Danish Crown

Together towards sustainable food

28.11.2019
Date

Peter Fallesen Ravn
Chairman of the meeting

Peter Fallesen Ravn
Signature

Annual Report
2018/19

Danish Crown's organisation

- Cooperative members
  - Board of Representatives
    - Board of Directors of Leverandørselskabet Danish Crown AmbA
      - Board of Directors of Danish Crown A/S
        - Executive Board of Danish Crown A/S
          - Group functions
          - Fresh Meat
            - Danish Crown Beef
            - Danish Crown Pork
            - KLS Ugglarps
          - Foods
            - Danish Crown Foods*
            - Sokołów
          - Casings
            - DAT-Schaub
          - Trading
            - ESS-FOOD
          - Associated companies

*Name being changed from Tulip Food Company

page 7 →
We must dare to believe in the future, says Chairman of Danish Crown in his report.

page 16 →
The first milestone in our climate vision is to halve our climate foot-print by 2030.

page 23 →
New factory in Pinghu, China, opened in Sep-tember 2019.

← page 34
Johannes Zijlstra – a Danish Crown graduate – works on a project in Poland.

During 2018/19, we have divested Tulip Ltd

Items in income statement and in balance sheet from Tulip Ltd are shown in the accounts separated from our continued operations. Therefore, all figures in the management review and key figures are exclusive of Tulip Ltd – unless specifically mentioned.

Our narrative

Just like the crops in the fields continuously change, at Danish Crown we tirelessly refine and improve how we work, from farm to fork, to ensure good, safe food for people around the world to enjoy. Our history goes back to 1887 and the Danish cooperative movement, and responsibility towards society, our employees and our owners, the farmers, is in our genes.

As a global leader in sustainable meat production, we have big obligations; not just to deliver, but constantly to explore new oppotunities. We still have a long way to go and face many challenges. But we remain committed to improving how food is produced – with respect for animals, people and the environment. In this quest, we are prepared to challenge ourselves, the industry and customers.

This journey is not ours alone, but we promise to be the leaders of change. Only together can we reach our goal of a more sustainable food production by fundamentally changing the ways in which we both produce and consume food.

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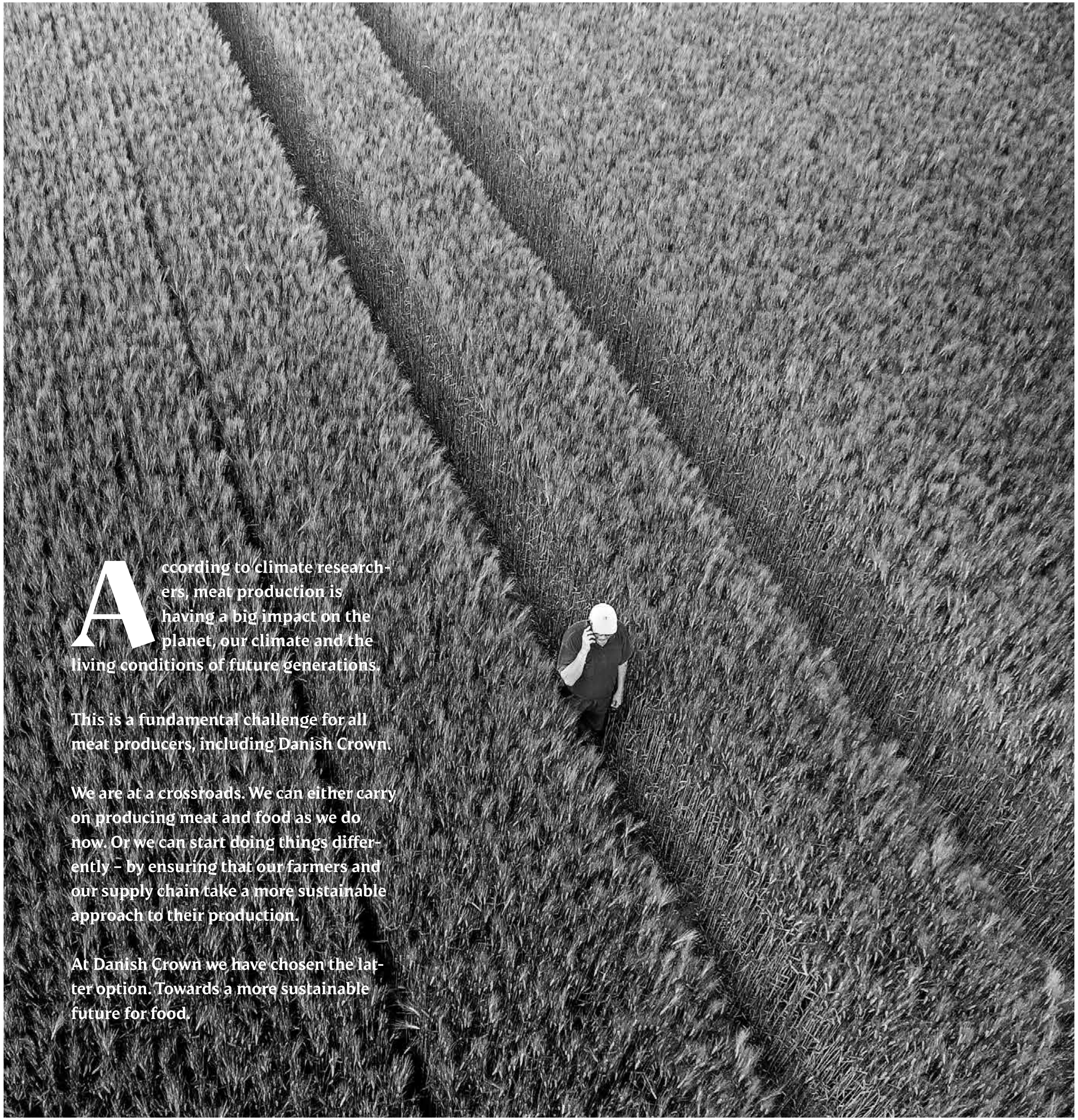


According to climate researchers, meat production is having a big impact on the planet, our climate and the living conditions of future generations.

This is a fundamental challenge for all meat producers, including Danish Crown.

We are at a crossroads. We can either carry on producing meat and food as we do now. Or we can start doing things differently – by ensuring that our farmers and our supply chain take a more sustainable approach to their production.

At Danish Crown we have chosen the latter option. Towards a more sustainable future for food.

Together we can make a difference. That is why we are standing together and acting as one – inviting our partners, suppliers and customers to help set a new agenda for our industry.

We are already known for our efforts for animal welfare, for the environment and for food safety. Now, we are building on this strong foundation to make our production more sustainable.

The future is something we create. By concrete action, we give weight to our words and bring them into reality. We have previously proven that we can set a new direction and make great changes.

We can all make a difference – from our farmers to our employees working in production, from our office staff to our CEO. A strong "we" is the sum of all of us.

Together we are creating a more sustainable future for food.

What we say and do today will help to shape the future. Therefore, we must think big and think ahead, but also act in the here and now. The future is now.

By sustainable, we mean financially, for people and for the environment. The principles of sustainability apply all the way from farm to fork.

Food is key to feed a growing world population. We need to find new sustainable ways of producing nourishing and tasty meals for billions of people.

1 Reports

More and more families find themselves catering for different dietary requirements and preferences, and therefore cook both vegetarian and meat-based dishes for the same meal, while the family shares salads and vegetables.

We must dare to believe in the future

At the end of the financial year, we are looking back on a year which saw a historical increase in pig prices, but back in October 2018 the future was looking anything but bright for our pig producers.

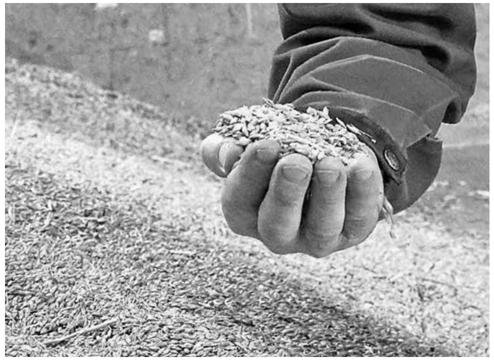
The pig price seemed to continue its downward trend, while feed prices were going up as a result of last year's drought, putting many farmers under considerable financial strain. But then the pig price started rising steeply, while feed prices were simultaneously brought back to a reasonable level.

Unfortunately, developments have not been as positive to our Beef members. For them, the financial year was characterised by low cattle prices due to an almost 50 per cent decline in the prices of hides, just as the German market also fell short of earnings expectations. Moreover, in anticipation of life post-Brexit, the Irish have started to shift some of their sales from the UK to the European market.

Our decision to divest our UK company, Tulip Ltd, must also be seen in this context. We have all been frustrated with the lack of results which for four years has been costly to us as owners rather than contributing positively to our settlement price. It has been hard on us all. Although slightly saddened, I am therefore also pleased that we have succeeded in divesting Tulip Ltd, which means that we can now get back on track and make our entire business as competitive as possible for the benefit of our owners.

2018/19 was also the year in which we decided to take Danish Crown in a more sustainable direction.

"We have divested Tulip Ltd and can now get back on track."



We have set clear and ambitious targets aimed at reducing our climate footprint across the chain from farm to fork.

I would like to praise our owners for their pro-active and positive commitment to following the Climate Track – among other things by setting sustainability targets for their own farming operations and by signing up to our certification programme. At the same time, I am proud that in future Danish Crown will not only be known as a business, but also as a unified corporate brand which consumers will recognise in the cold counter.

Many large tasks lie ahead of us, and we have therefore decided to increase the number of Executive Board members from two to three. Our new Chief Operating Officer will be in charge of further strengthening our cooperation across the organisation and our efforts to act as one.

This year's harvest is significantly better than last year. The grain silos are pretty full, and given current world market prospects for pork, 2020 may well become one of the best years ever for pig producers. The positive outlook gives us as pig producers every reason to believe in the future.

Best regards,

Erik Bredholt, Chairman

A new window of opportunity

Our task at hand is now to make the most of this momentum in order to develop our long-term positions

With the divestment of our UK company, we have simplified our UK business and put the protracted turnaround of Tulip Ltd behind us. For three years, we have worked hard to restore earnings, and we have come a long way. In fact, we were expecting to post positive results for the coming financial year, but we also realised that continued investments and considerable efforts would be needed to restore our earnings to their pre-2015 level. At the same time, the process would continue to draw significantly on the group's management resources in general, and we are therefore confident that we did what is right for our owners and for Tulip Ltd. We have divested the company to Pilgrim's Pride Corporation at a price strengthening our balance sheet and thereby bolstering us for the tasks that lie ahead.

All in all, at the end of the year I find myself looking into quite a different future compared to last year. Against the unfortunate backdrop of a violent outbreak of African swine fever in China, which in the past year has cut China's own production by up to 30 per cent, China has come to account for much more of our business. The massive demand for Danish pork has so far resulted in a significant increase in raw material prices compared to the beginning of the year. Moreover, due to the ongoing trade war between China and the US, the Chinese are increasingly looking to Europe for their pork imports. The task at hand is now to make the most of this momentum in order to develop our long-term positions, not only in China but also in South-east Asia and Japan. Following the opening of the Pinghu processing plant, south of Shanghai, China in September, we are moving closer to the Chinese consumers through the sale of our products via e-commerce platforms under the Danish Crown brand.

> *"Our brand will be developed, not just as a corporate brand, but as a consumer brand."*

As often happens, the Danish Crown name came about almost by chance following the merger of three Danish abattoir and processing companies. The name had been kept in a drawer, but was pulled out for the occasion.

Twenty years down the road, this brand will now be further elevated and developed, not just as a corporate brand, but as a consumer brand. Customers, consumers and others who come to know us confirm time and again that ours is a strong

narrative and that we have demonstrated our will to change our production in a sustainable direction. This is something which we need to integrate more closely with our market approach.
If we get it right, we can really differentiate ourselves in the market. This work has started, and in September we launched our new identity.

In the past year, we have invested 1.7 billion DKK, among other things in a new factory in China, in the expansion of existing facilities and in process automation at more of our abattoirs and processing plants in order to continue strengthening our competitiveness.

During the year, we have grown and won market shares in our domestic markets in Poland, Sweden and Denmark. This has been achieved despite the challenge facing our processing companies in the form of increasing raw material prices, but the necessary price increases have been passed on to our customers. Especially the earnings of Tulip Food Company came under pressure over the summer, i.e. before the price increases took effect. In the Northern European markets, we are seeing a decline in some meat categories. Based on our ambition of making it easier for consumers to eat sustainably, we are therefore putting together a broader product portfolio, in order to strengthen our premium products and concepts within pork and veal by activating our farmers' sustainable production methods. In addition, we have set ourselves the goal of developing plant-based burgers to be able to cater for the needs of all customers and consumers.

In particular, we need to diversify our product portfolio within beef. Our Beef business is under pressure due to an increased supply of beef in the European market, where Irish producers are seeking to establish themselves in the expectation that Brexit may bring problems to their traditional sales to the UK market. This means that a British withdrawal from the EU without a trade agreement can have the greatest impact on our Beef business. We have also seen a drastic decrease of up to 50

> *"Our ambition is to make it easier for consumers to eat sustainably."*

←
On 16 September 2019, we presented Danish Crown's new identity to our employees and owners. In Schüttorf in Germany, the new brand was received with curiosity from the employees.

per cent in the price of hides as well as pressure on sales of by-products from the slaughter animals. Unfortunately, this year it will affect earnings for our cattle producers.

When it comes to the production of pigs, we find ourselves in a situation where we need Danish raw materials. Unfortunately, the number of pigs we receive for slaughter has de-clined during the year, and the shortage of raw materials is affecting capacity utilisation at our abattoirs and proving a cause for concern among our production employees, who have handled the situation with considerable and commendable flexibility. Our owners had a difficult start to the year with low pig prices and high feed costs. This situation has now been completely reversed, and there is every opportunity for our owners to in-crease their production.

Seizing the opportunities that lie ahead of us right now and implementing the changes that are needed for us to move in a more sustainable direction constitute a big management task. Therefore, we have therefore launched a comprehensive leadership training programme aimed at strengthening the leaders of our company as well as creating more cooperation across the group. A new Chief Operating Officer will be in charge of transforming our approach to the market and finding a common best practice in our value chain.

Right now, we are looking at a new window of opportunity, which we must make the most of in the coming year – with competences, strong leadership and in cooperation with our owners.

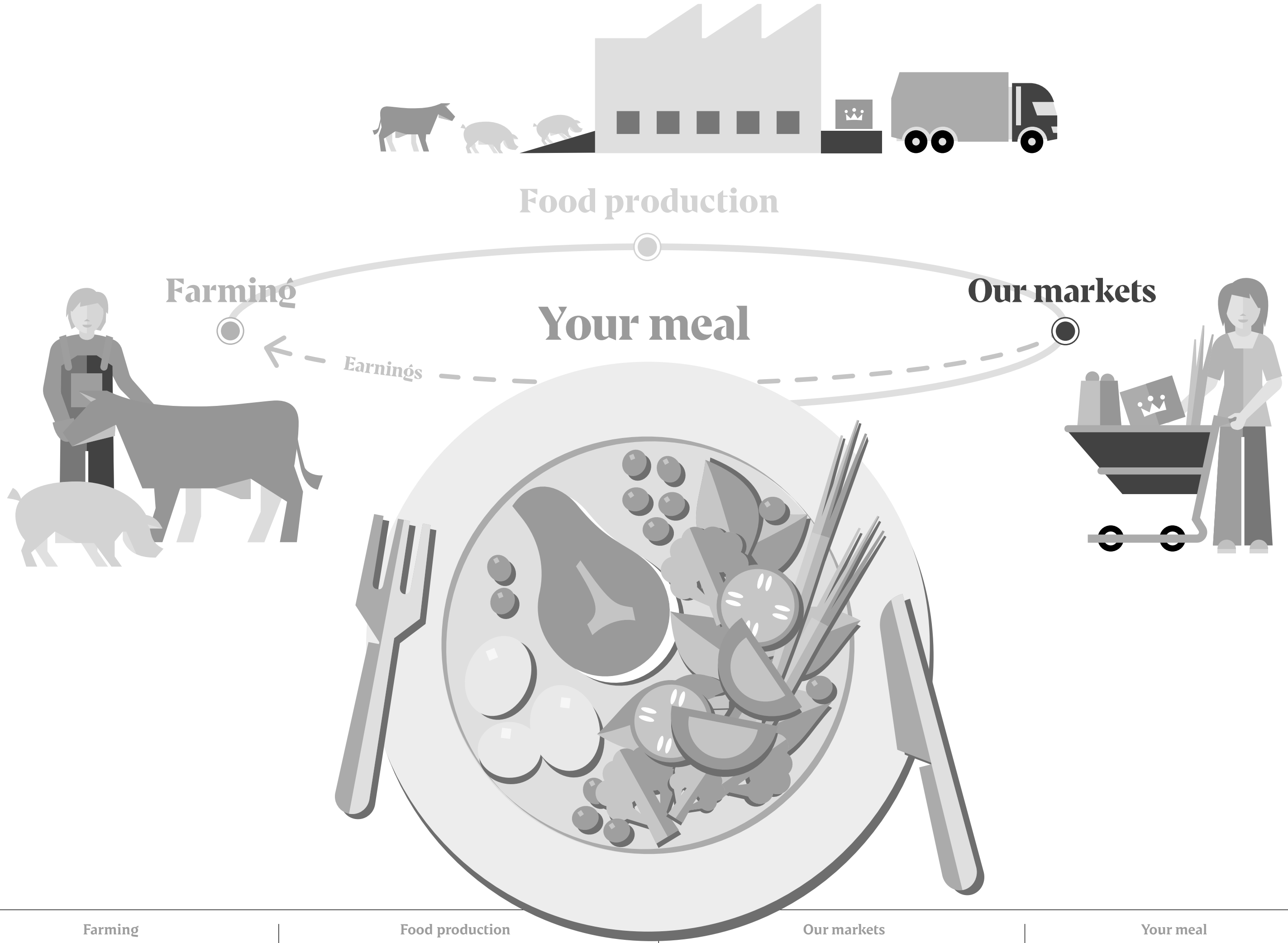
Best regards,

Jais Valeur, Group CEO

2 Strategy and business model

Niels Aage Arve uses a walk-through weighing system to keep a constant eye on the weight gain and well-being of his pigs. This enables him to make adjustments far more quickly in the event of problems with the feed, illness or ventilation in his pig building. In return it helps to ensure the highest possible level of well-being among his pigs while also preventing feed waste.

Our business model



Farming	Food production	Our markets	Your meal
6,426 Danish farmers supply pigs and cattle to us while also owning the company	**22,979** employees process the raw material supplied by our farmers into a whole range of fresh meats, cold cuts, snacks and ready meals.	Danish Crown's products are sold all over the world to retailers, food producers, the foodservice segment and the pharmaceutical industry.	Every year, we deliver food for billions of meals for consumers all over the world.
Cooperative: Most of the profit generated by the company is distributed to our owners in the form of a supplementary payment at the end of the year.	**Quality:** Quality and food safety are at the heart of all the work performed by our employees.	**Exports:** As one of the world's largest exporters of pork, we have built strong relations with customers all over the world.	The needs of our consumers are the main focus of our innovation and product development.

Our business structure

Every day we deliver food all the way from our farmers to the plates of consumers via the cold counter. We receive pigs and cattle from our farmers, slaughter the animals and sell the fresh or processed meat to customers across most of the globe.

6,426 farmers are cooperative members of Danish Crown – they own the company. As a cooperative, the company is obliged to accept the animals supplied by our owners. Our job is to process and sell the meat on the world market in a way that ensures that the farmers are paid the highest possible price for their supplies.

As a cooperative member, you are therefore certain of being able to sell your products to the highest-paying markets in the world. Most of Danish Crown's earnings are paid back to the farmers, partly as payments for the animals they have supplied and partly as supplementary payments at the end of the year.

Danish Crown engages in the following four main activities:

- Agriculture, which covers the rearing of animals by farmers
- Fresh Meat, which covers slaughtering of animals, processing of the meat and sales of fresh meat
- Foods, which covers the processing and packaging of meat for direct consumption
- Casings, which covers the use of the by-products of pig production.

Our products are sold to retailers, food producers, the foodservice segment and pharmaceutical industry in approximately 130 countries worldwide.

2019→2023

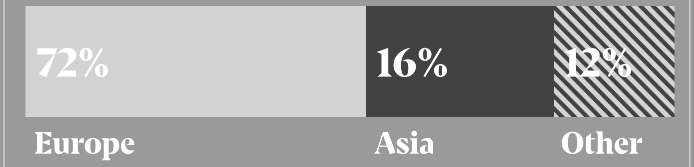
Minus 1,000 tonnes of new plastic

→

Our meat trays are made from a minimum of 80 per cent recycled PET plastic– which means that we save the environment 1,000 tonnes of new plastic every year.

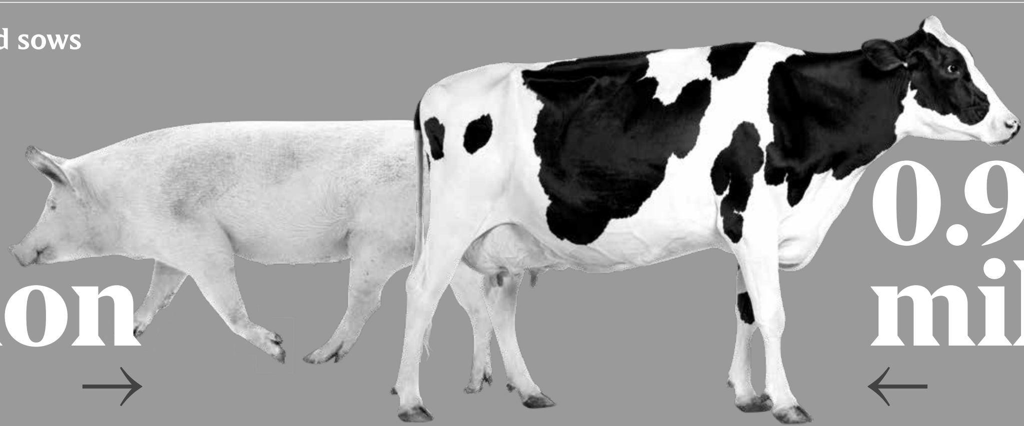
Financial highlights

Revenue in the world



Deliveries: pigs and sows

19 million →



Deliveries: cattle

← **0.9 million**

Employees 22,979

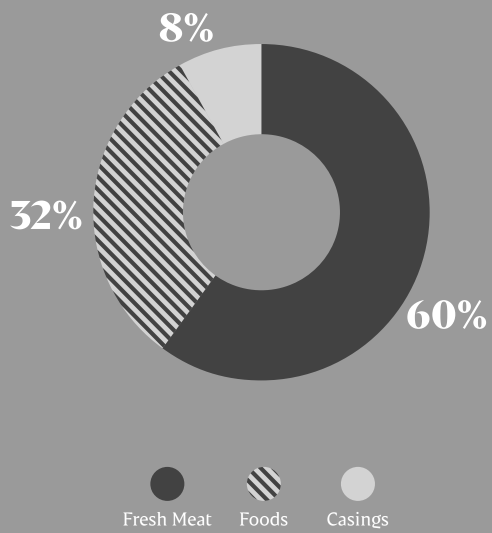
Revenue, DKK

57 billion

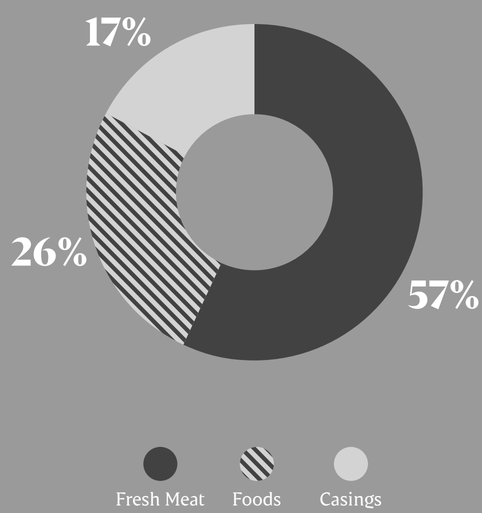
EBIT, DKK

2.5 billion

Revenue share



EBIT share



Cooperative members 6,426

Halfway through the 4WD strategy

Direction unchanged, but one target postponed

A service check of the strategy across the entire group has led to minor adjustments. A new Operations function will focus on simplification and cross-organisational cooperation. The target of paying 0.60 DKK more per kg to our owners has been postponed until 2023. Sustainability has now been integrated into the business strategy.

