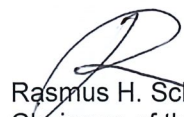


DAT-SCHAUB A/S

ANNUAL REPORT 2017/18

Flaesketorvet 41, 1711 Copenhagen V
CVR No. 33 35 31 70

The annual report has been presented and approved
at the company's annual general meeting on
22 November 2018



Rasmus H. Schjeldager
Chairman of the meeting



DAT-Schaub

DAT-SCHAUB A/S

Central Business Registration no: 33 35 31 70

ANNUAL REPORT 2017/18

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Summary of the company

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1711 Copenhagen V
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Fax +45 33 26 66 96
E-mail info@dat-schaub.dk
Web www.dat-schaub.com

Board of Directors

Jais Valeur (Chairman)
Anders Wilhjelm
Hans Christian Ambjerg
Palle Joest Andersen
Peter Fallesen Ravn
Preben Sunke

Executive Board

Jan Roelsgaard, Managing Director, CEO
Morten Fredborg Andreasen, Group CFO

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DAT-Schaub A/S for the financial year 1 October 2017 to 30 September 2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30 September 2018 and of the results of its operations for the financial year 1 October 2017 to 30 September 2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 22 November 2018

Executive Board



Jan Roelsgaard
Managing Director, CEO



Morten Fredborg Andreasen
Group CFO

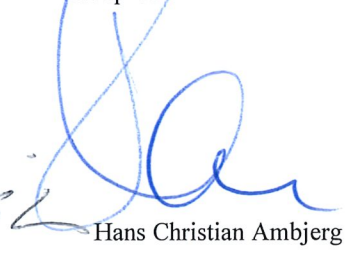
Board of Directors



Jais Valeur
Chairman



Anders Wilhelm



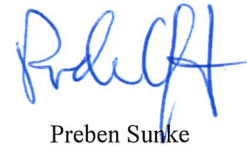
Hans Christian Ambjerg



Palle Joest Andersen



Peter Fallesen Ravn



Preben Sunke

Independent auditor's reports

To the shareholder of DAT-Schaub A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2018, and of the results of the Company's operations for the financial year 1 October 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAT-Schaub A/S for the financial year 1 October 2017 - 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 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 Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

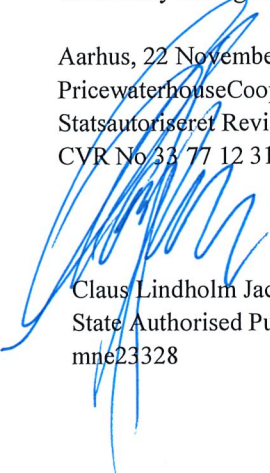
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus, 22 November 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328



Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Management commentary

Financial highlights

	2017/18	2016/17	2015/16	2014/15	2013/14
T. DKK					
<i>Income statement</i>					
Turnover	1,077,189	926,016	957,822	896,999	989,949
Operating profit	43,127	68,964	41,120	-4,749	23,083
Net financials	148,789	83,255	115,954	164,506	85,842
Profit before tax	191,916	152,219	157,074	159,757	108,925
Net profit for the year	186,461	147,004	152,517	164,205	101,145
<i>Balance sheet</i>					
Total assets	1,939,649	1,840,710	1,899,132	1,925,756	1,701,339
Investments in tangible assets	9,573	11,948	23,199	77,063	34,659
Equity	733,630	697,169	700,165	547,648	483,443
Subordinate loans	650,000	650,000	650,000	650,000	650,000
Solvency rate in % of total assets	38%	38%	37%	28%	28%
Solvency rate in % of total assets, including subordinate loan	71%	73%	71%	62%	67%
Return on Equity	26%	21%	24%	32%	21%
Average number of full-time employees	541	527	550	601	617

The financial highlights and key ratios have been defined and calculated in accordance with "Recommendations and Financial Ratios 2015" issued by the Danish Association of Financial Analysts.

Solvency rate in % of total assets	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Solvency rate in % of total assets, including subordinate loan	$\frac{\text{Equity, including subordinate loan} \times 100}{\text{Total assets}}$
Return on Equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Management commentary

Primary activities

DAT-Schaub A/S' business model consists of various activities.

The main activity of DAT-Schaub A/S is collecting and cleaning high quality Danish hog casings. The company runs casing cleaning departments at all Danish Crown hog abattoirs in Denmark. After cleaning and separation into principal constituents, the refrigerated and/or salted casings are sent to DAT-Schaub A/S' factory in Esbjerg and abroad for further processing.

