0	86	38	0	0	-4	0	76
Tax losses to be carried forward	149	-5	-24	-2	0	0	-66	0	52
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	0	-6
	347	**4**	**5**	**46**	**-25**	**-9**	**15**	**-6**	**377**
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	0	1
Write-down of tax assets	-224	0	-31	-7	0	0	0	0	-262
	124	**4**	**-26**	**39**	**-25**	**-9**	**15**	**-6**	**116**

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 compre-hensive income	Addition in connection with acquisition	Disposal on divestment	Change in tax rate	Deferred tax as at 30 September 2016
Intangible assets	79	2	0	-24	0	0	0	0	57
Property, plant and equipment	2	32	-34	38	0	-8	0	38	68
Financial assets	2	0	0	0	0	0	0	0	2
Current assets	55	0	-10	-14	0	-1	0	0	30
Non-current liabilities	62	-2	32	-38	44	0	0	-7	91
Current liabilities	-63	3	5	11	-1	-2	0	3	-44
Tax losses to be carried forward	198	0	-29	-20	0	0	0	0	149
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	0	-6
	329	**35**	**-36**	**-47**	**43**	**-11**	**0**	**34**	**347**
Adjustment concerning utilisation of tax asset not previously recognised	12	0	-11	0	0	0	0	0	1
Write-down of tax assets	-293	0	62	8	0	0	0	-1	-224
	48	**35**	**15**	**-39**	**43**	**-11**	**0**	**33**	**124**

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	30.09.2017	30.09.2016
Tax value of non-recognised deferred tax assets	**262**	**224**
The expiry dates of tax losses to be carried forward can be specified as follows:		
No expiry date	224	211
2017	0	1
2018	1	0
2019	1	1
After 2022	3	239
	229	**452**

The tax base of tax losses amounting to 36 million DKK (2015/16: 64 million DKK) has not been recognised as it has not been deemed sufficiently probable that the losses will be utilised within a foreseeable future.

Reduction of tax losses to be carried forward is mainly related to the divestment of Plumrose.

19 Other provisions

DKKm	Insurance provisions	Restructuring costs	Other provisions	Total
Other provisions as at 1 October 2016	0	12	226	238
Foreign currency translation adjustments	0	0	0	0
Utilised during the year	0	-4	-25	-29
Reversal of unutilised provision	0	-1	-10	-11
Provisions for the year	0	3	141	144
Other provisions as at 30 September 2017	**0**	**10**	**332**	**342**
Other provisions as at 1 October 2015	85	30	189	304
Foreign currency translation adjustments	0	0	-1	-1
Utilised during the year	-75	-15	-18	-108
Reversal of unutilised provision	-10	-7	-3	-20
Provisions for the year	0	4	59	63
Other provisions as at 30 September 2016	**0**	**12**	**226**	**238**

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:				
30.09.2017	**226**	**71**	**45**	**342**
30.09.2016	**119**	**96**	**23**	**238**

Restructuring provisions and other provisions total 342 million DKK (30.09.2016: 238 million DKK) and comprise provisions for severance payments for dismissed employees, commitments relating to a divested enterprise 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:

30.09.2017 DKKm	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Mortgage debt	127	532	2,206	2,865
Other debt, issued bonds	750	536	2,124	3,410
Other credit institutions	42	631	95	768
Bank debt	1,020	1,681	0	2,701
Finance lease commitments	14	32	13	59
	1,953	**3,412**	**4,438**	**9,803**
30.09.2016				
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**

Other debt, issued bonds includes bond loans of 750 million DKK issued on First North in Denmark and private placement loans in the US (USPP loans) of 2,660 million DKK.

	2016/17		2015/16	
Lease commitments DKKm	**Minimum lease payments**	**Carrying amount**	**Minimum lease payments**	**Carrying amount**
Finance lease commitments	61	59	71	70
Amortisation premiums for future expensing	0		0	
	61		**71**	

21 Operating lease commitments

DKKm	30.09.2017	30.09.2016
Total future minimum lease payments in respect of non-cancellable leases (operating equipment and rent) comprise:		
Within 1 year of the balance sheet date	151	141
Between 1 and 5 years of the balance sheet date	261	242
After 5 years of the balance sheet date	22	34
	434	**417**
Minimum lease payments recognised in net profit for the year	191	217

Notes

22 Acquisition of businesses

The group has acquired the following businesses during the financial year:

	Primary activity	Acquisition date	Acquired owner's share in %	Acquired voting share in %
2016/17				
Teterower Fleisch GmbH (activity)	Abattoir	03.04.2017	100	100
Other companies:				
Charkprodukter i Billesholm AB	Food production	08.11.2016	100	100
Klågevik AB	Property company	08.11.2016	100	100
Leivers Brothers Limited	Wholesale trade	25.02.2017	100	100
Slagter Munch ApS	Butcher's shop	03.01.2017	100	100
Tjæreborg Leverpostej A/S	Food production	01.06.2017	100	100
2015/16				
Dalsjöfors Kött AB	Abattoir	01.10.2015	65	65
SPF-Danmark A/S	Transport business	17.06.2016	10	10

The acquisitions made in 2016/17 and 2015/16 play an important role in strengthening the group's primary business area and achieving the group's 4WD strategy. In connection with the acquisitions made in 2016/17, goodwill of a total of 74 million DKK (2015/16: 20 million DKK) was realised. Approx. 45 million DKK (2015/16: 20 million DKK) of the capitalised goodwill is expected to be deductible for tax purposes. As described in note 10, it has not been necessary to impair the capitalised goodwill amounts.

In connection with the acquisitions, a purchase price was paid, which exceeds the fair value of the acquired identifiable assets, liabilities and contingent liabilities. This positive balance (goodwill) is primarily attributable to expected synergy effects between the activities in the acquired businesses and the group's current activities and future growth opportunities as well as the staffs of the individual businesses. These synergies have not been recognised separately from goodwill as they are not separately identifiable.

Out of the group's financial result for the year of 2,022 million DKK, 3 million DKK is attributable to result generated by Danish Crown Teterower Fleisch GmbH after the acquisition and 5 million DKK can be attributed to result generated by other acquired businesses. Out of the group's revenue, 655 million DKK is attributable to Danish Crown Teterower Fleisch GmbH and 166 million DKK can be attributed to other businesses. Had the enterprises been acquired with effect from 1 October 2016, revenue for 2016/17 would have been approx. 1,545 million DKK and the net profit for the year would have been approx. 12 million DKK in the acquired businesses. The management believes that these pro forma figures reflect the group's earnings level after the acquisition of the businesses, and that the amounts may therefore form the basis for comparisons in subsequent financial years. The calculation of pro forma figures for revenue and net profit for the year is based on the following material assumptions:

- Depreciation of property, plant and equipment and amortisation of intangible assets are calculated on the basis of the fair values determined in the pre-acquisition balance sheet and not the original carrying amounts.

- Financial costs are calculated on the basis of the group's financing needs, credit ratings and debt-equity ratio after the business combinations.

In connection with the acquisition of Teterower Fleisch GmbH and other businesses, transaction costs of 6 million DKK were incurred, comprising consultancy and legal fees. The transaction costs are recognised as administration costs.

Notes

22 Acquisition of businesses (continued)

DKKm	Teterower Fleisch GmbH	Other companies	2016/17	2015/16
Intangible assets	0	8	8	0
Property, plant and equipment	96	85	181	192
Other non-current assets	0	4	4	4
Non-current assets	**96**	**97**	**193**	**196**
Inventories	10	11	21	35
Trade receivables	0	18	18	191
Other current assets	0	13	13	73
Current assets	**10**	**42**	**52**	**299**
Non-current liabilities	**0**	**-28**	**-28**	**-67**
Payables	0	-14	-14	-45
Trade payables	0	-15	-15	-140
Other current liabilities	0	-8	-8	-75
Current liabilities	**0**	**-37**	**-37**	**-260**
Acquired net assets	**106**	**74**	**180**	**168**
Goodwill	26	48	74	20
Minority interests	0	0	0	-31
Total consideration	**132**	**122**	**254**	**157**
Acquired cash	0	-8	-8	-19
Fair value of existing owner's share (step acquisition)	0	0	0	-62
Cash consideration	**132**	**114**	**246**	**76**

23 Divestment of businesses

	2016/17	2015/16
Non-current assets	664	0
Current assets	493	0
Non-current liabilities	-652	0
Current liabilities	-191	0
Gain on the divestment of businesses recognised in the income statement	526	0
Selling price on the divestment of businesses	**840**	**0**
Cash selling price on the divestment of businesses	**840**	**0**

The group divested Plumrose USA Inc. in the financial year.
No enterprises were divested in 2015/16.

24 Contingent liabilities

DKKm	30.09.2017	30.09.2016
Other guarantees	23	26
Contractual obligations in respect of property, plant and equipment	65	104

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.

Notes

25 Security

DKKm	30.09.2017	30.09.2016
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.	3,796	4,311
Carrying amount of the above-mentioned assets	2,304	2,995

26 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 Supervisory Board. It is the Board of Representatives which, in due consideration of the company's articles of association, decides on the Supervisory Board's 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 25,000 DKK.

