


# DAT-SCHAUB A/S

## ANNUAL REPORT 2016/17

Flaesketorvet 41, 1711 Copenhagen V  
CVR Nr. 33353170

The annual report has been presented and approved  
at the company's annual general meeting on  
23 November 2017



Anne Sophie Friis  
Chairman of the meeting



DAT-Schaub

# DAT-SCHAUB A/S

Central Business Registration no: 33 35 31 70

## ANNUAL REPORT 2016/17

### 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 2016/17	17
Balance sheet at 30 September 2017	18-19
Statement of Equity at 30 September 2017	20
Notes	21-28

## **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](mailto:info@dat-schaub.dk)  
Web [www.dat-schaub.com](http://www.dat-schaub.com)

## **Board of Directors**

Jais Valeur (Chairman)  
Anders Wilhjelm  
Erik Larsen  
Hans Christian Ambjerg  
Palle Joest Andersen  
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 2016 to 30 September 2017.

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 2017 and of the results of its operations for the financial year 1 October 2016 to 30 September 2017.

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, 23 November 2017

### Executive Board

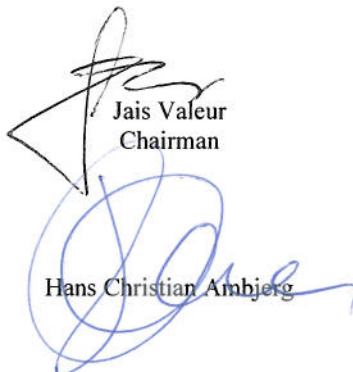


Jan Roelsgaard  
Managing Director, CEO

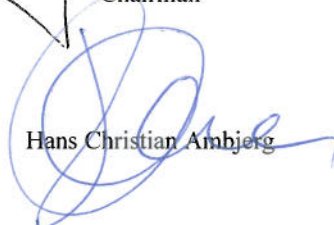


Morten Fredborg Andreassen  
Group CFO


### Board of Directors



Jais Valeur  
Chairman



Hans Christian Ambjerg



Anders Wilhjelm



Erik Larsen



Palle Joest Andersen



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 2017, and of the results of the Company's operations for the financial year 1 October 2016 - 30 September 2017 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 2016 - 30 September 2017, 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, 23 November 2017  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

  
Claus Lindholm Jacobsen  
State Authorised Public Accountant

  
Tue Stensgård Sørensen  
State Authorised Public Accountant

## Management commentary

### Financial highlights

	2016/17	2015/16	2014/15	2013/14	2012/13
<b>T. DKK</b>					
<i>Income statement</i>					
Turnover	926,016	957,822	896,999	989,949	1,014,608
Operating profit	68,964	41,120	-4,749	23,083	29,597
Net financials	-32,263	-29,176	-2,998	-23,795	-38,420
Profit before tax	152,219	157,074	159,757	108,925	46,820
Net profit for the year	147,004	152,517	164,205	101,145	49,237
<i>Balance sheet</i>					
Total assets	1,840,710	1,899,132	1,925,756	1,701,339	1,638,503
Investments in tangible assets	11,948	23,199	77,063	34,659	18,823
Equity	697,169	700,165	547,648	483,443	482,298
Subordinate loans	650,000	650,000	650,000	650,000	650,000
Solvency rate in % of total assets	38%	37%	28%	28%	29%
Solvency rate in % of total assets, including subordinate loan	73%	71%	62%	67%	69%
Return on Equity	21%	24%	32%	21%	10%
Average number of full-time employees	527	550	601	617	594

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 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.

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 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 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.

DAT-Schaub A/S's hog casing business is based on supply of raw material from Danish pigs. Like in 2015/16 the number of killings at Danish Crown slaughterhouses has decreased in 2016/17. Combined with last year's loss of Tican supplies the access to Danish raw materials has been reduced. In order to substitute Danish raw materials with raw materials from other countries different activities were started, including an investment in DAT-Schaub Gallent S.L., a new subsidiary in Spain.

The increased purchase prices for hog casings on the world market continued into 2016/17. 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 despite declining raw material supply.



The market for sheep casings stabilized in 2016/17 compared to the challenging market conditions in 2015/16. This resulted in a stable though lower turnover combined with an improvement in margins for sheep casings.