The core targets of Danish Crown's strategy for 2016-2023 are partly for our product development to become more consumer-driven, and partly to send the clear signal to our owners that we believe in the future – reflected in our aim to pay 0.60 DKK more per kg supplied.

Halfway through the strategy period, we have revisited our strategic targets to ensure that we remain on track.

Since the launch of the 4WD strategy, we have created a clearer market focus for our business with four domestic markets and the establishment of production in China. Over the past two years, some of our activities have been divested in favour of investments in processing companies, which brings us closer to consumers in our main markets and strengthens our position in several global categories. Despite the divestment of Tulip Ltd, we will continue to develop our UK business within sales to the processing industry and a growing foodservice segment.

As part of our 4WD strategy, clear targets have been defined for the standardisation of our administrative processes with a view to systematically reaping the benefits of being one big group. Among other things, this has fundamentally changed our transaction management and procurement processes.

Tightened conditions

Danish farmers and abattoirs have particularly built up strong positions in four areas:

- World-class pig genetics
- Economies of scale through the mergers of abattoirs
- Skilful farming practices and highly efficient abattoirs
- Access to the world market and strict hygiene standards.

This market position is being challenged by especially Germany, Spain and the US, where the latter two have increased their production and exports over the past five years, and by the lower production costs in Germany, Spain and the US that are eroding our sales advantage. With a very small domestic market for Danish pork, Danish Crown is heavily dependent on the world market, and the intensified competition forces us to differentiate ourselves even further in the market.

+0.60 DKK per kg for our owners postponed until 2023

Danish farmers send their pigs where they are paid the highest price for the meat. For Danish Crown, it is therefore important to match the European pig price. It is thus important to reverse the tendency for more Danish weaners to be shipped out of the country for rearing in other European countries. This further stresses the importance for us to be able to pay +0.60 DKK per kg based on a financially sustainable business.

Despite the progress being made in large parts of Danish Crown's business, results for 2017/18 were disappointing, especially due to the losses posted by Tulip Ltd. Therefore, we decided to postpone the strategy target of increasing the payment per kg paid to our cooperative members by 0.60 DKK per kg by two years, from 2021 to 2023. Tulip Ltd's main contribution to fulfilling the aim of paying 0.60 DKK more was implementing a turnaround. Following the divestment of Tulip Ltd, the past three years' negative contributions have now been cleared, and we are back on track towards realising our strategic targets.

In order to stabilise the supply of pigs, in our updated strategy we particularly focus on ensuring the continued production of pigs by our owners. In addition, we have started developing an owner strategy, which will define the purpose and principles of being an owner of the company.

In March 2019, Danish Crown published a sustainability strategy in which we announced the concrete goal of halving our carbon footprint from farm to fork, and launched a vision of being completely carbon-neutral by 2050. We are committed to find better ways of producing food – with respect for animals, people and the environment – and sustainability is now an integral part of our strategy.

The four main elements

The 4WD strategy comprises four main elements that set out what Danish Crown must be.

A leading player in Northern Europe

A strong number one and two in the domestic markets in Denmark, Sweden, Poland and the UK.

A consumer-driven food company

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

A value-creating partner for our customers

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

One united group

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

Danish Crown's 4WD strategy 2016→2023

A leading player in Northern Europe	A consumer-driven food company	A value-creating partner for our customers	One united group
Strategic ambition			
To be a strong player in our four domestic markets: Denmark, Sweden, Poland and the UK.	To be a leader in canned meat, bacon and pizza toppings. To be a leading supplier in Shanghai of processed products from Denmark. To create added value for our fresh beef through innovation and foodservice.	To differentiate our pork and create added value for consumers and customers. To develop our foodservice segment.	To benefit the most from being a large group by sharing best practice across the group – commercially and in our production. To establish common standards for administrative workflows, including a joint procurement function for the group.
Important deliveries in 2018/19			
We continue to focus on growth in Sweden. In Poland, we have been working on the integration of Gzella (acquired in spring 2018), and on further strengthening our Sokołów brand. In Denmark, we want to lead and develop the meat and proteins product category. We have defined clear sustainability goals that will strengthen Danish Crown as a consumer brand – also in Denmark. Following the divestment of Tulip Ltd, we will retain a large export business in the UK and continue to supply much of the pork sold by UK retailers. At the same time, we will still be able to develop our business within the sale of raw materials to the processing industry and foodservice segment, where we see growth.	Since the acquisition of the pepperoni company DK-Foods in Denmark and the bacon specialist Zandbergen in the Netherlands, we have seen a positive development for the pizza toppings and bacon categories. Chinese consumers in the Shanghai region can now choose fresh meat products from Danish Crown, produced at our Pinghu processing facility, which was officially opened in September 2019. Both in Denmark and Sweden, we are working to strengthen our fresh beef business by offering sustainability concepts to customers. In Denmark, we launched a new premium concept – Dyrbar – and the special pork, veal and beef cuts are sold in the Dyrbar.dk webshop.	We have set the goal of halving our carbon emissions by 2030. Already in 2019, 90 per cent of our Danish pigs will come from farms with a sustainability strategy and defined carbon reduction targets. Together with the production of pigs reared without the use of antibiotics, this will help to differentiate our pork. In the foodservice segment, Danish Crown has increased its sales to away-from-home eateries across the globe. A concept is in preparation to further boost our activities aimed at this segment.	We have decided to establish an Operations function to oversee the group's initiatives within procurement, production and commercial excellence as well as sustainability. In the past year, we have established a global business centre in Krakow, Poland, to handle bookkeeping, reconciliation and payments for the whole group. We have launched a new identity and a new corporate brand to highlight our ambitions to take the lead in sustainable food production. The business units Pork, Beef and Tulip Food Company are now united under a joint Danish Crown brand.

Our climate ambition

We envision a future where our meat production will be climate-neutral. The first milestone is to halve the carbon footprint from meat by 2030.

Climate change is a global crisis, and the Intergovernmental Panel on Climate Change (IPCC) has made it clear that current efforts are insufficient to change our course. This year, IPPC has highlighted the severity of the impacts we are already experiencing and stressed that keeping the increase in global warming well below 2°C will require that all sectors – including agriculture and food – reduce their greenhouse gas emissions, and that we achieve net-zero carbon emissions by 2050. This calls for radical changes in global land use, agriculture and human diets, which, in turn, pose a challenge for the food industry at large. While meat is part of many people's diet worldwide and a source of vital protein, meat production also contributes to climate change and this must be addressed.

To respond to the urgency, Danish Crown and Danish Crown's owners have intensified our commitments to combating climate change. Our ambition is to become the world's most sustainable and successful meat producer. In March 2019, we launched our new climate vision which commits to achieving a climate-neutral value chain by 2050.

Carbon neutrality implies that we take action to remove as much carbon dioxide from the atmosphere as we put into it. The overall goal of carbon neutrality is to achieve a zero carbon footprint. It is still uncertain which solutions will be the most suitable and efficient for our industry. However, with our vision, we have defined the challenge we are facing towards 2050 and our commitment to address it, by working with partners to discover new innovative solutions.

2030 goal

By 2030 we will reduce the carbon footprint of our meat production by 50 per cent.

2050 vision

In 2050 we envision a future where our meat production will be climate-neutral (net-zero).

Distribution of carbon emissions from feed production to abattoir

CO_2 eq. per kg pork, Danish pigs 2016

Farming	Pig transportation	Abattoir	By-products
91%	3%	8%	-2%

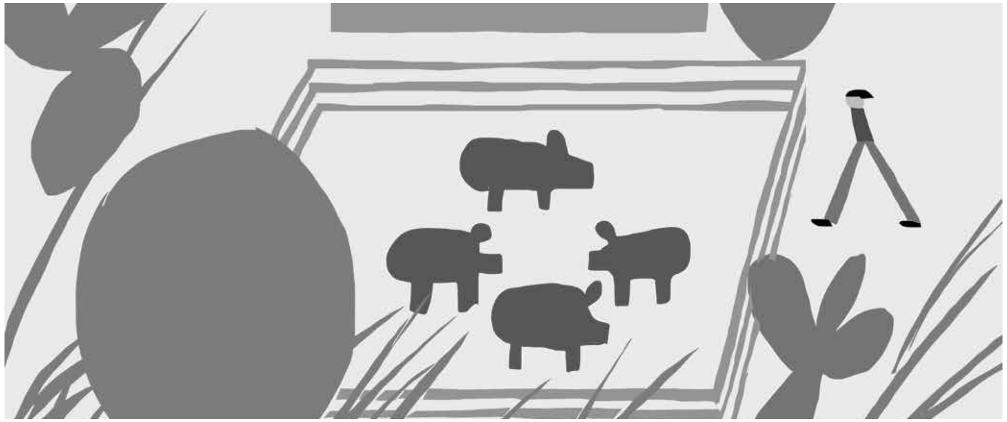
Source: *'Grisekød - produktivitet og miljøpåvirkning år 2006 vs. 2015 - Table 6' Department of Agroecology, Aarhus University, 2019 . The report was prepared for Danish Crown.*

In the production chain for Danish pork, farming accounts for more than 90 per cent of the climate impact. Farming includes feed production and manure handling, which by far account for the largest greenhouse gas emissions.

Read more about the carbon footprint and our efforts to reduce the climate impact from meat production in our Sustainability Report 2018/19.

Information on university reports

In June 2019, Aarhus University published a report on "the climate impact of beef and veal throughout the value chain compared with nutritional aspects in different dietary patterns". Following criticism of the university's collaboration with Landbrug & Fødevarer and Danish Crown A/S, the report was withdrawn in September 2019 (the report is no longer available). It was put forward that the preparation of the report did not live up to the principles of independent research. Subsequently, other reports published by Aarhus University were also found to be questionable. In this context, Danish Crown has asked the Danish law firm Kammeradvokaten/Poul Schmith to assess our collaboration with research institutes, - especially regarding the beef report from 2019 but also in relation to reports from previous years.



Delivering the 2030 goal

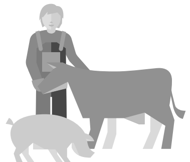
For more than a decade, Danish Crown and our owners have been addressing the climate challenge, and our experience gives us a strong foundation to build on. The report 'Grisekød - produktivitet og miljøpåvirkning år 2005 vs. 2016' from Aarhus University shows that the climate impact of producing 1 kg of pork was reduced by 25 per cent between 2005 and 2016 – with agricultural operations accounting for 18 per cent. This reduction is mainly due to increased feed efficiency with higher production outcome per feed unit.

Optimising feed efficiency remains a key focus area for all our farmers. It is part of Danish Crown's sustainability certification for pig production, which helps our farmers identify opportunities for minimising their climate impact. The certification programme, which is called the Climate Track, was launched in March 2019, and we are currently developing a similar programme for Danish veal production. Read more about the Climate Track in our Sustainability Report 2018/19.

To deliver on the 2030 goal we have also defined a number of cross-organisational projects that focus on energy efficiency improvements in food production and distribution as well as new opportunities for reducing our carbon footprint together with customers and consumers.

As we continue to detail our roadmap and implement new initiatives towards 2050, we are entering into a learning process that calls for flexibility and responsiveness. Some farms and business units may progress faster than others; and we may come across new knowledge and disruptive solutions that we have to take on board, if we are to move forward faster. The actions initiated towards 2030 will help us shape our long-term journey towards 2050.

Key actions towards the goal

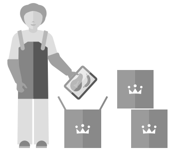


Farming

Certification programmes including climate targets

Feed efficiency

Manure management



Food production

Energy optimisation

Green energy

Low-emission processes

Distribution

Low-emission transportation

Customers & consumers

Packaging

Food waste

2030 goal

3 Business areas

Our business areas cover all the way from farm to fork: Agriculture, Fresh Meat, Foods and Casings.

Strong demand in Italy for Danish pigs reared without the use of antibiotics.
Danish Crown has started supplying Italian producers of dried hams, and now sells about 7,000 hams from pigs reared without the use of antibiotics. Many of the hams are re-exported to the US.

Danish Crown in the world

Europe

We reach more than 100 million consumers in our four large domestic markets Denmark, Sweden, Poland and the UK.

North America

Danish Crown's company DAT-Schaub produces raw heparin for anticoagulant medicine in Iowa.

Asia

In 2018/19, our total exports of pork to Asia increased by 21 per cent compared to last year.

South America

DAT-Schaub processes natural casings at four facilities in Brazil, Chile and Colombia.

Africa and the Middle East

In the past year, we have entered into more markets for canned meat.

Agriculture

More and more farmers follow the Climate Track

Balancing the price of slaughter animals and the price of feed is essential to ensuring a sustainable financial situation for farmers. In the past year, the balance has shifted from being burdened by a low pig price and high feed prices to the reverse situation: record high prices for slaughter pigs and lower feed prices due to a very good harvest.

The dramatic development in the outbreak of African swine fever in China has resulted in an up to 30 per cent reduction in the Chinese pig population, which has led to a considerable need for pork imports. The strong demand has benefited, among others, our Danish and German suppliers, who have significantly improved their earnings. And although Poland has no exports to the Chinese market, the significantly increasing demand has also positively influenced the prices paid to Polish farmers. On the other hand, this development has not affected the price of Swedish and British pigs to nearly the same extent, as they are mainly sold to strong domestic markets.

Decrease in slaughter pig production despite higher raw material prices

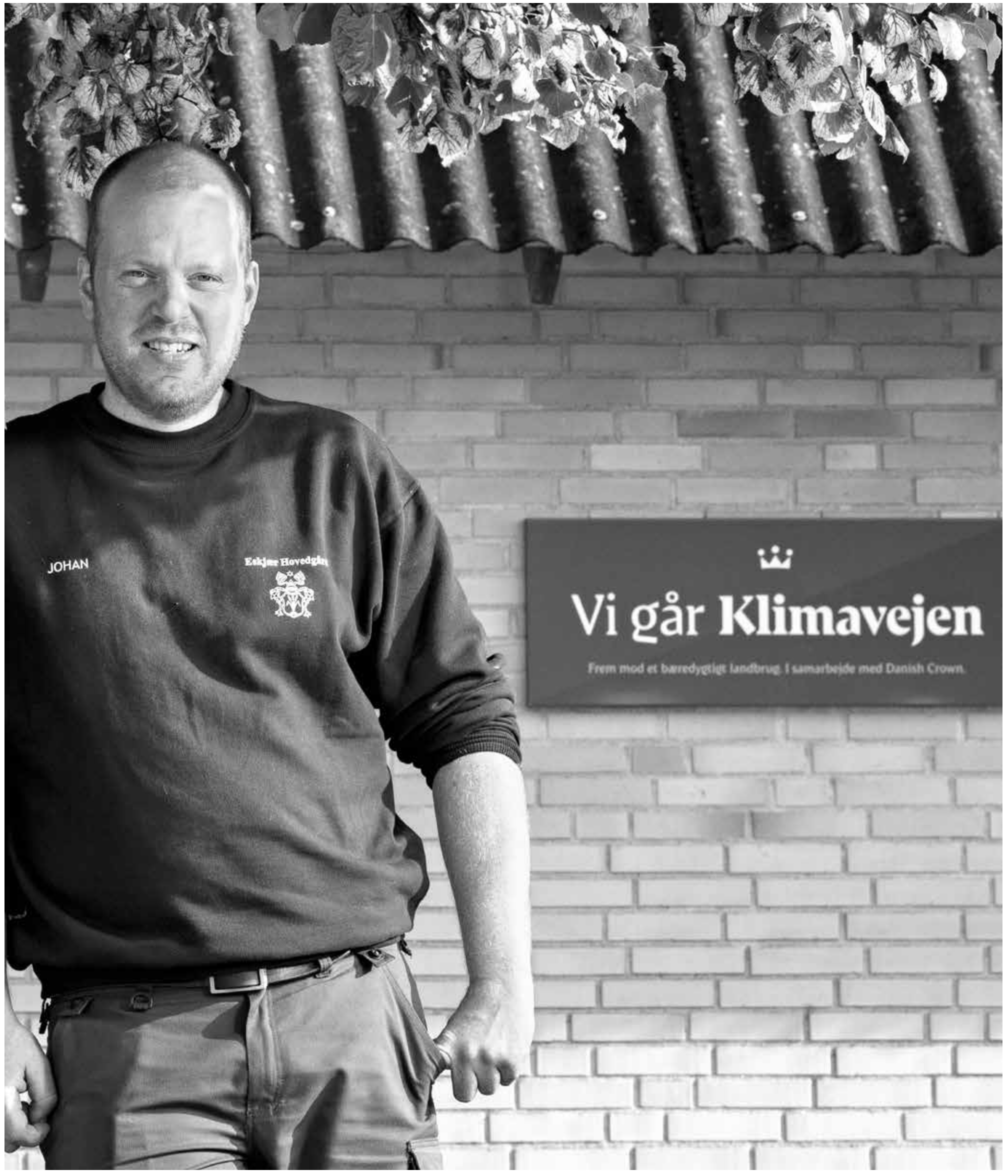
Despite the record high raw material prices, the production of pigs in Northern Europe decreases. In both Germany and Denmark, production decreased by 4 and 5 per cent, respectively, between January 2019 and the end of our financial year. This is partly due to the dry summer in 2018 and the resulting high feed prices, which meant that many farmers produced fewer pigs. In Denmark, we have taken a number of steps to increase the supply of pigs, for example by introducing various supplements and increasing the weight limits by 2 kg to improve earnings for farmers. In Germany, developments are also influenced by tougher environmental requirements.

Support for sustainability on the farm

As an important step towards our goal of sustainable production, both our Danish and Swedish farmers have been included in our sustainability certification programme during the year. Initially, our goal was to onboard our Danish and Swedish farmers in the programme. At the end of September 2019, the status is that 87 per cent of our Danish pigs come from farms with a sustainability certificate while it is still being rolled out in Sweden. In order to raise awareness of the programme, we have created the concept 'We are following the Climate Track' as a way of explaining the ambitious transition we have embarked on in terms of the climate – both to our farmers and to the rest of the world. The farmers have welcomed the initiative and have expressed their keenness to participate.

"If a young farmer like me should not help take the lead in this project, then who should?"

Johan Schütte, one of Danish Crown's owners.



← Johan Schütte, one of Danish Crown's owners, follows the Climate Track. He is happy about the increased focus on sustainability.

For Danish cattle producers, we have also launched a four-year project entitled the 'Climate Calf'. Together with experts from agricultural advisory centres and cattle-breeding associations, we will try to identify genes which can help create a climate-friendly slaughter calf.

Increased interest in pigs reared without antibiotics

At Danish Crown, we actively assume responsibility for and contribute to our farmers focusing on the well-being and comfort of their pigs so that the animals have a healthy life – without being treated with antibiotics. During the year, we have seen an increase in the supply of pigs being reared without the use of antibiotics. Other special pigs produced by our farmers include free-range pigs, organic pigs, pigs produced specifically for the UK market, and pigs covered by the Ministry of Environment and Food of Denmark's animal welfare label.

Digital tools give an overview of livestock operations

The first version of Danish Crown's so-called dashboard was launched in December 2018. The dashboard makes our statistics readily available for our pig producers, who can easily click their way to useful knowledge about aspects of their own production with a direct impact on their finances. In this way, we also fulfil a wish among our owners to be able to benchmark their own production against best practice.

In addition, this year we launched Production Concept Danish Crown, which is a comprehensive consultancy package for Danish pig farmers. By means of an intensive advisory programme, action plans, data and targets, it is possible to increase the contribution margin by at least 20 DKK per pig. The concept is part of 'Production Concept Finisher' developed by SEGES and the local pig advisory centres. This is verified as the best consultancy programme for slaughter pig producers. In recent years, we have extended our advisory services to pig producers in Sweden, and today about 55 Swedish farms are also part of our advisory programme.

> *"Our farmers rear more and more pigs without the use of antibiotics."*

Revised Code of Practice

Danish Crown's Code of Practice for our owners has been revised and updated in cooperation with a group of members from the Board of Representatives and Board of Directors. New sections on labour rights and environmental sustainability have been inserted so that the text now reflects our high ambitions within these areas.

In addition, our collection rules have been updated to ensure good and efficient collections of animals for our suppliers, the animals and the drivers. As a new requirement, tail docking must now be documented, and a risk assessment and action plan must also be made to minimise identified risk factors for both sow and slaughter pig producers.

In Poland, Sokołów co-operates with nearly 2,000 farmers on the rearing of cattle.

Advisory programmes for Swedish and Polish farmers

The Swedish farmers who supply our Swedish business, KLS Ugglarps, are offered ongoing support and advice when questions arise on a day-to-day basis. Since 2018, KLS Ugglarps has offered an advisory programme to its Swedish farmers modelled on a similar programme offered to Danish Crown's Danish farmers. So far, around half of the Swedish pigs are delivered by Swedish farmers who have signed up for the advisory programme. In addition to its advisory programme, KLS Ugglarps' activities include knowledge sharing, and the company has, for example, held seminars on new feed products. A weekly production-themed newsletter is sent out by email.

In Poland, Sokołów's activities for their direct suppliers are offered under its 'Together into the Future' programme. The programme was first launched for pig producers in 2000, and subsequently for cattle producers in 2007. Today, Sokołów cooperates with nearly 2,000 farmers on the rearing of cattle to improve the meat quality, and also offers advice on the fattening of calves.

Likewise, Agro-Sokołów offers advice to pig farmers on environmental improvements and modernisation of pig buildings.

Free-range and organic production

Founded in 1992, Friland in Denmark is the largest organic meat company in Europe. Friland sells pork and beef from farmers who work with the free-range and organic production of pigs and cattle. Even though sales of organic meat to the Danish market are increasing, the organic supplement paid to our organic members is under pressure from decreasing exports to France, among other countries. Today, Friland has 790 farmers with free-range or organic production of pigs or cattle.

The main companies in Fresh Meat are Pork, Beef and KLS Ugglarps

On the dyrbar.dk web shop you can buy the very best pork, veal and beef cuts.