The hog casing set comprises, apart from various casing products such as hog runner, chitterling, and after end, also of stomach and mucosa. The hog runners are sent to Portugal or China for selection and tubing before they are sold world-wide. The mucosa is sold to the pharmaceutical industry and used for medical purposes.

The hog stomachs are sold primarily on the Chinese market where the demand for high quality Danish hog stomachs is strong.

Another important business activity is sheep casings. DAT-Schaub A/S buys sheep runners primarily from New Zealand and Australia, which are then subsequently cleaned and selected into specific sizes and qualities. Sheep casings are narrower than hog casings and thus DAT-Schaub A/S is able to provide a full range of casings to the sausage manufactures.

Contrary to hog abattoir killings sheep slaughtering has a more seasonal killing which the capacity in the selecting factories cannot fulfil at once. Therefore processing and selecting are spread throughout the year. This leads to longer lead time than for hog casings and thus higher inventory and possible large market fluctuations.

Development in activities and finances

The financial statements of DAT-Schaub A/S are presented in accordance with the Danish Financial Statements Act.

In 2017/18 there has been activity within divestments and acquisitions of foreign subsidiaries. On November 24th, 2017 DAT-Schaub A/S acquired majority ownership through a newly formed Spanish holding company of 5 companies predominantly located in South America. DAT-Schaub A/S sold the shares in the Norwegian subsidiary Arne B. Corneliussen AS on 1st December 2017. On 1 August 2018 DAT-Schaub A/S acquired 51% of the shares in the Chinese selection company Shanghai Natural Casing Co. Ltd.

DAT-Schaub A/S's hog casing business is based on supply of raw material from Danish pigs. After several years of decrease the number of killings at Danish Crown slaughterhouses increased in 2017/18.

The increased purchase prices for hog casings on the world market continued into 2017/18. DAT-Schaub A/S has been successful in transferring increasing purchase prices to higher selling prices, so that both revenue and gross profit have developed satisfactory.

The market for sheep casings was relatively stable in 2017/18 compared to the challenging market conditions in previous years. Volume growth resulted in a higher turnover combined with a slight improvement in margins for sheep casings.

This year's earnings are influenced by the positive development in the hog and sheep casing business. On the other hand earnings from stomachs and mucosa were negatively effected by the higher prices of raw materials.

Turnover developed from DKK 926 million to DKK 1,077 million. On a like-for-like basis gross profit grew compared to 2016/17, however due to one-off income in 2016/17 gross profit decreased from DKK 159 million to DKK 153 million. DAT-Schaub A/S took over the business activity of Danish Crown Ingredients from the beginning of 2017/18. Towards the end of the year it was decided to close the activities of Danish Crown Ingredients. Operating profit decreased from DKK 69 million to DKK 43 million mainly due to the impact of Danish Crown Ingredients, which led to an increase in administrative expenses. As DAT-Schaub A/S is a parent company of a versatile international group of companies the main source of income is from investment in subsidiaries which has developed from DKK 116 million to DKK 168 million including a gain of DKK 32 million from the sale of Arne B. Corneliussen AS.

The net profit of the year ended at DKK 186 million which is regarded as satisfactory. As a significant activity of the company is the ownership of subsidiaries the largest item in the assets is investments in subsidiaries which have decreased from DKK 648 million to DKK 633 million. The total assets amounts to DKK 1,940 million against last year DKK 1,841 million. Equity increased from DKK 697 million to DKK 734 million.

Profit for the year in relation to expected developments

In contrast to last year's outlook turnover increased in 2017/18 due to continuing price increase on the world market. Operating profit developed in line with expectations. As mentioned in last year's outlook the agreement to sell the shares in Arne B. Corneliussen could have a potential impact on Net profit for 2017/18.

Uncertainty relating to recognition and measurement

When preparing the annual report in accordance with the DAT-Schaub A/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.

Inventories

Inventories are valuated taking into account marketability, obsolescence and development in expected selling price. The development in prices on the world market may be affected by access to distribution in the major markets.

Outlook for 2018/19

Management focus is aimed at the continued challenge of securing high quality supply of hog and sheep casings. Turnover is expected to remain at the same level as in 2017/18. Decreases in margins are expected leading to a lower Gross profit and Operating profit.