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

Despite the declining supply of raw materials DAT-Schaub A/S managed to sustain turnover at a satisfying level. Turnover developed from DKK 958 million to DKK 926 million. The gross profit increased from DKK 131 million to DKK 159 million. Continued improvements in distribution and administrative functions led operating profit to increase from DKK 41 million to DKK 69 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 developed from DKK 145 million to DKK 116 million. The financial costs net have increased from DKK 29 million to DKK 32 million.

The net profit of the year ended at DKK 147 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 increased from DKK 646 million to DKK 648 million. The total assets amounts to DKK 1,840 million against last year DKK 1,899 million. Equity decreased from DKK 700 million to DKK 697 million.

### **Profit for the year in relation to expected developments**

Turnover decreased in 2016/17 as expected in last year's outlook. However the improvement in gross profit for especially hog casings led to an increase in operating profit that was not expected at the beginning of the year. Income from investments ended as expected on a lower level. Net profit for 2016/17 was lower than 2015/16, which was in line with the outlook.

### **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 2017/18

Management focus is aimed at the continued challenge of securing high quality supply of hog casings. The positive development in margins for sheep casings are expected to continue into 2017/18. Turnover is expected to remain at the same level as in 2016/17.

The parent company of DAT-Schaub A/S, Danish Crown A/S is continuing its focus on maximising the use of by-products. As a consequence the business activity of Danish Crown Ingredients is handled by DAT-Schaub A/S from the beginning of 2017/18. This will lead to increased costs impacting operating profit negatively.

Income from investments in subsidiaries is expected to remain on the same level as in 2016/17.

Taking the above mentioned into consideration DAT-Schaub A/S does not expect the net profit in 2017/18 to reach the level of current year. However the agreement to sell the shares in our Norwegian subsidiary as described in note 22 may have a potential positive impact on the net profit for 2017/18.

## 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 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 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 2016/17 DAT-Schaub A/S contacted the local Municipality in Esbjerg concerning the use of excess salt from the production. Previously this salt was not re-used but sent for destruction. Now DAT-Schaub A/S gives the salt to the Municipality, resulting in savings as the salt, after a rinsing process, becomes a part of the salt used for preventing icing on the public roads in the wintertime.

## **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 Refuge Centre and Learn Danish DAT-Schaub A/S contributed in the integration of Syrian refugees by having refugees in work practice at DAT-Schaub A/S in the financial year 2015-16. After the practice period DAT-Schaub A/S employed 4 of the refugees who are still working for DAT-Schaub A/S.

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. 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. DAT-Schaub A/S is subject to these targets and policies, why reference to the Annual report of Danish Crown Amba is made for further details.

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

The amendments to the Danish Financial Statements Act, which enter into force on 1 January 2016, have not affected the company's assets, liabilities and financial position per 30 September 2017 but only provided additional information in the annual report.

### 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 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.

#### 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.

## 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.

### **Related parties**

Related party transactions have taken place on normal market terms, and therefore no information about transactions with related parties is disclosed in the financial statements.

### **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 2016/17**  
(1 October 2016 - 30 September 2017)

		<b>2016/2017</b>	<b>2015/2016</b>
	<b>Note</b>	<b>T. DKK</b>	<b>T. DKK</b>
Turnover	1	926,016	957,822
Production costs	2,3	<u>-766,591</u>	<u>-826,569</u>
<b>Gross profit</b>		<b>159,425</b>	<b>131,253</b>
Distribution costs	2,3	-40,091	-49,472
Administrative expenses	2,3	<u>-50,370</u>	<u>-40,661</u>
<b>Operating profit</b>		<b>68,964</b>	<b>41,120</b>
Income from investments in subsidiaries		115,518	145,130
Financial income	4	46,614	86,296
Financial expenses	5	<u>-78,877</u>	<u>-115,472</u>
<b>Profit before tax</b>		<b>152,219</b>	<b>157,074</b>
Tax on profit for the year	6	<u>-5,215</u>	<u>-4,557</u>
<b>Net profit for the year</b>		<b><u>147,004</u></b>	<b><u>152,517</u></b>

