

DAT-SCHAUB A/S ANNUAL REPORT 2015/16



DAT-Schaub

Godkendt på selskabets generalforsamling
den 28. november 2016

DIRIGENT

RASMUS FETTERLOFFER

DAT-SCHAUB A/S

Central Business Registration no: 33 35 31 70

ANNUAL REPORT 2015/16

CONTENTS

Summary of the company	3
Statement by Management on the annual report	4
Independent auditor's report	5-6
Management commentary	7-11
Accounting policies	12-16
Income statement for 2015/16	17
Balance sheet at 30 September 2016	18-19
Notes	20-27

Summary of the company

DAT-Schaub A/S
Flaesketorvet 41
1711 Copenhagen V
Phone +45 33 26 66 00
Fax +45 33 26 66 96
E-mail info@dat-schaub.dk
Web www.dat-schaub.com

Board of Directors

Kjeld Johannesen, Managing Director, (Chairman)
Asger Krogsgaard, Farmer, (Deputy Chairman)
Anders Wilhjelm, Managing Director
Erik Larsen, Farmer
Jais Valeur, Managing Director
Hans Christian Ambjerg, Managing Director

Executive Board

Jan Roelsgaard, Managing Director, CEO
Johannes Haugaard, Executive Vice President, CFO

Revision

Deloitte
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 2015 to 30 September 2016.

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 2016 and of the results of its operations for the financial year 1 October 2015 to 30 September 2016.

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

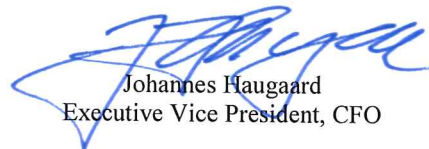
We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 7 November 2016

Executive Board



Jan Roelsgaard
Managing Director, CEO



Johannes Haugaard
Executive Vice President, CFO

Board of Directors



Kjeld Johannesen
Managing Director, Chairman



Asger Krogsgaard
Farmer, Deputy Chairman



Anders Wilhelm
Managing Director



Erik Larsen
Farmer



Jais Valeur
Managing Director



Hans Christian Ambjerg
Managing Director

Independent auditor's reports

To the owners of DAT-Schaub A/S

Report on the financial statements

We have audited the financial statements of DAT-Schaub A/S for the financial year 1 October 2015 – 30 September 2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of its operations for the financial year 1 October 2015 – 30 September 2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary


Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.


On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 7 November 2016

Deloitte

Statsautoriseret Revisionspartnerselskab


Anders Dons
State Authorised
Public Accountant


Lars Andersen
State Authorised
Public Accountant

Management commentary

Financial highlights

	2015/16	2014/15	2013/14	2012/13	2011/12
T. DKK					
<i>Income statement</i>					
Turnover	957,822	896,999	989,949	1,014,608	1,062,725
Operating profit	41,120	-4,749	23,083	29,597	124,988
Net financials	-29,176	-2,998	-23,795	-38,420	-41,221
Profit before tax	157,074	159,757	108,925	46,820	205,796
Net profit for the year	152,517	164,205	101,145	49,237	188,992
<i>Balance sheet</i>					
Total assets	1,899,132	1,925,756	1,701,339	1,638,503	1,503,544
Investments in tangible assets	23,199	77,063	34,659	18,823	13,668
Equity	700,165	547,648	483,443	482,298	533,061
Subordinate loans	650,000	650,000	650,000	650,000	650,000
Solvency rate in % of total assets	37%	28%	28%	29%	35%
Solvency rate in % of total assets, including subordinate loan	71%	62%	67%	69%	79%
Return on Equity	24%	32%	21%	10%	39%
Average number of full-time employees	550	601	617	594	599

The financial highlights and key ratios have been defined and calculated in accordance with "Recommendations and Financial Ratios 2010" issued by the Danish Association of Financial Analysts.

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

Management commentary

Primary activities

DAT-Schaub A/S operates with collecting and cleaning high quality Danish hog casings. The company runs a casing cleaning department at all Danish Crown hog slaughterhouses 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.

On July 1st 2016 Danish Crown A/S acquired full ownership of DAT-Schaub A/S after buying out Ticans minority shareholding in DAT-Schaub A/S. At the same time Tican took over DAT-Schaub A/S' activities and employees at the slaughterhouse in Thisted.