Fresh Meat

Revenue (mDKK)

33,198

Fresh Meat in figures

	2018/19	2017/18
Revenue (mDKK)	33,198	32,285
Operating profit before special items (EBIT), mDKK	1,499	1,219
Operating profit before special items (EBIT), %	4.5	3.8
No. of employees (average)	8,546	8,300

A year of volatile markets

Fresh Meat is one of the biggest pork producers in the world and one of Europe's largest beef producers. In addition to slaughtering, its activities consist of deboning and the production of retail-packed fresh meat products for foodservice and retail customers.

We sell our products all over the world, but our production takes place in Denmark, Sweden and Germany. In these three domestic markets and in a number of other countries, meat from locally reared animals is the preferred choice of consumers.

As one of the world's largest pork exporters, we are very dependent on developments in the world market for pork. In the past year, we have seen very large market fluctuations, calling for an agile sales force with broad market access and in constant dialogue about where to obtain the best prices for products.

The very difficult conditions experienced in 2017/18 persisted for the first six months of this year. An increasing supply of pigs on the world market combined with stagnant demand resulted in very low prices and difficult market conditions.

However, in March 2019, the market took a dramatic turn. African swine fever was found in China in August 2018, and within a few months, the disease spread to many Chinese provinces. This led to a dramatic decrease in the Chinese pig production and a sharp increase in Chinese pork imports, causing a significant increase in prices on the world market.

During 2019, African swine fever spread from China to a number of countries in Southeast Asia. Vietnam, Cambodia, Laos, Myanmar and the Philippines have now all confirmed the outbreak of the disease and therefore a decline in pig production. These countries' continued high demand for pork imports indicates that the high prices may persist for a long period. 2019 has also been heavily influenced by the trade war between China and the US, but the bad relationship between Canada and China has also affected markets. Increasing tariff rates and import restrictions not only impact the countries directly involved but all markets. Even though these measures do not affect total supply and demand, they can cause significant changes regarding which products are sold in which markets. In this situation, Danish Crown has benefited from its broad market access and thus considerable flexibility.

"An agile and broadly based market approach is necessary in a changing world."

Our trading company ESS-FOOD actively trades in all world markets. ESS-FOOD has a strong track record as a developer of new markets and has thus successfully focused its efforts on Southeast Asia, the Middle East and Africa.

The European market

In Europe, pig production has declined in all major pig-producing countries, with the exception of Spain. The same decline is not seen in the slaughtering capacity in these countries, which has led to an increased imbalance between supply and demand in more countries, where pig prices did not reflect the market situation.

The summer of 2018 was exceptionally warm and dry in Denmark and the rest of Europe, resulting in a very poor harvest and a considerable cash need for buying pig feed. In conjunction with an increasing export price for weaners, this put earnings for many producers under pressure, and some of them have been forced to discontinue their production.

The consequence has been a sharp decrease in pig production in Denmark. However, towards the end of the financial year, we see prospects for a good harvest and a better balance between the feed price and the world market price of pork.

The Swedish market is not impacted to the same extent by developments in the world market, as demand is largely covered by Swedish meat. Swedish consumers opt for quality and animal welfare when deciding which meat to buy. This trend is particularly pronounced for fresh meat, but increasingly also for processed and semi-processed meat products. While the total demand for meat in Sweden decreased slightly in 2018/19, the demand for Swedish meat increased. Swedish prices are traditionally higher than international prices, but the gap narrowed over the summer following the increase in international markets.

During 2018/19, we saw continued growth in KLS Ugglarps in the Swedish market. Together with our customers, we have developed a number of new semi-processed and processed products.

“We emphasise that Danish beef is generally significantly more sustainable than imported meat.”

Veggie burger: We plan to launch a 100 per cent vegetable-based burger. Last summer two types were tested in Denmark. →

Today, we not only produce a variety of ready-made meals based on the company's traditional raw material such as beef and pork, but we have also included meals with chicken and vegetarian dishes in our product range. Our ambition at all times is to deliver good food to consumers.

We have also realised positive growth in the Swedish foodservice segment. Our focus has particularly been on increasing the proportion of Swedish meat used in kitchens in the public sector.

In September 2019, our new factory in Pinghu in China, was inaugurated – an event which we have been looking forward to. It is a technically well-functioning factory, and the employees have done an excellent job in connection with the construction and commissioning of the facility. We look forward to supplying Chinese consumers with processed products based on good Danish raw materials under our Danish Crown brand.

Beef – and new products

The beef market was also impacted by the exceptional market conditions in 2018/19. Last year, a severe drought hit the domestic markets – particularly Denmark and Germany – leading to drought slaughtering of cattle, which reduced the number of animals in Denmark and Germany by 4 and 3 per cent, respectively.

As slaughtering capacity has not been reduced, this has led to an imbalance between buying and selling prices and reduced earnings for our abattoirs.

The Danish market is becoming increasingly focused on sustainability, and many consumers choose to reduce their beef consumption. At the same time, beef imports increase. We are constantly trying to keep abreast of these market changes, partly by developing new products and concepts, partly by emphasising in our communication with consumers that Danish beef is generally significantly more sustainable than imported meat.

To meet the wishes of some consumers to eat less but better meat, we have launched the Dyrbar.dk website in Denmark. Here, we sell some of the very best pork, veal and beef cuts and share recipes and useful advice from some of the best chefs in Denmark.

In light of the above-mentioned conditions on the beef markets, sales to the retail sector are deemed to have been satisfactory, and a major contract has boosted growth. In the foodservice segment, we have tried to increase sales through focusing on concepts.

On the German market, we have focused our efforts on beef in Teterow, and have therefore closed a pig slaughter line here.

During the year, major agreements were entered into with German retail customers, among other things on the back of an increased raw material base in Gemany following the takeover of the Teterow abattoir. Sales to southern Europe are on par with last year. Here too, retail sales are under pressure. On the other hand people tend to eat out more, which has increased sales to the foodservice segment.

We are constantly seeking to increase sales of by-products in order to fulfil our goal of making the best possible use of the entire slaughter animal. By-product prices have unfortunately declined over the past year due to increasing supplies from American and South American producers. The same applies to the hides market where prices have continued to decline this year, significantly impacting sales and earnings in this segment.

At the end of the financial year, a major element of uncertainty is the outcome of the Brexit negotiations which could be significant for the fresh meat market. Especially the beef market could be affected if Ireland's substantial beef sales to the UK are limited, so that the meat has to be sold in other nearby markets instead.

All in all, the fresh meat market is expected to remain volatile in 2019/20. This means that we will again have to work hard to identify and make the most of new opportunities within both product development and sales.

The main companies in Foods are Sokołów, Tulip Food Company and Tulip Ltd

A strong united brand

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

Our primary markets are the UK, Poland, Denmark, Sweden and Germany, but altogether our products are sold in more than 100 countries. The 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, in addition to its sales to the Danish market, significant exports to a large number of countries also outside Europe.

As a result of Danish and global sales, we have had a difficult year in Tulip Food Company, whose business has been challenged by both national and global trends. In many countries, consumers increasingly prefer nationally produced meat. This has been an advantage for us in Denmark, while sales were under pressure in a number of foreign markets, for example important markets like Sweden and France. At the same time, the year's barbecue season was unsatisfactory compared to the warm, sunny summer last year, which has impacted both domestic and foreign sales of barbecue products such as sausages, pulled pork and spareribs.

"In many countries, consumers increasingly prefer nationally produced meat."

The Danish business is characterised by declining meat consumption, and at the same time raw material prices for pork increased sharply over the year. We have therefore worked hard to make sure that these developments are reflected in higher prices for customers and consumers.

We are still working to integrate the strategic acquisitions made last year. Both DK-Foods (now Danish Crown Toppings) and Zandbergen have seen very satisfactory development, and the integration of both companies is progressing according to plan.

Danish Crown Toppings is a pure B2B business, and supplies, for example, pepperoni directly to Europe's largest pizza producers. These customers increasingly demand security of supply, greater transparency and trust throughout the supply chain, while also focusing increasingly on sustainability. Danish Crown's new sustainability agenda is thus perfectly in line with this segment, and we are extremely pleased to note continued growth in the pizza segment, both in Europe and overseas markets.

The change of name to Danish Crown Toppings reflects the fact that, in addition to the classic fermented products, the business now also offers a wide range of other topping products for the pizza industry. Tulip Food Company is Europe's largest producer of pepperoni with production in Danish Crown Toppings in Thorning near Silkeborg and in Svenstrup south of Aalborg, both situated in Denmark. In the summer of 2019, the Svenstrup factory became the sole supplier of pepperoni to a pizza producer with several thousand outlets in China. This is a contract we are proud of.

Revenue (mDKK)

17,180

Foods in figures

	2018/19	2017/18
Revenue (mDKK)	17,180	15,150
Operating profit before special items (EBIT), mDKK	686	617
Operating profit before special items (EBIT), %	4.0	4.1
No. of employees (average)	9,060	10,156

← We cooperate with our customers to introduce new products, packaging and recipes.

China is without doubt the world's largest importer of pork. Tulip Food Company's business in China is steadily developing, and Tulip products have found their way onto thousands of Chinese supermarket shelves. At the same time, China has been severely affected by African swine fever, which further boosts interest in Tulip Food Company's products, worldwide known for their nutritional value, taste and high food safety standards. Especially, food safety is an absolutely key parameter in the Chinese market, and Tulip Food Company benefits from being a highly recognised brand in Asia, where its products are known for their world-class quality and uncompromising food safety standards.

Our important bacon business is also developing positively, and following the Zandbergen acquisition, Tulip Food Company is now Europe's largest bacon producer. A major 14,000-square-metre extension of the Zandbergen factory in Haarlem, the Netherlands is now under construction – a project which is expected to be completed in early 2020.

There is a strong focus on cooked bacon, and sales are growing.

There is a lot of focus on and growth in sales of cooked bacon, which is marketed under the Tulip Foodservice brand and has got off to a good start.

At the end of the financial year, it was decided to change the company name from Tulip Food Company to Danish Crown Foods, and the name change is now being implemented. The new name helps to highlight Danish Crown's complete value chain and the strong Tulip brand is associated with our corporate brand, including the group's shared ambition of creating a more sustainable future for food. At the same time, the aim is to bring our brands and thus the entire group closer to consumers, in line with our 4WD strategy.

We intensively pursue a range of innovation and sustainability initiatives, and in August we were proud to receive a prize for the year's best CSR Initiative from one of our major customers. The prize was given for the environmentally friendly PET trays consist-ing of 80 per cent recycled plastic which we had just launched.

The Polish market
The Polish market was also affected by strongly increasing pork prices. Therefore, we have also worked hard to increase prices towards our customers in Sokołów. This has been a particularly difficult task as regards our large retail customers. However, we have been reasonably successful in that, as an integral part of the price negotiations, we have cooperated with our customers to intro-duce new products, new packaging solutions or recipes.

Also in the Polish market, consumer trends include reduced meat consumption and growing interest in meat-free products. To adapt the product portfolio to these trends, we have – in cooperation with a number of customers – introduced a vegetable spread, vegetable sausages and meat-free ready meals.

With these initiatives, we have succeeded in keeping revenue and earnings at a reasonable level – despite the market challenges, which are further intensified by the fact that Polish products cannot be sold to China and a number of other markets due to the presence of African swine fever in Poland.

“The aim is to bring our brands and thus the entire group closer to consumers, in line with our 4WD strategy.”

The strategic acquisition of Gzella in 2017/18 has strengthened our Polish business. The integration of Gzella was ongoing during the year and was largely completed by the end of the year. Gzella has been merged into Sokołów, and the Gzella name continues as a product name and brand. We have seen satisfactory growth in our own stores under our Sokołów and Gzella brands.

In Poland, significant investments have been made in environmental improvements in production, such as heat recovery systems as well as a reduction of energy and water consumption. These efforts will continue in the coming period.

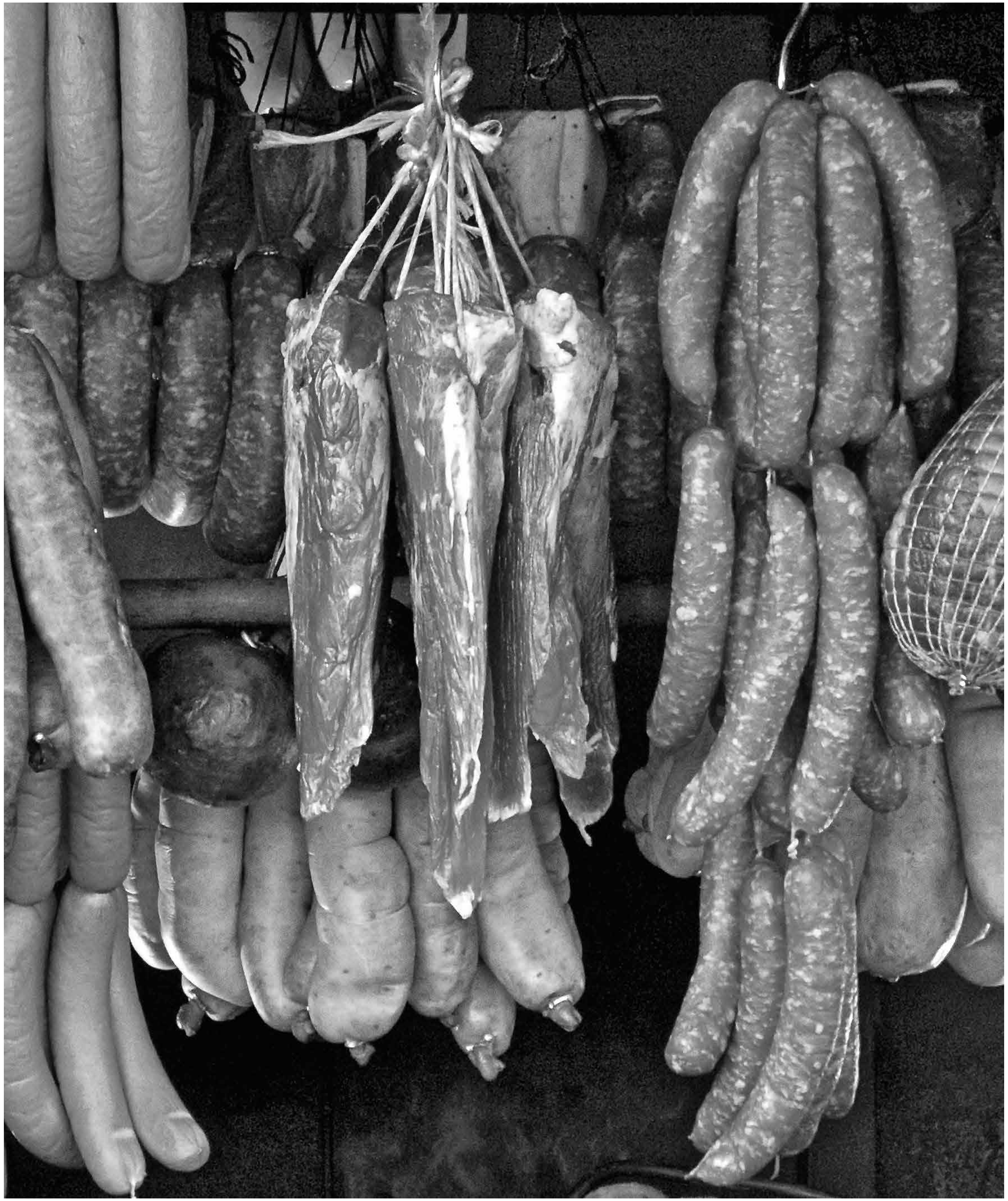
Divestment of Tulip Ltd
In the UK market, we have fought hard for some years to restore profitability in Tulip Ltd. Many hours were spent – both by our employees in the UK and by employees from other Danish Crown units. Our efforts have borne fruit, and many improvements were achieved. However, at the same time, our analyses have also shown that without substantial investments, the profitability of our UK business cannot be fully restored.

We therefore decided to divest Tulip Ltd to the US company Pilgrim's Pride Corporation, which is interested in expanding its European business. Our sales of Danish raw materials to Tulip Ltd will continue after the transfer, and we will carry on servicing other industrial customers and the foodservice segment in the UK. The UK will thus retain its status as a domestic market for Danish Crown – but with a slightly different strategic direction than earlier. The results for the year in Tulip Ltd and the impairment following the divestment are thus shown on a separate line in the income statement under 'Results for the year from discontinued operations'.

The divestment releases both capital and management resources to focus even more strongly on the strategic priorities in Foods, which thus ends the year on a stronger note and fully focused on its strategic targets.

The division consists of DAT-Schaub

Casings



Revenue (mDKK)

4,531

Casings in figures

	2018/19	2017/18
Revenue (mDKK)	4,531	4,170
Operating profit before special items (EBIT), mDKK	455	450
Operating profit before special items (EBIT), %	10.0	10.8
No. of employees (average)	3,484	2,455

Towards market leadership

Casings is one of the leading companies within the procurement, processing and sale of natural casings and, to a lesser extent, also trading in artificial casings and stomachs. The products are sold to processing companies producing sausages and salami around the world. In addition, mucosa from hog casings is used in the production of heparin for the pharmaceutical industry.

← Worldwide we sell artificial and natural casings to the processing industry producing sausages and salami.

The market for hog casings grew steadily in 2018/19 and saw slightly increasing prices for raw materials and finished products over the year. Against this background, at DAT-Schaub we are again posting growth in revenue and satisfactory earnings for the year.

We are well on the way to realising the target in Danish Crown's 4WD strategy of being market-leading within the handling and processing of natural casings.

DAT-Schaub enjoys a strong market position within hog casings based on raw materials from both North and South America as well as from Europe. Through our own initiatives and based on the full effect of acquisitions in previous years, we have increased the share of raw materials supplied from markets outside Denmark. Today, Danish raw materials account for less than 17 per cent of the raw materials used in our production.

Developments in the market for stomachs and other products derived from casing sets have been less positive, with declining prices for certain products. However, the market for stomachs exported directly to China is still satisfactory.

In 2018/19, the market for lamb casings was characterised by slightly declining prices for raw materials and finished products.

“Utilisation of the by-products from meat production helps reduce food waste.”

Sales of quality products, on the other hand, are increasing, which has resulted in stable revenue from lamb casings.

The market for artificial casings is still growing faster than the market for natural casings, and sales growth has been particularly satisfactory in the Polish market.

In France, we have seen continued growth in sales of our own spice blends from DAT-Schaub's factory in northern France.

In line with the 4WD strategy, we have worked during the year to integrate activities acquired in previous years and continued our efforts to realise synergies in existing and newly acquired companies. This goes for South America, which to us is a new part of the world in which to conduct business, and in China, where we have been present for many years. As expected, both businesses are contributing positively to our earnings.

In 2018/19, we started the production and sale of raw heparin from the acquired facility in Iowa in the US. By continuing to strengthen the supply of raw materials to the factory, we reinforce our position as an important supplier to the global pharmaceutical industry within the production of anticoagulant medicines.

Following the positive developments in DAT-Schaub, we are well on the way to realising the target of Danish Crown's 4WD strategy of being market-leading within the handling and processing of natural casings.

Using the by-products from meat production helps reduce food waste while optimising our resource utilisation, which is thus perfectly aligned with our vision of a more sustainable food production.

4 Governance

Presently, the Danish Crown organisation is undergoing a huge transformation process. A common Code of Conduct development provides joint rules of conduct to in our guidance in relation to our actions and choices.

Code of Conduct is Danish Crown's own constitution

Being a global leader in sustainable food production comes with certain obligations. We have a big responsibility in acting as good citizens in everything that we do.

We spring from the Danish cooperative movement, and the responsibility we a business assume towards society, our employees and our owners – the farmers – contributes to defining who we are.

We do business in a world that is becoming increasingly complex. As a group, we have employees from more than 80 different countries, all with their own local norms and cultures. As a global player, we must meet and accommodate these differences in a way that lives up to Danish Crown's attitudes and values. It is not always easy, and we are continually being challenged, but we maintain our focus at all times on finding better ways of producing food – with respect for the animals, for people and for the environment.

Our Code of Conduct describes the values and principles that characterise Danish Crown and according to which we want to run our business – across business units and in spite of our cultural differences.

> "As colleagues in Danish Crown, we must all shoulder the responsibility that is ours, and do our utmost to make the company successful through our attitude and behaviour. Our Code of Conduct sets the direction for the culture we want to have across the group."

Jais Valeur, Group CEO

Our Code of Conduct is seen as a business constitution, and we expect all employees and managers to respect our common rules and obligations. Only in this way can we protect our integrity and reputation against unwanted behaviour. It is the responsibility of all our managers to show the way and ensure that these guidelines are known and embraced throughout the group.

As a company, we are part of a value chain that extends well beyond our own business. Therefore, we urge all our partners and suppliers to conduct themselves in accordance with these common guidelines.

→ The full wording of Danish Crown's Code of Conduct can be found on our website.

1

We maintain respectful and honest relationships with our colleagues, communities and all other stakeholders.

2

We develop our business together with consumers and customers and in the interest of our owners.

3

We strive to uphold the highest standards on food safety and the quality of our products.

4

We strive for sustainable solutions in all decisions.

5

We respect human and labour rights throughout the entire value chain.

6

We act with integrity and transparency in all our business operations.

7

We take responsibility for the work safety of ourselves and our colleagues and contribute to a good working environment.

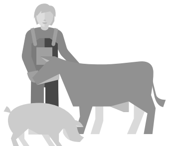
8

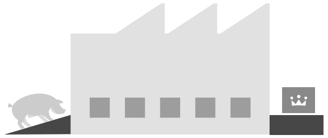
We comply with the laws and regulations in all the countries in which we operate.

Sustainability issues from farm to fork

As a global food company, we recognise our responsibility to address sustainability issues in our entire value chain and to contribute to further progress towards a sustainable future for our industry.

Material sustainability issues in our value chain





	Farming Our owners and livestock	**Food production** Our business activities	**Markets** Our customers and consumers
Driving transformation	• Climate change • Biodiversity loss • Protein sources • Use of antibiotics	• Climate change • Circular bio-economy and food loss • Inclusion and diversity	• Food waste • Meat consumption • Healthy and nutritious diets
Responsible business conduct	• Feed efficiency • Animal welfare • Animal health • Emissions of nutrients and odours • Use of water and energy • Human and labour rights • Business ethics	• Food safety • Use of water, energy and other natural resources • Use of chemicals • Organic carbon in waste water • Non-organic waste • Health and safety • Human and labour rights • Business ethics and anti-corruption	• Labelling and marketing • Product range • Packaging and plastic

As a cooperative owned by farmers, the values and traditions of good farming practices and modern food production are deeply ingrained in our business. This implies resource-efficient food production with minimum waste and minimum emissions. However, it is a fact that agriculture and food processing in general exert pressure on the planetary boundaries. As a global food company, we recognise our responsibility to address sustainability issues associated with risks and adverse impacts in our value chain.

We group our material sustainability issues into two categories: issues where we see a need and an opportunity for driving transformation towards a sustainable future for our industry; and issues that we address through principles of responsible business conduct.

Our materiality assessment is part of our annual mapping of sustainability risk at our production sites as well as our ongoing engagement with stakeholders to identify the challenges faced by our industry.

This includes our MEAT2030 multi-stakeholder forum, launched in September 2018. The purpose of this forum is to share knowledge and develop new solutions for environmentally, socially and economically sustainable food production.