Income from investments in subsidiaries are expected to be lower as 2017/18 included the one-time gain of sale of shares in Arne B. Corneliusen AS.

Taking the above mentioned into consideration DAT-Schaub A/S does not expect the net profit in 2018/19 to reach the level of current year.

Particular risks

Veterinary matters

The greatest threat to DAT-Schaub A/S is related to veterinary matters that may cut off or disrupt the sourcing, production and/or selling in specific markets. It is therefore crucial for the company to participate actively in fora discussing veterinary issues and to draw on all relevant industry related veterinary advisory to ensure that the markets are open for the products.

Market conditions

Due to the long production time for natural casings changed market conditions can affect DAT-Schaub A/S both positively and negatively.

Currency risk

DAT-Schaub A/S has a risk on its cash flow in foreign currency due to the fact that DAT-Schaub A/S buys and sells in foreign currency, which gives rise to uncertainty as to the DKK value of the future cash flow. The company seeks to counter this risk by using hedging instruments and by seeking to match receivables and debt in the same currency.

Interest risk

DAT-Schaub A/S has both interest bearing debt and receivables and is as such exposed to interest rate risks. The interest risk is sought to be reduced through the use of interest rate swaps and fixed versus variable debts and receivables with varying maturity.

Staff

Active efforts are made in collaboration with the company's shareholder, Danish Crown A/S, to improve employee working conditions.

Management prioritise work environment and at the production facilities in Esbjerg the main packaging process is automatized, so that heavy lifting is eliminated. Furthermore the production rooms have acoustic ceilings, bright tiles at the walls and anti-slip floors. Production rooms have all big windows towards the south for day light.

Environmental performance

Great volumes of water are used for the cleaning of casings which, among other things, includes separating the different layers of the casings. Developing new water savings methods is a strategic focus area for DAT-Schaub A/S whilst always ensuring that veterinary conditions are considered. The current production facilities in Esbjerg have made it possible to achieve water savings in different parts of the production process. Furthermore, equipment for chemical and mechanical pre-cleaning of waste water minimise the amount of sludge.

In 2017/18 DAT-Schaub A/S established a biofilter in our plant in Aabybro to reduce odour effecting the neighbouring community from the production of proteins. The project caught the attention from Danish Meat Research Institute who is interested in using the experience DAT-Schaub gained during the project.

Corporate social responsibility

DAT-Schaub A/S has always been committed to meet the social responsibility of leading a large international group operating in many countries.

Bo Trivsel is an office in Horsens working together with the Municipality and 8 local public housing associations. In the spring of 2018 Bo Trivsel initiated project “Ung I Job” for 6 young people who had not yet found their way into the education or job market. DAT-Schaub contacted Bo Trivsel and offered a tailored work practice period at reduced time for 3 of the young people, of which 2 were Syrian refugees. After the end of the practice period all 3 are now full-time employed in our apprenticeship programme in the gutroom in Horsens.

Danish Crown A/S has signed up to the UN Global Compact, a partnership between the UN and international businesses to enhance corporate social commitment in a global context. The Global Compact builds on ten principles within areas such as human rights, labour standards, the environment and anti-corruption. Danish Crown has incorporated the ten principles in its CSR policy, and they are currently being rolled out in the Danish Crown Group and thus also in the DAT-Schaub A/S. In compliance with § 99 A of the Danish Financial Statements Act reference is made to the Management Review in the Annual report of Leverandørselskabet Danish Crown Amba. A more detailed description of the Danish Crown Group's social responsibility can be found in the CSR section on <http://www.danishcrown.com/CSR-report>.

Report on gender composition of management

In 2015/16 the board of directors of DAT-Schaub A/S adopted a target for the percentage of women in the board of directors. The target for 2020 is 10 per cent. Regrettably, the target for 2020 has not been achieved since it has not been possible to attract candidates with the proper competencies.

The Danish Crown Group has established targets and policies for the proportion of women in the Group's other management levels as per §99 B of the Danish Financial Statements Act. DAT-Schaub A/S is subject to these targets and policies, why reference to the Management Review in the Annual report of Leverandørselskabet Danish Crown Amba is made for further details. The annual report can be found on www.danishcrown.dk.

1. Accounting policies

Reporting class

This annual report for DAT-Schaub A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (Big).

The accounting policies remains unchanged from last year.