No. of cooperative members DKKm	30.09.2017	30.09.2016
No. of cooperative members as at 1 October 2016	7,605	8,020
Net reduction	-439	-415
No. of cooperative members as at 30 September 2017	**7,166**	**7,605**
Total liability	179	190
Proposed supplementary payments for the cooperative members (incl. extraordinary disbursement)	1,437	1,295

27 Specifications to the cash flow statement

DKKm	2016/17	2015/16
Change in net working capital:		
Change in inventories	-206	352
Change in receivables	-209	96
Change in other provisions	104	-66
Change in trade payables and other payables	217	178
	-94	**560**
Cash and cash equivalents		
Cash and bank deposits, cf. balance sheet	99	131
	99	**131**

Notes

28 Financial risks and financial instruments

DKKm	30.09.2017	30.09.2016
Categories of financial instruments in accordance with IAS 39		
Other securities and equity investments	388	98
Financial assets measured at fair value via the net profit for the year	**388**	**98**
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	3	0
Derivative financial instruments concluded in order to hedge future cash flows	14	14
Financial assets used as hedging instruments	**17**	**14**
Trade receivables	6,282	6,240
Receivables from and prepayments to cooperative members	434	479
Receivables from associates	42	48
Other receivables	600	599
Cash	99	131
Loans and receivables	**7,457**	**7,497**
Other liabilities	48	39
Financial liabilities measured at fair value via the net profit for the year	**48**	**39**
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	91	83
Derivative financial instruments concluded in order to hedge future cash flows	10	15
Financial liabilities used as hedging instruments	**101**	**98**
Mortgage debt	2,865	4,024
Other debt, issued bonds	3,410	3,495
Other credit institutions	768	809
Bank debt	2,701	2,862
Finance lease commitments	59	70
Trade payables	3,742	3,942
Payables to associates	42	44
Other payables	2,162	1,998
Financial liabilities measured at amortised cost	**15,749**	**17,244**

28 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 overdrafts. 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 -88 million DKK (30.09.2016: -82 million DKK). 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 overdrafts	Unhedged net position
EUR	5	1,930	-962	973	0	-945	28
GBP	0	966	-36	930	-2,321	1,437	46
JPY	0	1,060	-1	1,059	-953	-97	9
SEK	0	120	-10	110	0	-96	14
USD	0	2,364	-335	2,029	-1,079	-862	88
Other currencies	17	309	-76	250	-28	-236	-14
30.09.2017	**22**	**6,749**	**-1,420**	**5,351**	**-4,381**	**-799**	**171**
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**

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 85 where agreements on the sale of currency are stated with a positive contractual value.

28 Financial risks and financial instruments (continued)

DKKm	Hedging of future cash flows: Contractual value	Hedging of future cash flows: Fair value adjustment recognised in equity	Fair value hedging: Contractual value	Fair value hedging: Fair value	Non-fulfilment of hedging criteria: Contractual value	Non-fulfilment of hedging criteria: Fair value
Forward exchange contracts EUR	0	0	0	0	0	0
Forward exchange contracts GBP	316	1	2,005	-86	0	0
Forward exchange contracts JPY	186	4	753	9	14	0
Forward exchange contracts SEK	0	0	0	0	0	0
Forward exchange contracts USD	400	8	679	-14	0	0
Forward exchange contracts, other	0	0	16	0	12	0
30.09.2017	**902**	**13**	**3,453**	**-91**	**26**	**0**
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**

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 foreign currency translation adjustment 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, 3 million DKK (30.09.2016: (37 million DKK) has been recognised in other comprehensive income concerning the foreign currency translation 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 63 million DKK (30.09.2016: -25 million DKK).

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 financial 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 net profit and equity 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. If the exchange rate had been 10 per cent higher than the actual exchange rate, this would have had an equally positive effect on net profit and equity.

The sensitivity of net profit and equity to exchange rate fluctuations (DKKm)	Effect on net profit: 30.09.2017	Effect on net profit: 30.09.2016	Effect on equity: 30.09.2017	Effect on equity: 30.09.2016
Effect if EUR exchange rate was 10% lower than actual exchange rate	-2	5	-2	5
Effect if GBP exchange rate was 10% lower than actual exchange rate	-4	1	-36	-1
Effect if JPY exchange rate was 10% lower than actual exchange rate	-4	0	-20	0
Effect if SEK exchange rate was 10% lower than actual exchange rate	-1	-2	-1	-2
Effect if USD exchange rate was 10% lower than actual exchange rate	-7	-15	-47	-15
Effect of other exchange rates were 10% lower than actual exchange rate	1	-2	1	-2

Notes

28 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 one 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		-41	0	0	-41	-40
Bank deposits		-99	0	0	-99	-99
Mortgage debt		1,994	868	3	2,865	2,927
Other debt, issued bonds		1,383	536	1,491	3,410	3,410
Other credit institutions		432	241	95	768	768
Bank debt		2,701	0	0	2,701	2,701
Finance lease commitments		54	5	0	59	57
Interest rate swaps, fixed interest rate		-168	168	0	0	10
30.09.2017		**6,256**	**1,818**	**1,589**	**9,663**	**9,734**
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**

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 variable-rate loans amounts to -10 million DKK (30.09.2016: -15 million DKK) (level 2).