More details on how we contribute to sustainable development, and about our CSR efforts and results can be found in our progress report to the UN Global Compact. With this report we meet the requirements set out in section 99 a and b of the Danish Financial Statements Act.

Read the full report at www.danishcrown.com/sustainability-report

Sustainability strategy

Under the new heading MEAT 2030, our sustainability strategy covers the entire value chain and sets the direction for how we will contribute to the UN 2030 Agenda for Sustainable Development.

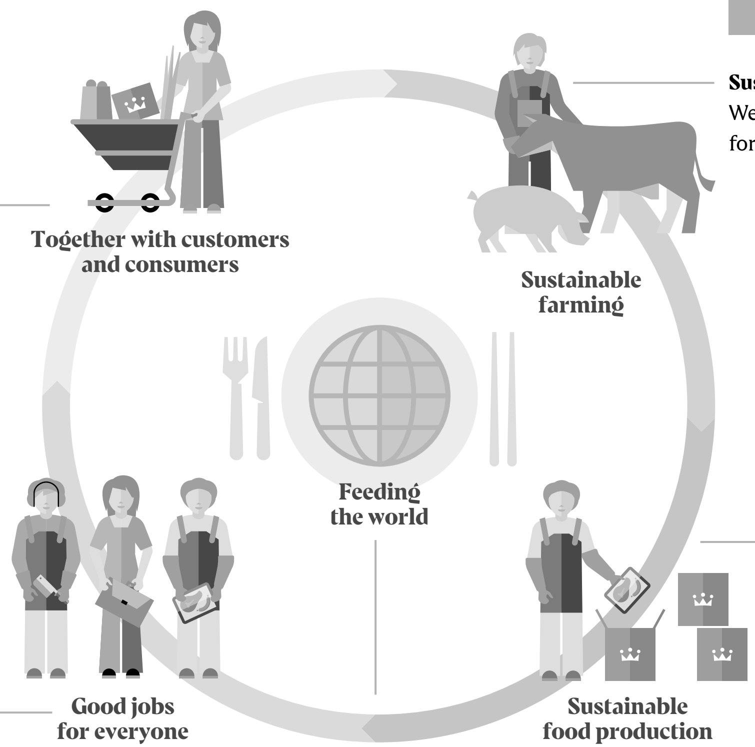
Our sustainability strategy builds on the issues that we have identified as material to Danish Crown and to our stakeholders. It is our overall ambition to contribute to promoting and fulfilling the UN 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Our strategy has five main focus areas that support selected SDGs and address the main challenges which we need to overcome to ensure the long-term development of our business. It covers our ongoing efforts to minimise risks and adverse impacts in our value chain as well as our initiatives for further progress towards sustainable agriculture and food processing.

Launched in September 2017, the strategy is designed to accommodate the needs of our business as well as developments in our markets and in society at large. We are now two years into the strategy period, and in 2019, we have set new and ambitious sustainability goals which also incorporate our new climate ambition.

Together with customers and consumers
We will earn customers' and consumers' confidence and meet their needs with healthy, safe and responsible products.

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



Sustainable farming
We will build a strong future for our farmers.

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

Feeding the world
We will find a way to feed the world with sustainable meat and protein.

Realised and planned sustainability activities

We have updated our commitments to the Sustainable Development Goals (SDGs) and specified our commitment to the targets.

In 2018/19, we reviewed our SDG commitments, and added SDG 4 on education and SDG 6 on clean water. We removed SDG 3 on health because our primary commitment to good health is through SDG 2 and 12.

Here we provide an overview of our SDG commitments and our main supporting activities. See our Sustainability Report 2018/19 for a full description of our sustainability commitments and results.

Sustainable Development Goals	Our commitments	Main activities 2018/19	Planned activities 2019/20
	**Target 2.4:** Influence food production systems and implement resilient agricultural practices.	● Developed sustainable feed and soy strategy. ◑ Promoted premium products based on the highest levels of responsibility. ◑ Further developed the sustainable product range.	→ Develop soy policy. → Launch more sustainable products and concepts.
	**Target 4.4:** Contribute to increasing the number of youths and adults who have relevant skills, including technical and vocational skills, for employment.	● Established a stronger governance setup to improve skills development and blue-collar training schemes. ● Prepared for a skills and motivation assessment at our production sites. ◑ Accelerated social integration initiatives.	→ Introduce training programme: From unskilled to skilled worker. → Conduct competence assessment to establish baseline for hourly paid employees. → Share best practice approach on social integration across the group.
	**Target 6.4:** Increase water-use efficiency and ensure sustainable withdrawals of freshwater.	◑ Continued pilot project as part of the Danish partnership for Resource and water-efficient Industrial food Production (DRIP).	→ Implement new water-saving technology as a pilot project.
	**Target 8.8:** Protect labour rights and promote safe and secure working environments for all workers.	● Launched Code of Conduct. ● Launched new inclusion and diversity policy. ◑ Improved monitoring of work environment incidents. ◑ Introduced environment, health and safety alert system. ◑ Increased focus on safety related to auxiliary equipment and machines.	→ Develop online Code of Conduct training. → Run global work safety campaign.

● Completed ◑ Ongoing

Sustainable Development Goals	Our commitments	Main activities 2018/19	Planned activities 2019/20
TARGET 12·3 HALVE GLOBAL PER CAPITA FOOD WASTE	**Target 12.2:** Achieve sustainable management and efficient use of natural resources.	● Developed climate goal for our production as part of our climate ambition. ● Launched supplier code of conduct. ● Launched new sustainable packaging concept. ◑ Initiated partnerships with customers to accelerate responsible consumption of food.	→ Develop baseline for CO_2 reduction in our production. → Develop baseline for waste handling, including animal waste. → Improve internal competences in sustainability dialogues with customers. → Develop strategy for sustainable packaging and plastics. → Define food waste strategy.
TARGET 12·4 RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE	**Target 12.3:** Reduce food waste at the retail and consumer levels and reduce food losses along production and supply chains.		
TARGET 12·5 SUBSTANTIALLY REDUCE WASTE GENERATION	**Target 12.5:** Reduce waste generation through prevention, reduction, recycling and reuse.		
TARGET 13·1 STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS	**Target 13.1:** Strengthen resilience and adaptive capacity to reduce negative climate impact.	◑ Launched sustainability certification programme for cooperative pig producers.	→ Start including contract pig production in certification programme. → Develop certification programme for cattle production.
TARGET 15·9 INTEGRATE ECOSYSTEM AND BIODIVERSITY IN GOVERNMENTAL PLANNING	**Target 15.9:** Support the integration of ecosystem and biodiversity values into farming practices.	◑ Further reduced use of antibiotics in pig production.	→ Continue reducing antibiotics in pig production. → Integrate biodiversity perspectives in cattle production. → Initiate project to define methane emissions in beef production through genetics.
TARGET 17·17 ENCOURAGE EFFECTIVE PARTNERSHIPS	**Target 17.17:** Drive partnership projects to accelerate and overcome high-impact challenges for sustainable meat production.	● Built outcome from MEAT2030 conference into our climate ambition and sustainability strategy. ● Participated in high-level discussions with international organisations on our climate ambition. ◑ Conducted MEAT2030 dialogues with high-impact stakeholders.	→ Host MEAT2030 conference in 2020 to involve stakeholders in further collaboration. → Identify key agendas for collaboration on selected impact projects related to sustainable meat. → Take part in high-level dialogues on a sustainable global food system.

● Completed ◑ Ongoing

A more sustainable workplace

Sustainability is also about creating an attractive, diverse workplace with good jobs for everyone. This takes skilled managers and professional HR efforts. Danish Crown is already a good place to work. In the coming years, we will be targeted in our efforts to go from 'good' to 'excellent'.

Danish Crown's 23,000 highly skilled employees working around the world are not only crucial for the results we have created, but also for the transformation we are embarking on. They will play a key role in creating a more sustainable future for food.

Therefore, it is very important that our work with human resources is just as professional, sustainable and strategic as the rest of our operations. We have a strong starting point, but also some way to go.

Apprentices

In 2018/19, we have assumed a special responsibility for ensuring that more apprentices in our industry are trained. We are committed to opening the eyes of more young people to the good career prospects that come with completing a training programme in the food industry. At the same time, we have decided to increase our annual intake of apprentices by 15 per cent next year, gradually increasing the total number to 310 apprentices for the group as a whole.

An important contribution to profiling the training of and the job as abattoir worker has been the establishment of a new vocational programme for abattoir workers. This has now happened, and among other things this means that in future our apprentices can proudly demonstrate their skills – for example by competing in the annual Danish Championships in Skills, where Morten, Alex and Simon from Danish Crown came first, second and third. We also work to profile the company vis-à-vis future apprentices outside Denmark. In Sokołów this has, for instance, been done by producing videos of role models, which are then shown on both social media and at events.

Good jobs for everyone

In a labour market where formal education requirements are increasing, Danish Crown plays an important role. We are one of only a few companies where blue-collar workers and refugees can be employed and have the opportunity to be trained and develop. Therefore, we work closely with the authorities and other stakeholders to organise programmes for people on the edge of the labour market, which often lead to good, permanent jobs.

Refugees is one group that we have successfully integrated. In 2018/19 alone, we more than doubled the number of refugees working for us in Denmark to 266, in addition to which 53 refugees are employed with us in the Netherlands. We do this not only to shoulder our social responsibilities, but also because of our very positive experience from working with these new employees.

In Poland, Sokołów won the '2018 Reliable Employer of the Year' award for the second year running. This is given to companies that demonstrate high standards in their HR-related activities, personnel policies and social responsibility in a broad sense.

Safe workplaces

Working in abattoirs and factories is often physically demanding, but it must never be physically injurious or dangerous. Our commitment to providing safe workplaces is therefore a very high priority throughout Danish Crown. In relation to health and safety, we thus work systematically with clear targets and a high level of knowledge sharing across business areas.

Our approach is that every work accident is one too many. Therefore, we are strongly and continuously focused – at all management levels – on reducing accident numbers, among other things by analysing and preventing their causes.

As part of his graduate programme, Johannes Zijlstra works in Poland on optimising production through the introduction of new production equipment.

↑
Johannes Zijlstra holds an MSc in Operations and Innovation Management from Aalborg University in Denmark and joined Danish Crown's graduate programme in 2018.

When it comes to improving the physical working environment, our efforts to prevent musculoskeletal disorders (MSDs) are absolutely crucial. Ambitious efforts have already been initiated in this area, especially at our Danish production facilities. We work closely with the authorities, organisations and researchers to further reduce MSDs, while also exploring a number of technological options for reducing heavy lifting and other physical strains.

Diversity

Danish Crown is a particularly ethnically diverse workplace, where no less than 80 nationalities are represented. All our facilities around Europe count at least five different nationalities among their employees – in some cases up to 30.

We are a global workplace, and our vision is to reflect the diversity that also characterises our customers and consumers. We are therefore working actively to preserve and strengthen a culture with room for diversity, where it is a strength to have many types of experiences and different perspectives represented – also at management level.

We integrate the principles of diversity, inclusiveness and globalisation in all relevant HR processes, including our recruitment procedures. All employees should naturally be treated equally and with respect, and we do not tolerate any form of discrimination.

Employee satisfaction – low sickness absence

We measure employee satisfaction every other year, and the survey conducted in 2017/18 showed progress after some years of declining scores. The score for 'satisfaction and motivation' was 70 (on a scale from 0 to 100), which is above average for global companies. We expect our target of an even higher score to be met in our 2019/20 survey.

The average level of sickness absence for the whole group is satisfactorily low. Here we primarily need local actions in places where the level of sickness absence gives cause for concern.

On the other hand, the average employee turnover of 19 per cent (including holiday relief) is too high. Admittedly, this is lower than for large comparable companies that employ many unskilled workers, but we should – and must – become better at retaining employees. Among other things this will be achieved by improving our introduction programme for new employees, and by communicating more clearly about development opportunities. The aim is to reduce our average employee turnover by 10 per cent year on year.

Management

Skilled managers play a key role in realising Danish Crown's strategy. Leadership development is therefore a high priority. It is important that we have a strong pipeline of leadership talent, and that the quality of our management is high at all levels. Based on our five leadership principles, we therefore offer leadership programmes tailored to individual management levels. The programmes are in high demand, and a total of 40 programmes will be offered each year in the coming years. It is essential to strengthen all managers' ability to set clear and meaningful goals and continuously provide useful feedback. Holistic thinking is also high on the agenda. Across all our businesses, our leaders need to think and act on behalf of the whole, so we help each other achieve our common goals.

Danish Crown's target is to see more women and international candidates at the top of the organisation. We have had some success in this respect with our graduate programmes, whereas we are behind when recruiting externally. Therefore, we have impressed upon our recruitment agencies that we want more female and international profiles to choose from, and that it is an indispensable requirement that there must be at least one woman among the last three candidates for a managerial position. The proportion of women in management is currently 38 per cent, an increase of 9 percentage points. The increase can primarily be ascribed to acquisitions of stores in Poland, which traditionally have female managers. The share of female managers in Poland is 58 per cent.

70
on the satisfaction and motivation scale

80
nationalities represented

320
refugees employed with Danish Crown

23,000
skilled employees

Risk management

As a global food company with production and sales all over the world, Danish Crown is exposed to various industry-related risks, which may have a significant impact on the earnings, development and future of the company.

Therefore, we work proactively to identify, analyse and uncover the various risks that may cause damage to our business' reputation and/or have a negative impact on our results.

The company hedges risks centrally at group level as well as locally in Danish Crown's business units, and risk management is coordinated across the group's companies through the general governance structure.

Danish Crown has taken out insurance against all significant insurable risks to the extent that this is deemed to be financially expedient.

Type	Area	Description	Control	Net risk	Trend
Strategic	Consumer demand	Consumers are stepping up their demands regarding the food they eat, and are increasingly concerned about parameters such as safety, health and sustainability.	Market research and assessments by OECD and FAO, among others, show that the global demand for meat will increase in the coming years. Some consumer groups will move towards eating less meat, but globally, population growth and a growing middle class in many countries will lead to increased demand. Danish Crown has a broadly based customer and product portfolio with sales to different market segments, such as foodservice, retail chains and industrial customers. We constantly work to meet our customers' demand for healthier food products; for example, we rank among the world's leading producers of organic meat and pigs reared without the use of antibiotics.	3/5 ●●●○○	↑
Strategic	Availability of raw materials	Danish Crown operates in a global, volatile and highly competitive market. The company has relatively large non-EU exports, and is therefore heavily exposed to global developments in supply and demand, exchange rates etc.	Danish Crown has launched its 4WD strategy, which is aimed at increasing earnings for the whole group based on four focus areas. As Danish Crown is organised as a cooperative, earnings are distributed to our owners as a supplement to the payment for raw materials. The purpose of the strategy is therefore to ensure a return on the capital invested by our owners and to strengthen the incentive to produce and supply animals to Danish Crown.	4/5 ●●●●○	=
Strategic	Sustainability	International research points to meat production as a major environmental factor in areas such as water consumption, water pollution, biodiversity depletion and greenhouse gas emissions. This is very likely to lead to stricter requirements and standards for meat production.	Danish Crown has an ambition of becoming the world's leading producer of sustainable meat. This will be achieved by halving the company's climate footprint per kg of pork by 2030, and our vision is a completely climate-neutral value chain by 2050. The climate targets set are dependent on innovative and technological advances, and we are working with industry bodies and research institutes to strengthen our understanding of the industry's climate impact. Danish Crown's sustainability certification programme for cooperative members, the Climate Track, obliges farmers to deliver continuous improvements on a number of selected sustainability parameters. The certification process is well-advanced for pig suppliers to our Danish abattoirs, and a similar initiative is being prepared for our cattle suppliers.	1/5 ●○○○○	↑

	Net risk			**Trend (<> previous period)**
●○○○○	Low	1	↑	Increasing risk
●●●○○	Medium	2-3	=	Unchanged risk
●●●●●	High	4-5	↓	Decreasing risk

Type	Area	Description	Control	Net risk	Trend
Commercial	Market access	Danish Crown is one of the world's largest exporters of meat and meat products, and is therefore dependent on open markets and regulated international trade. The escalating conflict between the US and China has had a negative impact on the global market for meat and meat products. The UK's withdrawal from the EU and the single market could lead to trade disruptions.	The EU's active efforts to conclude new trade agreements reduces the risk of losses due to periodic non-access to specific markets. The EU's trade agreements with Mexico, Japan and – most recently – Mercosur well as the start-up of processed meat exports from Denmark to China are thus helping to reduce the risk of losses due to market closures. In the past year, Danish Crown has been preparing for various possible scenarios for the UK's withdrawal from the EU, both with and without a deal being reached between the parties.	3/5	↑
Commercial	African swine fever	African swine fever is a highly contagious viral disease affecting domestic pigs and wild boars, and the mortality rate is high. However, the disease is harmless to people, who cannot be infected. It has spread from Russia, Ukraine and the Baltic region to wild boar populations in most Eastern European countries as well as Belgium. In 2018/19, the disease also spread to large tracts of China and Asia. If one of the countries where we have production should be affected by African swine fever, important export markets such as China, Japan and the US will prohibit imports from the affected region for three months and until the affected region is declared free of the disease.	Most of our pig exports are out of Denmark. Here, the industry and the Danish authorities have initiated a number of measures aimed at preventing the disease from entering the country: - Wild boar fences along the Danish-German border (expected completion autumn 2019). - Requirements for washing and disinfection of transport vehicles used for pig transports that have been outside of Denmark. - Information campaigns aimed at the drivers of transport vehicles, employees on pig farms, and at lay-bys in general. Due to its geography and long borders, Germany is more exposed to the spread of infection than Denmark. Other countries where we have production – Poland (already affected by African swine fever), Sweden and the UK – primarily have exports to the EU or their own domestic markets, and the possible consequences of an outbreak are therefore limited.	4/5	↑
Commercial	Reputation	A reputation crisis can have serious consequences in the form of loss of sales, loss of talent or closer monitoring by the authorities.	To be able to respond quickly and proactively to relevant issues, we are keeping a constant eye on the world's interest in Danish Crown through monitoring of the media, social media and stakeholder organisations. The company has defined a set of rules with the aim of ensuring ethical business operations, including a code of conduct for employees and a similar code of conduct for our suppliers. In addition, we have formal group policies covering a number of areas such as anti-corruption, data protection, competition and sustainability-related issues.	3/5	=
Operational	Stoppages	Any stoppage represents a financial risk to the maximum capacity utilisation of our highly automated and costly production facilities and to honouring customer contracts. Stoppages can be of shorter or longer duration, and can be due to many different causes, such as non-delivery of raw materials, technical incidents, strikes.	Most of our products are produced at different facilities, which ensures flexibility in the case of unintended stoppages at a particular plant. A strong emphasis is placed on the continuous maintenance of our production facilities, and on maintaining a high level of security (fire protection, access control etc.). Good relations with our employees are instrumental in resolving possible disagreements in the vast majority of cases without production being affected.	2/5	=
Operational	Food safety	Food safety is a basic precondition for access to our export markets and for earning the trust of customers and consumers. Food safety failings in any part of the supply chain can cause disease in consumers and inflict significant commercial damage on Danish Crown.	Our companies and/or individual business units have quality and food safety management systems tailored to the needs of each unit and covering the entire supply chain. The systems are generally subject to third-party certification according to the Global Food Safety Initiative's approved standards. Our companies are authorised by the relevant authorities and supervised by them.	4/5	=

Continued →

Type	Area	Description	Control	Net risk	Trend
Operational	Health and safety at work	Working in abattoirs and factories is physically hard and carries a risk of occupational work-related injuries and accidents with subsequent human and financial consequences.	We have a stated target of reducing the number of accidents at work in our group companies, and all management levels attach considerable importance to communicating about safety rules and behaviour. A number of initiatives in our various business units and the sharing experience across the organisation support the process: - Root cause analysis of work-related accidents at work and derived preventive solutions. - Enhanced cooperation between procurement and our health and safety organisation ensures that the workwear of our production staff always provides optimum safety. To prevent work-related diseases, which typically occur after several years of exposure, several initiatives are being undertaken in the form of instruction, altered workplace design and production patterns, as well as the introduction of new technology and/or advanced man-machine interaction.	3/5 ●●●○○	↓
Operational	IT security	Danish Crown relies on well-functioning IT systems, both in our high-tech production and in our administration. Unauthorised access to our systems, including external attacks involving access to confidential information or causing operational disruption, can have very serious consequences for the company.	Our IT security systems are based on the principles of the ISO 27000 standard and focus on ensuring data integrity and confidentiality. Security is a key element in all IT processes, including solution design and daily operations. Annual internal risk assessments of IT security are carried out with the support of independent experts, as well as an annual external IT audit.	3/5 ●●○○○	↑
Financial	Interest rate	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.	We aim to ensure a reasonable balance between the company's exposure to variable and fixed interest rates. Significant changes to the mix of variable and fixed interest rates are approved by the Board of Directors.	2/5 ●●○○○	=
Financial	Currencies	The currency risk relates to the difference between incoming and outgoing payments in the same currency.	Our net currency exposure is hedged at all times by: - Matching incoming and outgoing payments in the same currency. - Drawing on currency overdraft facilities or by means of forward exchange transactions. Our use of derivative financial instruments is regulated through a set of rules approved by the Board of Directors and associated internal business procedures, among other things stipulating thresholds and the types of derivative financial instruments that may be used.	3/5 ●●●○○	=
Financial	Liquidity	The risk relates to unforeseen fluctuations in the cash outflow.	The group's strategy is to have a predominance of long-term commitments to ensure financial stability. In connection with the raising of loans, we seek to ensure the highest possible flexibility through a spreading of the loans in terms of maturity, renegotiation dates and contracting parties, taking into account pricing etc.	1/5 ●○○○○	=
Financial	Credit	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.	1/5 ●○○○○	=

Group financial key figures

mDKK	2014/15	2015/16	2016/17	2017/18*	2018/19
Income statement					
Revenue	59,556	60,038	62,024	53,551	56,506
Operating profit before special items (EBIT)	2,471	2,167	1,923	2,091	2,522
Operating profit after special items	2,403	2,068	2,449	2,394	2,522
Net financials	-269	-234	-225	-198	-232
Net profit for the year from continued operations	1,821	1,639	2,022	1,952	1,953
Results for the year from discontinued operations	0	0	0	-591	-785
EBIT %	4.1	3.6	3.1	3.9	4.5
Balance sheet					
Total assets	26,779	25,257	24,433	27,980	28,443
Investments in intangible assets	46	47	74	48	39
Investments in property, plant and equipment	1,448	1,038	928	1,081	1,398
Equity	7,172	6,897	7,611	7,540	7,361
Solvency ratio	26.8%	27.3%	31.2%	26.9%	25.9%
Net interest-bearing debt	12,039	10,562	9,229	12,643	11,847
Financial gearing	3.0	2.9	2.8	4.1	3.2
Interest cover	11.6	12.4	11.3	13.3	13.9
Cash flows from operating and investing activities					
Cash flows from operating and investing activities	2,908	2,750	1,937	-1,219	954

* The 2017/18 figures are adjusted with respect to the income statement and cash flow statement. Tulip Ltd is regarded as discontinued operations and reported in a separate line.