Consolidated financial statements

DAT-Schaub A/S has not prepared consolidated financial statements as the company has used the exemption rules in §112 of the Danish Financial Statements Act saying that a parent company being a subsidiary owned by more than 90% of a parent company is not obliged to prepare consolidated financial statements. DAT-Schaub A/S is included in the consolidated financial statements for Leverandørselskabet Danish Crown AmbA.

General information on recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Entity, and the value of the relevant asset can be measured reliably.

Liabilities are recognised in the balance sheet if the DAT-Schaub A/S has a legal or constructive obligation arising from a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments on financial assets and financial liabilities are recognised in the income statement as financial income and financial costs.

Foreign currency translation

On initial recognition transactions in currencies other than the functional currency are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated using the exchange rates applicable at the balance sheet date. Exchange rate differences arising between the transaction date and the payment date and the balance sheet date, respectively, are recognised in results as net financials.

Derivative financial instruments

On initial recognition derivative financial instruments are measured at cost and subsequently at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at the 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 the fair value of a recognised asset, a recognised liability or a firm commitment are recognised in results together with changes in the value of the hedged asset or the hedged liability.

1. Accounting policies (continued)

Derivative financial instruments (continued)

For derivative financial statements which do not meet the requirements for treatment as hedging instruments changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement and statement

Turnover

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

Turnover is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise costs incurred to earn revenue for the financial year. In production costs the trading companies include cost of sales and the manufacturing companies include costs relating to raw materials, consumables, production staff as well as maintenance and depreciation, amortisation and impairment losses on tangible and intangible assets used in the production process. In addition, the item includes ordinary write-down of inventories.

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, amortisation and impairment losses on tangible and intangible assets used in the distribution process.

Administrative expenses

Administrative expenses comprise costs incurred for the management and administration of DAT-Schaub A/S including costs for the administrative staff and the management as well as office expenses and depreciation, amortisation and impairment losses on tangible and intangible assets used in the administration of DAT-Schaub A/S.

Financial income and Financial expenses

Dividends from investments in subsidiaries are recognised as income in the income statement in the financial year in which the dividend is declared. Where the amount of declared dividend exceeds the accumulated earnings after the date of acquisition, dividend is recognised as a reduction of the investment cost.

Investments in subsidiaries written down to the lower of recoverable amount and carrying amount are recognised as expenses in the income statement.

Financials comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, amortisation premiums/deductions concerning mortgage debt etc.

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

1. Accounting policies (continued)

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

DAT-Schaub A/S is jointly taxed with all Danish entities in the Danish Crown Group. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

The tax rules and rates applicable at the balancesheet date are used to compute the current tax.

Balance sheet

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is 20 years for strategically acquired activities with a strong market position and a long term earnings profile as the amortisation period is considered to reflect the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Tangible assets

Land and buildings, plant and machinery and other tangible fixed assets are measured at cost less accumulated depreciations and impairment losses. Land and assets under construction are not depreciated.

Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset until such time as the asset is ready to be put into operation.

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.

The cost of an aggregate asset is divided into separate components, which are depreciated separately if the useful lives of the individual components are different.

If the acquisition or use of the asset requires DAT-Schaub A/S 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 less estimated residual value after the end of the useful life. The residual value is re-estimated yearly.

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

Buildings:	20 years
Plant and machinery:	2-10 years
Other tangible fixed assets:	5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

1. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost and are written down to the lower of recoverable amount and carrying amount.

Investments in subsidiaries are assessed annually for indications of impairment. Where cost exceeds the recoverable amount, the investments are written down to this lower amount.

Any write-downs are recognised in the profit and loss account under write-down of financial assets.

Inventories

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

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

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

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.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on the taxable income for the year, adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

Provisions are recognised when DAT-Schaub A/S 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 DAT-Schaub A/S' financial resources.

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

1. Accounting policies (continued)

Pension obligations etc.

DAT-Schaub A/S has entered into pension agreements with a significant proportion of its employees. 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.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. 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.

Other financial liabilities

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

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

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

Cash flow statement

The consolidated financial statements of Leverandørselskabet Danish Crown AmbA contain a cash flow statement for the group, and a separate statement for the entity is therefore not included as per the exemption section 86(4) of the Danish Financial Statements Act.