Other debt, issued bonds, includes bond loans of 750 million DKK. 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.

Sale and repurchase agreements in respect of bonds entered into concurrently with the raising of bond loans in the same series are classified as derivative financial instruments, with bonds being the underlying assets. As at 30 September 2017, sale and repurchase agreements with a nominal value of 1,867 million DKK (30.09.2016: 1,976 million DKK) have been entered into. The fair value of the derivative financial instruments is immaterial. 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 0 million DKK (30.09.2016: negative effect of 2 million DKK) on the group's net profit and equity related to capital losses on the group's bond portfolio.

As regards the group's variable-rate bank deposits, mortgage debt and other payables, an increase of 1 percentage point per year relative to the interest rate levels at the balance sheet date would have resulted in a decrease in the group's net profit and equity of 49 million DKK (2015/16: 60 million DKK). A corresponding decrease in interest rate levels would have had an equally positive effect on the group's net profit and equity.

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 Supervisory Board.

Notes

28 Financial risks and financial instruments (continued)

Liquidity risks
In connection with the raising of loans etc., it is group policy to ensure the largest possible flexibility through a spreading of the loans in relation to maturity, renegotiation dates and contracting parties, taking into account pricing etc.

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.

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	175	719	3,110	4,004
Other debt, issued bonds	846	875	2,425	4,146
Other credit institutions	49	659	102	810
Bank debt	995	1,720	0	2,715
Finance lease commitments	15	33	13	61
Trade payables	3,742	0	0	3,742
Other payables	2,205	5	0	2,210
	8,027	**4,011**	**5,650**	**17,688**
Derivative financial instruments:				
Derivative financial instruments included in the trading portfolio	0	0	0	0
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	91	0	0	91
Derivative financial instruments concluded in order to hedge future cash flows	6	4	0	10
30.09.2017	**8,124**	**4,015**	**5,650**	**17,789**
Non-derivative financial liabilities:				
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**

Cash resources: DKKm	30.09.2017	30.09.2016
Cash resources comprise:		
Cash	99	131
Unutilised credit facilities	5,486	6,931
	5,585	**7,062**

28 Financial risks and financial instruments (continued)

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 100 million DKK are generally only concluded with recognised insurance or credit institutions with an A-level Standard & Poor's credit rating as a minimum.

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 debt-equity 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 members' accounts, 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 2.8 (30.09.2016: 2.9).

The financial gearing as at the balance sheet date can be calculated as follows: DKKm	30.09.2017	30.09.2016
Mortgage debt	2,865	4,024
Other debt, issued bonds	3,410	3,495
Other credit institutions	768	809
Bank debt	2,701	2,862
Finance lease commitments	59	70
Receivables from and prepayments to cooperative members	-434	-479
Cash and short-term securities	-140	-219
Net interest-bearing debt	**9,229**	**10,562**
Operating profit before special items (EBIT)	1,923	2,167
Depreciation, amortisation, impairment losses and write-downs	1,387	1,452
EBITDA	**3,310**	**3,619**
Financial gearing	**2.8**	**2.9**

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

Notes

28 Financial risks and financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value in the balance sheet
The table below shows the classification of financial instruments measured at fair value, distributed according the fair value hierarchy:

- Quoted prices in an active market for the same type of instrument (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods according to which all important inputs are based on observable market data (level 2).
- Valuation methods according to which any important inputs are not based on observable market data (level 3).

30.09.2017 DKKm	Level 1	Level 2	Level 3	Total
Listed bonds	41	0	0	41
Unlisted shares	0	0	347	347
Financial assets measured at fair value via the net profit for the year	**41**	**0**	**347**	**388**
Financial assets used as hedging instruments	**0**	**17**	**0**	**17**
Other liabilities	0	0	48	48
Financial liabilities measured at fair value via the net profit for the year	**0**	**0**	**48**	**48**
Financial liabilities used as hedging instruments	**0**	**101**	**0**	**101**

30.09.2016 DKKm	Level 1	Level 2	Level 3	Total
Listed bonds	46	0	0	46
Unlisted shares	0	0	8	8
Financial assets measured at fair value via the net profit for the year	**46**	**0**	**8**	**54**
Financial assets used as hedging instruments	**0**	**14**	**0**	**14**
Other liabilities	0	2	37	39
Financial liabilities measured at fair value via the net profit for the year	**0**	**2**	**37**	**39**
Financial liabilities used as hedging instruments	**0**	**98**	**0**	**98**

No material transfers have been carried out between level 1 and level 2 during the financial year.