	2014/15	2015/16	2016/17	2017/18	2018/19
Supplementary payments, DKK/kg					
Supplementary payments, pigs	1.05	1.00	0.95	0.80	1.05
Supplementary payments, sows	0.90	0.80	0.80	0.70	0.90
Supplementary payments, cattle	1.55	1.30	1.30	0.95	0.80
Total disbursement, mDKK					
Supplementary payments, pigs	1,261	1,155	1,050	922	1,132
Supplementary payments, sows	50	41	37	31	38
Supplementary payments, cattle	114	99	100	75	61
Disbursement according to article 22.2 d and article 22.3.2 in the articles of association	0	0	250	42	27
Total disbursement	1,425	1,295	1,437	1,070	1,258
Supplies from members weighted in (million kg)					
Pigs	1,200.7	1,155.4	1,104.9	1,152.0	1,078.4
Sows	55.9	50.9	46.6	44.7	41.6
Cattle	73.6	76.2	77.3	79.2	76.1
No. of cooperative members					
No. of cooperative members	8,020	7,605	7,166	6,830	6,426
No. of employees					
Average no. of full-time employees	25,873	26,276	25,956	21,769	23,052

Financial review

A year with large changes.

During the year, our revenue grew by 6 per cent to 56.5 billion DKK, not including the revenue generated by Tulip Ltd, which is reported separately as discontinued operations.

The revenue increase realised was mainly driven by the increasing prices of pork and the strong sales to the Asian markets seen in the last half of the financial year.

These two elements also contributed to an improvement in the gross margin – even taking into account the increased distribution costs which naturally result from the growing sales to the Asian markets. Enhanced focus on the retail and foodservice segments further increased sales and distribution costs. This applies, for example, in Poland, where the number of shops was expanded following the acquisition of Gzella in May 2018.

Administrative expenses increased by 2 per cent primarily owing to investments in strategic projects that contribute to long-term earnings.

Overall, we realised an operating profit of 2.5 billion DKK against 2.1 billion DKK the year before. A satisfactory development consistent with our outlook for the year.

Financial expenses increased compared to last year, when net interest-bearing debt grew in connection with the acquisition of a number of businesses.

Net interest-bearing debt will be reduced again following the divestment of Tulip Ltd.

Overall, we realised a net profit from continued operations of 2 billion DKK on par with last year's results.

Tulip Ltd's income statement items are all reported under results for the year from discontinued operations, and the 2017/18 figures have been restated. Net loss for the year decreased from 0.4 billion DKK in 2017/18 to 0.2 billion DKK in 2018/19. In 2017/18, impairment of plant amounted to 0.3 billion DKK. In 2018/19, as a result of the divestment, goodwill and other assets were impaired by 0.6 billion. This brings the total loss from discontinued operations to 0.8 billion DKK.

Net profit for the year from continued and discontinued operations amounts to 1.2 billion DKK against 1.4 billion DKK last year.

"A satisfactory result for the year."

Assets

In the balance sheet, we report the assets of Tulip Ltd on a separate line under assets belonging to discontinued operations (specified in note 17), while the comparative figures for 2017/18 have not been restated in accordance with the accounting regulations (IFRS 5). This makes comparisons year-on-year difficult.

Our total assets increased by 0.5 billion DKK, which can primarily be attributed to investments in plant and to the impact of increasing prices on inventories and receivables. Conversely, intangible assets decreased due to amortisation and impairment – especially including impairment of goodwill in Tulip Ltd.

Our investments during the year totalled 1.7 billion DKK. The largest investments concern the completion of the factory in China and the expansion of bacon production in the Netherlands. However, hundreds of millions were also invested in production facilities in Denmark.

During the year, net working capital grew by 1 billion DKK mainly due to the significantly increasing prices of fresh meat, particularly in the last part of the financial year. We will continue to work on reducing the net working capital, but this is not assessed to fully compensate for the increasing prices of fresh meat which will continue into the new financial year.

Equity

At the end of 2018/19, our equity amounted to 7.4 billion DKK, which is 0.1 billion DKK lower than at the end of 2017/18. At the end of the year, an increase in our UK pension obligations (after tax) affected equity negatively by 94 million DKK.

At the end of 2018/19, the solvency ratio decreased from 26.9 per cent last year to 25.9 per cent. In addition to the increase in pension obligations, the decrease can be attributed to the increased total assets.

Development in the coming year

For the coming year, we expect the operating profit before special items (EBIT) and net profit to be on a par with the current year.

Liabilities

During the year, net interest-bearing debt decreased by 0.8 billion DKK to 11.8 billion DKK. The financial gearing improved from 4.1 to 3.6 when including Tulip Ltd – and further to 3.2 when excluding Tulip Ltd. Consequently, we met the outlook for the year which was for a level of 3.0-3.5.

Our financing structure is based mainly on credits with a maturity of more than one year. 85 per cent of the interest-bearing debt is long-term against 94 per cent last year.

The share of interest-bearing debt falling due after more than five years from the balance sheet date is now 42 per cent against 43 per cent last year. Fixed-rate loans make up approximately 40 per cent of total loans against 43 per cent at the end of 2017/18.

A change in the market rate of 1 percentage point is estimated to have a 57 million DKK impact on total annual financing costs, all other factors aside.

→ The reasons for divesting Tulip Ltd in the UK were explained in detail to Danish Crown's Board of Representatives at a meeting in August.

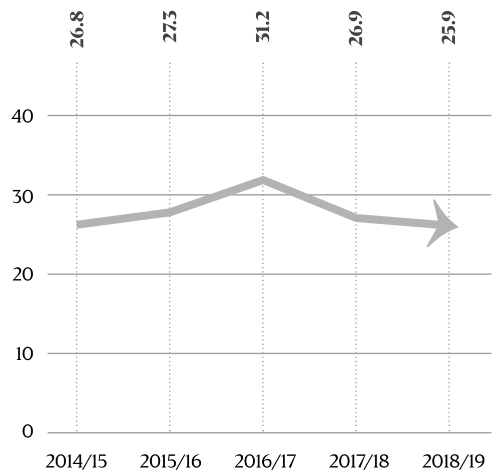
Cash flow statement

Cash flows from operating activities for the year amounted to 2.3 billion DKK – an improvement of 0.6 billion DKK compared to last year. Our level of funds tied up in net working capital is on a par with last year.

Investments in property, plant and equipment increased by approximately 0.3 billion DKK compared to last year, which should be seen in light of the fact that we acquired a number of companies last year whereas we now begin to invest in optimisations of both existing and acquired plants.

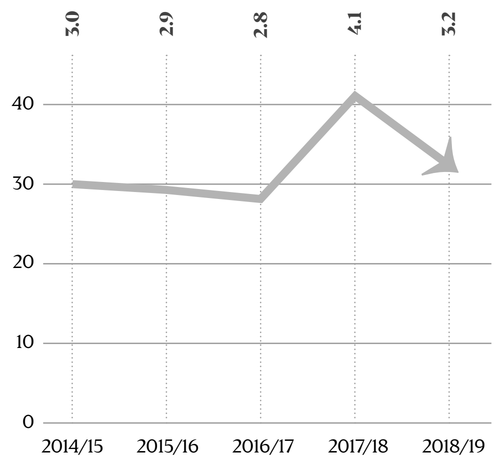
Solvency ratio

The ratio of equity to total assets.



Financial gearing

The ratio of interest-bearing debt to ordinary earnings before depreciation, amortisation, interest and tax.



Corporate governance

Danish Crown springs from the Danish cooperative movement, and our foundation is the financial cooperation between farmers and the company.

The cooperative members are committed owners who participate actively in the development of their jointly owned company. Our business model is based on the principle that the farmers supply their pigs and cattle to Danish Crown, while Danish Crown – through sound corporate governance – undertakes to create value and pay the highest possible price to its owners.

Our management target is to apply best practice and create transparency in relation to our stakeholders, taking into account the special conditions surrounding a cooperative.

Corporate governance
Being a cooperative, Danish Crown is not formally obliged to comply with the recommendations on corporate governance that apply to listed companies.

With reference to the internal target of acting as a listed company, we have nevertheless decided to follow the guidelines laid down by the Danish Committee on Corporate Governance*, taking into account the fact that, given the company's special ownership structure, certain recommendations are considered 'not relevant' or 'not applicable':

- The company is not listed on the stock exchange, and therefore the publication of quarterly reports is not deemed to be necessary. The company publishes half-year reports.
- 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 or by written proxy.
- The remuneration and remuneration policy for the Board of Directors and the Executive Board are not disclosed, nor does the company's Board of Directors meet the recommendations with regard to the composition, independence, age, election period and the disclosure of owner's shares and time consumption. 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.

Cooperative management
Leverandørselskabet Danish Crown AmbA is owned by 6,426 Danish farmers. The cooperative's supreme authority is the Board of Representatives, which consists of up to 90 members elected by the company's cooperative members as well as 15 observers elected by and among the employees. During the financial year, district meetings and meetings of the Board of Representatives are held, at which the cooperative members are informed about important matters regarding the company's strategy, operation and current status, including information about quarterly and annual reporting.

Board of Directors of Leverandørselskabet Danish Crown AmbA
The Board of Directors of Leverandørselskabet Danish Crown AmbA is elected by the Board of Representatives for a two-year period:

- Ten members and one observer are elected from among the members of the Board of Representatives.
- Up to two members are independent, that is neither cooperative members nor employees of the company.

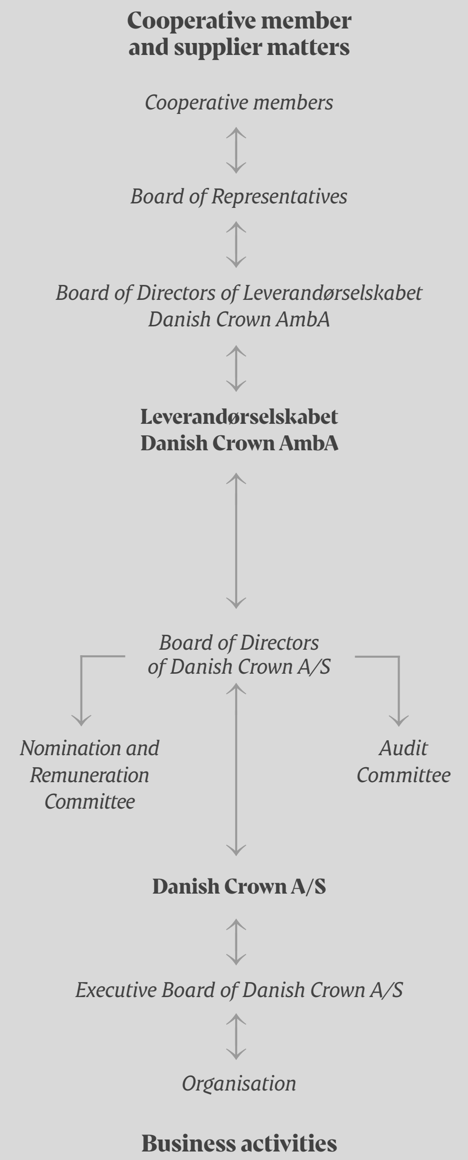
During the 2018/19 financial year, the Board of Directors held seven ordinary and three extraordinary meetings to address issues relating to the cooperative members and to decide on matters of strategic importance to the group.

Board of Directors of Danish Crown A/S
The Board of Directors of Danish Crown A/S currently consists of ten members elected by the general shareholders' meeting (elected for one year at a time) and three employee representatives (elected for four years at a time). The Board of Directors currently has four independent members who contribute to a broadly based decision-making process through their expertise and experience. During the 2018/19 financial year, the Board of Directors held seven ordinary and two extraordinary meetings.

The Board of Directors elects a chairman and a vice-chairman who, in accordance with recognised principles, do not participate in the day-to-day management. In order to maintain value creation and ensure renewal, an annual evaluation of the work of the Board of Directors is carried out. Internally, the Board of Directors assesses whether the qualifications and skills of its members, individually and collectively, contribute to and support the cooperation with the Executive Board in the best

** Recommendations on Corporate Governance – November 2017*

Our management structure



way. Information about the members of the Board of Directors can be found on our website.

Management committees
As the group's operating activities are managed by Danish Crown A/S, relevant management committees are organised under the Board of Directors of this company. The primary task of the committees is to prepare the decisions to be made by the Board of Directors within certain areas: The composition, mandates and activities of the management committees during the year are published on the company website.

The Audit Committee's primary task is to monitor the company's accounting and auditing processes, and to report significant accounting policies and estimates to the Board of Directors prior to the approval of the annual report. In addition, the Audit Committee assists the Board of Directors in the dialogue with the external auditor and in connection with the agreement of the audit fee. The need for an internal audit is assessed on a continuous basis, but is not considered relevant at the moment.

The Nomination and Remuneration Committee prepares an annual evaluation for the Board of Directors on the composition of and the candidates for the company's boards of directors, committees and the Executive Board as well as their remuneration. The overall target is to ensure that the company's senior management at all times possesses the qualifications and competences necessary to look after the interests of our cooperative members and employees, to clarify company targets and to support long-term value creation.

Other committees: Given the relative importance of the Danish Crown Pork and Danish Crown Beef business units, the Board of Directors has set up two sub-committees to undertake a more in-depth consideration of matters relating to these business units.

Executive Board of Danish Crown A/S
The day-to-day management of the company is handled by the Executive Board of Danish Crown A/S, whose tasks and responsibilities are laid down in an Executive Board manual prepared by the Board of Directors. Jais Valeur (Group CEO) and Preben Sunke (Group COO/CFO) work closely with, but independently from, the Board of Directors, and are responsible for the strategic coordination of the business units at group level.

Business management
The Danish Crown business is organised into operational units based on product and/or geographical segmentation and with the overall aim of supporting the company's strategy.

Executive committees with representatives from all units and managed by the central management ensure close coordination between the business units' focus on product and customer-related matters on the one hand and the group management's and group functions' responsibilities for the overall coherence on the other.

Financial reporting and internal control
The company's financial reporting processes are designed to ensure fair and reliable financial reporting.

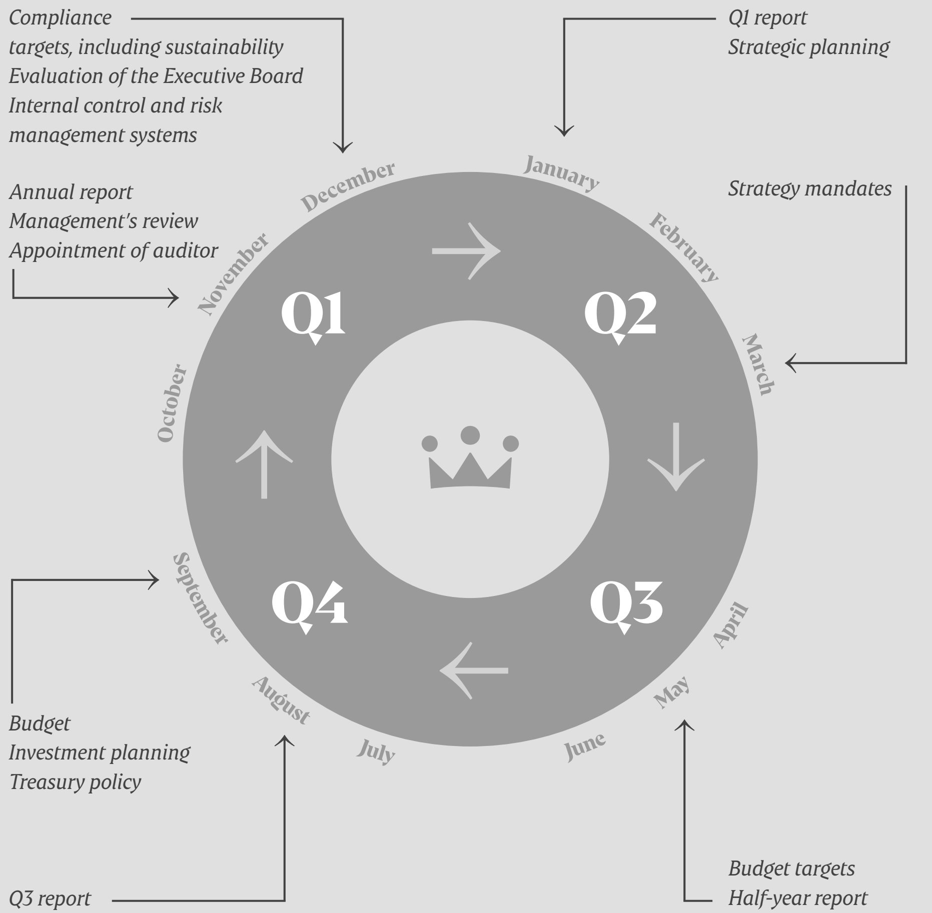
A number of policies and procedures have been defined at group level in fundamental areas such as finance and accounting, procurement, IT security and tax, which combined with a formal division of responsibilities and clear reporting lines are to ensure that the annual report gives a true and fair view.

The Board of Directors has decided to implement a whistleblower scheme at group level, by which the company's stakeholders will be able to report breaches of the applicable rules.

The Board of Directors and the Audit Committee monitor the internal control processes related to financial reporting, and continuously consider specific events or risks that may potentially affect the company's financial affairs.

Annual plan for the Board of Directors

The Board of Directors of Danish Crown A/S is responsible for strategic management with a view to ensuring value creation in the company.



Executive Board and Board of Directors

From left to right: Knud Jørgen Lei, Karsten Willumsen, Ulrik Bremholm, Palle Joest Andersen, Asger Krogsgaard, Peter Fallesen Ravn, Jesper V. Christensen, Erik Bredholt, Majken Schultz, Mads Nipper, Cay Wulff Sørensen, Michael Nielsen, Kurt Høj, Kim Tovgaard, Brian Vestergaard, Peder Philipp, Søren Bonde. (Unfortunately, Camilla Sylvest was absent when the photograph was taken.)

Executive Board

Jais Valeur
Group CEO

Born: 1962
Appointed: 2015

Preben Sunke
Group COO/CFO

Born: 1961
Appointed: 2002

Board of Directors

Erik Bredholt *1) 2) 3) 6)
Chairman

Born: 1966
Appointed: 2001

Asger Krogsgaard *1) 2) 3) 4)
Vice-chairman

Born: 1966
Appointed: 2003

Mads Nipper 2) 4)
Vice-chairman
Group President, CEO,
Grundfos Holding A/S

Born: 1966
Appointed: 2016

Peder Philipp *1) 2) 3) 4)

Born: 1952
Appointed: 1996

Peter Fallesen Ravn *1) 2)

Born: 1968
Appointed: 2008

Palle Joest Andersen *1) 2)

Born: 1963
Appointed: 2009

Cay Wulff Sørensen *1)

Born: 1960
Appointed: 2009

Søren Bonde *1) 2)

Born: 1962
Appointed: 2013

Knud Jørgen Lei *1)

Born: 1967
Appointed: 2013

Majken Schultz 2) 4)
Professor, Ph.D.

Born: 1958
Appointed: 2013

Jesper V. Christensen 2) 5)
Executive Vice President, CFO,
Danfoss A/S

Born: 1969
Appointed: 2016

Ulrik Bremholm *1)

Born: 1967
Appointed: 2017

Michael Nielsen *1)

Born: 1964
Appointed: 2017

Camilla Sylvest 2)
Executive Vice President,
Novo Nordisk A/S

Born: 1972
Appointed: 2017

Kurt Høj 2)

Born: 1959
Appointed: 2017
(elected by the employees)

Kim Tovgaard 2)

Born: 1975
Appointed: 2017
(elected by the employees)

Brian Vestergaard 2)

Born: 1973
Appointed: 2017
(elected by the employees)

Karsten Willumsen *1)
Observer

Born: 1974
Appointed: 2013

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

Further information about our Executive Board and Board of Directors can be found on our website.

5 Consolidated financial statements

Income statement
1 October 2018 - 30 September 2019

mDKK	Note	Group 2018/19	Group 2017/18
Revenue	2	56,506	53,551
Production costs	3,4	-48,240	-46,139
Gross profit		8,266	7,412
Distribution costs	3,4	-4,297	-3,876
Administrative expenses	3,4,5	-1,537	-1,504
Other operating income		18	19
Other operating expenses		-4	-17
Income from equity investments in associates and joint ventures	12	76	57
Operating profit before special items (EBIT)		2,522	2,091
Special items	6	0	303
Operating profit after special items		2,522	2,394
Financial income	7	53	53
Financial expenses	8	-285	-251
Profit before tax		2,290	2,196
Tax on profit for the year	9	-337	-244
Net profit for the year from continued operations		1,953	1,952
Net profit for the year from discontinued operations (to be distributed to the shareholders of the parent)	17	-785	-591
Net profit for the year		1,168	1,361
Distribution of net profit for the year			
Cooperative members of the parent		1,132	1,272
Minority interests		36	89
		1,168	1,361

Statement of comprehensive income
1 October 2018 - 30 September 2019

mDKK	Note	Group 2018/19	Group 2017/18
Net profit for the year		1,168	1,361
Items which are subsequently transferred to the income statement:			
Foreign currency translation adjustment of foreign enterprises		-42	-30
Share of other comprehensive income in associates and joint ventures	12	0	0
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	7	-37	11
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	7	-8	-12
Hedging of net investments in foreign enterprises		25	23
Tax on other comprehensive income		10	-1
Items which cannot be transferred to the income statement:			
Actuarial gains/losses on defined-benefit plans etc.	18	-4	5
Tax on other comprehensive income	9	1	0
Other comprehensive income from continued operations		-55	-4
Other comprehensive income from discontinued operations	17	-91	116
Other comprehensive income		-146	112
Comprehensive income		1,022	1,473
Distribution of comprehensive income			
Cooperative members of the parent		972	1,379
Minority interests		50	94
		1,022	1,473
Comprehensive income for the year			
Continued operations		1,898	1,948
Discontinued operations	17	-876	-475
		1,022	1,473

Balance sheet – assets
30 September 2019

mDKK	Note	Group 30.09.2019	Group 30.09.2018
Intangible assets	10	3,806	4,694
Property, plant and equipment	11	7,877	9,111
Equity investments in associates and joint ventures	12	278	275
Other securities and equity investments	13	10	67
Biological assets	15	1	95
Deferred tax assets	19	180	307
Non-current assets		12,152	14,549
Inventories	14	4,831	4,922
Biological assets	15	33	315
Trade receivables	16	6,237	6,641
Receivables from and prepayments to cooperative members	28	329	391
Receivables from associates		26	40
Other receivables		791	716
Prepayments		106	170
Other securities and equity investments	13	15	57
Cash		129	179
Assets related to discontinued operations*	17	3,794	0
Current assets		16,291	13,431
Total assets		28,443	27,980

* In accordance with IFRS 5 about presentation of discontinued operations, the comparative figures for 2017/18 are not restated for assets and liabilities related to discontinued operations.