Income statement for 2017/18
(1 October 2017 - 30 September 2018)

	Note	2017/2018 T. DKK	2016/2017 T. DKK
Turnover	1	1,077,189	926,016
Production costs	2,3	-923,691	-766,591
Gross profit		153,498	159,425
Distribution costs	2,3	-39,926	-40,091
Administrative expenses	2,3	-70,445	-50,370
Operating profit		43,127	68,964
Financial income	4	223,634	162,132
Financial expenses	5	-74,845	-78,877
Profit before tax		191,916	152,219
Tax on profit for the year	6	-5,455	-5,215
Net profit for the year		186,461	147,004

Balance sheet at 30 September 2018

Assets		30.09.2018	30.09.2017
	Note	T. DKK	T. DKK
Goodwill	8	102,915	111,317
Intangible assets		102,915	111,317
Land and buildings	9	96,179	101,947
Plant and machinery	9	34,321	40,156
Other fixtures and fittings, tools and equipment	9	2,644	3,451
Assets under construction	9	2,385	4,079
Tangible assets		135,529	149,633
Investments in subsidiaries	10	633,379	648,066
Loans to affiliates	11	195,151	216,201
Financial assets		828,530	864,267
Non-current assets		1,066,974	1,125,217
Raw materials and consumables		59,336	36,017
Finished goods and goods for resale		260,388	166,898
Inventories		319,724	202,915
Loans to affiliates	12	390,661	380,937
Trade receivables		64,699	30,312
Receivables from affiliates		93,450	96,065
Receivables from associates		9	189
Other receivables		1,049	545
Prepayments	13	2,991	3,520
Total receivables		552,859	511,568
Cash		92	1,010
Current assets		872,675	715,493
Total assets		1,939,649	1,840,710

Balance sheet at 30 September 2018

Equity and liabilities	Note	30.09.2018 T. DKK	30.09.2017 T. DKK
Share capital	14	50,739	50,739
Retained earnings		432,891	496,430
Proposed dividend		250,000	150,000
Equity		733,630	697,169
Provision for deferred tax	15	1,684	3,020
Other provisions		3,266	0
Provisions		4,950	3,020
Subordinate loans	16	650,000	650,000
Credit institutions	17	6	145,791
Non-current liabilities		650,006	795,791
Credit institutions		175,087	44,656
Loans from affiliates	12	184,532	123,841
Trade payables		42,390	27,514
Payables to affiliates	16	87,737	74,558
Payables to associates		3,971	4,058
Other payables		22,508	27,084
Deferred income		27,638	38,086
Income tax payable	6	7,200	4,933
Current liabilities		551,063	344,730
Liabilities		1,206,019	1,143,541
Equity and liabilities		1,939,649	1,840,710

Statement of Equity at 30 September 2018

	Share capital T. DKK	Retained earnings T. DKK	Proposed dividend T. DKK	Total equity T. DKK
2017/18				
Equity at 30 September 2017	50,739	496,430	150,000	697,169
Profit for the year	0	186,461	0	186,461
Dividend paid to the shareholders			-150,000	-150,000
Proposed dividend		-250,000	250,000	0
Equity at 30 September 2018	50,739	432,891	250,000	733,630
2016/17				
Equity at 30 September 2016	50,739	499,426	150,000	700,165
Profit for the year	0	147,004	0	147,004
Dividend paid to the shareholders	0	0	-150,000	-150,000
Proposed dividend	0	-150,000	150,000	0
Equity at 30 September 2017	50,739	496,430	150,000	697,169

Ownership

Danish Crown A/S has controlling influence of DAT-Schaub A/S.

Information in accordance with The Danish Company Accounts Act section 71

The Company is included in the consolidated financial statements for Leverandørselskabet Danish Crown AmbA, Marsvej 43, 8960 Randers SOE.

The consolidated financial statements for Leverandørselskabet Danish Crown Amba can be acquired by contacting the Company.