DKKm	30.09.2017	30.09.2016
Financial instruments measured at fair value in the balance sheet on the basis of valuation methods according to which any important inputs are not based on observable market data (level 3).		
Carrying amount as at 1 October 2016	-29	-62
Foreign currency translation adjustment	2	0
Adjustment of minorities	0	33
Gain/loss included in net profit for the year	-13	0
Purchase	343	1
Sale	-4	-1
Carrying amount as at 30 September 2017	**299**	**29**
Gain/loss included in net profit for the year for assets held as at 30 September 2017	**-13**	**0**

Notes

29 Related parties

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

The company's related parties with a significant interest include members of the Supervisory Board 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 interest.

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

2016/17 DKKm	**Associates and joint ventures**	**Supervisory Board of the parent**	**Executive Board of the parent**	**Total**
Sale of goods	510	5	0	515
Purchase of goods	7	160	0	167
Sale of services	9	0	0	9
Purchase of services	218	0	0	218
Salaries and other remuneration	0	8	18	26
Trade receivables	45	2	0	47
Trade payables	32	3	0	35
Dividend received/supplementary payments	22	11	0	33
Member's accounts	0	13	0	13
2015/16				
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

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.

30 Events occurring after the balance sheet date

Subsequent to the balance sheet date, the group has divested the ingredient activities of Arne B. Corneliussen, Norway. The booked net assets total approx. 50 million DKK.

Apart from the above, no material events have occurred after the balance sheet date.

Notes

31 Accounting policies

The 2016/17 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 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 compared 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 2016/17 consolidated financial statements of Leverandørselskabet Danish Crown AmbA, the following new standards have not yet come into effect and consequently have not been incorporated into the consolidated financial statements.

- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

IFRS 16 and IFRS 17 have not yet been adopted by the EU, but are expected to be adopted before the standards come into force.

IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments
IFRS 15 replaces the existing revenue standards (IAS 11 and IAS 18) and interpretations and introduces a new model for recognition and measurement of revenue from sales contracts with customers.

IFRS 9, which replaces IAS 39, changes the classification and the resulting measurement of financial assets and liabilities. Both standards come into effect as of the 2018/19 financial year. An overall analysis has been conducted of the effect of the implementation of IFRS 15 and IFSR 9 on the financial reporting presented by the Danish Crown Group in its consolidated financial statements. It is the management's assessment that IFRS 15 and IFRS 9 will not have any significant financial impact on the amounts reported for revenue and financial instruments in the consolidated financial statements.

IFRS 16 – Leases
IFRS 16 changes the accounting treatment of leases which are currently treated as operating leases. The standard requires that all leases, regardless of type – with a few exceptions – must be recognised in the balance sheet as an asset with a related lease commitment. Going forward, the annual lease expense, which is currently recognised as a single amount, will consist of two elements: depreciation and interest expenses.

IFRS 16 is expected to have some impact on the consolidated financial statements of Danish Crown as the group currently has a number of operating leases which will be covered by the new standard. A preliminary analysis has been conducted of this impact with the following result:

Item	Financial effect
Property, plant and equipment	Increase of 6-9%
Net interest-bearing debt	Increase of 6-9%

EBIT is not expected to be materially affected by the changes regarding recognition in the income statement. The standard comes into effect as of the 2019/20 financial year.

IFRS 17 – Insurance Contracts
IFRS 17 will have no impact on the Danish Crown Group.

Other changes
In addition to the new standards mentioned above, IASB has issued a number of amendments to existing standards and new interpretations. It is the management's assessment that these changes will not have any significant impact on the consolidated financial statements.

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 a controlling interest. The parent is considered to have a controlling interest 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 interest are regarded as associates.

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

Notes

31 Accounting policies (continued)

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, group internal income and expenses, internal 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 liabilities 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 liability 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, 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 interest in the acquired enterprise, the purchase method is used according to which the identifiable 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 implemented before 30 September 2002 are not restated to the above-mentioned accounting policies.

Notes

31 Accounting policies (continued)

The carrying amount as at 30 September 2002 of goodwill relating to business combinations implemented 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 controlling or significant interest, 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 owner's shares in associates and jointly controlled enterprises which are fully or partly paid for by owner's shares in the acquiring company, meaning that a significant interest 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 owner's share 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 foreign 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 foreign exchange rates applicable at the date of revaluation.