**Balance sheet at 30 September 2017**

Assets		30.09.2017	30.09.2016
	Note	T. DKK	T. DKK
Goodwill	8	111,317	119,718
<b>Intangible assets</b>		<b>111,317</b>	<b>119,718</b>
Land and buildings	9	101,947	107,715
Plant and machinery	9	40,156	48,035
Other fixtures and fittings, tools and equipment	9	3,451	4,921
Assets under construction	9	4,079	3,490
<b>Tangible assets</b>		<b>149,633</b>	<b>164,161</b>
Investments in subsidiaries	10	648,066	646,182
Loans to affiliates	11	216,201	228,973
<b>Financial assets</b>		<b>864,267</b>	<b>875,155</b>
<b>Non-current assets</b>		<b>1,125,217</b>	<b>1,159,034</b>
Raw materials and consumables		36,017	39,057
Finished goods and goods for resale		166,898	163,574
<b>Inventories</b>		<b>202,915</b>	<b>202,631</b>
Loans to affiliates	12	380,937	412,565
Trade receivables		30,312	33,844
Receivables from affiliates		96,065	77,587
Receivables from associates		189	4,708
Other receivables		545	2,530
Prepayments	13	3,520	3,560
Income tax receivable	6	0	2,371
<b>Total receivables</b>		<b>511,568</b>	<b>537,165</b>
<b>Cash</b>		<b>1,010</b>	<b>302</b>
<b>Current assets</b>		<b>715,493</b>	<b>740,098</b>
<b>Total assets</b>		<b>1,840,710</b>	<b>1,899,132</b>

**Balance sheet at 30 September 2017**

<b>Equity and liabilities</b>	<b>Note</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
		<b>T. DKK</b>	<b>T. DKK</b>
Share capital	14	50,739	50,739
Retained earnings		496,430	499,426
Proposed dividend		150,000	150,000
<b>Equity</b>		<b>697,169</b>	<b>700,165</b>
Provision for deferred tax	15	3,020	2,003
Other provisions		0	20,000
<b>Provisions</b>		<b>3,020</b>	<b>22,003</b>
Subordinate loans	16	650,000	650,000
Credit institutions	17	145,791	154,621
<b>Non-current liabilities</b>		<b>795,791</b>	<b>804,621</b>
Credit institutions		44,656	47,486
Loans from affiliates	12	123,841	166,091
Trade payables		27,514	32,405
Payables to affiliates	16	74,558	72,211
Payables to associates		4,058	3,887
Other payables		27,084	28,431
Deferred income		38,086	21,832
Income tax payable	6	4,933	0
<b>Current liabilities</b>		<b>344,730</b>	<b>372,343</b>
<b>Liabilities</b>		<b>1,143,541</b>	<b>1,198,967</b>
<b>Equity and liabilities</b>		<b>1,840,710</b>	<b>1,899,132</b>

**Statement of Equity at 30 September 2017**

	<b>Share capital T. DKK</b>	<b>Retained earnings T. DKK</b>	<b>Proposed dividend T. DKK</b>	<b>Total equity T. DKK</b>
<b>2016/17</b>				
Equity at 30 September 2016	50,739	499,426	150,000	<b>700,165</b>
Profit for the year	0	147,004	0	<b>147,004</b>
Dividend paid to the shareholders	0	0	-150,000	<b>-150,000</b>
Proposed dividend	0	-150,000	150,000	<b>0</b>
<b>Equity at 30 September 2017</b>	<b>50,739</b>	<b>496,430</b>	<b>150,000</b>	<b>697,169</b>
<b>2015/16</b>				
Equity at 30 September 2015	50,739	496,909	0	<b>547,648</b>
Profit for the year	0	152,517	0	<b>152,517</b>
Proposed dividend	0	-150,000	150,000	<b>0</b>
<b>Equity at 30 September 2016</b>	<b>50,739</b>	<b>499,426</b>	<b>150,000</b>	<b>700,165</b>

**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 required 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. Related parties
22. Events after the balance sheet date