Notes

1. Turnover
2. Staff costs
3. Depreciation, amortisation and impairment losses
4. Financial income
5. Financial expenses
6. Tax
7. Net profit at disposal
8. Intangible assets
9. Tangible assets
10. Investments in subsidiaries
11. Loans to affiliates
12. Cash pool
13. Prepayments
14. Share capital
15. Deferred tax
16. Subordinate loans
17. Non-current liabilities
18. Operating leases
19. Financial instruments
20. Contingent liabilities
21. Events after the balance sheet date

	2017/2018	2016/2017
	T. DKK	T. DKK
1. Turnover		
Distribution by markets		
Sales to Denmark	72,775	75,366
Sales outside Denmark	376,380	324,644
Sales to affiliated companies	628,034	526,006
	1,077,189	926,016

External sales outside Denmark in %	84%	81%
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Sales of natural casings etc.	974,923	897,814
Sales of other product groups	102,266	28,202
	1,077,189	926,016

2. Staff costs

The total salaries and wages etc. of DKK 256,452 thousand can be specified as follows:

Salaries and wages	230,680	211,393
Defined contribution plans	17,457	16,390
Other employment and social security costs	8,315	11,316
	256,452	239,099

The staff costs are distributed as follows:

Production costs	196,101	191,537
Distribution costs	15,947	15,795
Administrative expenses	44,404	31,767
	256,452	239,099

The Board of Directors and the management in DAT-Schaub A/S have received the following payment:

The Board of Directors	436	444
The management	8,604	8,106

Average number of employees	541	527
Number of employees at the balance sheet date	540	536

3. Depreciation, amortisation and impairment losses

Intangible assets	8,402	8,401
Tangible assets	23,499	24,686
	31,901	33,087

Depreciation, amortisation and impairment losses are distributed as follows:

Production costs	20,513	21,251
Distribution costs	9,015	9,015
Administrative expenses	2,373	2,821
	31,901	33,087

	2017/2018	2016/2017
	T. DKK	T. DKK
4. Financial income		
Dividends received from subsidiaries	136,017	115,518
Gain on sale of shares in subsidiary	32,210	0
Interest income from affiliated companies	15,995	15,477
Interest income etc.	5,236	4,855
Gain on foreign exchange rate	34,176	26,282
	223,634	162,132

5. Financial expenses

Interest expense to affiliated companies	-33,918	-36,753
Interest expenses etc.	-8,960	-7,836
Loss on foreign exchange rate	-31,967	-34,288
	-74,845	-78,877

6. Tax

The corporate tax stated in the financial statement is calculated on the basis of the prevailing Danish and foreign tax legislation.

The corporation tax payable amounts to DKK 7,200 thousand (DKK 4,933 thousand in 2016/2017). DKK 6,408 thousand is to be paid in April 2019.

The value of deferred tax liabilities totals DKK 1,684 thousand (DKK 3,020 thousand in 2016/17) and is calculated on the basis of income and expenses which in the company taxation is not included in the same period in the tax return and the profit and loss account.

	2017/2018	2016/2017
	T. DKK	T. DKK
Tax on the profit for the year	-6,407	-4,141
Change in deferred tax	1,336	-1,017
Adjustments re. previous years	-384	-57
	-5,455	-5,215

7. Net profit at disposal

The net profit is suggested distributed as follows

Proposed dividend	250,000	150,000
Retained earnings	-63,539	-2,996
	186,461	147,004

	<u>Goodwill</u> <u>T. DKK</u>
8. Intangible assets	
Cost as at 30 September 2017	168,025
Cost as at 30 September 2018	168,025
Amortisation at 30 September 2017	56,708
Amortisation recognised for the year	8,402
Amortisation at 30 September 2018	65,110
Carrying amount as at 30 September 2018	102,915
Amortisation rate	5%

The amortization period for goodwill is assessed individually on the basis of a concrete assessment of the acquired activity, including customer composition, the expected life of contracts and synergies. Based on this long-term earnings profile, goodwill is estimated to have an expected useful life of up to 20 years.

	Land and buildings	Plant and machinery	Other tangible fixed assets	Assets under construction	Total tangible fixed assets
	T. DKK	T. DKK	T. DKK	T. DKK	T. DKK
9. Tangible assets					
Cost as at 30 September 2017	124,602	168,473	21,341	4,079	318,495
Additions		10,225	1,042	-1,694	9,573
Disposals			-191		-191
Cost as at 30 September 2018	124,602	178,698	22,192	2,385	327,877
Depreciations at 30 September 2017	22,655	128,317	17,890	0	168,862
Disposals			-13		-13
Depreciation	5,768	16,060	1,671		23,499
Depreciations at 30 September 2018	28,423	144,377	19,548	0	192,348
Carrying amount as at 30 September 2018	96,179	34,321	2,644	2,385	135,529
Depreciation percentage	0-5%	10-50%	20%		