Balance sheet – equity and liabilities
30 September 2019

mDKK	Note	Group 30.09.2019	Group 30.09.2018
Member's accounts	26	1,462	1,548
Personal subordinated accounts	26	354	282
Other reserves		-235	-168
Retained earnings		5,485	5,595
Equity owned by cooperative members of the parent		7,066	7,257
Equity owned by minority interests		295	283
Equity		7,361	7,540
Pension obligations	18	44	42
Deferred tax liabilities	19	263	318
Other provisions	20	114	144
Loans	21,28	10,513	12,459
Other payables		4	6
Non-current liabilities		10,938	12,969
Other provisions	20	86	192
Loans	21,28	1,807	811
Trade payables		3,384	4,066
Payables to associates		60	47
Income tax payable		73	90
Other payables		1,842	2,223
Deferred income		44	42
Liabilities related to discontinued operations*	17	2,848	0
Current liabilities		10,144	7,471
Liabilities		21,082	20,440
Total equity and liabilities		28,443	27,980

Statement of changes in equity
30 September 2019

mDKK	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 2017	1,560	270	-223	68	5,679	7,354	257	7,611
Net profit for the year	0	12	0	0	1,260	1,272	89	1,361
Foreign currency translation adjustment of foreign enterprises	0	0	-34	0	0	-34	4	-30
Share of other comprehensive income in associates and joint ventures	0	0	0	0	0	0	0	0
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	11	0	11	0	11
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-13	0	-13	1	-12
Hedging of net investments in foreign enterprises	0	0	0	23	0	23	0	23
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	145	145	0	145
Tax on other comprehensive income	0	0	5	-5	-25	-25	0	-25
Transferred to the income statement	0	0	0	0	0	0	0	0
Total other comprehensive income	0	0	-29	16	120	107	5	112
Comprehensive income for the year	0	12	-29	16	1,380	1,379	94	1,473
Payment of contributed capital, net	-12	0	0	0	0	-12	0	-12
Supplementary payments disbursed	0	0	0	0	-1,438	-1,438	-90	-1,528
Acquisition of minority interests	0	0	0	0	-26	-26	22	-4
Equity as at 30 September 2018	1,548	282	-252	84	5,595	7,257	283	7,540
Net profit for the year	0	76	0	0	1,056	1,132	36	1,168
Foreign currency translation adjustment of foreign enterprises	0	0	-56	0	0	-56	14	-42
Share of other comprehensive income in associates and joint ventures	0	0	0	0	0	0	0	0
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	0	0	0	-37	0	-37	0	-37
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	0	0	0	-8	0	-8	0	-8
Hedging of net investments in foreign enterprises	0	0	0	25	0	25	0	25
Actuarial gains/losses on defined-benefit plans etc.	0	0	0	0	-113	-113	0	-113
Tax on other comprehensive income	0	0	4	5	20	29	0	29
Transferred to the income statement	0	0	0	0	0	0	0	0
Total other comprehensive income	0	0	-52	-15	-93	-160	14	-146
Comprehensive income for the year	0	76	-52	-15	963	972	50	1,022
Payment of contributed capital	-86	-4	0	0	0	-90	0	-90
Supplementary payments disbursed	0	0	0	0	-1,070	-1,070	-38	-1,108
Acquisition of minority interests	0	0	0	0	-3	-3	0	-3
Equity as at 30 September 2019	1,462	354	-304	69	5,485	7,066	295	7,361

Cash flow statement
1 October 2018 - 30 September 2019

mDKK	Note	Group 2018/19	Group 2017/18
Operating profit before special items (EBIT)		2,522	2,091
Depreciation, amortisation, impairment losses and write-downs	4	1,184	1,109
Income from associates	12	-76	-57
Change in provisions		26	-21
Change in net working capital	27	-930	-1,041
Operating cash flows		2,726	2,081
Financial income received	7	27	30
Financial expenses paid	8	-269	-243
Income tax paid		-205	-202
Cash flows from operating activities		2,279	1,666
Purchase of intangible assets	10	-40	-48
Sale of intangible assets	10	1	0
Purchase of property, plant and equipment and biological assets	11,15	-1,410	-1,109
Sale of property, plant and equipment	11	12	28
Purchase of other securities and equity investments	12,13	-3	-17
Sale of other securities and equity investments	12,13	38	0
Acquisition of businesses	22	0	-2,114
Divestment of businesses	22	0	326
Dividend received	12	77	49
Cash flows from investing activities		-1,325	-2,885
Disbursement of supplementary payments		-1,070	-1,438
Disbursement to minority shareholders		-40	-147
Payment from minority shareholders		0	37
Proceeds from borrowings		1,548	5,221
Repayment of loans		-823	-2,325
Payment of contributed capital		0	196
Disbursement of contributed capital		-90	-208
Cash flows from financing activities	27	-475	1,336
Cash flows from discontinued operations	17	-529	-37
Change in cash and cash equivalents		-50	80
Cash and cash equivalents as at 30.09.2018		179	99
Cash and cash equivalents as at 30.09.2019	27	129	179

Notes, group

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.

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.

No impairment of facilities has been performed during the year. Last year, impairment of 288 million DKK (34 million GBP) was performed of Tulip Ltd production assets taken out of operation.

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.

In 2018/19, goodwill and other assets of 575 million DKK (68 million GBP) in Tulip Ltd have been impaired following the divestment of the company to Pilgrim's Pride Corporation. For further details, reference is made to note 17. Goodwill has not been impaired in the past.

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 2018/19.

Reference is made to note 14 for a specification of inventories.

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

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 19 for a specification of deferred tax liabilities and tax assets.

2 Revenue

Allocation of revenue on business units and sales channels

mDKK	Fresh Meat	Foods	Casings	Other companies	Total
2018/19					
Industry	20,767	3,207	3,469	2,328	29,771
Foodservice	3,303	2,024	50	1,671	7,048
Retail	5,090	10,215	176	600	16,081
Other	1,146	1,338	368	754	3,606
Total	30,306	16,784	4,063	5,353	56,506
2017/18					
Industry	19,585	3,013	3,314	2,420	28,332
Foodservice	3,342	1,884	44	1,484	6,754
Retail	5,129	9,352	167	480	15,128
Other	1,600	413	334	990	3,337
Total	29,656	14,662	3,859	5,374	53,551

Allocation on business units and markets

mDKK	Fresh Meat	Foods	Casings	Other companies	Total
2018/19					
Denmark	1,954	3,450	130	59	5,593
Europe	19,234	12,307	1,945	1,414	34,900
Asia and the US	8,349	303	1,200	1,237	11,089
Other	769	724	788	2,643	4,924
Total	30,306	16,784	4,063	5,353	56,506
2017/18					
Denmark	2,061	3,436	140	171	5,808
Europe	19,822	10,229	1,955	1,524	33,530
Asia and the US	6,999	287	1,033	1,339	9,658
Other	774	710	731	2,340	4,555
Total	29,656	14,662	3,859	5,374	53,551

3 Staff costs

mDKK	2018/19	2017/18
Salaries and wages	5,890	5,361
Defined-contribution plans	424	386
Defined-benefit plans	1	1
Other social security costs	576	534
	6,891	6,282
Staff costs are distributed as follows:		
Production costs	5,118	4,664
Distribution costs	814	696
Administrative expenses	959	922
	6,891	6,282
Of which:		
Remuneration for the parent's Board of Directors	7	8
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	24	21
	32	30
Average no. of employees	23,052	21,769

Remuneration for the Executive Board includes pensions of 1 million DKK (2017/18: 1 million DKK) and provisions for the year for long-term bonus of 4 million DKK (2017/18: 1 million DKK). 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

mDKK	2018/19	2017/18
Amortisation of intangible assets:		
Production costs	12	14
Distribution costs	75	41
Administrative expenses	35	35
	122	90
Depreciation of property, plant and equipment:		
Production costs	983	945
Distribution costs	25	24
Administrative expenses	53	49
	1,061	1,018
Value adjustment of biological assets:		
Production costs	1	1
	1	1
Gain on the disposal of non-current assets	8	10
Loss on the disposal of non-current assets	3	10

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

mDKK	2018/19	2017/18
PwC:		
Statutory audit	7	6
Fee for other assurance engagements	0	0
Tax advice	0	0
Other services	2	2
	9	8

6 Special items

mDKK	2018/19	2017/18
Special items, income:		
Gain on the divestment of activities	0	303
	0	303

7 Financial income

mDKK	2018/19	2017/18
Interest, cash etc.	27	30
Foreign currency exchange gains and losses, net	18	10
Fair value adjustment of derivative financial instruments concluded in order to hedge the fair value of financial instruments	70	29
Fair value adjustment of hedged financial instruments	-70	-29
Fair value adjustment transferred from equity concerning the hedging of future cash flows	8	13
	53	53

8 Financial expenses

mDKK	2018/19	2017/18
Interest expenses, credit institutions etc.	269	243
Foreign currency exchange gains and losses, net	16	8
	285	251

9 Tax on profit for the year

mDKK	2018/19	2017/18
Current tax	242	244
Change in deferred tax	53	-15
Change in deferred tax resulting from a change in the tax rate	-3	-10
Adjustment concerning previous years, current tax	-55	-63
Adjustment concerning previous years, deferred tax	58	60
Write-down of tax assets	32	14
Reversal of previous write-down of tax assets	0	-3
	327	227
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	10	17
Tax on profit for the year	337	244
Tax on profit for the year can be explained as follows:		
Calculated tax at a tax rate of 22%	486	471
Effect of differences in tax rates for foreign enterprises	9	21
Change in deferred tax resulting from a change in the tax rate	-3	-10
Tax in cooperatively taxed enterprises and tax on other non-income-taxed income	10	18
Tax base of profit in cooperatively taxed enterprises	-242	-240
Tax base of non-taxable income	-23	-66
Tax base of non-deductible costs	65	44
Adjustment concerning previous years, current tax	-55	-63
Adjustment concerning previous years, deferred tax	58	60
Write-down of tax assets	32	12
Reversal of previous write-down of tax assets	0	-3
	337	244
Effective tax rate (%)	15,2	11,4
Foreign currency translation adjustment of foreign enterprises	-5	-3
Fair value adjustments etc. of financial instruments concluded in order to hedge future cash flows	-9	2
Transfer to the income statement of fair value adjustments of financial instruments concluded in order to hedge realised cash flows	-2	-2
Hedging of net investments in foreign enterprises	6	4
Actuarial gains/losses on defined-benefit plans etc.	-1	0
Tax on other comprehensive income	-11	1

10 Intangible assets

mDKK	Goodwill	Software	Acquired trademarks etc.	Total
Cost as at 1 October 2018	3,663	561	1,510	5,734
Foreign currency translation adjustments	5	-2	-8	-5
Addition	0	35	6	41
Disposal	0	-8	-3	-11
Transfer to discontinued operations	-703	0	-167	-870
Cost as at 30 September 2019	**2,965**	**586**	**1,338**	**4,889**
Amortisation and impairment losses as at 1 October 2018	0	454	586	1,040
Foreign currency translation adjustments	0	-1	-1	-2
Impairment losses for the year	457	0	0	457
Amortisation for the year	0	45	86	131
Amortisation of disposal for the year	0	-9	0	-9
Transfer to discontinued operations	-457	0	-77	-534
Amortisation and impairment losses as at 30 September 2019	**0**	**489**	**594**	**1,083**
Carrying amount as at 30 September 2019	**2,965**	**97**	**744**	**3,806**
Cost as at 1 October 2017	2,252	534	889	3,675
Foreign currency translation adjustments	-7	-1	3	-5
Addition in connection with acquisition	1,418	1	605	2,024
Addition	0	33	13	46
Disposal in connection with divestment	0	-1	0	-1
Disposal	0	-5	0	-5
Cost as at 30 September 2018	**3,663**	**561**	**1,510**	**5,734**
Amortisation and impairment losses as at 1 October 2017	0	414	533	947
Foreign currency translation adjustments	0	1	0	1
Amortisation for the year	0	45	53	98
Disposal in connection with divestment	0	-1	0	-1
Amortisation of disposal for the year	0	-5	0	-5
Amortisation and impairment losses as at 30 September 2018	**0**	**454**	**586**	**1,040**
Carrying amount as at 30 September 2018	**3,663**	**107**	**924**	**4,694**

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 is distributed on the cash-generating units as follows:

mDKK	30.09.2019	30.09.2018
Sokołów	696	711
DAT-Schaub	505	486
KLS Ugglarps	96	99
Tulip Food Company	1,154	1,152
ESS-FOOD	6	7
Pork	28	28
Beef	26	26
Danish Crown	454	454
Continued operations	2,965	2,963
Tulip Ltd (discontinued operations)	246	700
	3,211	3,663

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, apart from the impairment occurring in connection with the divestment of Tulip Ltd (see note 17). 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 Sokołów and KLS Ugglarps, such expectations cover the Polish and Swedish markets, while the assessment for DAT-Schaub and Tulip Food Company covers a number of global primary markets. The estimates of growth and the relationship between selling and raw material prices in the budget and strategy periods are based on historical experience and expectations for future growth and market conditions.

10 Intangible assets (continued)

Reference is made to note 17 for an assessment of goodwill in discontinued operations.

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 (%)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Sokołów	1.0	1.0	2.9	3.3	7.1	7.1	8.7	8.7
DAT-Schaub	1.0	1.0	0.0	0.5	4.6	4.6	5.9	5.9
KLS Ugglarps	2.0	1.0	0.2	0.7	4.4	5.3	5.7	6.8
Tulip Food Company	1.0	1.0	0.0	0.5	4.6	4.6	5.9	5.9
ESS-FOOD	3.0	1.0	8.5	9.0	12.1	11.7	16.8	16.2
Pork	1.0	1.0	0.0	0.5	4.6	4.6	5.9	5.9
Beef	1.0	1.0	0.0	0.5	4.6	4.6	5.9	5.9
Danish Crown	1.0	1.0	0.0	0.5	4.6	4.6	5.9	5.9

Acquired trademarks etc.
Acquired trademarks etc. primarily concern trademarks in Poland with a remaining life of 5-15 years.

11 Property, plant and equipment

mDKK	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Plant under construction	Total
Cost as at 1 October 2018	11,986	11,641	1,012	513	25,152
Foreign currency translation adjustments	-28	-49	-4	2	-79
Completion of plant under construction	106	163	20	-289	0
Addition	248	844	113	515	1,720
Disposal	-135	-300	-57	-10	-502
Transfer to discontinued operations	-1,683	-2,491	-192	-74	-4,440
Cost as at 30 September 2019	**10,494**	**9,808**	**892**	**657**	**21,851**
Depreciation and impairment losses as at 1 October 2018	7,137	8,149	755	0	16,041
Foreign currency translation adjustments	-11	-32	-2	0	-45
Depreciation for the year	389	764	93	0	1,246
Depreciation of and impairment losses on disposal for the year	-132	-287	-50	0	-469
Transfer to discontinued operations	-843	-1,816	-140	0	-2,799
Depreciation and impairment losses as at 30 September 2019	**6,540**	**6,778**	**656**	**0**	**13,974**
Carrying amount as at 30 September 2019	**3,954**	**3,030**	**236**	**657**	**7,877**
Of which assets held under finance leases	49	34	10	0	93
Of which recognised interest expenses	44	5	0	0	49
Cost as at 1 October 2017	11,631	11,113	992	348	24,084
Foreign currency translation adjustments	-22	-31	-2	-4	-59
Completion of plant under construction	97	277	30	-404	0
Addition in connection with acquisition	332	327	21	10	690
Addition	113	535	70	563	1,281
Disposal in connection with divestment	0	-12	-14	0	-26
Disposal	-165	-568	-85	0	-818
Cost as at 30 September 2018	**11,986**	**11,641**	**1,012**	**513**	**25,152**
Depreciation and impairment losses as at 1 October 2017	6,740	7,839	748	0	15,327
Foreign currency translation adjustments	-1	-24	1	0	-24
Disposal in connection with divestment	0	-10	-11	0	-21
Impairment losses for the year	167	107	4	0	278
Depreciation for the year	392	772	89	0	1,253
Depreciation of and impairment losses on disposal for the year	-161	-535	-76	0	-772
Depreciation and impairment losses as at 30 September 2018	**7,137**	**8,149**	**755**	**0**	**16,041**
Carrying amount as at 30 September 2018	**4,849**	**3,492**	**257**	**513**	**9,111**
Of which assets held under finance leases	53	36	9	0	98
Of which recognised interest expenses	47	2	0	0	49

Finance costs of 0 million DKK have been recognised in the cost of property, plant and equipment under construction in the financial year (2017/18: 0 million DKK).

12 Equity investments in associates and joint ventures

mDKK	Associates 30.09.2019	Associates 30.09.2018	Joint ventures 30.09.2019	Joint ventures 30.09.2018
Cost as at 1 October 2018	163	162	17	17
Foreign currency translation adjustments	4	1	0	0
Cost as at 30 September 2019	167	163	17	17
Value adjustments as at 1 October 2018	89	93	6	-6
Share of net profit	75	45	1	12
Distribution during the year	-77	-49	0	0
Value adjustments as at 30 September 2019	87	89	7	6
Carrying amount as at 30 September 2019	254	252	24	23

	Associates		Joint ventures	
mDKK	2018/19	2017/18	2018/19	2017/18
Statement of comprehensive income				
Revenue	1,467	1,633	1,264	1,148
Net profit for the year	175	109	3	24
Other comprehensive income	8	1	0	0
Total comprehensive income (100%)	183	110	3	24
Dividend received	77	49	0	0
Non-current assets	695	678	8	7
Current assets	558	610	131	128
Non-current liabilities	179	287	0	0
Current liabilities	501	429	101	88
Equity (100%)	573	572	38	47

The financial year of Daka Danmark A/S, Agri-Norcold A/S, Oriental Sino Limited and WestCrown GmbH runs from 1 January to 31 December.

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

13 Other securities and equity investments

mDKK	30.09.2019	30.09.2018
Unlisted shares	10	67
Listed bonds	15	57
	25	124
Securities are recognised in the balance sheet as follows:		
Non-current assets	10	67
Current assets	15	57
	25	124

14 Inventories

mDKK	30.09.2019	30.09.2018
Raw materials and consumables	698	913
Semi-finished products	452	518
Finished goods and goods for resale	3,681	3,491
	4,831	4,922
Cost of sales	42,221	40,617
Net write-down for the year of inventories recognised as income (-) or expenses (+) in the income statement	19	1

15 Biological assets

mDKK	30.09.2019	30.09.2018
Non-current assets:		
Cost as at 1 October 2018	108	80
Addition in connection with acquisition	0	36
Addition	96	33
Disposal	-79	-41
Transfer to discontinued operations	-124	0
Cost as at 30 September 2019	1	108
Value adjustment as at 1 October 2018	-13	-12
Adjustment for the year	-17	-16
Adjustment of disposal for the year	11	15
Transfer to discontinued operations	19	0
Value adjustments as at 30 September 2019	0	-13
Carrying amount as at 30 September 2019	1	95
No. of sows and boars as at 30 September 2019	892	63,908
Current assets:		
Slaughter pigs	29	312
Land holdings	4	3
Carrying amount as at 30 September 2019	33	315
No. of slaughter pigs as at 30 September 2019	19,084	563,573
Kg produced ('000) during the year	3,015	81,770

16 Trade receivables

mDKK	30.09.2019	30.09.2018
Trade receivables (gross)	6,334	6,721
Write-down for bad debts as at 1 October 2018	-80	-75
Foreign currency translation adjustments	0	-2
Realised losses for the year	4	4
Reversed provisions	1	8
Provisions for bad debts for the year	-23	-15
Transfer to discontinued operations	1	0
Write-down for bad debts as at 30 September 2019	-97	-80
Trade receivables (net)	6,237	6,641

Receivables are written down, partly on the basis of the simplified expected credit loss model, and partly on the basis of an individual assessment of whether the individual debtors' solvency is reduced, for example as a result of suspension of payments, bankruptcy or the like.

Individual 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 180 million DKK (30.09.2018: 119 million DKK).

The group's expected losses on trade receivables based on a weighted loss rate comprise:

mDKK	Loss rate	Gross receivables 2018/19	Expected loss	Net receivables 2018/19	Gross receivables 2017/18
Not due	0.1%	5,117	5	5,112	5,566
Due within 30 days	0.2%	907	2	905	909
Due between 30 and 90 days	2.0%	128	3	125	141
Due after 90 days	25.0%	127	32	95	105
		6,279	42	6,237	6,721

During the financial year, no interest income in respect of receivables written down has been recognised as income (2017/18: 0 million DKK). The maximum credit risk on receivables due, but not written down, and more than 30 days overdue is 55 million DKK (30.09.2018: 55 million DKK).

17 Discontinued operations

With a view to simplifying the group's UK business, an agreement was made in August 2019 to divest the shares in Tulip Ltd to Pilgrim's Pride Corporation's UK subsidiary.

The divestment was completed on 15 October 2019. The divestment was made after a long period of targeted efforts to restore the earnings of Tulip Ltd. However, it was also established that it would require continued investments and a lot of resources to take earnings back to their pre-2015 level. The divestment strengthens the group's balance sheet.

Tulip Ltd is therefore presented as discontinued operations in the 2018/19 financial statements with corresponding restatement of the comparative figures in the 2017/18 income statement.

In total assets, no adjustments have been made in the comparative figures in accordance with IFRS 5.

The figures for the discontinued operations are specified below.

The net assets of the discontinued operations have been impaired to the expected cash selling price as at 15 October 2019. As a result, goodwill and other assets have been impaired by 575 million DKK. No further losses will be realised on the divestment of the activities.

In the 2019/20 year of divestment, related foreign currency translation adjustments of 58 million DKK, which were previously reported as other comprehensive income, will be transferred to results from discontinued operations.

mDKK	2018/19
Assets classified as discontinued operations	
Intangible assets	336
Property, plant and equipment and biological assets	1,746
Financial assets	82
Inventories	689
Receivables	941
	3,794
Liabilities classified as discontinued operations	
Provisions	296
Loans	1,575
Trade payables	565
Deferred tax	106
Other liabilities	306
Net assets	2,848

mDKK	30.09.2019	30.09.2018
Revenue	7,005	7,341
Costs	-7,207	-7,711
Profit before tax and impairment	-202	-370
Tax on profit for the year	-8	67
Profit after tax and before impairment	-210	-303
Impairment to fair value of discontinued operations/non-current assets	-575	-288
Result for the year from discontinued operations	-785	-591
Statement of comprehensive income		
Items which are subsequently transferred to the income statement:		
Foreign currency translation adjustment of foreign enterprises	0	8
Hedging of net investments in foreign enterprises	0	-8
	0	0
Items which cannot be transferred to the income statement:		
Actuarial gains/losses on defined-benefit plans etc.	-110	140
Tax on other comprehensive income	19	-24
	-91	116
Statement of comprehensive income for the year in respect of discontinued operations	-876	-475
Cash flows from discontinued operations		
Cash flows from operating activities	-168	0
Cash flows from investing activities	-322	-201
Cash flows from financing activities	-39	164
Change in cash and cash equivalents	-529	-37

18 Pension plans

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

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

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

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

In connection with the transfer of Tulip Ltd to discontinued operations (see note 17), the most important defined-benefit plans and thus the most important pension assets and liabilities are discontinued.

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.

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 (56 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 2 million DKK (2017/18: 51 million DKK). If inflation was 0.25 percentage points higher, the pension obligation would increase by 1 million DKK (2017/18: 47 million DKK). If the discount rate and inflation were 0.25 percentage points lower, the obligation would increase by 2 million DKK (2017/18: 54 million DKK) and decrease by 1 million DKK (2017/18: 45 million DKK), respectively.

If the average lifetime increased or decreased by one year, the pension obligation would increase or decrease, respectively, by 1 million DKK.

The present value in the above sensitivity analysis is calculated using the projected 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 2019 is 24 years for the plans in the UK and 10 years for the plans in Denmark.