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
<b>1. Turnover</b>		
Distribution by markets		
Sales to Denmark	75,366	85,509
Sales outside Denmark	324,644	307,975
Sales to affiliated companies	526,006	564,338
	<b>926,016</b>	<b>957,822</b>
Group external sales outside Denmark in %	<b>81%</b>	<b>78%</b>
Sales of natural casings etc.	897,814	923,264
Sales of other product groups	28,202	34,558
	<b>926,016</b>	<b>957,822</b>
<b>2. Staff costs</b>		
The total salaries and wages etc. of DKK 239,099 thousand can be specified as follows:		
Salaries and wages	211,393	223,019
Defined contribution plans	16,390	17,473
Other employment and social security costs	11,316	10,466
	<b>239,099</b>	<b>250,958</b>
The staff costs are distributed as follows:		
Production costs	191,537	205,327
Distribution costs	15,795	15,498
Administrative expenses	31,767	30,133
	<b>239,099</b>	<b>250,958</b>
The Board of Directors and the management in DAT-Schaub A/S have received the following payment:		
The Board of Directors	444	528
The management	6,824	7,057
Average number of employees	527	550
Number of employees at the balance sheet date	536	519
<b>3. Depreciation, amortisation and impairment losses</b>		
Intangible assets	8,401	8,401
Tangible assets	24,686	25,781
	<b>33,087</b>	<b>34,182</b>
Depreciation, amortisation and impairment losses are distributed as follows:		
Production costs	21,251	19,640
Distribution costs	9,015	9,115
Administrative expenses	2,821	5,427
	<b>33,087</b>	<b>34,182</b>

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
<b>4. Financial income</b>		
Interest income etc.	20,332	30,934
Gain on foreign exchange rate	26,282	55,362
	<b>46,614</b>	<b>86,296</b>

Interest income from subsidiaries totals DKK 15,414 thousand (DKK 19,581 thousand 2015/16).

#### 5. Financial expenses

Interest expenses etc.	-44,589	-57,006
Loss on foreign exchange rate	-34,288	-58,466
	<b>-78,877</b>	<b>-115,472</b>

Interest expenses regarding affiliated companies total DKK 36,753 thousand (DKK 41,851 thousand in 2015/16).

#### 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 4,933 thousand (DKK 2,371 thousand receivable in 2015/2016). DKK 4,141 thousand is to be paid in April 2017.

The value of deferred tax liabilities totals DKK 3,020 thousand (DKK 2,003 thousand in 2015/16) 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.

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
Tax on the profit for the year	-4,141	3,163
Change in deferred tax	-1,017	-146
Adjustments re. previous years	-57	-7,574
	<b>-5,215</b>	<b>-4,557</b>

#### 7. Net profit at disposal

The net profit is suggested distributed as follows

Proposed dividend	150,000	150,000
Retained earnings	-2,996	2,517
	<b>147,004</b>	<b>152,517</b>



	<u>Goodwill</u> <u>T. DKK</u>
<b>8. Intangible assets</b>	
Cost as at 30 September 2016	168,025
<b>Cost as at 30 September 2017</b>	<b>168,025</b>
Amortisation at 30 September 2016	48,307
Amortisation recognised for the year	8,401
<b>Amortisation at 30 September 2017</b>	<b>56,708</b>
<b>Carrying amount as at 30 September 2017</b>	<b>111,317</b>
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.

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Other tangible fixed assets</b>	<b>Assets under construction</b>	<b>Total tangible fixed assets</b>
	<b>T. DKK</b>	<b>T. DKK</b>	<b>T. DKK</b>	<b>T. DKK</b>	<b>T. DKK</b>
<b>9. Tangible assets</b>					
Cost as at 30 September 2016	124,602	159,773	21,253	3,490	309,118
Additions	0	10,239	1,120	589	11,948
Disposals	0	-1,539	-1,032	0	-2,571
<b>Cost as at 30 September 2017</b>	<b>124,602</b>	<b>168,473</b>	<b>21,341</b>	<b>4,079</b>	<b>318,495</b>
Depreciations at 30 September 2016	16,887	111,738	16,332	0	144,957
Disposals	0	-222	-559	0	-781
Depreciation	5,768	16,801	2,117	0	24,686
<b>Depreciations at 30 September 2017</b>	<b>22,655</b>	<b>128,317</b>	<b>17,890</b>	<b>0</b>	<b>168,862</b>
<b>Carrying amount as at 30 September 2017</b>	<b>101,947</b>	<b>40,156</b>	<b>3,451</b>	<b>4,079</b>	<b>149,633</b>
Depreciation percentage	0-5%	10-50%	20%		

	<u>2016/2017</u> <u>T. DKK</u>	<u>2015/2016</u> <u>T. DKK</u>
<b>10. Investments in subsidiaries</b>		
Cost as at 30 September 2016	646,182	659,395
Additions	1,884	0
Disposals	0	-13,213
<b>Cost as at 30 September 2017</b>	<b>648,066</b>	<b>646,182</b>
<b>Carrying amount as at 30 September 2017</b>	<b>648,066</b>	<b>646,182</b>