	<u>2017/2018</u> <u>T. DKK</u>	<u>2016/2017</u> <u>T. DKK</u>
10. Investments in subsidiaries		
Cost as at 30 September 2017	648,066	646,182
Additions	46,564	1,884
Disposals	-61,251	0
Cost as at 30 September 2018	633,379	648,066
Carrying amount as at 30 September 2018	633,379	648,066

10. Investments in subsidiaries (continued)

In accordance with the Danish Financial Statements Act § 97 A net result and equity are only specified for subsidiaries having published annual reports. As the annual reports for 2017/18 has not yet been published, the figures for 2016/17 are included in the table below:

	Year	Currency	Net result	Equity
DAT-Schaub (PORTO) S.A.	2016/17	EUR	1,732	7,644
Oy DAT-Schaub Finland AB	2016/17	EUR	42	3,385
Thomeko Oy	2016/17	EUR	42	1,342
Thomeko Eesti Oü	2016/17	EUR	94	1,325
DAT-Schaub AB	2016/17	SEK	6,334	8,005
DAT-Schaub (Deutschland) GmbH	2016/17	EUR	-	21,842
DAT-Schaub Polska Sp. z o.o.	2016/17	PLN	10,694	25,149
DAT-Schaub (UK) Ltd.	2016/17	GBP	923	4,686
DAT-Schaub Casings (Australia) Pty Ltd.	2016/17	AUD	-10	181
Diet4Life ApS	2016/17	DKK	-2,195	1,346
DAT-Schaub Gallent S.L.	2017	EUR	7	507

10. Investments in subsidiaries (continued)

Group structure is specified below:

Company name	Country	Ownership %
DAT-Schaub (PORTO) S.A.	Portugal	100,0
DAT-Schaub USA Inc.	US	100,0
DAT-Schaub France S.A.S.	France	100,0
Trissal S.A.	Portugal	50,0 D
Oy DAT-Schaub Finland Ab	Finland	100,0
Thomeko OY	Finland	100,0
Thomeko Eesti OÜ	Estonia	100,0
DAT-Schaub AB	Sweden	100,0
DAT-Schaub (Deutschland) GmbH	Germany	100,0
Gerhard Küpers GmbH	Germany	100,0
DIF Organveredlung Gerhard Küpers GmbH & Co. KG	Germany	100,0
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	Germany	50,0
CKW Pharma-Extrakt GmbH & Co. KG	Germany	50,0
DAT-Schaub Polska Sp. z o.o.	Poland	100,0
DAT-Schaub (UK) Ltd.	UK	100,0
Oriental Sino Limited	Hong Kong	45,0 A
Yancheng Lianyi Casing Products Co. Ltd.	China	73,3 A
Jiangsu Chongan Plastic Manufacturing Co. Ltd.	China	58,8 A
Yancheng Xinyu Food Products Ltd.	China	73,3 A
Yancheng Huawei Food Products Ltd.	China	73,3 A
DAT-Schaub Casings (Australia) Pty Ltd.	Australia	100,0
DAT-Schaub Holdings USA, Inc.	US	100,0
DCW Casing LLC	US	51,0
DAT-Schaub Gallent S.L.	Spain	51,0
DAT-Schaub Norge AS (Formed in 2017/18)	Norway	100,0
Diet4Life ApS (Acquired in 2017/18)	Denmark	66,9
Shanghai Natural Casing Co., Ltd (Acquired in 2017/18)	China	51,0
DAT-Schaub Spain Holding S.L.U. (Formed in 2017/18)	Spain	100,0
Procesadora Insuban SpA.	Chile	80,0
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	Brazil	70,0
BRC Tripas - Comercio de Tripas Ltda.	Brazil	70,0
Tripas de Colombia S.A.S.	Colombia	70,0
Agrimares S.L.	Spain	70,0
CasCom Srl	Italy	49,0 A

A = Associated company

D = Dormant

J = Joint venture

Danish Crown has prepared the consolidated Annual report, which can be found on the web page www.danishcrown.dk.

	2017/2018 T. DKK	2016/2017 T. DKK
11. Loans to affiliates		
Cost as at 30 September 2017	216,201	228,973
Disposals	-21,050	-12,772
Cost as at 30 September 2018	195,151	216,201
Carrying amount as at 30 September 2018	195,151	216,201

12. Cash pool

Short-term loans to and loans from affiliates include a group cash pool arrangement between the Group's main bank connections and the cash is available for daily operations according to the Group's instructions.