18 Pension plans (continued)

Defined-contribution plans

mDKK	2018/19	2017/18
Contributions to defined-contribution plans recognised in the income statement	424	386
Defined-benefit plans		
Net interest expenses	1	1
Recognised in the income statement under staff costs	1	1
Remeasurement of defined-benefit plans		
Return on pension assets	0	-1
Actuarial gains/losses on changes in demographic assumptions	-1	0
Actuarial gains/losses on changes in financial assumptions	5	-4
Recognised in other comprehensive income as income (-)/expenses (+)	4	-5
Recognised in comprehensive income as income (-)/expenses (+)	5	-4
The pension obligation recognised in the balance sheet can be specified as follows:		
Present value of hedged pension obligation (UK)	39	1,216
Present value of unhedged pension obligation (Denmark)	30	34
	69	1,250
Fair value of the assets underlying the pension plans	-25	-1,208
Net obligation recognised in the balance sheet	44	42

The group expects to contribute a total of 5 million DKK to the plans during the coming financial year.

mDKK	30.09.2019	30.09.2018
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 2018	1,250	1,393
Foreign currency translation adjustments	4	-6
Interest on pension obligation	34	35
Actuarial gains and losses:		
Actuarial gains/losses on changes in demographic assumptions	-29	-64
Actuarial gains/losses on changes in financial assumptions	177	-48
Actuarial gains/losses on adjustments based on experience	0	-4
Pension benefits paid	-54	-56
Adjustment to previous year	28	0
Transfer to discontinued operations	-1,341	0
Present value of pension obligations as at 30 September 2019	69	1,250
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 2018	1,208	1,203
Foreign currency translation adjustments	4	-5
Interest on the assets underlying the pension plans	33	31
Return on the assets underlying the pension plans	34	29
Employer contributions	4	4
Administrative expenses	-3	-1
Pension benefits paid	-51	-53
Transfer to discontinued operations	-1,204	0
Fair value of the assets underlying the pension plans as at 30 September 2019	25	1,208
Accumulated actuarial gains and losses included in other comprehensive income	-38	-34

18 Pension plans (continued)

mDKK	30.09.2019	30.09.2018
The UK pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	1.90%	2.80%
Average remaining life expectancy at retirement for existing pension recipients:		
Men aged 65 years	22.2 years	22.2 years
Women aged 65 years	24.4 years	23.9 years
Average remaining life expectancy at retirement for current employees:		
Men aged 45 years	23.5 years	23.9 years
Women aged 45 years	25.8 years	25.5 years
Future pension increases	3.00%	2.00%
Inflation, consumer index	2.90%	2.20%
The Danish pension obligations have been calculated on the basis of the following actuarial assumptions:		
Average discount rate	2.20%	2.20%
Future pension increases	2.00%	2.00%

The most recent actuarial statements of the UK pension obligations were calculated on 30 September 2019 by Buck Consultants Ltd, JLT Group and Aviva Group.

The assets underlying the pension plans measured at fair value comprise:		
Cash and cash equivalents	0	72
Shares, listed		
UK shares	7	182
Other shares	7	647
Bonds		
UK government bonds	3	146
UK government-indexed bonds	0	150
Other	4	3
Real property	4	8
	25	1,208

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.

19 Deferred tax

mDKK	30.09.2019	30.09.2018
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	180	307
Deferred tax liabilities	-263	-318
	-83	-11
Tax value of non-recognised deferred tax assets	**304**	**305**
The equity dates of tax losses to be carried forward can be specified as follows:		
No expiry date	265	238
2019	2	1
2020	1	1
2021	1	1
After 2024	2	1
	271	242

The tax base of tax losses amounting to 61 million DKK (2017/18: 61 million DKK) has not been recognised as it has not been deemed sufficiently probable that the losses will be utilised within a foreseeable future.

19 Deferred tax (continued)

2018/19 mDKK	Deferred tax as at 01.10.2018	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Transfer to discontinued operations	Change in tax rate	Deferred tax as at 30.09.2019
Intangible assets	-68	-1	-3	-13	0	15	2	-68
Property, plant and equipment	217	1	-92	-54	0	84	1	157
Financial assets	0	0	0	5	0	0	0	5
Current assets	36	0	0	21	0	0	0	57
Non-current liabilities	-14	0	0	-23	20	-23	0	-40
Current liabilities	65	0	-2	-12	0	-3	0	48
Tax losses to be carried forward	63	0	-16	20	0	0	0	67
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	-6
	293	0	-113	-56	20	73	3	220
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	1
Write-down of tax assets	-305	0	13	-12	0	0	0	-304
	-11	0	-100	-68	20	73	3	-83

2017/18 mDKK	Deferred tax as at 01.10.2017	Foreign currency translation adjustment	Changes in respect of previous years	Recognised in net profit for the year	Recognised in other comprehensive income	Addition in connection with acquisition	Change in tax rate	Deferred tax as at 30.09.2018
Intangible assets	27	0	0	-7	0	-98	10	-68
Property, plant and equipment	182	2	-68	138	0	-28	-9	217
Financial assets	2	0	0	-2	0	0	0	0
Current assets	29	0	1	-4	0	11	-1	36
Non-current liabilities	15	0	1	-6	-24	0	0	-14
Current liabilities	76	0	-1	-8	0	0	-2	65
Tax losses to be carried forward	52	0	-6	16	0	1	0	63
Retaxation balance in respect of losses in foreign enterprises under Danish joint taxation	-6	0	0	0	0	0	0	-6
	377	2	-73	127	-24	-114	-2	293
Adjustment concerning utilisation of tax asset not previously recognised	1	0	0	0	0	0	0	1
Write-down of tax assets	-262	0	-13	-29	0	0	-1	-305
	116	2	-86	98	-24	-114	-3	-11

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.

20 Other provisions

mDKK	Employee-related	Specific require-ments	Renovation of ten-ancies etc.	Other	Total
Other provisions as at 1 October 2018	66	148	28	94	336
Foreign currency translation adjustments	0	-2	0	0	-2
Utilised during the year	-12	-46	-11	-1	-70
Reversal of unutilised provision	-2	0	0	-20	-22
Provisions for the year	15	0	1	100	116
Transfer to discontinued operations	0	-46	0	-112	-158
Other provisions as at 30 September 2019	67	54	18	61	200
Other provisions as at 1 October 2017	49	83	41	169	342
Foreign currency translation adjustments	0	-1	0	0	-1
Utilised during the year	-4	-2	-18	0	-24
Reversal of unutilised provision	-7	-26	-7	-76	-116
Provisions in acquired businesses	1	1	0	0	2
Provisions for the year	27	93	12	1	133
Other provisions as at 30 September 2018	66	148	28	94	336

	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Other provisions can be specified by maturity as follows:				
30.09.2019	86	72	42	200
30.09.2018	192	104	40	336

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.

21 Loans

Loans can be specified by maturity as follows:

30.09.2019 mDKK	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Mortgage debt	172	734	2,974	3,880
Other debt, issued bonds	0	2,235	1,864	4,099
Other credit institutions	79	1,044	310	1,433
Bank debt	1,534	1,313	0	2,847
Finance lease commitments	22	38	1	61
	1,807	5,364	5,149	12,320
30.09.2018				
Mortgage debt	129	790	3,004	3,923
Other debt, issued bonds	0	1,954	2,069	4,023
Other credit institutions	118	799	622	1,539
Bank debt	543	3,167	0	3,710
Finance lease commitments	21	46	8	75
	811	6,756	5,703	13,270

Lease commitments	2018/19		2017/18	
mDKK	Minimum lease payments	Carrying amount	Minimum lease payments	Carrying amount
Finance lease commitments	62	61	77	75
Amortisation premiums for future expensing	0		1	
	62		78	

22 Acquisition and divestment of businesses

No businesses have been acquired or divested in 2018/19. Tulip Ltd was divested after the end of the financial year, and the activities are thus accounted for as discontinued operations. Reference is made to note 17.

	Primary activity	Acquisition date	Acquired owner's share in %	Acquired voting share in %
In 2017/18, the group acquired the following businesses for a total consideration of 2,553 million DKK:				
2017/18				
Procesadora Insuban SpA.	Casings	24.11.2017	80	80
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	Casings	24.11.2017	70	70
BRC Tripas - Comercio de Tripas Ltda.	Casings	24.11.2017	70	70
Tripas de Colombia S.A.S.	Casings	24.11.2017	70	70
Agrimares S.L.	Casings	24.11.2017	70	70
Overberg Food Distributors Proprietary Ltd	Wholesale trade	17.01.2018	70	70
Shanghai Natural Casing Co., Ltd	Selection of casings	01.08.2018	51	51
Easey Holdings Ltd	Rearing of animals	14.12.2017	100	100
DK-Foods Holding ApS	Food production	19.03.2018	100	100
Zandbergen Group	Food production	11.07.2018	100	100
Gzella Group	Food production	30.05.2018	100	100
Oelwein	Production of raw heparin	13.02.2018	100	100

In 2017/18, the group divested two businesses for a total consideration of 328 million DKK.

23 Operating lease commitments

mDKK	30.09.2019	30.09.2018
Total future minimum lease payments in respect of non-cancellable leases (operating equipment and rent) comprise:		
Within 1 year of the balance sheet date	156	169
Between 1 and 5 years of the balance sheet date	286	365
After 5 years of the balance sheet date	9	38
	451	572
Minimum lease payments recognised in net profit for the year	204	218

24 Contingent liabilities

mDKK	30.09.2019	30.09.2018
Other guarantees	21	25
Contractual obligations in respect of property, plant and equipment	0	22

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.

25 Security

mDKK	30.09.2019	30.09.2018
The following assets have been provided as security for mortgage debt and other long-term debt:		
Nominal mortgage secured on land, buildings and production facilities etc.	4,031	4,022
Carrying amount of the above-mentioned assets	3,299	3,245

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 Board of Directors.

It is the Board of Representatives which, in due consideration of the company's articles of association, decides on the Board of Directors' recommendation for the annual supplementary payments out of the net profit for the year. In accordance with the articles of association, the individual cooperative member accumulated up until 2017 a balance in a member's account which corresponds to the company's contributed capital. The accumulation was terminated with effect from 2018. 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. Balances in member's accounts may be disbursed in 2021 at the earliest.

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

mDKK	30.09.2019	30.09.2018
No. of cooperative members as at 1 October 2018	6,830	7,166
Net reduction	-404	-366
No. of cooperative members as at 30 September 2019	6,426	6,830
Total liability	161	171
Proposed supplementary payments for the cooperative members (incl. extraordinary disbursement and return on members' accounts)	1,258	1,070

27 Specifications to the cash flow statement

Change in net working capital

mDKK	2018/19	2017/18
Change in inventories	-289	-826
Change in receivables	-527	-155
Change in other provisions	-49	-94
Change in trade payables and other payables	-65	34
	-930	-1,041
Cash and cash equivalents		
Cash and bank deposits, see balance sheet	129	179
	129	179

Liabilities in respect of financing activities

Balance as at 1 October 2018	11,270	7,925
Loans raised	1,548	5,223
Loans repaid and repayments	-823	-2,325
Debt assumed in connection with the acquisition of businesses	0	422
Foreign currency translation adjustments	-4	25
Balance as at 30 September 2019	11,991	11,270

28 Financial risks and financial instruments

Financial risks
Financial risks are managed at group level in accordance with the group's treasury policy. The group hedges commercial risks only and does not engage in derivative financial transactions for speculation purposes.

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 to -68 million DKK (30.09.2018: -38 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.

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 24 months and can be specified as described on page 68 where agreements on the sale of currency are stated with a positive contractual value.

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, GBP, SEK and PLN.

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, 18 million DKK (30.09.2018: 18 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 100 million DKK (30.09.2018: 81 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.

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.

	Effect on net profit		Effect on equity	
mDKK	**30.09.2019**	**30.09.2018**	**30.09.2018**	**30.09.2018**
Effect if EUR exchange rate was 10% lower than actual exchange rate	13	-5	13	-5
Effect if GBP exchange rate was 10% lower than actual exchange rate	-1	0	-30	-21
Effect if JPY exchange rate was 10% lower than actual exchange rate	0	0	-28	-28
Effect if SEK exchange rate was 10% lower than actual exchange rate	-1	0	-1	0
Effect if USD exchange rate was 10% lower than actual exchange rate	-1	-6	-30	-35
Effect if other exchange rates were 10% lower than actual exchange rate	-1	0	-1	0

28 Financial risks and financial instruments (continued)

mDKK	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	2	1,577	-952	627	1	-795	-167
GBP	0	741	-67	674	-1,897	1,236	13
JPY	0	1,222	0	1,222	-1,118	-101	3
SEK	0	87	-7	80	-384	320	16
USD	0	4,652	-587	4,065	-2,969	-1,084	12
Other currencies	46	585	-113	518	-53	-455	10
30.09.2019	48	8,864	-1,726	7,186	-6,420	-879	-113
EUR	5	1,943	-982	966	20	-921	65
GBP	1	802	-58	745	-1,418	678	5
JPY	0	1,533	0	1,533	-1,407	-122	4
SEK	0	113	-5	108	-452	350	6
USD	0	2,812	-452	2,360	-602	-1,687	71
Other currencies	5	449	-61	393	-33	-354	6
30.09.2018	11	7,652	-1,558	6,105	-3,892	-2,056	157

	Hedging of future cash flows		Fair value hedging		Non-fulfilment of hedging criteria	
mDKK	Contractual value	Fair value adjustment recognised in equity	Contractual value	Fair value	Contractual value	Fair value
Forward exchange contracts EUR	0	0	0	0	-2	0
Forward exchange contracts GBP	288	-2	1,599	-8	0	0
Forward exchange contracts JPY	284	-7	820	-9	0	0
Forward exchange contracts SEK	0	0	384	0	0	0
Forward exchange contracts USD	287	-5	2,619	-48	10	0
Forward exchange contracts, other	0	0	77	-3	-28	0
30.09.2019	859	-14	5,499	-68	-20	0
Forward exchange contracts EUR	0	0	4	0	-25	0
Forward exchange contracts GBP	210	-1	1,194	-13	0	0
Forward exchange contracts JPY	279	9	1,130	-7	0	0
Forward exchange contracts SEK	0	0	444	-7	0	0
Forward exchange contracts USD	292	0	299	-12	0	0
Forward exchange contracts, other	0	0	64	0	-30	0
30.09.2018	781	8	3,135	-39	-55	0

28 Financial risks and financial instruments (continued)

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, 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 as shown in the right column.

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 -26 million DKK (30.09.2018: -3 million DKK) (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 (repos) 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 2019, such sale and repurchase agreements with a nominal value of 2,787 million DKK (30.09.2018: 2,594 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 (30.09.2018: negative impact of 2 million) on the group's results and equity in the form of a capital loss 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 57 million DKK (2017/18: 57 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 Executive Board.

Repricing or expiry date

mDKK	Within 1 year	Between 1 and 5 years	After 5 years	Total	Fair value
Bonds	-15	0	0	-15	-15
Bank deposits	-129	0	0	-129	-129
Mortgage debt	3,534	68	278	3,880	3,897
Other debt, issued bonds	1,453	1,414	1,232	4,099	4,099
Other credit institutions	469	654	310	1,433	1,433
Bank debt	2,803	44	0	2,847	2,848
Finance lease commitments	59	2	0	61	62
Interest rate swaps, fixed interest rate	-825	820	5	0	26
30.09.2019	7,349	3,002	1,825	12,176	12,221
Bonds	-57	0	0	-57	-57
Bank deposits	-179	0	0	-179	-179
Mortgage debt	2,778	886	259	3,923	3,932
Other debt, issued bonds	1,450	1,134	1,439	4,023	4,023
Other credit institutions	507	410	622	1,539	1,539
Bank debt	3,651	59	0	3,710	3,710
Finance lease commitments	74	1	0	75	75
Interest rate swaps, fixed interest rate	-856	850	6	0	3
30.09.2018	7,368	3,340	2,326	13,034	13,046

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, distributed by the time intervals applied in the group's cash management. The specified amounts on page 71 represent the amounts falling due for payment, including interest etc.

Credit risks
The primary credit risk of the group concerns trade receivables. The payment terms stated in the group's sales contracts with customers are based on the underlying performance obligation and customer relations. The group's payment terms include short credits averaging approximately 40 days. No sales with significant credit terms exist. A credit rating is made 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. For customers with outstanding balances exceeding 25 million DKK, credit insurance must be taken out unless the customer has an 'A'-level credit rating from a reputable rating company as a minimum. Agreements on derivative financial instruments with a nominal value exceeding 100 million DKK are generally only concluded with reputable 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 target 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 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.

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.

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 3.2 (30.09.2018: 4.1).

The financial gearing as at the balance sheet date can be calculated as follows:

mDKK	30.09.2019	30.09.2018*	30.09.2018
Mortgage debt	3,880	3,923	3,923
Other debt, issued bonds	4,099	4,023	4,023
Other credit institutions	1,433	1,539	1,539
Bank debt	2,847	2,101	3,710
Finance lease commitments	61	75	75
Receivables from and prepayments to cooperative members	-329	-391	-391
Cash and short-term securities	-144	-227	-236
Net interest-bearing debt	11,847	11,043	12,643
Operating profit before special items (EBIT)	2,522	2,091	1,742
Depreciation, amortisation, impairment losses and write-downs	1,184	1,109	1,367
EBITDA	3,706	3,200	3,109
Financial gearing	3,2	3,5	4,1

Cash resources:

mDKK	30.09.2019	30.09.2018
Cash resources comprise:		
Cash	129	179
Unutilised credit facilities	3,114	4,361
	3,243	4,540

* 30.09.2018 restated to take account of discontinued operations.
Net interest-bearing debt in not-continued operations totals 1.6 billion DKK.

28 Financial risks and financial instruments (continued)

mDKK	Within 1 year	Between 1 and 5 years	After 5 years	Total
Non-derivative financial liabilities:				
Mortgage debt	266	1,010	3,882	5,158
Other debt, issued bonds	107	2,521	1,941	4,569
Other credit institutions	93	1,092	303	1,488
Bank debt	1,536	1,313	0	2,849
Finance lease commitments	22	39	1	62
Trade payables	3,067	0	0	3,067
Other payables	1,732	0	0	1,732
	6,823	5,975	6,127	18,925
Derivative financial instruments:				
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	68	0	6	74
Derivative financial instruments concluded in order to hedge future cash flows	40	0	0	40
30.09.2019	6,931	5,975	6,133	19,039
Non-derivative financial liabilities:				
Mortgage debt	219	1,153	4,373	5,745
Other debt, issued bonds	103	2,338	3,193	5,634
Other credit institutions	133	849	637	1,619
Bank debt	558	3,215	8	3,781
Finance lease commitments	22	48	8	78
Trade payables	3,773	0	0	3,773
Other payables	2,179	0	0	2,179
	6,987	7,603	8,219	22,809
Derivative financial instruments:				
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	44	0	0	44
Derivative financial instruments concluded in order to hedge future cash flows	4	2	0	6
30.09.2018	7,035	7,605	8,219	22,859

mDKK	30.09.2019	30.09.2018
Categories of financial instruments in accordance with IAS 39:		
Other securities and equity investments	25	124
Financial assets measured at fair value via the net profit for the year	25	124
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	6	6
Derivative financial instruments concluded in order to hedge future cash flows	0	10
Financial assets used as hedging instruments	6	16
Trade receivables	6,237	6,641
Receivables from and prepayments to cooperative members	329	391
Receivables from associates	26	40
Other receivables	785	700
Cash	129	179
Financial assets measured at cost	7,506	7,951
Other liabilities	0	0
Financial liabilities measured at amortised cost price	0	0
Financial liabilities used as hedging of net investments in foreign subsidiaries	2,623	2,954
Derivative financial instruments concluded in order to hedge the fair value of recognised assets and liabilities	74	44
Derivative financial instruments concluded in order to hedge future cash flows	40	6
Financial liabilities used as hedging instruments	2,737	3,004
Mortgage debt	3,880	3,923
Other debt, issued bonds	4,099	4,023
Other credit institutions	1,433	1,539
Bank debt	224	756
Finance lease commitments	61	75
Trade payables	3,384	4,066
Payables to associates	60	47
Other payables	1,732	2,179
Financial liabilities measured at amortised cost	14,873	16,608

28 Financial risks and financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value in the balance sheet
The table on the right shows the classification of financial instruments measured at fair value, distributed according to 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).

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.

mDKK	Level 1	Level 2	Level 3	Total
30.09.2019				
Listed bonds	0	0	0	0
Unlisted shares	0	0	8	8
Financial assets measured at fair value via the net profit for the year	0	0	8	8
Financial assets used as hedging instruments	0	6	0	6
Other liabilities	0	0	0	0
Financial liabilities measured at fair value via the net profit for the year	0	0	0	0
Financial liabilities used as hedging instruments	0	114	0	114
30.09.2018				
Listed bonds	0	0	0	0
Unlisted shares	0	0	12	12
Financial assets measured at fair value via the net profit for the year	0	0	12	12
Financial assets used as hedging instruments	0	16	0	16
Other liabilities	0	0	0	0
Financial liabilities measured at fair value via the net profit for the year	0	0	0	0
Financial liabilities used as hedging instruments	0	50	0	50

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

mDKK	30.09.2019	30.09.2018
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 2018	12	-40
Foreign currency translation adjustment	0	-1
Adjustment of minorities	0	0
Gain/loss included in net profit for the year	0	0
Purchase	1	5
Sale	0	48
Transfer to discontinued operations	-5	0
Carrying amount as at 30 September 2019	8	12
Gain/loss included in net profit for the year for assets held as at 30 September 2019	0	0

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 Board of Directors and the Executive Board as well as members of their families. Related parties also include enterprises in which such persons have significant interests.

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

Transactions with related parties

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

mDKK	Associates and joint ventures	Board of Directors of the parent	Executive Board of the parent	Total
2018/19				
Sale of goods	413	7	0	420
Purchase of goods	21	200	0	221
Sale of services	1	0	0	1
Purchase of services	277	0	0	277
Salaries and other remuneration	0	7	24	31
Trade receivables	25	3	0	28
Trade payables	36	1	0	37
Dividend received/supplementary payments	0	12	0	12
Member's accounts	0	13	0	13
2017/18				
Sale of goods	388	8	0	396
Purchase of goods	16	185	0	201
Sale of services	1	0	0	1
Purchase of services	258	0	0	258
Salaries and other remuneration	0	8	21	29
Trade receivables	40	4	0	44
Trade payables	37	0	0	37
Dividend received/supplementary payments	0	14	0	14
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

On 15 October 2019, the divestment of the shares of Tulip Ltd was completed. The activities of Tulip Ltd have been recognised as discontinued operations in the financial statements. The divestment was in line with the expectations recognised in the financial statements.

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

31 Accounting policies

The 2018/19 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, see 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 prices, except for derivative financial instruments and financial assets which are recognised at fair value in the income statement, biological assets which are also measured at fair value as well as net assets concerning discontinued assets which are measured at expected sales prices (net).

Except from what is described below regarding IFRS 9 and IFRS 15, the accounting policies have been applied consistently with those of last year.

Effect of new IFRS standards
With effect for the 2018/19 financial year, Leverandørselskabet Danish Crown AmbA has implemented the following new standards, both of which have entered into force for financial years beginning on or after 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

IFRS 9, which replaces IAS 39, introduces a more logical approach to the classification of financial assets, driven by the company's business model and the characteristics of the underlying cash flows. At the same time, a new impairment model for financial assets is introduced.