Another important product area is sheep casings. DAT-Schaub A/S buys sheep runners primarily from New Zealand, 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 slaughterhouse 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 prior years the Annual report for DAT-Schaub A/S was included in the consolidated financial statements for the DAT-Schaub Group.

In this financial year DAT-Schaub A/S has used the exemption rules in § 112 of the Danish Financial Statements Act according to which an entity being included in consolidated financial statements prepared by its owners are not obliged to present consolidated financial statements.

As a consequence of the previously mentioned 100% ownership of DAT-Schaub A/S by Danish Crown A/S, DAT-Schaub A/S is now fully consolidated into the Danish Crown Group accounts and thus only prepares parent company accounts of DAT-Schaub A/S.

The supply of hog casing sets from Danish Crown slaughterhouses has been slightly declining during the year and combined with Tican taking over the casing activities in Thisted the number of processed hog casings has declined during the year. The lower purchase prices due to world market conditions in 2014/15 continued into 2015/16, however there was an increase towards the end of the year.

The major challenge has been a continuous decline in the sheep casing market with a fierce competition on prices. The negative development in sheep casings has been offset by growth and improved earnings in hog casings and stomachs.

Despite the declining supply from Danish Crown and the loss of supply from Tican A/S towards the end of the year DAT-Schaub A/S managed to increase the turnover from DKK 897 million to DKK 958 million. The factory in Esbjerg moved to new premises at Estrupvej in 2014/15, which has improved productivity in 2015/16. The gross profit has increased from DKK 75 million to DKK 131 million. Operating profit has increased from a loss of DKK 5 million to a profit of DKK 41 million. 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 decreased from DKK 168 million to DKK 145 million. The financial costs net have increased from DKK 3 million to DKK 29 million.

The net profit of the year decreased from DKK 164 million to DKK 153 million which is regarded as satisfactory. As the main activity of the company is the ownership of subsidiaries the largest item in the assets is investments in subsidiaries which have decreased from DKK 659 million to DKK 646 million. The total assets amounts to DKK 1,899 million against last year DKK 1,926 million. Due to the good result the equity increased from DKK 548 million to DKK 700 million.

Profit for the year in relation to expected developments

Despite the challenges in the sheep casing market DAT-Schaub A/S performed in line with expectations. The profit for the year is considered satisfactory.

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 valued 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 2016/17

Management focus is aimed at the challenge of replacing the lost supply of hog casings. However DAT-Schaub A/S expects a decline in both turnover and operating profit. In addition, income from investments in subsidiaries is expected to be at a lower level than 2015/16. Thus the outlook is that 2016/17's net profit will not reach the level of present year.

Particular risks

Veterinary matters

The greatest threat to the DAT-Schaub A/S is related to veterinary matters that may cut off the sourcing, production and/or selling. 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.

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 both 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.

Market conditions

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

Staff

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

When building the new production facilities in Esbjerg work environment improvements were prioritised by management. The main packaging process has been automatized, so that the heavy lifting operations have been eliminated. Furthermore the newly designed production rooms have been supplied with 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 cleaning casings which, among other things, includes separating the different layers of the casings. Developing new water savings methods are a strategic focus area for DAT-Schaub A/S whilst always ensuring that veterinary conditions are considered. The new production facilities in Esbjerg have made it possible to achieve water savings in different parts of the production process. Furthermore, new equipment for chemical and mechanical pre-cleaning of waste water minimise the amount of sludge.

Research and development activities

The company has no actual research but performs some development activities both within casing production and within ingredients. In the casing production efforts are made to develop new products and production processes, and measures targeting our customers' production economy are also in focus.

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.

In cooperation with Refugee Centre and Learn Danish DAT-Schaub A/S has contributed in the integration of Syrian refugees by having refugees in work practice at DAT-Schaub A/S. The Syrian refugees have been working 4 hours each day and learning Danish the rest of the day.

After the practice period DAT-Schaub A/S has employed 4 of the refugees and 1 is still in work practice.

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. A more detailed description of the Danish Crown Group's social responsibility can be found in the CSR section on <http://www.danishcrown.com/Danish-Crown/CSR/What-we-want-to-do.aspx>.