## 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 2016/17 has not yet been published, the figures for 2015/16 are included in the table below:

	Year	Currency	Net result	Equity
DAT-Schaub (PORTO) S.A.	2015-16	EUR	1,069	6,854
Arne B. Corneliussen AS	2015-16	NOK	11,775	22,581
Oy DAT-Schaub Finland AB	2015-16	EUR	-29	3,343
Thomeko Oy	2015-16	EUR	291	1,376
Thomeko Eesti Oü	2015-16	EUR	40	1,231
DAT-Schaub AB	2015-16	SEK	2,796	4,471
DAT-Schaub (Deutschland) GmbH	2015-16	EUR	-	19,835
DAT-Schaub Polska Sp. z o.o.	2015-16	PLN	8,947	20,455
DAT-Schaub (UK) Ltd.	2015-16	GBP	1,550	5,263
DAT-Schaub Casings (Australia) Pty Ltd.	2015-16	AUD	-10	191

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
Arne B. Corneliussen AS	Norway	100.0
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	33.0 A
Jiangsu Chongan Plastic Manufacturing Co. Ltd.	China	19.4 A
Yancheng Xinyu Food Products Ltd.	China	33.0 A
Yancheng Huawei Food Products Ltd.	China	33.0 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

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](http://www.danishcrown.dk).

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
<b>11. Loans to affiliates</b>		
Cost as at 30 September 2016	228,973	280,595
Disposals	-12,772	-51,622
<b>Cost as at 30 September 2017</b>	<b>216,201</b>	<b>228,973</b>
<b>Carrying amount as at 30 September 2017</b>	<b>216,201</b>	<b>228,973</b>

## 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

	<b>Deferred tax as at 1 October 2016 T. DKK</b>	<b>Changes in respect of previous years T. DKK</b>	<b>Recognised in net profit for the year T. DKK</b>	<b>Deferred tax as at 30 September 2017 T. DKK</b>
<b>2016/17</b>				
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
	<b>-2,003</b>	<b>213</b>	<b>-1,230</b>	<b>-3,020</b>
<b>2015/16</b>				
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
	<b>-1,858</b>	<b>5,662</b>	<b>-5,807</b>	<b>-2,003</b>



	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
<b>16. Subordinate loans</b>		
Debt to affiliated company	650,000	650,000
Accrued interests, affiliated company	22,594	26,697
	<b>672,594</b>	<b>676,697</b>

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 795,791 thousand (DKK 804,621 thousand in 2015/16) falls due after 5 years from the balance sheet day.

### 18. Operating leases

Future minimum lease payments in respect of non-cancellable leases

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>T. DKK</b>	<b>T. DKK</b>
Within one year of the balance sheet date	6,893	6,779
Between one and five years of the balance sheet date	13,058	11,810
After five years of the balance sheet date	6,265	8,572
	<b>26,216</b>	<b>27,161</b>
Minimum lease payments recognised in net profit for the year	<b>7,206</b>	<b>6,948</b>

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

DAT-Schaub A/S has 2 money market loans totalling USD 12 million with a variable 3 month interest rate. The following financial instrument have been made in relation to these loans:

	Receive	Pay	Expiry
Interest Rate Swap from variable interest into fixed rate of interest	USD variable	USD fixed	
	rate interest	rate interest	March 2018

## 20. Contingent liabilities

DAT-Schaub A/S has issued guarantees regarding rental obligations for some subsidiaries. At 30 September 2017 the obligation amounted to DKK 3,404 thousand. Furthermore, DAT-Schaub A/S has issued Performance guarantees in relation to the sale of machines for EUR 293k (T.DKK 2,177) 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 8,237).

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. Related parties

The exemption in the Danish Financial Statement Act paragraph 98c (7) is applied. Related-party transactions are made on arm's length terms.

## 22. Events after the balance sheet date

On 25 October 2017 DAT-Schaub A/S signed an agreement to sell all the shares in the Norwegian subsidiary Arne B. Corneliussen AS to Orkla Food Ingredients. The sale is contingent on approval from the Norwegian Competition Authority. If the sale of shares will come into effect it is expected to have a positive impact on Net profit for 2017/18.