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 foreign exchange rates unless these deviate significantly from the actual foreign exchange rates applicable at the transaction dates. In the latter case, the actual foreign exchange rates are used. The balance sheet items are translated using the foreign 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 foreign 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 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.

Foreign currency 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

Notes

31 Accounting policies (continued)

regarded as trading portfolios and measured at fair value with ongoing recognition of fair value adjustments under net financials in the income statement.

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 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 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.

In connection with international trade between the group's subsidiaries, disputes may arise with local tax authorities with respect to compliance with transfer pricing rules. The Group Executive Board assesses the possible outcome of such disputes, and the most likely outcome is used to calculate the resulting tax liability. The management believes that the provision for uncertain tax positions is sufficient to cover liabilities relating to non-settled disputes with local tax authorities.

The actual liabilities following the closure of the disputes, however, may vary depending on the outcome of legal disputes and settlements reached with the tax authorities in question.

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 and less any commission paid to agents.

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 enterprises include cost of sales and the manufacturing enterprises 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.

Notes

31 Accounting policies (continued)

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 interest 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, liabilities 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 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. This typically takes place when the general meeting approves the distribution of dividend from the company 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 ingoing 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. 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. Land is not depreciated.

Notes

31 Accounting policies (continued)

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 depreciation 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.

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 flows 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 net present value. When the net present value 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 the financial results. In any subsequent reversals of impairment resulting from changes in the prerequisites 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

Notes

31 Accounting policies (continued)

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 financial results 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 0 DKK. 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 semi-manufactured products 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 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. Deferred charges and prepaid expenses 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 fair value are recognised in the income statement under net financials.

Supplementary payments
Supplementary payments are recognised as a liability 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 providers 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 net present value 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

Notes

31 Accounting policies (continued)

used to determine the net present value. The net present value 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 net present value 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 net present value 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.

Mortgage and bond debt
Mortgage and bond debt is measured at fair value at the time of arrangement of the loan less any transaction costs. Mortgage and bond 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 recognised 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 liabilities 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 income statement 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 businesses 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,

Notes

31 Accounting policies (continued)

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 businesses 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 overdrafts 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

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

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

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

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

6

PARENT

Income statement 1 October 2016 - 30 September 2017

DKKm	Note	Parent 2016/17	Parent 2015/16
Revenue	1	**14,660**	**13,495**
Production costs		-13,861	-12,792
Gross profit		**799**	**703**
Administrative expenses	2	-46	-40
Operating profit (EBIT)		**753**	**663**
Income from equity investments in group enterprises	5	758	606
Income from equity investments in associates	5	-1	1
Financial income	3	280	272
Financial expenses		-1	-1
Profit before tax		**1,789**	**1,541**
Tax on profit for the year	4	-13	-15
Net profit for the year		**1,776**	**1,526**

Proposed distribution of profit		
Net profit for the year		1,776
Total amount available for distribution		**1,776**
To be distributed as follows:		
Transferred to proposed supplementary payments for the year		
Pig suppliers 1,104,857,662 kg of 0.95 DKK		1,050
Sow suppliers 46,598,729 kg of 0.80 DKK		37
attle suppliers 77,303,055 kg of 1.30 DKK		100
Supplementary payments from the year's operations		**1,187**
Extraordinary disbursement in accordance with section 22.3.2 of the articles of association		
Pig suppliers 5,194,835,798 kg of 0.0415 DKK		216
Sow suppliers 224,215,073 kg of 0.0298 DKK		7
Cattle suppliers 334,221,484 kg of 0.0824 DKK		27
Total proposed extraordinary disbursement		**250**
Total disbursement		**1,437**
Transferred to equity		
Transferred to personal subordinated accounts		55
Transferred to net revaluation reserve		0
Transferred to other reserves		284
Transferred to equity, total		**339**
Available for distribution, total		**1,776**

Balance sheet – assets 30 September 2017

		Parent	
DKKm	**Note**	**30.09.2017**	**30.09.2016**
Non-current assets			
Total intangible assets			
Software		2	2
Total intangible assets		**2**	**2**
Financial assets			
Equity investments in group enterprises		2,717	2,039
Receivables from group enterprises		3,150	3,150
Equity investments in associates		19	20
Total financial assets	5	**5,886**	**5,209**
Total non-current assets		**5,888**	**5,211**
Current assets			
Receivables			
Receivables from and prepayments to cooperative members		434	479
Receivables from group enterprises		121	136
Total receivables		**555**	**615**
Cash		**40**	**59**
Total current assets		**595**	**674**
Total assets		**6,483**	**5,885**