Report on gender composition of management

In 2015/16 the board of directors of DAT-Schaub A/S adopted a new target for the percentage of women in the board of directors. The target for 2020 is 10 per cent. At the end of 2015/16, the percentage amounted to 0 per cent.

In addition, it is the company's policy to increase the percentage of women at other management levels. The percentage of women in a managerial role is 14 per cent at the end of 2015/16 an increase of 3 percentage points compared to 2014/15.

Events after the balance sheet date

No important events have occurred after the balance sheet date.

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 remain unchanged from last year.

Consolidated financial statements

Unlike last year 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. Therefore, comparison to last year's consolidated financial statements is not applicable. Comparative figures have been adapted in the Annual report of DAT-Schaub A/S for 2015/16. DAT-Schaub A/S is included in the consolidated financial statements for Leverandørselskabet Danish Crown AmbA.

Material uncertainty related to recognition and measurement

Inventories

When estimating the net realisable value of casing inventories, the management assess the expected selling price less completion costs and costs incurred to execute the sale. Inventories are valued 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.

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. In this connection the management makes an estimate of the coming years' earnings based on budgets and forecasts. The company's deferred tax assets primarily relates to future taxable depreciations on intangible and tangible assets.

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.

1. Accounting policies (continued)

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.

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 fairvalue 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.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature viewed in relation to the DAT-Schaub A/S's primary activities.

Income from investment in group enterprises

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.

1. 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, 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.

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 enterprises 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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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 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.

1. Accounting policies (continued)

Tangible assets (continued)

The basis of depreciation is the cost less estimated residual value after the end of the useful life.

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:	5 years
Other tangible fixed assets:	5 years

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

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.

1. Accounting policies (continued)

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.

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.

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.

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 2015/16
(1 October 2015 - 30 September 2016)

	2015/2016	2014/2015
Note	T. DKK	T. DKK
Turnover	1 957,822	896,999
Production costs	2,3 <u>-826,569</u>	<u>-821,893</u>
Gross profit	131,253	75,106
Distribution costs	2.3 -41,071	-38,337
Administrative expenses	2,3,4 -40,661	-33,116
Amortisation of goodwill	3.7 <u>-8,401</u>	<u>-8,402</u>
Operating profit	41,120	-4,749
Income from investments in subsidiaries	145,130	167,504
Financial income/(expenses), net	5 <u>-29,176</u>	<u>-2,998</u>
Profit before tax	157,074	159,757
Tax on profit for the year	6 <u>-4,557</u>	<u>4,448</u>
Net profit for the year	<u>152,517</u>	<u>164,205</u>
Net profit at disposal		
Which is suggested distributed as follows		
Proposed dividend	150,000	0
Retained earnings	<u>2,517</u>	<u>164,205</u>
	<u>152,517</u>	<u>164,205</u>

Balance sheet at 30 September 2016

Assets		30.09.2016	30.09.2015
	Note	T. DKK	T. DKK
Goodwill	7	119,718	128,119
Intangible assets		119,718	128,119
Land and buildings	8	107,715	109,352
Plant and machinery	8	48,035	50,441
Other fixtures and fittings, tools and equipment	8	4,921	6,000
Assets under construction	8	3,490	3,157
Tangible assets		164,161	168,950
Investments in subsidiaries	9	646,182	659,395
Loans to affiliates	10	228,973	280,595
Financial assets		875,155	939,990
Non-current assets		1,159,034	1,237,059
Raw materials and consumables		39,057	35,243
Finished goods and goods for resale		163,574	249,842
Inventories		202,631	285,085
Loans to affiliates	11	412,565	253,785
Trade receivables		33,844	49,053
Receivables from affiliates		77,587	93,432
Receivables from associates		4,708	4
Other receivables		2,530	1,512
Prepayments	12	3,560	3,714
Income tax receivable	6	2,371	1,979
Total receivables		537,165	403,479
Cash		302	133
Current assets		740,098	688,697
Total assets		1,899,132	1,925,756