13. Prepayments

Prepayments recognised under assets comprise incurred costs relating to the subsequent financial year.

14. Share Capital

At the General meeting in February 2012 the share capital was increased by 738,889 shares at DKK 1. The increase of capital in 2011/12 is the only change in the share capital since the foundation.

At the Company's General Meeting at 30 June 2016 it was decided to merge the 3 share capital classes. The nominal denomination remains unchanged.

The share capital consists of 50,738,889 shares at DKK 1.

15. Deferred tax

	Deferred tax as at 1 October 2017 T. DKK	Changes in respect of previous years T. DKK	Recognised in net profit for the year T. DKK	Deferred tax as at 30 September 2018 T. DKK
2017/18				
Intangible assets	-14,162	0	1,848	-12,314
Tangible assets	7,772	0	-584	7,188
Financial assets	1,186	0	-1,155	31
Current assets	834	0	476	1,310
Current liabilities	1,350	0	751	2,101
	-3,020	0	1,336	-1,684
	Deferred tax as at 1 October 2016 T. DKK	Changes in respect of previous years T. DKK	Recognised in net profit for the year T. DKK	Deferred tax as at 30 September 2017 T. DKK
2016/17				
Intangible assets	-12,593	213	-1,782	-14,162
Tangible assets	8,639	0	-867	7,772
Financial assets	358	0	828	1,186
Current assets	1,148	0	-314	834
Current liabilities	445	0	905	1,350
	-2,003	213	-1,230	-3,020

	2017/2018	2016/2017
	T. DKK	T. DKK
16. Subordinate loans		
Debt to affiliated company	650,000	650,000
Accrued interests, affiliated company	22,594	22,594
	672,594	672,594

In December 2010, DAT-Schaub A/S has been supplied with Subordinate Capital from its owners for an amount of DKK 650,000 thousand. The loans carry a fixed interest rate for a 3 year period of 4.6175 percent at present until the next interest-fixing date in December 2019. The lender cannot terminate the loan which falls due in December 2020. The debt is subordinated to other creditors.

17. Non-current liabilities

None of the total non-current liabilities of DKK 650,006 thousand (DKK 795,791 thousand in 2016/17) falls due after 5 years from the balance sheet day.

18. Operating leases

Future minimum lease payments in respect of non-cancellable leases

	2017/2018	2016/2017
	T. DKK	T. DKK
Within one year of the balance sheet date	8,939	6,893
Between one and five years of the balance sheet date	12,382	13,058
After five years of the balance sheet date	6,265	6,265
	27,586	26,216
Minimum lease payments recognised in net profit for the year	8,190	7,206

Operating lease agreements primarily relates to leasing of premises, cars, production equipment and copiers.

19. Financial instruments

The extent and nature of the company's financial instruments are shown in the income statement and the balance sheet in accordance with the accounting policies applied. Below is information about conditions for the financial instruments:

Financial instruments

DAT-Schaub A/S has a term loan of USD 18.1 million with a variable 3 month interest rate and maturity September 2019. The following financial instruments have been made in relation to this loan:

	Receive	Pay	Expiry
Hedge of USD principal amount	USD 18.1 million	DKK 128 million	September 2019
	USD variable	DKK variable	
Hedge of USD interest payments	rate interest	rate interest	September 2019
Interest Rate Swap from variable interest into fixed rate of interest	DKK variable	DKK fixed	
	rate interest	rate interest	September 2019

20. Contingent liabilities

DAT-Schaub A/S has issued guarantees regarding rental obligations for Thomeko OY. At 30 September 2018 the obligation amounted to DKK 619 thousand. Furthermore, DAT-Schaub A/S has issued Performance guarantees in relation to the sale of machines for EUR 399k (T.DKK 2,975) on behalf of Thomeko OY and has also issued a Guarantee in relation to the credit line of an associated company for EUR 1,1mill. (T.DKK 8,202).

The company is part of a Danish joint taxation with Danish Crown A/S as managing company. The Company is therefore held liable on income taxes etc. under the Corporation Tax Act rules with effect from the financial year 2012/13, for the jointly taxed companies and from 1 July 2012 for any obligation to withhold tax on interest and dividends, royalties for the jointly taxed companies.

21. Events after the balance sheet date

No material events have occurred after the balance sheet date.