Balance sheet – equity and liabilities 30 September 2017

DKKm	Note	Parent 30.09.2017	Parent 30.09.2016
Equity			
Member's accounts		1,560	1,568
Personal subordinated accounts		270	215
Other reserves		2,831	2,427
Proposed supplementary payments for the year		1,437	1,295
Total equity		**6,098**	**5,505**
Provisions			
Other provisions	6	24	24
Total provisions		**24**	**24**
Liabilities			
Current liabilities			
Trade payables		318	309
Payables to group enterprises		30	41
Income tax payable		10	6
Other payables		3	0
Total current liabilities		**361**	**356**
Total liabilities		**361**	**356**
Total equity and liabilities		**6,483**	**5,885**
Contingent liabilities etc.	7		
Cooperative members' liability	8		
Related parties	9		
Events occurring after the balance sheet date	10		

Statement of changes in equity 30 September 2017

DKKm	Parent: Member's accounts	Parent: Personal subordinated accounts	Parent: Reserve for net revaluation of equity investments	Parent: Other reserves	Parent: Proposed supplementary payments for the year	Parent: Total
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	-163	0	0	-163
Net profit for the year	0	102	0	129	1,295	1,526
Transfer	0	0	401	-401	0	0
Equity as at 30 September 2016	**1,568**	**215**	**0**	**2,427**	**1,295**	**5,505**
Payments and disbursements for the year	-8	0	0	0	-1,295	-1,303
Foreign currency translation adjustment, foreign enterprises	0	0	-20	0	0	-20
Other adjustments	0	0	135	5	0	140
Net profit for the year	0	55	0	284	1,437	1,776
Transfer	0	0	-115	115	0	0
Equity as at 30 September 2017	**1,560**	**270**	**0**	**2,831**	**1,437**	**6,098**

PARENT, NOTES

Notes

1 Revenue

DKKm	2016/17	2015/16
Distribution by market:		
Denmark	14,660	13,495
	14,660	**13,495**
Distribution by sector:		
Pork	12,974	11,866
Beef	1,686	1,629
	14,660	**13,495**

2 Staff costs

Salaries and wages	23	22
Pensions	2	1
Other social security costs	1	1
	26	**24**
Staff costs are distributed as follows:		
Administrative expenses	26	24
	26	**24**
Of which:		
Remuneration for the parent's Supervisory Board	3	2
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	4	**3**
Average no. of employees	41	40

3 Financial income

Group enterprises	276	264
Other interest	4	8
	280	**272**

Notes

4 Tax on profit for the year

DKKm	2016/17	2015/16
Calculated tax on profit for the year	14	14
Adjustment concerning previous years	-1	1
	13	**15**

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 group enterprises	Receivables from subsidiaries	Equity investments in associates	Total financial assets
Cost as at 1 October 2016	4,758	3,150	0	7,908
Foreign currency translation adjustments	0	0	0	0
Addition	400	0	0	400
Disposal	0	0	0	0
Cost as at 30 September 2017	**5,158**	**3,150**	**0**	**8,308**
Value adjustments as at 1 October 2016	-2,719	0	20	-2,699
Foreign currency translation adjustments	-20	0	0	-20
Share of net profit	758	0	-1	757
Distribution during the year	-600	0	0	-600
Disposal	0	0	0	0
Other adjustments	140	0	0	140
Value adjustments as at 30 September 2017	**-2,441**	**0**	**19**	**-2,422**
Carrying amount as at 30 September 2017	**2,717**	**3,150**	**19**	**5,886**
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	605	0	1	606
Distribution during the year	-700	0	0	-700
Disposal	0	0	0	0
Other adjustments	-163	0	0	-163
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**

An overview of subsidiaries and associates appears from the group structure on page 112.

Notes

6 Other provisions

DKKm	30.09.2017	30.09.2016
Other provisions as at 1 October 2016	24	31
Utilised during the year	0	-7
Other provisions as at 30 September 2017	**24**	**24**

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

7 Contingent liabilities etc.

DKKm	30.09.2017	30.09.2016
Guarantees to group enterprises, maximum	15,258	16,617
Guarantees to group enterprises, utilised	9,391	10,517

8 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 25,000 DKK.

No. of cooperative members	7,166	7,605
Total liability	179	190

9 Related parties

Associates and members of the Supervisory Board 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 Supervisory Board.

10 Events occurring after the balance sheet date

No material events have occurred after the balance sheet date.

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 company has implemented amendments to the Danish Financial Statements Act, which entered into force on 1 January 2016, see Act no. 738 of 1 June 2015.

As a result of the amended act, actuarial gains and losses on defined-benefit plans are no longer recognised in the income statement, but in equity. In order to ensure comparability, comparative figures have been restated.