Balance sheet at 30 September 2016**Equity and liabilities**

	Note	30.09.2016 T. DKK	30.09.2015 T. DKK
Share capital	14,15	50,739	50,739
Retained earnings	15	499,426	496,909
Proposed dividend	15	150,000	0
Equity		700,165	547,648
Provision for deferred tax	13	2,003	1,858
Other provisions	16	20,000	20,000
Provisions		22,003	21,858
Subordinate loans	17,18	650,000	650,000
Credit institutions	18	154,621	465,595
Non-current liabilities		804,621	1,115,595
Subordinate loans	17	0	2,224
Credit institutions		47,486	74,884
Loans from affiliates	11	166,091	14,211
Trade payables		32,405	35,102
Payables to affiliates	17	72,211	68,552
Payables to associates		3,887	3,904
Other payables		28,431	28,685
Deferred income		21,832	13,093
Current liabilities		372,343	240,655
Liabilities		1,198,967	1,378,108
Equity and liabilities		1,899,132	1,925,756

Notes

1. Turnover
2. Staff costs
3. Depreciation, amortisation and impairment losses
4. Fees to the auditor elected by the Annual General Meeting
5. Financial income/(expenses), net
6. Tax
7. Intangible assets
8. Tangible assets
9. Investments in subsidiaries
10. Loans to affiliates
11. Cash pool
12. Prepayments
13. Deferred tax
14. Share capital
15. Equity
16. Other provisions
17. Subordinate loans
18. Non-current liabilities
19. Operating leases
20. Contingent liabilities

	2015/2016	2014/2015
	T. DKK	T. DKK
1. Turnover		
Distribution by markets	85,509	99,885
Sales to Denmark	307,975	276,955
Sales outside Denmark	564,338	520,159
Sales to affiliated companies	957,822	896,999
Group external sales outside Denmark in %	78%	73%
Sales of natural casings etc.	923,264	862,499
Sales of other product groups	34,558	34,500
	957,822	896,999
2. Staff costs		
The total salaries and wages etc. of DKK 250,958 thousand can be specified as follows:		
Salaries and wages	223,019	236,432
Defined contribution plans	17,473	18,514
Other employment and social security costs	10,466	9,889
	250,958	264,835
The staff costs are distributed as follows:		
Production costs	205,327	221,438
Distribution costs	15,498	15,732
Administrative expenses	30,133	27,665
	250,958	264,835
The Board of Directors and the management in DAT-Schaub A/S have received the following payment:		
The Board of Directors	528	521
The management	7,057	7,096
Average number of employees	550	601
Number of employees at the balance sheet date	519	581
3. Depreciation, amortisation and impairment losses		
Intangible assets	8,401	8,402
Tangible assets	25,781	30,835
	34,182	39,237
Depreciation, amortisation and impairment losses are distributed as follows:		
Production costs	19,640	26,654
Distribution costs	714	633
Administrative expenses	5,427	3,548
Amortisation of goodwill	8,401	8,402
	34,182	39,237

	2015/2016	2014/2015
	T. DKK	T. DKK
4. Fees to the auditor elected by the Annual General Meeting		
Deloitte:		
Statutory audit	321	371
Tax advice	20	10
Other services	22	39
	363	420

5. Financial income/(expenses), net

Interest income etc.	30,934	22,245
Interest expenses etc.	-57,006	-46,935
Profit/(loss) on foreign exchange, net	-3,104	21,692
	-29,176	-2,998

Interest income from subsidiaries totals DKK 19,581 thousand (DKK 14,688 thousand 2014/15) and interest expenses regarding affiliated companies total DKK 41,851 thousand (DKK 32,510 thousand in 2014/15).

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 receivable amounts to DKK 2,371 thousand (DKK 1,979 thousand in 2014/2015). DKK 3,163 thousand is to be received in April 2017.

The value of deferred tax liabilities totals DKK 2,003 thousand (DKK 1,858 thousand in 2014/15) 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.