According to the new standard, total expected losses on trade receivables and other receivables must be recognised immediately when the receivable arises, as opposed to previously where write-downs were not recognised until an indication of loss existed. The implementation of IFRS 9 has not resulted in any changes to the classification of financial assets and liabilities.

IFRS 9 and IFRS 15 have been implemented retroactively, involving recognition of the accumulated effect on equity at the beginning of the year, but no restatement of comparative figures. The accumulated effect on equity is 0.

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.

According to IFRS 15, revenue is recognised as the performance obligations towards the customer are met. The group's revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation. This does not change the date of recognition as compared to the previous approach.

Standards and interpretations which have not yet come into effect
At the time of the release of the 2018/19 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 16 – Leases

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	Increased by 600-800 million DKK
Net interest-bearing debt	Increased by 600-800 million DKK

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.

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.

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 business. 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 obliga-

31 Accounting policies (continued)

tion 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 businesses are recognised in the consolidated financial statements from the date of acquisition or establishment of such businesses, respectively. The date of acquisition is the date when control is actually taken of the business. Businesses divested or wound up are recognised in the consolidated income statement until the date of divestment or winding up of such business, respectively. The date of divestment is the date when control of the business actually passes to a third party.

On acquisition of new businesses where the group obtains a controlling interest in the acquired business, the purchase method is used according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired businesses 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 business. Allowance is made for the tax effect of restatements. The purchase price for a business consists of the fair value of the price paid for the acquired business. 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 business are recognised directly in the income statement when they are incurred.

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

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase price, initial recognition takes place on the basis of preliminarily calculated amounts.

The preliminarily calculated amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition, provided that new information has come to light regarding matters existing at the date of acquisition which would have affected the calculation of the amounts at the date of acquisition, had such information been known.

Changes in estimates of conditional purchase prices are, as a general rule, recognised directly in the income statement. In connection with the transition to IFRS, business combinations completed before 30 September 2002 are not restated to the above-mentioned accounting policies. The carrying amount as at 30 September 2002 of goodwill relating to business combinations completed before 30 September 2002 is regarded as the cost of the goodwill.

Gains or losses on the divestment or winding up of subsidiaries and associates
Gains or losses on the divestment or winding up of subsidiaries and associates which entails a lapse of 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 business 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.

31 Accounting policies (continued)

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

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

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

Net revenue

The group's revenue comprises the sale of meat and meat-related products, primarily within three business areas: Fresh Meat, Foods and Casings.

The revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation. Revenue from the sale of goods for resale and finished goods is thus recognised in the income statement when control of the product passes to the customer. The main part of revenue is recognised when the goods are handed over to the carrier. Due to the nature of the products, the volume of returned goods is insignificant.

The revenue recognised is measured at the fair value of the agreed consideration plus export refunds and less VAT, duties 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.

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 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.

31 Accounting policies (continued)

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 business acquired, the value of minority interests in the business 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.

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

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

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

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

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

Land
Is not depreciated.

Buildings
20-40 years

Special installations
10-20 years

Plant and machinery
10 years

Technical plant
5-10 years

Other plant, tools and equipment
3-5 years

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

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

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

31 Accounting policies (continued)

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 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. Write-downs for bad debts are determined on the basis of the simplified expected credit loss model, according to which the expected loss over the lifetime of the asset is recognised immediately in the income statement based on a historical loss rate. To this is added any additional write-downs based on knowledge of the underlying customer relations and general market conditions.

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

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

Discontinued operations
Assets and liabilities linked to discontinued operations are measured at the lower of carrying amount at the time the assets are put up for sale and fair value less selling costs. Assets and liabilities are reported as separate items in the balance sheet, the results of activities as a separate item in the income statement and cash flows from activities as a separate item in the cash flow statement. Comparative figures in the balance sheet are not restated, whereas comparative figures in the income statement and cash flow statement are restated.

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 companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

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

Under the defined-benefit plans, an actuarial specification is made of the 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 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.

31 Accounting policies (continued)

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 businesses are recognised as from the date of acquisition, and cash flows relating to divested businesses are recognised until the date of divestment.

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

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of 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 areas, markets and sales channels. However, this does not represent segment information in accordance with IFRS 8.

Definition of ratios

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

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

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

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

6 Financial statements of the parent

Income statement
1 October 2018 - 30 September 2019

		Parent	
mDKK	Note	2018/19	2017/18
Revenue	1	13,712	13,597
Production costs		-12,818	-12,673
Gross profit		894	924
Administrative expenses	2	-49	-45
Operating profit (EBIT)		845	879
Income from equity investments in group enterprises	6	337	78
Income from equity investments in associates	6	0	0
Financial income	3	240	207
Financial expenses		-2	-3
Profit before tax		1,420	1,161
Tax on profit for the year	4	-9	-18
Net profit for the year		1,411	1,143

Proposed distribution of profit

mDKK	2018/19
Net profit for the year	1,411
Total amount available for distribution	1,411
To be distributed as follows:	
Transferred to proposed supplementary payments for the year	
Pig suppliers 1,078,361,493 kg of 1.05 DKK	1,132
Sow suppliers 41,577,588 kg of 0.90 DKK	38
Cattle suppliers 76,123,979 kg of 0.80 DKK	61
Supplementary payments from the year's operations	1,231
Return on members' accounts in accordance with article 22.2 d of the articles of association	
Pig suppliers	24
Sow suppliers	1
Cattle suppliers	2
Total return on members' accounts	27
Total proposed disbursement	1,258
Transferred to equity	
Transferred to personal subordinated accounts	76
Transferred to net revaluation reserve	0
Transferred to other reserves	77
Transferred to equity, total	153
Available for distribution, total	1,411

Balance sheet – assets
30 September 2019

mDKK	Note	Parent 30.09.2019	Parent 30.09.2018
Non-current assets			
Intangible assets			
Software	5	6	4
Total intangible assets		6	4
Financial assets			
Equity investments in group enterprises		2,953	2,876
Receivables from group enterprises		3,150	3,150
Equity investments in associates		19	19
Total financial assets	6	6,122	6,045
Total non-current assets		6,128	6,049
Current assets			
Receivables			
Receivables from and prepayments to cooperative members		329	390
Receivables from group enterprises		159	145
Total receivables		488	535
Cash		0	0
Total current assets		488	535
Total assets		6,616	6,584

Balance sheet – equity and liabilities
30 September 2019

mDKK	Note	Parent 30.09.2019	Parent 30.09.2018
Equity			
Member's accounts		1,462	1,548
Personal subordinated accounts		354	282
Other reserves		2,886	2,973
Proposed supplementary payment for the year		1,258	1,070
Total equity		5,960	5,873
Provisions			
Other provisions	7	24	24
Total provisions		24	24
Liabilities			
Non-current liabilities			
Bank debt		270	352
Total non-current liabilities	8	270	352
Current liabilities			
Trade payables		318	293
Payables to group enterprises		35	29
Income tax payable		6	12
Other payables		3	1
Total current liabilities		362	335
Total liabilities		632	687
Total equity and liabilities		6,616	6,584

Statement of changes in equity
30 September 2019

	Parent					
mDKK	Member's accounts	Personal subordinated accounts	Reserve for net revaluation of equity investments	Other reserves	Proposed supplementary payments etc. for the year	Total
Equity as at 30 September 2017	1,560	270	0	2,830	1,438	6,098
Payments and disbursements for the year	-12	0	0	0	-1,438	-1,450
Foreign currency translation adjustment, foreign enterprises	0	0	-33	0	0	-33
Other adjustments	0	0	140	-25	0	115
Net profit for the year	0	12	0	61	1,070	1,143
Transfer	0	0	-107	107	0	0
Equity as at 30 September 2018	1,548	282	0	2,973	1,070	5,873
Payments and disbursements for the year	-86	-4	0	0	-1,070	-1,160
Foreign currency translation adjustment, foreign enterprises	0	0	-56	0	0	-56
Other adjustments	0	0	-105	-3	0	-108
Net profit for the year	0	76	0	77	1,258	1,411
Transfer	0	0	161	-161	0	0
Equity as at 30 September 2019	1,462	354	0	2,886	1,258	5,960

Notes, parent

1 Revenue

mDKK	2018/19	2017/18
Distribution by market:		
Denmark	13,712	13,597
	13,712	13,597
Distribution by sector:		
Pork	12,095	11,784
Beef	1,617	1,813
	13,712	13,597

2 Staff costs

mDKK	2018/19	2017/18
Salaries and wages	26	26
Pensions	1	1
Other social security costs	1	1
	28	28
Staff costs are distributed as follows:		
Administrative expenses	28	28
	28	28
Of which:		
Remuneration for the parent's Board of Directors	3	3
Remuneration for the parent's Board of Representatives	1	1
Remuneration for the parent's Executive Board	0	0
	4	4
Average no. of employees	38	38

3 Financial income

mDKK	2018/19	2017/18
Group enterprises	236	205
Other interest	4	2
	240	207

4 Tax on profit for the year

mDKK	2018/19	2017/18
Calculated tax on profit for the year	14	16
Adjustment concerning previous years	-5	2
	9	18

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 Intangible assets

mDKK	Software
Cost as at 1 October 2018	6
Addition	3
Cost as at 30 September 2019	**9**
Amortisation and impairment losses as at 1 October 2018	2
Amortisation for the year	1
Amortisation and impairment losses as at 30 September 2019	**3**
Carrying amount as at 30 September 2019	**6**
Cost as at 1 October 2017	3
Addition	3
Cost as at 30 September 2018	**6**
Amortisation and impairment losses as at 1 October 2017	1
Amortisation for the year	1
Amortisation and impairment losses as at 30 September 2018	**2**
Carrying amount as at 30 September 2018	**4**

6 Financial assets

mDKK	Equity investments in group enterprises	Receivables from group enterprises	Equity investments in associates	Total financial assets
Cost as at 1 October 2018	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Addition	0	0	0	0
Disposal	0	0	0	0
Cost as at 30 September 2019	5,158	3,150	0	8,308
Value adjustments as at 1 October 2018	-2,282	0	19	-2,263
Foreign currency translation adjustments	-56	0	0	-56
Share of net profit	337	0	0	337
Distribution during the year	-96	0	0	-96
Disposal	0	0	0	0
Other adjustments	-108	0	0	-108
Value adjustments as at 30 September 2019	-2,205	0	19	-2,186
Carrying amount as at 30 September 2019	2,953	3,150	19	6,122
Cost as at 1 October 2017	5,158	3,150	0	8,308
Foreign currency translation adjustments	0	0	0	0
Addition	0	0	0	0
Disposal	0	0	0	0
Cost as at 30 September 2018	5,158	3,150	0	8,308
Value adjustments as at 1 October 2017	-2,441	0	19	-2,422
Foreign currency translation adjustments	-33	0	0	-33
Share of net profit	78	0	0	78
Distribution during the year	0	0	0	0
Disposal	0	0	0	0
Other adjustments	114	0	0	114
Value adjustments as at 30 September 2018	-2,282	0	19	-2,263
Carrying amount as at 30 September 2018	2,876	3,150	19	6,045

An overview of subsidiaries and associates appears from the group structure on page 91.

7 Other provisions

mDKK	30.09.2019	30.09.2018
Other provisions as at 1 October 2018	24	24
Utilised during the year	0	0
Other provisions as at 30 September 2019	24	24

Other provisions comprise a provision made in respect of a foreign court case. The provision is deemed to cover the company's risk in this regard and is expected to be settled within 1-5 years.

8 Bank debt

The company is included in a cash pool arrangement with other consolidated companies with the group's bank.

9 Contingent liabilities etc.

mDKK	30.09.2019	30.09.2018
Guarantees to group enterprises, maximum	17,075	17,663
Guarantees to group enterprises, utilised	13,427	12,983

10 Cooperative members' liability

mDKK	30.09.2019	30.09.2018
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	6,426	6,830
Total liability	161	171

11 Related parties

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

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

12 Events occurring after the balance sheet date

No material events have occurred after the balance sheet date.

13 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 (large).

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

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

Intra-group divestments
In connection with intra-group divestments, 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 businesses 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 under 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 of 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.

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

Today, the Board of Directors and the Executive Board have considered and adopted the annual report of Leverandørselskabet Danish Crown AmbA for the financial year 1 October 2018 - 30 September 2019.

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 company have been prepared in accordance with the Danish Financial Statements Act. The management's review has 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 2019 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 2018 - 30 September 2019.

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, 21 November 2019

Executive Board

Jais Valeur
Group CEO

Preben Sunke
Group COO/CFO

Board of Directors

Erik Bredholt
Chairman

Asger Krogsgaard
Vice-chairman

Peder Philipp
Member of the Board of Directors

Peter Fallesen Ravn
Member of the Board of Directors

Palle Joest Andersen
Member of the Board of Directors

Cay Wulff Sørensen
Member of the Board of Directors

Søren Bonde
Member of the Board of Directors

Knud Jørgen Lei
Member of the Board of Directors

Ulrik Bremholm
Member of the Board of Directors

Michael Nielsen
Member of the Board of Directors

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 2019 and of the results of the Group's operations and cash flows for the financial year 1 October 2018 to 30 September 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 October 2018 to 30 September 2019 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 2018 - 30 September 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 Financial 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, 21 November 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
Mne 23328

Tue Stensgård Sørensen
State Authorised Public Accountant
Mne 32200

Group structure

Company name		Direct owner's share in %
Leverandørselskabet Danish Crown AmbA	**DK**	
Danish Crown A/S	**DK**	**100**
Tulip Food Company A/S	**DK**	**100**
DK-FOOD's A/S	DK	100
Slagter Munch ApS	DK	100
Tulip Norge AS	NO	100
Tulip Food Company GmbH **)	DE	100
Tulip Fleischwaren Oldenburg GmbH **)	DE	100
Tulip Food Company France S.A.	FR	100
Tulip Food Company AB	SE	100
Pölsemannen AB	SE	100
Tulip Food Company Italiana S.r.L.	IT	100
Tulip Food Company Japan Co. Ltd	JP	100
Majesty Inc.	US	100
Tulip Food Company B.V.	NL	100
Zandbergen & ZN Haarlem Vleeswaren B.V.	NL	100
Tulip International (UK) Ltd	**UK**	**100**
Tulip Ltd	UK	100
Easey Holdings Limited	UK	100
Easey Pigs Limited	*UK*	*100*
D Blowers Limited	*UK*	*100*
ESS-FOOD Holding A/S	**DK**	**100**
ESS-FOOD A/S	DK	100
ESS-FOOD Brazil Servicos de Consultoria Ltda	BR	100
Overberg Food Distributors Proprietary Limited	ZA	100
Danish Crown Holding GmbH **)	**DE**	**100**
Danish Crown GmbH *), **)	DE	90
Danish Crown Fleisch GmbH **)	DE	100
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	DE	90
Danish Crown Teterower Fleisch GmbH **)	DE	100
Scan-Hide A.m.b.a *)	DK	12
SPF-Danmark GmbH **)	DE	100
WestCrown GmbH	DE	50

Company name		Direct owner's share in %
Friland A/S	**DK**	**100**
Friland Udviklingscenter ApS	DK	100
Center for Frilandsdyr K/S *)	DK	2
Center for Frilandsdyr K/S *)	DK	48
Friland Deutschland GmbH **)	DE	100
DAT-Schaub A/S	**DK**	**100**
DAT-Schaub (PORTO) S.A.	PT	100
DAT-Schaub USA Inc.	US	100
DAT-Schaub France S.A.S.	FR	100
DAT-Schaub Gallent S.L.	ES	51
Oy DAT-Schaub Finland Ab	FI	100
Thomeko Oy	*FI*	*100*
Thomeko Eesti OÛ	*EE*	*100*
DAT-Schaub AB	SE	100
DAT-Schaub (Deutschland) GmbH	DE	100
Gerhard Küpers GmbH	DE	100
DIF Organveredlung Gerhard Küpers GmbH & Co. KG ***)	DE	100
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	*DE*	*50*
*CKW Pharma-Extrakt GmbH & Co.KG ***)*	*DE*	*50*
DAT-Schaub Holdings USA Inc.	US	100
DCW Casing LLC	US	51
DAT-Schaub Polska Sp. z o.o.	PL	100
DAT-Schaub (UK) Ltd	UK	100
Oriental Sino Limited	HK	45
Yancheng Lianyi Casing Products Co. Ltd	*CN*	*73*
Jiangsu Chongan Plastic Manufacturing Co. Ltd	*CN*	*59*
Yancheng Xinyu Food Products Ltd	*CN*	*73*
Yancheng Huawei Food Products Ltd	*CN*	*73*
DAT-Schaub Spain Holding S.L.U.	ES	100
Procesadora Insuban SpA.	CL	80
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	BR	70
BRC Tripas - Comercio de Tripas Ltda.	BR	70
Tripas de Colombia S.A.S.	CO	70
Agrimares S.L.	SP	70
CasCom Srl	*IT*	*49*

Company name		Direct owner's share in %
DAT-Schaub Norge AS	NO	100
Shanghai Natural Casing Co., Ltd	CN	51
Diet4life ApS	DK	67
Sokołów S.A.	**PL**	**100**
Sokołów-Logistyka Sp. Z o.o.	PL	100
Agro Sokołów Sp. Z o.o.	PL	100
Sokołów-Services Sp. Z o.o.	PL	100
Marka Sokołów-Service Sp. Z o.o	PL	100
Agro Sokołów F1 Sp. Z o.o.	PL	100
Gzella Osie Sp. Z o.o.	PL	100
Gzella Net Sp. Z o.o.	PL	100
KLS Ugglarps AB	**SE**	**100**
Scan-Hide A.m.b.a *)	DK	21
Svenska Köttföretagen AB	SE	22
Charkprodukter i Billesholm AB	SE	100
Other subsidiaries in Danish Crown A/S		
Scan-Hide A.m.b.a *)	**DK**	**37**
Scan-Hide Sweden AB	SE	100
KHI Fastighets AB	SE	100
DC Pork Rønne ApS	**DK**	**100**
SPF-Danmark A/S	**DK**	**100**
Danish Crown USA Inc.	**US**	**100**
Danish Crown UK Limited	**UK**	**100**
Leivers Brothers Ltd	UK	100
Danish Crown GmbH *), **)	**DE**	**10**
Danish Crown Schlachtzentrum Nordfriesland GmbH *), **)	**DE**	**10**
Scan-Hide A.m.b.a *)	DK	11
Danish Crown GBS Sp.z.o.o.	**PL**	**100**
Danish Crown S.A.	**CH**	**100**
Danish Crown/Beef Division S.A.	**CH**	**100**
DAK AO	**RU**	**100**
Danish Crown España S.A.	**ES**	**100**
Danish Crown France S.A.S.	**FR**	**100**
Danish Crown Division Porc S.A.S.	FR	100
Danish Crown Japan Co., Ltd	**JP**	**100**
Danish Crown B2B Ltd	**HK**	**100**
ESS-FOOD (Shanghai) Trading Co. Ltd	CN	100

Company name		Direct owner's share in %
Danish Crown Korea, Liaison Office	**KR**	**100**
Danish Crown (China) Co. Ltd	**CH**	**100**
Tulip K-Pack AB	**SE**	**100**
Associates		
Daka Denmark A/S	DK	43
Agri-Norcold A/S	DK	43
Danske Slagterier ◊)	DK	92
Svineslagteriernes Varemærkeselskab ApS ◊)	DK	92

*) Appears several times in the group structure.

**) The following enterprises have exercised their right of exemption under Section 264(3) of the German Handelsgesetzbuch (HGB):

***) The following enterprises have exercised their right of exemption under Section 264b of the German Handelsgesetzbuch (HGB): 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.

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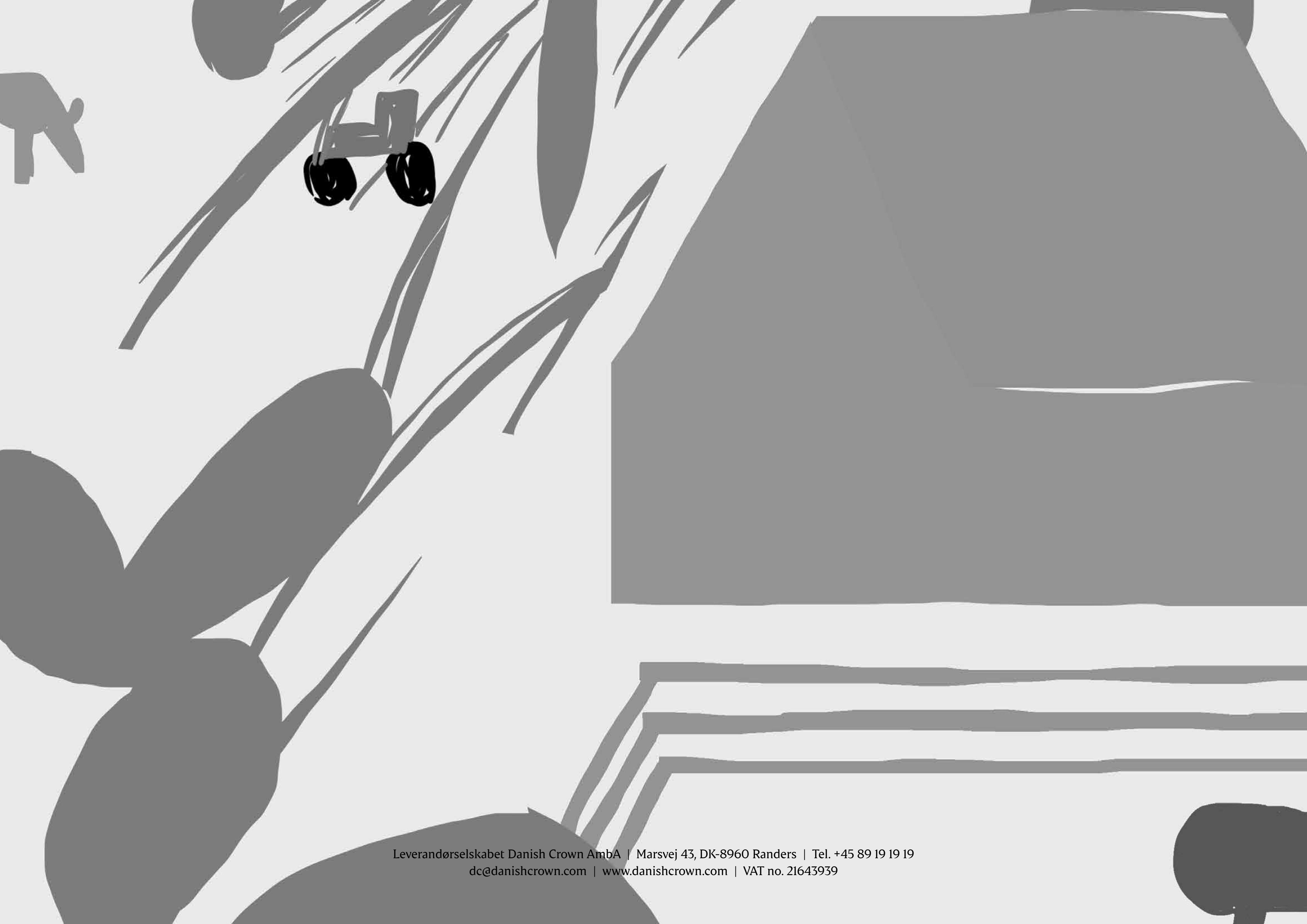

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