The amendments impact the company's assets, liabilities and financial position as at 30 September 2017 as follows:

Net profit for the year is reduced by 124 million DKK.
Total assets are reduced by 0 million DKK.
Equity is reduced by 0 million DKK.

Other amendments to the Danish Financial Statements Act, which entered into force on 1 January 2016, have not affected the company's assets, liabilities and financial position as at 30 September 2017, but have only resulted in additional information being entered in the annual report.

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 group enterprises and associates is taken to reserve for net revaluation of equity investments if the carrying amount exceeds cost.

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 SUPERVISORY BOARD AND THE EXECUTIVE BOARD ON THE ANNUAL REPORT

Today, the Supervisory Board and the Executive Board have considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2016 - 30 September 2017.

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 2017 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 2016 - 30 September 2017.

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, 23 November 2017

EXECUTIVE BOARD

Jais Valeur
Group CEO

Preben Sunke
Group CFO

SUPERVISORY BOARD

Erik Bredholt
Chairman

Asger Krogsgaard
Vice-chairman

Peder Philipp
Member of the Supervisory Board

Søren Bonde
Member of the Supervisory Board

Erik Larsen
Member of the Supervisory Board

Palle Joest Andersen
Member of the Supervisory Board

Niels Daugaard Buhl
Member of the Supervisory Board

Knud Jørgen Lei
Member of the Supervisory Board

Peter Fallesen Ravn
Member of the Supervisory Board

Cay Wulff Sørensen
Member of the Supervisory Board

INDEPENDENT AUDITOR'S REPORT

To the cooperative members of Leverandørselskabet Danish Crown AmbA

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2017 and of the results of the Group's operations and cash flows for the financial year 1 October 2016 to 30 September 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2017 and of the results of the Parent Company's operations for the financial year 1 October 2016 to 30 September 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2016 to 30 September 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, a summary of significant accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on management's review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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

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

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

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

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

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

Aarhus, 23 November 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lindholm Jacobsen	**Tue Stensgård Sørensen**
State Authorised	State Authorised
Public Accountant	Public Accountant

GROUP STRUCTURE

COMPANY NAME		Direct owner's share in %
Leverandørselskabet Danish Crown AmbA	**Denmark**	
Danish Crown A/S	**Denmark**	**100**
Tulip Food Company A/S	**Denmark**	**100**
Slagter Munch ApS	*Denmark*	*100*
Tjæreborg Leverpostej 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 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*
Danish Crown Teterower Fleisch GmbH	*Germany*	*100*
SPF-Danmark GmbH	*Germany*	*100*
WestCrown GmbH	*Germany*	*50*

COMPANY NAME		Direct owner's share 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 J. Hansen GmbH **)*	*Germany*	*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*
DAT-Schaub Gallent S.L.	*Spain*	*51*
Arne B. Corneliussen AS	*Norway*	*100*
Oy DAT-Schaub Finland Ab	*Finland*	*100*
Thomeko Oy	*Finland*	*100*
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*	*50*
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*
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*

COMPANY NAME		Direct owner's share 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	41
Scan-Hide Sweden 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
SPF-Danmark A/S	Denmark	100
SPF Genetics France SARL	*France*	*100*
Danish Crown USA Inc.	US	100
Danish Crown UK Limited	UK	100
Leivers Brothers Ltd	*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*
Danish Crown Japan Co., Ltd	Japan	100
ESS-FOOD Hong Kong Ltd	Hong Kong	100
ESS-FOOD (Shanghai) Trading Co. Ltd	*China*	*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
KLS Ugglarps AB	Sweden	88
*Scan-Hide A.m.b.a. *)*	*Denmark*	*25*
Svenska Köttföretaget AB	*Sweden*	*22*
Charkprodukter i Billesholm AB	*Sweden*	*100*
Klågevik AB	*Sweden*	*100*

COMPANY NAME		Direct owner's share in %
Associates		
Daka Denmark A/S	Denmark	43
Agri-Norcold A/S	Denmark	43
Danske Slagterier ◊)	Denmark	92
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, Danish Crown Teterower Fleisch GmbH, SPF-Danmark GmbH, 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 Küper GmbH & Co. KG, CKW Pharma-Extrakt GmbH & Co. KG. The consolidated financial statements are published in Deutsche Bundesanzeiger.*

◊) Due to provisions of the articles of association requiring important decisions to be unanimous, the group does not have a controlling interest despite an owner's share of more than 50 per cent.

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

In a world of 10 billion people to feed in 2050, we see a big responsibility and opportunity for Danish Crown to deliver sustainable meat as part of a healthy diet. Therefore, our sustainability strategy is centred around our role in "Feeding the world".

In Shanghai Li Yong Shan and Liang Kai Lin share a quick lunch outdoor.

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