	2015/2016	2014/2015
	T. DKK	T. DKK
Tax on the profit for the year	3,163	2,771
Change in deferred tax	-146	3,484
Adjustments re. previous years	-7,574	-1,807
	-4,557	4,448

7. Intangible assets

	Goodwill
	T. DKK
Cost as at 30 September 2015	168,025
Cost as at 30 September 2016	168,025
Amortisation at 30 September 2015	39,906
Amortisation recognised for the year	8,401
Amortisation at 30 September 2016	48,307
Carrying amount as at 30 September 2016	119,718
Amortisation rate	5%

	Land and buildings T. DKK	Plant and machinery T. DKK	Other tangible fixed assets T. DKK	Assets under construction T. DKK	Total tangible fixed assets T. DKK
8. Tangible assets					
Cost as at 30 September 2015	120,471	150,632	20,559	3,157	294,819
Additions	4,131	17,016	1,719	333	23,199
Disposals	0	-7,875	-1,025	0	-8,900
Transfers			0	0	0
Cost as at 30 September 2016	124,602	159,773	21,253	3,490	309,118
Depreciations at 30 September 2015	11,119	100,191	14,559	0	125,869
Disposals	0	-5,681	-1,012	0	-6,693
Depreciation	5,768	17,228	2,785	0	25,781
Depreciations at 30 September 2016	16,887	111,738	16,332	0	144,957
Carrying amount as at 30 September 2016	107,715	48,035	4,921	3,490	164,161
Depreciation percentage	0-5%	20%	20%		

	2015/2016 T. DKK	2014/2015 T. DKK
9. Investments in subsidiaries		
Cost as at 30 September 2015	659,395	650,936
Additions	0	9,872
Disposals	-13,213	-1,413
Cost as at 30 September 2016	646,182	659,395
Carrying amount as at 30 September 2016	646,182	659,395

In accordance with the Danish Financial Statements Act § 72 net result and equity are only specified for subsidiaries having published annual reports. As the annual reports for 2015/16 has not yet been published, the figures for 2014/15 are included in the table below:

	Year	Currency	Net result	Equity
DAT-Schaub (PORTO) S.A.	2014-15	EUR	1,848	7,535
Arne B. Corneliussen AS	2014-15	NOK	11,688	20,805
Oy DAT-Schaub Finland AB	2014-15	EUR	-26	3,372
Thomeko Oy	2014-15	EUR	142	1,085
Thomeko Eesti Oü	2014-15	EUR	56	1,191
DAT-Schaub AB	2014-15	SEK	4,178	6,075
DAT-Schaub (Deutschland) GmbH	2014-15	EUR	0	21,047
DAT-Schaub Polska Sp. z o.o.	2014-15	PLN	5,485	21,508
DAT-Schaub (UK) Ltd.	2014-15	GBP	2,632	6,511
DAT-Schaub Casings (Australia) Pty Ltd.	2014-15	AUD	19	200
Waikiwi Casings Ltd.	2014-15	NZD	-199	2,139
DAT-Schaub New Zealand Ltd	2014-15	NZD	0	0

9. Investments in subsidiaries

Group structure is specified below:

Company name	Country	Currency	Registered capital	Ownership %
DAT-Schaub (PORTO) S.A.	Portugal	EUR	400,000	100.0
DAT-Schaub USA Inc.	US	USD	100,000	100.0
DAT-Schaub France S.A.S.	France	EUR	500,000	100.0
Trissal S.A.	Portugal	EUR	11,000	50.0 D
Arne B. Corneliusen AS	Norway	NOK	2,000,000	100.0
Oy DAT-Schaub Finland Ab	Finland	EUR	168,000	100.0
Thomeko OY	Finland	EUR	653,718	82.5
Thomeko Eesti OÜ	Estonia	EUR	12,783	82.5
DAT-Schaub AB	Sweden	SEK	600,000	100.0
DAT-Schaub (Deutschland) GmbH	Germany	EUR	100,000	100.0
Gerhard Küpers GmbH	Germany	EUR	25,600	100.0
DIF Organveredlung Gerhard Küpers GmbH & Co. KG	Germany	EUR	1,023,000	100.0
CKW Pharma-Extrakt Beteiligungs- und Verwaltungs GmbH	Germany	EUR	25,600	50.0
CKW Pharma-Extrakt GmbH & Co. KG	Germany	EUR	550,000	50.0
DAT-Schaub Polska Sp. z o.o.	Poland	PLN	500,000	100.0
DAT-Schaub (UK) Ltd.	UK	GBP	100,000	100.0
Trunet Packaging Services Ltd.	UK	GBP	1,000	50.0 J
Oriental Sino Limited	Hong Kong	HKD	5,000,000	45.0 A
Yancheng Lianyi Casing Products Co. Ltd.	China	USD	150,000	33.0 A
Jiangsu Chongan Plastic Manufacturing Co. Ltd.	China	CNY	10,000,000	19.4 A
Yancheng Xinyu Food Products Ltd.	China	USD	10,000	33.0 A
Yancheng Huawei Food Products Ltd.	China	USD	2,000,000	33.0 A
DAT-Schaub Casings (Australia) Pty Ltd.	Australia	AUD	10	100.0
DAT-Schaub Holdings USA, Inc.	US	USD	3,000,000	100.0
DCW Casing LLC	US	USD	29,000,000	51.0
Taizhou CAI Food Co.	China	USD	50,000	37.5 A
Waikiwi Casings Ltd.	New Zealand	NZD	3,565,000	100.0
DAT-Schaub New Zealand Ltd.	New Zealand	NZD	100	100.0 D

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.

10. Loans to affiliates

	<u>2015/2016</u>	<u>2014/2015</u>
	T. DKK	T. DKK
Cost as at 30 September 2015	280,595	255,102
Additions	0	25,493
Disposals	-51,622	0
Cost as at 30 September 2016	<u>228,973</u>	<u>280,595</u>
Carrying amount as at 30 September 2016	<u>228,973</u>	<u>280,595</u>

11. 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.

12. Prepayments

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

13. Deferred tax

	Deferred tax as at 1 October 2015 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 2016 T. DKK
2015/16				
Intangible assets	-10,598	0	-1,995	-12,593
Tangible assets	5,490	5,662	-2,513	8,639
Financial assets	426	0	-68	358
Current assets	2,586	0	-1,438	1,148
Current liabilities	238	0	207	445
	-1,858	5,662	-5,807	-2,003
	Deferred tax as at 1 October 2014 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 2015 T. DKK
2014/15				
Intangible assets	-8,602	0	-1,996	-10,598
Tangible assets	1,153	4,401	-64	5,490
Financial assets	-102	0	528	426
Current assets	1,759	0	827	2,586
Current liabilities	451	0	-213	238
	-5,341	4,401	-918	-1,858

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.

	Share capital T. DKK	Retained earnings T. DKK	Proposed dividend T. DKK	Total equity T. DKK
15. Equity				
Equity at 30 September 2015	50,739	496,909	0	547,648
Profit for the year	0	2,517	150,000	152,517
Equity at 30 September 2016	50,739	499,426	150,000	700,165

Ownership

During the year Danish Crown A/S bought Tican A/S' shares in DAT-Schaub A/S. Danish Crown A/S now owns DAT-Schaub A/S 100%.

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 required by contacting the Company.

16. Other provisions

	2015/2016 T. DKK
Other provisions at 30 September 2015	20,000
Other provisions at 30 September 2016	20,000

Other provisions comprise provisions for specific market risk.

Time of maturity for provisions is expected to be:

Between 1 and 5 years	20,000
	20,000

17. Subordinate loans

	2015/2016 T. DKK	2014/2015 T. DKK
Debt to affiliated company	650,000	595,845
Debt to others	0	54,155
Accrued interests, affiliated company	26,697	24,473
Accrued interests, others	0	2,224
	676,697	676,697

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 5.4561 percent at present until the next interest-fixing date in December 2016. The lender cannot terminate the loan which falls due in December 2020. The debt is subordinated to other creditors. When buying Tican A/S' shares in DAT-Schaub A/S in June 2016, Danish Crown also took over Tican A/S' part of the subordinate loan to DAT-Schaub A/S.

18. Non-current liabilities

None (DKK 650,000 thousand in 2014/15) of the total non-current liabilities of DKK 804,621 thousand (DKK 1,111,595 thousand in 2014/15) falls due after 5 years from the balance sheet day.

19. Operating leases

Future minimum lease payments in respect of non-cancellable leases comprise:

	2015/2016	2014/2015
	T. DKK	T. DKK
Within one year of the balance sheet date	6,779	6,773
Between one and five years of the balance sheet date	11,810	12,205
After five years of the balance sheet date	8,572	10,844
	27,161	29,822
Minimum lease payments recognised in net profit for the year	6,948	7,439

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

20. Contingent liabilities

DAT-Schaub A/S has issued guarantees regarding rental obligations for some subsidiaries. At 30 September 2016 the obligation amounted to DKK 3,541 thousand.

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.

